

Meeting Minutes

Health Care Benefits Trust Board

Regular Meeting

November 17, 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 Chair Bohnert at 4:15 p.m.

Roll Call

Board Attendance

Chair Michael Bohnert
Vice Chair Terry Bond
Jennifer Huppenthal
Val Gale

Absent

Secretary Lily Longacre

Other Attendance

Dee Hooker, Benefits Analyst
Fernanda Osgood, Benefits/Compensation Manager
Kristi Smith, Financial Services Officer
Kristin Maier, Human Resources Manager
Rachel Calisi, Segal Consultants
Robert Steele, Accounting Manager
Roni Laxa, Assistant City Attorney
Teresa Canjar, Management Assistant

Consent Agenda and Discussion

1. August 18, 2022 Minutes
Ms. Huppenthal made a motion to approve the minutes as presented from the August 18, 2022, meeting of the City of Chandler Health Care Benefits Trust Board, seconded by Assistant Fire Chief Gale, 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, 2022, through December 31, 2022 - data through September 30, 2022. Looking at the current per employee per month amounts comparing the year-to-date data in both medical and pharmacy expenses have dropped. We are still at a deficit, but it is not as large as last year. We are experiencing some decreases in our generic drugs spend which contributes to our reduction in our pharmacy costs. In the last couple of months, we have experienced an increase in the number of lives on the plan. We are at an average 1,762 for employees versus 1,713 last year. The age/gender index hasn't changed much. The total number of large claimants is 27 at \$5,214,443 compared to 21 at \$4,805,659 last year. Inpatient hospital bed days/1,000 and average length of stay has increased 13.5% and 1.6% respectively. Our in-network allowed is 98.2% which is up from 97.1% last year. Our discounts have decreased a little compared to last year, but again that compares the mix of claims versus inpatient, physician, and outpatient. Our member cost share has increased to 14.8% compared to 13.4% last year.

Rachel highlighted the 2021-2022 Medical/Rx Contributions and Expenses Report. The key numbers between 2021 and 2022 were noted. Enrollment and contributions have remained pretty steady. Rachel pointed out a decrease in April and May, but she anticipates an increase because the plan will be picking up more costs due to members reaching their deductibles and out-of-pocket maximums. Compared to last year our average claims are down in both medical, pharmacy and expenses and our contribution are up slightly. Last year we had a deficit of \$3,602,836 and to date, we are at \$1,715,050.

The 2022 Enrollment by Status and Plan report shows an increase of 4 participants in the red plan, 32 in the white plan, and 4 in the blue plan.

The Medical/Rx YTD Claims Paid by Plan and Status Comparison Chart shows the difference between the different plans and actives versus retirees. For 2022, Retirees are costing the plan more than active and that is occurring across the board. Overall, claims are down per employee per month.

The 2022 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. All plans are experiencing over 100% loss ratio except the white plan for the active enrollees. We should see the white plan increase as people meet their deductibles. The reason the loss ratio is 115% is because this report does not incorporate any stop loss reimbursements.

The 2022 Contributions and Expenses by Status and Plan Charts are broken out by active versus retiree. The red and blue active plans are at deficit and the active white plan is the only one that has a surplus. All of the retiree plans are at a deficit. Overall retirees make up 12% of enrollment, 10% of contributions, and 16% of claims.

The 2022 Incurred Medical Claims Paid in Excess of \$100,000 Report shows 27 large claims over \$100,000. The large claims paid \$5,214,443 in Medical/Rx. Three of these claims are in excess of the \$350,000 Stop Loss Deductible. The red plan has the most claimants at 14, the white plan at 9 and 4 blue claimants.

The Thirteen Month Snapshot shows the net medical trend at -1.1% and the Rx trend at -10.9%. We did see a decrease, but it is picking up again.

Ms. Huppenthal asked if there is any place/forum talking about opportunities to help improve/reduce some of these deficits? Rachel asked if she is talking about terms of contributions or plan design changes? Ms. Huppenthal responded and said not necessarily plan changes even though that would help, just opportunities for the high dollar claims with wellness. Fernanda Osgood responded that the wellness program is run internally, and it is a very robust program with a lot of activities. We have an assigned wellness coordinator that conducts site visits. Some of the activities include screenings, mindfulness meditation, etc. It is voluntary and there is a monetary incentive tied to it. There is a BC/BS case worker assigned to the high dollar claims to help them through the process.

Chair Bohnert asked for clarification on the enrollment number of 21,087 and if that number includes all family members? Fernanda responded and said yes it includes everyone.

2. Financial Statements and Wellness Report

Statement of Net Position as of September 30, 2022

Kristi Smith advised the Board that the total assets were \$19,298,856 which is up from last quarter and Due from City is up \$4,039,505. There is \$4,452,307 in liabilities which is down from the prior quarter related to decreases in Due to City. The unrestricted net position is \$14,846,549, when comparing the total net position to the reserve goal of \$6,934,000 there's a surplus of over \$7.9 million.

Statement of Revenues, Expenses and Changes in Net Position – September 30, 2022

The prorated budget is shown, some items are based on the number of payrolls with and without insurance, others are based on the number of months, and some may be at 100%, if fully expended. The total actual operating revenues are \$17,039,220 which is \$801,405 under budget because of the reduced employer/employee self-insurance premiums. Total operating expenses are at \$18,624,667, which is \$1,909,784 under budget related primarily due to a reduction in claims paid. The actual operating loss is at \$1,585,447, while an operating loss was anticipated, the operating loss is less than anticipated by \$1,108,379. The non-operating revenues exceeded expenses by \$5,099,443 (which includes a \$5,000,000 contribution from the City) providing a change in net

position of \$3,513,996. The ending net position is \$14,846,549 which agrees with the Statement of Net Position.

Statement of Cash Flows – September 30, 2022

Kristi Smith advised the Board that this report shows the inflows and outflows of cash by activity. The cash and investments total \$15,214,870 which agrees with the Statement of Net Position.

Wellness Programs Tracking Report – September 30, 2022

Kristi Smith advised the Board that the Wellness Program tracking shows \$113,421.15 which is cumulative over the years. We have received the \$25,000 from Blue Cross and have expended \$17,072.89. This number agrees with the wellness programs operating expense on the Statement of Revenues, Expenses and Changes in Net Position.

Ms. Huppenthal asked what percentage of employees participate in the program? Fernanda responded we can get you the number after December 16 for this year; there were over 500 employees who received the incentive last year. Kristi commented the incentive is paid in January out of the Operating Expenses, Other: Health savings & flex spending acct contributions as noted on the Statement of Revenues, Expenses and Changes in Net Position.

3. Investment Report – September 30, 2022

Kristi Smith provided a brief overview of the Investment Performance Review. The portfolio statistics yield at cost is 1.18% which is up from 0.82% the previous quarter. Maturity distribution shows the yield at market of 4.19% which is up from the prior quarter at 2.67%. The effective duration is 1.18 which is in line with the benchmark of 1.76. The money market rate for Allspring is 2.22% and First American Funds is 2.74%, which is an increase from last quarter. The Sector Allocation Review shows changes from the prior quarter and the color graph shows minimal shifting between sectors.

Member Comments/Announcements

Kristi Smith introduced Robert Steele, the new Accounting Manager.

Calendar

The next regular meeting will be held on Thursday, March 2, 2023 at 4:00 p.m., in the Council Chambers Conference Room, 88 E. Chicago Street.

Informational Items

Agenda Items for Future Meeting Dates

Actuarial Audit Report

Financial Statements and Wellness Report

Investment Report

Adjourn

Chair Bohnert made a motion to adjourn the meeting of the City of Chandler Health Care Benefits Trust Board of November 17, 2022, at 4:38 p.m., seconded by Assistant Fire Chief Gale, motion carried.

Teresa Canjar, Secretary

Michael Bohnert, Chair