



## **LOSS TRUST FUND BOARD REGULAR MEETING**

7447 E. Indian School Rd., Suite 210  
Financial Services Conference Room  
Or By Telephone  
Scottsdale, AZ 85251

**Call 480-312-7700 PIN 350493**

**October 4<sup>th</sup> 2016**

**4:00 p.m.**

### **NOTICE AND AGENDA**

**Amended Agenda \*Adding Items 5 & 6\***

### **LOSS TRUST FUND BOARD**

**Jim Stabilito– Chairman  
Paul McKee**

**Russell Mosser  
Suzanne Welch**

#### **CALL TO ORDER**

#### **ROLL CALL**

#### **OLD BUSINESS**

1. Approval of January 25, 2016 Meeting Minutes. Action Item: Motion to approve or disapprove minutes as submitted or with suggested changes.

#### **NEW BUSINESS**

1. Farewell & Thank You to Trustee, Matthew Kleifield - Information Item
2. Introduction of Trustee, Russell Rosser - Information Item.
3. Review, discuss, and take action on the submission of Annual Report to Council for fiscal 2015/16. Motion to approve or disapprove.
4. Review, discuss, and take action on the submission of the Trustee Fund Status Letter to Mayor and City Council. Action Item: Motion to approve or disapprove.



Persons with a disability may request a reasonable accommodation by contacting the Risk Management Office at 480-312-2490. Requests should be made 24 hours in advance, or as early as possible, to allow time to arrange the accommodation. For TTY users, the Arizona Relay Service (1-800-367-8939) may contact the Risk Management Office at 480-312-2490.

\*5. Review attachment of the largest workers compensation claims payments made in FY2015-16 – Information Item

\*6. Review, discuss and take action to review the Risk Directors fulfillment of Trust provision 4.1.2 (“Risk Director’s Responsibilities”) and what, if anything, the Board directs the Risk Director to produce for review and/or discussion pursuant to that responsibility. Action Item.

**OPEN CALL TO THE PUBLIC** (A.R.S. § 38-431.02)

Subject to reasonable time, place and manner restrictions, as determined by the Chairperson, members of the public will be allowed to address the Loss Trust Fund Board on any issue within the jurisdiction of the Board. Those wishing to speak are customarily limited to a five (5) minute presentation. At the conclusion of the open call to the public, individual members of the Board may respond to criticisms made by those who have addressed the Board, may ask staff to review a matter or may ask that a matter be put on a future agenda. Members of the Board shall not discuss or take legal action on matters, however, raised during an open call to the public unless the matters are properly noticed for discussion and legal action.

**ADJOURNMENT** - Action Item: Motion to adjourn





## **DRAFT MINUTES**

### **LOSS TRUST FUND BOARD MEETING 7447 E. Indian School Rd., Suite 210 Finance Conference Room Scottsdale, AZ**

**January 25, 2016  
5:04 p.m.**

- PRESENT:** Jim Stabilito, Chairman  
Pauline Hecker  
Jim Tomlinson (arrived at 5:09 p.m.)  
Suzanne Welch
- ABSENT:** Matthew Kleifield, Vice Chair  
Paul McKee
- STAFF:** Katie Callaway, Risk Management Director  
Jeff Nichols, City Treasurer  
Lauran Beebe, Human Resources Manager
- GUESTS:** Charlie Broucek, Hayes Management Consulting

#### **1) CALL TO ORDER**

Chair Stabilito called the meeting of the Loss Trust Fund Board to order at 5:04 p.m.

#### **2) ROLL CALL**

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

## **OLD BUSINESS**

- 1) Approval of the December 1, 2015 meeting minutes

Risk Management Director, Ms. Katie Callaway, provided two minor corrections.

**BOARD MEMBER HECKER MOVED TO APPROVE THE MINUTES OF THE DECEMBER 1, 2015 MEETING AS AMENDED. BOARD MEMBER WELCH SECONDED THE MOTION, WHICH CARRIED BY A VOTE OF THREE (3) TO ZERO (0). VICE CHAIR KLEIFIELD AND BOARD MEMBER MCKEE WERE ABSENT. BOARD MEMBER TOMLINSON HAD NOT YET ARRIVED.**

## **NEW BUSINESS**

- 1) Farewell and Thank You to Jim Tomlinson and Pauline Hecker

Chairman Stabilito noted that Jim Tomlinson's term on the Board ends at the conclusion of this meeting. Pauline Hecker is stepping down, due to her husband's acceptance of a job offer in California. Chairman Stabilito thanked her for her service.

Jim Tomlinson joined the meeting at 5:09 p.m. and Chairman Stabilito thanked him for his service.

- 2) Introduction of New Board Member, Suzanne Welch

Ms. Welch was welcomed to the Board. She provided a summary of her career experience working for insurance brokers for a number of years, for the City of Scottsdale in risk management for 13 years and her current employment with Southwest Aviation Insurance.

- 3) Review, discuss and take action on the submission of the Trustee Fund Status Letter to the Mayor and City Council

Ms. Callaway referenced the January 25, 2016 letter and reminded Board Members that they had reviewed the Loss Trust fund annual report and the actuary's report during the December Board meeting. The Board is required to send a report of the Fund's finances to the City Council each year.

Board Member Welch stated her understanding that all Board Members were to sign the letter before it was sent to the City Council. Board Member Tomlinson disagreed, noting that in the past, when he served as Chair, he signed on behalf of the Board.

Ms. Callaway stated that she would research this question, however, she was unaware of any language that specifically addressed this. Jeff Nichols, City Treasurer, reviewed Section 5.2 of the Loss Trust Fund Advisory Board specifications, which indicate that all written communications to the City Council and other official bodies shall be sent over the signature of the Board Chair or the Vice Chair, if the Chair is not available.

**BOARD MEMBER TOMLINSON MOVED TO APPROVE THE TRUSTEE FUND STATUS LETTER TO THE MAYOR AND CITY COUNCIL. BOARD MEMBER HECKER SECONDED THE MOTION, WHICH CARRIED BY A VOTE OF FOUR (4) TO ZERO (0). VICE CHAIR KLEIFIELD AND BOARD MEMBER MCKEE WERE ABSENT.**

4) Review, Discuss and Take Action on the Submission of 2015 Annual Report to Council for Fiscal Year 2014/2015

Ms. Callaway stated it is the City Clerk's requirement for every board and commission to submit a summary of their actions for the last year. Two meetings were held with significant topics, including approval of medical plan premiums and approval of the annual report of last year.

Board Member Welch correct the spelling of her name. Board Member Tomlinson provided a grammatical correction.

**BOARD MEMBER HECKER MOVED TO APPROVE THE LOSS TRUST FUND BOARD ANNUAL REPORT TO COUNCIL AS AMENDED. BOARD MEMBER TOMLINSON SECONDED THE MOTION, WHICH CARRIED BY A VOTE OF FOUR (4) TO ZERO (0). VICE CHAIR KLEIFIELD AND BOARD MEMBER MCKEE WERE ABSENT.**

5) Review and Discuss Fiscal Year 2015/2016 Medical Plan Premiums

Lauran Beebe, Human Resources Manager and Charlie Broucek, Hayes Management Consulting, presented the item. Ms. Beebe reviewed that at this time each year, the previous six months of claims are reviewed and analyzed. Three plan options are up for consideration, including pharmacy option plan changes.

Mr. Broucek stated that the City buys stop loss insurance at \$325,000 annually per individual claim. The underwriting process includes examining claims below this threshold and compares the City's information to a database of information in order to make projections. The process looks at 2013/2014, 2014/2015 and 2015 year to date (or first six months of the plan year) for comparison purposes. For claim amounts of \$50,000 to \$100,000, the database projects that 26.3 individuals would be in this category. The actual is 29. Of the 29, 16 approach a figure of \$75,000 and six approach \$100,000. There are approximately 52 individuals in the range from \$25,000 to \$49,999. This compares well to database thresholds. The number of actual claims in the higher categories is currently approximately half of the projection.

For the 2015 year to date segment, there is \$10.429,000 in medical claims with the total claims for this fiscal year projected at approximately \$21,700,000. Drug cost averages are \$96.85 per member per month or \$449 as the year to date cost trended forward. The figures for the previous time periods are \$392 and \$428. The amounts for the three time periods are then weighted. The weighting percentages are: 10 percent for 2013/2014, 15 percent to 2014/2015 and 40 percent to 2015 year to date. When the amounts are weighted, the resulting figure is \$429.02.

There are currently 5,555 members on the plan, which breaks down to \$2.383 million in monthly claims. There are 2,234 employees enrolled on the plan reflected in a per employee per month figure of \$1,066.

Fixed costs include CIGNA's per employee per month administrative fee of \$16.45. The City adds back fees, including wellness fee and consulting fee, totaling \$10.04 per employee per month. The stop loss percentage is being trended forward at 18 percent or \$24.47 per employee. There is a per employee per month ACA, healthcare reform

related cost of \$6.03. An RX rebate is expected in March and is anticipated to be approximately \$500,000. Projected expenditures for the 2016/2017 period total \$29,626,000.

Board Member Hecker inquired about the RX rebate, to which Mr. Broucek replied that most plans receive some level of rebate on certain drugs that fall into the brand category.

Mr. Broucek noted that the City and CIGNA are discussing a few alternative programs which would provide greater management of prescription drug costs than exists at this time. Ms. Beebe discussed that the step therapy program impacts 224 people. The program requires individuals to try specified alternative drugs. The estimated cost saving for this program is \$145,000. Another program is actual drug removal, which would impact 138 people and result in \$600,000 savings. This would require individuals to switch from brand name drugs to generics.

Chair Stabilito asked whether rebates were available for any of the cited drugs. Mr. Broucek replied that this would take some research. Ms. Beebe acknowledged that when the option was presented to the Benefit Coordinating Committee and the EBWT, there were some concerns. However, if the option was approved, the affected members would be immediately contacted to allow several months to make adjustments.

Ms. Beebe addressed another proposed change to the tier structure, which would impact 300 people and result in a cost savings of \$30,000. Input from the Benefit Coordinating Committee and the EBWT was that this might cause more trouble than it was worth. The second proposed change would limit the pharmacy network by excluding companies such as Walgreens and CVS, where prescriptions are generally priced higher and instead filling prescriptions at places such as Costco, Sam's Club or Fry's. There were concerns regarding the limitation of 24-hour availability of prescription refills. However, the EBWT was open to encouraging members to use less expensive pharmacies in order to achieve savings.

Mr. Broucek discussed prior authorization fees and the need for members to communicate with their physicians about lifestyle and habit issues to see if those might be addressed prior to the prescribing of a drug.

He reviewed additional options. Currently there are three plan designs. The first is an HMO lookalike, utilizing the same large CIGNA network as the other two plans, except that there are no out of network benefits. There is a movement in the health insurance industry to move toward more restrictive networks. In the example provided, the plan design does not change. However, the in network plan would move to the CIGNA Local Plus Network. This means that members would have to go to Banner, Honor Health and CIGNA Medical Group facilities. This includes primary care and specialist providers. The largest providers that would be lost under this plan would be Mayo Clinic and Phoenix Children's.

The two remaining plan options would remain on the larger Open Access Plus network and would include both in and out of network benefits. The provided analysis assumes a migration of 15 percent of the population out of the current in network plan into the CIGNA OAP Plan in all tiers.

Chair Stabilito ask if there will be a change in the way contributions are structured to address gaps. Mr. Broucek replied that it would change slightly. On an overall basis, for the in network plan, the percentage is 80/20. The middle plan is 85/15 and the high deductible health plan is approximately 90/10.

Mr. Nichols commented that he would be going before the Council tomorrow regarding two retiree health plans. One is a continuing, ongoing healthcare plan for disabled emergency workers. In this case, the Trust is not receiving all the money it should from the General Fund. He will be requesting the Council to make a transfer. The other plan phases out offering retiree health insurance. He explained that Council had directed that the rates be set to recover the full costs, so there was no subsidy and no disclosure required in the comprehensive annual financial report. This was attempted, with a raise in rates implemented twice in two years. However, it was not possible to raise the rates enough to cover the plans. Eventually, people self-migrated out of the plans. When people knew they would be leaving the plans they “did all their shopping” prior to leaving, which caused an increase in costs. Mr. Nichols would be asking that \$905,000 be returned from the General Fund to the Health Trust Fund to cover the two plans.

Mr. Broucek stated that if there is a known subsidy into the trust year over year, based on the disabled retirees, then there should be a decrement in the underwriting. Mr. Nichols replied that this is a one-time issue. However, it will be requested of the Council that they need to budget for an expected subsidy coming from the General Fund each year, as it was Council's decision to allow retirees to pay the same rate as employees.

Board Member Hecker referred to the cost of option one at \$568.40 for the CIGNA OAP in network and asked whether this was just the employee portion or the total. Mr. Broucek stated that this was the total amount and that the employee portion is roughly 20 percent.

## **OPEN CALL TO THE PUBLIC**

Michael Mason stated that there is nothing in the Risk Trust Fund Plan that was presented to address the liability exposure, the workers' comp exposure or the safety exposure, specifically in regards to cost and severity of losses. As a former employee, he has regular contact with current employees. There seems to be a lack of continuity as to who Risk Management is, what they do, and their involvement with staff. He stressed concern that employees do not feel their safety and health is valued by the City; this sentiment has been ongoing for six years. He cited the lack of emphasis on employee safety and the death of former employee Tom Hanz (phonetic), stating that he did not wish to see another employee lose their life. Chair Stabilito thanked Mr. Mason for his comments.

## **ADJOURNMENT**

With no further business to discuss, being duly moved and seconded, the meeting adjourned at 6:06 p.m.

***Recorded and Transcribed by AVTronics Inc., d/b/a AVTranz Transcription and Reporting Services***



# RISK MANAGEMENT ANNUAL REPORT FISCAL YEAR 2015-2016

## Fiscal Year 2015/16 Annual Report Executive Summary

### Risk Management:

The fiscal year ending June 30, 2016 Annual Report provides an annual snapshot of risk management income and expenses in the cost of risk section. It also provides a year to year severity and frequency comparison of claims in the charts noted as 6 year loss performance.

For many years, Risk Management has set a goal to keep the cost of risk at or below 2 percent of the City's Operating Budget. In Fiscal Year 2015/16, the cost of risk was 2.25 percent of the City's Operating Budget. In the cost of risk section you can see that, our excess insurance premiums did flatten, but remain at a substantially higher level than paid in FY 2013/14. The Risk Management Department and the Safety Grants Program spending were within the approved budget amounts. The significant income and expense changes were: the Risk Management Department collections from third parties went up from \$280,827 to \$426,280, and the workers' compensation costs ran over budget and over the 2014 actuary projection by approximately \$1,500,000. Fortunately, the general liability claims cost was under budget and the actuary 2014 projection by \$628,812 which covered some of the variance.

In the past three years the Trustees had set a goal to keep the balance of the Risk Management Self-Insured Fund at or above the Actuaries 85% Confidence Level. Risk Management in concert with the Budget Department have been working toward that goal. In the financial section of this report on the Risk Management Self-Insured Fund Five-Year Financial Forecast, you will find the ending fund balance at the bottom of the Actual 2015/16 column. The FY 2015/16 ending fund balance is \$16,069,243. Below that highlighted in grey is the Actuaries recommended range of fund balances. The ending balance of \$16,069,243 is approaching the 85% Confidence Level target fund balance of \$17,203,781. The fund balance did end above the 80% Confidence Level which has moved the fund closer to our ultimate goal. The adopted budget for FY 2016/17 projects an ending balance of \$18,649,705, which would meet the Actuary 85% Confidence Level Funding projection from the 2015 actuary report.

Risk Management is committed to loss prevention, loss control and compliance programs. The Safety Manager maintains and promotes health and safety plans in every department, assists individual departments with specific program design, provides safety training, maintains OSHA compliance, assists with site inspections, performs root cause analysis of injuries, and acts as the mentor/director to the City's Safety Steering Committee and City Safety Committee. In FY 2015/16, the Safety Manager concentrated in performing a root cause analysis on each injury from the Public Works Department. His efforts along with those of the division resulted in a significant reduction in the number of injuries from the prior year. However, the City's overall OSHA Rate increased from 6.05 in FY 2014/15 to 6.18 in FY 2015/16.

### Medical Benefits:

Medical and dental claims expenses incurred in FY 2015/16 were \$800,000 less than the revenues collected. Every year the City works with our benefit consultant, Hays, to develop medical and dental plan cost projections and provide recommendations to City Council

concerning funding level and cost sharing strategies. In this upcoming fiscal year the healthcare task force (formerly Employee Benefit Wellness Team) has been rebranded and renamed the Total Benefits Advisory Committee (TBAC). This committee will receive training on better understanding of claims, how they affect the City, review various plan design options/rate distributions, and work with the Office of Communications to explore the best ways to engage and communicate with City staff.

Cigna and Hays utilize the health assessment and claims data to provide programs tailored to prevent the onset or degeneration of a disease or illness and promote healthier lifestyles. This past year, the TBAC team was supportive of a tobacco surcharge which was implemented in July. In reviewing the past year's claims data, Cigna has found that 31% of our population has a chronic disease, which drives 64% of our plan's costs. Since our top disease state is high blood pressure, this year we are recommending a blood pressure incentive. We have already introduced this to the management forum and plan to have Cigna conduct additional employee seminars and work with the Fire Department to conduct blood pressure screenings in preparation for FY 2017/18.

## **Purpose and Scope**

The purpose and scope of the Risk Management Annual Report is to provide and publish Property-Casualty and Self-Insured Group Health and Dental Plan information and performance data.

### **Property-Casualty**

- Serve to provide information to the Loss Trust Fund Advisory Trustees to assist in satisfying the requirements of SRC, Section 2-171.
- Outline various category loss performance statistics and comparisons for the year ending June 30, 2016.
- Educate Trustees and other on the costs and trends of risk management programs.
- Focus individual claims frequency and severity by department to identify high risk activities to target for loss control.

### **Self-Insured Group Health and Dental Plans**

- Provide Trustees information and performance data on the Self-Insured Group Health and Dental Plans.

### **Financial**

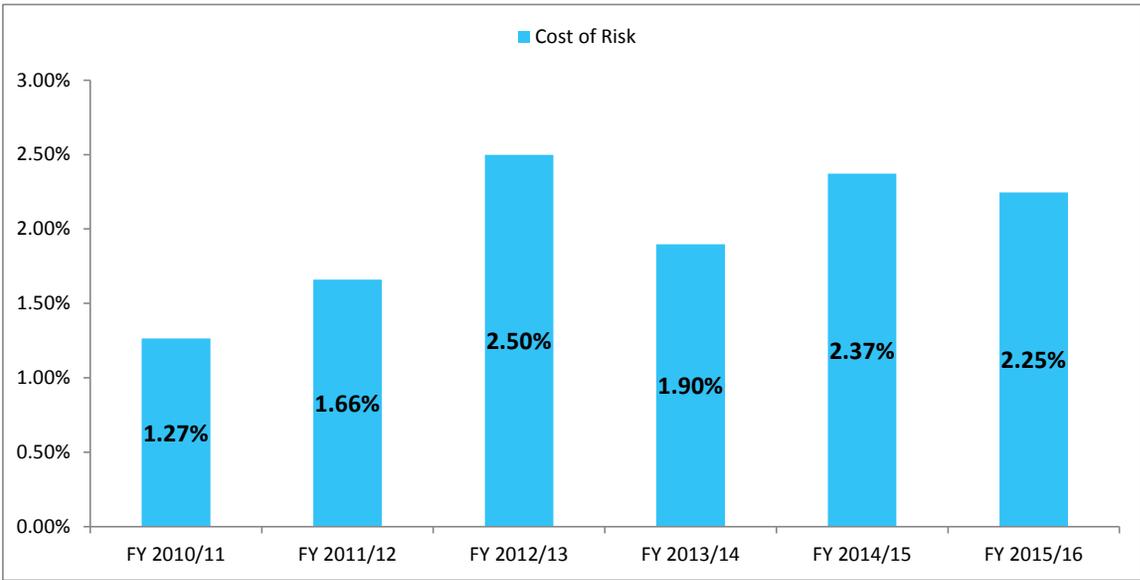
- Provide financial information and standing of Trust Fund for both Property-Casualty and Self-Insured Group Health and Dental areas.

### Cost of Risk

Cost of risk chart depicts all of the expense involved in our Risk Management program. In addition to our claims and legal costs it accounts for all costs including loss control services, safety incentives, purchase of personal protective equipment, insurance, OSHA Medical Testing, safety training, safety grants, staff salaries and computer software. The City has historically measured the performance of the program by comparison to the cities total operating budget and "not to exceed" a 2.0 percent goal. We did not meet that goal in FY 2015/16 due to a continued increase in excess insurance premiums. Also, the workers' compensation claims spiked \$1.5 million above the actuary projection and the budget amount of \$2,519,382.

In this report, "Claim Payments" represents payments on all claim types: General Liability, Auto Liability, Law Enforcement Liability, Employment Liability and Workers Compensation. The "Operating Budget" line represents the risk management department operating expense. The increase in the operating budget is partially the addition of a second workers' compensation claims adjuster.

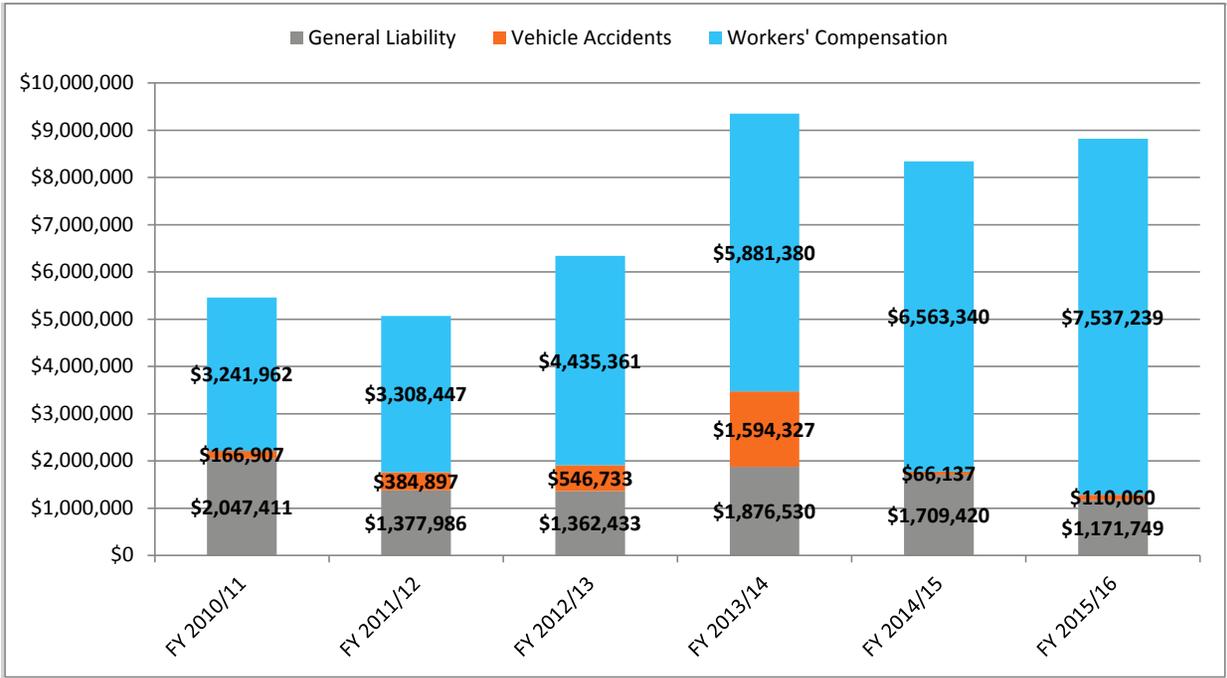
	FY 2010/11	FY 2011/12	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16
Claim Payments	\$ 2,886,237	\$ 3,518,069	\$ 6,789,148	\$ 5,256,752	\$ 6,264,697	\$ 6,244,642
Operating Budget	974,509	1,149,388	1,123,931	952,713	1,006,724	1,122,979
Excess Insurance Premiums	1,067,395	1,224,569	1,475,000	1,379,951	2,488,896	2,348,821
Unemployment Compensation	185,969	92,386	56,491	37,656	14,965	19,983
Special Event Reimbursements			(88,075)	(108,825)	(94,639)	(113,130)
Total Recoveries	(305,566)	(146,474)	(175,361)	(361,935)	(547,143)	(609,170)
Risk Management Program	\$ 4,808,544	\$ 5,837,937	\$ 9,181,134	\$ 7,156,312	\$ 9,133,500	\$ 9,014,125
City Operating Budget	\$ 380,021,005	\$ 351,520,813	\$ 367,633,085	\$ 377,050,005	\$ 385,044,759	\$ 401,312,174
<b>Cost of Risk</b>	<b>1.27%</b>	<b>1.66%</b>	<b>2.50%</b>	<b>1.90%</b>	<b>2.37%</b>	<b>2.25%</b>



### Current Reserve

This chart is a year-end snapshot of our total claims liability except claims incurred but not reported (IBNR). The reserves are the adjuster's professional estimates of the additional amounts needed to be paid before each claim is closed. The workers' compensation reserves are large and increasing each year generally as the number of claims increases. This is due to the longer duration of workers' compensation claims; and the number of years the City has been self-funded. The State of Arizona does not allow for a workers' compensation claim settlement that would permanently close a claim. Therefore, many old injury claims remain open and have reserves for the lifelong medical treatment and supportive care, plus the lifelong disability income payments known as Loss of Earning Capacity.

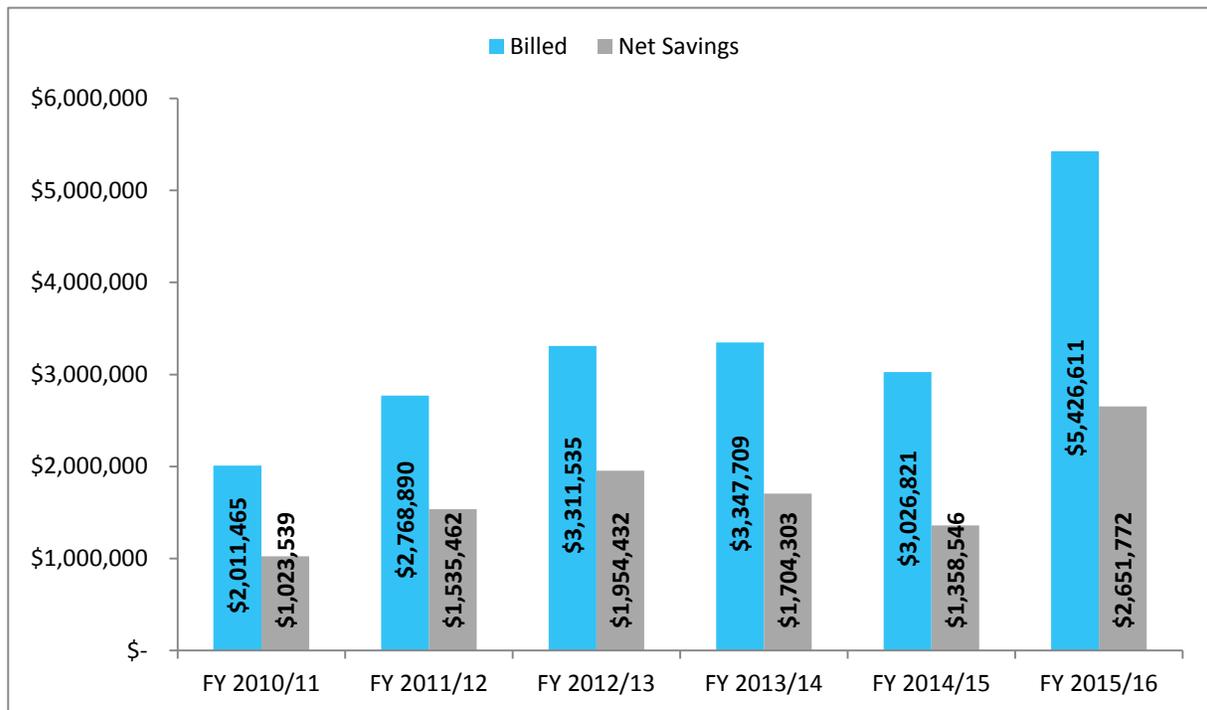
	FY 2010/11	FY 2011/12	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16
General Liability	\$2,047,411	\$1,377,986	\$1,362,433	\$1,876,530	\$1,709,420	\$1,171,749
Vehicle Accidents	\$166,907	\$384,897	\$546,733	\$1,594,327	\$66,137	\$110,060
Workers' Compensation	\$3,241,962	\$3,308,447	\$4,435,361	\$5,881,380	\$6,563,340	\$7,537,239
<b>Total</b>	<b>\$5,456,280</b>	<b>\$5,071,330</b>	<b>\$6,344,527</b>	<b>\$9,352,237</b>	<b>\$8,338,897</b>	<b>\$8,819,049</b>



## Medical Bill Review Savings

The City contracts with a third party, CorVel Corporation, to review and adjust workers' compensation medical bills to the 'reasonable' levels. This is allowed by the Industrial Commission of Arizona and is considered a "Best Practice" for controlling the medical costs of workers' compensation claims. Medical bills are reviewed on a line item basis for accuracy, removal of duplicate charges, review of reasonable and customary charges, fee bundling and any other opportunities to ensure maximum savings. The net savings below reflects the total savings as the fees for the service have been deducted.

	FY 2010/11	FY 2011/12	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16
Billed	\$ 2,011,465	\$ 2,768,890	\$ 3,311,535	\$ 3,347,709	\$ 3,026,821	\$ 5,426,611
Net Savings	\$ 1,023,539	\$ 1,535,462	\$ 1,954,432	\$ 1,704,303	\$ 1,358,546	\$ 2,651,772
<b>% Savings</b>	<b>51%</b>	<b>55%</b>	<b>59%</b>	<b>51%</b>	<b>45%</b>	<b>49%</b>

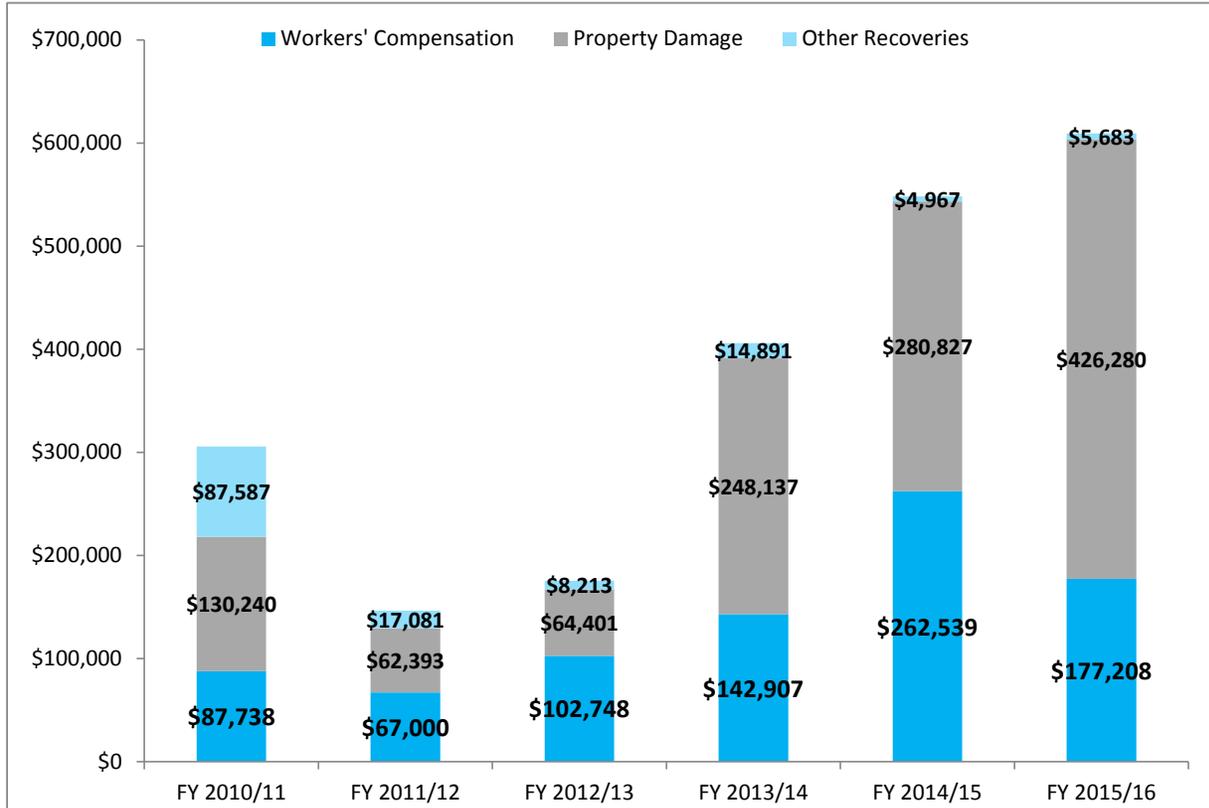


## Recoveries

In FY 2015/16, the Risk Management Team continued its process of scanning police reports for damage to city property and pursuing recovery of those damages. Additionally, every adjuster examines each claim for third party liability and recovery potential. The Risk Coordinator and the Property & Liability Adjuster did an exceptional job on Property Damage recoveries in FY 2015-16!

The workers compensation recoveries are predominantly reimbursements of claims expense for those workers compensation claims that have exceeded their retention level set in the insurance contracts. Although the City has reached their financial liability on these claims, we must continue to manage them for as long as they are open. The current insurance contract has the City’s liability capped at \$1,000,000 per injury, however the obligation to manage the claim will continue indefinitely.

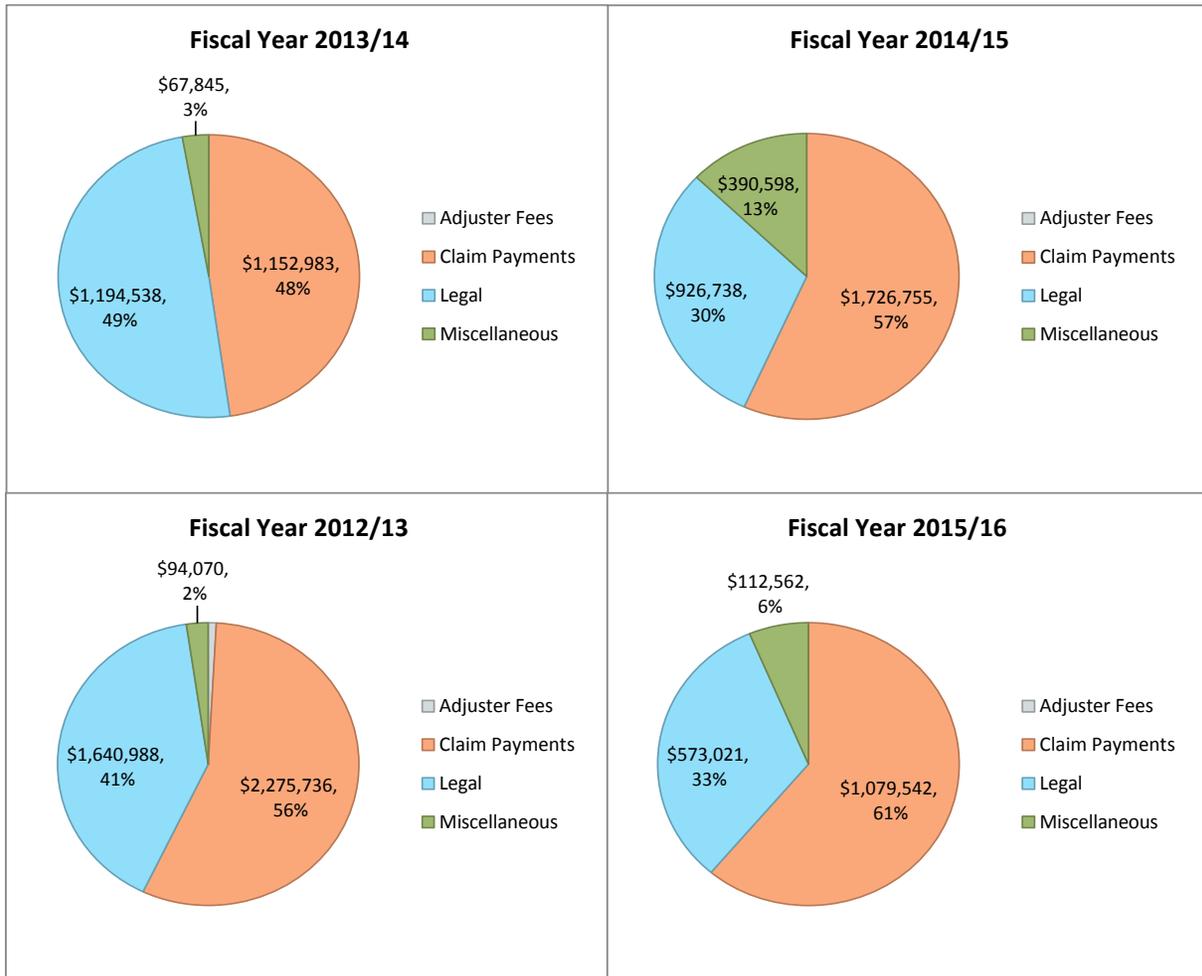
	FY 2010/11	FY 2011/12	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16
Workers' Compensation	\$87,738	\$67,000	\$102,748	\$142,907	\$262,539	\$177,208
Property Damage	\$130,240	\$62,393	\$64,401	\$248,137	\$280,827	\$426,280
Other Recoveries	\$87,587	\$17,081	\$8,213	\$14,891	\$4,967	\$5,683
<b>Total Recoveries</b>	<b>\$305,566</b>	<b>\$146,474</b>	<b>\$175,361</b>	<b>\$405,935</b>	<b>\$548,333</b>	<b>\$609,170</b>



## General Liability Payment Breakdown

The following charts depict year over year spending on general liability and auto liability claims. The legal component is made up of charges from the City Attorney’s office and outside counsel. The City Attorney’s Office provides primary defense for all suits and charges the trust fund a reduced rate of \$143.00 per hour. Infrequently, the City Attorney and Risk Manager will agree to assign outside counsel to defend a suit. In such cases, the assigned City Attorney will continue to perform some work on the case and act as a liaison between the outside counsel, the City Attorney and Risk Management. The miscellaneous category is made up of the litigation costs including but not limited to research, travel, depositions, and testimony of expert witnesses, and costs to obtain medical records.

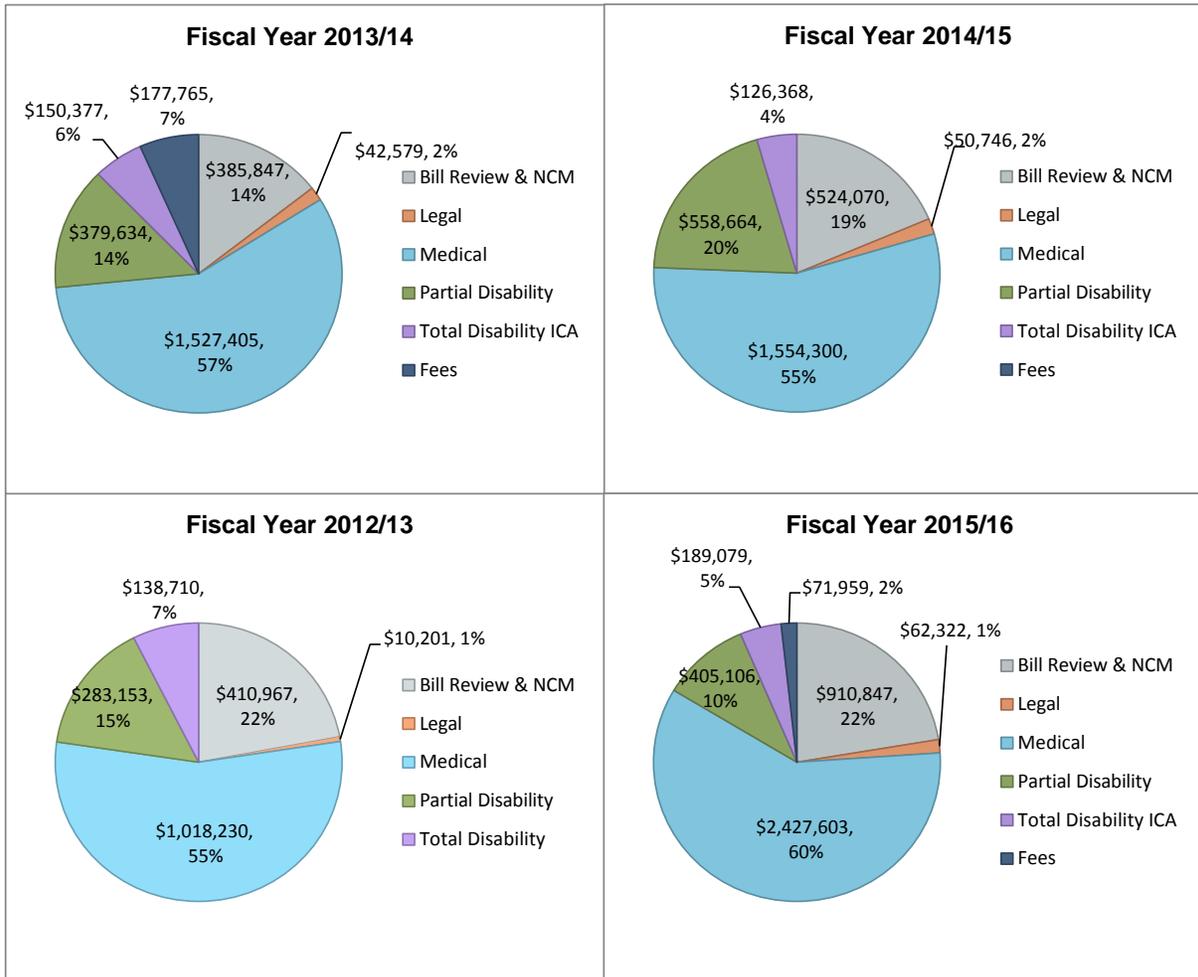
	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16
Adjuster Fees	\$34,650	\$0	\$0	\$0
Claim Payments	\$2,275,736	\$1,152,983	\$1,726,755	\$1,079,542
Legal	\$1,640,988	\$1,194,538	\$926,738	\$573,021
Miscellaneous	\$94,070	\$67,845	\$390,598	\$112,562
<b>Total</b>	<b>\$4,045,444</b>	<b>\$2,415,366</b>	<b>\$3,044,091</b>	<b>\$1,765,125</b>



## Workers' Compensation Payment Breakdown

The following fiscal year expense comparisons depict the total payments made for our workers' compensation claims. In 2015-16 you can see in blue the spike in the medical costs year over year. The increase in medical expenses also directly correlates to the increase in the expense for the medical bill review services shown in the gray shading.

	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16
Bill Review & NCM	\$410,967	\$385,847	\$524,070	\$910,847
Legal	\$10,201	\$42,579	\$50,746	\$62,322
Medical	\$1,018,230	\$1,527,405	\$1,554,300	\$2,427,603
Partial Disability	\$283,153	\$379,634	\$558,664	\$405,106
Total Disability	\$138,710	\$150,377	\$126,368	\$189,079
ICA Fees		\$177,765		\$71,959
<b>Total</b>	<b>\$1,861,262</b>	<b>\$2,663,606</b>	<b>\$2,814,148</b>	<b>\$4,066,916</b>

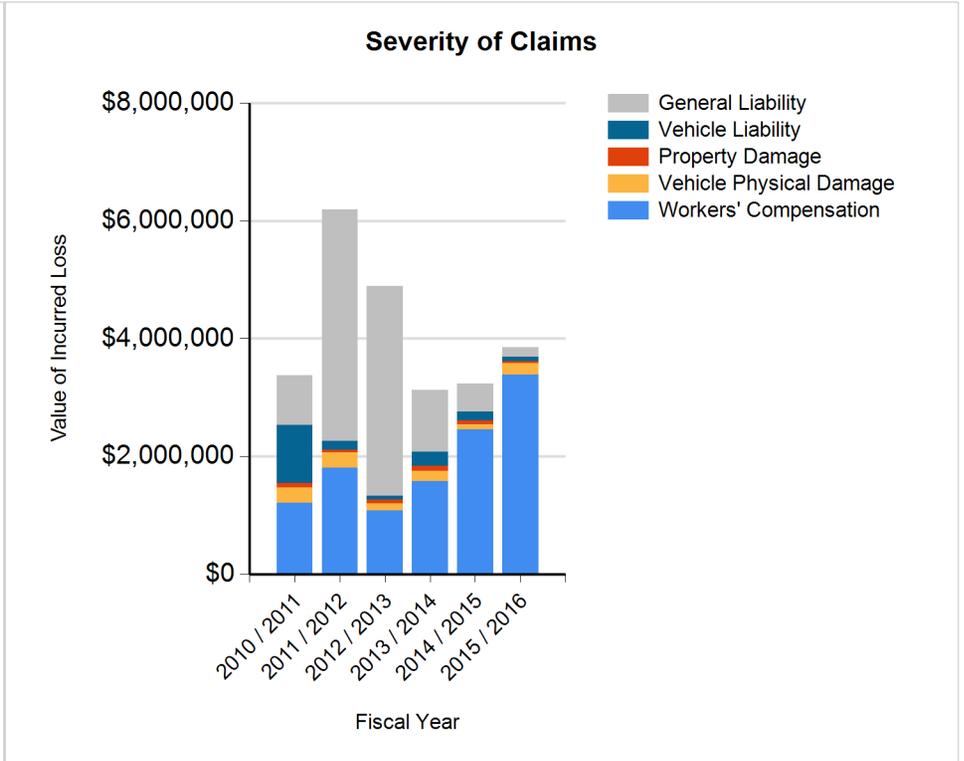
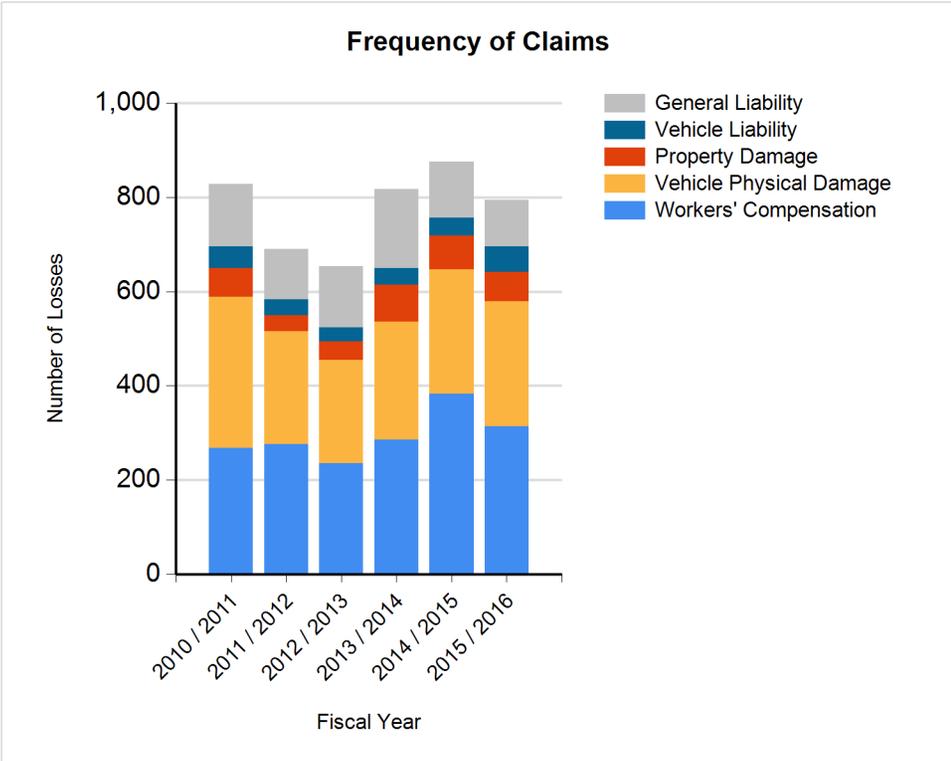




# All Divisions Combined Loss Performance

## Claim Frequency and Severity by Date of Loss

	2010 / 2011		2011 / 2012		2012 / 2013		2013 / 2014		2014 / 2015		2015 / 2016	
Claim Type	Frequency / Severity											
General Liability	132	\$849,933	107	\$3,932,674	130	\$3,556,630	169	\$1,051,537	118	\$474,169	100	\$165,993
Vehicle Liability	46	\$984,109	34	\$143,081	29	\$69,840	34	\$235,458	39	\$150,470	53	\$74,570
Property Damage	61	\$73,993	34	\$48,828	40	\$64,561	79	\$84,115	71	\$69,485	63	\$30,291
Vehicle Physical Damage	321	\$257,465	239	\$254,082	219	\$118,713	251	\$175,337	264	\$89,062	265	\$193,131
Workers' Compensation	268	\$1,213,187	276	\$1,810,616	235	\$1,078,992	285	\$1,577,357	383	\$2,452,793	314	\$3,391,739
<b>City Total</b>	<b>828</b>	<b>\$3,378,688</b>	<b>690</b>	<b>\$6,189,280</b>	<b>653</b>	<b>\$4,888,735</b>	<b>818</b>	<b>\$3,123,804</b>	<b>875</b>	<b>\$3,235,979</b>	<b>795</b>	<b>\$3,855,724</b>



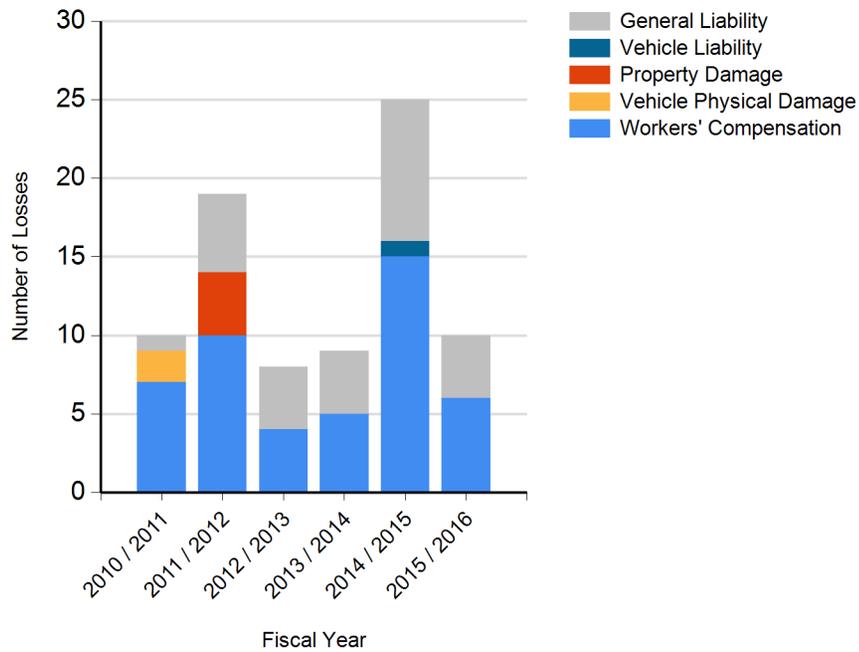


# Charter Officers Loss Performance

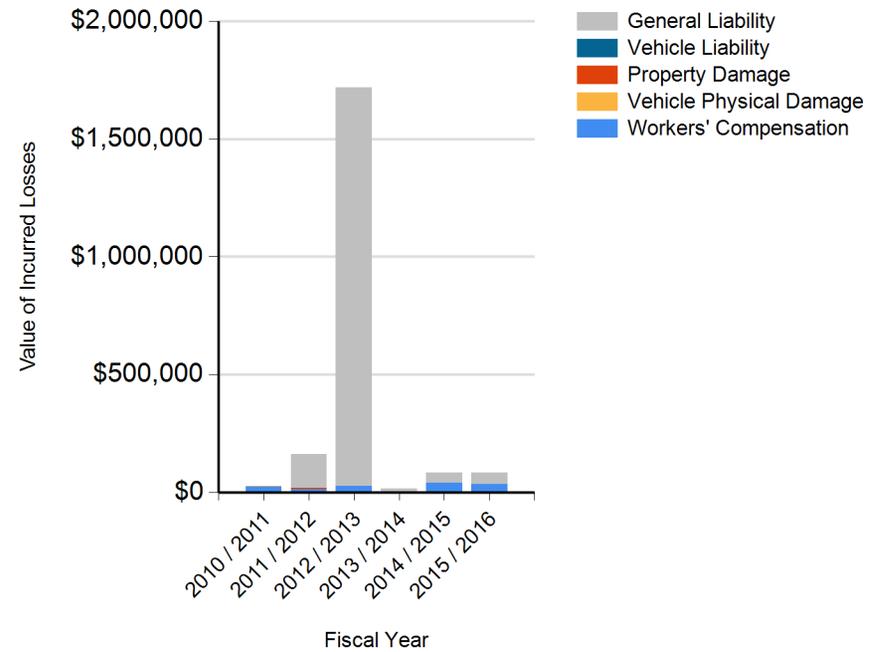
Claim Frequency and Severity by Date of Loss for Mayor & City Council, City Attorney, City Auditor, City Clerk, City Manager, City Treasurer, and Presiding Judge

	2010 / 2011		2011 / 2012		2012 / 2013		2013 / 2014		2014 / 2015		2015 / 2016	
Claim Type	Frequency / Severity		Frequency / Severity		Frequency / Severity		Frequency / Severity		Frequency / Severity		Frequency / Severity	
General Liability	1	\$0	5	\$144,819	4	\$1,694,717	4	\$13,184	9	\$42,144	4	\$49,952
Vehicle Liability	0	\$0	0	\$0	0	\$0	0	\$0	1	\$0	0	\$0
Property Damage	0	\$0	4	\$4,066	0	\$0	0	\$0	0	\$0	0	\$0
Vehicle Physical Damage	2	\$2,701	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0
Workers' Compensation	7	\$24,071	10	\$14,220	4	\$25,399	5	\$1,210	15	\$40,219	6	\$34,543
<b>Charter Officers Total</b>	<b>10</b>	<b>\$26,773</b>	<b>19</b>	<b>\$163,104</b>	<b>8</b>	<b>\$1,720,116</b>	<b>9</b>	<b>\$14,393</b>	<b>25</b>	<b>\$82,363</b>	<b>10</b>	<b>\$84,495</b>

Frequency of Claims



Severity of Claims



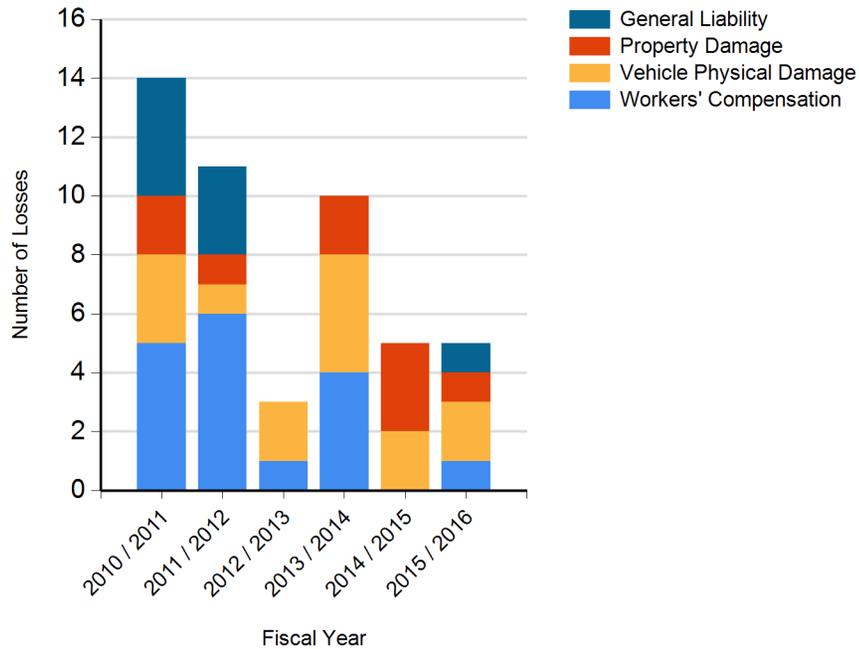


# Administrative Services Loss Performance

Claim Frequency and Severity by Date of Loss for Communications, Human Resources, Information Technology, and Purchasing

	2010 / 2011		2011 / 2012		2012 / 2013		2013 / 2014		2014 / 2015		2015 / 2016	
Claim Type	Frequency / Severity		Frequency / Severity		Frequency / Severity		Frequency / Severity		Frequency / Severity		Frequency / Severity	
General Liability	4	\$109,058	3	\$176,590	0	\$0	0	\$0	0	\$0	1	\$0
Property Damage	2	\$0	1	\$0	0	\$0	2	\$0	3	\$4,370	1	\$0
Vehicle Physical Damage	3	\$2,290	1	\$155	2	\$1,882	4	\$6,961	2	\$0	2	\$4,296
Workers' Compensation	5	\$0	6	\$8,183	1	\$0	4	\$1,520	0	\$0	1	\$190
<b>Administrative Services Total</b>	<b>14</b>	<b>\$111,348</b>	<b>11</b>	<b>\$184,928</b>	<b>3</b>	<b>\$1,882</b>	<b>10</b>	<b>\$8,481</b>	<b>5</b>	<b>\$4,370</b>	<b>5</b>	<b>\$4,486</b>

Frequency of Claims



Severity of Claims



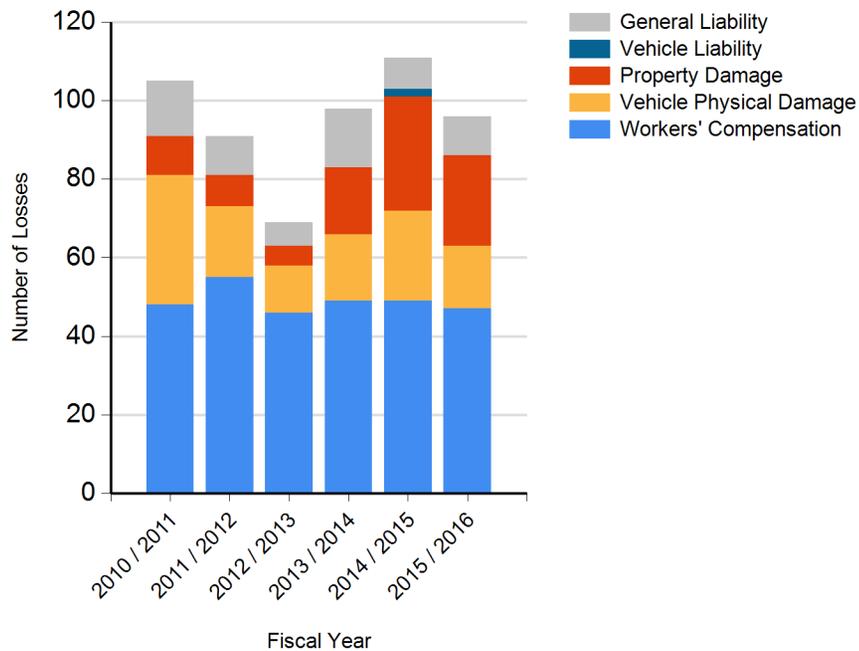


# Community Services Loss Performance

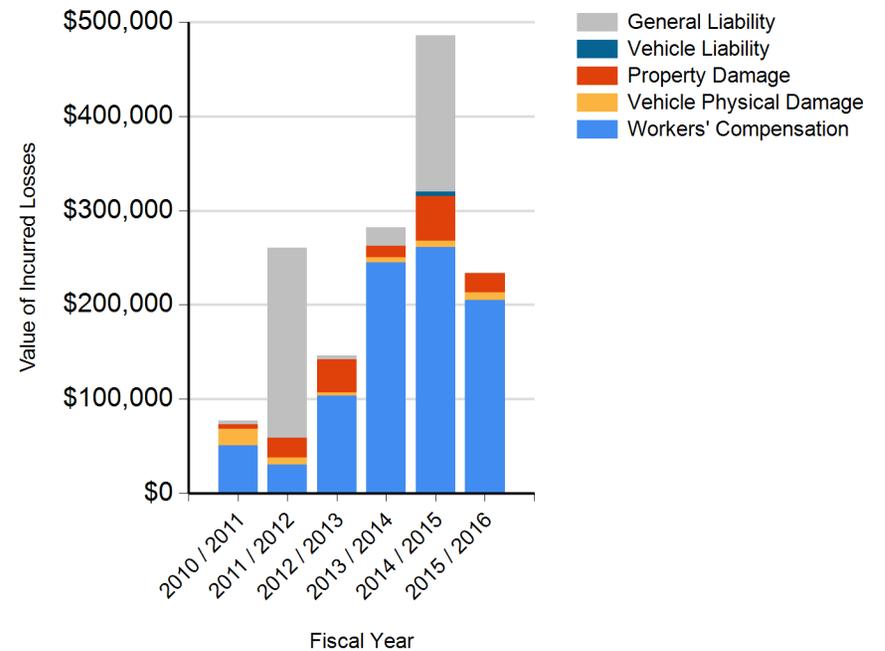
Claim Frequency and Severity by Date of Loss for Human Services, Libraries, Parks & Recreation, and Preserve

	2010 / 2011		2011 / 2012		2012 / 2013		2013 / 2014		2014 / 2015		2015 / 2016	
Claim Type	Frequency / Severity		Frequency / Severity		Frequency / Severity		Frequency / Severity		Frequency / Severity		Frequency / Severity	
General Liability	14	\$4,229	10	\$201,745	6	\$3,650	15	\$19,573	8	\$165,492	10	\$543
Vehicle Liability	0	\$0	0	\$0	0	\$0	0	\$0	2	\$4,909	0	\$0
Property Damage	10	\$5,053	8	\$21,223	5	\$35,470	17	\$11,975	29	\$47,108	23	\$20,384
Vehicle Physical Damage	33	\$17,529	18	\$7,346	12	\$3,524	17	\$5,636	23	\$6,924	16	\$8,089
Workers' Compensation	48	\$50,388	55	\$30,459	46	\$103,353	49	\$244,800	49	\$261,295	47	\$205,153
<b>Community Services Total</b>	<b>105</b>	<b>\$77,198</b>	<b>91</b>	<b>\$260,773</b>	<b>69</b>	<b>\$145,997</b>	<b>98</b>	<b>\$281,983</b>	<b>111</b>	<b>\$485,727</b>	<b>96</b>	<b>\$234,169</b>

Frequency of Claims



Severity of Claims





# Community & Economic Development Loss Performance

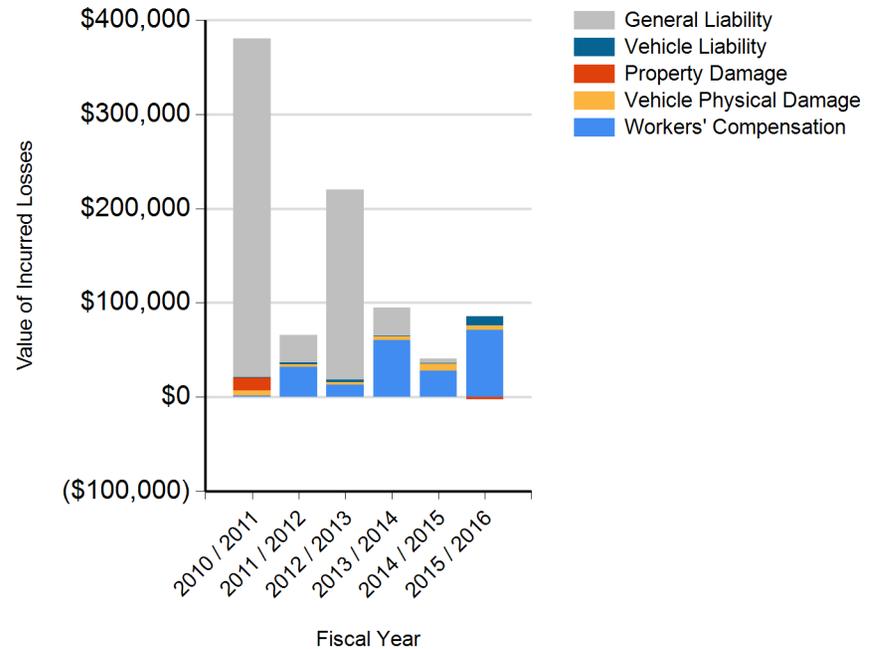
Claim Frequency and Severity by Date of Loss for Airport, Economic Development, Planning & Development, Tourism & Events, Transportation, and Westworld

	2010 / 2011		2011 / 2012		2012 / 2013		2013 / 2014		2014 / 2015		2015 / 2016	
Claim Type	Frequency / Severity		Frequency / Severity		Frequency / Severity		Frequency / Severity		Frequency / Severity		Frequency / Severity	
General Liability	7	\$359,889	7	\$29,187	8	\$201,746	8	\$29,924	6	\$4,250	4	\$747
Vehicle Liability	1	\$148	1	\$1,435	1	\$2,132	2	\$1,113	1	\$192	4	\$9,324
Property Damage	10	\$14,174	1	\$0	2	\$0	1	\$0	0	\$0	1	(\$2,565)
Vehicle Physical Damage	27	\$5,285	11	\$3,124	11	\$2,996	16	\$3,741	11	\$8,208	14	\$4,916
Workers' Compensation	5	\$1,283	7	\$31,715	7	\$12,869	9	\$60,276	9	\$27,708	7	\$70,969
<b>Community &amp; Economic Development Total</b>	<b>50</b>	<b>\$380,780</b>	<b>27</b>	<b>\$65,461</b>	<b>29</b>	<b>\$219,743</b>	<b>36</b>	<b>\$95,054</b>	<b>27</b>	<b>\$40,357</b>	<b>30</b>	<b>\$83,390</b>

Frequency of Claims



Severity of Claims



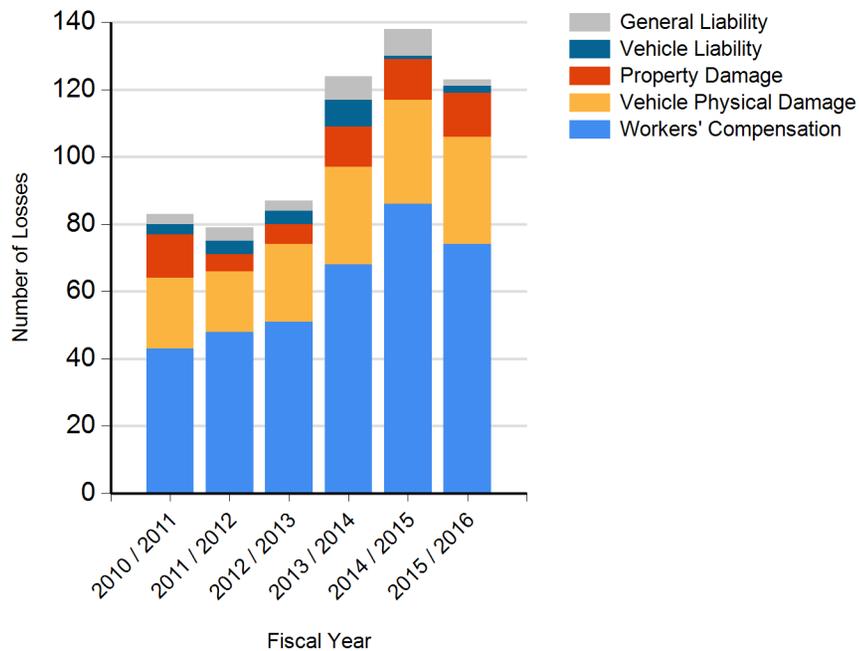


# Fire Department Loss Performance

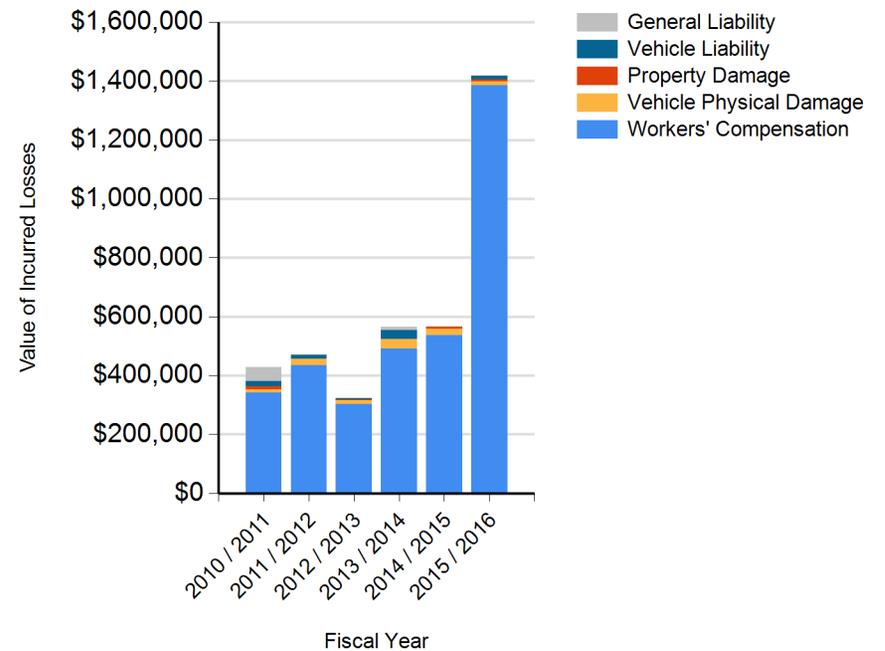
## Claim Frequency and Severity by Date of Loss for the Fire Department

	2010 / 2011		2011 / 2012		2012 / 2013		2013 / 2014		2014 / 2015		2015 / 2016	
Claim Type	Frequency / Severity											
General Liability	3	\$46,505	4	\$3,200	3	\$4,036	7	\$9,940	8	\$2,554	2	\$0
Vehicle Liability	3	\$19,244	4	\$11,693	4	\$3,919	8	\$30,891	1	\$0	2	\$12,926
Property Damage	13	\$10,722	5	\$0	6	\$265	12	\$0	12	\$6,090	13	\$6,579
Vehicle Physical Damage	21	\$9,261	18	\$22,006	23	\$14,063	29	\$31,406	31	\$22,338	32	\$13,950
Workers' Compensation	43	\$342,480	48	\$435,192	51	\$303,018	68	\$491,868	86	\$536,523	74	\$1,385,095
<b>Fire Department Total</b>	<b>83</b>	<b>\$428,212</b>	<b>79</b>	<b>\$472,092</b>	<b>87</b>	<b>\$325,302</b>	<b>124</b>	<b>\$564,105</b>	<b>138</b>	<b>\$567,506</b>	<b>123</b>	<b>\$1,418,551</b>

Frequency of Claims



Severity of Claims



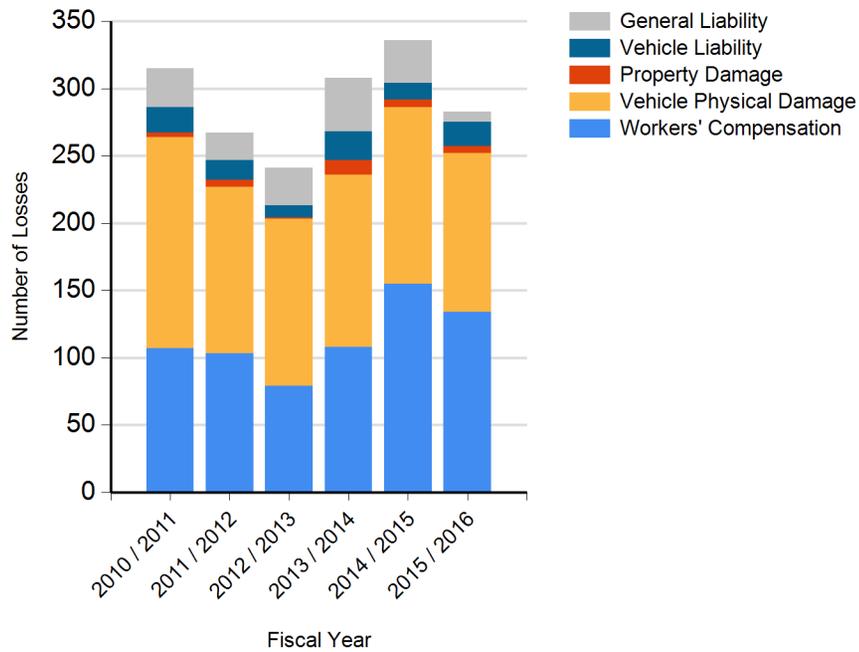


# Police Department Loss Performance

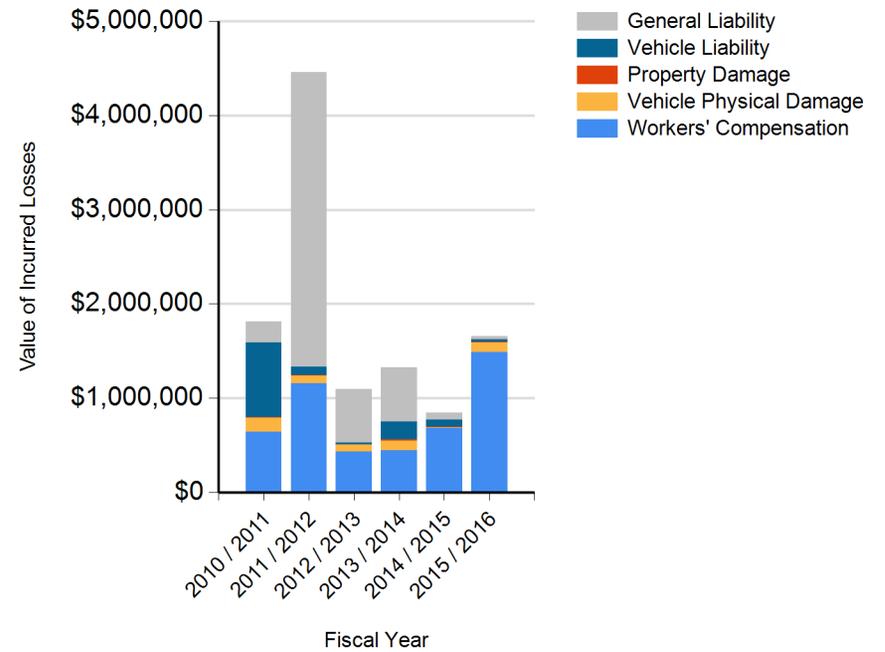
Claim Frequency and Severity by Date of Loss for the Police Department

	2010 / 2011		2011 / 2012		2012 / 2013		2013 / 2014		2014 / 2015		2015 / 2016	
<b>Claim Type</b>	<b>Frequency / Severity</b>		<b>Frequency / Severity</b>		<b>Frequency / Severity</b>							
General Liability	29	\$221,744	20	\$3,129,290	28	\$572,475	40	\$574,455	32	\$71,908	8	\$30,837
Vehicle Liability	19	\$791,094	15	\$83,714	9	\$18,690	21	\$191,125	12	\$76,869	18	\$30,536
Property Damage	3	\$6,461	5	\$1,783	1	\$0	11	\$10,344	6	\$4,219	5	\$79
Vehicle Physical Damage	157	\$149,466	124	\$90,426	124	\$70,062	128	\$100,932	131	\$11,004	118	\$108,189
Workers' Compensation	107	\$642,671	103	\$1,153,171	79	\$434,502	108	\$446,481	155	\$679,071	134	\$1,485,829
<b>Police Department Total</b>	<b>315</b>	<b>\$1,811,435</b>	<b>267</b>	<b>\$4,458,384</b>	<b>241</b>	<b>\$1,095,728</b>	<b>308</b>	<b>\$1,323,337</b>	<b>336</b>	<b>\$843,071</b>	<b>283</b>	<b>\$1,655,471</b>

Frequency of Claims



Severity of Claims



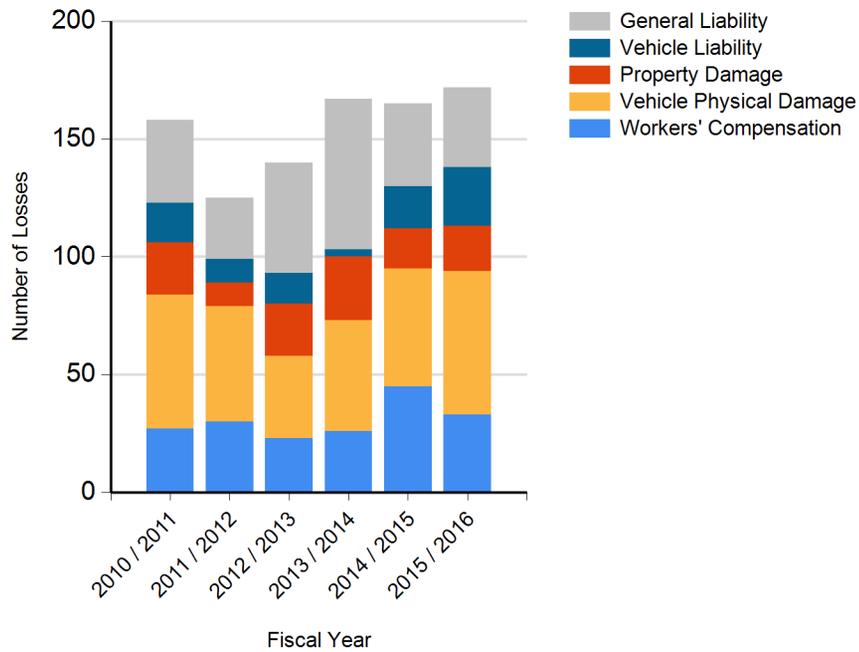


# Public Works Loss Performance

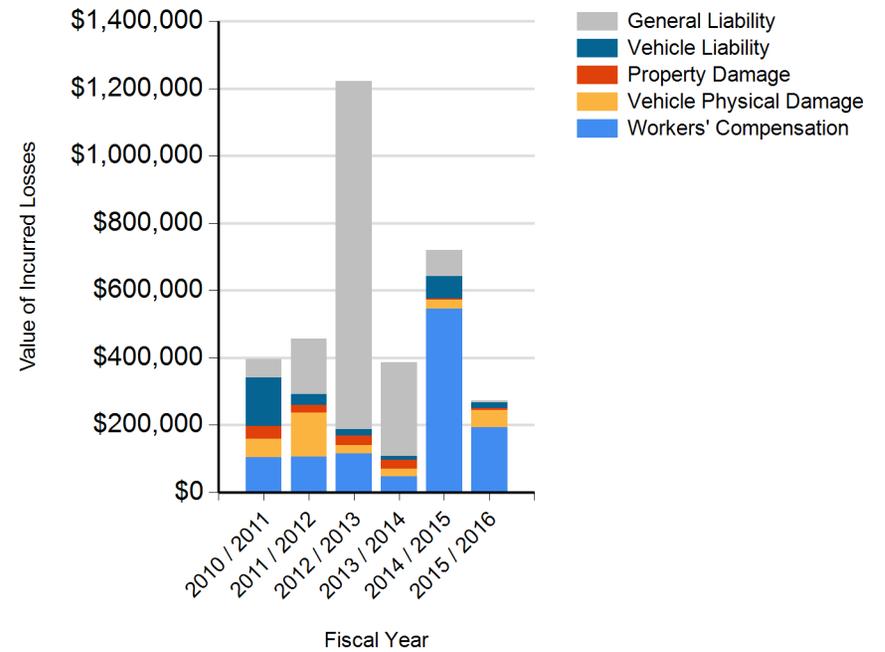
Claim Frequency and Severity by Date of Loss for Capital Projects, Facilities, Fleet, Solid Waste, and Street Operations

	2010 / 2011		2011 / 2012		2012 / 2013		2013 / 2014		2014 / 2015		2015 / 2016	
Claim Type	Frequency / Severity		Frequency / Severity		Frequency / Severity		Frequency / Severity		Frequency / Severity		Frequency / Severity	
General Liability	35	\$54,236	26	\$165,074	47	\$1,034,731	64	\$278,211	35	\$78,680	34	\$5,723
Vehicle Liability	17	\$143,757	10	\$32,604	13	\$18,662	3	\$12,329	18	\$65,700	25	\$17,804
Property Damage	22	\$37,582	10	\$21,756	22	\$28,825	27	\$26,388	17	\$3,876	19	\$5,814
Vehicle Physical Damage	57	\$54,924	49	\$131,432	35	\$23,223	47	\$21,586	50	\$27,155	61	\$51,031
Workers' Compensation	27	\$104,510	30	\$105,568	23	\$116,116	26	\$47,540	45	\$545,398	33	\$192,372
<b>Public Works Total</b>	<b>158</b>	<b>\$395,009</b>	<b>125</b>	<b>\$456,433</b>	<b>140</b>	<b>\$1,221,557</b>	<b>167</b>	<b>\$386,054</b>	<b>165</b>	<b>\$720,809</b>	<b>172</b>	<b>\$272,745</b>

Frequency of Claims



Severity of Claims



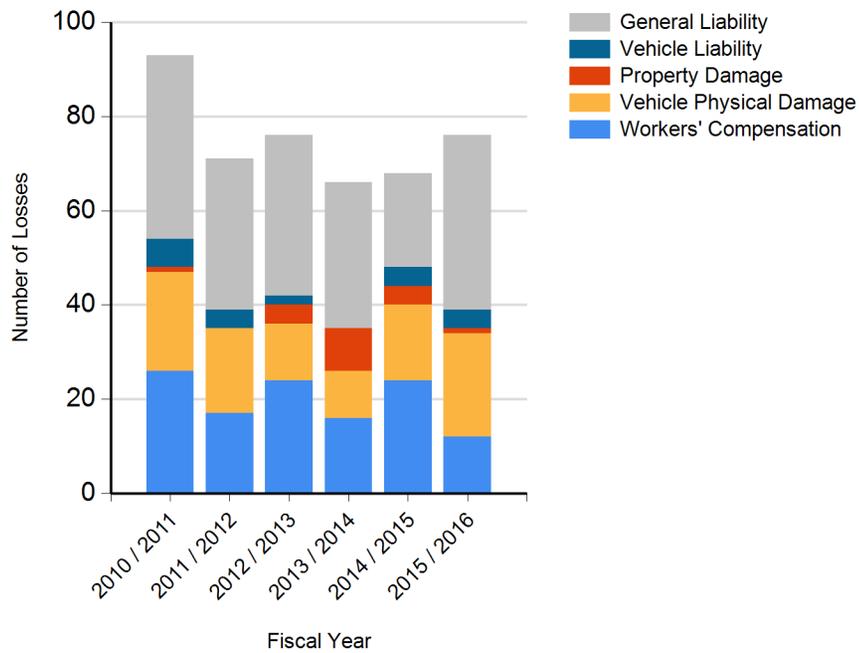


# Water Resources Loss Performance

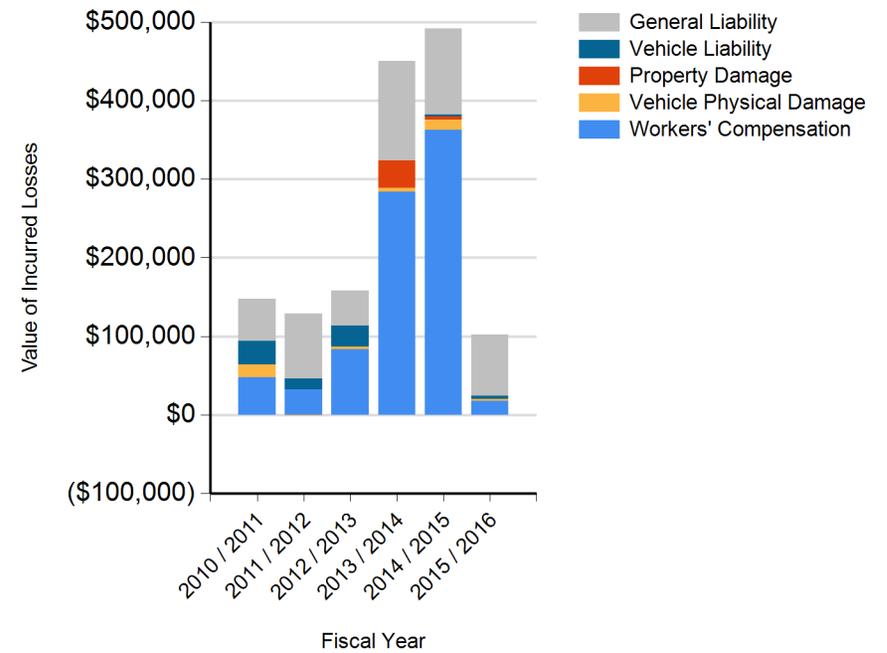
Claim Frequency and Severity by Date of Loss for Planning & Engineering, Reclamation Services, Water Quality, and Water Services

	2010 / 2011		2011 / 2012		2012 / 2013		2013 / 2014		2014 / 2015		2015 / 2016	
Claim Type	Frequency / Severity											
General Liability	39	\$54,272	32	\$82,770	34	\$45,276	31	\$126,252	20	\$109,142	37	\$78,191
Vehicle Liability	6	\$29,866	4	\$13,634	2	\$26,436	0	\$0	4	\$2,801	4	\$3,979
Property Damage	1	\$0	0	\$0	4	\$0	9	\$35,409	4	\$3,821	1	\$0
Vehicle Physical Damage	21	\$16,010	18	(\$408)	12	\$2,964	10	\$5,075	16	\$13,433	22	\$2,659
Workers' Compensation	26	\$47,785	17	\$32,108	24	\$83,734	16	\$283,662	24	\$362,579	12	\$17,587
<b>Water Resources Total</b>	<b>93</b>	<b>\$147,933</b>	<b>71</b>	<b>\$128,105</b>	<b>76</b>	<b>\$158,410</b>	<b>66</b>	<b>\$450,399</b>	<b>68</b>	<b>\$491,776</b>	<b>76</b>	<b>\$102,416</b>

Frequency of Claims



Severity of Claims



## Loss Trust Fund Annual Report Self-Insured Medical and Dental Plans FY 15/16

### Introduction:

Health benefits are a significant part of the City's compensation package and are important in the recruitment and retention of employees. Responsibility related to the self-insured medical and dental plans, including rate determination and benefit offerings, lies with the City Council, City Manager, City Treasurer, and Human Resources. This report is intended to provide a historical perspective concerning self-funding by the City as well as information concerning current status of the self-insured plans.

### Background:

The City has self-insured a portion of its medical and dental benefit plans since 1990. In January 2004, the City expanded its self-insurance programs by introducing predominantly self-insured medical plans along with the already self-insured dental plan. Operationally, a self-insured employer designs its own schedule of benefits, pays for those benefits, and typically utilizes the services of an external organization to provide medical and utilization review services, administer the plans and provide customer service.

Since 2004 claims and administrative services have been performed by Aetna and their contract terminated June 30, 2014. The City worked with its benefit consulting firm, Hays Companies, and selected Cigna to administer medical, dental, behavioral health and the Employee Assistant Plan for the plan year beginning July 1, 2014. Consolidating services with one benefit vendor results in several cost and administrative efficiencies, including: consolidated claims reporting, uniform disease management and wellness programs and a single prescription drug formulary for all participants. The three medical plans that were offered by the City in FY 15/16 are listed below:

#### **Cigna OAP In-Network**

This is an exclusive provider plan similar to an HMO; participants pay specific co-payment for services with no deductibles or co-insurance. Employees may only use in-network providers, but do not need referrals.

#### **Cigna OAP**

This is a hybrid preferred provider plan that combines some HMO features with traditional PPO features; co-payments for primary care and specialist office visits; deductibles for co-insurance payments for most other services (laboratory, x-ray, hospitalizations, etc). Employees have a choice of using either in or out-of-network providers.

#### **Cigna OAP + HSA**

This is a federally qualified high deductible health plan with an optional health savings account feature. This plan offers in-network and out of network benefits, subject to annual deductibles and co-insurance once deductibles are met. Employees have a choice of using either in or out-of-network providers.

After analyzing our claims data, Cigna has found that 31% of our population has a chronic disease, which drives 64% of our plan's costs. Our top 5 disease states are high blood pressure (11%), high cholesterol (10%), obesity (5%), asthma (5%) and diabetes (2%). Cigna provides \$150,000 in a wellness fund to incentivize employees towards healthy behaviors. We use these funds to target our top disease states and have seen increased participation in all of our class offerings, walking program, weight loss program where employees lost 6,000 pounds this year and we have increased 457 participation. We have also implemented a tobacco surcharge in FY 16/17. There are about 4% of employees who have the surcharge which correlates with about 4% who self-reported tobacco use on Cigna's Health Risk assessment last year.

Additionally, Cigna will reimburse the City 100% of any prescription rebates and they are paid on a quarterly basis. We received \$830,000 in pharmacy reimbursements for July 1, 2015 – June 30, 2016. Some of those rebates are for the prior fiscal year; however we received the rebates during FY 15/16. Previously, Aetna only reimbursed 20% of any prescription rebates.

### Plan Performance and Actuarial Study:

The following table reflects revenues generated by internal funding rates and claim loss data for the fiscal year ending June 30, 2016, for the self-insured medical plans.

Revenues <sup>(a)</sup>	\$26.4 M
Expenses <sup>(b)</sup>	\$27.2 M
\$ Variance Favorable/ (Unfavorable)	(\$.8 M)
% Variance Favorable/ (Unfavorable)	(3%)

<sup>(a)</sup> Includes amounts paid by the City, employees and PSPRS disabled retirees

<sup>(b)</sup> Includes medical and prescription drug claim payments, administrative fees and city expenses

The loss ratio (expenses compared to revenue) over the past three years is as follows:

	<u>FY 2013/14</u>	<u>FY 2014/15</u>	<u>FY 2015/16</u>
Aetna Select/Cigna OAP In-Network	98%	103%	104%
Aetna Choice/Cigna OAP	101%	102%	95%
Aetna Choice + HSA/Cigna HSA	52%	29%	27%
Overall (including city expenses)	98%	104%	103%

Each year an actuarial study is conducted to determine the accrued liabilities existing at year-end that carry-over into the next fiscal year. A cash reserve is maintained against these estimated claims run-off liabilities, as well as to provide for any reasonably expected increase in medical claims cost during the ensuing year.

Our Cigna PPO dental plan ran at a favorable 96% loss ratio in FY 15/16.

### Financial Limitations and Controls - Stop-Loss Coverage:

Under a self-insured arrangement the employer assumes financial risk for claims instead of paying a monthly premium to a carrier who assumes the risk. However, in order to protect the plan from unpredictable, catastrophic claims, an employer may purchase stop-loss insurance from a third party insurer for a fixed premium rate. There are two types of stop loss insurance: Specific Stop-Loss coverage and Aggregate Stop-Loss coverage. Specific stop-loss limits the employer's liability to a predetermined dollar amount (the deductible) on each covered participant in a fiscal year. Aggregate stop-loss protects an employer from total claims for all participants that exceed the annual aggregate amount in a fiscal year.

The City carries Specific Stop-Loss coverage through Symetra Life Insurance Company which provides protection against individual catastrophic claims that exceed \$325,000 in a fiscal year. The City's premium for this protection was \$550,000 in FY 15/16. There was one large claim which exceeded the stop loss and the City received \$80,000 in stop loss reimbursements. The City does not currently carry aggregate stop loss coverage because the health care claims volume is large enough to be relatively predictable from year to year, making it unlikely that the City would benefit from this protection.

## Large Claims

An important component of the self-insurance program is to identify potential large claims and to provide case management assistance. When an individual participant has a condition that may approach the specific deductible, the stop-loss carrier is notified so they can work with the claims administrator on case management. During FY 2015/16, the City incurred 28 catastrophic claims that resulted in payment of around \$4.4 million, or nearly 16% of the City's total medical plan payments for the year.

## Plan Demographics:

The following reflects medical plan enrollment at the beginning of FY 2016/17.

	<u>Employees/COBRA</u>	<u>Disabled Retirees</u>	<u>Total</u>
<b>Cigna OAP In-Network</b>			
Individual Only	517	7	524
Individual & Children	258	5	263
Individual & Spouse	232	3	235
Individual & Family	<u>596</u>	<u>1</u>	<u>597</u>
<b>Total</b>	<b>1,603</b>	<b>16</b>	<b>1,619</b>
<b>Cigna OAP</b>			
Individual Only	180	1	181
Individual & Children	66	3	69
Individual & Spouse	46	0	46
Individual & Family	<u>94</u>	<u>3</u>	<u>97</u>
<b>Total</b>	<b>386</b>	<b>7</b>	<b>393</b>
<b>Cigna OAP + HSA</b>			
Individual Only	83	1	84
Individual & Children	18	0	18
Individual & Spouse	15	2	17
Individual & Family	<u>17</u>	<u>0</u>	<u>17</u>
<b>Total</b>	<b>133</b>	<b>3</b>	<b>136</b>

**Employee Medical Rates** The plan experienced around an 11 percent rate increase for FY 2016/17. Premium sharing for employee coverage had been 80/20 for the Cigna OAP In-Network Plan, 85/15 for the Cigna OAP Plan and 90/10 for the Cigna OAP + HSA Plan. Premium sharing for dependent coverage remains 75/25 for all plans. We presented to Council and option to narrow the network on the OAP In-Network plan to save the City \$1.6 million. City Council ultimately approved an option to make no network changes, but increase employee premiums on the OAP In-Network plan by 26%. This brought the premium sharing on the OAP In-Network from 80/20 to 77/23 percent.

**Disability Retiree Medical Rates** – In January 2014, the City Council voted to eliminate the retiree medical plans and continue to allow PSPRS disabled retirees to pay the full monthly premium for active employees instead of the retiree rate. There are currently 26 disabled retirees enrolled. We anticipated that these plans would continue to run at a loss ratio. For FY 15/16 the funding loss ratio for the PSPRS disabled retirees was 179%.

The following table reflects the FY 2016/17 rate models for the self-insured medical and dental plans.

## Monthly Benefit Premiums

July 1, 2016 to June 30, 2017	Monthly Premium Employees	Full Time Employee (City Contribution)
<b>City of Scottsdale Cigna OAP In-Network</b>		
Enrollee Only	\$562.00	\$127.00 (\$435.00)
Enrollee & Child(ren)	\$1020.00	\$258.00 (\$762.00)
Enrollee & Spouse/Partner	\$1217.00	\$314.00 (\$903.00)
Enrollee & Family	\$1747.00	\$466.00 (\$1281.00)
<b>City of Scottsdale Cigna OAP</b>		
Enrollee Only	\$492.00	\$74.00 (\$418.00)
Enrollee & Child(ren)	\$891.00	\$173.00 (\$718.00)
Enrollee & Spouse/Partner	\$1064.00	\$218.00 (\$846.00)
Enrollee & Family	\$1526.00	\$331.00 (\$1195.00)
<b>City of Scottsdale Cigna OAP + HSA</b>		
Enrollee Only	\$470.00	\$46.00 (\$424.00)
Enrollee & Child(ren)	\$850.00	\$143.00 (\$707.00)
Enrollee & Spouse/Partner	\$1014.00	\$183.00 (\$831.00)
Enrollee & Family	\$1455.00	\$294.00 (\$1161.00)
<b>Cigna PPO Dental</b>		
Enrollee Only	\$40.28	\$5.02 (\$35.26)
Enrollee & Child(ren)	\$72.50	\$33.22 (\$39.28)
Enrollee & Spouse/Partner	\$88.62	\$47.32 (\$41.30)
Enrollee & Family	\$119.86	\$75.54 (\$44.32)

### Cost Sharing Components – Self-Insured Medical Plans:

An important component of a self-insured program is plan design. Under a self-insured plan, the employer designs the schedules of benefits for participating employees. A successful plan design will incorporate cost sharing features between the employee and employer in order to maintain plan affordability and equity. Additionally, a self-insured plan should be designed to provide employees an incentive to be careful health care consumers and encourage wellness and prevention. There were no additional plan design changes this year.

The following table provides a more comprehensive look at the three medical plan designs:

July 1, 2016 to	Cigna OAP + HSA	Cigna OAP	Cigna OAP
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June 30, 2017	In-Network Benefits	Out-of-Network Benefits	In-Network	In-Network Benefits	Out-of-Network Benefits
Choice of Physician	Choice of in-network physician(s) or out-of-network physician(s)		Choice of in-network physician(s) only, no pre-selection of a primary care physician necessary	Choice of in-network physician(s) or out-of-network physician(s)	
Deductible per Plan Year	\$1,300 Individual \$2,600 Family	\$3,500 Individual \$7,000 Family	None	\$750 Individual \$1,500 Family	\$3,500 Individual \$7,000 Family
Annual Out-of-Pocket Maximum	\$4,000 Individual \$8,000 Family	\$6,000 Individual \$12,000 Family	\$2,500 Individual \$5,000 Family	\$4,500 Individual \$9,000 Family	\$4,500 Individual \$9,000 Family
<b>Basic Care</b>					
Primary Physician Office Visits (Family & General Practice, Internal Medicine, OB/GYN & Pediatrician)	90% after deductible	70% after deductible	\$25 co-pay per visit	\$25 co-pay per visit	70% after deductible
Cigna Medical Group	90% after deductible	70% after deductible	\$10 co-pay per visit	\$10 co-pay per visit	No benefit
MDLive (telemedicine service)	\$38 per call	No benefit	\$5 co-pay per call	\$5 co-pay per call	No benefit
Specialist Physician Office Visit	90% after deductible	70% after deductible	\$40 co-pay per visit	\$40 co-pay per visit	70% after deductible
Outpatient X-ray & Laboratory	90% after deductible	70% after deductible	No co-pay/\$100 for complex imaging	90% after deductible	70% after deductible
Physical, Occupational, Speech Therapy (maximum 60 visits per plan year)*	90% after deductible	70% after deductible	\$25 co-pay per visit	90% after deductible	70% after deductible
<b>Hearing &amp; Vision</b>					
Hearing Examinations	100%, no deductible; 1 visit every 12 mths	No benefit	100%, no deductible 1 visit every 12 mths	100%, no deductible; 1 visit every 12 mths	No benefit
Vision Basic Examinations	100%, no deductible; 1 visit every 12 mths	No benefit	100%, no deductible 1 visit every 12 mths	100%, no deductible; 1 visit per plan year, per 12 mths	No benefit
Vision Materials (frames, lenses, contact lens exam/fitting, etc.)	Discounts available		Discounts available	Discounts available	
<b>Wellness</b>					
Routine Physicals, Exams, Pap Smears and Mammograms	100%, no deductible	70% after deductible	100%, No Co-pay	100%, No Co-pay	70% after deductible
Well Baby Care	100%, no deductible	70% after deductible	100%, No Co-pay	100%, No Co-pay	70% after deductible
Chiropractor (maximum 20 visits per plan year)*	90% after deductible	70% after deductible	\$40 co-pay per visit	90% after deductible	70% after deductible
Allergy Injections	90% after deductible	70% after deductible	No charge	No charge	70% after deductible

July 1, 2016 to June 30, 2017	Cigna OAP + HSA		Cigna OAP In-Network	Cigna OAP	
	In-Network Benefits	Out-of- Network Benefits		In-Network Benefits	Out-of- Network Benefits
<b>Maternity Care</b>					
Office Visits	90% after deductible	70% after deductible	\$25 co-pay first visit	\$25 co-pay first visit	70% after deductible
Delivery	90% after deductible	70% after deductible	\$500 co-pay	90% after deductible	70% after deductible
<b>Inpatient Hospital Care &amp; Outpatient Surgery</b>					
Inpatient Hospital	90% after deductible	70% after deductible	\$500 co-pay per admission	90% after deductible	70% after deductible
Outpatient Surgery	90% after deductible	70% after deductible	\$250 co-pay	90% after deductible	70% after deductible
<b>Emergency Care &amp; Urgent Care</b>					
Emergency Room (co-pay waived if admitted)	90% after deductible	90% after deductible	\$150 co-pay	\$150 co-pay, plus 10% co-insurance after deductible	\$150 co-pay, plus 10% co-insurance after in-network deductible
Urgent Care Facility	90% after deductible	90% after deductible	\$50 co-pay per visit	\$50 co-pay per visit	\$50 co-pay, plus 10% co-insurance after in-network deductible
<b>Ambulance</b>					
Ground	90% after deductible	70% after deductible	No co-pay	90% after deductible	90% after deductible
Air	90% after deductible	70% after deductible	No co-pay	90% after deductible	90% after deductible
<b>Extended Care</b>					
Home Health Care (maximum 40 visits per plan year)	90% after deductible	70% after deductible	No co-pay	90% after deductible	70% after deductible
Skilled Nursing (maximum 60 days)	90% after deductible	70% after deductible	No co-pay	90% after deductible	70% after deductible
Hospice Care	90% after deductible	70% after deductible	No co-pay	90% after deductible	70% after deductible
<b>Prescriptions</b>					
Generic	100% after deductible	50% after deductible	\$10 co-pay	\$10 co-pay	50% co-insurance
Brand Name	100% after deductible and 20% co-insurance (\$30 min-\$50 max)	50% after deductible	20% co-insurance (\$30 min-\$50 max)	20% co-insurance (\$30 min-\$50 max)	50% co-insurance

July 1, 2016 to June 30, 2017	Cigna OAP + HSA		Cigna OAP In-Network	Cigna OAP	
	In-Network Benefits	Out-of-Network Benefits		In-Network Benefits	Out-of-Network Benefits
Non-Formulary	100% after deductible and 40% co-insurance (\$50 min-\$100 max)	50% co-insurance	40% co-insurance (\$50 min-\$100 max)	40% co-insurance (\$50 min-\$100 max)	50% co-insurance
Mail Order Generic	100% after deductible and \$20	No benefit	\$20 (90-day supply)	\$20 (90-day supply)	No benefit
Mail Order Brand Name	100% after deductible and \$60	No benefit	\$60 (90-day supply)	\$60 (90-day supply)	No benefit
Mail Order Non-Formulary	100% after deductible and \$110	No benefit	\$110 (90-day supply)	\$110 (90-day supply)	No benefit
<b>Mental Health</b>					
CIGNA Behavioral Health Outpatient Care	90% after deductible		\$20 co-pay	\$20 co-pay	
Non-CIGNA Behavioral Health Outpatient Care	In-network 90% after deductible, out-of-network 70% after deductible		No benefit	90% after deductible	
CIGNA Behavioral Health Inpatient Care	90% after deductible		\$500 co-pay per admission; covered at 100%	90% after deductible	
<b>Maximum Lifetime Benefit</b>					
Lifetime Maximum	None				

**Live Life Well**

The City realizes that the health of employees and family members and their willingness to adopt healthier lifestyles are major factors influencing health care costs. As such, the City has developed a workplace health promotion program called Live Life Well. The program, modeled after the Wellness Council of America’s Well Workplace initiative, promotes healthy lifestyles through wellness education and participation in results oriented projects. The Live Life Well program is a key component to helping achieve the City’s organizational wellness goals and create a long-term culture of good health. The City firmly believes that investing in wellness pays dividends in decreased health care costs, increased productivity, improved customer service and better job satisfaction.

Through the efforts of Live Life Well and city employees, the city has been recognized by the Phoenix Business Journal as one of the valley’s healthiest employers for the past five years. In early 2016, the city of Scottsdale was awarded first place among municipalities and sixth overall among large employers. The city was also selected for the Cigna Well-Being Award and the American Heart Association’s Fit Friendly Gold Award for the third straight year for the organization’s commitment to a health and wellness program.

Two committees are responsible for the administration of the Live Life Well program: the Benefit Coordinating Committee (BCC) and the Total Benefits Advisory Committee (TBAC). The Benefit Coordinating Committee, comprised of upper level managerial employees, provides program oversight

and strategic direction. TBAC is a larger group that consists of a cross-section of all City divisions. The primary responsibility is to develop, educate and communicate benefit information and wellness programs within the organization.

Specific strategies employed include:

- Annual biometric screenings through an employee's Primary Care Physician or on-site screenings with an HRA (health risk assessment) which provides baseline information on the health of the City's employee population. Employees receive specific information concerning their health status, establish an important relationship with their Primary Care Physician, and the City receives aggregate information to help identify specific wellness program needs. FY 2016/17 this program has again increased both employee and spouse participation rate by 16 percent over last year (49% employee participation). The incentive given is \$120 per employee for single coverage and \$240 per employee for dependent coverage which will appear on the October paychecks. On-site screenings were very popular this year; we will add additional dates to assist those workgroups who have difficulties visiting their doctor.
- Members who have certain procedures (back, knee, cardiac, pregnancy, bariatric) at Centers of Excellence, receive a \$250 incentive. The Centers of Excellence have earned a top rating for cost and health outcomes based on industry standards. Data reviewed includes, patient experience, cost, re-admissions, complications, related deaths and average length of stays.
- Wellness classes included walking and weight loss programs, tobacco cessation, fitness, health and cooking education classes. There will continue to be a \$25 incentive for those employees who complete a health coaching goal where they speak on-line or on the phone with a health coach regarding a variety of topics including tobacco cessation, weight loss, nutrition, exercise and depression. We are reviewing bringing on an on-site coach to help reach more employees.
- A monthly employee benefit newsletter is continuing to be emailed to employee and spouse's home email addresses to reach more family members. Membership has increased to 650 email addresses.
- We implemented a tobacco surcharge on a pay period basis (\$10 per pay, \$20 per month) and plan to increase the surcharge each year.
- Due to 11% of our population experiencing high blood pressure, for FY 17/18 we plan to introduce an outcomes based incentive focusing on blood pressure. This has already been announced to employees through the weekly newsletter, staff meetings and upcoming open meetings. Employees who have their blood pressure verified at >140/90 and complete the health risk assessment will have a \$10 per paycheck discount.
- To address our diabetic population, Cigna recently sent out mailers to employees announcing free diabetic monitors are available to them and that a live person (Cigna health coach) will be following up with them to help ensure those members are in compliance with their programs.

**CITY OF SCOTTSDALE  
HEALTHCARE SELF-INSURANCE FUND  
FIVE YEAR FINANCIAL FORECAST**

**DRAFT**

	Actual <sup>(a)</sup> 2015/16	Adopted 2016/17	Approved 2016/17	Forecast 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22
<b>Beginning Fund Balance</b>								
Operating Contingency	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Healthcare Claims Reserve	4,289,716	5,314,988	4,943,455	4,950,625	4,962,825	5,103,825	5,219,725	5,308,725
<b>Total Beginning Fund Balance</b>	<b>6,789,716</b>	<b>7,814,988</b>	<b>7,443,455</b>	<b>7,450,625</b>	<b>7,462,825</b>	<b>7,603,825</b>	<b>7,719,725</b>	<b>7,808,725</b>
<b>Revenues and Other Sources</b>								
Healthcare Premiums - COS	20,143,166	20,494,125	20,494,125	22,310,700	24,096,400	26,026,700	28,108,000	28,108,000
Healthcare Premiums- Employee	6,038,228	7,286,542	7,286,542	7,869,600	8,499,100	9,179,000	9,913,500	9,913,500
Healthcare Premium Wellness Incentives	49,705	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Healthcare Premiums - Disabled Retiree	179,295	263,820	263,820	284,900	307,700	332,200	358,800	358,800
Dental Premiums - COS	755,467	806,569	806,569	830,800	855,700	881,400	907,800	907,800
Dental Premiums - Employee	723,973	777,424	777,424	800,700	824,700	849,500	875,000	875,000
Other - Recovery, Rebates, Interest (Active)	350,822	650,000	650,000	650,000	650,000	650,000	650,000	650,000
Other - Recovery, Rebates, Interest (Disabled Retiree)	62,238	10,000	10,000	10,000	10,000	10,000	10,000	10,000
<b>Subtotal</b>	<b>28,302,894</b>	<b>30,438,480</b>	<b>30,438,480</b>	<b>32,906,700</b>	<b>35,393,600</b>	<b>38,078,800</b>	<b>40,973,100</b>	<b>40,973,100</b>
<b>Transfers-In</b>								
General Fund - Disabled Retiree Subsidy	1,198,166	400,000	400,000	265,000	285,000	305,000	330,000	330,000
<b>Subtotal</b>	<b>1,198,166</b>	<b>400,000</b>	<b>400,000</b>	<b>265,000</b>	<b>285,000</b>	<b>305,000</b>	<b>330,000</b>	<b>330,000</b>
<b>Total Sources</b>	<b>29,501,060</b>	<b>30,838,480</b>	<b>30,838,480</b>	<b>33,171,700</b>	<b>35,678,600</b>	<b>38,383,800</b>	<b>41,303,100</b>	<b>41,303,100</b>
<b>Expenditures</b>								
<b>Active Members</b>								
Healthcare - Medical/Behavioral Claims	25,326,991	27,283,037	27,283,037	29,450,600	31,822,900	34,368,800	37,118,300	37,118,300
Provider Administrative Expenses	397,195	440,598	440,598	475,900	513,900	555,100	599,400	599,400
Federal Re-Insurance Fee	252,426	166,375	166,375	166,400	-	-	-	-
Stop Loss Insurance	546,974	675,000	675,000	729,100	787,400	850,300	918,300	918,300
COS Administrative Expenses	169,301	205,658	207,875	206,000	210,000	213,900	218,500	218,500
Wellness Incentive	253,067	210,000	210,000	210,000	210,000	210,000	210,000	210,000
Citywide Pay Program / Citywide Pay Program Tail	-	2,829	612	5,500	8,400	10,200	11,900	11,900
<b>Subtotal Active Members</b>	<b>26,945,954</b>	<b>28,983,497</b>	<b>28,983,497</b>	<b>31,243,500</b>	<b>33,552,600</b>	<b>36,208,300</b>	<b>39,076,400</b>	<b>39,076,400</b>
<b>Disabled Retirees</b>								
Healthcare - Medical/Behavioral Claims <sup>(b)</sup>	432,505	247,367	247,367	267,000	288,600	311,500	336,500	336,500
Provider Administrative Expenses	4,214	4,738	4,738	5,200	5,500	6,000	6,400	6,400
Federal Re-Insurance Fee	2,774	2,625	2,625	2,600	-	-	-	-
Stop Loss Insurance	5,991	7,250	7,250	7,800	8,500	9,100	9,900	9,900
COS Administrative Expenses	9,526	1,840	1,840	1,900	1,900	2,100	2,100	2,100
<b>Subtotal Disabled Retirees</b>	<b>455,010</b>	<b>263,820</b>	<b>263,820</b>	<b>284,500</b>	<b>304,500</b>	<b>328,700</b>	<b>354,900</b>	<b>354,900</b>
Dental Claims	1,390,176	1,526,993	1,526,993	1,572,800	1,620,000	1,668,600	1,718,600	1,718,600
Dental Administrative Expenses	56,181	57,000	57,000	58,700	60,500	62,300	64,200	64,200
<b>Subtotal Dental</b>	<b>1,446,357</b>	<b>1,583,993</b>	<b>1,583,993</b>	<b>1,631,500</b>	<b>1,680,500</b>	<b>1,730,900</b>	<b>1,782,800</b>	<b>1,782,800</b>
<b>Total Uses</b>	<b>28,847,321</b>	<b>30,831,310</b>	<b>30,831,310</b>	<b>33,159,500</b>	<b>35,537,600</b>	<b>38,267,900</b>	<b>41,214,100</b>	<b>41,214,100</b>
<b>Sources Over/(Under) Uses</b>	<b>653,739</b>	<b>7,170</b>	<b>7,170</b>	<b>12,200</b>	<b>141,000</b>	<b>115,900</b>	<b>89,000</b>	<b>89,000</b>
<b>Ending Fund Balance</b>								
Operating Contingency	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Healthcare Claims Reserve	4,943,455	5,322,158	4,950,625	4,962,825	5,103,825	5,219,725	5,308,725	5,397,725
<b>Total Ending Fund Balance</b>	<b>7,443,455</b>	<b>7,822,158</b>	<b>7,450,625</b>	<b>7,462,825</b>	<b>7,603,825</b>	<b>7,719,725</b>	<b>7,808,725</b>	<b>7,897,725</b>

<sup>(a)</sup> Unaudited.

<sup>(b)</sup> Beginning in FY 2014/15 retiree healthcare was no longer available through the city's Healthcare self-insurance fund, but resulted in residual claims paid in FY 2015/16. The city continues to provide healthcare benefits to public safety disabled retirees.

**CITY OF SCOTTSDALE  
RISK MANAGEMENT SELF-INSURANCE FUND  
FIVE YEAR FINANCIAL FORECAST**

**DRAFT**

	Actual* 2015/16	Adopted 2016/17	Approved 2016/17	Forecast 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22
<b>Beginning Fund Balance</b>								
Risk Management Reserve	11,569,635	14,155,778	13,569,243	15,559,121	16,582,221	17,325,021	17,784,921	17,950,921
Operating Contingency	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
<b>Total Beginning Fund Balance</b>	<b>14,069,635</b>	<b>16,655,778</b>	<b>16,069,243</b>	<b>18,059,121</b>	<b>19,082,221</b>	<b>19,825,021</b>	<b>20,284,921</b>	<b>20,450,921</b>
<b>Revenues and Other Sources</b>								
Property, Liability, Work Comp Rates	9,600,002	9,500,000	9,500,000	9,500,700	9,500,700	9,500,700	9,500,700	9,500,700
Unemployment Taxes	105,522	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Property Tax (Tort Claims)	1,312,809	982,000	982,000	250,000	250,000	250,000	250,000	250,000
Insurance/Claim Recoveries	609,170	325,000	325,000	325,000	325,000	325,000	325,000	325,000
Special Event Reimbursements	113,130	100,000	100,000	100,000	100,000	100,000	100,000	100,000
<b>Subtotal</b>	<b>11,740,633</b>	<b>11,007,000</b>	<b>11,007,000</b>	<b>10,275,700</b>	<b>10,275,700</b>	<b>10,275,700</b>	<b>10,275,700</b>	<b>10,275,700</b>
<b>Total Sources</b>	<b>11,740,633</b>	<b>11,007,000</b>	<b>11,007,000</b>	<b>10,275,700</b>	<b>10,275,700</b>	<b>10,275,700</b>	<b>10,275,700</b>	<b>10,275,700</b>
<b>Expenditures and Other Uses</b>								
Risk Mgmt - Operating Budget	1,122,979	1,081,928	1,106,997	1,068,300	1,080,900	1,095,100	1,108,700	1,108,700
Risk Mgmt - Excess Ins. Premiums	2,348,821	2,727,280	2,727,280	2,859,000	2,997,100	3,142,000	3,294,400	3,294,400
Claims (General Liability)	1,765,125	2,150,191	2,150,191	2,193,200	2,236,900	2,281,700	2,327,300	2,327,300
Claims (Property)	412,601	331,038	331,038	337,600	344,400	351,300	358,100	358,100
Claims (Workers' Compensation)	4,066,916	2,623,116	2,623,116	2,675,600	2,729,100	2,783,500	2,839,400	2,839,400
Claims (Unemployment)	19,983	75,000	75,000	76,500	78,000	79,600	81,200	81,200
Citywide Pay Program / Citywide Pay Program Tail	-	21,020	-	40,100	59,000	78,100	96,400	96,400
<b>Subtotal</b>	<b>9,736,425</b>	<b>9,009,573</b>	<b>9,013,622</b>	<b>9,250,300</b>	<b>9,525,400</b>	<b>9,811,300</b>	<b>10,105,500</b>	<b>10,105,500</b>
<b>TOTAL OPERATING BUDGET</b>	<b>9,736,425</b>	<b>9,009,573</b>	<b>9,013,622</b>	<b>9,250,300</b>	<b>9,525,400</b>	<b>9,811,300</b>	<b>10,105,500</b>	<b>10,105,500</b>
<b>Other Uses</b>								
Transfer-Out to CIP Fund (Tech. Replacement)	4,600	3,500	3,500	2,300	7,500	4,500	4,200	4,200
<b>Subtotal</b>	<b>4,600</b>	<b>3,500</b>	<b>3,500</b>	<b>2,300</b>	<b>7,500</b>	<b>4,500</b>	<b>4,200</b>	<b>4,200</b>
<b>Total Uses</b>	<b>9,741,025</b>	<b>9,013,073</b>	<b>9,017,122</b>	<b>9,252,600</b>	<b>9,532,900</b>	<b>9,815,800</b>	<b>10,109,700</b>	<b>10,109,700</b>
<b>Sources Over/(Under) Uses</b>	<b>1,999,608</b>	<b>1,993,927</b>	<b>1,989,878</b>	<b>1,023,100</b>	<b>742,800</b>	<b>459,900</b>	<b>166,000</b>	<b>166,000</b>
<b>Ending Fund Balance</b>								
Risk Management Reserve	13,569,243	16,149,705	15,559,121	16,582,221	17,325,021	17,784,921	17,950,921	18,116,921
Operating Contingency	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
<b>Total Ending Fund Balance</b>	<b>16,069,243</b>	<b>18,649,705</b>	<b>18,059,121</b>	<b>19,082,221</b>	<b>19,825,021</b>	<b>20,284,921</b>	<b>20,450,921</b>	<b>20,616,921</b>
<b>Actuarial Assessment:</b>								
50%-55% Expected	13,233,678	14,726,929	14,726,929	15,443,091	16,049,319	16,626,783	17,191,234	17,834,214
75% Confidence Level	15,218,730	16,199,622	16,199,622	16,987,400	17,654,251	18,289,131	18,910,357	19,617,635
80% Confidence Level	15,880,414	16,935,968	16,935,968	17,759,555	18,456,717	19,120,455	19,769,919	20,509,346
85% Confidence Level	17,203,781	18,408,661	18,408,661	19,303,864	20,061,649	20,783,104	21,489,043	22,292,768
90% Confidence Level	18,527,149	19,145,008	19,145,008	2,007,608	20,864,115	21,614,428	22,348,604	23,184,478

\*Unaudited

**Fund Balance Analysis**

Achieve 85% Funding

	2012/13				2013/14				2014/15				2015/16				2016/17			
	Adopted	Actuals	Current % Difference	Fund Balance Change % from Prior Year	Adopted	Actuals	Current % Difference	Fund Balance Change % from Prior Year	Adopted	Actuals	Current % Difference	Fund Balance Change % from Prior Year	Adopted	Actuals	Current % Difference	Fund Balance Change % from Prior Year	Adopted	Approved	Current % Difference	Fund Balance Change % from Prior Year
<b>Fund Balance</b>	13,879,657	12,189,065	-12.2%	-21.0%	14,884,309	11,827,819	-20.5%	-3.0%	14,562,100	14,069,634	-3.4%	19.0%	17,434,586	16,069,243	-7.8%	14.2%	18,649,705	18,059,121	-3.2%	12.4%
Actuarial Assessment																				
50%-55% Expected	9,195,168	8,740,852	-4.9%	8.8%	9,303,820	10,532,765	13.2%	20.5%	11,142,330	12,357,985	10.9%	17.3%	12,583,059	13,233,678	5.2%	7.1%	13,831,478	14,726,929	6.5%	11.3%
75% Confidence Level	11,034,202	10,489,022	-4.9%	8.8%	11,164,584	12,639,318	13.2%	20.5%	13,370,796	14,829,582	10.9%	17.3%	15,099,671	15,218,730	0.8%	2.6%	15,906,200	16,199,622	1.8%	6.4%
80% Confidence Level	11,585,912	11,013,474	-4.9%	8.8%	11,722,813	13,271,284	13.2%	20.5%	14,039,336	15,571,061	10.9%	17.3%	15,854,654	15,880,414	0.2%	2.0%	16,597,774	16,935,968	2.0%	6.6%
85% Confidence Level	12,413,477	11,800,150	-4.9%	8.8%	12,560,157	14,219,233	13.2%	20.5%	15,042,146	16,683,280	10.9%	17.3%	16,987,130	17,203,781	1.3%	3.1%	17,980,921	18,408,661	2.4%	7.0%
90% Confidence Level	13,332,994	12,674,235	-4.9%	8.8%	13,490,539	15,272,509	13.2%	20.5%	16,156,379	17,919,078	10.9%	17.3%	18,245,436	18,527,149	1.5%	3.4%	19,364,069	19,145,008	-1.1%	3.3%

This analysis indicates the status of the Loss Trust Fund Board’s goal to maintain a Risk Management Fund Balance equivalent to the actuary's 85% confidence interval of projected total outstanding claims liability. The chart is separated into fiscal years starting with each years Adopted Budget and showing the resulting ending Fund Balance for that fiscal year. Below that are the actuary assessments that were reported during the relevant fiscal years using that year’s most recent actuary report (for example for the columns titled “FY 2015/16 Actuals” and “FY 2016/17 Adopted” the most recent actuary was dated as of 6/30/2015). As you look at each fiscal year you will see continued pressure on expenses by the difference between the Adopted columns and Actuals/ Approved columns. This trend shows that despite increasing budgets each year the actual costs continue to escalate and the actuarial results are also increasing but much faster than the corresponding expenses for those same periods.

The grey shaded area is the actuary’s projection of the outstanding loss and confidence interval at 85% and shows the required amount needed to achieve that level of funding. The ending Fund Balance would need to meet or exceed this number for the plan to have the level of funding required by the board. There is however, a timing lag while trying to achieve this funding level. Each year when the budget is adopted the most recent actuary is outdated, for example when the FY 2016/17 budget was adopted the most recent actuary was dated 6/30/2015.

Each year adjustments are made to ensure an 85% confidence level is maintained.

October 4, 2016

To: The Honorable Mayor and City Council

Re: Report and Recommendations from the Advisory Trustees of the Loss Trust Fund

Pursuant to Scottsdale Revised Code 2-171, which requires the Loss Trust Fund Advisory Trustees to meet at least once per year and submit a report to the City Council regarding the status of the Loss Trust Fund. Per the Loss Trust Fund Board meeting held on October 4, 2016, this letter constitutes the required report from the Advisory Trustees for the fiscal year ending June 30, 2016. Reference is made to the FY 2015/16 Risk Management Annual Report, which contains the statistical and financial details of the Loss Trust Fund balances.

**Property-Casualty Findings**

The FY 2015/16 ending reserve balance of \$16.1 million is above the actuarial recommended fund balance of 50-55 percent. However, the Loss Trust Fund Advisory Board has recommended that the fund balance be maintained at the actuarial 85 percent confidence level. For FY 2015/16, a shortfall of \$1.1 million occurred as a balance of \$17.2 million would have been needed to meet the 85 percent confidence interval.

A fund balance analysis is included in the financial section of the Risk Management Annual Report. The narrative explains the challenge of using the current actuary report to budget for future fund balances. Often the year end actuary report has set higher requirements for the fund balance than the current budget has captured. The fund balance analysis also highlights that improvements to the fund balance in FY 2013/14 through FY 2015/16 have been achieved. The adopted FY 2016/17 budget is forecasted to slightly exceed the 85 percent confidence level goal.

The Advisory Trustees believe that the Property-Casualty (General Liability, Workers' Compensation, Vehicle Liability, Vehicle Physical Damage and Property claims) portion of the Loss Trust Fund is adequately funded to take care of future financial claim obligations as of June 30, 2016.

**Self-Insured Group Health Findings**

The ending Healthcare Self-Insurance Fund balance for FY 2015/16 was \$7.4 million. The city maintains an internal calculation which aids in determining the proper fund balance, which includes funding for both large claims that exceed certain thresholds and a 30 day reserve of incurred but not reported (IBNR) claims. The Healthcare Self-Insurance Fund balance has historically met the funding level to support both of these criteria.

**Ongoing Financial Controls**

The Advisory Trustees also wish to advise that the status of the Loss Trust Fund is regularly monitored and updated by the City Treasurer's staff to identify and report on any material changes during the course of the fiscal year.

Respectfully submitted this 4<sup>th</sup> day of October, 2016.

---

James Stabilito, Chairman  
Loss Trust Fund Board Advisory Trustees



## **City of Scottsdale, Arizona**

**Actuarial Study of the Self-Insured  
Workers Compensation,  
General Liability, Automobile Liability,  
Property and Automobile Physical Damage  
Programs as of June 30, 2016**

**Issue Date: August 15, 2016**

100 Bayview Circle, Suite 100  
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Aon Risk Solutions | Global Risk Consulting | Actuarial and Analytics



August 15, 2016

298935

City of Scottsdale  
7447 E. Indian School Rd. Suite 225  
Scottsdale, Arizona 85251

Attn: Ms. Katherine Callaway  
Risk Management Director

**Actuarial Study of the Self-Insured  
Workers Compensation,  
General Liability, Automobile Liability,  
Property and Automobile Physical Damage  
Programs as of June 30, 2016**

This study has been completed for the City of Scottsdale, Arizona, for the specific objectives listed in the study. It contains the analysis and conclusions of our work.

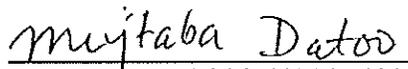
Each section and appendix of the study is an integral part of the whole. We recommend a review of the entire study prior to reliance upon this study.

No key personnel have a relationship with the City of Scottsdale, Arizona, that may impair our objectivity.

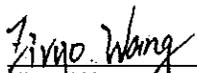
Please call if you have any questions. Thank you for the opportunity to be of service.

Respectfully submitted,

*Aon Risk Consultants, Inc.*

  
Mujtaba Dato, ACAS, MAAA, FCA  
Actuarial Practice Leader

  
Tracy Fleck, ACAS, MAAA  
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Actuarial Analyst

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### Appendices

- A Conditions and Limitations
- B Glossary of Actuarial Terms
- C Exhibits

## I. Background

The City of Scottsdale (the City) established the self-insurance program on July 1, 1978. Coverages include workers compensation, general liability (inclusive of professional errors & omissions), automobile liability, property and automobile physical damage. On July 1, 2005, the City began providing coverage for the fire department. The scope of this actuarial analysis does not specifically address environmental liability. We recommend the City collect statistics on this potentially expensive coverage.

Since the inception of the program, the City has purchased excess of loss insurance for workers compensation, general liability, automobile liability, and property. Table I-1 is a summary of the self-insured retentions.

**Table I-1  
Self-Insured Retention**

Claim Period (1)	Workers Compensation (2)	General Liability and Automobile Liability (3)	Property (4)	Automobile Physical Damage (5)
07/01/78 to 06/30/80	\$250,000	\$250,000	\$25,000	Unlimited
07/01/80 to 06/30/81	250,000	100,000	25,000	Unlimited
07/01/81 to 06/30/82	200,000	100,000	25,000	Unlimited
07/01/82 to 06/30/85	150,000	100,000	25,000	Unlimited
07/01/85 to 06/30/86	150,000	250,000	25,000	Unlimited
07/01/86 to 06/30/87	175,000	250,000	25,000	Unlimited
07/01/87 to 06/30/88	175,000	1,000,000	25,000	Unlimited
07/01/88 to 06/30/89	250,000	1,000,000	25,000	Unlimited
07/01/89 to 06/30/95	300,000	1,000,000	25,000	Unlimited
07/01/95 to 06/30/96	300,000	1,000,000	50,000	Unlimited
07/01/96 to 06/30/02	250,000	1,000,000	50,000	Unlimited
07/01/02 to 06/30/03	400,000	2,000,000	100,000	Unlimited
07/01/03 to 06/30/06	600,000	2,000,000	100,000	Unlimited
07/01/06 to 06/30/11	750,000	2,000,000	100,000	Unlimited
07/01/11 to 06/30/12	850,000	2,000,000	100,000	Unlimited
07/01/12 to present	1,000,000	2,000,000	100,000	Unlimited

Note: Above information provided by the City.

We assumed the City will maintain the current insurance coverage through 2021/22. A review of the collectability of the excess insurance was not within our review.

## Data

Workers compensation, general liability, automobile liability, automobile physical damage, and property data valued as of June 30, 2016 was provided to us by the City.

The City provided 2015/16 payroll. The payroll information for years prior to 2015/16 we relied on the figures provided for the prior study. Projected payroll for 2016/17 through 2021/22 is based on a 3% trend as instructed by the City.

2015/16 vehicle count was provided by the City. Vehicle projections are based on a 1% trend, as affirmed by the City. Property values through 2015/16 and projections based on a 1% trend.

For general liability, automobile liability, property, and automobile physical damage, claim counts exclude \$0 claims. Since all claim numbers were unique, we assumed non-workers compensation claims are provided by occurrence and applied the appropriate self-insured retention to each claim.

In conducting this analysis, we relied upon the provided data without audit or independent verification; however, we reviewed it for reasonableness and consistency. Any inaccuracies in quantitative data or qualitative representations could have a significant effect on the results of our review and analysis. Any material discrepancies discovered in the loss data by the City or any other parties should be reported to us immediately, and if warranted, we will make appropriate amendments to the report.

## II. Objectives

The specific objectives of this study are the following:

1. **Estimate Outstanding Losses.** Estimate outstanding losses (including ALAE) as of June 30, 2016.

The estimated outstanding losses are the cost of unpaid claims. The estimated outstanding losses include case reserves and the development of known claims and IBNR claims. ALAE are the direct expenses for settling specific claims. The amounts are limited to the self-insured retention.

2. **Project Ultimate Limited Losses.** Project ultimate limited losses (including ALAE) for 2016/17 and five subsequent claim periods.

The projected ultimate limited losses are the losses incurred during each claim period, regardless of report or payment date. The amounts are limited to the self-insured retention.

3. **Project Losses Paid.** Project losses paid during the 2016/17 and five subsequent claim periods.

The projected losses paid are claim disbursements during each claim period, regardless of accident or report date. The amounts are limited to the self-insured retention.

4. **Recommend Fund Balances.** Recommend fund balances at the beginning of 2016/17 and five subsequent claim periods.

The recommended fund balances are based on the full value and present value of the estimated outstanding losses.

5. **Project Ultimate Claims.** Project the number of ultimate claims for 2016/17 and five subsequent claim periods.

The projected ultimate claims are the claims reported by claim period.

6. **Size of Loss Distribution Analysis.** Analyze the distribution of losses in various layers.

### III. Conclusions

#### 1. Estimate Outstanding Losses

We estimate outstanding losses as of June 30, 2016 as shown in Table III-1A.

**Table III-1A  
Estimated Outstanding Losses  
June 30, 2016**

<b>Program (1)</b>	<b>Estimated Outstanding Losses (2)</b>	<b>Present Value of Estimated Outstanding Losses (3)</b>
(A) Workers compensation	\$11,658,799	\$10,987,590
(B) General liability	3,304,044	3,261,692
(C) Automobile liability	266,089	263,759
(D) Property	5,000	4,969
(E) Automobile physical damage	37,171	36,929
(F) Total (A)...(E)	\$15,271,103	\$14,554,939

Note: (A) is from Exhibit WC-11.  
(B) is from Exhibit GL-11.  
(C) is from Exhibit AL-11.  
(D) is from Exhibit PR-11.  
(E) is from Exhibit APD-11.

The present value of the estimated outstanding losses is the unpaid claims discounted to reflect future investment income. A 1.0% interest rate was assumed, as affirmed by the City.

The total estimated outstanding losses increased by \$1.7 million from \$13.6 million as of June 30, 2015 to \$15.3 million as of June 30, 2016. This increase is mainly due to workers compensation program.

The workers compensation estimated outstanding losses increased by \$1.8 million from our prior estimate as of June 30, 2015 of \$9.9 million. The reported case reserves increased by \$1.1 million from June 30, 2015 to June 30, 2016. The increase in outstanding losses can be broken down into three components:

- +\$4.7 million from the additional year (2015/16) of exposure,
- -\$3.7 million for claim payments made during 2015/16, and
- +\$0.8 due to an increase in projected ultimate losses for claim periods 2014/15 and prior.

The reconciliation of the estimated outstanding losses can be found in Table III-1C.

The estimated outstanding losses include case reserves and the development of known claims and IBNR claims. Based on our studies of similar programs, we estimate the IBNR claims to be approximately 10% of the development of claims (except for the City's property program, which has no case reserve as of June 30, 2016). The components of the estimated outstanding losses are as shown in Table III-1B.

**Table III-1B**  
**Components of Estimated Outstanding Losses**  
**June 30, 2016**

Program (1)	Limited Case Reserves (2)	Limited Case Reserve Development [90.0% of (5) - (2)] (3)	IBNR [10.0% of (5) - (2)] (4)	Estimated Outstanding Losses (5)
(A) Workers compensation	\$6,463,299	\$4,675,950	\$519,550	\$11,658,799
(B) General liability	1,289,141	1,813,413	201,490	3,304,044
(C) Automobile liability	105,240	144,764	16,085	266,089
(D) Property	-	-	5,000	5,000
(E) Automobile physical damage	4,760	29,170	3,241	37,171
(F) Total (A)...(E)	\$7,862,440	\$6,663,297	\$745,366	\$15,271,103

Note: (2) was provided by the City.  
(5) is from Table III-1A.

The estimated outstanding losses reflect the excess insurance maintained by the City.

All non-claim expenses are additional.

The estimated outstanding losses do not include outstanding unallocated loss adjustment expenses (ULAE). ULAE are primarily composed of future claims administration for open claims. Outstanding ULAE are typically 5% to 10% of estimated outstanding losses.

**Table III-1C**  
**Reconciliation of Estimated Outstanding Losses**  
**June 30, 2015 to June 30, 2016**

Claim Period (1)	Item (2)	Amount (3)
(A) Through 2014/15	(i) Estimated outstanding losses as of 06/30/15	\$9,851,525
	(ii) Losses paid during 2015/16	(1,768,064)
	(iii) Change in projected ultimate limited losses for claim periods 2014/15 and prior: • (Aiii) is 2.3% of the total projected ultimate losses	814,425
	(iv) Estimated outstanding losses as of 06/30/16 (Ai) + (Aii) + (Aiii)	\$8,897,886
(B) 2015/16	(i) Projected ultimate limited losses	\$4,734,000
	(ii) Losses paid during 2015/16	(1,973,086)
	(iii) Estimated outstanding losses as of 06/30/16 (Bi) + (Bii)	\$2,760,914
(C) Total (Aiv) + (Biii)	(i) Estimated outstanding losses as of 06/30/16	\$11,658,800

## 2. Project Ultimate Limited Losses

We project ultimate limited losses for 2016/17 and five subsequent claim periods to be as shown in Tables III-2A and 2B.

**Table III-2A  
Projected Ultimate Limited Losses  
2016/17 to 2021/22**

Program (1)	2016/17 (2)	2017/18 (3)	2018/19 (4)	2019/20 (5)	2020/21 (6)	2021/22 (7)
(A) Workers compensation	\$2,624,000	\$2,756,000	\$2,896,000	\$3,042,000	\$3,196,000	\$3,358,000
(B) General liability	2,043,000	2,146,000	2,255,000	2,369,000	2,489,000	2,614,000
(C) Automobile liability	404,000	424,000	445,000	468,000	491,000	516,000
(D) Property	110,000	113,000	117,000	120,000	124,000	128,000
(E) Automobile physical damage	223,000	234,000	246,000	258,000	271,000	285,000
(F) Total (A)...(E)	\$5,404,000	\$5,673,000	\$5,959,000	\$6,257,000	\$6,571,000	\$6,901,000

Note: (A), (B), (C), (D) and (E) are from Exhibits WC-10, GL-10, AL-10, PR-10 and APD-10, respectively.

**Table III-2B  
Present Value of Projected Ultimate Limited Losses  
2016/17 to 2021/22**

Program (1)	2016/17 (2)	2017/18 (3)	2018/19 (4)	2019/20 (5)	2020/21 (6)	2021/22 (7)
(A) Workers compensation	\$2,500,000	\$2,626,000	\$2,759,000	\$2,899,000	\$3,045,000	\$3,200,000
(B) General liability	1,990,000	2,091,000	2,196,000	2,307,000	2,424,000	2,547,000
(C) Automobile liability	398,000	418,000	439,000	461,000	484,000	509,000
(D) Property	109,000	112,000	116,000	119,000	123,000	127,000
(E) Automobile physical damage	221,000	232,000	243,000	256,000	269,000	282,000
(F) Total (A)...(E)	\$5,218,000	\$5,479,000	\$5,753,000	\$6,042,000	\$6,345,000	\$6,665,000

Note: (A), (B), (C), (D) and (E) are from Exhibits WC-10, GL-10, AL-10, PR-10 and APD-10, respectively.

The present value of the projected ultimate limited losses is based on a 1.0% interest rate, as affirmed by the City.

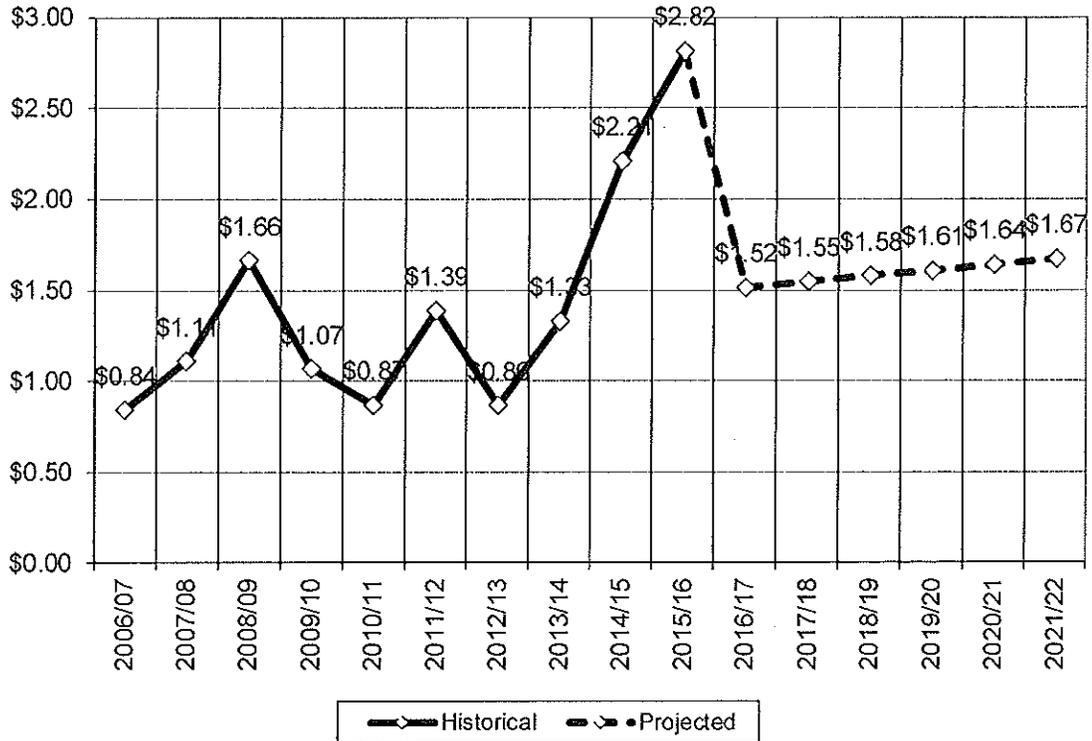
The projected ultimate limited losses reflect the excess insurance maintained by the City.

All non-claim expenses are additional.

### Loss Experience Trends

Graphs III-1 and III-2 show loss experience trends for workers compensation as measured by loss rate per \$100 of payroll and frequency and severity, respectively.

**Graph III-1**  
**Loss Rate per \$100 of Payroll**  
**(Workers Compensation)**

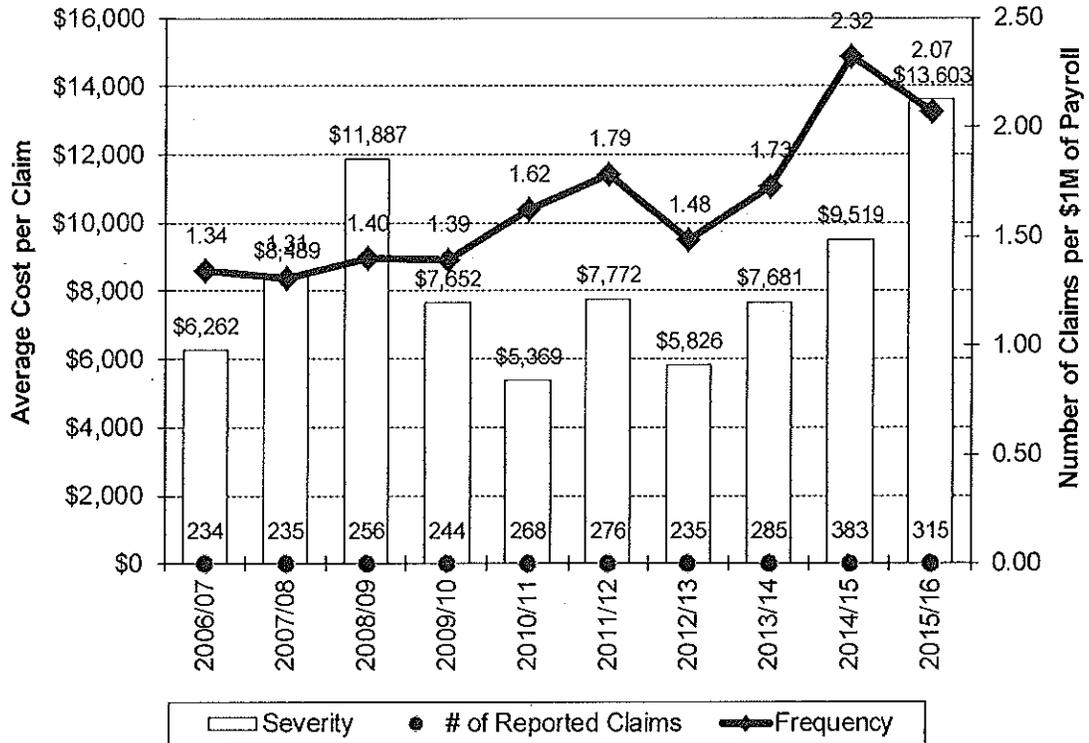


Note: Loss rates are from Exhibit WC-10, columns (4) and (7).

For 2014/15, we noted a few more claims in layers of \$50,000 to \$100,000, \$100,000 to \$250,000, and \$250,000 to \$500,000. These claims contributed about \$1.4 million in reported incurred losses. A size of loss distribution can be found in Exhibits WC-21.

For 2015/16, we noted 26 claims in layers of \$25,000 to \$50,000, \$50,000 to \$100,000, \$100,000 to \$250,000, and \$250,000 to \$500,000. These claims contributed \$2.3 million reported incurred losses as shown in Exhibit WC-21. In these 26 claims, five of them are greater than \$100,000 which contributed \$1.5 million in reported incurred losses. These five claims can be found in the list of large claims. A list of large claims can be found in Exhibit WC-20.

**Graph III-2  
Frequency and Severity  
(Workers Compensation)**



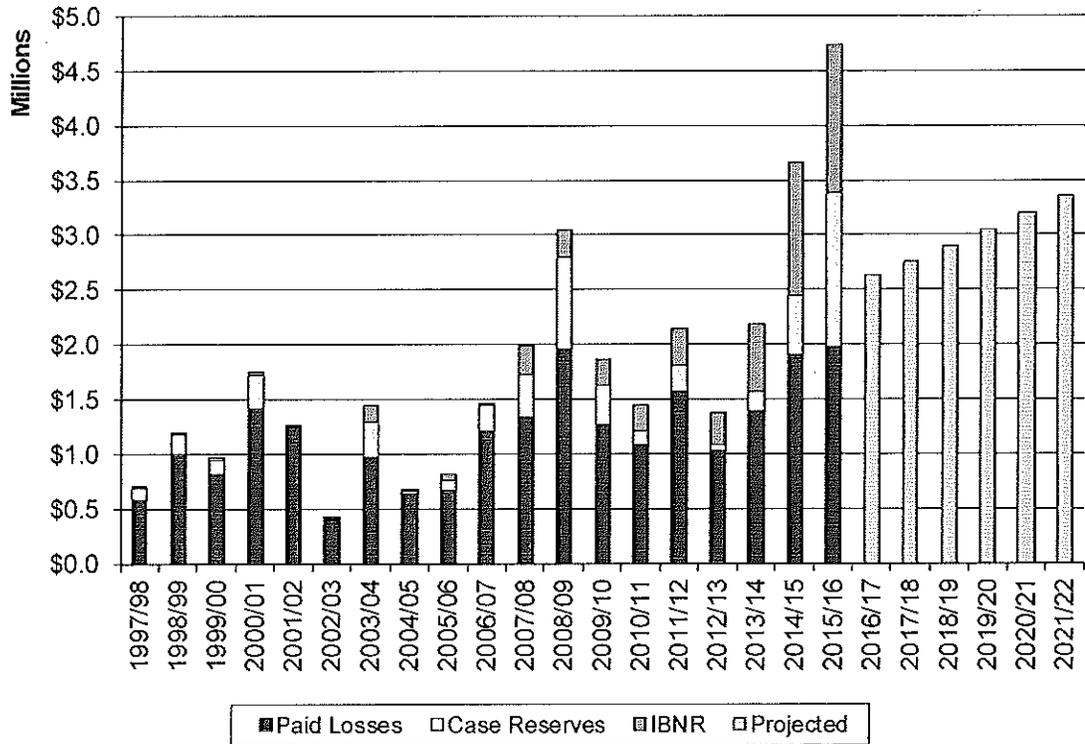
Note: Frequency amounts are from Exhibit WC-8, Section I, column (7).  
Severity amounts are based on the projected claim counts in Exhibit WC-8 and the projected ultimate losses in Exhibit WC-9.

For 2015/16, we noted that Public Safety claim severity is about \$13,700 based on the data provided by the City. This is more than doubled than 2014/15 public safety claim severity. We also noted the severity for fire claims (about \$11,200) is doubled compared with 2014/15.

For 2014/15, the high frequency is mainly due to more public safety, public works department, and police department claims as mentioned in the prior report's data section (see report as of June 30, 2015, page 2).

Graph III-3 shows the composition of the projected ultimate limited losses for workers compensation.

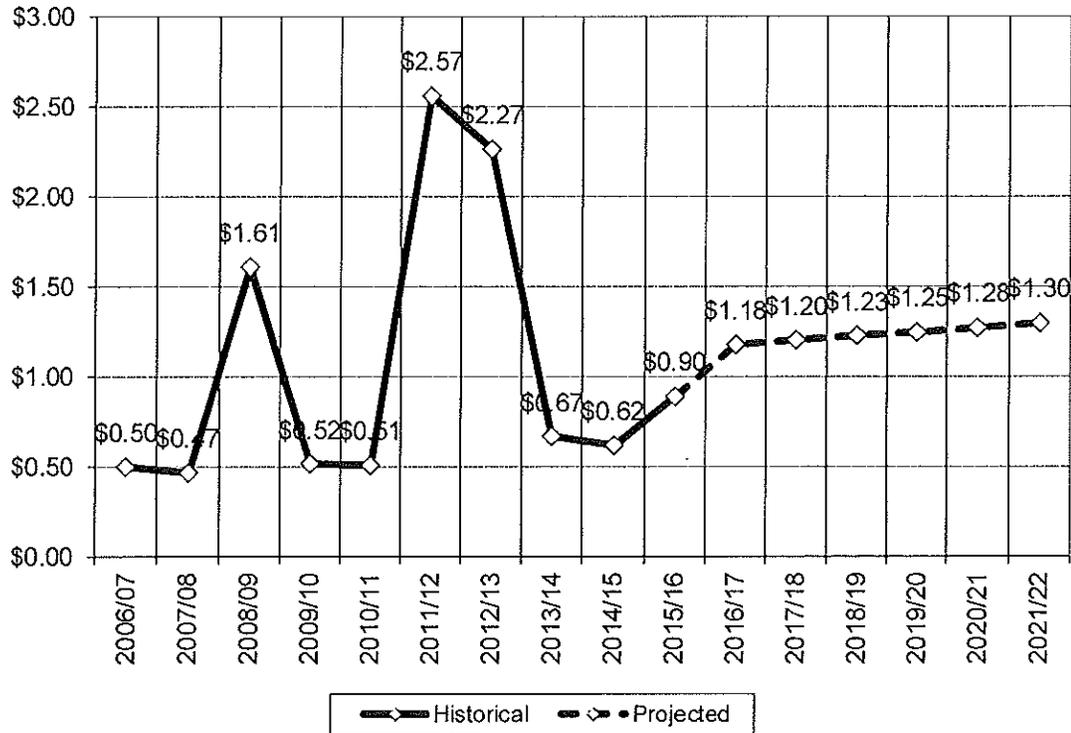
**Graph III-3**  
**Composition of Projected Ultimate Limited Losses**  
**(Workers Compensation)**



Note: Amounts through 2015/16 are from Exhibit WC-11.  
Amounts for 2016/17 to 2021/22 are from Exhibit WC-10.

Graphs III-4 and III-5 show loss experience trends for general liability as measured by loss rate per \$100 of payroll and frequency and severity, respectively.

**Graph III-4**  
**Loss Rate per \$100 of Payroll**  
**(General Liability)**



Note: Loss rates are from Exhibit GL-10, columns (4) and (7).

For 2011/12, two large claims contributed about \$2.75 million in reported incurred losses as of June 30, 2016:

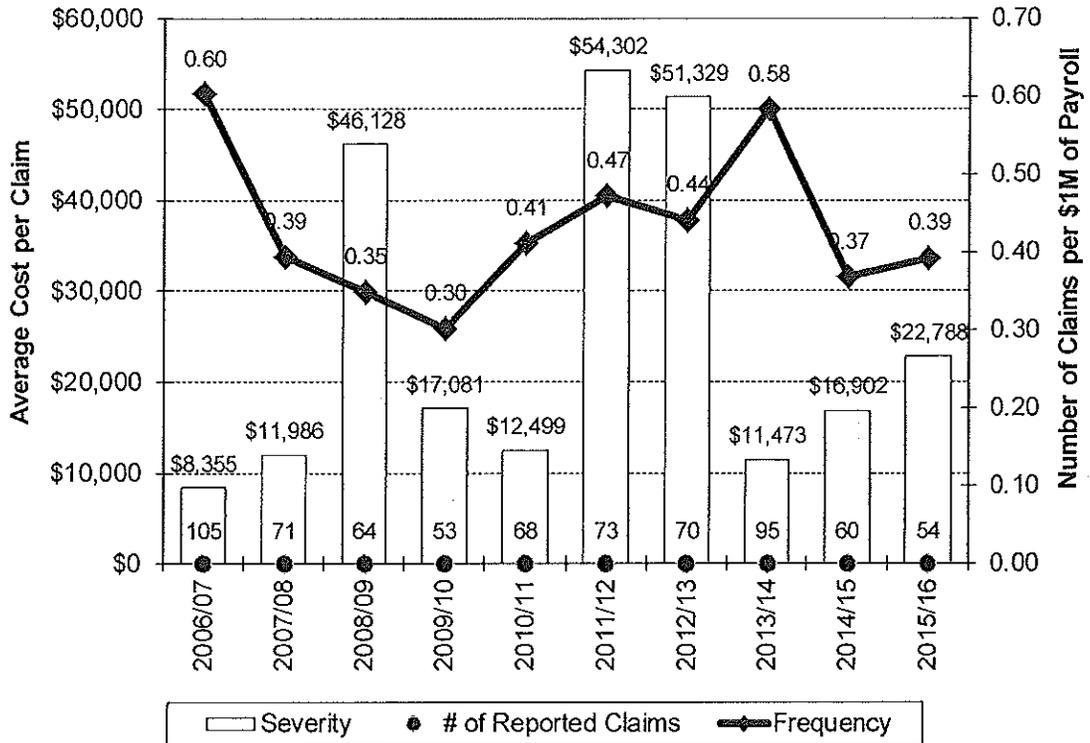
- Claim 111202-GL-068 is closed with \$2 million reported incurred loss
- Claim 111201-GL-053 is still open with \$748,000 reported incurred loss

2012/13 has three large claims which contributed about \$2.6 million in total to the reported incurred losses as of June 30, 2016. As of June 30, 2016, these claims are:

- 121301-GL-098 (with \$1.6 million reported incurred losses),
- 131408-GL-007 (with \$486,000 reported incurred losses), and
- 121303-GL-117 (with \$525,000 reported incurred losses).

A list of large claims can be found in Exhibit GL-19.

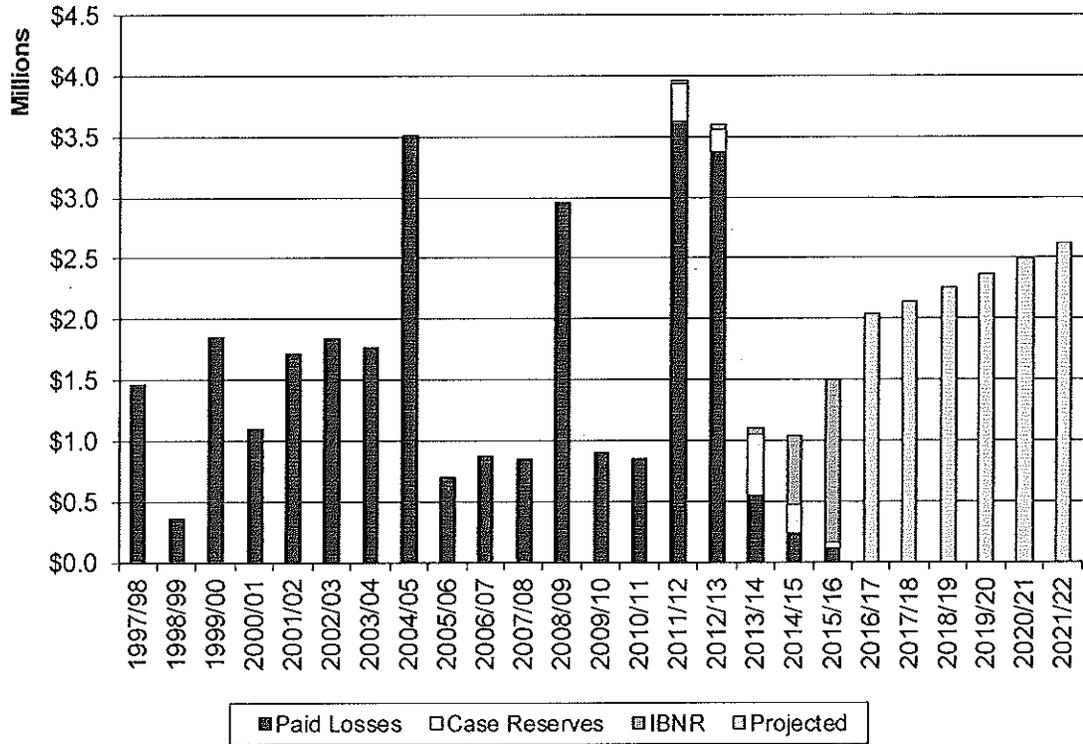
**Graph III-5  
Frequency and Severity  
(General Liability)**



Note: Frequency amounts are from Exhibit GL-8, Section I, column (7). Severity amounts are based on the projected claim counts in Exhibit GL-8 and the projected ultimate losses in Exhibit GL-9.

Graph III-6 shows the composition of the projected ultimate limited losses for general liability.

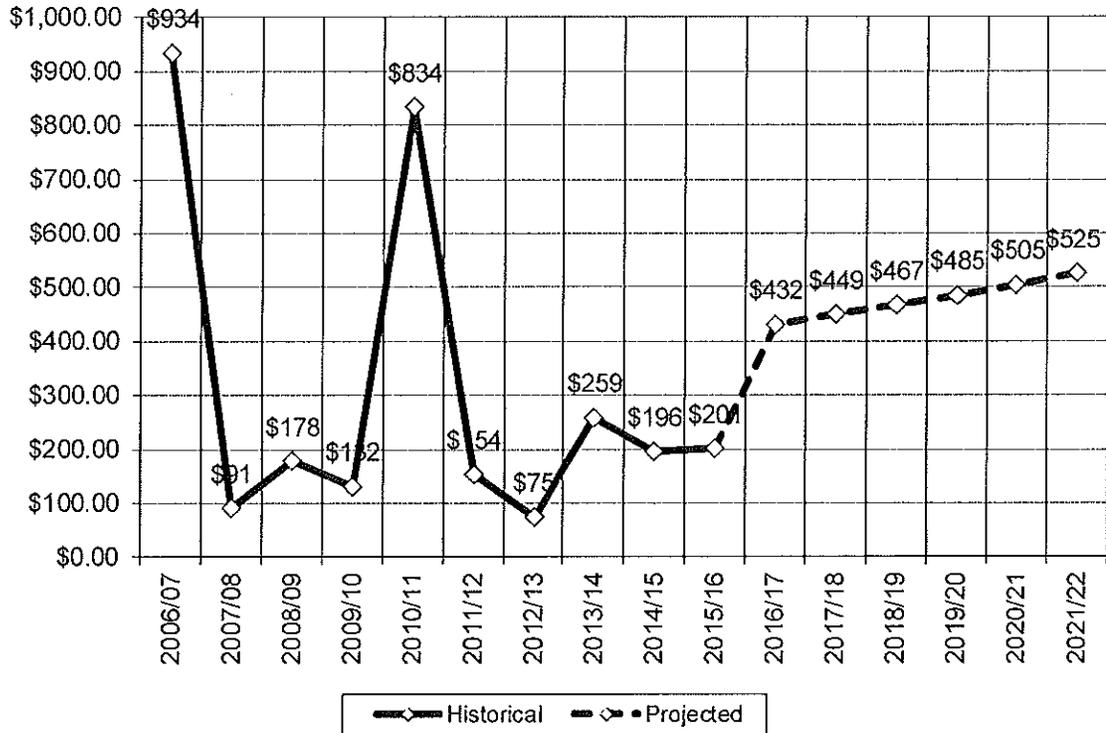
**Graph III-6**  
**Composition of Projected Ultimate Limited Losses**  
*(General Liability)*



Note: Amounts through 2015/16 are from Exhibit GL-11.  
Amounts for 2016/17 to 2021/22 are from Exhibit GL-10.

Graphs III-7 and III-8 show loss experience trends for automobile liability as measured by loss rate per vehicle and frequency and severity, respectively.

**Graph III-7  
Loss Rate per Vehicle  
(Automobile Liability)**



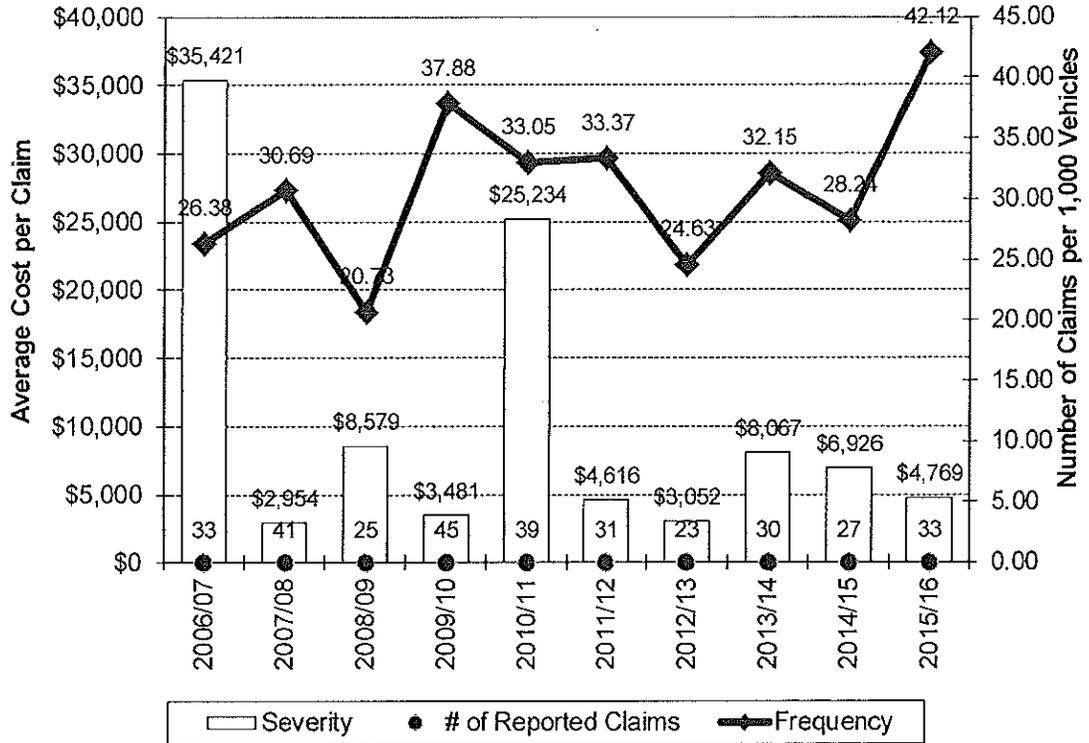
Note: Loss rates are from Exhibit AL-10, columns (4) and (7).

2006/07 has a large closed claim, 060703-AL-036, with reported incurred losses around \$909,000 as of June 30, 2016.

2010/11 has a large closed claim, 101110-AL-026 with \$641,000 reported incurred losses.

A list of large claims can be found in Exhibit AL-19.

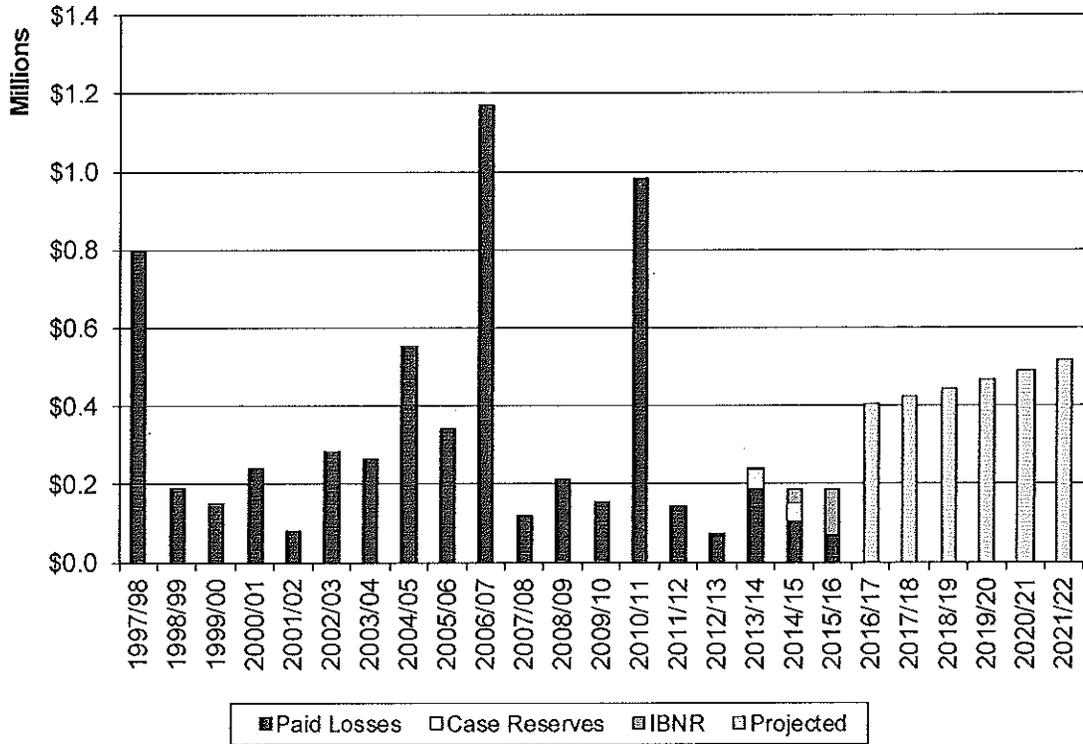
**Graph III-8  
Frequency and Severity  
(Automobile Liability)**



Note: Frequency amounts are from Exhibit AL-8, Section I, column (7).  
Severity amounts are based on the projected claim counts in Exhibit AL-8 and the projected ultimate losses in Exhibit AL-9.

Graph III-9 shows the composition of the projected ultimate limited losses for automobile liability.

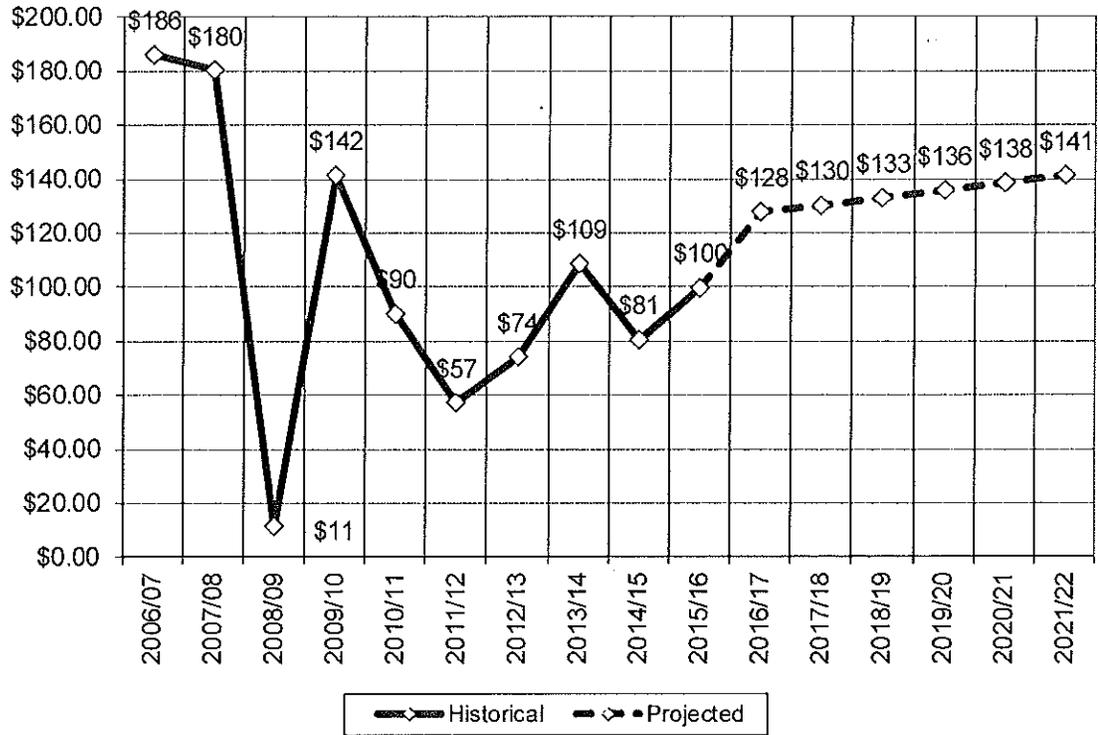
**Graph III-9**  
**Composition of Projected Ultimate Limited Losses**  
*(Automobile Liability)*



Note: Amounts through 2015/16 are from Exhibit AL-11.  
Amounts for 2016/17 to 2021/22 are from Exhibit AL-10.

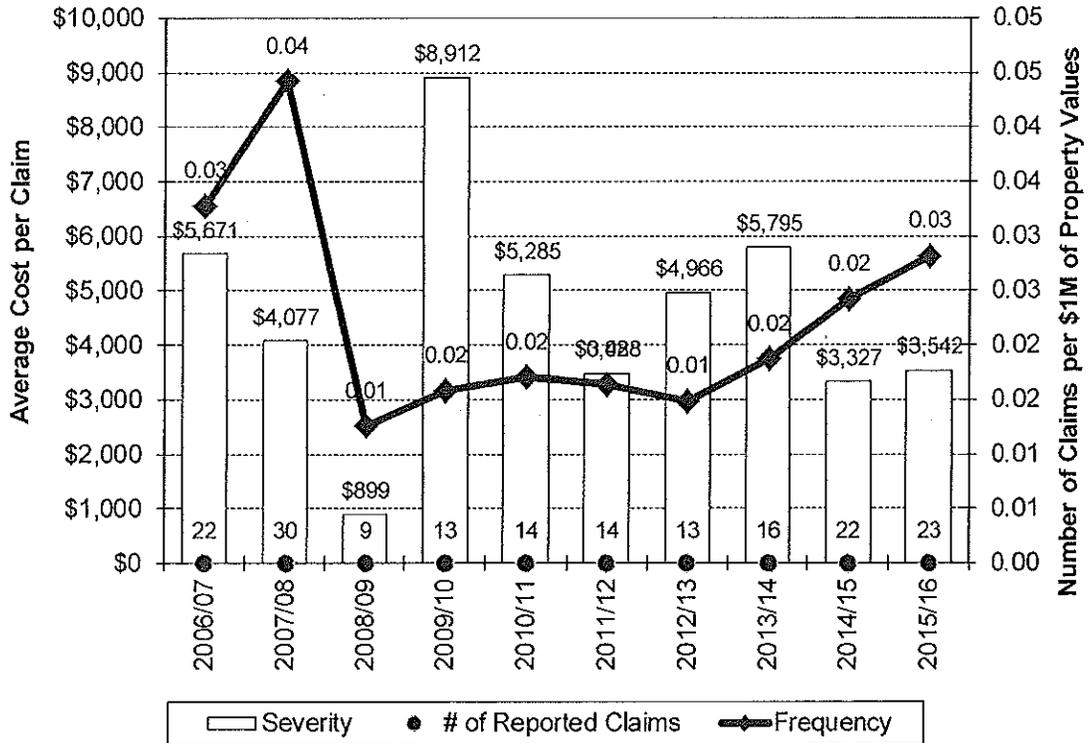
Graphs III-10 and III-11 show loss experience trends for property as measured by loss rate per \$1 million of property values and frequency and severity, respectively.

**Graph III-10**  
**Loss Rate per \$1 Million of Property Values**  
*(Property)*



Note: Loss rates are from Exhibit PR-10, columns (4) and (7).

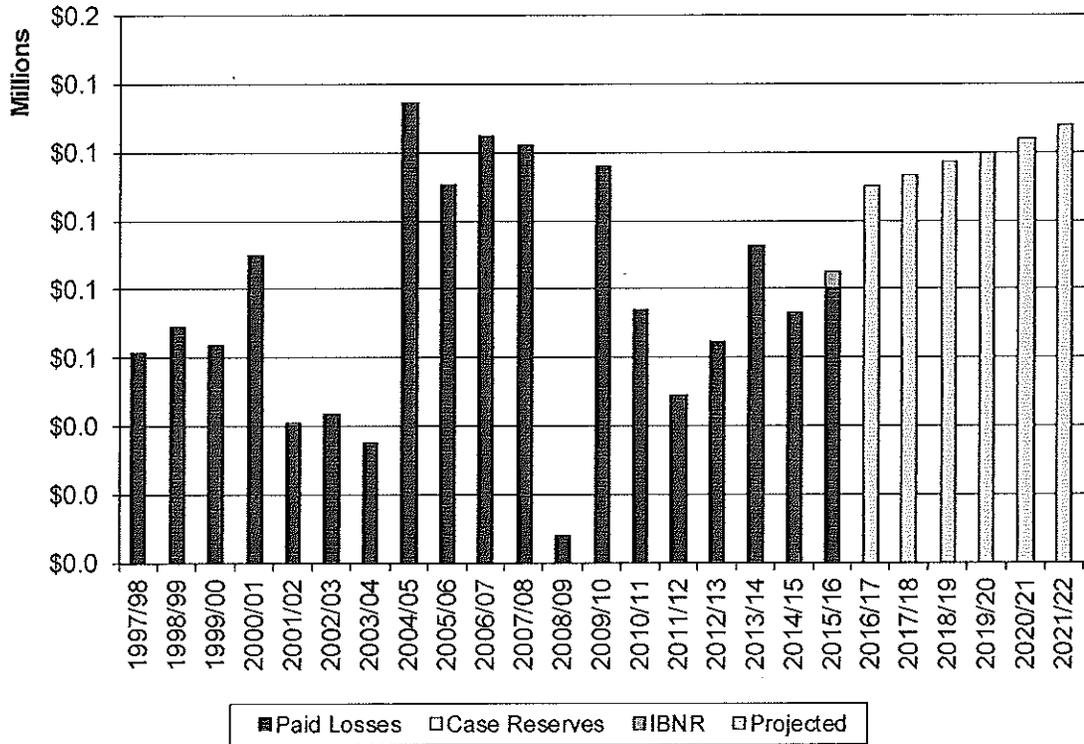
**Graph III-11**  
**Frequency and Severity**  
**(Property)**



Note: Frequency amounts are from Exhibit PR-8, Section I, column (7).  
Severity amounts are based on the projected claim counts in Exhibit PR-8 and the projected ultimate losses in Exhibit PR-9.

Graph III-12 shows the composition of the projected ultimate limited losses for property.

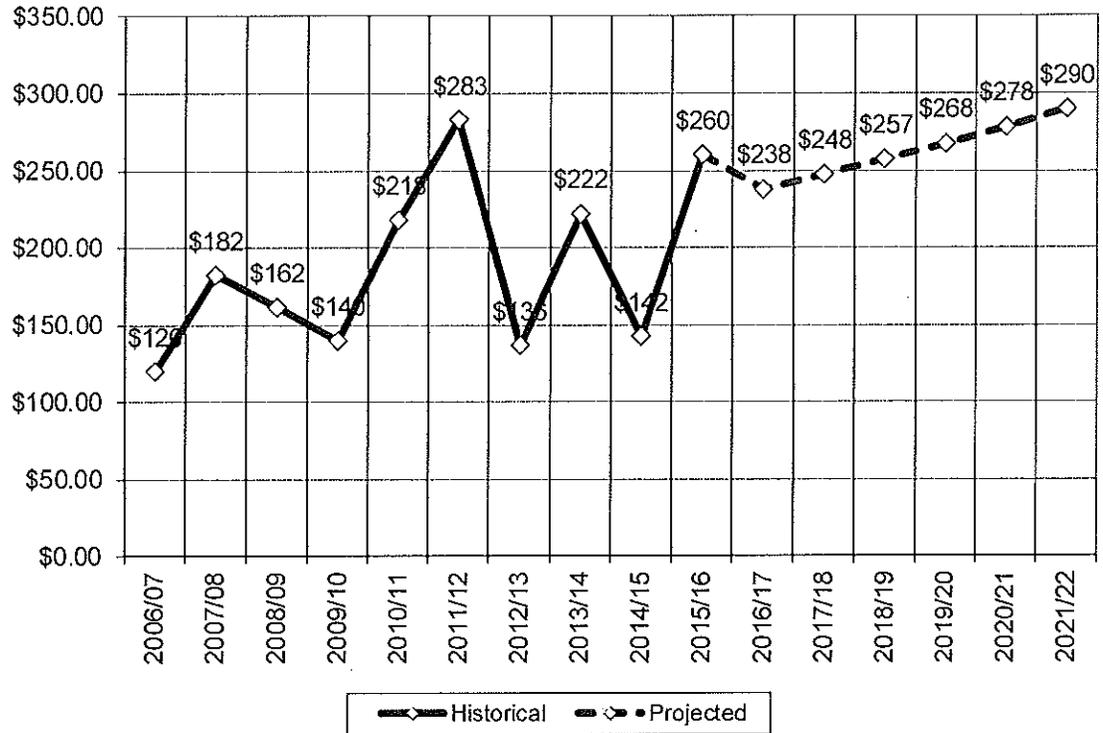
**Graph III-12**  
**Composition of Projected Ultimate Limited Losses**  
*(Property)*



Note: Amounts through 2015/16 are from Exhibit PR-11.  
Amounts for 2016/17 to 2021/22 are from Exhibit PR-10.

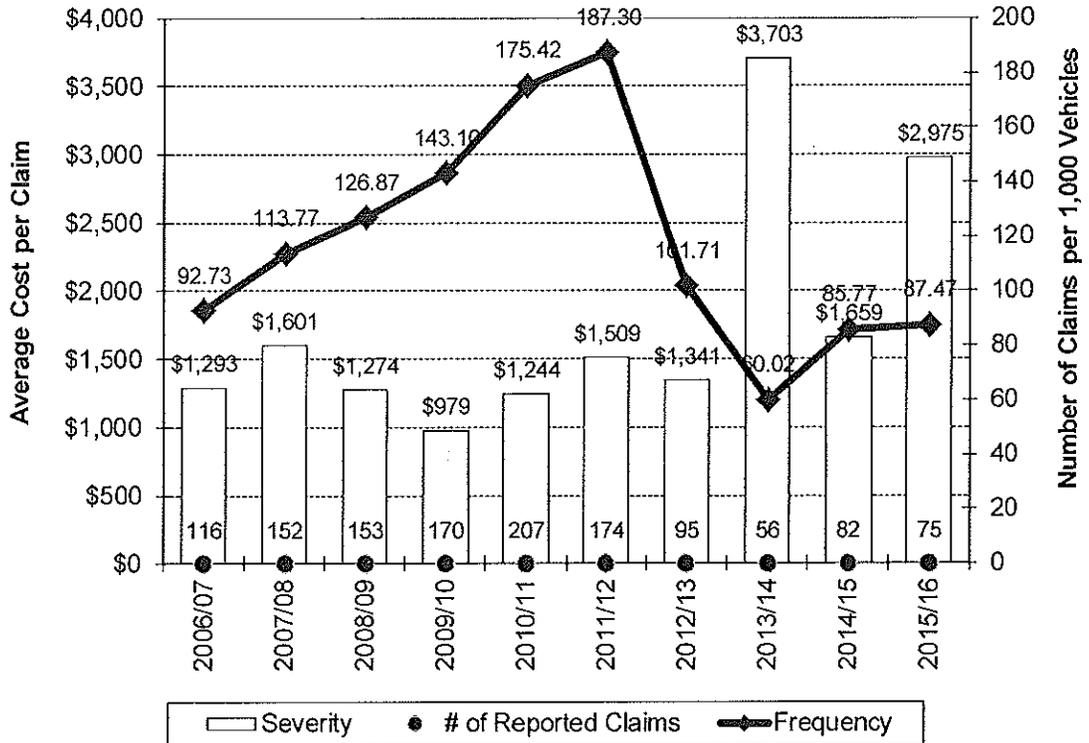
Graphs III-13 and III-14 show loss experience trends for automobile physical damage as measured by loss rate per vehicle and frequency and severity, respectively.

**Graph III-13**  
**Loss Rate per Vehicle**  
*(Automobile Physical Damage)*



Note: Loss rates are from Exhibit APD-10, columns (4) and (7).

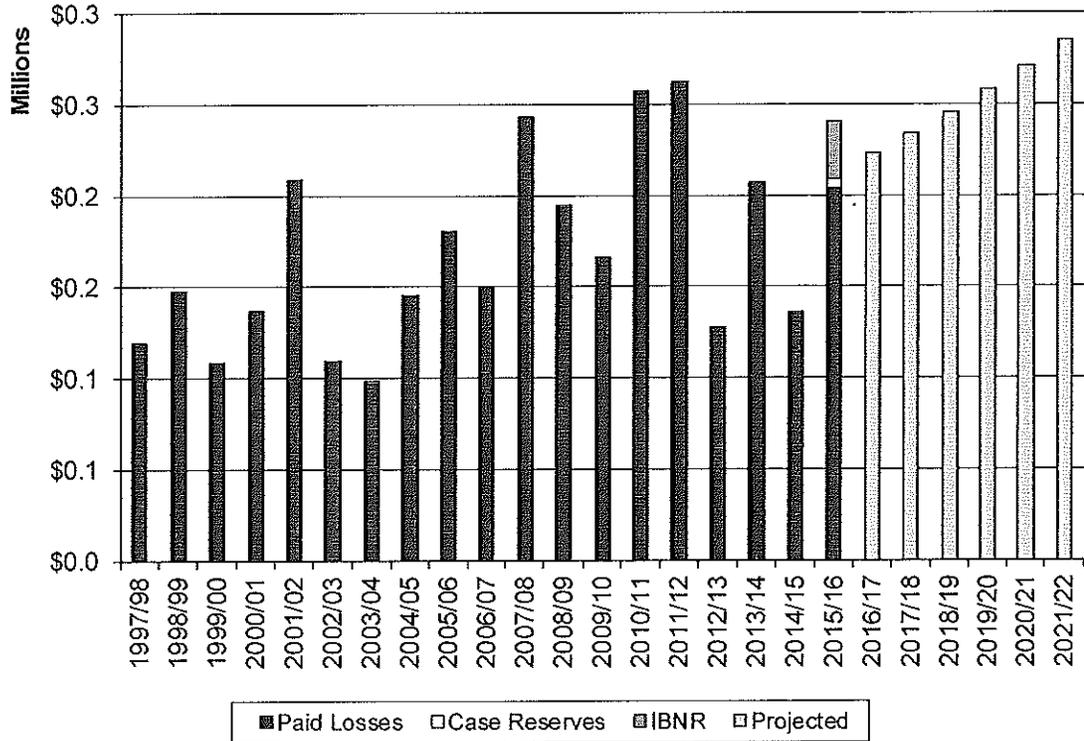
**Graph III-14**  
**Frequency and Severity**  
**(Automobile Physical Damage)**



Note: Frequency amounts are from Exhibit APD-8, Section I, column (7).  
Severity amounts are based on the projected claim counts in Exhibit APD-8 and the projected ultimate losses in Exhibit APD-9.

Graph III-15 shows the composition of the projected ultimate limited losses for automobile physical damage.

**Graph III-15**  
**Composition of Projected Ultimate Limited Losses**  
*(Automobile Physical Damage)*



Note: Amounts through 2015/16 are from Exhibit APD-11.  
Amounts for 2016/17 to 2021/22 are from Exhibit APD-10.

### 3. Project Losses Paid

We project losses paid during 2016/17 and five subsequent claim periods to be as shown in Table III-3.

**Table III-3  
Projected Losses Paid  
2016/17 to 2021/22**

Program (1)	2016/17 (2)	2017/18 (3)	2018/19 (4)	2019/20 (5)	2020/21 (6)	2021/22 (7)
(A) Workers compensation	\$2,843,174	\$2,664,729	\$2,714,863	\$2,752,923	\$2,886,586	\$2,971,854
(B) General liability	1,767,368	1,560,665	1,849,277	2,086,537	2,234,802	2,356,338
(C) Automobile liability	339,609	380,036	412,770	445,333	469,623	493,223
(D) Property	93,779	110,408	116,179	119,341	123,179	127,155
(E) Automobile physical damage	173,822	223,157	239,887	252,931	265,557	279,143
(F) Total (A)...(E)	\$5,217,752	\$4,938,995	\$5,332,976	\$5,657,065	\$5,979,747	\$6,227,713

Note: (A) is based on Exhibits WC-12 to WC-17.  
 (B) is based on Exhibits GL-12 to GL-17.  
 (C) is based on Exhibits AL-12 to AL-17.  
 (D) is based on Exhibits PR-12 to PR-17.  
 (E) is based on Exhibits APD-12 to APD-17.

The projected losses paid reflect the excess insurance maintained by the City.

All non-claim expenses are additional.

#### 4. Recommend Fund Balances

We recommend fund balances at the beginning of 2016/17 and five subsequent claim periods to be as shown in Tables III-4A, III-4B, III-4C, III-4D, III-4E and III-4F.

**Table III-4A  
Recommended Fund Balance  
June 30, 2017**

Program (1)	Recommended Fund Balance - Full Value of Estimated Outstanding Losses (2)	Recommended Fund Balance - Present Value of Estimated Outstanding Losses (3)
(A) Workers compensation	\$11,439,625	\$10,764,517
(B) General liability	3,579,676	3,528,183
(C) Automobile liability	330,480	327,356
(D) Property	21,221	21,089
(E) Automobile physical damage	86,349	85,784
(F) Total (A)...(E)	\$15,457,351	\$14,726,929

Note: (A), (B), (C), (D) and (E) are from Exhibits WC-12, GL-12, AL-12, PR-12 and APD-12, respectively.

**Table III-4B  
Recommended Fund Balance  
June 30, 2018**

Program (1)	Recommended Fund Balance - Full Value of Estimated Outstanding Losses (2)	Recommended Fund Balance - Present Value of Estimated Outstanding Losses (3)
(A) Workers compensation	\$11,530,896	\$10,845,582
(B) General liability	4,165,011	4,106,411
(C) Automobile liability	374,444	370,875
(D) Property	23,813	23,668
(E) Automobile physical damage	97,192	96,555
(F) Total (A)...(E)	\$16,191,356	\$15,443,091

Note: (A), (B), (C), (D) and (E) are from Exhibits WC-13, GL-13, AL-13, PR-13 and APD-13, respectively.

**Table III-4C  
Recommended Fund Balance  
June 30, 2019**

Program (1)	Recommended Fund Balance - Full Value of Estimated Outstanding Losses (2)	Recommended Fund Balance - Present Value of Estimated Outstanding Losses (3)
(A) Workers compensation	\$11,712,033	\$11,011,756
(B) General liability	4,570,734	4,507,611
(C) Automobile liability	406,674	402,840
(D) Property	24,634	24,483
(E) Automobile physical damage	103,305	102,629
(F) Total (A)...(E)	\$16,817,380	\$16,049,319

Note: (A), (B), (C), (D) and (E) are from Exhibits WC-14, GL-14, AL-14, PR-14 and APD-14, respectively.

**Table III-4D  
Recommended Fund Balance  
June 30, 2020**

Program (1)	Recommended Fund Balance - Full Value of Estimated Outstanding Losses (2)	Recommended Fund Balance - Present Value of Estimated Outstanding Losses (3)
(A) Workers compensation	\$12,001,110	\$11,281,833
(B) General liability	4,853,197	4,786,544
(C) Automobile liability	429,341	425,302
(D) Property	25,293	25,139
(E) Automobile physical damage	108,374	107,665
(F) Total (A)...(E)	\$17,417,315	\$16,626,483

Note: (A), (B), (C), (D) and (E) are from Exhibits WC-15, GL-15, AL-15, PR-15 and APD-15, respectively.

**Table III-4E  
Recommended Fund Balance  
June 30, 2021**

Program (1)	Recommended Fund Balance - Full Value of Estimated Outstanding Losses (2)	Recommended Fund Balance - Present Value of Estimated Outstanding Losses (3)
(A) Workers compensation	\$12,310,524	\$11,568,405
(B) General liability	5,107,395	5,037,324
(C) Automobile liability	450,718	446,479
(D) Property	26,114	25,954
(E) Automobile physical damage	113,817	113,072
(F) Total (A)...(E)	\$18,008,568	\$17,191,234

Note: (A), (B), (C), (D) and (E) are from Exhibits WC-16, GL-16, AL-16, PR-16 and APD-16, respectively.

**Table III-4F  
Recommended Fund Balance  
June 30, 2022**

Program (1)	Recommended Fund Balance - Full Value of Estimated Outstanding Losses (2)	Recommended Fund Balance - Present Value of Estimated Outstanding Losses (3)
(A) Workers compensation	\$12,696,670	\$11,928,033
(B) General liability	5,365,057	5,291,455
(C) Automobile liability	473,495	469,041
(D) Property	26,959	26,794
(E) Automobile physical damage	119,674	118,891
(F) Total (A)...(E)	\$18,681,855	\$17,834,214

Note: (A), (B), (C), (D) and (E) are from Exhibits WC-17, GL-17, AL-17, PR-17 and APD-17, respectively.

The recommended fund balances are based on the full value and present value of the estimated outstanding losses.

All non-claim expenses are additional.

We estimate outstanding losses as of June 30, 2016 to June 30, 2022 at various confidence levels to be as shown in Tables III-4G and III-4H.

**Table III-4G  
Estimated Outstanding Losses  
at Various Confidence Levels  
June 30, 2016 to June 30, 2022**

As of Date (1)	Expected (roughly 50% to 55%) (2)	75% Confidence Level x1.10 (3)	80% Confidence Level x1.15 (4)	85% Confidence Level x1.25 (5)	90% Confidence Level x1.30 (6)
(A) June 30, 2016	\$15,271,103	\$16,798,213	\$17,561,768	\$19,088,879	\$19,852,434
(B) June 30, 2017	15,457,351	17,003,086	17,775,954	19,321,689	20,094,556
(C) June 30, 2018	16,191,356	17,810,492	18,620,059	20,239,195	21,048,763
(D) June 30, 2019	16,817,380	18,499,118	19,339,987	21,021,725	21,862,594
(E) June 30, 2020	17,417,315	19,159,047	20,029,912	21,771,644	22,642,510
(F) June 30, 2021	18,008,568	19,809,425	20,709,853	22,510,710	23,411,138
(G) June 30, 2022	18,681,855	20,550,041	21,484,133	23,352,319	24,286,412

Note: (A2) is from Table III-1A.  
(B2) through (G2) are from Tables III-4A through III-4F, respectively.

**Table III-4H  
Present Value of Estimated Outstanding Losses  
at Various Confidence Levels  
June 30, 2016 to June 30, 2022**

As of Date (1)	Expected (roughly 50% to 55%) (2)	75% Confidence Level x1.10 (3)	80% Confidence Level x1.15 (4)	85% Confidence Level x1.25 (5)	90% Confidence Level x1.30 (6)
(A) June 30, 2016	\$14,554,939	\$16,010,433	\$16,738,180	\$18,193,674	\$18,921,421
(B) June 30, 2017	14,726,929	16,199,622	16,935,968	18,408,661	19,145,008
(C) June 30, 2018	15,443,091	16,987,400	17,759,555	19,303,864	20,076,018
(D) June 30, 2019	16,049,319	17,654,251	18,456,717	20,061,649	20,864,115
(E) June 30, 2020	16,626,483	18,289,131	19,120,455	20,783,104	21,614,428
(F) June 30, 2021	17,191,234	18,910,357	19,769,919	21,489,043	22,348,604
(G) June 30, 2022	17,834,214	19,617,635	20,509,346	22,292,768	23,184,478

Note: (A2) is from Table III-1A.  
(B2) through (G2) are from Tables III-4A through III-4F, respectively.

The confidence level margins are based on all coverages combined experience.

## 5. Project Ultimate Claims

We project ultimate claims for 2016/17 and five subsequent claim periods to be as shown in Table III-5.

**Table III-5  
Projected Ultimate Claims  
2016/17 to 2021/22**

Program (1)	2016/17 (2)	2017/18 (3)	2018/19 (4)	2019/20 (5)	2020/21 (6)	2021/22 (7)
(A) Workers compensation	329	339	349	360	371	382
(B) General liability	71	74	76	78	80	83
(C) Automobile liability	29	29	30	30	30	30
(D) Property	21	21	22	22	22	22
(E) Automobile physical damage	103	104	105	106	107	108
(F) Total (A)...(E)	553	567	582	596	610	625

Note: (A) is from Exhibit WC-18.  
 (B) is from Exhibit GL-18.  
 (C) is from Exhibit AL-18.  
 (D) is from Exhibit PR-18.  
 (E) is from Exhibit APD-18.

The higher level of workers compensation claim counts is discussed in the Data section.

## 6. Size of Loss Distribution Analysis

Table III-6A shows the distribution of losses in various layers for workers compensation.

**Table III-6A**  
**Size of Loss Distribution**  
**(Workers Compensation)**

Layer (1)	Total Reported Claims (2)	Percent of Total (2)/Total(2) (3)	Cumulative Percent of Total (4)	Total Reported Incurred Losses (5)	Percent of Total (5)/Total(5) (6)	Cumulative Percent of Total (7)
(A) \$1 to \$5,000	4,073	82.5%	82.5%	\$3,718,509	9.5%	9.5%
(B) \$5,000 to \$10,000	300	6.1%	88.6%	2,152,750	5.5%	14.9%
(C) \$10,000 to \$25,000	293	5.9%	94.5%	4,663,821	11.9%	26.8%
(D) \$25,000 to \$50,000	127	2.6%	97.1%	4,341,906	11.0%	37.9%
(E) \$50,000 to \$100,000	73	1.5%	98.6%	5,071,683	12.9%	50.8%
(F) \$100,000 to \$250,000	40	0.8%	99.4%	6,523,289	16.6%	67.4%
(G) \$250,000 to \$500,000	22	0.4%	99.9%	7,601,072	19.3%	86.7%
(H) \$500,000 to \$750,000	4	0.1%	99.9%	2,548,327	6.5%	93.2%
(I) \$750,000 to \$1,000,000	3	0.1%	100.0%	2,678,654	6.8%	100.0%
(J) Over \$1,000,000	0	0.0%	100.0%	0	0.0%	100.0%
(K) Total (A) ... (J)	4,935	100%		\$39,300,009	100%	

Note: See Exhibit WC-21.

For workers' compensation, about 89% of the non-zero claims reported are below \$10,000 and represent about 15% of the incurred amounts. The remaining 11% of the claims consume about 85% of the incurred amounts.

Table III-6B shows the distribution of losses in various layers for general liability.

**Table III-6B**  
**Size of Loss Distribution**  
**(General Liability)**

Layer (1)	Total Reported Claims (2)	Percent of Total (2)/Total(2) (3)	Cumulative Percent of Total (4)	Total Reported Incurred Losses (5)	Percent of Total (5)/Total(5) (6)	Cumulative Percent of Total (7)
(A) \$1 to \$5,000	2,490	81.8%	81.8%	\$2,327,644	5.2%	5.2%
(B) \$5,000 to \$10,000	150	4.9%	86.8%	1,066,964	2.4%	7.7%
(C) \$10,000 to \$25,000	173	5.7%	92.4%	2,917,324	6.6%	14.2%
(D) \$25,000 to \$50,000	86	2.8%	95.3%	3,084,748	7.0%	21.2%
(E) \$50,000 to \$100,000	65	2.1%	97.4%	4,459,034	10.1%	31.2%
(F) \$100,000 to \$250,000	43	1.4%	98.8%	6,627,982	14.9%	46.2%
(G) \$250,000 to \$500,000	20	0.7%	99.5%	7,330,873	16.5%	62.7%
(H) \$500,000 to \$750,000	6	0.2%	99.7%	3,486,198	7.9%	70.6%
(I) \$750,000 to \$1,000,000	3	0.1%	99.8%	2,522,774	5.7%	76.2%
(J) Over \$1,000,000	7	0.2%	100.0%	10,536,894	23.8%	100.0%
(K) Total (A) ... (J)	3,043	100%		\$44,360,436	100%	

Note: See Exhibit GL-20.

For general liability, about 87% of the non-zero claims reported are below \$10,000 and represent about 8% of the incurred amounts. The remaining 13% of the claims consume about 92% of the incurred amounts.

Table III-6C shows the distribution of losses in various layers for automobile liability.

**Table III-6C**  
**Size of Loss Distribution**  
**(Automobile Liability)**

Layer (1)	Total Reported Claims (2)	Percent of Total (2)/Total(2) (3)	Cumulative Percent of Total (4)	Total Reported Incurred Losses (5)	Percent of Total (5)/Total(5) (6)	Cumulative Percent of Total (7)
(A) \$1 to \$5,000	774	76.7%	76.7%	\$1,201,096	12.7%	12.7%
(B) \$5,000 to \$10,000	111	11.0%	87.7%	782,486	8.3%	21.0%
(C) \$10,000 to \$25,000	77	7.6%	95.3%	1,180,694	12.5%	33.5%
(D) \$25,000 to \$50,000	26	2.6%	97.9%	909,533	9.6%	43.2%
(E) \$50,000 to \$100,000	13	1.3%	99.2%	922,288	9.8%	52.9%
(F) \$100,000 to \$250,000	2	0.2%	99.4%	336,855	3.6%	56.5%
(G) \$250,000 to \$500,000	2	0.2%	99.6%	724,863	7.7%	64.2%
(H) \$500,000 to \$750,000	1	0.1%	99.7%	641,346	6.8%	71.0%
(I) \$750,000 to \$1,000,000	2	0.2%	99.9%	1,696,943	18.0%	89.0%
(J) Over \$1,000,000	1	0.1%	100.0%	1,039,654	11.0%	100.0%
(K) Total (A) ... (J)	1,009	100%		\$9,435,758	100%	

Note: See Exhibit AL-20.

For automobile liability, about 88% of the non-zero claims reported are below \$10,000 and represent about 21% of the incurred amounts. The remaining 12% of the claims consume about 79% of the incurred amounts.

Table III-6D shows the distribution of losses in various layers for property.

**Table III-6D  
Size of Loss Distribution  
(Property)**

Layer (1)	Total Reported Claims (2)	Percent of Total (2)/Total(2) (3)	Cumulative Percent of Total (4)	Total Reported Incurred Losses (5)	Percent of Total (5)/Total(5) (6)	Cumulative Percent of Total (7)
(A) \$1 to \$5,000	348	76.7%	76.7%	\$747,211	30.6%	30.6%
(B) \$5,000 to \$10,000	62	13.7%	90.3%	413,281	16.9%	47.5%
(C) \$10,000 to \$25,000	28	6.2%	96.5%	447,376	18.3%	65.8%
(D) \$25,000 to \$50,000	10	2.2%	98.7%	310,721	12.7%	78.5%
(E) \$50,000 to \$100,000	4	0.9%	99.6%	273,939	11.2%	89.7%
(F) \$100,000 to \$250,000	2	0.4%	100.0%	251,952	10.3%	100.0%
(G) \$250,000 to \$500,000	0	0.0%	100.0%	0	0.0%	100.0%
(H) \$500,000 to \$750,000	0	0.0%	100.0%	0	0.0%	100.0%
(I) \$750,000 to \$1,000,000	0	0.0%	100.0%	0	0.0%	100.0%
(J) Over \$1,000,000	0	0.0%	100.0%	0	0.0%	100.0%
(K) Total (A) ... (J)	454	100%		\$2,444,480	100%	

Note: See Exhibit PR-20.

For property, about 90% of the non-zero claims reported are below \$10,000 and represent about 47% of the incurred amounts. The remaining 10% of the claims consume about 53% of the incurred amounts.

Table III-6E shows the distribution of losses in various layers for automobile physical damage.

**Table III-6E**  
**Size of Loss Distribution**  
**(Automobile Physical Damage)**

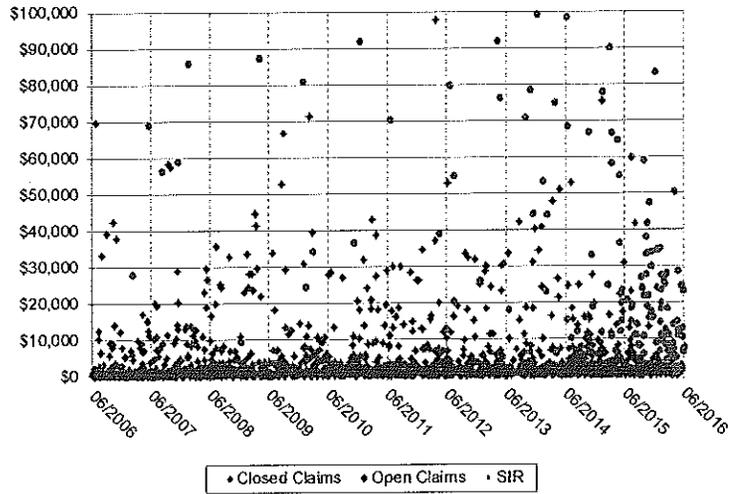
Layer (1)	Total Reported Claims (2)	Percent of Total (2)/Total(2) (3)	Cumulative Percent of Total (4)	Total Reported Incurred Losses (5)	Percent of Total (5)/Total(5) (6)	Cumulative Percent of Total (7)
(A) \$1 to \$5,000	2,528	93.5%	93.5%	\$2,381,773	51.2%	51.2%
(B) \$5,000 to \$10,000	97	3.6%	97.0%	682,075	14.7%	65.9%
(C) \$10,000 to \$25,000	68	2.5%	99.6%	1,016,758	21.9%	87.7%
(D) \$25,000 to \$50,000	9	0.3%	99.9%	290,936	6.3%	94.0%
(E) \$50,000 to \$100,000	2	0.1%	100.0%	121,051	2.6%	96.6%
(F) \$100,000 to \$250,000	1	0.0%	100.0%	158,010	3.4%	100.0%
(G) \$250,000 to \$500,000	0	0.0%	100.0%	0	0.0%	100.0%
(H) \$500,000 to \$750,000	0	0.0%	100.0%	0	0.0%	100.0%
(I) \$750,000 to \$1,000,000	0	0.0%	100.0%	0	0.0%	100.0%
(J) Over \$1,000,000	0	0.0%	100.0%	0	0.0%	100.0%
(K) Total (A) ... (J)	2,705	100%		\$4,650,603	100%	

Note: See Exhibit APD-20.

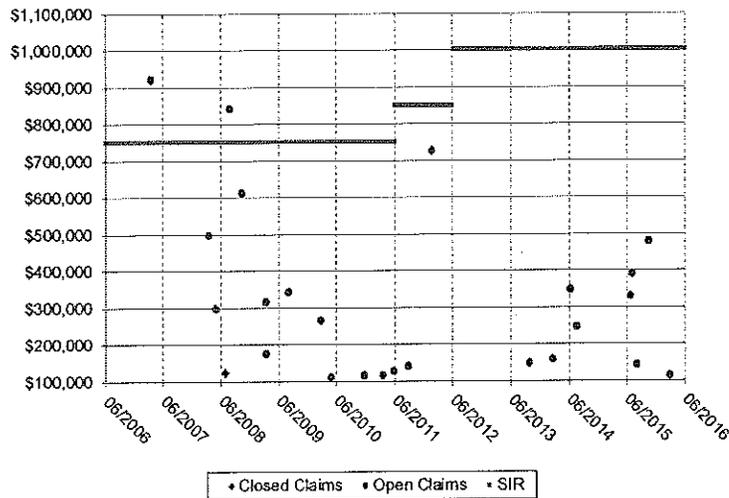
For automobile physical damage, about 97% of the non-zero claims reported are below \$10,000 and represent about 66% of the incurred amounts. The remaining 3% of the claims consume about 34% of the incurred amounts.

Graphs III-16A and III-16B are claim size distributions for workers compensation program.

**Graph III-16A**  
**Claim Size Distribution**  
**Claims with Incurred Amount below \$100,000**

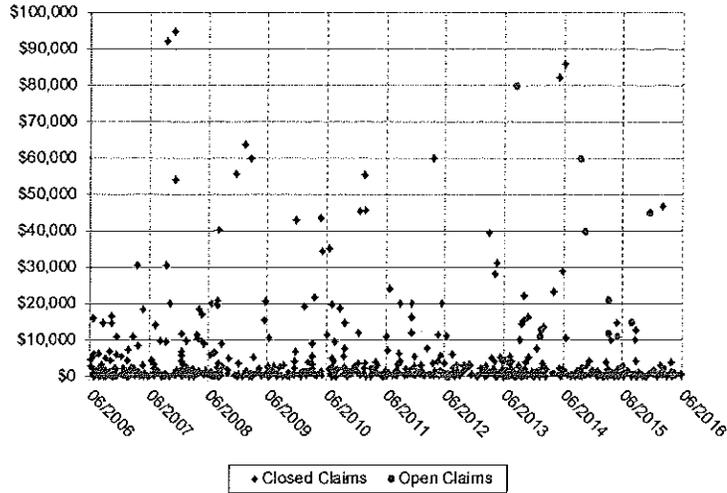


**Graph III-16B**  
**Claim Size Distribution**  
**Claims with Incurred Amount above \$100,000**

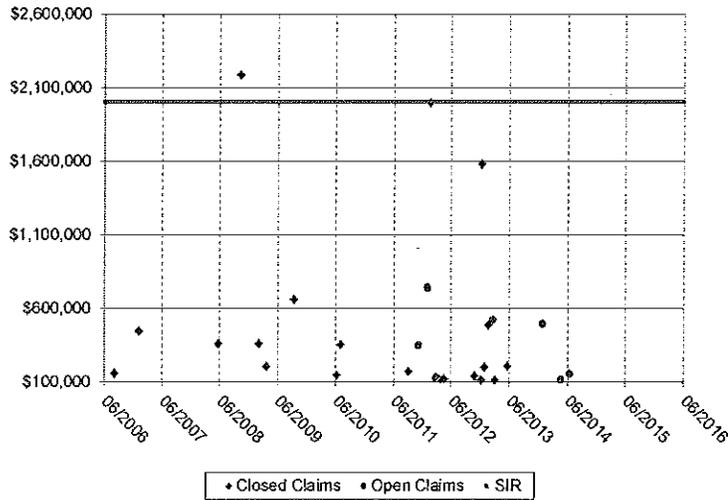


Graphs III-17A and III-17B are claim size distributions for general liability program.

**Graph III-17A**  
**Claim Size Distribution**  
**Claims with Incurred Amount below \$100,000**

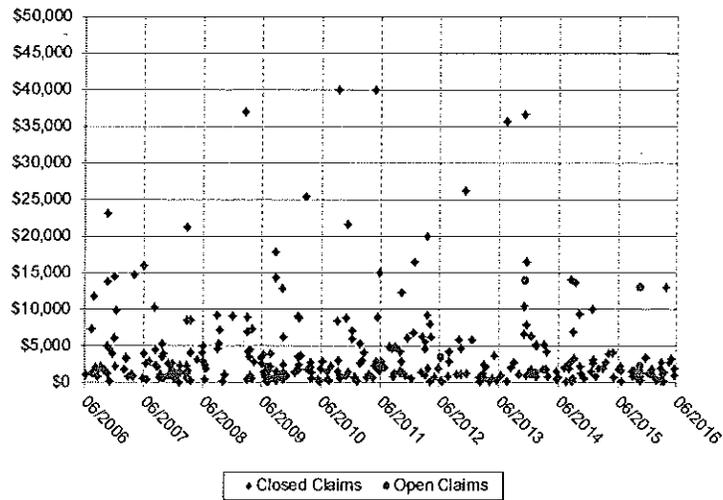


**Graph III-17B**  
**Claim Size Distribution**  
**Claims with Incurred Amount above \$100,000**

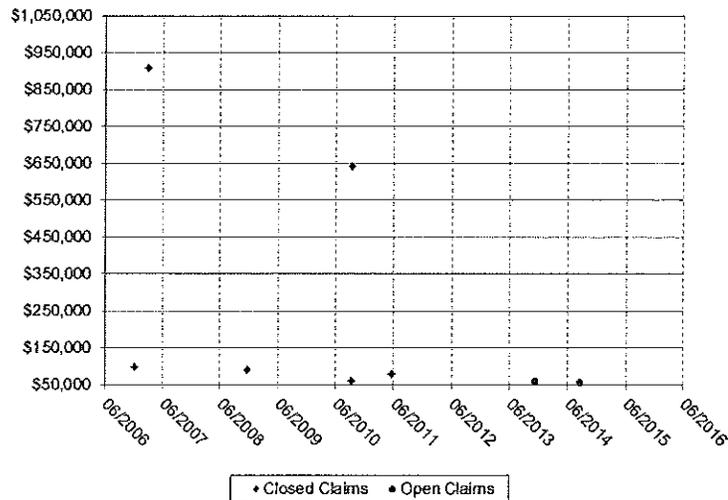


Graphs III-18A and III-18B are claim size distributions for automobile liability program.

**Graph III-18A**  
**Claim Size Distribution**  
**Claims with Incurred Amount below \$50,000**

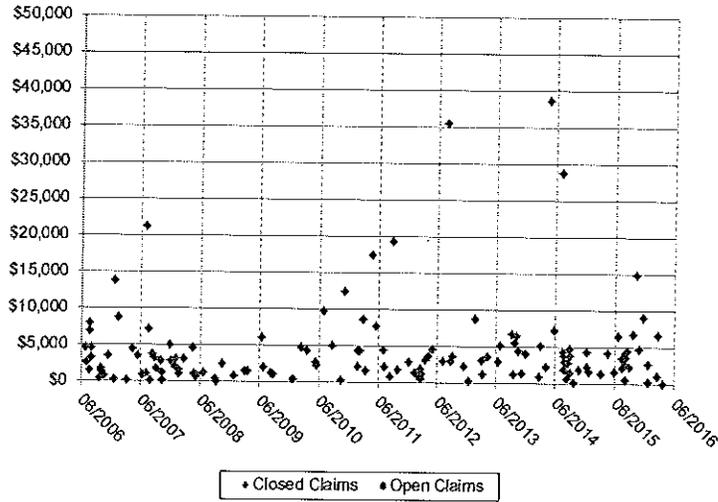


**Graph III-18B**  
**Claim Size Distribution**  
**Claims with Incurred Amount above \$50,000**

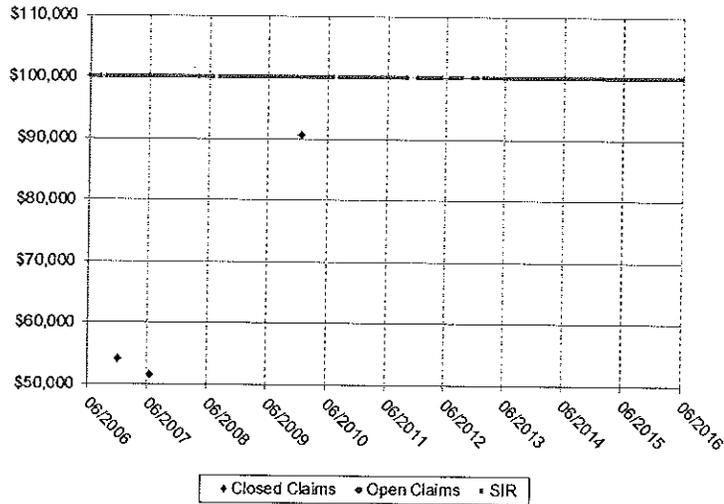


Graphs III-19A and III-19B are claim size distributions for property program.

**Graph III-19A**  
**Claim Size Distribution**  
**Claims with Incurred Amount below \$50,000**



**Graph III-19B**  
**Claim Size Distribution**  
**Claims with Incurred Amount above \$50,000**



DECLARATION  
OF TRUST  
FOR  
CITY OF SCOTTSDALE, ARIZONA  
SELF-INSURED LOSS TRUST FUND

Date: September 11, 2012

4.1.2

The Trustees do further direct and authorize the Director to establish a program for Loss Control and Prevention to reduce or eliminate the frequency and severity of loss and claims to City physical and financial assets and human resources. The Loss Control and Prevention program may:

- a) Conduct surveys of City facilities and operations to assist in hazard identification, analysis and mitigation;
- b) Provide specific training in life safety, OSHA and EPA compliance and corresponding training requirements;
- c) Assist in formation of Loss Control and Prevention committees as a deterrent to loss;
- d) Assist in identification of the causes of loss frequency and severity and implement techniques to mitigate such losses;
- e) Continuously monitor the City Loss Control and Prevention to assure compliance with federal and state standards, regulations, and statutes; and
- f) Implement any additional programs which will foster Loss Control and Prevention.

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## Workers Compensation Claims Payments in FY 2015-16

As indicated in the Risk Management Annual Report, there was a spike in payments made on workers compensation claims that exceeded our actuaries projection & budget for the fiscal year by approximately 1.5 million dollars.

Examination of the claims shows that payments were made on 470 different claims. The City of Scottsdale has been self-administering its workers compensation claims since 1980. Due to Arizona Workers' Compensation Law, claims that require continuous medical treatment or income payments cannot be closed by a lump sum settlement. Therefore, 140 of the claims that required medical or income payments have an original date of injury not in FY 2015-16.

The table below lists the top 20 claims with the largest payouts for this fiscal year. The highlighting indicates the injuries that happened within the fiscal year.

Injury Date	Amount Paid in FY 2015-16	Division	Description
11/11/2015	\$321,752.18	Traffic Enforcement	Employee collided with a vehicle. Employee flew over hood of vehicle causing multiple injuries.
7/14/2015	\$291,410.90	Fire	Employee was carrying EMS boxes to an emergency medical scene when he felt a pull/pain to his right lower back and right hip.
7/28/2015	\$283,953.48	Fire	Employee strained his back in a twisting motion while picking up his 38-pound bag.
4/13/2008	\$229,516.87	Patrol Services	Employee was entering vehicle when he felt sharp pain in back.
8/28/2015	\$95,107.22	Patrol Services	As employee was exiting patrol vehicle he extended his hand to push off the MDC and injured his right shoulder.
9/22/2004	\$74,447.68	Mounted Patrol	While riding PD horse during training, knee bumped by another horse.
10/16/2013	\$70,765.75	Fire	Employee was on transitional duty and was participating in training when he injured his right shoulder.
9/22/2011	\$70,389.32	Fire	Employee was participating in training and felt soreness in his left knee.
12/3/1993	\$67,626.00	Patrol Services	Employee testing for 'SWAT' tore a ligament in knee.
4/28/2009	\$59,832.16	Fleet Management Operations	Employee injured back when foot slipped while removing a tire.
1/26/2000	\$53,604.40	Office of the Police Chief	Left shoulder injured lifting weights.

4/2/2015	\$51,503.56	Special Investigations	Employee was assisting to control a combative subject, when she hurt her left arm and shoulder.
4/2/2015	\$45,323.12	Fire	While participating in physical training, employee injured right shoulder.
8/31/2015	\$41,742.73	Patrol Services	Employee training working out doing a military press and felt a pop in his right shoulder followed by sharp pain.
12/31/2015	\$39,655.15	Fire	Employee injured his back while on duty.
5/20/2015	\$36,662.93	Accounting	Employee was opening stairwell door when the handle came off and employee fell backwards injuring her left hand, left shoulder and left thigh/hip.
4/9/2007	\$33,467.68	Park Maintenance	Employee lifted a portable pitching mound and felt pain in lower back.
11/7/2015	\$33,016.87	Paiute Recreation Center	Employee running open recreation playing football and injured his right pinky finger
1/14/2016	\$32,648.12	Fire	Employee participating in training activities, lifting several heavy objects over his head injured his right shoulder.
10/28/2015	\$32,434.01	Patrol Services	Employee pinned suspect to the ground, suspect was struggling causing injury to the employee's his left arm and forearm.
	\$1,964,860.13		

The following table summarizes the remaining per claim payments:

Claim Payment Range	Number of Claims	Average Cost
\$30,000 to \$10,000	67	\$17,353
\$10,000 to \$5,000	55	\$7,260
\$5,000 to \$1,000	152	\$2,562
\$1,000 to \$1	176	\$346

One factor affecting the costs over projections is a larger than average number of surgical procedures. They included 9 shoulder surgeries, 2 multi-day lumbar back surgeries, 4 misc. back surgeries, 2 total knee replacements, 1 amputation, 1 misc. foot surgery, and 9 leg surgeries. Hospital, surgical, and surgical center charges are not capitated by state law and are among the more difficult for the medical bill review vendor to discount.