

Meeting Minutes

Health Care Benefits Trust Board

Regular Meeting

June 15, 2023 | 4:00 p.m.
City Hall, 2nd Floor Training Room A
175 S. Arizona Ave., Chandler, AZ



Call to Order

The meeting was called to order by Vice Chair Terry Bond at 4:02 p.m.

Roll Call

Board Attendance

Chair Vacant
Vice Chair Terry Bond
Secretary Lily Longacre
Jennifer Huppenthal
Val Gale

Absent

Mark Knight

Other Attendance

Dee Hooker, Benefits Analyst
Fernanda Acurio, Benefits/Compensation Manager
Joshua Jumper, Heinfeld Meech
Kristi Smith, Financial Services Assistant Director
Rachel Calisi, Segal Consultants
Robert Steele, Accounting Senior Manager
Roni Laxa, Assistant City Attorney
Teresa Canjar, Management Assistant

Consent Agenda and Discussion

1. March 2, 2023 Minutes
Secretary Longacre made a motion to approve the minutes as presented from the March 2, 2023, meeting of the City of Chandler Health Care Benefits Trust Board, seconded by Ms. Huppenthal, motion carried.

Scheduled and Unscheduled Public Appearances

Briefing

1. Financial Audit Report

Joshua Jumper from Heinfeld Meech presented the audit results from the December 2022 year end. He highlighted the Financial Statements and Report on Internal Control and on Compliance. The audit was reported as unmodified which means the financial statements are free from material misstatement. The financial section of the report shows comparison numbers between 2021 and 2022. There were no internal control deficiencies noted this audit year. He gave a brief overview of the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards letter that was sent to the Board in May.

Ms. Bond asked the difference between Level 1 and Level 2 on Note 2 – Cash and Investments? Joshua responded Level 1 is more cash basis where Level 2 is a true investment where the value goes up and down daily.

Ms. Huppenthal asked if most of our investments are lower risk level? Joshua said yes, and they follow the City's investment policy/guidelines.

2. Medical Trust Actuarial Report

Rachel Calisi from Segal provided an overview of the Medical and Prescription Drug Plan Quarterly Report from January 1, 2023, through December 31, 2023 - data through March 31, 2023. The Dashboard report shows the previous years' information and compares it to our current year's information. Contributions are up attributed to an increase in enrollment. Medical and pharmacy claims are down compared to last year. The medical is down because of stop loss reimbursements received the first of the year. Expenses are up from last year. We are at a 99% loss ratio this year compared to 114% last year. Down 6.5% when looking at the PEPM basis. The generic prescription PEPM cost has gone up which means subscribers are using more generic medications. There has been an increase in enrollment 1,808 compared to 1,773 last year. Age and gender index remains consistent. We have the same number of large claimants, but the total dollar amount paid was down 4.2% and they make up 5.9% of our medical/pharmacy claims. We will be monitoring the bed days and average length of stay because of the significant increase. Medical In-Network Usage & Discounts are up slightly to 98.4% and Discount from Billed is up at 71.2%. Member cost share is at 17.6% and Plan Paid is down by 4.9%. Keep in mind this is the beginning of the year where the deductibles and out of pockets have a reset. The beginning of the year is always going to be more and as we get further in the year, these numbers will shift.

Rachel highlighted the 2022-2023 Medical/RX Contributions and Expenses Report. The key numbers between 2022 and 2023 were noted. She noted that the loss ratio for plan year 2022 was corrected to 113.8% compared to what was reported on Q1 meeting of 112.7%. A formula did not catch the change in expenses, so this number was adjusted. Stop Loss reimbursements are up \$1,322,354

just in the first couple months. This is driven by stop loss reimbursements. There is currently a surplus of \$59,361 but we have nine more months to go.

The 2023 Enrollment by Status and Plan report shows the red plan experienced a 5% increase, the blue plan a 6% decrease and the white plan a 1% increase. Overall, there was a 2% increase.

The Medical/RX YTD Claims Paid by Plan and Status comparison chart shows the difference between the different plans and actives versus retirees. Here you can see retirees are higher than actives. Things are up a bit for 2023, but nothing too significant.

The 2023 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 at 86% and will go up over the year. The actives are running at a 113% loss ratio and the loss ratio for the retirees is 189%. All three plans are running at over 100%. The overall loss ratio is 120% when we look at total expenses.

The 2023 Contributions and Expenses by Status and Plan charts are broken out by active versus retiree. The red active plan is at a deficit of \$538, blue active plan is at a deficit of \$350; the retiree white plan is the only one that has a surplus. Overall retirees make up 12% of enrollment, 10% of contributions, and 15% of claims and expenses.

The 2023 Incurred Medical Claims Paid in Excess of \$100,000 report shows that large claims over \$100,000 account for 6.0% of the total medical/RX paid. The three large claims paid \$389,155 in Medical/RX. None of these claims are in excess of the \$350,000 Stop Loss Deductible.

The Thirteen Month Snapshot shows the net medical trend at 2.5% and the RX trend at 0.0%. This is a perfect example of why we use a national trend instead of a case specific trend. It takes the \$825 from March 22 and \$846 from March 23 which resulted in the 2.5%.

3. Financial Statements and Wellness Report

Statement of Net Position as of March 31, 2023

Robert Steele advised the Board that the total assets were \$19,463,480 which is up from last quarter and due to the city is up at \$1,501,289. There is \$6,645,763 in liabilities which is up from the prior quarter related to increases in due to city. The unrestricted net position is \$12,817,717 when comparing the total net position to the reserve goal of \$8,314,000 there is a surplus of over \$4.5 million.

Statement of Revenues, Expenses and Changes in Net Position – March 31, 2023

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 \$6,348,931 which is over budget because of increased employer/employee self-insurance premiums.

Mr. Gale asked the Employer self-insurance premiums for prorated were \$4,892,800 and the actuals were \$4,845,129; the actual the employer paid was less than projected by the budget, but the employee self-insurance premiums were higher than projected. Should these correlate with each other? Robert said these possible could correlate and feels the contributions the white plan employees are making have contributed to this being off. Kristi said these numbers are based on the City being 100% staffed and we are not, so this could also be a factor. We need to look at the budget. Fernanda said we need to remember there were premium increases as well.

Actual operating expenses are at \$6,087,047, which is under budget. The actual operating income is at \$261,883, while an operating loss was anticipated, we saw income due to lower-than-expected expenditures for the 1st quarter of 2023. We will review the Interest Income as it is currently more than the projected budget. The non-operating revenues exceeded expenses by \$418,435 providing a positive change in net position of \$525,827. The ending net position is \$12,817,717 which agrees with the Statement of Net Position.

Statement of Cash Flows – March 31, 2023

Robert Steele advised the Board that this report shows the inflows and outflows of cash by activity. The cash and investments total \$19,281,772 which agrees with the Statement of Net Position.

Wellness Programs Tracking Report – March 31, 2023

Robert Steele advised the Board that the Wellness Program tracking shows \$131,214.55 which is cumulative over the years. We have received the \$25,000 from Blue Cross and there have been no expenditures to date. This number agrees with the wellness programs operating expense on the Statement of Revenues, Expenses and Changes in Net Position.

3. Investment Report – March 31, 2023

Robert Steele provided a brief overview of the Investment Performance Review. The portfolio statistics yield at cost is 2.64% which is up from 1.79% the previous quarter. Maturity distribution shows the yield at market of 4.32% which is down from the prior quarter at 4.65%. The effective duration is 1.61 which is in line with the benchmark of 1.75. The money market rate for Allspring is 4.45% and FAF is 4.44%, which is an increase from last quarter. On the Sector Allocation Review there is a continued shift from Agency to Treasury.

4. Election of Chairperson, Vice Chairperson, and Secretary

Action Items

Election of Chairperson, Vice Chairperson, and Secretary

Mr. Gale made a motion to nominate Terry Bond as Chairperson of the Healthcare Benefits Trust Board, seconded by Ms. Huppenthal, motion carried unanimously.

Mr. Gale made a motion to nominate Lily Longacre as Vice Chairperson of the Healthcare Benefits Trust Board, seconded by Ms. Huppenthal, motion carried unanimously.

Mr. Gale made a motion to nominate Jennifer Huppenthal as Secretary of the Healthcare Benefits Trust Board, seconded by Ms. Longacre, motion carried unanimously.

Member Comments/Announcements

Calendar

The next regular meeting will be held on Thursday, August 17, 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 – Segal

Financial Statements and Wellness Report – Management Services

Investment Report – Management Services

Review of 2024 Rates – Management Services/Human Resources

Resolution for 2024 Rates

Adjourn

Mr. Gale made a motion to adjourn the meeting of the City of Chandler Health Care Benefits Trust Board of June 15, 2023, at 4:48 p.m., seconded by Ms. Huppenthal, motion carried.

Teresa Canjar, Secretary

Terry Bond, Vice Chair