

DRAFT

**MINUTES
HEALTH CARE BENEFITS TRUST
REGULAR SESSION
April 2, 2024
KACHINA CONFERENCE ROOM
11000 N. LA CAÑADA DRIVE**

REGULAR SESSION AT OR AFTER 10:00 AM

CALL TO ORDER

The meeting was called to order at 10:01 a.m.

ROLL CALL

Present: Frank Trembulak, Chair
Dave Gephart, Vice Chair
Harry Greene, Member
Mark Parston, Member
Jennifer Marek, Member

Staff Present: Jennifer Inboden, Board Secretary
Andrew Votava, Human Resources Director
Tobin Sidles, Legal Services Director
Oscar Diaz, CBIZ VP of Business Development
Sonya Martinez, CBIZ Account Executive

CALL TO AUDIENCE - There were no speaker requests.

REGULAR SESSION AGENDA

1. REVIEW AND APPROVAL OF THE FEBRUARY 20, 2024 REGULAR SESSION MEETING MINUTES

Motion by Chair Frank Trembulak, **seconded by** Vice Chair Dave Gephart to approve the February 20, 2024 regular session minutes.

Vote: 5 - 0 Carried

2. PRESENTATION AND DISCUSSION OF THE MEDICAL AND PHARMACY EXPERIENCE REPORT THROUGH FEBRUARY 2024

Oscar Diaz, CBIZ VP of Business Development, presented the most recent Medical and Pharmacy report. He started by reviewing the paid claims and administration information for all plans combined. He pointed out that there was a significantly lower amount of paid claims during the month of February: \$77,000 down from \$242,000 in January. The loss ratio for February was just 50%, tracking at 86.2% for

the expected claims liability two-thirds of the way through the plan year. There has not been any activity in stop loss recovery, which Mr. Diaz said was a good thing, meaning there had not been any claims large enough for the stop loss coverage to kick in. The claims and admin fees per employee per month (PEPM) costs are tracking at \$968, down from \$1008 two months ago. The budget is tracking at \$2.5 million or 88.8% which he said is great.

Mr. Diaz continued to review the report and focused on the High Deductible Health Plan (HDHP) which has just over \$1 million thus far this plan year for total claims and admin costs which is a 69% loss ratio against expected liability. The claims and admin fees PEPM costs are tracking at \$752. For the PPO Plan, total claims and admin fees are at \$1.5 million which is a 114% loss ratio against expected liability. Mr. Diaz reminded the trustees that it is typical for the loss ratio to be higher on PPO plans than on HDHP plans. The claims and admin fees PEPM costs are tracking at \$1,330.

Mr. Diaz reviewed the year-over-year comparison which includes a completion factor. At this point, CBIZ is expecting the plan to come in at \$3.76 million compared to \$3.6 million last year. This is a 1.6% increase PEPM from \$986 to \$1002. Because of the downward trend, assuming the same spend for the rest of the plan year, Mr. Diaz thinks the Town will finish the year right around \$986 PEPM. The forecast shows that the plan is on track to finish the year at 92.6% of budget.

Chair Trembulak asked why the paid medical claims were lower than usual. Ms. Martinez shared a thought that it could be due to the recent Change Healthcare cyberattack and a delay in processing claims.

Mr. Diaz finished by going over the large claims over \$50k report, and was pleased to report that there are currently no claims large enough to trigger stop loss coverage. Out of the four claims over \$50k, three are mitigated. The current large claim percentage of medical and Rx claims is 14% which is much lower than the typical 24-32%.

3. PRESENTATION AND DISCUSSION OF THE FUND BALANCE REPORT THROUGH FEBRUARY 2024

Vice Chair Gephart reviewed the fund balance partway through the third quarter. He also commented on how February was a low month for paid claims. The revenue over/(under) expenditures went from (\$25,596) in September to \$57,624 in December and was up to \$159,181 at the end of February, possibly because of the Change Healthcare hack. This brought the ending fund balance from \$2.9 million up to \$3.05 million at the end of February.

4. PRESENTATION AND DISCUSSION OF THE ANNUAL AUDIT

Vice Chair Gephart reported to the trustees that the annual audit for the year ending June 30, 2023 was completed in December. The self-insurance fund is included in this audit. The Town received a clean opinion. The auditors did not find anything to report on.

Chair Trembulak asked which auditing and accounting standards were used. Vice Chair Gephart answered that Government Auditing Standards were used.

5. PRESENTATION, DISCUSSION AND POSSIBLE ACTION ON RESERVE CALCULATION USING RENEWAL FIGURES FOR THE 2024-2025 PLAN YEAR

Mr. Votava, Human Resources Director, presented the reserve calculation utilizing the renewal figures for the 2024-2025 plan year. He explained that CBIZ prepares reports with actuarial rates for four tiers of the plan. This report is where he got the \$4.17 million figure for expected claims.

Mr. Diaz commented on the process that CBIZ follows. He noted that the Town is having a better year this year than last, and that the actuarial calculation looks back at 24 months and includes a weighting factor where the most recent 12 months are weighted more heavily.

Chair Trembulak asked if the forecast makes any assumptions for an increase in the number of employees. Mr. Diaz answered yes, but that it is only when there is above a 10% increase in participants

that any adjustments would need to be made. Mr. Votava added that the reserve calculation was based on the enrollment halfway through the plan year at the end of December.

Trustee Parston asked if the recent cyberattack would have an impact on rates and premiums. Mr. Diaz commented on the magnitude of United Healthcare and how any passing along of fees would be small.

Mr. Votava continued to review the reserve calculation and the other inclusions of PCORI fees, the employer paid health clinic, and the employer paid wellness incentives totaling \$4.5 million for the total annual expected internal service fund expenses. The calculated minimum balance for the reserve is \$2.25 million and the preferred balance is \$3.37 million. With the current cash balance in the fund of \$3.05 million, the fund balance is within that range.

Vice Chair Gephart commented on how nice it is to have a healthy reserve and to not have to play catch up.

Chair Trembulak asked what the next step would be after the reserve calculation is approved. Mr. Votava answered that a draft budget including the presented figures has already been prepared. He concluded by informing the trustees of the Town's goals to correlate the PPO and HDHP plans so that they are consistent, incentivize employees to move to the HDHP platform to promote consumerism, and improve wellness and incentives to encourage healthier behaviors.

Motion by Chair Frank Trembulak, **seconded by** Member Harry Greene to approve the Reserve Calculation for the 2024-2025 plan year.

Vote: 5 - 0 Carried

6. DISCUSSION AND POSSIBLE ACTION TO RESCHEDULE THE MAY 21, 2024 HEALTH CARE BENEFITS TRUST MEETING

Motion by Chair Frank Trembulak, **seconded by** Vice Chair Dave Gephart to reschedule the May 21, 2024 meeting to June 4, 2024.

Vote: 5 - 0 Carried

ADJOURNMENT

Motion by Chair Frank Trembulak, **seconded by** Vice Chair Dave Gephart to adjourn the meeting at 10:48 a.m.

Vote: 5 - 0 Carried

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the regular session of the Town of Oro Valley Health Care Benefits Trust held on the 2nd day of April. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this 4th day of April, 2024.

Jen Inboden
Human Resource Analyst