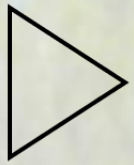
Town of Paradise Valley

HEALTHCARE REQUESTS FOR PROPOSALS

October 23, 2025

PURPOSE OF PRESENTATION



Healthcare Benefits: Review the recent history of employee healthcare benefits administration and current state.

Self-Insurance Options: Provide explanation between self-insured options (pooled and full) in preparation for the healthcare benefits RFP process scheduled to begin in November 2025, in consultation with *Capital Financial Consulting*.

Council "Ask": Seeking Council consensus to issue RFP for healthcare benefits that includes both self-insured pools and fully self-insured options for bidders.

CONSULTANT RETAINED

- *Capital Financial Consulting* (dba *Capfi Consulting*) was retained (through a linking agreement) to support RFP process for healthcare benefits.

- Contract not to exceed $21,125. Statement of Work (SOW) includes:
  - ✓Fully self-funded feasibility study: $6,750
  - ✓RFP preparation for medical, dental, vision, life, wellness, and employee assistance programs: $14,375.
    - Bid cost analyses and recommendation preparation.
    - Presentations to Town and Council, as needed.

TOWN HEALTHCARE BENEFITS PROVIDER

- Effective 07/01/2017, Council approved the Town's membership with the *Arizona Metropolitan Trust* (*AzMT*), a **self-insured pool.**
- Currently 10 entities in *AzMT*: Apache Junction, Cave Creek, El Mirage, Fountain Hills, Guadalupe, Litchfield Park, **Paradise Valley**, Sun City Fire District, Wickenburg and Youngtown
- Each entity has one representative on the board of trustees (city/town manager).
- Current contract expires 06/30/2025. If contract is terminated effective 07/01/2026, *AzMT* will pay the Town $320,830 (as of 06/30/2025) of premiums surplus (premiums paid less actual claim costs) in 2 installments: 6 months and 27 months following termination of contract.

SELF-INSURANCE POOL
What is it?

- Hybrid between traditional fully insured and fully self-insured benefit programs.
- Comprised of multiple government entitles who collectively pool resources to self-insure employee benefit programs (*ARS § 11-952.01*).
- Requires board of trustees, annual audits, actuarial services, and legal services.
- Provides greater control over costs and administration of benefits than traditional fully-insured insurance benefits.
- Claims are paid as they are incurred.

SELF-INSURANCE POOL Considerations

- Costs and risk affected by claims activity of all entities in pool. Entities may benefit from subsidized costs; or may be subsidizing the costs of other member entities.
- Individual entity limited on decision-making regarding cost allocations, plan design, and administration of benefits.
- Any surpluses/deficits may be maintained by the pool and reconciled upon termination of contract with the entity.
- Fiduciary responsibility rests with board of trustees.

FULLY SELF-INSURED
What is it?

- Sole government entity that insures itself for employee benefit programs (*ARS § 11-981*).

- Similar in scope and responsibilities to self-insured pool, only with one entity responsible for all requirements.

FULLY SELF-INSURED Considerations

- Fiduciary responsibility as plan sponsor.
- Potentially more risk, higher maximum expense exposure.
- Monthly expense variability that requires sufficient cash flow.
- More administrative responsibilities.
- Costs and risk affected by claims activity of sole entity.
- Reserves are maintained by the sole entity.
- Customized plan design and plan delivery, and network carve-outs and optimization.
- Lower fixed costs.
- Improved cash flow and budget flexibility (rate setting).
- Full transparency of premium and claim reports.

FULLY SELF-INSURED FEASIBILITY STUDY

In preparation for the RFP and as part of the *Capfi Consulting* SOW, a feasibility study was conducted to determine if the Town could potentially benefit from a fully self-funded insurance program.

- *Capfi Consulting* utilized the *Windsor Strategy Partners' Risk Decision Support Model*; built on a database of nearly 3.8 million commercially insured lives, representing over $35 billion in medical and pharmacy charges to demonstrate potential outcomes and the factors behind those outcomes.

- Ran 5,000 plan year simulations to predict some plan years with high aggregate claims, some with low claims, and some years with expected claims, based on the following assumptions:

FULLY SELF-INSURED FEASIBILITY STUDY

CAPFI CONSULTING

ASSUMPTIONS

Specific Deductible	**$240,000** and **$150,000** (current and recommended stop loss attachment point)
Stop Loss Premium	**$110.47 PEPM** and **$173.93 PEPM***** ($240k ISL and $150k ISL respectively)
Administration	**$74.48 PEPM*** Includes TPA, network access, medical management, PBM, EAP, wellness
Claim Credibility	**100%** Actual claims provided July 2022 through June 2025 Combined medical/Rx trend – 8.0%
Employees/Members	**108 EE's/212 members**
Aggregate Corridor	**125%**

*2025/2026 rates; 2026/2027 projections are estimated based on trend

FULLY SELF-INSURED FEASIBILITY STUDY

POOLED vs SF ANALYSIS - FUTURE YEAR PROJECTIONS

CAPFI CONSULTING

$150k ISL = Individual Stop Loss (recommended amount)

Year	AzMT Premium	Stop Loss Premium	Administration	Claims Under SL	SF Cost	SF > Pool	Projected Savings
2026-27	1,598,650	143,169	99,422	1,201,405	1,443,996	78.9%	$154,654
2027-28	1,739,491	143,169	102,405	1,297,517	1,543,091	87.6%	$196,400
2028-29	1,892,740	143,169	105,477	1,401,319	1,649,965	91.0%	$242,775
2029-30	2,059,490	143,169	108,641	1,513,424	1,765,234	93.5%	$294,256

$240k ISL = Individual Stop Loss

Year	AzMT Premium	Stop Loss Premium	Administration	Claims Under SL	SF Cost	SF > Pool	Projected Savings
2026-27	1,598,650	225,413	99,422	1,066,870	1,391,706	79.9%	$206,944
2027-28	1,739,491	225,413	102,405	1,152,220	1,480,038	88.4%	$259,453
2028-29	1,892,740	225,413	105,477	1,244,398	1,575,288	91.4%	$317,452
2029-30	2,059,490	225,413	108,641	1,343,949	1,678,004	93.9%	$381,486

The projections suggest that fully self-funding employee benefits would outperform pooled benefit costs year over year.

RFP MARKET CONDITIONS

CAPFI CONSULTING

Summary: The expectation is that the Town will see a positive response to RFP based upon the following factors.

	Commentary	Impact
1 Scarcity	• Scarce "asset" with critical mass and regionally appealing employee population • Multiple years since last RFP to the market; extremely "sticky" client profile • ~Top 10% municipal employer – most are currently locked in with trusts/pools	Negative … Positive
2 Motivated Buyers	• Client becomes a "must have" asset for buyers • Two new statewide trusts launching in '25 • Significant movement between competing trusts in '24 & '25	
3 Claims Experience	• Feasibility study results – 72.6% chance of outperforming fully-insured in '25/26 • A very strong, competitive process could create a bidding war	

RFP TIMELINE

November 2025

- Finalize RFP and go to market.
- Identify Town RFP review committee members.

December 2025

- 12/10/2025 RFP deadline and bid opening.
- *Capfi Consulting* conducts cost analysis of bids.

January 2026

- RFP committee reviews cost analysis.
- Best and final vendor presentations (as needed).

February 2026

- Final scoring of proposals by Town RFP Committee.

March 2026

- Present bid recommendation to Council.

COUNCIL “ASK”

The Town would like the option to consider becoming fully self-insured.

Therefore, the Town is seeking Council consensus to issue RFP for healthcare benefits that includes both self-insured pools and fully self-insured options for bidders.

Questions?