

Meeting Minutes

Health Care Benefits Trust Board

Regular Meeting

November 18, 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 4:14 p.m.

Roll Call

Board Attendance

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

Other Attendance

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

Consent Agenda and Discussion

1. August 19, 2021 Minutes
Ms. Longacre made a motion to approve the minutes as presented from the August 19, 2021, meeting of the City of Chandler Health Care Benefits Trust Board, seconded by Mr. Myer, motion carried.

Scheduled and Unscheduled Public Appearances

Briefing

1. Medical Trust Actuarial Report
Andrew McDonald from Segal provided an overview of the Medical and Prescription Drug Plan Quarterly Report from January 1, 2021, through December 31, 2021- data through September 30, 2021. On the HealthPlan Dashboard, he said this report shows the last 12 months. The contributions have remained steady with no increase in premiums, just under \$22M. Paid Claims are up over \$3M, the last 12 months at \$17.6M. Paid RX claims have been steady over the past year at \$4.5M. The

total overall claims are at \$22M for the last 12 months. When you are including claims and expenses there is a 116% loss ratio which is up from 98%. PEPM % change is 18.5% which is driven by large claims. There has been a shift in prescriptions from non-preferred brand to preferred brand. Overall, the total increase has been about 5.9%. Scripts are actually down for the year, but as you look at the total plan paid for script it is at \$10.61. Enrollment has been steady. Large claimants have gone up over the last 12 months from 23 to 34 this year. In Network Allowed has remained steady at 97%. The Member Cost Share has decreased from 15.2% to 13.4% and the Plain paid has increased from 84.8% to 86.6% due to large claims meeting their out-of-pocket maximum.

Andrew 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 \$690,909 because of the increase in large claims. Our plan expenses to date are \$18,895,363 reflecting an average of \$2,099,485. Our deficit to date is \$2,391,167.

The 2021 Enrollment by Status and Plan report shows a slight increase in enrollment overall of 0.5% but what you are seeing is an increase in retirees of about 10% over last year and 12% in the red and white plan.

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. 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 white plan is the only plan with a loss ratio under 100%. The overall loss ratio is 119% 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. The White Plan has increased slightly but overall, it has been stable.

The 2021 Contributions and Expenses by Status and Plan charts are broken out by active versus retiree. The White Active Plan is the only one that has a surplus. By adding up all the expenses for active employees there would be a \$97 deficit per employee per month and doing the same with the retirees there would be a \$1,027 deficit per retiree per month. Overall retirees make up 11% of enrollment, 9% of contributions, and 17% 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 September, there were 21 large

claims compared to 13 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 23% and the RX trend at 4.1%. Things are starting to level out.

2. Financial Statements and Wellness Report

Statement of Net Position as of September 30, 2021

Kristi Smith advised the Board that the total assets were \$16,976,356 which is down from last quarter. There is \$4,482,416 in liabilities which is down from the prior quarter. The unrestricted net position is \$12,493,941 compared to the total net position reserve of \$6,341,000.

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

The 2021 budget is the full calendar budget and the 2021 budget prorated is 9 months or 20 payrolls. Of the 20 payrolls, 18 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 \$16,676,047 which is slightly under budget because of the reduced employer/employee self-insurance premiums. Actual operating expenses are slightly under budget at \$18,687,964 due to reduced cost in the other line items self-insurance administrative fees, and health savings and flex spending account contributions. The actual operating income is at a loss of \$2,011,917 and is greater than anticipated in the prorated budget. The nonoperating revenues and expenses include an interest loss of \$82,899 and there is a change in net position at a loss of \$2,094,816. The ending net position is \$12,493,941 which agrees with the Statement of Net Position.

Statement of Cash Flows - September 30, 2021

Kristi Smith advised the Board that this report shows the inflows and outflows of cash by activity. The cash and investments total \$16,936,882 which agrees with the Statement of Net Position.

Wellness Programs Tracking Report – September 30, 2021

Kristi Smith advised the Board that the Wellness Program tracking shows \$112,042.42 which is cumulative over the years. We have received the \$25,000 from Blue Cross and have only expended \$6,699.58. This number agrees with the wellness programs operating expense on the Statement of Revenues, Expenses and Changes in Net Position.

3. Investment Report – September 30, 2021

Kristi Smith provided a brief overview of the Investment Performance Review. The report looks a little different because they have changed their name to PFM Asset Management LLC and are now under the US Bank umbrella. The portfolio statistics yield at cost is 0.86% which is down from 0.96% the previous quarter. Maturity distribution shows the yield at market of 0.30% which is down from

the prior quarter at 0.31%. The effective duration is 1.62 which is in line with the benchmark of 1.83. The money market rate for Wells Fargo (now Allspring Global Investments) is 0.01% and PFM is 0.02%, which is in line with the last quarter. On the Sector Allocation Review there is a continued shift from Agency to Treasury.

4. Review of Calendar Year 2022 Dates

Rae Lynn Nielsen presented the 2022 meeting dates as proposed in the prior Worker's Compensation meeting. Everyone was agreeable to the dates and appointments have already been sent.

Action Agenda Items

Member Comments/Announcements

Calendar

The next regular meeting will be held on Thursday, March 3, 2022, 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

Adjourn

Secretary Gale made a motion to adjourn the meeting of the City of Chandler Health Care Benefits Trust Board of November 18, 2021, at 4:38 p.m., seconded by Ms. Longacre, motion carried.

Teresa Canjar, Secretary

Michael Bohnert, Chairman