

Meeting Minutes

Health Care Benefits Trust Board

Regular Meeting

August 19, 2021 | 4:00 p.m.
Council Chambers Conference Room
88 E. Chicago St., Chandler, AZ



Call to Order

The meeting was called to order by Chairman Bohnert at 4:08 p.m.

Roll Call

Commission Attendance

Chairman Michael Bohnert
Vice Chair Terry Bond
Secretary Val Gale
Commissioner Alexander Myer
Commissioner Lily Longacre

Other Attendance

Carol Osterhaus, Benefits Analyst
Fernanda Osgood, Benefits/Compensation Manager
Kristi Smith, Accounting Manager
Rae Lynn Nielsen, HR Director
Rachel Calisi, Segal Consultants
Roni Laxa, Assistant City Attorney
Teresa Canjar, Management Assistant

Absent

Commissioner Alexander Myer

Consent Agenda and Discussion

1. June 17, 2021 Minutes

Vice Chair Bond made a motion to approve the minutes as presented from the June 17, 2021, meeting of the City of Chandler Health Care Benefits Trust Board, seconded by Commissioner Longacre, motion carried.

Scheduled and Unscheduled Public Appearances

Rae Lynne Nielsen, Human Resources Director, introduced the new Human Resources Benefits and Compensation Manager, Fernanda Osgood. Welcome Fernanda!

Briefing

1. Medical Trust Actuarial Report

Rachel Calisi from Segal provided an overview of the Medical and Prescription Drug Plan Quarterly Report from January 1, 2021, through December 31, 2021- data through June 2021. On the HealthPlan Dashboard, she said this report shows the last 12 months. The contributions have remained the same, just under \$22M. We are really seeing an increase in the net paid medical claims. A year ago, they were \$13.9M and the most recent period they are \$17.9M. Pharmacy claims have been pretty stable, up a little bit. Total Claims were \$21.1M in the previous period and have increased to \$25.7M for this period. The stop loss and admin expenses have increased to \$3M. We are running at a \$3.7M deficit. The loss ratio is at 117% compared to 97% last year. The PEPM Cost for this year is \$1,257.85, up from \$1,042.76 last year. There has been a shift in prescriptions from non-preferred brand to preferred brand and there were a couple drugs added. Specialty has increased from \$889,568 to \$1,273, 837. There was an increase in the Mail Order from 3.2% to 2.78%. There is no concern with the change of 8.1% in pharmacy. The demographics have remained stable. The number of large claimants for over \$100K was 18 last year and has increased to 36. The medical/RX paid claims have increased by 33.9%. She feels we will continue to see this increase as we go forward. Our in-network allowed is strong at 97.1% and our discount from billed is 67.3%. Our member cost share is decreasing, and our plan paid is increasing due to the large claims.

Rachel highlighted the 2020-2021 Medical/RX Contributions and Expenses Report. The key numbers between 2020 and 2021 were noted. There were stop loss refunds in 2020 of \$1,087,637 and so far for 2021 the stop loss refunds are at \$324,330 because of the increase in large claims. Our plan expenses to date are \$13,266,920 reflecting an average of \$2,211,153. Our deficit to date is \$2,283,525.

The 2021 Enrollment by Status and Plan report shows enrollment has been stable.

The Medical/RX YTD Claims Paid by Plan and Status comparison chart shows the difference between the different plans and actives versus retirees. There has been an increase in everything but the white plan and retirees. The claims impact is affecting every plan.

The 2021 Contributions and Paid Claims by Status and Plan Report shows a further breakdown of the actives and retirees looking at the loss ratios with contributions and total expenses. The overall loss ratio is 124% when we look at total expenses.

The Enrollment by Tier chart shows the breakdown in plan and coverage category by month in 2020 and 2021. This shows that enrollment continues to be stable.

The 2021 Contributions and Expenses by Status and Plan charts are broken out by active versus retiree. By adding up all the expenses for active employees there would be a \$130 deficit per employee and doing the same with the retirees there would be a \$1,265 deficit per retiree. Overall retirees make up 11% of enrollment, 9% of contributions, and 18% of claims and expenses.

The 2021 Incurred Medical Claims Paid in Excess of \$100,000 report shows that large claims over \$100,000 account for 28% of the total medical/RX paid. Through June, there were 18 large claims compared to 5 last year. We have one claim that is in excess of the \$350,000 Stop Loss Deductible. None of these claims are COVID related.

The Thirteen Month Snapshot shows the net medical trend at 27.5% and the RX trend at 5.8%.

Chairman Bohnert asked it if was common to see the spread between the contributions and claims for what you see with other cities? Rachel responded it varies. Right now, this is coming from the large medical claims. Last year we were at \$1,326,777 a month and this year we are at \$1,610,719 a month. She said we didn't really have the steep COVID dip like a lot of other groups.

Vice Chair Bond asked is it too early to tell the impact of the Delta variant since it is impacting the hospitals and health care significantly right now? Rachel responded that she isn't seeing anything right now, none of our large claims are COVID related. Rae Lynn Nielsen, Human Resources Director, responded that employees that have had significant health conditions with COVID have been paid out of the Worker's Comp, so you will see an impact on that Trust from exposure at work.

2. Financial Statements and Wellness Report

Statement of Net Position as of June 30, 2021

Kristi Smith advised the Board that the total assets were \$19,249,488 which is up slightly from last quarter. There is \$6,817,136 in liabilities which is up from the prior quarter. The unrestricted net position is \$12,432,353 compared to the total net position reserve of \$6,341,000.

Statement of Revenues, Expenses and Changes in Net Position June 30, 2021

The 2021 budget is the full calendar budget and the 2021 budget prorated is 6 months or 13 payrolls. Of the 13 payrolls, 12 of them had insurance payments because insurance payments are only taken out of 24 of the 26 pay periods processed. The total actual operating revenues are \$11,163,443 which is slightly under budget. Actual operating expenses are slightly over budget at \$13,210,724 due to claims. The actual operating income is at a loss of \$2,047,281. The nonoperating revenues and expenses include an interest loss of \$109,123 and there is a change in net position at a loss of \$2,156,404. The ending net position is \$12,432,353 which agrees with the Statement of Net Position.

Statement of Cash Flows June 30, 2021

Kristi Smith advised the Board that this report shows the inflows and outflows of cash by activity. The cash and investments total \$19,213,358 which agrees with the Statement of Net Position.

Wellness Programs Tracking Report June 30, 2021

Kristi Smith advised the Board that the Wellness Program tracking shows \$112,972.42 which is cumulative over the years. We have received the \$25,000 from Blue Cross and have only expended \$5,769.58. This

number agrees with the wellness programs operating expense on the Statement of Revenues, Expenses and Changes in Net Position.

3. Investment Report June 30, 2021

Kristi Smith provided a brief overview of the Investment Performance Review. The portfolio statistics yield at cost is 0.85% which is down from 0.96% the previous quarter. The money market rate for Wells Fargo is 0.01% and PFM is 0.02%, which is in line with the last quarter. The sector allocation has been pretty consistent with prior quarters. Maturity distribution shows the yield at market of 0.31% which is higher than the index at 0.25%. The yield at market is actually up from last quarter. The effective duration is 1.77 which is in line with the benchmark of 1.84.

4. Review of Calendar Year 2022 Rates Human Resources

Rae Lynn Nielsen, Human Resources Director, provided a brief explanation for the action item concerning healthcare rates for the Calendar Year 2022. Contrary to the reports, we are recommending no increase in rate for year 2022. Segal did recommend a significant rate increase for this year as they have in the past. We have had numerous discussions with the City Manager and Management Services on the impact this would have on our employees and about other current initiatives. There is going to be a Citywide Classification and Compensation study looking at pay and benefits. The reason we are recommending no increase is if you look back at the Statement of Net Position, we still have \$12.4M in the Trust and the reserve requirement in our funding policy is \$6.3M. So even if we drawdown \$2.5M (probably closer to \$3M), from the \$6M we will still have a significant amount over and above the funding requirement of the Trust. We are working on a three-year plan to present to the City Manager's Office where we will look at other changes to the plan to minimize the impact. I have a commitment from the City Manager's Office if for some reason we were to go below our reserve policy requirement, we would supplement it with Cares Act dollars we have received as we work through these changes in conjunction with the classification and compensation study, and as we continue to monitor the large claims. If there are additional recommendations or more detail that would require another meeting, we would have to call a special meeting because we need to move forward with open enrollment which will happen soon and will impact the rates as well.

Chairman Bohnert asked if we have to raise rates will it be effective in two years or one year? Rae Lynn Nielsen, Human Resources Director, responded it would be this time next year. The reason we are looking at a three-year plan is we realize we need to look at other options such as plan design along with a rate increase for employees to lessen the impact, and this takes time and communication.

Commissioner Longacre asked when was the last time there was an increase? Rae Lynn Nielsen, Human Resources Director, responded including this year it has been six years since a rate increase. We talk about a rate increase every year, but we have always added to our reserve until last year. With our reserve being around \$15/\$16M it was not necessary until this past year. Commissioner Longacre said when changing benefits, you must consider retention of employees and staying competitive in the job market. Rae Lynn Nielsen, Human Resources Director, said that is why we are looking at this in a well-rounded approach.

Commissioner Longacre asked when we were going over the Wellness Programs Tracking Report, why is the spending so low compared to the amount that is available to spend? Rae Lynn Nielsen, Human Resources Director, responded there are a couple of reasons. We were more in a communications plan

last year due to COVID and we have a lot of good initiatives in place to spend most of it over the next year. This money is from Blue Cross and can only be spent on wellness activities or supplies. Commissioner Bond asked if this also included mental health wellness. Rae Lynn Nielsen, Human Resources Director, responded yes, it does.

5. Resolution No. HB-012 for 2022 Rates Human Resources

Action Agenda Items

Secretary Gale moved to approve the City of Chandler Health Care Benefits Trust Resolution No. HB-012 establishing the Total Monthly Rates for Employee Premiums for the Red, Blue, and White Plans for Calendar Year 2022; Seconded by Commissioner Longacre, motion carried.

Member Comments/Announcements

Teresa Canjar, Management Assistant, advised the Board that the City has implemented a new electronic Agenda, Minutes, and Packet system that would be used for the September Worker's Compensation Board Meeting. More information would be shared as soon as it is available.

Calendar

The next regular meeting will be held on Thursday, November 18, 2021 (Combined), at 4:00 p.m., in the Council Chambers Conference Room, 88 E. Chicago St.

Informational Items

Agenda Items for Future Meeting Dates

Actuarial Audit Report - Segal

Financial Statements and Wellness Report Management Services

Investment Report Management Services

Proposed Calendar for 2022 Meeting Dates Human Resources

Adjourn

Secretary Gale made a motion to adjourn the meeting of the City of Chandler Health Care Benefits Trust Board of August 19, 2021, at 4:44 p.m., seconded by Commissioner Longacre, motion carried.

Teresa Canjar, Secretary

Michael Bohnert, Chairman