

TOWN *Of* PARADISE VALLEY



STAFF REPORT

TO: Mayor Stanton and Town Councilmembers

FROM: Andrew Ching, Town Manager
Gina Monger, Human Resources Director

DATE: March 26, 2026

DEPARTMENT: Town Manager (Human Resources)

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AGENDA TITLE: **Healthcare Request for Proposals – Second Update**

RECOMMENDATION

The information being presented is to provide Council with the results of the request for proposals (RFP) for the Town's healthcare benefits, and to recommend that Council approves the Town's membership renewal with the *Arizona Metropolitan Trust (AzMT)*, effective July 1, 2026.

SUMMARY STATEMENT

Overview: The Town provides medical, dental, vision, prescription, short-term disability, employee assistance programming, wellness, and life and accidental death and dismemberment coverages for all eligible employees. The Town has been a member of the *AzMT* since July 1, 2017; the Town's membership will expire on June 30, 2026.

Council approved the Town's request to solicit bids for its healthcare benefits in FY2026, through the use of a professional services contract, not to exceed \$21,125 (budget was \$45,000).

Professional Services Consultant: The Town contracted with *Capital Financial Consulting (Capfi Consulting)* to support the RFP process, which included a feasibility study to consider fully self-funded benefits.

Feasibility Study: On October 23, 2025, a presentation was delivered to Council that concluded, that based upon the Town's FY2023, FY2024, and FY2025 medical claims history, fully self-funding would outperform pooled self-funding in 78.9% of the FY2026 modeling scenarios, with projected savings year after year for the next several years.

On February 3, 2026, the feasibility study was updated with the FY2026 Q1 claims data, and the modeling results dropped to 47.2%. These results were heavily impacted by multiple large claims that occurred during the first quarter, as well as overall usage of the plan. Upon review of this data, it was noted that the claims during this quarter doubled as compared to the same quarter in the prior three plan years.

In light of this new information, the Town no longer wishes to pursue fully self-insured healthcare benefits.

RFP Process: On November 14, 2025, the RFP was released. Invitations to submit bids were sent to direct benefit providers, third-party administrators, and Arizona benefit pools.

RFP Results: Bids were opened on December 15, 2025. Nine responses were received and two were subsequently rejected for failing to be responsive to the RFP, and one declined to provide a quote. *AzMT* had previously notified the Town that it does not respond to RFPs and that newly approved members are underwritten and then rates are set accordingly. The remaining six eligible responses were as follows:

Response 1	Self-funded medical bundle, dental, and vision
Response 2	Dental and vision only
Response 3	Dental and vision only
Response 4	Life, voluntary life, voluntary short-term disability
Response 5	Dental and vision only
Response 6	Self-funded medical bundle

Only *Response 1* contained the three major healthcare programs (medical, dental, and vision), at a cost of more than 18% of what the Town’s current costs are for a full healthcare program; and would have still required the Town to independently procure the other ancillary benefits, plus stop-loss insurance, and actuarial and legal services.

Consequently, the review of the bids was paused, and additional efforts were made to contact the other known healthcare pools for premium information, to which none responded. Further research was conducted by the Town to identify premiums for several Arizona self-funded pools. This research resulted in very limited information, but what was found indicated much higher premiums than those of the *AzMT*.

Concurrently, with the Town’s RFP process, during its annual renewal meeting on February 11, 2026, the *AzMT* Board of Trustees approved to extend an offer of membership to the Town, effective July 1, 2026, for 36 months. During this same meeting, the Board of Trustees approved a 9.5% increase for medical premiums for all *AzMT* members, based upon historical claims experience and funding needed to replenish the reserve funds.

PROPOSED ACTION

The Town recommends Council approves the resolution to be placed on the April 9, 2026 consent agenda, to renew its membership with the *AzMT*, effective July 1, 2026, for term of 36 months.

BUDGET IMPACTS

There is no direct budget impact to approve the renewal of the Town’s membership with the *AzMT*. The rate increase for FY2027 medical premiums is included in the proposed budget.

ATTACHMENTS:

- A. Staff Report: Healthcare Request for Proposals – Second Update
- B. Staff Presentation