



## MINUTES

### LOSS TRUST FUND BOARD MEETING

#### TELEPHONIC

March 11, 2021  
5:00 p.m.

**PRESENT:** Richard O'Connor, Chair  
Suzanne Welch, Vice Chair  
Dominic Bilotti  
Brandon Perlow  
Allan Smith

**STAFF:** Lori Davis, Senior City Attorney  
George Woods, Acting Director of Risk Management, Claims Manager  
Lauran Beebe, Human Resources Manager  
Denise Plug, Risk Management Assistant

**GUESTS:** Charlie Broucek, Hays Companies

#### CALL TO ORDER

Chair O'Connor called the meeting of the Loss Trust Fund Board to order at 5:05 p.m.

#### ROLL CALL

A formal roll call confirmed the presence of Board Members as stated above.

#### 1. Approval of the December 3, 2020 public meeting minutes

Chair O'Connor called for questions or comments. There were no changes.

BOARD MEMBER PERLOW MOVED TO APPROVE THE DECEMBER 2, 2020 PUBLIC MEETING MINUTES AS PRESENTED. BOARD MEMBER SMITH SECONDED THE MOTION, WHICH CARRIED FOUR (4) TO ZERO (0). CHAIR O'CONNOR AND BOARD MEMBERS BILOTTI, PERLOW AND SMITH VOTED IN THE AFFIRMATIVE. THERE WERE NO DISSENTING VOTES. VICE CHAIR WELCH WAS EXPERIENCING TECHNICAL DIFFICULTIES.

## **2. Election of Chair and Vice Chair**

Chair O'Connor noted that he is no longer eligible to remain as Chair, having served two consecutive years. Board Member Smith volunteered to serve as Vice Chair. Board Member Perlow volunteered to serve as Chair.

BOARD MEMBER PERLOW VOLUNTEERED TO SERVE AS CHAIR. THREE (3) OTHER BOARD MEMBERS APPROVED. THERE WERE NO DISSENTING VOTES. VICE CHAIR WELCH WAS EXPERIENCING TECHNICAL DIFFICULTIES.

Election of a Vice Chair was tabled until current Vice Chair Welch was present and could confirm she no longer wished to serve.

Board Member Perlow assumed the chair for the remainder of the meeting.

## **3. Review and Discuss Fiscal Year 2021/22 medical plan premiums**

Charlie Broucek, Hays Companies, stated that there is a 6 percent increase projection over the current rate. On a per category basis, the increases are nearly flat on a year over year basis, even after applying a medical trend of 7.3 percent and an Rx trend of 9.7 percent. There has been a slight increase to admin expenses of 8.8 percent. A new CIGNA program this year allows the City to capitate some large dollar costs that could potentially come in on the plan related to two specialty drugs. CIGNA is expanding the list. The City purchases a \$325,000 individual stop loss policy, which is increasing 12.6 percent. New programs are being added for 2021, including diabetic test strips at no cost to employees, pregnancy program and hearing aid benefit. Last year's renewal rate was 5.87 percent and the plan is running at a 90 percent loss ratio and a 10 percent surplus.

The Affordable Care Act had some taxes and fees that had been sunsetted and one of these is coming back. It will not be considered in underwriting, as the government says the City cannot share in the cost with employees. Large claim activity was reviewed, normalized and trended forward. There are three projection methodologies, including normalization method 1, which is the most thorough, conservative approach in normalizing high case activity. Blending time periods is method 2, which is a traditional carrier underwriting. Method 3 is a rolling 12. The concern with this method is that COVID created dynamics in terms of delays in elective procedures.

Board Member Smith asked how COVID impacts have been normalized in the first two methods. Mr. Broucek stated that while not 100 percent tied to COVID activity, normalization allows the City to look at large claim activity and normalized what

happened versus what should have happened. From an underwriting projection standpoint, COVID really only affects the last 12 months (rolling 12). The normalization takes care of the first and second halves of 2020.

Mr. Broucek addressed the preferred method, which holds a total of 5,202 total members derived of 2,114 employees. The total cost per month is \$2.8 million or \$33.6 million annualized. This compares to an outgoing budget of \$33.4 million, which forms a 0.63 percent renewal.

Chair Perlow addressed the stop loss difference between \$325,000 and \$350,000 and asked how many times there has been a claim between these amounts. Mr. Broucek stated that in looking at the last full year of the seven individuals that reached \$300 in this period of time, three went all the way to \$350,000. The database is examined to determine the expected liability between the two thresholds and whether the premium tradeoff is great enough to make the change. Luran Beebe, Human Resources Manager, added that this was reviewed this year. It was determined to be a small dollar amount and not worth an increase to \$350,000. She undertook to provide details of how many claims would have met the \$325,000 threshold last year.

Mr. Broucek reviewed the current enrollment on five-plan basis and the projected plan on by-plan and by-tier basis.

Reporter's note: Mr. Broucek's connection was lost and Ms. Beebe assumed the presenter role.

Ms. Beebe reviewed the enrollment numbers and rates to arrive at the fully funded amount of \$33.4 million. In terms of the 0.6 percent increase, the same enrollment figures are used for the current year. In past years during a period of high rate increase, the City chose to split the difference with the employees of approximately 78 percent for the City and 22 percent employee share. Over the past year, they have returned to a more rounded percentage of 80/20 for OAP in-network. OAP and HSAs have higher deductibles and more risk, which means employees pay a lower share. The Total Benefits Advisory Committee, consisting of City employees, requested the small plan design changes including diabetic supplies, hearing aids and healthy babies/healthy pregnancy program, as well as a recommendation for a flat rate increase. This is the first year that a flat rate increase is being recommended.

The wellness program will continue. This year, instead of awarding \$120 for employees and \$120 for spouse to complete the HRA, they will instead receive a preventive care visit with their doctor. The blood pressure incentive will continue, as will the tobacco surcharge of \$10 per paycheck. A new incentive will encourage dental visits. While the overall dental care cost is increasing by \$50,000, there is no recommended increase for employees.

Chair Perlow asked about the dental incentive. Ms. Beebe said it will include a \$50 bonus for a first cleaning and \$50 for a second cleaning.

It is anticipated that more significant supplies of the Johnson & Johnson vaccine will be available to City employees beginning in April. Arizona predicts that all residents who wish to be vaccinated will have access by June 1st. Once the process is complete, the City will have a process for those working from home to transition back to work locations.

In response to a question from Chair Perlow, Ms. Beebe said that there have been discussions regarding incentivizing employees to get the vaccine. They decided against this, as those who choose not to receive the vaccine for religious reasons or who have a note from their doctor preventing the shot, would have to also be provided with the incentive. Offering an incentive will not likely convince those who are against the vaccine. The vaccine seems to be a more polarizing issue than the example of preventive dental care.

Board Member Smith asked about the methods for communicating vaccine availability with employees. Ms. Beebe discussed the relationship with vaccine partner Walgreens. The City issues a daily COVID email with updates on vaccine availability and appointments.

**4. Administrative report and discussion on the current state of risk management, new initiatives and philosophy, safety and partnerships and recap of the January 28, 2021 meeting with the Industrial Commission of Arizona**

George Woods, Acting Director of Risk Management, Claims Manager, stated that the Triage Now contract has been signed and available to employees since February 1st. Utilization of services has begun. There has been a significant decrease in injury claims in February. The Industrial Commission of Arizona said it would like to see a quarterly or periodic update on the experience modification rate. The learning management system will be up and running shortly. The City's property insurance rate is expected to increase significantly (30 to 35 percent), as a result of the fires in January and the loss of nine garbage trucks and a partial loss to three other trucks. There is great success in the police department quarter to quarter, with a 33 percent reduction in liability claims and preventable accidents compared to the first quarter and a 62.5 percent reduction over the second quarter. From a worker's compensation perspective, there has been a reduction in the number of injury claims currently, however, there is an uptick in regards to reopens and surgeries. A meeting is scheduled next week with a tactical ergonomics vendor. It is hoped that they will have suggestions to assist in alleviating injury claims. There are ongoing discussions with the police department regarding the percentage of injuries resulting from altercations and arrests. There may be a need for increased reality-based training.

In response to a question from Board Member Smith, Mr. Woods stated that as the state begins to open back up, there is increased activity, particularly from a tourist standpoint. Included in the slight uptick are trip and falls and liability in terms of contact with third party vehicles or non-City-owned vehicles. Of more concern is the need to address preventable accidents.

Board Member Smith discussed events and sentiments over the past year, including social issues regarding defunding of police and asked about impacts in the City. Mr. Woods stated that in speaking to the City Manager, the City will not support or recommend that the department be defunded in any way. The Use of Force Review Board determines which events or actions fall within established policies and procedures. The City is looking to include additional citizens on the Use of Force Review Board. Such events are also reviewed by the risk management and legal departments.

Board Member Smith asked about specific training for use of force in mental health cases. Mr. Woods stated that he would prefer to consult the Chief of Police and the communications department to provide a complete response.

**5. Review, discuss and take action on 2020 Board and Commission Annual Report summary**

Mr. Woods presented the annual report summary. No corrections or concerns were noted. Chair Perlow invited a motion.

BOARD MEMBER SMITH MOVED TO APPROVE 2020 ANNUAL REPORT SUMMARY AS PRESENTED. VICE CHAIR WELCH SECONDED THE MOTION, WHICH CARRIED FIVE (5) TO ZERO (0). CHAIR PERLOW, VICE CHAIR WELCH AND BOARD MEMBERS BILOTTI, O'CONNOR, AND SMITH VOTED IN THE AFFIRMATIVE. THERE WERE NO DISSENTING VOTES.

**OPEN CALL TO THE PUBLIC**

No comments were submitted.

**ELECTION OF VICE CHAIR**

Vice Chair Welch stated her belief that her six-year tenure as a Board Member ends in January 2022. Since there is only one meeting between now and then, she would be happy to have Board Member Smith assume the Vice Chair position at this time in order that he gain experience. Board Member Smith accepted the nomination. Chair Perlow called for a vote.

BOARD MEMBER SMITH VOLUNTEERED TO SERVE AS VICE CHAIR. ALL FIVE (5) BOARD MEMBERS APPROVED. THERE WERE NO DISSENTING VOTES.

**ADJOURNMENT**

BOARD MEMBER BILOTTI MOVED TO ADJOURN. CHAIR PERLOW SECONDED THE MOTION, WHICH CARRIED FIVE (5) TO ZERO (0). CHAIR PERLOW, VICE CHAIR SMITH, BOARD MEMBERS BILOTTI, O'CONNOR, AND WELCH VOTED IN THE AFFIRMATIVE. THERE WERE NO DISSENTING VOTES.

With no further business to discuss, being duly moved and seconded, the meeting adjourned at 6:14 p.m.

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