

**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

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**EXECUTIVE SUMMARY:**

The City of Douglas is self-funded for health insurance. Our current contracts expire June 30, 2022, 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, except for the Stop Loss insurance.

**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 had high claims this year and the initial renewal came in at a 51% increase in overall premiums. We decided to make some changes to the structure of the contracts with our Stop Loss insurance which resulted in bringing down the overall increase from 51% to about 7%.

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 most of our current providers: Marpai Health (third party claims administrator), Aetna (PPO network), American Health Holding (Utilization Management), Broadreach Medical Resources (Pharmacy Benefit Management). We will change vendors for the Stop Loss Insurance from Swiss Re to Berkley.

Our Stop Loss Insurance will change from a \$60,000 deductible to \$75,000, 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. In addition to increasing the stop loss deductible for all in an effort to minimize cost increase to the insurance premiums, the underwriters recommended to again have a high deductible for two individuals with high claims; for one it will be \$100,000 and \$200,000 for a second individual. This change does not affect what employees will pay. The deductibles and benefits for employees will remain the same. 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 three 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, two 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.

**DISCUSSION:**

For the current plan, the monthly City contribution is \$560.86 for employee only coverage and \$906.46 for employee + family coverage. The City contribution for employee only coverage would have to increase by \$55.22/month to \$616.08 (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 \$62.04/month to \$968.50 (65% City contribution for Plan A) in order to lessen the impact to the employee. Employee Contributions will increase for Plan A's family rates and Plan B's employee only and family rates.

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

|          | Monthly<br>City Current<br>Contribution | Monthly<br>City Proposed<br>Contribution | Monthly<br>Current Employee<br>Contribution | Monthly<br>Proposed Employee<br>Contribution |
|----------|---|--|---|--|
| Emp Only | \$560.86                                | \$616.08 (\$55.22 increase)              | \$ 0  | \$ 0   |
| Family   | \$906.46                                | \$968.50 (\$62.04 increase)              | \$488.10                                    | \$521.50 (\$33.40 incr.)                     |

**\$1,000 deductible Plan (Plan B)**

|          | Monthly<br>City Current<br>Contribution | Monthly<br>City Proposed<br>Contribution | Monthly<br>Current Employee<br>Contribution | Monthly<br>Proposed Employee<br>Contribution |
|----------|---|--|---|--|
| Emp Only | \$560.86                                | \$616.08 (same as above)                 | \$105.18                                    | \$115.24 (\$10.06 incr.)                     |
| Family   | \$906.46                                | \$968.50 (same as above)                 | \$745.30                                    | \$795.58 (\$50.28 incr.)                     |

**FISCAL IMPACT:**

The increase to the employee only and employee + family rate city contribution would result in a \$91,000 impact to the General Fund. This amount will be included in the upcoming budget process.

**“...I move that the Mayor and Council approve contract renewals with Marpai Health, Aetna, American Health Holding, and Broadreach Medical Resources and a new contract with Berkley; set the monthly city contributions for employee only at \$616.08 and for employee + family at \$968.50; and to accept all other voluntary and customary benefits, as submitted.”**