

Meeting Minutes

Health Care Benefits Trust Board

Regular Meeting

August 17, 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 Chair Terry Bond at 4:05 p.m.

Roll Call

Board Attendance

Chair Terry Bond
Vice Chair Lily Longacre
Secretary Jennifer Huppenthal
Val Gale
Mark Knight

Other Attendance

Dee Hooker, Benefits Analyst
Fernanda Acurio, Benefits/Compensation Manager
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. June 15, 2023 Minutes
Secretary Huppenthal made a motion to approve the minutes as presented from the June 15, 2023, meeting of the city of Chandler Health Care Benefits Trust Board, seconded by Vice Chair Longacre, motion carried.

Scheduled and Unscheduled Public Appearances

Fernanda Acurio introduced Mark Knight, our new board member. Welcome Mark!

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, 2023, through December 31, 2023 - data through May 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. Net Paid Medical Claims are down compared to last year. Total claims are down from last year. Stop Loss and Admin Expenses are up from last year. Total Claims and Expenses are down from last year and our Surplus/Deficient is down. We are at a 103% loss ratio this year compared to 114% last year. The reason we are seeing an increase in our pharmacy claims is because of specialty drug claims.

Chair Bond asked if there was a specific category in the specialty drug claims for the increase? Rachel responded that she didn't have those details, but specialty drugs are very expensive.

There has been an increase in enrollment 1,807 compared to 1,773 last year. Age and gender index remains consistent. We have 6 large claimants compared to 7 last year, but the total dollar amount paid was down 25.2% and they make up 9.4% of our medical/pharmacy claims. Medical In-Network Usage and Discounts are up slightly to 98.0% and Discount from Billed is up at 70.2%.

Chair Bond asked about the increase in hospital bed days? Rachel responded these numbers were reviewed because of the large increase and it is because of large medical claims which we will detail on the next page. Rachel referred to Secretary Huppenthal who explained it is higher when you look at national benchmarks, but when you look at average stay or bed days, our contract with BC/BS is DAG. They are paid a lump sum for diagnosis and it doesn't matter on the length of stay. Rachel said she could request this information from BC/BS. Secretary Huppenthal said to ask if the high dollar claims (over \$100,000) are case managed? Fernanda confirmed that the high dollar claims are case managed.

Member cost share is at 16.9% and Plan Paid is down by 4.0%. 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. This report shows the medical claims paid detail. In 2022, the medical paid average was \$1,614,365 and for 2023 an increase to \$1,679,622. Our deficit for this year is \$317,419. Our Stop loss ratio is at 103.1%. Stop Loss reimbursements are up at \$1,380,248, which is driven by stop loss reimbursements. She also noted the pharmacy increase from \$357,658 to \$399,559.

Secretary Huppenthal asked if there was a way to ask BC/BS if there anything the city could be doing better or enhancement that can be done to the plan? Fernanda responded this would fall under the Health Task Force and the plan design.

The 2023 Enrollment by Status and Plan report shows the only increase was in the red plan at 6%. 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. The red plan is up across the board, the blue plan active is up, the white plan retirees are up.

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 110% loss ratio and the loss ratio for the retirees is 177%. All three plans are running at over 100%. The overall loss ratio is 116% when we look at total expenses.

The 2023 Contributions and Expenses by Status and Plan charts are broken out by active versus retiree. There is a deficit in all plans except the active white plan and the retiree blue plan. 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 10.1% of the total medical/RX paid. There are 4 on the red plan and 2 on the white plan. The six large claims paid \$1,049,261 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 15.7% and the RX trend at 11.2% both are a significant increase from the last report. This is a perfect example of why we use a national trend instead of a case specific trend. These percentages will continue to increase.

2. Financial Statements and Wellness Report

Statement of Net Position as of June 30, 2023

Robert Steele advised the Board that the total assets were \$23,421,819 which is up from last quarter and due to increase in Cash and Investments. There is \$11,033,327 in liabilities which is up from the prior quarter related to increases in due to city. The unrestricted net position is \$12,388,492 when comparing the total net position to the reserve goal of \$8,314,000 there is a surplus of over \$4 million.

Statement of Revenues, Expenses and Changes in Net Position – June 30, 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 budget was reviewed after the June presentation, and some values have been adjusted due to formula issues found for the last quarter resulting in an increase in budgeted revenue. The total actual operating revenues are

\$12,529,589 which are \$24,161 under budget. Actual operating expenses are at \$12,851,213, which is \$1,606,591 under budget. The actual operating income is at \$321,624, while an operating loss was anticipated, we saw a lower loss than expected due to lower than expected expenditures. The non-operating revenues exceeded expenses by \$470,854 providing a positive change in net position of \$358,486. The ending net position is \$12,388,492 which agrees with the Statement of Net Position.

Statement of Cash Flows – June 30, 2023

Robert Steele advised the Board that this report shows the inflows and outflows of cash by activity. The cash and investments total \$23,284,622 which agrees with the Statement of Net Position.

Wellness Programs Tracking Report – June 30, 2023

Robert Steele advised the Board that the Wellness Program tracking shows \$107,827.78 which is cumulative over the years. We have received the \$25,000 from Blue Cross and there have been \$23,386.77 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 – June 30, 2023

Robert Steele provided a brief overview of the Investment Performance Review. The portfolio statistics yield at cost is 2.73% which is up from 2.64% the previous quarter. Maturity distribution shows the yield at market of 4.96% which is up from the prior quarter at 4.32%. The effective duration is 1.50 which is in line with the benchmark of 1.75. The money market rate for Allspring is 4.97% and FAF is 4.95%, which is an increase from last quarter. There is a marginal change on the Sector Allocation Review shift from Agency to Treasury.

Chair Bond asked if the US Treasury is primarily bonds? Robert responded there is a more detailed allocation on the next page.

Secretary Huppenthal asked how the benchmark is determined? Kristi Smith referred to footnote 3 on the Portfolio Snapshot page. We are currently benchmark ICE BofA 1-3 Year U.S. Treasury Index. We consult regularly with our advisors and can shift depending on how the market is doing, it can be 0-3 or 0-5. We have been 1-3 since 2018. Kristi referred the group to pages 21-25 for details on our investments.

4. Review of Calendar Year 2024 Meeting Dates – Human Resources

5. Resolution No. HB-014 for 2024 Rates – Human Resources

There was some discussion about the 8% increase. Questions were asked about changes to the plan in the future. The total premiums are shown on the Resolution; there is an 80/20 split red/blue plans and white plan is 90/10 split. Chair Bond asked how the employees feel about this increase? Fernanda responded that the increase will be between \$5-\$13 and the employees know this is coming as it was presented last year. They know there will be an increase next year too.

Once this resolution is adopted, the information will be shared. She also mentioned that the city of Chandler hasn't had an increase for many years compared to other cities.

Action Items

Secretary Huppenthal moved to approve the city of Chandler Health Care Benefits Trust Resolution No. HB-014 establishing the Total Monthly Rates for Employee Premiums for the Red Plan, Blue Plan, and White Plan for Calendar Year 2024; seconded by Vice Chair Longacre, motion carried.

Member Comments/Announcements

Calendar

The next regular meeting will be held on Thursday, November 16, 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

Adjourn

Vice Chair Longacre made a motion to adjourn the meeting of the city of Chandler Health Care Benefits Trust Board of August 17, 2023, at 4:43 p.m., seconded by Secretary Huppenthal, motion carried.

Teresa Canjar, Secretary

Terry Bond, Chair