

Meeting Minutes

Health Care Benefits Trust Board

Regular Meeting

February 28, 2024 | 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 Bond at 4:00 p.m.

Roll Call

Board Attendance

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

Other Attendance

Fernanda Osgood, Benefits/Compensation Manager
Karla Lange, Management Assistant
Kristi Smith, Financial Services Director
Lina Alam, Accounting Supervisor
Rachel Calisi, Segal Consultants
Roni Laxa, Assistant City Attorney

Consent Agenda and Discussion

1. November 16, 2023 Minutes
Secretary Huppenthal made a motion to approve the minutes as presented from the November 16, 2023, 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, 2023, through December 31, 2023 - data through December 31, 2023.

Comparing the contributions of the entire year of 2022 at \$1,063.64 to 2023 at \$1,141.17, contributions were up. Medical claims were down but pharmacy spend was up. Expenses were up, but when we compare expenses to contributions, our contributions were greater than last year. We still experienced a deficit but not as much as last year. Last year's deficit was \$146.83 and this year's deficit was \$121.53. The loss ratio for 2022 was 114% compared to 111% this year. The pharmacy spend is higher this year because of some higher priced specialty scripts as mentioned in the November meeting. We had a slight decrease in the generic dispensing rate and an increase in the general spend per script. These numbers are driven by those specialty scripts.

Chair Bond asked if there was a specific category for these scripts? Rachel responded it was a mixed bag, and there were a couple that were unique. She will provide an update after their meeting with Blue Cross Blue Shield on the diabetic weight loss drugs.

The average number of employees increased from 1,773 in 2022 to 1,819 in 2023. In 2023, we had 27 large claimants at \$6,513,266 which accounts for 25.2% of medical/pharmacy claims paid compared to 38 large claimants at \$7,813,002 in 2022. Bed Days/1,000 decreased from 350.7 in 2022 to 325.3 in 2023. Our in-network utilization remains high at 97.7%. Our discounts have increased to 69.0% compared to 66.4% last year. Our member cost share stayed the same at 13.2%.

Secretary Huppenthal asked is 27 large claims considered typical for a group as large as Chandler? Rachel replied that is a good number especially since it dropped from 2022.

Secretary Huppenthal said the bed days /1,000 of 325.3 seemed really high and she asked if Blue Cross gives us a benchmark, or do we use a national benchmark? Fernanda responded that this information is in the annual report. Secretary Huppenthal asked if they could give us numbers on admission/1,000 on a regular basis for comparison. The other number that would be helpful to have would be re-admissions within 30 days.

Rachel highlighted the 2022-2023 Medical/Rx Contributions and Expenses Report. The key numbers between 2022 and 2023 were noted. We received more stop loss refunds this year \$2,365,599 compared to \$1,319,006 last year. The deficit was \$2,657,653 compared to \$3,129,267 last year.

The 2023 Enrollment by Status and Plan report shows very little change. The total increase combined was 3%.

The Medical/Rx YTD Claims Paid by Plan and Status Comparison Chart shows the difference between the different plans and actives versus retirees. Claims were higher on all plans for actives and retirees.

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 numbers may not be the same in all the reports because stop loss reimbursements are not incorporated in this report. The results are very similar to 2022. Retirees are experiencing a high loss ratio of 211%. The white plan loss ratio is usually below 100%, but it is steadily increasing. Quite a few of the large claimants are from the white plan. All the plans are running at a deficit except the retiree blue plan at an 84% loss ratio. Retiree numbers are more than double compared to the actives. We did make a change on January 1, retirees who want to remain active on the plan must enroll in Medicare. This should help with claims.

Secretary Huppenthal asked doesn't the loss ratio usually increase in the last quarter because they have met their deductibles? Rachel responded yes things will creep up on that plan because of open enrollment.

Secretary Huppenthal asked if Medicare would be primary and Blue Cross secondary for retirees? Rachel responded yes. Secretary Huppenthal then commented this will have an impact on our claim numbers.

The 2023 Contributions and Expenses by Status and Plan Charts are broken out by active versus retiree. All plans are at a deficit except the retiree blue plan. Enrollment has stayed the same over the last few years.

The 2023 Incurred Medical Claims Paid in Excess of \$100,000 Report shows 27 large claims over \$100,000. The large claims paid \$6,513,266 in Medical/Rx. Six of these claims are in excess of the \$350,000 Stop Loss Deductible which totaled \$1,003,227. The red plan has the most claimants at 15, the white plan at 10 and 2 blue plan claimants. The majority of the large claimants are from the white plan. It was the red plan last year.

Chair Bond asked if the first six claims were closed? Rachel responded no they are open and have reached the stop loss deductible of \$350,000.

The Thirteen Month Snapshot shows the net medical trend at -1.7% and the Rx trend at 23.5% due to those specialty pharmacy claims.

2. Financial Statements and Wellness Report

Statement of Net Position as of December 31, 2023

Lina Alam 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. The total assets were \$21,459,159 which is down from last quarter and Due from City is \$3,075,617. There is \$5,414,111

in liabilities which about the same as the prior quarter. The unrestricted net position is \$16,045,047, a decrease from last quarter due to reduction in amount of Due from City. When comparing the total net position to the reserve goal of \$8,314,000 there's a surplus of just over \$7.7 million.

Chair Bond asked if the surplus goes back into the fund and is it always this high? Kristi Smith responded that it stays with the fund and it fluctuates depending on the reserve goal and where the fund is sitting.

Secretary Huppenthal asked if the fund is mandated by the State for insurance? Kristi replied yes. Secretary Huppenthal asked why doesn't Blue Cross Blue Shield come present at these meetings? Fernanda responded that they can't, Rachel is the representative for that information.

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

The full year budget is shown for this quarter as we have reached the end of the year. The total actual operating revenues are \$25,058,370 which is \$130,870 over budget. Total operating expenses are at \$27,044,382, which is \$1,589,462 under budget related primarily due to a reduction in claims paid. The actual operating loss is at \$1,986,012, while an operating loss was anticipated, based on the budget, we actually saw a lower loss than expected due to lower than expected expenditures. The non-operating revenues exceeded expenses by \$6,001,053 (which includes a \$5,000,000 contribution from the City) providing a change in net position of \$4,015,041. The ending net position is \$16,045,047 which agrees with the Statement of Net Position.

Statement of Cash Flows – December 31, 2023

Lina Alam advised the Board that this report shows the inflows and outflows of cash by activity. The cash and investments total \$18,103,581 which agrees with the Statement of Net Position.

Wellness Programs Tracking Report – December 31, 2023

Lina Alam advised the Board that the Wellness Program tracking shows funds available of \$100,935.77 which is cumulative over the years. We have received the \$25,000 from Blue Cross and have expended \$30,278.78. 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, 2023

Lina Alam provided a brief overview of the Investment Performance Review. The portfolio statistics yield at cost is 3.64% which is up from 3.00% the previous quarter. Maturity distribution shows the yield at market of 4.55% which is down from the prior quarter at 5.16%. The effective duration is 1.33 which is in line with the benchmark of 1.76. The Credit Quality shows what percentage of investments are in the credit quality, 89% is AA+ or higher which is good. Since July 2023, the Feds have held rates steady at a target of 5.25 to 5.5% with only 4 increases in 2023. The money market rate for Allspring is 5.22% and First American Funds is 5.24%, which is a slight 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

Calendar

The next regular meeting will be held on Wednesday, June 12, 2024 at 4:00 p.m., in the Council Chambers Conference Room, 88 E. Chicago Street.

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

Secretary Huppenthal made a motion to adjourn the meeting of the City of Chandler Health Care Benefits Trust Board of February 28, 2024, at 4:25 p.m., seconded by Mark Knight, motion carried.

Sarah Meland, Secretary

Chair Terry Bond