

Meeting Minutes

Health Care Benefits Trust Board

Regular Meeting

March 3, 2022 | 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 4:02 p.m.

Roll Call

Board Attendance

Chair Michael Bohnert
Secretary Val Gale
Alexander Myer
Lily Longacre

Other Attendance

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

Absent

Vice Chair Terry Bond

Consent Agenda and Discussion

1. November 18, 2021 Minutes
Ms. Longacre made a motion to approve the minutes as presented from the November 18, 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
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 December 31, 2021. The

reports will be simplified going forward showing per employee per month. The contributions have remained steady with no increase in premiums. There has been a large increase in Net Paid Medical Claims of \$726.96 in December 2020 and \$861.61 in December 2021. Paid RX claims have been steady over the past year. The total claims and expenses (PEMP) are at \$1,246.70 compared to last year at \$1,080.47. Expenses increased because of the cost of our Stop Loss insurance. When you are including claims and expenses there is a 116% loss ratio which is up from 101% in the prior year. PEPM % change is 15.4% which is driven by large claims. There are significant changes in the generic and non-preferred prescription drugs costs. Generics are showing a decrease in costs, specialties moved into preferred, non-preferred moved to brand preferred and some new drugs were added. Overall, the total increase has been about 8.2%. Enrollment has been steady. Large claimants on this report reflect a paid basis. In Network Allowed has remained steady at 97%. The Member Cost Share has decreased from 15.5% to 14.0% and the Plain paid has increased from 84.5% to 86.0% due to large claims meeting their deductibles and out-of-pocket maximum.

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 for 2021 the stop loss refunds are at \$1,241,629 because of the increase in large claims. Our plan expenses to date are \$25,689,574 reflecting an average of \$2,140,798. Our deficit to date is \$3,602,836. The total loss ratio was 116.3% versus 100.5% last year.

The 2021 Enrollment by Status and Plan report shows a slight increase in enrollment overall of 1.0%. The increase is mostly retirees at a total of 12% with the majority in the red and white plans.

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 every plan. The retirees outpace the actives in every plan except the blue 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 active white plan is the only plan with a loss ratio under 100%. The overall loss ratio is 122% when we look at total expenses.

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 \$131 deficit per employee per month and doing the same with the retirees there would be a \$1,056 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 29.8% of the total medical/RX paid. The 28 large claims paid \$7,006,649 in

Medical/RX. There are four claims that are 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 18.5% and the RX trend at 0.9%. Both are decreasing.

2. Financial Statements and Wellness Report

Statement of Net Position as of December 31, 2021

Kristi Smith advised the Board that the reports this month are unaudited as we are going through the audit right now and the audit report will be presented at the next meeting. She thanked the HR staff for providing all the reports that were needed. Total assets were \$17,017,971 which is up from last quarter. There is \$5,560,830 in liabilities which is up from the prior quarter related to increases in Due to City and Claims Payable. This area will shift significantly once we receive the IBNR report. The unrestricted net position is \$11,457,141 compared to the total net position reserve of \$6,341,000.

Statement of Revenues, Expenses and Changes in Net Position – December 31, 2021

The 2021 budget is the full calendar budget. The total actual operating revenues are \$22,257,428 which is slightly under budget because of the reduced employer/employee self- insurance premiums. Actual operating expenses are slightly under budget at \$25,334,933 due to reduced cost in the Other line items (self-insurance administrative fees, and health savings and flex spending account contributions) offset by claims paid in excess of budget. The actual operating income is at a loss of \$3,077,506 and is greater than anticipated in the prorated budget. The nonoperating revenues and expenses include an interest loss of \$54,111 and there is a change in net position at a loss of \$3,131,616. The ending net position is \$11,457,141 which agrees with the Statement of Net Position.

Statement of Cash Flows – December 31, 2021

Kristi Smith advised the Board that this report shows the inflows and outflows of cash by activity. The cash and investments total \$16,970,163 which agrees with the Statement of Net Position.

Wellness Programs Tracking Report – December 31, 2021

Kristi Smith advised the Board that the Wellness Program tracking shows \$105,494.04 which is cumulative over the years. We have received the \$25,000 from Blue Cross and have expended \$13,248. This number agrees with the wellness programs operating expense on the Statement of Revenues, Expenses and Changes in Net Position.

3. Investment Report – December 31, 2021

Kristi Smith provided a brief overview of the Investment Performance Review. She reminded the group that PFM is now PFM Asset Management LLC and the reports look a little different. The portfolio statistics yield at cost is 0.88% which is up from 0.86% the previous quarter. Maturity distribution shows the yield at market of 0.61% which is up from the prior quarter at 0.30%. The effective duration is 1.40 which is in line with the benchmark of 1.82. The money market rate for Wells Fargo is 0.01% and FAF is 0.01%, which is in line with the last quarter. On the Sector Allocation Review there is a continued shift from Agency to Treasury.

Member Comments/Announcements

Rae Lynn Nielsen announced this is the last meeting for Alex Myer and Terry Bond because their terms expire. We are waiting to hear from Ms. Bond on whether she will serve a second term. We are moving forward with the recruitment process. Rae Lynn thanked Alex for his many years of service to the Board. Alex said it has been fun and he learned a lot.

Calendar

The next regular meeting will be held on Thursday, June 16, 2022, (combined) at 4:00 p.m., in the Council Chambers Conference Room, 88 E. Chicago St.

Informational Items

Agenda Items for Future Meeting Dates

Financial Audit Report – Heinfeld Meech

Medical Trust Actuarial Report - Segal

Financial Statements and Wellness Report – Management Services

Investment Report – Management Services

New Members and Election of Officers

Adjourn

Mr. Myer made a motion to adjourn the meeting of the City of Chandler Health Care Benefits Trust Board of March 3, 2022, at 4:28 p.m., seconded by Secretary Gale, motion carried.

Teresa Canjar, Secretary

Michael Bohnert, Chairman