



MINUTES

**LOSS TRUST FUND BOARD MEETING
3939 N. Drinkwater Blvd.
City Attorney Conference Room
Scottsdale, Arizona 85251**

**Tuesday, February 4, 2020
5:00 p.m.**

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

STAFF: Katie Callaway, Risk Management Director
Lauran Beebe, Human Resources Manager
Lori Davis, Senior City Attorney
Diana Day, Assistant City Attorney
George Woods, Claims Manager

GUESTS: Charlie Broucek, Hays Companies

1) CALL TO ORDER

Chair O'Connor 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. Members introduced themselves.

OLD BUSINESS

- 1) Approval of the November 13, 2019 meeting minutes

Grammatical corrections were identified. It was also noted that minutes had the Chair and Vice Chair incorrectly identified.

DIRECTOR PERLOW MOVED TO APPROVE THE MINUTES OF THE NOVEMBER 13, 2019 MEETING AS PRESENTED. VICE CHAIR WELCH SECONDED THE MOTION, WHICH CARRIED BY A VOTE OF THREE (3) TO ZERO (0) WITH CHAIR O'CONNOR, VICE CHAIR WELCH AND DIRECTOR PERLOW VOTING IN THE AFFIRMATIVE WITH NO DISSENTING VOTES. DIRECTOR SMITH ABSTAINED. DIRECTOR BILOTTI WAS NOT YET PRESENT.

NEW BUSINESS

- 1) Welcome new member, Allan Smith

Chair O'Connor welcome Mr. Smith to the Board. Mr. Smith spoke a few words about his background.

Director Bilotti arrived at 5:07 p.m.

Attendees took a moment to introduce themselves.

- 2) Board elections for Chairman and Vice Chairman

Katie Callaway, Risk Management Director, addressed the relevant section of the trust, which directs that an election occur on a yearly basis.

DIRECTOR PERLOW MOVED TO NOMINATE RICHARD O'CONNOR AS CHAIR. DIRECTOR BILOTTI SECONDED THE MOTION, WHICH CARRIED BY A VOTE OF FOUR (4) TO ZERO (0) WITH VICE CHAIR WELCH, DIRECTORS BILOTTI, PERLOW AND SMITH VOTING IN THE AFFIRMATIVE WITH NO DISSENTING VOTES. CHAIR O'CONNOR ABSTAINED.

CHAIR O'CONNOR MOVED TO NOMINATE SUZANNE WELCH AS VICE CHAIR. DIRECTOR BILOTTI SECONDED THE MOTION, WHICH CARRIED BY A VOTE OF FOUR (4) TO ZERO (0) WITH CHAIR O'CONNOR, DIRECTORS BILOTTI, PERLOW AND SMITH VOTING IN THE AFFIRMATIVE WITH NO DISSENTING VOTES. VICE CHAIR WELCH ABSTAINED.

- 3) Review, discuss Fiscal Year 2020/21 medical plan premiums

Lauran Beebe, Human Resources Manager, provided an overview of the approval process. If no plan design changes are made, there will be an increase of \$1.9 million, or 6 percent. Several options have been identified for Fiscal Year 2020/21, one of which increases the out of pocket match on the two highest co-pay plans. These include a flat

\$2,500 out of pocket max for individuals. The middle plan, (OAP) has a \$750 deductible and a \$4,500 out of pocket match. The HSA plan includes a \$1,400 deductible and \$4,000 out of pocket max. Consideration was given to gradually increasing the out of pocket max to mirror the other plans. There was also discussion to increase specialist co-pay from \$40 to \$50. This change would impact approximately 8,300 visits by 2,600 members. Increasing the out of pocket max by \$500 would only affect 40 people. Overall, everyone agreed with the incremental increase. This is the tentative proposal to City Council.

Charlie Broucek, Hays Companies, stated that the analysis includes examining two and a half years of claims experience on the City's medical plan and pharmacy benefit plan. They compare this data to national trends. They utilized a 7.3 percent trend on the medical side and 9.7 percent on the pharmacy trend. Catastrophic insurance is purchased for stop-loss for any one claimant going above \$325,000. They normalize claim activity between \$100,000 and \$325,000 on any one individual. From a budgetary perspective and based on current enrollment, the total budget for 2019/2020 was \$32,118,000, with the City running on a 97 percent loss ratio on a year-to-date basis. The 6.1 percent adjustment would increase the total budget to \$34 million.

Ms. Beebe stated that the recommended option represents approximately \$70,000 in savings. In addition, mental health co-pays will be reduced. Around the nation, there is a renewed focus on mental health. There are currently five EAP visits per person before they go to a \$20 co-pay. A reduction to \$10 is proposed, which will not impact the plans. The plan will continue to have a \$120/\$240 incentive for completing the health risk assessment for employee and spouse, \$20/\$40 per month blood pressure incentive, health savings account contributions of \$500 for single and \$1,000 for child, spouse and family, continue the \$20 monthly tobacco surcharge, continue the Omada diabetes prevention program and the CIGNA One Guide Concierge Program.

Chair O'Connor requested clarification that OAP and Local Plus Programs are more costly to the City. Ms. Beebe confirmed this, stating that it is a 100 percent co-pay plan with the max at \$2,500. Chair O'Connor commented that the goal is to incentivize employees to take a more active role in managing their health costs. He asked whether the options proposed will counteract these efforts. Ms. Beebe stated that the population served is very risk-averse. They would much prefer to pay a co-pay and not worry about deductibles. There are 300 people enrolled in the HSAs, 69 percent of whom are enrolled in the co-pay plan.

Director Bilotti asked whether there is a rate impact with the reduction of the mental health co-pay. Mr. Broucek stated that they are not concerned that the \$10 change, based on the number of visits, will create a meaningful impact. Removing barriers to mental health care will lead to folks going in for care earlier than they would have otherwise.

Director Smith asked about the impacts/success of any wellness program incentives. Ms. Beebe stated that the City has a very robust wellness program, which is very well perceived. It focuses on five pillars: Community, safety, health, fitness and financial. There are several free-use gyms throughout the City. Employees can also use public facilities, with their only financial responsibility being the tax assessed on the service. In addition, the City has cooking demos, yoga, meditation, massage therapy, relaxation pods, financial counseling, including 457 plans. Free Fitbits are provided for the walking program. There are also raffle and competition drawings.

Director Perlow asked about the number of people who surpass the five to six EAP complementary visits. Ms. Beebe was unable to provide that exact statistic, however she noted that there is 16 percent utilization, which is one of the highest in the country.

Director Perlow noted that in all four of the options, the employees will have a slightly higher percentage increase than the City and he asked for the rationale behind the proposal. Mr. Broucek said this could be as a result of rounding.

Director Bilotti asked whether the overall increase is based on the midpoint of the premium per month increase multiplied over the amount. Mr. Broucek stated that it is based on actual enrollment.

Chair O'Connor asked for the City's recommendation for options and whether they are ranked by preference. Ms. Beebe stated that this is typically taken to the Total Benefits Advisory Committee. Employee feedback is considered by the Benefits Coordinating Committee, consisting of the executive directors and the City Manager. As the employees were in agreement on pursuing Option 2, they will likely be moving forward with this plan.

Director Perlow inquired as to potentially beefing up any of the wellness programs. Ms. Beebe stated the new full-time wellness staff person is currently looking outside the box at various options.

Chair O'Connor asked about additional HSA compensations to incentivize employees to move into the HSA program. Ms. Beebe said that was not discussed this year. Based upon the risk averse population, it is not likely that they would see a significant increase in enrollment. Mr. Broucek added that if a healthy individual with relatively low claims leaves the richest plan design and migrates to the HSA, what is potentially lost are the contributions being given on the OAP in-network plan as well as the \$500 given to the individual in first dollar coverage.

Director Bilotti inquired about demographic changes in the City workforce. Mr. Broucek stated that they have not done a demographic study. Ms. Beebe said the average age is in the low 40s. Director Smith commented that the notes from the prior meeting noted approximately 33 percent of the population with chronic disease and asked whether this is a normal distribution. Mr. Broucek said he would have to look at the context of the conversation, but depending on the number of chronic diseases being discussed, this is probably normal. Chair O'Connor noted that the discussion had a focus on smoking and blood pressure. Ms. Beebe added that they had also discussed pre-diabetes.

ADJOURNMENT

With no further business to discuss, being duly moved by Director Bilotti and seconded by Director Perlow, the meeting adjourned at 5:48 p.m.

AYES: Chair O'Connor, Vice Chair Welch, Directors Bilotti, Perlow and Smith
NAYS: None

SUBMITTED BY:

eScribers, LLC