

**Metropolitan Domestic Water Improvement District
Board of Directors Meeting**

November 13, 2013

Employee Medical Insurance Coverage

Synopsis

The Board of Directors is requested to approve medical insurance for the District employees for 2014. The District has received a proposal that would allow the District to save monies with its insurance coverage and still provide employees with quality insurance. Dental insurance coverage will be brought before the Board at the December meeting.

Background

Since December 2009, CBIZ Benefits and Insurance Services has served as the District's broker for employee medical and dental insurance coverage. Over the years, CBIZ has done a good job in presenting staff quotes from a variety of insurance providers, negotiating premium costs down whenever possible, and providing the District with clear cut recommendations.

The District has utilized BCBS for a number of years except for 2011 when the district contracted with Health Net. BCBS has worked well with the District in 2012. CBIZ has stated that BCBS is a premier provider for medical insurance.

In 2014, the Affordable Healthcare Act begins to impact the District's employee medical insurance coverage. Based on information from CBIZ Benefits, the District added a 50% increase to insurance costs for the fiscal year budget for employee medical and dental insurance costs. Insurance costs are based on a calendar year rather than the fiscal year. Currently, the District's health insurance carrier is Blue Cross Blue Shield of Arizona. Under the current enrollment of 43 employees with medical insurance, 19 are with the PPO Plan and 24 are with the Health Savings Account Plan.

Issues

The District has been making every effort possible to learn about and understand the Affordable Healthcare Act. In order to ensure the most favorable rates for the District, the District decided to take advantage of an offer from a second broker to look into insurance rates. Therefore, both CBIZ Benefits and Crest Insurance, which just assumed the District's liability insurance, solicited proposals for the District.

Both CBIZ Benefits and Crest Insurance came back with similar proposals from insurance carriers with basically the same costs to the District. A key point with these proposals is the effective date. Normally, the District would be having the insurance effective on January 1st; however, with the Affordable Healthcare Act starting on January 1, 2014, insurance costs increase significantly. Many insurance providers believe that as they get through 2014, they will

start to have a better understanding of the impact of the Affordable Healthcare Act, which could mean costs increase more, level out, or decrease in 2015.

Another major change for insurance coverage effective on January 1, 2014 is that there are not overall premiums but the premiums are individualize to each employee and employee dependent based on age and location of residence. This creates a complicated administration of the premiums. Again, insurance providers are hopeful that during 2014 they will better understand the impact of individual calculations and develop creative ways to reduce the complexity for 2015.

An option available to the District to address the upcoming higher costs as well as the confusion and complexity surrounding the Affordable Healthcare Act would be to start the insurance coverage effective December 1, 2013. Some insurance companies are offering this so that the insured are under the current rules. Again, the main benefit for the December 1, 2013 enrollment is to allow the dust to settle with the Affordable Healthcare Act with both costs and administration. Unfortunately, this scenario is not available from Blue Cross Blue Shield. Blue Cross required that to take advantage of the December 1, 2013 date, we would have had to enroll by September 1, 2013, which unfortunately CBIZ had not informed the District.

Proposals

As previously stated, both CBIZ and Crest provided a number of proposals from insurance carriers, which are attached. Blue Cross and United Healthcare each gave options that were most attractive for the District along with each having the largest physician networks and best reputations. Based on a reviewing those options, the following two proposals are viewed as the most advantageous for the District. First, here is the District's current plan under Blue Cross Blue Shield:

Description of Coverage	Current BCBS Plans/Rates			
	PPO		H.S.A.	
	Blue Preferred \$500 80/60		H.S.A. Plus \$2,600 100/50	
	In Network	Out of Network	In Network	Out of Network
Deductible (Individual ♦ Family)	\$500 individual / \$1,000 Family		\$2,600 individual / \$5,200 Family	
Coinsurance (on allowed amount)	80% - 20%	60% - 40%	100%	50% - 50%
Max Out-of-Pocket (Individual ♦ Family)	\$3,000 / \$6,000	\$6,000 / \$12,000	\$2,600 / \$5,200	\$10,000 / \$20,000
Includes Deductible?	NO	NO	NO	NO
Preventive Care	100% covered - no copay		100% covered - no copay	
Office Vist - Non-Preventive	\$25 pcp / \$40 specialists		Deductible first then covered at 100%	
Inpatient Hospitalization	Deductible first then covered at 80%		Deductible first then covered at 100%	
Emergency Room	\$250 copay		\$250 copay	
Urgent Care	\$60 copay		\$60 copay	
Prescription Drugs	\$15 / \$35 / \$65 / \$120		Covered at 100% after deductible	
Annual Premium	\$375,207			
Premium Change	n/a			
Percent Change	n/a			

This proposal would be to renew with Blue Cross Blue Shield effective January 1, 2014. Of the proposals that would be effective after the first of the year, this one was the best overall.

Description of Coverage	Proposed BCBS Renewal (effective 1/1/2014)			
	PPO		H.S.A	
	Everyday Health \$1,000 80/50		Portfolio \$3,500 100/50	
	In Network	Out of Network	In Network	Out of Network
Deductible (Individual + Family)	\$1,000 / \$2,000	\$1,500 / \$3000	\$3,500 / \$7,000	\$4,000 / \$8,000
Coinsurance (on allowed amount)	80% - 20%	50% - 50%	100%	50% - 50%
Max Out-of-Pocket (Individual + Family)	\$4,500 / \$9,000	\$9,000 / \$18,000	\$4,500 / \$9,000	\$9,000 / \$18,000
Includes Deductible?	YES	YES	YES	YES
Preventive Care	100% covered - no copay		100% covered - no copay	
Office Vist - Non-Preventive	\$20 pcp / \$40 specialists		Deductible first then covered at 100%	
Inpatient Hospitalization	Deductible first then covered at 80%		Deductible first then covered at 100%	
Emergency Room	\$250 copay		Deductible first then covered at 100%	
Urgent Care	\$60 copay		Deductible first then covered at 100%	
Prescription Drugs	\$15 / \$40 / \$80 / 45%		Covered at 100% after deductible	
Annual Premium	\$503,643			
Premium Change	\$128,436			
Percent Change	34.2%			

This proposal would be to enroll with United Healthcare effective December 1, 2013. Of the proposals for taking advantage of early enrollment, this was the best one from United Healthcare as well as other insurance carriers.

Description of Coverage	United HealthCare Option #3 (effective 12/1/2013)			
	PPO		H.S.A.	
	PPO Plan BOO w/ XZ Rx		H.S.A. Plan AUF \$2000 80/50	
	In Network	Out of Network	In Network	Out of Network
Deductible (Individual + Family)	\$1,000 / \$2,000	\$2,000 / \$4000	\$3,000 / \$6,000	\$6,000 / \$12,000
Coinsurance (on allowed amount)	80% - 50%	50% - 50%	90% - 10%	50% - 50%
Max Out-of-Pocket (Individual + Family)	\$4,000 / \$8,000	\$6,000 / \$12,000	\$6,000 / \$12,000	\$12,000 / \$24,000
Includes Deductible?	YES	YES	YES	YES
Preventive Care	100% covered - no copay		100% covered - no copay	
Office Vist - Non-Preventive	\$25 pcp / \$50 specialists		Deductible first then covered at 90%	
Inpatient Hospitalization	Deductible first then covered at 80%		Deductible first then covered at 90%	
Emergency Room	\$250 copay		Deductible first then covered at 90%	
Urgent Care	\$60 copay		Deductible first then covered at 90%	
Prescription Drugs	\$15 / \$35 / \$65 / \$100		Covered after deductible at \$10 / \$35 / \$60	
Annual Premium	\$312,616			
Premium Change	-\$62,591			
Percent Change	-16.7%			

Under the United Healthcare proposal, the District could save additional monies if more employees enrolled under the Health Savings Account rather than the PPO.

Recommended Proposal

Staff is recommending that the District have as its employee medical insurance coverage the United Healthcare Option #3. This option actually provides a large savings for the District while still giving employees quality insurance from a carrier that has a solid reputation. It does require the District to make a decision at the November 13, 2013 meeting so that open enrollment can occur before December 1, 2013.

Under this proposal, the deductibles, coinsurance, and maximum out-of-pocket does increase from the current plan; however, this is the trend that insurance carriers are moving towards due to the Affordable Health Act.

Most significantly, this option does provide large savings from what had been budgeted this fiscal year for insurance. In fact, it is \$62,591 less than the District's total premium payment to Blue Cross. It would be recommended the savings in the budget from this insurance proposal be set aside for the FY 2014-15 budget since the District will most certainly see higher costs in 2015 with the Affordable Healthcare Act fully in effect by then.

PPO Plan vs. HSA Plan

As previously mentioned, additional savings could be achieved if more employees enrolled in the Health Savings Account. The PPO Plan cost has increased under all of the United Healthcare proposals; whereas, the HSA Plan costs are less. Therefore, it would be advantageous to the District to have more employees enroll under the HSA Plan. In order to encourage this, the employee deduction for the PPO Plan is recommended to increase slightly to account for the increase in premiums. It is also recommended that the employee deduction for the HSA Plan should be modestly reduced along with a minimal increase to the District's contribution to the individual HSA accounts to acknowledge the significant cost savings to the District for those on the HSA Plan. Attached is a draft table of the employee deductions for PPO and HSA under the United Healthcare Option #3.

This approach still ensures the District receives the budgetary savings from the United Health Care Option #3. It also means employee deductions would reflect the appropriate contributions from the employees dependent upon the plan that they choose. If there are employees who choose to switch from the PPO Plan, additional savings to the District may be realized.

Insurance Broker

Both CBIZ and Crest provided insurance proposals that were comparable. CBIZ has provided through the years good service to the District. This past year, customer service has diminished with the most notable example is that CBIZ did not follow up with the District to allow the District time to consider the option to renew in December 2013 under Blue Cross Blue Shield.

Crest is currently the District's insurance broker for liability insurance and workers compensation. If Crest was also the District's medical insurance broker, the District would have the same broker for all of its insurance coverage. Crest has provided good service regarding the liability insurance and workers compensation.

Recommendation

It is recommended the Board of Directors approve Crest Insurance to administer a contract for employee medical insurance with United Healthcare for \$312,616 on the District's behalf for the 2014 calendar year per Option #3 as presented. Furthermore, the General Manager is directed to implement the employee deductions and HSA contributions as identified in the attached table.

Suggested Motion

I move to approve Crest Insurance to administer a contract for employee medical insurance with United Healthcare for \$312,616 on the District's behalf for the 2014 calendar year per Option #3 as presented. The General Manager is also directed to implement the employee deductions and HSA contributions as identified in the attached table.

Respectfully submitted,

Mark R. Stratton, P.E.
General Manager