

CENTENNIAL GILBERT·ARIZONA



Council Communication

TO: Honorable Mayor and Councilmembers

FROM: Kristen Drew, Deputy Chief People Officer, 503-6847

MEETING DATE: March 30, 2021

SUBJECT: Approval of Medical and Dental Plan premium rates, and plan design changes for FY2022.

STRATEGIC INITIATIVE: Prosperous Community

The Self-Insurance Trust Fund for Health Insurance Benefits is a self-funded approach to providing medical and dental benefits for employees that aligns with Gilbert's strategy to recruit and retain talented employees, who provide services, which maintain a prosperous community.

RECOMMENDED MOTION

A motion to approve the Medical and Dental Plan premium rates, and plan design changes for FY2022.

BACKGROUND/DISCUSSION

The Town Council authorized creation of a trust to self-insure employee health benefits effective July 1, 2003, and appointed a Board of Trustees to provide fiduciary oversight. The current Trustees are Chairman Anthony Panepinto; Mary Dellai, Gilbert citizen; Lindy Mitchell, Gilbert citizen; and Kelly Pfof, Director of the Office of Management and Budget. Councilmember Kathy Tilque is the Board Liaison. The Trustees meet at least quarterly, and annually consider reserve strength, staff recommendations, claims trends, and market factors to formulate annual premium recommendations and plan design changes to Council.

The Health Fund reserves are ideally kept at a minimum of 30% of operating expenses, which varies depending on claims, but is approximately \$6.6M - \$7M. The Health Fund has maintained minimum fund balance requirements since 2018 and is projected to continue to maintain minimum fund balance at the end of FY2021, however trends show a decline in future years if no action is taken.

During FY2021, the Covid pandemic affected the Health Fund with some unanticipated costs related to Covid testing and treatment, ranging from \$500K, as of November 30, 2020, to an anticipated \$1M by June 30, 2021. This was likely offset by medical procedures that were cancelled or postponed, also due to the Covid pandemic. In reaction to Covid, staff promoted tele-medicine opportunities, transitioned many wellness events to virtual, and increased promotion of Employee Assistance Programs, and tools for mental health and stress management. A Wellness Coordinator position was created to address chronic conditions, such as diabetes, high blood pressure, anxiety and depression, etc. to minimize the impact of manageable issues, and lessen the impact to the employee, their families, the organization, and the health fund.

Staff anticipates total claims for FY2021 to be approximately \$18.5M, and administrative fees to be \$1.5M, and expect to maintain minimum fund balance at year-end FY2021.

The forecast for FY2022 projects the Health Fund to decline below minimum fund balance due to specific factors of increased large claims, increased pharmacy costs due to large claims, costs of comorbidities affecting large claims, and stop loss fees related to large claim insurance. In FY2020, large claims exceeded \$4.3M and the fund received \$3.5M in stop loss reimbursements. In FY2021, the plan has 18 large claims to date, and received \$560K in reimbursements to date. Some of these large claims are one-time issues, and others are ongoing chronic conditions, with ongoing cost impacts on the fund.

Stop Loss Insurance allows the fund to manage and limit risk in regard to large claims to \$250K per diagnosis, with a \$125K aggregate plan deductible. The premium for the stop loss insurance has increased from \$450K in FY2020, to \$900K in FY2021, and we anticipate a premium of approximately \$1.4M in FY2022. Bids for Stop Loss Insurance typically are reviewed at the April Board meeting and will be on a Council agenda in May or June.

Staff works with Willis Towers Watson as the plan's broker, and Aetna as the plan's third-party administrator (TPA), to review trends and options for each plan year. Plan suggestions may come from employees, the broker, the TPA, or changing industry norms. Staff evaluates suggestions based on national and regional standards, alignment with peer organizations, and cost/benefit to the plan, and compliance with the Affordable Care Act (ACA) in determining recommendations for Gilbert.

There are three items that are required by the ACA to be covered on fully-insured health plans: Autism Spectrum Disorder (ASD), Gender Affirming Surgery (GAS), and Advanced Reproductive Technologies (ART). Although they are optional for self-insured plans, it is recommended to align with fully-insured plans for consistency when recruiting from the private sector. Gilbert added Autism Spectrum Disorder benefits in 2019 and has been

evaluating the other benefits and their impacts to the plan, in efforts to fully align with ACA requirements and peer organizations.

The recommendations below were presented to the Self-Insured Trust Board on January 27, 2021, where they confirmed that the plan design change does not cause substantive financial impact to the fund, and the premium rates recommended by staff are appropriate to maintain proper funding levels in the medical and dental funds.

Medical Plan and Premium Recommendations:

The Preferred and BannerSelect Plans will remain with the following changes to plan design:

1. **Gender Affirming Surgery** – This item is in response to aligning with standard plan coverages, as it is required by the Affordable Care Act (ACA), for all fully-insured plans, and covered by most of Aetna’s self-insured plans, throughout the nation. We trail several peer organizations in offering this service, including Chandler, Mesa, Tempe, Phoenix, and Scottsdale. Consistent and competitive plan benefits aids in recruiting efforts by the People Team as most of our peer organizations offer this coverage, and it aligns with the Town’s Diversity, Equity and Inclusivity efforts. Currently the plan covers hormone therapy and counseling related to gender dysmorphia, but not the surgery. This change would allow this benefit to be covered only after a multi-step process to identify medical necessity. The estimated cost for this item is \$75K, however this cost only occurs when the benefit it utilized. While the standard is to budget for one surgery per year, we anticipate less usage, so many years will see no cost impact. This plan design change does not have an impact on premiums.

Staff will continue to review the ART benefit in anticipation of recommending in a future plan year. There are no other suggested changes to co-payment, deductible, or out-of-pocket maximum amounts. The preferred Plan remains a national network and the BannerSelect Plan is a local narrow-network option. Both plans meet minimum requirements of the Affordable Care Act.

Neither the medical nor dental plans have experienced a premium an increase in four years.

Due to the specific factors related to large claims experienced in FY2020 and FY2021, staff recommends a 3% increase to the medical premiums. These rates are projected to maintain minimum fund balance for FY2022 and will be the first increase for the employee or General Fund contributions since FY2017. This is notable since nationwide trends have seen a premium increase of 5 – 10% annually. Rates are shown below for monthly and per pay period calculations. Benefit deductions are taken over 24 pay periods.

Active Employee Rates	FY2021 Monthly Premium	FY2022 Monthly Premium	Monthly Increase	Per Pay Period Increase
Preferred Plan				

Single				
Employee Cont.	\$113.45	\$116.85	\$3.40	\$1.70
Town Cont.	\$453.80	\$467.41	\$13.61	\$6.81
	\$567.25	\$584.26	\$17.01	\$8.51
Family				
Employee Cont.	\$322.11	\$331.77	\$9.66	\$4.83
Town Cont.	\$1,288.43	\$1,327.08	\$38.65	\$19.33
	\$1,610.54	\$1,658.85	\$48.31	\$24.16
Banner Select Plan				
Single				
Employee Cont.	\$46.72	\$48.12	\$1.40	\$0.70
Town Cont.	\$453.80	\$467.41	\$13.61	\$6.81
	\$500.52	\$515.53	\$15.01	\$7.51
Family				
Employee Cont.	\$132.63	\$136.61	\$3.98	\$1.99
Town Cont.	\$1,288.43	\$1,327.08	\$38.65	\$19.33
	\$1,421.06	\$1,463.69	\$42.63	\$21.32

Retiree Medical Premium Recommendation:

In 2015, Council approved the implementation of a phased increase to retiree rates in an effort to control the increasing post-employment benefit liability. This phased increase was completed in FY2020, resulting in retirees paying 125% of the medical premium. Staff continues to review actuarial reports annually to monitor the ongoing post-employment benefit liability, and the 3% increase is appropriate for retirees as well. The recommended rates for retirees for FY2022 are below:

Retiree Rates	FY2021 Monthly Premium	FY2022 Monthly Premium	Monthly Increase
Preferred Plan			
Single	\$709.06	\$730.33	\$21.27
Family	\$2,013.18	\$2,073.58	\$60.40
Banner Select Plan			
Single	\$625.65	\$644.42	\$18.77
Family	\$1,776.33	\$1,829.62	\$53.29

Dental Plan and Premium Recommendations:

Gilbert uses Delta Dental to offer PPO Premier dental plan. This quality plan offers stable claims trends, and there is no recommended change to plan design. Due to a surplus in the dental fund, a premium decrease of 5% is recommended.

The FY2022 rates for active and retired employees are below:

	FY2021	FY2022	Monthly
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	Monthly Premium	Monthly Premium	Decrease
Single			
Employee Cont.	\$8.08	\$7.68	(\$0.40)
Town Cont.	\$32.32	\$30.70	(\$1.62)
	\$40.40	\$38.38	(\$2.02)
Family			
Employee Cont.	\$22.87	\$21.73	(\$1.14)
Town Cont.	\$91.48	\$86.91	(\$4.57)
	\$114.35	\$108.63	(\$5.72)
Retirees			
Single	\$40.40	\$38.38	(\$2.02)
Family	\$114.35	\$108.63	(\$5.72)

Additional Information:

GilbertWellness is in its fifth year and supports the health fund by sharing information and events that improve awareness of healthy options for diet, exercise and stress reduction. The program adjusted to the pandemic by offering virtual events such as yoga, mindfulness, nutritionist sessions, and lunch and learn events. Step challenges are held quarterly and participation has grown to over 170 employees on 17 teams. Employee clubs, such as TOG Wheelers, Gilbert Trailblazers, and the Gilbert Book Club, continue to meet in a safe manner and hold events as appropriate, which drive employee engagement, and stress reduction.

The benefit of a successful wellness program can have a positive effect on the health fund, employee engagement, and improved productivity, all of which ultimately benefit the Gilbert citizens. In FY2020 staff identified six participants who were able to eliminate medications for chronic conditions (diabetes and hypertension) for an estimated claims savings of \$77K per year. Gilbert was recognized by Phoenix Business Journal as the #1 Healthiest Mid-Size Employer in the Valley. Recognizing the value of wellness, Aetna increased reimbursable wellness funds from \$50K to \$75K and reduced their admin fee by \$83K in support of a wellness coordinator position. Staff recently hired a Wellness Coordinator, Erica Brown, who is a Certified Corporate Wellness Specialist with a master's degree in Nutrition and Wellness. She will continue to focus wellness efforts with all town employees and dependents. Current wellness goals are created based on plan data and include increased awareness of resources and increased participation in preventive visits, which are predicted to help manage chronic disease and pharmacy costs.

Since recommended plan changes are minor, the open enrollment will be a passive process for employees, meaning employees only have to take action in the enrollment portal if they wish to make a change. Otherwise, current FY2021 benefits will continue for FY2022.

FINANCIAL IMPACT

The recommended changes and rate increase should be sufficient to maintain minimum fund balance at the end of FY2022.

The financial impact was reviewed by Carlos Lamkin, Management and Budget Analyst.

STAFF RECOMMENDATION

Staff recommends approval of the Medical and Dental Plan premium rates, and suggested plan design changes for FY2022.

Respectfully submitted,

Kristen Drew
Deputy Chief People Officer