

# COUNCIL DECISION REQUEST

SUBJECT: Health Insurance Change

MEETING DATE: May 13, 2010

PAYSON GOAL: NEW:            EXISTING:

ITEM NO.:

TENTATIVE SCHEDULE:

SUBMITTED BY: Tomi Huddlestun *TH*

AMOUNT BUDGETED:

SUBMITTAL TO AGENDA

EXPENDITURE REQUIRED:

APPROVED BY TOWN MANAGER

CONT. FUNDING REQUIRED:

  
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EXHIBITS (If Applicable, To Be Attached):

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**POSSIBLE MOTION:** I move to direct staff to take all appropriate actions necessary to terminate the Town's current self-insured program and join the APEHP Insurance Pool.

**SUMMARY OF THE BASIS FOR POSSIBLE MOTION:**

The Town currently contracts with various vendors in support of our self-funded health benefit plan.

Our benefit consultant, The Segal Company, conducted a comparison between our current self-funded benefit plan and the Arizona Public Employers Health Pool (APEHP).

The Arizona Public Employers Health Pool began operating in 1985, under the name Verde Valley Employee Benefit Pool (VVEBP). VVEBP offered public entities an alternative to traditional health insurance: A self-insured health benefits program owned and governed by the member entities themselves.

Due to the success of this concept over the last 25 years, VVEBP's governing board recently voted to open membership to public entities across the state of Arizona, and to change the pool's name to Arizona Public Employers Health Pool (APEHP). APEHP's health benefits program includes medical, prescription, dental, life, and voluntary vision. Flexible Spending Accounts (FSA), Health Savings Accounts (HSA), and COBRA administration are also available.

APEHP's governing board is selected by members from among the membership, ensuring an unwavering commitment to member interests. This, coupled with the pool's financial strength (its surplus tops \$5 million) means that pool participants can expect attractive rates and a continual enhancement of benefits and services.

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# ***COUNCIL DECISION REQUEST***

At present, the pool consists of 10 members with over 1,500 active employees and 2,700 total plan participants. Current membership includes:

- City of Cottonwood
- City of Sedona
- Clarkdale – Jerome School District
- Clarkdale Fire District
- Cottonwood – Oak Creek School District
- Navajo County
- Sedona – Oak Creek School District
- Town of Camp Verde
- Town of Clarkdale
- Town of Jerome

Since 2003, APEHP has been professionally managed by Ashton Tiffany, LLC, a Phoenix-based risk management-consulting firm. The Segal Company has worked with the pool since its inception in 1985. In addition to being professionally managed by Ashton Tiffany and The Segal Company, APEHP has partnered with well-respected vendors to ensure excellent service for their members. Primary partners include:

AmeriBen/IEC Group: Third Party Claims Administrator (TPA)  
 Blue Cross Blue Shield of Arizona: Preferred Provider Network  
 Mayo Clinic  
 Informed Rx: Pharmacy Benefit Manger  
 American Health Group, Inc.: Utilization Management/Pre-certification  
 Delta Dental of Arizona: Dental Provider  
 Vision Service Plan: Voluntary Vision Benefits

In order to determine premium rates for the Town’s current self-funded medical, dental, vision and prescription programs, The Segal Company must take into consideration not only the fixed costs (administrative fees, reinsurance premiums, etc.), but also expected claims costs for the upcoming year. The Segal Company has recommended an approximate 5.4% increase in total premiums for fiscal year 2010/2011 (compared to the 22% increase in FY 2009/2010) for the Town’s current benefits plan. Projected rates are as follows:

## TOWN OF PAYSON (Current Plan) 2010/2011

Single	\$ 411.03	Town
	\$ 137.01	Employee
	\$ 403.01	Town
	\$ 134.34	Retiree
Family	\$ 1063.87	Town
	\$ 354.62	Employee
	\$ 1055.45	Town
	\$ 351.82	Retiree
Annual Cost	\$1,852,468	Town
	\$ 491,602	Employee
	\$ 125,887	Retiree

# ***COUNCIL DECISION REQUEST***

APEHP PLANS (Proposed New Plan) 2010/2011

	<u>Core Plus</u>	<u>Core</u>	<u>Copay</u>	<u>HDHP</u>	
Single	\$399.35	\$348.35	\$348.35	\$265.10	Town
	\$133.12	\$116.12	\$116.12	\$ 88.37	Employee
	\$203.37	\$175.87	\$175.87	\$131.62	Retiree
Family	\$913.38	\$794.88	\$794.88	\$604.38	Town
	\$304.46	\$264.96	\$264.96	\$201.46	Employee
	\$468.46	\$405.46	\$405.46	\$303.71	Retiree
Annual Cost	\$1,797,392	Town			
	\$ 428,567	Employee			
	\$ 170,563	Retiree			
Annual Svgs.	\$55,076	\$290,408	\$290,408	\$669,713	

Renewal rates for the Town's current Health Benefit Plan for Fiscal Year 2010/2011 include Medical, Rx, Dental, Vision, Life Insurance, and AD&D. The APEHP rates currently exclude active Dependent Life & Retiree Life at this time, but the rate increase to the monthly premium rates will be minimal. We are currently awaiting correspondence from The Segal Company regarding those rates.

The Town held meetings with the employees and retirees to discuss the possible change. 97 employees/retirees out of 173 total attended the meetings. For those employees not able to attend the live meetings, the option to view the recorded meeting was provided. Employees/retirees were asked to vote their preference regarding joining the insurance pool or staying with the current program. 58 employees/retirees (34%) responded. Based on their responses 24.9% of the 173 employees/retirees voted to stay with the current insurance plan.

**PROS:** \_\_\_\_\_

**CONS:**

**PUBLIC INPUT (if any):**

**BOARD/COMMITTEE/COMMISSION ACTIONS/RECOMMENDATIONS (if any) (give dates and attach minutes):**

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# ***COUNCIL DECISION REQUEST***

**UNDING:**

Acct:	Budget:	Available:	Expense:	Remaining:
Acct:	Budget:	Available:	Expense:	Remaining:
Acct:	Budget:	Available:	Expense:	Remaining:

BA: \_\_\_\_\_ Date: \_\_\_\_\_