

SUBMITTED BY: Rocio Garcia-Pedroza, HR Manager

MANAGEMENT TEAM REVIEW: Ana Urquijo, City Manager

FOCUS AREA: Other / NA

**ORGANIZATIONAL
IMPROVEMENTS:**

SUBJECT: EMPLOYEE HEALTH INSURANCE CONTRACTS

EXECUTIVE SUMMARY:

The City of Douglas is self-funded for health insurance. Our current contracts expire June 30, 2023, and we need to set new contracts in place. After due diligence, it is the recommendation of our insurance brokers and staff to renew all the contracts with our current providers.

BACKGROUND:

GBS of Arizona, the City's health insurance broker/consultant, has worked in the last few months to market the City's various employee insurance plans. The City has been doing well overall and the renewal came in at only 3% increase.

The costs associated with a self-funded insurance include charges for third party administration for Claims, PPO Network, Utilization Management, Pharmacy Benefit Management, and Stop Loss Insurance. We will renew our contract with our current providers: Marpai Health (third party claims administrator), Aetna (PPO network), American Health Holding (Utilization Management), Broadreach Medical Resources (Pharmacy Benefit Management) and Berkley (Stop Loss Insurance).

Our Stop Loss Insurance will remain with a \$75,000 deductible, meaning that the City is responsible for paying up to \$75,000 for any claims for each life covered on the insurance. Any claims beyond \$75,000 for one individual are paid by the Stop Loss Insurance.

We will continue to have our direct contract agreements with hospitals/doctors. They become the preferred providers and employees that go to these facilities will have a lower deductible. The direct provider agreements help us keep costs down as the payment made will be based on a percentage of Medicare instead of the contracted amount of the PPO Network, which would be lower. TopCare, an additional component we added four years ago, is a program designed to help medical plan members connect with the highest quality surgeons, hospitals, facilities and imaging providers. By only using the highest quality doctors and facilities, overall healthcare costs will decrease due to better outcomes and improve the health plan member experience. Our health insurance plan has a \$5,000 deductible and when employees use the providers indicated above their deductible is lowered to \$750 when using them.

We understand that some employees prefer to not have to navigate the different Tiers described above to be able to stay in the \$750 deductible of the \$750/\$5,000 medical plan. For this reason, three years ago we implemented an additional option for a medical plan without the Tiers and with only in-network and out of network considerations with a \$1,000 deductible regardless of which provider is used as long as they are in the network. This plan design naturally results in a higher premium for those employees that choose to go with it as the potential amount in claims paid by the insurance will be higher for those in that plan.

This year, we have added a third option with a high deductible health plan (HDHP) combining it with a health savings account (HSA). HDHPs usually result in lower premiums. We are recommending for the City to use the difference in premium from our base plan to this plan to fund the employee's HSA account in a monthly basis. The amounts are included below. HDHPs are quite different from the ones we currently have in that plan members have to meet the deductible completely before the insurance starts paying; the benefit of these is when they are combined with an HSA. The contributions added to the HSA become the employees and they can use it to pay the deductible, plus

other qualified medical expenses, using money set aside in the tax-free HSA. The HSA balance rolls over year to year, so employees can build up reserves to pay for health care items and services needed later.

DISCUSSION:

For the current plan, the monthly City contribution is \$616.08 for employee only coverage and \$1,001.90 for employee + family coverage. The City contribution for employee only coverage would have to increase by \$18.48/month to \$634.56 (100% City contribution for Plan A) in order to avoid any cost impact to the employee. The City Contribution for the Family rate would have to increase by \$30.06/month to \$1,031.96 (67% City contribution for Plan A) in order to lessen the impact to the employee. Employee Contributions will increase slightly for Plan A's family rates and Plan B's employee only and family rates.

\$5,000/\$750 deductible Plan (Plan A)

| | Monthly City Current Contribution | Monthly City Proposed Contribution | Monthly Current Employee Contribution | Monthly Proposed Employee Contribution |
|----------|---|--|---|--|
| Emp Only | \$ 616.08 | \$ 634.56 (\$18.48 increase) | \$ 0 | \$ 0 |
| Family | \$1,001.90 | \$1,031.96 (\$30.06 increase) | \$488.10 | \$502.74 (\$14.64 incr.) |

\$1,000 deductible Plan (Plan B)

| | Monthly City Current Contribution | Monthly City Proposed Contribution | Monthly Current Employee Contribution | Monthly Proposed Employee Contribution |
|----------|---|--|---|--|
| Emp Only | \$ 616.08 | \$ 634.56 (same as above) | \$115.24 | \$118.70 (\$3.46 incr.) |
| Family | \$1,001.90 | \$1,031.96 (same as above) | \$762.18 | \$785.06 (\$22.88 incr.) |

\$2,000 deductible / 20% co-insurance Plan – HDHP & HSA (Plan C)

| | Monthly City Current Contribution | Monthly City Proposed Contribution | Monthly Current Employee Contribution | Monthly Proposed Employee Contribution |
|----------|---|---|---|--|
| Emp Only | N/A | \$ 634.56 (\$542.15 for premium \$ 92.42 for HSA) | N/A | \$0 |
| Family | N/A | \$1,031.96 (\$861.20 for premium \$170.76 for HSA) | N/A | \$450.00 |

FISCAL IMPACT:

The increase to the employee only and employee + family rate city contribution would result in a \$37,700 impact to the General Fund. This amount will be included in the upcoming budget process.

“...I MOVE THAT MAYOR AND COUNCIL APPROVE THE CONTRACT RENEWALS WITH MARPAI HEALTH, AETNA, AMERICAN HEALTH HOLDING, BROADREACH MEDICAL RESOURCES, AND BERKLEY; SET THE MONTHLY CITY CONTRIBUTIONS FOR EMPLOYEE ONLY AT \$634.56 AND FOR EMPLOYEE + FAMILY AT \$1,031.96; AND TO ACCEPT ALL OTHER VOLUNTARY AND CUSTOMARY BENEFITS, AS SUBMITTED.”