

# CITY COUNCIL REPORT



Meeting Date: **February 26, 2013**  
 Charter Provision: ***Provide for the orderly government and administration of the affairs of the City***  
 Objective: ***Adopt Budgets***

## **ACTION**

### **Active and Retired Employee Medical Plans and Premiums.**

Adopt Resolution No. 9313 authorizing:

- 1) Fiscal Year ("FY") 2013/14 medical and dental plan contribution rates for active and retired employees, and
- 2) Payment of an incentive to active employees who are covered for medical benefits and participate in the City's wellness screening program.

## **BACKGROUND**

Scottsdale Revised Code (S.R.C.) 14-102 authorizes employee group health insurance and requires City Council to authorize employee contributions towards the cost of providing coverage. In addition, S.R.C. 14-104 states that "it is the policy of the city to promote the health and well-being of its employees." City-provided medical plans, in conjunction with the medical leave and employee wellness ("Live Life Well") programs are designed for that purpose.

The City is self-insured for three medical benefit plans and one of two dental benefit plans. The City currently contracts with Aetna, Inc. to provide medical and prescription drug networks, discounts and related administrative services for the City's three medical plans:

1. City of Scottsdale Aetna Select Plan
2. City of Scottsdale Aetna Choice POS II Plan
3. City of Scottsdale Aetna Choice POS II + HSA Plan

These plans are designed to meet the diverse needs and circumstances of participants. The Select Plan is distinguished from a traditional HMO plan because members have full access to network specialists without the added cost and requirement for physician referrals. The Choice POS II Plan provides comprehensive in and out of network benefits and the Choice POS II + HSA Plan provides a lower premium/high deductible medical plan which qualifies for an employee funded health savings account feature. A brief comparison chart is included as Attachment 2.

In January 2013, there were 2,302 enrollees (2,229 active and 73 retired) in the three medical plans (Attachment 3) with 84 percent enrolled in the Select Plan, 12 percent enrolled in the Choice POS II Plan and 4 percent enrolled in the Choice POS II + HSA Plan. Additionally, nearly 3,700 dependents are enrolled and 160 active employees have opted out of medical coverage.

During 2011 and the first part of 2012, costs associated with active and retired employee medical claims increased significantly. Hays Companies of Arizona ("Hays"), the City's benefits advisor, and Aetna identified a number of factors which contributed to this increase including an increase in the number of high cost, high intensity claims; an increase in the usage of high cost specialty drugs; as well as ordinary medical and pharmacy price increases experienced in the Maricopa County market area. As a result, an overall rate increase of 24 percent (17 percent for employees and 82 percent for retirees) was implemented for FY 2012/13. This increase together with other structural changes made last year has stabilized plan costs and premiums currently collected for FY 2012/13 have proven to be sufficient to cover claims and administration costs. Attachment 4 provides estimated premium versus costs from 2008-2012.

**Active employees** - For the active employee group, premiums have been raised each of the last three fiscal years.

- In FY 2010/11, the first year of a two-year phase-in of increased employee cost sharing was implemented.
- In FY 2011/12, premiums were increased eight percent across-the-board, and the second year of increased cost sharing was implemented with single employees paying 15 percent, and the City paying 85 percent. Also, in FY 2011/12, cost sharing for those employees who opt to cover dependents (spouse/partner, children, or family), was increased for the dependent portion to 25 percent for employees and 75 percent for the City.
- In FY 2012/13, an overall 17 percent premium increase was required, the pricing among the plans was realigned and a consumer driven health savings account option was added.

**Retired employees** - Retired employees are eligible to participate in the City's medical plans until age 65. As of January 2013, there are 73 retired employees (including 31 accidental disability retirees), which compromise 3.2 percent of total enrollment. Historically, it had been the City's practice to charge retirees a premium equal to the blended average cost for the combined active and retired employee populations. As a result, premiums paid by retired employees were substantially lower than the actual cost of the retired employee group, creating shortfalls that were borne primarily by the City and to a lesser extent, active employees. However, in 2011 City Council authorized a two-year implementation of retired employee medical rates to recover the full expected cost of retired employee benefits from all retirees other than accidental disability retirees.

For FY 2011/12 rates applicable to retired employees were increased by 31 percent and another 82 percent rate increase was implemented last year. As a result, the price of the City's medical plans is higher than the price charged by the State retirement systems for comparable coverage. Over the past year retiree enrollment in the City medical plans has decreased from 270 to 73 as most City retirees have opted to enroll in the State plan, or other plan for which they are eligible.

## **ANALYSIS & ASSESSMENT**

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On an ongoing basis, a team consisting of staff from the Human Resources Department, the Finance and Accounting Division and the City Manager's Office analyze, review and discuss the performance of the City's medical insurance plans with Hays representatives. This analysis includes a review of claims and cost history, national trends and benefit and premium rates established by other Valley cities. This information is used to develop the annual premium contribution rates, as well as any other proposed plan design changes.

**Overall premium increases needed** - Hays reviewed City medical claims experience and forecast a premium increase amounting to approximately \$1.4 million or six percent for both the active and retired groups to cover expected claim cost increases. For active employees, the increase amounts to \$1.38 million and for non-accidental disability retired employees the increase amounts to \$60,000. Included in this increase is overall health care trend (inflation) of 8.7 percent. Also included is a federally required reinsurance fee of \$5.25 per covered person per month (\$380,000 annually) that becomes effective on January 1, 2014 under health care reform. No rate change is being proposed for either of the two dental plans.

**Medical Plan Design Changes** – There is only one medical plan design change being recommended (Exhibit D). It involves increasing the deductibles under the Aetna Choice POS II + HSA Plan from \$1,200 single and \$2,400 family to \$1,250 single and \$2,500 family. This change is required by IRS regulations that establish \$1,250/\$2,500 as the lowest deductible amounts allowed in order to qualify as a high deductible health care plan. FY 2013/14 is the last year of our current contract with Aetna to provide medical benefits. Over the next year the City will work with Hays to conduct an RFP process that will identify a medical plan vendor and plan changes that will become effective on July 1, 2014.

**Active Employee Medical Premium Contribution Rates for FY 2013/14** – Hays forecast indicates a six percent rate increase totaling \$1.38 million is necessary. This will be accomplished by increasing both the City and employee portions of the premium for each medical Plan by six percent. The City portion of the increase will be approximately \$1 million. The proposed rates (Exhibit A) will generate funds to pay an incentive to employees who participate in a wellness screening program. Further information on the City's Live Life Well worksite wellness program is contained later in this report.

Comparing proposed contributions paid by Scottsdale employees for the Aetna Select Plan with contributions currently paid by employees of the seven other largest cities in the Phoenix metropolitan area for comparable coverage, implementing a six percent increase will position the City right in the middle of the pack. Scottsdale will be the fourth highest of eight cities for employee only coverage, seventh highest for employee and child coverage, sixth highest for employee and spouse coverage and fourth highest for family coverage.

**Retiree Medical Rates for FY 2013/14** – As discussed earlier, in 2011 the City Council authorized a two-year implementation of retired employee medical rates that reflect the full expected cost of their claims. As a result, retiree rates were increased by 31 percent and 82 percent respectively over the past two years. For FY 2013/14 Hays forecast indicates a six percent rate increase totaling \$60,000 to be paid by retirees is necessary. Accordingly, rates for all three of the medical plans (Exhibit B) will be raised by six percent.

**Public Safety Accidental Disability Retirees** – For the past two years Council authorized charging current and future Public Safety Personnel Retirement System (PSPRS) accidental disability retirees the medical plan premium applicable to employees rather than the medical plan premium applicable to retirees. Further background on this subject can be found in Attachment 5. Based on Hays projections, it is estimated that about \$263,000 in annual claims and expenses in excess of premiums collected will be borne by the City for 31 disabled retirees in FY 2013/14. This amounts to approximately \$8,400 per retiree participant. In 2012 the estimated annual cost borne by the

City was \$213,000. For 2013/14, the continuation of this policy for qualifying accidental disability retirees is presumed. Rates applicable to this group of retirees are shown in Exhibit C.

**Live Life Well Program Background** – The City's Live Life Well initiative began approximately five years ago in order to promote overall employee health and encourage preventive care, nutrition and exercise. Being self-insured, the City's medical benefit costs are directly impacted by the health status of employees and families. A goal of Live Life Well is to improve health by helping employees make life style changes and become better health care consumers. Simply put, unhealthy employees cost more than healthy employees.

Research shows that incentives drive wellness program participation, participation drives trend changes and trend changes drive cost. According to the American Journal of Health Promotion, a study conducted through Harvard University found that wellness programs have the effect of reducing medical plan costs on the average of \$3.27 for every dollar spent. Other large employers who have offered wellness programs for an extended period of time report that they receive returns on investment ranging from 2:1 to 6:1. The by-product of a successful wellness program is improved employee productivity and better management of health care costs.

Through the efforts of Live Life Well and City employees, the City of Scottsdale has been recognized by the Phoenix Business Journal as one of the Valley's healthiest employers for the past three years. Specific results of the City's Live Life Well program include the following:

- Conducting annual wellness screenings with a health risk assessment (HRA) which provide baseline information on the health of City employees. Participation has ranged from about 23 percent to about 45 percent, based largely on the amount of incentive paid.
- Live Life Well classes. Offerings include wellness/fitness classes, financial management classes offered by ICMA-RC, the City's deferred compensation plan administrator and behavioral health workshops conducted by CIGNA. For 2011/12, 306 class offerings were attended by 3,681 participants. These numbers have held steady over the past few years and are nearly double the participation experienced in the first year or two of the program.
- Walking, weight loss and smoking cessation programs.
- Operation of a Live Life Well intranet web site that includes wellness tips, an event calendar and healthy recipes for employee use.

Comparing 2011 wellness screening results to the screening done in 2010, there has been progress in reducing the number of employees who have preventable health risk factors. Aetna reports the following progress specifically tracking approximately 1,000 individuals who participated in the wellness screening program in both 2010 and 2011:

- Employees/spouses with stress reduced by 21 percent
- Employees/spouses with high blood sugar reduced by 72 percent
- Employees/spouses who are overweight/obese reduced by two percent
- Employee/spouses who use tobacco reduced by nine percent
- Employees/spouses with high blood pressure reduced by 16 percent
- Employees/spouses with high cholesterol reduced by 81 percent
- Employees/spouses with poor exercise habits reduced by 15 percent

**Live Life Well Program 2013/14 Recommendation** - As mentioned earlier in this report, FY 2013/14 rates will generate funding to pay an incentive for employees to participate in a wellness screening

initiative at a total estimated cost of \$187,000. This year covered employees and spouses are asked to have a wellness physician visit with their primary care physician and complete the Aetna health risk assessment between June 2012 and June 2013. Those who complete both of these activities will earn an incentive payment of \$120 for employee coverage or \$240 for employee and spouse coverage. The incentive is all or nothing for employee and spouse coverage, meaning both must participate in order to qualify for any incentive payment. It is important to include spouses because last year spouse medical costs increased at a rate greater than employee medical costs.

In previous years health screenings were done by Scottsdale Healthcare in various City facilities over a three week period in September and October. However, this year's program will require employees and spouses to receive a wellness exam from their own personal physician. This will encourage individuals to develop a relationship with their physician, result in more accurate lab and test results and, hopefully, result in improved follow-up care for medical problems that are identified.

These preventive care visits are covered under the City's medical plans at no cost to the employee. As in the past, Aetna will report the aggregate results of the effort and the City will use this information to identify Live Life Well program needs and measure progress made over time. Based on past experience participation in this initiative is expected to be about 40 percent and proposed rates will generate funding sufficient to cover payment of incentives and exams at this level. The incentive will be available to active employees (and their spouses) who are covered under the City medical plan but will not be available to either retirees or COBRA participants.

**Loss Trust Fund Board** – Proposed contribution rates for FY 2013/14 and the proposed incentive payment for participation in a wellness screening program were reviewed with the Loss Trust Fund Board at its January 31, 2013 meeting. The Board voted to accept both proposals.

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## **RESOURCE IMPACTS**

**Available funding** - Annual renewals for the self-insured plans require the City to accurately project medical claims and administrative fees, review the adequacy of stop loss insurance and the healthcare reserve and review the adequacy of contribution rates to cover obligations. The total expected cost of medical and dental plans for FY 2013/14 is approximately \$24.4 million and has been included in the development of the proposed budget that will be released on March 19, 2013. Because of the significance of employee medical plans and premiums and the need to move ahead with annual open enrollment, this item precedes release of the entire proposed budget.

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## **OPTIONS & STAFF RECOMMENDATION**

### **Staff Recommendation**

Staff recommends that City Council adopt Resolution No. 9313 and the proposed contribution rates and plan design change shown on Exhibits A, B, C and D to the attached copy of Resolution No. 9313. This action will:

- Establish premiums and contribution rates for active employees as shown in Exhibit A
- Establish premiums and contribution rates for retired employees as shown in Exhibit B

## City Council Report | ACTIVE AND RETIRED EMPLOYEE MEDICAL PLANS AND PREMIUMS

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- Establish premiums and contribution rates for PSPRS accidental disability retired employees as shown in Exhibit C
- Provide an incentive payment of \$120 (employee only) or \$240 (employee and spouse) to those active employees covered under the City's medical benefit plans who participate in the City's wellness screening program.
- Implement medical plan design changes for employees and retirees as shown in Exhibit D.

This is consistent with the recommendation of the Loss Trust Fund Board at their January 31, 2013 meeting.

### Other Alternatives

The City Council may, by motion, also provide other direction that would change the cost to the City through:

- a. increasing or decreasing the City's share of active employee premiums
- b. change the subsidy of Public Safety accidental disability retired employees
- c. reject all or part of the proposed wellness program incentive payment

Any other direction would be incorporated in the proposed budget, and also in open enrollment documents, and would be brought back for additional Council action, as required.

### RESPONSIBLE DEPARTMENT(S)

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Human Resources Department; Finance & Accounting Division

### STAFF CONTACTS (S)

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Ken Nemec, Human Resources Manager, [knemec@scottsdaleaz.gov](mailto:knemec@scottsdaleaz.gov), 480-312-7803;

### APPROVED BY

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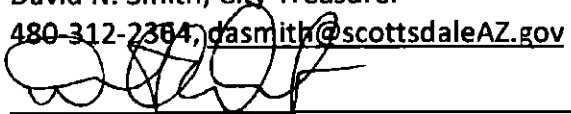
Bernadette La Mazza, Interim HR Executive Director  
480-312-7237, [blamazza@scottsdaleAZ.gov](mailto:blamazza@scottsdaleAZ.gov)

2.11.13  
Date



David N. Smith, City Treasurer  
480-312-2364, [dasmith@scottsdaleAZ.gov](mailto:dasmith@scottsdaleAZ.gov)

2-11-13  
Date



Dan Worth, Acting City Manager  
480-312-2811, [dworth@scottsdaleAZ.gov](mailto:dworth@scottsdaleAZ.gov)

2-12-13  
Date

### ATTACHMENTS

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1. Resolution No. 9313
  - Exhibit A – Proposed Monthly Benefit Premiums and Contribution Rates – Employees
  - Exhibit B – Proposed Retiree Monthly Benefit Premiums
  - Exhibit C – Proposed Monthly Medical Benefit Premiums Applicable to PSPRS Accidental Disability Retirees
  - Exhibit D – Proposed Medical Plan Design Changes
2. Medical Plans – Comparison Chart
3. Medical Plan Participation by Employment Status
4. Estimated Medical Plan Premium vs. Costs – Calendar Years 2008-2012
5. Public Safety Personnel Retirement System (PSPRS) Medical Retirees Memo

RESOLUTION NO. 9313

A RESOLUTION OF THE COUNCIL OF THE CITY OF SCOTTSDALE, MARICOPA COUNTY, ARIZONA, APPROVING EMPLOYEE AND RETIREE MEDICAL AND DENTAL INSURANCE CONTRIBUTION RATES FOR FISCAL YEAR ("FY") 2013/14, AND AUTHORIZING INCENTIVE PAYMENT TO EMPLOYEES WHO PARTICIPATE IN THE CITY'S WELLNESS VISIT AND HEALTH RISK ASSESSMENT PROGRAMS AND INCREASING THE DEDUCTIBLE FOR THE AETNA CHOICE POS II + HSA PLAN PURSUANT TO INTERNAL REVENUE SERVICE REQUIREMENTS.

WHEREAS, section 14-102 of the Scottsdale Revised Code provides that the City pays the employee contributions for health insurance, as determined by the City Council; and

WHEREAS, the City Council has been provided with proposed contribution rates ("Contribution Rates"), which are set forth in Exhibits A, B and C to this Resolution and incorporated herein by this reference, relating to monthly premiums and contribution rates for benefits for the employees and retirees of the City of Scottsdale; and

WHEREAS, the City Council has reviewed the proposed Contribution Rates and information relating to the proposed medical plan changes for retirees only, and considered other pertinent information and input; and

WHEREAS, the City's Live Life Well wellness initiative has been established to promote overall employee health and encourage preventive care, nutrition and exercise, in order to create a long term culture of good health, improve employee productivity and allow the City to better manage future health care costs; and

WHEREAS, monetary incentives have been shown to increase wellness program participation, resulting in positive changes in individual health status and a reduction in health care costs; and

WHEREAS, the Internal Revenue Service is requiring that the deductibles for the Aetna Choice POS II + HSA Plan be increased.

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Scottsdale, Arizona as follows:

Section 1. The City Council hereby approves the Contribution Rates for health and dental plans for City employees, as set forth in Exhibit A, for the period July 1, 2013 through June 30, 2014.

Section 2. The City Council hereby approves the Monthly Benefit Premiums for health benefits for City retirees, as set forth in Exhibit B, for the period July 1, 2013 through June 30, 2014.



Section 3. The City Council hereby approves the Monthly Benefit Premiums for health benefits applicable to PSPRS Accidental Disability Retirees, as set forth in Exhibit C, for the period July 1, 2013 through June 30, 2014.

Section 4. The City Council hereby authorizes the following for FY 2013/14: Employees who do not have a spouse covered under the City medical plan who voluntarily participate in the City's wellness screening program will be paid an incentive of \$120; and those employees with a spouse covered under the City medical plan who both participate in the wellness screening will be paid an incentive of \$240.

Section 5. The City Council hereby adopts, approves and directs staff to implement the Medical Plan amendment to the Aetna Choice POS II + HSA Plan, as more fully set forth in Exhibit D, to increase the deductibles for that Plan from \$1,200 for a single employee to \$1,250 for a single employee and from \$2,400 for an employee and family to \$2,500 for an employee and family, to become effective on July 1, 2013, as required by the Internal Revenue Service.

PASSED AND ADOPTED by the Council of the City of Scottsdale, Maricopa County, Arizona, this 26<sup>th</sup> day of February, 2013.

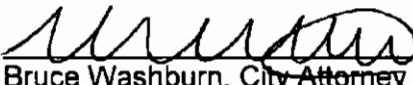
CITY OF SCOTTSDALE, an Arizona  
Municipal Corporation

ATTEST:

\_\_\_\_\_  
Carolyn Jagger  
City Clerk

\_\_\_\_\_  
W.J. "Jim" Lane  
Mayor

APPROVED AS TO FORM:  
OFFICE OF THE CITY ATTORNEY

  
\_\_\_\_\_  
Bruce Washburn, City Attorney  
By: Sherry R. Scott, Deputy City Attorney



**EXHIBIT A**

**FY 2013/14 Proposed Monthly Benefit Premiums &  
Contribution Rates – 6.0% increase\*  
City Contributions**

July 1, 2013 to June 30, 2014	FY 12/13 Monthly Premium	FY 13/14 Monthly Premium	FY 13/14 City Contribution	City Contribution Increase
<b>City of Scottsdale Aetna Select Plan</b>				
Employee Only	\$436	\$462	\$370	\$21
Employee & Child(ren)	\$789	\$836	\$650	\$37
Employee & Spouse/Partner	\$941	\$998	\$772	\$44
Employee & Family	\$1,351	\$1,432	\$1,097	\$62
<b>City of Scottsdale Aetna Choice POSII Plan</b>				
Employee Only	\$381	\$404	\$343	\$19
Employee & Child(ren)	\$689	\$731	\$589	\$34
Employee & Spouse/Partner	\$822	\$872	\$694	\$40
Employee & Family	\$1,180	\$1,251	\$979	\$56
<b>City of Scottsdale Aetna Choice POSII + HSA Plan</b>				
Employee Only	\$363	\$385	\$347	\$20
Employee & Child(ren)	\$657	\$697	\$580	\$33
Employee & Spouse/Partner	\$784	\$831	\$681	\$39
Employee & Family	\$1,125	\$1,193	\$952	\$54

**\* IMPORTANT NOTE:** City contribution for part-time employees is 75% of the City contribution for full-time employees



**EXHIBIT A**

**FY 2013/14 Proposed Monthly Benefit Premiums &  
Contribution Rates – 6.0% increase\*  
Full-Time Employee Contributions**

July 1, 2013 to June 30, 2014	FY 12/13 Monthly Premium	FY 13/14 Monthly Premium	FY 13/14 Employee Contribution	Employee Contribution Increase
<b>City of Scottsdale Aetna Select Plan</b>				
Employee Only	\$436	\$462	\$92	\$5
Employee & Child(ren)	\$789	\$836	\$186	\$10
Employee & Spouse/Partner	\$941	\$998	\$226	\$13
Employee & Family	\$1,351	\$1,432	\$335	\$19
<b>City of Scottsdale Aetna Choice POSII Plan</b>				
Employee Only	\$381	\$404	\$61	\$4
Employee & Child(ren)	\$689	\$731	\$142	\$8
Employee & Spouse/Partner	\$822	\$872	\$178	\$10
Employee & Family	\$1,180	\$1,251	\$272	\$15
<b>City of Scottsdale Aetna Choice POSII + HSA Plan</b>				
Employee Only	\$363	\$385	\$38	\$2
Employee & Child(ren)	\$657	\$697	\$117	\$7
Employee & Spouse/Partner	\$784	\$831	\$150	\$8
Employee & Family	\$1,125	\$1,193	\$241	\$14

**\* IMPORTANT NOTE:** City contribution for part-time employees is 75% of the City contribution for full-time employees

**EXHIBIT A****FY 2013/14 Dental Plan Proposed Monthly Benefit Premiums &  
Contribution Rates – (No change for FY 2013/14)**

July 1, 2013 to June 30, 2014	FY 13/14 Monthly Premium	FY 13/14 City Contribution	FY 13/14 Participant Contribution
<b>Dental Rates – There is no change to the dental rates</b>			
<b>Assurant HMO Dental</b>			
Full-Time Employee Only	\$10.90	\$10.90	\$0.00
Full-Time Employee & Child(ren)	\$24.42	\$11.90	\$12.52
Full-Time Employee & Spouse/Partner	\$17.90	\$11.42	\$6.48
Full-Time Employee & Family	\$28.68	\$12.22	\$16.46
<b>Delta Dental</b>			
Full-Time Employee Only	\$40	\$35	\$5
Full-Time Employee & Child(ren)	\$72	\$39	\$33
Full-Time Employee & Spouse/Partner	\$88	\$41	\$47
Full-Time Employee & Family	\$119	\$44	\$75

**\* IMPORTANT NOTE: City contribution for part-time employees is 75% of the City contribution for full-time employees**



# EXHIBIT B

## FY 2013/14 Proposed Retiree Monthly Benefit Premiums

	FY 12/13 Retiree Contribution	6% Increase	FY 13/14 Retiree Contribution
<b>City of Scottsdale Aetna Select Plan</b>			
Retiree Only	\$855	\$51	\$906
Retiree & Child(ren)	\$1,547	\$93	\$1,640
Retiree & Spouse/Partner	\$1,847	\$111	\$1,958
Retiree & Family	\$2,650	\$159	\$2,809
<b>City of Scottsdale Aetna Choice POSII Plan</b>			
Retiree Only	\$747	\$45	\$792
Retiree & Child(ren)	\$1,352	\$81	\$1,433
Retiree & Spouse/Partner	\$1,613	\$97	\$1,710
Retiree & Family	\$2,315	\$139	\$2,454
<b>City of Scottsdale Aetna Choice POSII + HSA Plan</b>			
Retiree Only	\$715	\$43	\$758
Retiree & Child(ren)	\$1,289	\$77	\$1,366
Retiree & Spouse/Partner	\$1,538	\$92	\$1,630
Retiree & Family	\$2,208	\$132	\$2,340



**FY 2013/14 Proposed Retiree Monthly Benefit Premiums  
Applicable to PSPRS Accidental Disability Retirees**

	<b>FY 12/13 Retiree Contribution</b>	<b>6% Increase</b>	<b>FY 13/14 Retiree Contribution</b>	<b>FY 13/14 Estimated City Subsidy</b>
<b>City of Scottsdale Aetna Select Plan</b>				
Retiree Only	\$436	\$26	\$462	\$444
Retiree & Child(ren)	\$789	\$47	\$836	\$804
Retiree & Spouse/Partner	\$941	\$57	\$998	\$960
Retiree & Family	\$1,351	\$81	\$1,432	\$1,377
<b>City of Scottsdale Aetna Choice POSII Plan</b>				
Retiree Only	\$381	\$23	\$404	\$388
Retiree & Child(ren)	\$689	\$42	\$731	\$702
Retiree & Spouse/Partner	\$822	\$50	\$872	\$838
Retiree & Family	\$1,180	\$71	\$1,251	\$1,203
<b>City of Scottsdale Aetna Choice POSII + HSA Plan</b>				
Retiree Only	\$363	\$22	\$385	\$373
Retiree & Child(ren)	\$657	\$40	\$697	\$669
Retiree & Spouse/Partner	\$784	\$47	\$831	\$799
Retiree & Family	\$1,125	\$68	\$1,193	\$1,147

# **City Of Scottsdale**

## **Summary Plan Description**



### **City of Scottsdale**

#### **Aetna Choice POS II + HSA**

Resolution No. 9313  
Exhibit D  
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**Effective July 1, 2012**

relevant medical community, or otherwise consistent with physician specialty society recommendations and the views of physicians practicing in relevant clinical areas and any other relevant factors.

## Summary of Benefits

Below is a brief overview of some of the benefits available under the Plan. Refer to the sections entitled “Your Benefits” and “Exclusions and Limitations” for more detailed information. The Aetna Select Choice *POSII* + HSA Plan includes Mayo Clinic providers.

All non-emergency hospital services require a prior referral from your physician.

TYPE OF SERVICE OR SUPPLY	IN NETWORK	OUT-OF-NETWORK
<b>Lifetime Maximum</b>	Unlimited	
<b>Plan Year Deductible</b>		
Single Employee	\$ <del>1,200</del> 1,250	\$ 3,500
Employee & Family	\$ <del>2,400</del> 2,500	\$ 7,000
<b>Plan Year Payment Limit Maximum</b> (excludes co-pays, prescription drugs, and penalties)		
Individual	\$ 4,000	\$ 6,000
Employee & Family	\$ 8,000	\$ 12,000
<b>Primary and Preventive Care</b>		
PCP Office Visits	90%, after deductible	70% after deductible
Routine Adult Preventive Examinations, one per 12 months	100%, no deductible	70% after deductible
Routine Child and Well-Baby Care, 7 exams in first 12 months of life, 3 exams in the second 12 months of life, 3 exams in the third 12 months of life, 1 exam per 12 months to age 18.	100%, no deductible	70% after deductible
Allergy injections	90%, after deductible	70% after deductible
Routine Gynecological Exams – one per 12 month period	100%, no deductible	70% after deductible
Routine Mammogram – one per 12 month period (age 35 and older)	100%, no deductible	70% after deductible
Prostate Screening – one per 12 month period, age 40 and older	100%, no deductible	70% after deductible
Routine Eye Examination-one exam per 12 month period	100%, no deductible	70% after deductible
Eyeglasses/Contact Lenses	Discounts available through Aetna Vision Discount Program	
Routine Hearing Screenings-one exam per 12-month period as part of wellness exam.	100%, no deductible	70% after deductible
Hearing Aids	Discounts available through Arizona HearCare.	
<b>Specialty and Outpatient Care</b>		
Specialist Office Visits	90% after deductible	70% after deductible
Prenatal Care	90% after deductible	70% after deductible



## City of Scottsdale Medical Plans - Comparison Chart

July 1, 2012 to June 30, 2013	Aetna CPOSII HSA		Aetna Select	Aetna CPOSII	
	In-Network Benefits	Out-of-Network Benefits		In-Network Benefits	Out-of-Network Benefits
Choice of Physician	Choice of in-network physician(s) or out-of-network physician(s)		Choice of in-network physician(s) only, no pre-selection of a primary care physician necessary	Choice of in-network physician(s) or out-of-network physician(s)	
Deductible per Plan Year	\$1,250 Individual* \$2,500 Family*	\$3,500 Individual \$7,000 Family	None	\$500 Individual \$1,000 Family	\$2,000 Individual \$4,000 Family
Annual Out-of-Pocket Maximum	\$4,000 Individual \$8,000 Family	\$6,000 Individual \$12,000 Family	\$1,500 Individual \$3,000 Family	\$3,000 Individual \$6,000 Family	\$4,000 Individual \$8,000 Family
Basic Care					
Primary Physician Office Visits (Family & General Practice, Internal Medicine, OB/GYN & Pediatrician)	90% after deductible	70% after deductible	\$20 co-pay per visit	\$20 co-pay per visit	70% after deductible
Specialist Physician Office Visit	90% after deductible	70% after deductible	\$40 co-pay per visit	\$40 co-pay per visit	70% after deductible
Outpatient X-ray & Laboratory	90% after deductible	70% after deductible	No co-pay/\$40 co-pay for complex imaging	90% after deductible	70% after deductible
Physical, Occupational, Speech Therapy (maximum 60 visits per plan year)*	90% after deductible	70% after deductible	\$20 co-pay per visit	90% after deductible	70% after deductible
Hearing & Vision					
Hearing Examinations	100%, no deductible	No benefit	\$10 co-pay; 1 visit every 12 mths	\$10 co-pay; 1 visit every 12 mths	No benefit
Vision Basic Examinations	100%, no deductible	No benefit	\$10 co-pay; 1 visit every 12 mths	\$10 co-pay; 1 visit per plan year, per 12 mths	No benefit
Vision Materials (frames, lenses, contact lens exam/fitting, etc.)	Discounts available through EyeMed Vision program		Discounts available through EyeMed Vision program	Discounts available through EyeMed Vision program	
Wellness					
Routine Physicals, Exams, Immunizations/ Pap Smears and Mammograms	100%, no deductible	70% after deductible	100%, No co-pay	100%, No co-pay	70% after deductible
Well Baby Care	100%, no deductible	70% after deductible	100%, No co-pay	100%, No co-pay	70% after deductible
Chiropractor (maximum 20 visits per plan year)*	90% after deductible	70% after deductible	\$20 co-pay per visit	90% after deductible	70% after deductible
Allergy Injections	90% after deductible	70% after deductible	No charge	No charge	70% after deductible
Maternity Care					
Office Visits	90% after deductible	70% after deductible	\$20 co-pay first visit	\$20 co-pay first visit	70% after deductible
Delivery	90% after deductible	70% after deductible	\$300 co-pay	90% after deductible	70% after deductible
Inpatient Hospital Care & Outpatient Surgery					
Inpatient Hospital	90% after deductible	70% after deductible	\$300 co-pay per admission	90% after deductible	70% after deductible
Outpatient Surgery	90% after deductible	70% after deductible	\$150 co-pay	90% after deductible	70% after deductible

\*Reflects the only plan change being made for FY 2013/14, a change to the HSA plan year deductible.

## City of Scottsdale Medical Plans - Comparison Chart

July 1, 2012 to June 30, 2013	Aetna CPOSII		Aetna GPOSII	Aetna CPOSII	
	In-Network Benefits	Out-of-Network Benefits		In-Network Benefits	Out-of-Network Benefits
Emergency Care & Urgent Care					
Emergency Room	90% after deductible	90% after deductible	\$150 co-pay	\$150 co-pay, plus 10% co-insurance after deductible	\$150 co-pay, plus 10% co-insurance after in-network deductible
Urgent Care Facility	90% after deductible	90% after deductible	\$50 co-pay per visit	\$50 co-pay, plus 10% co-insurance after deductible	\$50 co-pay, plus 10% co-insurance after in-network deductible
Ambulance					
Ground	90% after deductible	70% after deductible	No co-pay	90% after deductible	70% after deductible
Air	90% after deductible	70% after deductible	No co-pay	90% after deductible	70% after deductible
Extended Care					
Home Health Care (maximum 40 visits per plan year)	90% after deductible	70% after deductible	\$20 co-pay per visit	90% after deductible	70% after deductible
Skilled Nursing (maximum 60 days)	90% after deductible	70% after deductible	\$150 co-pay per admission	90% after deductible	70% after deductible
Hospice Care	90% after deductible	70% after deductible	No co-pay	90% after deductible	70% after deductible
Prescriptions					
*Generic	Covered at 100% after Plan Deductible and \$10 co-pay	50% after deductible	\$10 co-pay	\$10 co-pay	50% co-insurance
*Brand Name	Covered at 100% after Plan Deductible and 20% co-insurance (\$30 min-\$50 max)	50% after deductible	20% co-insurance (\$30 min-\$50 max)	20% co-insurance (\$30 min-\$50 max)	50% co-insurance
*Non-Formulary	Covered at 100% after Plan Deductible and 40% co-insurance (\$50 min-\$100 max)	50% after deductible	40% co-insurance (\$50 min-\$100 max)	40% co-insurance (\$50 min-\$100 max)	50% co-insurance
*Mail Order Generic	Covered at 100% after Plan Deductible and \$20 (90-day supply)	No benefit	\$20 (90-day supply)	\$20 (90-day supply)	No benefit
*Mail Order Brand Name	Covered at 100% after Plan Deductible and \$60 (90-day supply)	No benefit	\$60 (90-day supply)	\$60 (90-day supply)	No benefit
*Mail Order Non-Formulary	Covered at 100% after Plan Deductible and \$110 (90-day supply)	No benefit	\$110 (90-day supply)	\$110 (90-day supply)	No benefit
Mental Health					
Employee Assistance Program	5 free face-to-face sessions per issue per 12 month period		5 free face-to-face sessions per issue per 12 month period	5 free face-to-face sessions per issue per 12 month period	
CIGNA Behavioral Health Outpatient Care	90%, after deductible		\$20 co-pay	\$20 co-pay	
Non-CIGNA Behavioral Health Outpatient Care	Aetna In-network 90% after deductible, out-of-network 70% after deductible		No benefit	Aetna In-network 90% no deductible, out-of-network 70% after deductible	
CIGNA Behavioral Health Inpatient Care	90%, after deductible		\$150 co-pay per admission; covered at 100%	90%, no deductible	
Non-CIGNA Behavioral Health Inpatient Care	70%, after deductible		No benefit	70%, no deductible	

\*Note: Certain preventive care prescription drugs are not subject to the annual deductible. Please contact Aetna for more information.

## CITY OF SCOTTSDALE - MEDICAL PLAN PARTICIPATION BY EMPLOYMENT STATUS

As of Jan 2013

	Aetna Select		Aetna Choice POSII		Aetna Choice POSII		TOTAL	
EMPLOYMENT STATUS	Participants	% of FT Total	Participants	% of FT Total	Participants	% of FT Total	Participants	% of FT Total
Employee Only	561	32%	46	77%	99	47%	706	35%
Employee & Children	292	16%	3	5%	21	10%	316	15%
Employee & Spouse	233	13%	6	10%	35	17%	274	13%
Employee & Family	690	39%	5	8%	54	26%	749	37%
Total FT Participants	1,776	87%	60	3%	209	10%	2,045	
PART-TIME	Participants	% of FT Total	Participants	% of FT Total	Participants	% of FT Total	Participants	% of FT Total
Employee Only	44	59%	16	76%	26	84%	86	68%
Employee & Children	8	11%	3	14%	1	3%	12	9%
Employee & Spouse	10	13%	0	0%	3	10%	13	10%
Employee & Family	13	17%	2	10%	1	3%	16	13%
Total PT Participants	75	59%	21	17%	31	24%	127	
COBRA	Participants	% of FT Total	Participants	% of FT Total	Participants	% of FT Total	Participants	% of FT Total
Employee Only	34	69%	0	#DIV/0!	6	75%	40	70%
Employee & Children	2	4%	0	#DIV/0!	0	0%	2	4%
Employee & Spouse	8	16%	0	#DIV/0!	1	13%	9	16%
Employee & Family	5	10%	0	#DIV/0!	1	13%	6	11%
Total COBRA Participants	49	86%	0	0%	8	14%	57	
RETIREEES	Participants	% of FT Total	Participants	% of FT Total	Participants	% of FT Total	Participants	% of FT Total
Retiree Only	20	91%	6	75%	9	75%	35	83%
Retiree & Children	1	5%	1	13%	1	8%	3	7%
Retiree & Spouse	1	5%	0	0%	2	17%	3	7%
Retiree & Family	0	0%	1	13%	0	0%	1	2%
Total Retiree Participants	22	52%	8	19%	12	29%	42	
RETIREEES(disabled)	Participants	% of FT Total	Participants	% of FT Total	Participants	% of FT Total	Participants	% of FT Total
Retiree Only	11	52%	1	20%	1	20%	13	42%
Retiree & Children	6	29%	1	20%	2	40%	9	29%
Retiree & Spouse	3	14%	2	40%	0	0%	5	16%
Retiree & Family	1	5%	1	20%	2	40%	4	13%
Total Disabled Participants	21	68%	5	16%	5	16%	31	
GRAND TOTAL	Participants	% of FT Total	Participants	% of FT Total	Participants	% of FT Total	Participants	% of FT Total
Participant Only	670	34%	69	73%	141	53%	880	38%
Participant & Children	309	16%	8	9%	25	9%	342	15%
Participant & Spouse	255	13%	8	9%	41	15%	304	13%
Participant & Family	709	36%	9	10%	58	22%	776	34%
PLAN GRAND TOTAL	1,943		94		265		2,302	
% OF GRAND TOTAL	84.4%		4.1%		11.5%			

**ESTIMATED MEDICAL PLAN RETIREE PREMIUMS VS. COSTS - CALENDAR YEARS 2008 - 2012**  
**DOES NOT REFLECT ANY OUT-OF-POCKET PAYMENTS BY PARTICIPANTS FOR CO-PAYS OR DEDUCTIBLES**

	RETIREES - ALL PLANS (Includes Accidental Disability Retirees)					
	2008	2009	2010	2011	2012	5-YEAR AVG
<b>PARTICIPANTS (1)</b>	226	247	279	281	171	241
<b>PREMIUMS</b>						
CITY	-	-	-	-		-
PREMIUM HOLIDAY (2)	-	-	-	-		-
EMPLOYEE	-	-	-	-		-
COBRA	-	-	-	-		-
RETIREE (3)	945,294	1,026,887	1,184,279	1,252,617	1,224,431	1,126,702
RETIREMENT PLAN SUBSIDY (4)	557,672	591,774	671,580	787,081	396,856	600,993
<b>TOTAL PREMIUMS</b>	1,502,966	1,618,661	1,855,859	2,039,698	1,621,287	1,727,694
<b>COSTS</b>						
CLAIMS (5)	2,178,300	2,231,800	3,301,100	3,456,580	1,788,798	2,591,316
RECOVERIES (6)	-	(148,015)	(241,138)	(258,713)	(198,867)	(169,347)
ADMINISTRATIVE COSTS (7)	249,097	260,476	302,157	359,834	179,945	270,302
<b>TOTAL COSTS</b>	2,427,397	2,344,261	3,362,119	3,557,701	1,769,876	2,692,271
<b>SURPLUS/(DEFICIT)</b>	(924,431)	(725,600)	(1,506,260)	(1,518,003)	(148,589)	(964,577)
<b>LOSS RATIO (8)</b>	162%	145%	181%	174%	109%	156%
<b>PREMIUM RECOVERY RATE (9)</b>	62%	69%	55%	57%	92%	64%

**NOTES:**

- (1) Average number of participants over the course of the year.  
(2) Reflects the amount drawn down from the Health Care Trust Fund reserve for premium holidays for the city and employees.  
(3) Includes payments collected from retirees, Medical Leave Conversion and Retirement Health Savings accounts.  
(4) Includes subsidy payments made directly by the state retirement plans.  
(5) Medical and prescription drug claim payments made by Aetna and MMSI (2008 and 2009 only).  
(6) Recoveries collected by the City from either Aetna or the stop-loss insurer and in 2011 the federal government ERRP program.  
(7) Includes Aetna administration fees, stop loss and behavioral health premiums. Also included are City administrative and Live Life Well costs.  
(8) Total cost divided by revenue - expresses costs as a percent of revenue collected  
(9) Premiums paid by participants (Employees, COBRA and Retirees) divided by Total Costs -- expresses premium contributions as a percentage of total costs.

Source: Aetna, Human Resources, Finance &amp; Accounting

2/12/2013

**ESTIMATED MEDICAL PLAN EMPLOYEE PREMIUMS VS. COSTS - CALENDAR YEARS 2008 - 2012**  
**DOES NOT REFLECT ANY OUT-OF-POCKET PAYMENTS BY PARTICIPANTS FOR CO-PAYS OR DEDUCTIBLES**

<b>ACTIVE EMPLOYEES -- ALL PLANS</b>						
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>5-YEAR AVG</b>
<b>PARTICIPANTS (1)</b>	<b>2,584</b>	<b>2,518</b>	<b>2,405</b>	<b>2,311</b>	<b>2,260</b>	<b>2,416</b>
<b>PREMIUMS</b>						
CITY	17,586,708	18,790,644	14,806,522	15,851,745	16,613,206	16,729,765
PREMIUM HOLIDAY (2)	-	-	3,118,558	721,331	-	767,978
EMPLOYEE	2,428,561	2,399,013	2,291,233	3,468,086	4,735,894	3,064,558
COBRA	116,663	251,177	173,024	172,358	273,772	197,399
RETIREE (3)	-	-	-	-	-	-
RETIREMENT PLAN SUBSIDY (4)	-	-	-	-	-	-
<b>TOTAL PREMIUMS</b>	<b>20,131,933</b>	<b>21,440,834</b>	<b>20,389,337</b>	<b>20,213,520</b>	<b>21,622,872</b>	<b>20,759,699</b>
<b>COSTS</b>						
CLAIMS (5)	16,550,800	17,798,674	16,578,200	17,920,660	18,780,525	17,525,772
RECOVERIES (6)	(215,574)	-	-	(141,230)	(134,355)	(98,232)
ADMINISTRATIVE COSTS (7)	2,848,084	2,655,412	2,604,615	2,958,377	2,745,332	2,762,364
<b>TOTAL COSTS</b>	<b>19,183,310</b>	<b>20,454,086</b>	<b>19,182,815</b>	<b>20,737,807</b>	<b>21,391,502</b>	<b>20,189,904</b>
<b>SURPLUS/(DEFICIT)</b>	<b>948,623</b>	<b>986,748</b>	<b>1,206,522</b>	<b>(524,287)</b>	<b>231,370</b>	<b>569,795</b>
<b>LOSS RATIO (8)</b>	<b>95%</b>	<b>95%</b>	<b>94%</b>	<b>103%</b>	<b>99%</b>	<b>97%</b>
<b>PREMIUM RECOVERY RATE (9)</b>	<b>13%</b>	<b>13%</b>	<b>13%</b>	<b>18%</b>	<b>23%</b>	<b>16%</b>

**NOTES:**

- (1) Average number of participants over the course of the year.  
(2) Reflects the amount drawn down from the Health Care Trust Fund reserve for premium holidays for the city and employees.  
(3) Includes payments collected from retirees, Medical Leave Conversion and Retirement Health Savings accounts.  
(4) Includes subsidy payments made directly by the state retirement plans.  
(5) Medical and prescription drug claim payments made by Aetna and MMSI (2008 and 2009 only).  
(6) Recoveries collected by the City from either Aetna or the stop-loss insurer and in 2011 the federal government ERRP program.  
(7) Includes Aetna administration fees, stop loss and behavioral health premiums. Also included are City administrative and Live Life Well costs.  
(8) Total cost divided by revenue - expresses costs as a percent of revenue collected  
(9) Premiums paid by participants (Employees, COBRA and Retirees) divided by Total Costs -- expresses premium contributions as a percentage of total costs.

Source: Aetna, Human Resources, Finance &amp; Accounting

2/12/2013

**ESTIMATED MEDICAL PLAN COMBINED ACTIVE AND RETIRED PREMIUMS VS. COSTS - CALENDAR YEARS 2008 - 2012**  
**DOES NOT REFLECT ANY OUT-OF-POCKET PAYMENTS BY PARTICIPANTS FOR CO-PAYS OR DEDUCTIBLES**

	ACTIVE AND RETIRED PARTICIPANTS -- ALL PLANS					
	2008	2009	2010	2011	2012	5-YEAR AVG
<b>PARTICIPANTS (1)</b>	2,810	2,765	2,684	2,592	2,431	2,656
<b>PREMIUMS</b>						
CITY	17,586,708	18,790,644	14,806,522	15,851,745	18,613,206	16,729,765
PREMIUM HOLIDAY (2)	-	-	3,118,558	721,331	-	767,978
EMPLOYEE	2,428,561	2,399,013	2,291,233	3,468,086	4,735,894	3,064,558
COBRA	116,663	251,177	173,024	172,358	273,772	197,399
RETIREE (3)	945,294	1,026,887	1,184,279	1,252,617	1,224,431	1,126,702
RETIREMENT PLAN SUBSIDY (4)	557,672	591,774	671,580	787,081	396,856	600,993
<b>TOTAL PREMIUMS</b>	<b>21,634,899</b>	<b>23,059,495</b>	<b>22,245,196</b>	<b>22,253,218</b>	<b>23,244,159</b>	<b>22,487,395</b>
<b>COSTS</b>						
CLAIMS (5)	18,729,100	20,030,474	19,879,300	21,377,240	20,569,323	20,117,087
RECOVERIES (6)	(215,574)	(148,015)	(241,138)	(399,943)	(333,222)	(267,578)
ADMINISTRATIVE COSTS (7)	3,097,181	2,915,888	2,906,772	3,318,211	2,925,277	3,032,666
<b>TOTAL COSTS</b>	<b>21,610,707</b>	<b>22,798,347</b>	<b>22,544,934</b>	<b>24,295,508</b>	<b>23,161,378</b>	<b>22,882,175</b>
<b>SURPLUS/(DEFICIT)</b>	<b>24,192</b>	<b>261,148</b>	<b>(299,738)</b>	<b>(2,042,290)</b>	<b>82,781</b>	<b>(394,780)</b>
<b>LOSS RATIO (8)</b>	<b>100%</b>	<b>99%</b>	<b>101%</b>	<b>109%</b>	<b>100%</b>	<b>102%</b>
<b>PREMIUM RECOVERY RATE (9)</b>	<b>19%</b>	<b>19%</b>	<b>19%</b>	<b>23%</b>	<b>29%</b>	<b>22%</b>

**NOTES:**

(1) Average number of participants over the course of the year.

(2) Reflects the amount drawn down from the Health Care Trust Fund reserve for premium holidays for the city and employees.

(3) Includes payments collected from retirees, Medical Leave Conversion and Retirement Health Savings accounts.

(4) Includes subsidy payments made directly by the state retirement plans.

(5) Medical and prescription drug claim payments made by Aetna and MMSI (2008 and 2009 only).

(6) Recoveries collected by the City from either Aetna or the stop-loss insurer and in 2011 the federal government ERRP program.

(7) Includes Aetna administration fees, stop loss and behavioral health premiums. Also included are City administrative and Live Life Well costs.

(8) Total cost divided by revenue - expresses costs as a percent of revenue collected

(9) Premiums paid by participants (Employees, COBRA and Retirees) divided by Total Costs - expresses premium contributions as a percentage of total costs.

Source: Aetna, Human Resources, Finance & Accounting

2/12/2013

**Human Resources Division**

7575 E. Main  
Scottsdale, AZ 85251

PHONE 480-312-7803

WEB [www.ScottsdaleAZ.gov](http://www.ScottsdaleAZ.gov)

**Date:** February 12, 2013  
**To:** Honorable Mayor and Members of the City Council  
**CC:** Dan Worth, Acting City Manager; David N. Smith, City Treasurer; Bernadette La Mazza, Interim Human Resources Executive Director; Brent Stockwell, Strategic Initiatives Director  
**From:** Ken Nemec, Benefits Manager  
**Subject:** Public Safety Personnel Retirement System (PSPRS) Medical Retirees

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This memorandum is an update to previous memos sent to City Council on April 22, 2011 and February 17, 2012 and addresses the following questions:

1. How many Public Safety Medical Retirees are currently using the City's health insurance?
2. What is the anticipated impact of charging medical retirees the full employee premium, rather than the retired employee premium?

**SHORT RESPONSE**

1. There are currently 31 Public Safety accidental disability retirees, the same as last year but four more than in 2011. 18 of these have enrolled dependents, which is three less than last year.
2. Based on renewal projections for FY 2013/14, the estimate is that about \$263,000 in expenses will be incurred in excess of premiums collected. This shortage will be borne by the City rather than by the retired employees (about \$8,483 per retiree participant). In 2012, it was estimated that \$213,000 in annual expenses would be borne by the City rather than participants and in 2011 the estimate was \$125,000.

**FULL RESPONSE**

There are currently 43 PSPRS retirees enrolled in the City's medical plan. Based on information provided in PSPRS reports, 31 of these retirees have qualified for an Accidental Disability Retirement. This number includes one surviving spouse of a police officer who died after retirement.

Accidental Disability Retirement requires total and permanent disability incurred in performance of duty that prevents performance of a reasonable range of duties within the employee's job classification. Accidental Disability retirees are not precluded from obtaining other employment for which they are suited, while continuing to draw retirement benefits. In addition, there is an Ordinary Disability Retirement that applies to non-service related disabilities. This information only covers accidental disability retirees.

Each year separate medical plan rates are developed for active employee and retired employee groups. Using proposed FY 2013/14 rates applicable to employees, the 31 PSPRS medical retirees would pay in total \$22,819 per month for coverage (\$274,000/year). The difference between the amount that would be paid by these individuals and the full FY 2013/14 retiree premium (the amount to be subsidized by the city)

is approximately \$21,900/month or about \$263,000/year. Please keep in mind, that the City is self-insured and the actual cost to do this will be based on the actual costs incurred by these individuals. The actual costs could be greater or less than the projection. It should also be noted that it is very difficult to project medical costs on such a small group and costs may vary greatly from year to year.

#### **ADDITIONAL CONSIDERATIONS**

The PSPRS Accidental Disability retirees receive a monthly pension of 50% of average monthly compensation (including overtime) or normal pension amount whichever is greater. Since police officers with over 20 years of service receive a pension greater than 50% of monthly compensation (actually up to 80%) a police officer with over 20 years of service who becomes disabled will receive more than 50% of pay.

Another feature of the PSPRS Accidental Disability benefit is that the benefit payment attributable to the first 20 years of service is non-taxable for the life of the individual. So if an employee with up to 20 years of service becomes eligible for the benefit he will receive 50% of pay non-taxable for life. However, benefit payment attributable to years of service over 20 is taxable.

In addition to the PSPRS benefit, the City also provides a separate long-term disability benefit for public safety employees and elected officials. This LTD benefit provides a benefit of 66 2/3 % of pre-disability earnings (excluding overtime) less pension and social security amounts.

Accidental Disability retirees may also be eligible to receive Social Security disability benefits as well as workers' compensation payments if they continue to be disabled from doing any type of work. Workers' compensation also provides lifetime medical coverage for the injury that caused the disability. Accidental Disability retirees (as well as Ordinary Disability Retirees) are also eligible for medical benefits offered through the State Retirement Systems.

Phoenix, Mesa and Tempe also have separate medical plan rates for retirees. In each case PSPRS Accidental Disability retirees pay the same premium as all other PSPRS and ASRS retirees. However, Mesa provides a separate city-paid subsidy to retirees based on years of service. Accidental Disability retirees in Mesa are paid the full city-paid subsidy even if they had not worked long enough to qualify for the full subsidy amount.

If you have questions or need additional information, please call me at (480) 312- 7803.



**Human Resources Division**

7575 E. Main  
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PHONE 480-312-7803

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**Date:** February 19, 2013  
**To:** Honorable Mayor and Members of the City Council  
**CC:** Dan Worth, Acting City Manager; David N. Smith, City Treasurer; Bernadette La Mazza, Interim Human Resources Executive Director; Brent Stockwell, Strategic Initiatives Director  
**From:** Ken Nemec, Benefits Manager  
**Subject:** Active and Retired Employee Medical Plans and Premiums

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Attached is a copy of the presentation that will be made during the February 26, 2013 Council meeting concerning employee and retiree medical plans and premiums. If you have questions or need additional information, please call me at (480) 312- 7803.

## **Active and Retired Employee Medical Plans and Premiums**

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City Council Meeting  
February 26, 2013



## Overview – City’s Self-Insured Medical Plans

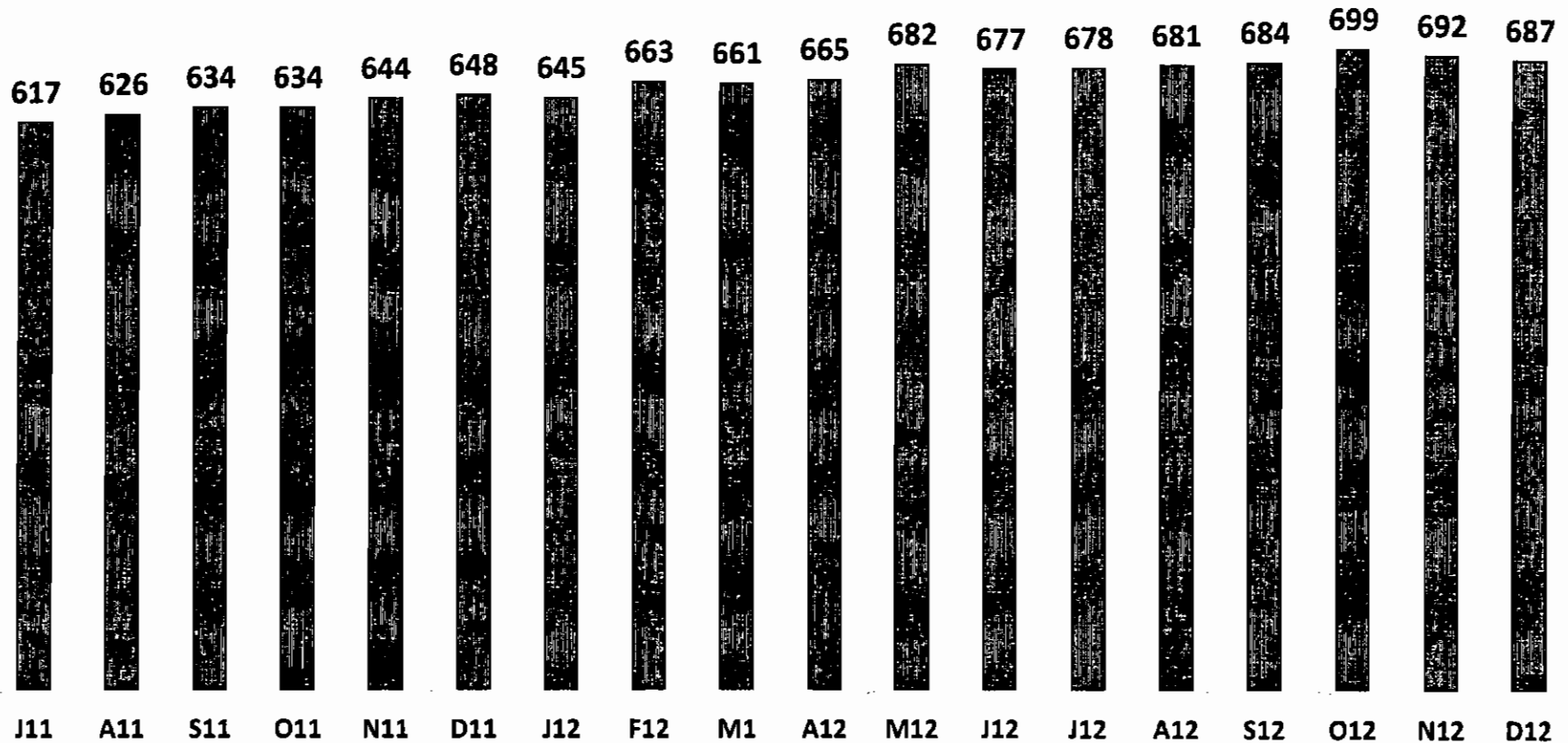
	<u>Number Enrolled</u>	<u>Percent Enrolled</u>
Employee Medical		
Aetna Select	1,900	82%
Aetna Choice	248	11%
Aetna Choice + HSA	81	4%
Public Safety Disability Retirees	31	1%
Retirees	42	2%
Total	2,302	

# Key Issues To Address

- A. Employee Rates
- B. Employee Wellness Incentive
- C. Retiree Rates
- D. Public Safety Disability Retiree Rates
- E. Federal Reinsurance Fee – \$.38 m (2%) included in employee and retiree rates
- F. Federal Tax Law Change – Increase Choice+HSA plan deductibles
- G. Dental – No changes to either self-insured or HMO plans

# Is an increase to rates needed?

12-month Rolling Average – Per Employee Per Month Claims Costs



## **Why Pay A Wellness Incentive ?**

- **Aetna and Hays recommended next step for City – encourage healthy employee behavior including wellness visits.**
- **Not only employees but spouses as well – spouse costs increasing faster than employee costs.**
- **This year's program involves a wellness visit with PCP and completion of an Aetna health risk assessment.**
- **More accurate test results and improved follow up care for problems identified.**
- **The incentive is \$120 for employee coverage or \$240 for employee and spouse coverage**
- **The incentive is all or nothing, both employee and spouse must participate to qualify for any incentive payment.**

# Wellness Visits Year Over Year

Plan Year	Male Employee	Male Spouse	Female Employee	Female Spouse
<b>2009/10</b> <i>No Incentive</i>	25.5%	26.7%	55.2%	46.6%
<b>2010/11</b> <i>\$120 Incentive</i>	↓ 24.6%	↓ 22.0%	↑ 59.4%	↑ 52.5%
<b>2011/12</b> <i>\$100 Incentive</i>	↑ 26.4%	↑ 29.1%	↓ 52.3%	↓ 48.9%

## Key Issues - Rates

	<u>Number Enrolled</u>	<u>Percent Increase</u>	<u>Change for City</u>	<u>City Total</u>	<u>Change for Insured</u>	<u>Insured Total</u>
A. Employee Rates	2,229	6%	\$1.09 m	\$19.01 m	\$.29 m	\$5.40 m
B. Employee Wellness Incentive		-	.15 m	.15 m	.04 m	-.19 m
C. Retiree Rates	42	6%	-	-	.03 m	.48 m
D. Public Safety Disability Retiree Rates	31	6%	\$.02 m	\$.27 m	\$.03 m	\$.28 m
E. Federal Reinsurance Fee – \$.38 m (2%) included in employee and retiree rates						
F. Federal Tax Law Change – Increase Choice+HSA plan deductibles						
G. Dental – No changes to either self-insured or HMO plans						



## Proposed Monthly Rate Increases

	Total Number <u>Enrolled</u>	Percent <u>Enrolled</u>	EE-Only		EE+Fam	
			<u>City</u>	<u>EE</u>	<u>City</u>	<u>EE</u>
Employee Medical						
Aetna Select	1,900	82%	+\$21	+\$5	+\$62	+\$19
Aetna Choice	248	11%	+19	+4	+56	+15
Aetna Choice + HSA	81	4%	+20	+2	+54	+14
Public Safety Disability Retirees (Aetna Select)	31	1%	+25	+26	+77	+81
Retirees (Aetna Select)	42	2%	\$0	+\$51	\$0	+\$159
Total	2,302					

## Example of 6% Rate Increase For Employees

<u>Aetna Select</u>	<u>Employee Pays FY 2012/13</u>	<u>Employee Pays FY 2013/14</u>	<u>Change</u>
Employee	\$87	\$92	\$5
Employee + Child	176	186	10
Employee + Spouse	213	226	13
Employee + Family	\$316	\$335	\$19

**Increase can be offset by participating in Wellness Program.**

# **Council Action Requested**

## **Adopt Resolution No. 9313**

1. Approve medical and dental contribution rates for active employees
2. Approve monthly benefit premiums for City retirees
3. Approve monthly benefit premiums for public safety accidental disability retirees
4. Approve incentive to active employees (and spouses) who are covered for medical benefits and participate in the City's wellness screening program
5. Implement medical plan design change to increase Choice+HSA deductibles per IRS regulations.

## **Supplemental Information - How Hays Companies Calculates Medical Premiums**

- 1. Review most recent 12 months of paid claims (Medical & Rx)**
- 2. Take out any specific Stop Loss claims (claims over \$325,000)**
- 3. Adjust for any plan design changes**
- 4. Apply trend factor for the coming year (8.7%)**
- 5. Add back in large claims up to Stop Loss deductible**
- 6. Divide expected claims by enrollment to get the  
Per Employee (Active or Retired) Per Month (PEPM) cost**
- 7. Add back in:**
  - Stop Loss premium/Cigna Behavioral Health Premium**
  - PPACA Reinsurance Fee**
  - Administration Fees**
- 8. Compute the per employee/retiree per month cost and  
set rates at that level**

## Item 19

### Active and Retired Employee Medical Plans and Premiums

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City Council Meeting  
February 26, 2013



### Overview – City's Self-Insured Medical Plans

	<u>Number Enrolled</u>	<u>Percent Enrolled</u>
Employee Medical		
Aetna Select	1,900	82%
Aetna Choice	248	11%
Aetna Choice + HSA	81	4%
Public Safety Disability Retirees	31	1%
Retirees	42	2%
Total	2,302	

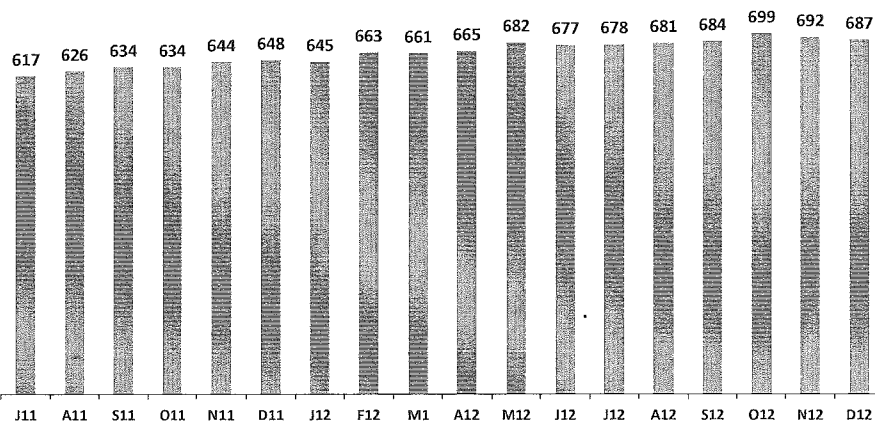
## Key Issues To Address

- A. Employee Rates
- B. Employee Wellness Incentive
- C. Retiree Rates
- D. Public Safety Disability Retiree Rates
- E. Federal Reinsurance Fee – \$.38 m (2%) included in employee and retiree rates
- F. Federal Tax Law Change – Increase Choice+HSA plan deductibles
- G. Dental – No changes to either self-insured or HMO plans

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## Is an increase to rates needed?

12-month Rolling Average – Per Employee Per Month Claims Costs



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## Why Pay A Wellness Incentive ?

- Aetna and Hays recommended next step for City – encourage healthy employee behavior including wellness visits.
- Not only employees but spouses as well – spouse costs increasing faster than employee costs.
- This year's program involves a wellness visit with PCP and completion of an Aetna health risk assessment.
- More accurate test results and improved follow up care for problems identified.
- The incentive is \$120 for employee coverage or \$240 for employee and spouse coverage
- The incentive is all or nothing, both employee and spouse must participate to qualify for any incentive payment.

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## Wellness Visits Year Over Year

Plan Year	Male Employee	Male Spouse	Female Employee	Female Spouse
<b>2009/10</b> <i>No Incentive</i>	25.5%	26.7%	55.2%	46.6%
<b>2010/11</b> <i>\$120 Incentive</i>	↓ 24.6%	↓ 22.0%	↑ 59.4%	↑ 52.5%
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## Key Issues - Rates

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F. Federal Tax Law Change – Increase Choice+HSA plan deductibles						
G. Dental – No changes to either self-insured or HMO plans						

7



## Proposed Monthly Rate Increases

	<u>Total Number Enrolled</u>	<u>Percent Enrolled</u>	<u>EE-Only</u>		<u>EE+Fam</u>	
			<u>City</u>	<u>EE</u>	<u>City</u>	<u>EE</u>
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**Increase can be offset by participating in Wellness Program.**

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### Council Action Requested

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### **Supplemental Information - How Hays Companies Calculates Medical Premiums**

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