LMBC Meeting Minutes

August 20, 2024
Zoom Meeting
Attendance
Compiled by Santos Aguilar

LMBC Members present
Tom Armstrong – Present
Jamie Doscher – Present
Blake Dye – Present
Vince Elmore – Absent
Kim Epling – Present
Margaret Evans – Present
Leslie Goodlow – Present
Casey Hettman – Absent
Claire Houston – Present
Rob Hutchens – Present
Lex Jakusovszky – Absent
Michele Juon – Absent
Nick Kreimeier – Present
Isaac Mclennan – Present
Nicole Powell – Present
Jenny Scott – Present
Amy Tuttle – Absent
Carolyn Welch – Present
Rachel Whiteside – Present
Ron Zito – Absent

Staff
Michelle Taylor
Santos Aguilar
Heather Holz

Presenters
Megan Poppe (Aon)
Nicole Persson (Aon)

1. **Call to Order:** Co-Chair Rachel Whiteside called the meeting to order at 1:33pm.

2. **Meeting Minutes:** Minutes from the July 16, 2024 meeting were reviewed.
Rachel asked if the percentage of opt-outs listed in Aon's analytic tool was updated. Michelle Taylor mentioned the percentage in previous minutes seemed high, as it should be in the single digits. Nicole Persson clarified that while going through the Aon analytics tool, there was no way to differentiate who is all waiving coverage based on the census data provided. Rachel recommended to mention in the minutes that the opt out percentage includes people who would not have been eligible and there is no way to pull them out of the data. Rachel is okay with making the correction to the prior minutes and approves to send out to the committee. No objections from other committee members.

3. **Stop Loss, Reserves, and Persona Examples – Aon**

   Megan Poppe introduced this agenda item.

   Nicole Persson provided an overview of reserves and stop loss explaining their purpose and why they are important. Stop loss is used to help protect the plan from catastrophic claims. How it works on the healthcare side of things is when you have an individual within the City's self-funded plan who experiences a claim over $1.2 million, the plan (City) would pay a maximum of $1.2 million, and the stop loss kicks in and pays any additional amounts. It is becoming more common for people to reaching this threshold. If the City were to have no cap on the stop loss, there's no limit and the worst Nicole has seen is $14 million in claims for an individual. Having claimants in the $3-$5 million is becoming more common to

be reached every 2-3 years. Rachel asked Nicole to clarify if they stated claims of $3-$5 million is common for a group the City's size. Nicole responded stating it is becoming more and more doable. There are gene and single therapies costing about $3 million for one dose. This puts the City immediately into the stop loss cap. It used to be more difficult to reach the threshold but now with some of the medications, it is easy to get to even half-way through some of these limits. Nicole stated it is easier to reach the threshold where we see about 2 people reaching this. The City should expect to see 1-2 people reach this, but in a bad year, you can see more. Stop loss is there to take on some of the liability and keep the City protected from some of these top spends. Aon is seeing more and more technology that gets plans to these limits.

Jenny Scott asked if Aon could talk about the first sentence of reserves (*In Aon PowerPoint: Primary purpose is to pay active claims and provide sufficient funds to cover incurred but not paid claims expenses should the City's self-insured plan terminate*) and provide an example of when a City employee's claim would dip into the reserves; and if it applies to Moda and Kaiser. Nicole responded stating the City pays Kaiser a fixed amount in premium known going into the plan year and is based on tier (single, 2-party, family) level. Variations happen upon tier changes during the plan year and claims are capped there. Claims are taken out of the premiums collected by Kaiser. On the Moda side, because the City is self-insured, the budget rate is going to the pool. Employee and employer amounts go into this pool but then the claims portion has lots of variations during the year. Claims are the bulk of the costs. Current trend is about 10-12% and so you want the reserve to have what you foresee paying in claims and for increases in utilization, large claims. The City is responsible to pay the claims and have the funds on hand to pay the claims. That's why it's important for the City to have adequate reserve levels to protect any unforeseen large claims.

Megan clarified there is no cap on how much someone can spend in claims, such as a lifetime plan maximum. This went away years ago per the Affordable Care Act. Reserves is like a bank account to pay the claims. The stop loss helps protect the plan against catastrophic claims.

Nicole Persson provided an overview of historical reserve levels compared to RBC. Post COVID, utilization was suppressed between some increases in utilization and rate buydowns and the City has seen the reserves drop because of these factors. The City is at about 100% RBC, which is below Aon's recommendation of cash to have on hand. Nicole is anticipating this being lower than 100% at the end of the 2024-25 plan year. The City will need to build reserves in future years to ensure it's solvent and can continue to pay claims.

In general, it is not expected for the plan to recover in stop loss. When you have a higher stop loss threshold, you could have more money in recoveries but would have been paying more in stop loss premiums. The City saved ~$55,000 at the current $1.2 million stop loss level compared to the $1 million level. It is preferable to pay less in premium and expect more in recoveries. Stop loss looks at the long-term average, keeps the plan protected and helps smooth out the spend over time.

Rob Hutchens asked Aon for some historical information on stop loss and how often is that negotiated. Nicole responded this is negotiated every year during renewal. The City can go out for bid at any time and will do so when they don't believe the renewal rate is fair. Rob asked Aon to clarify the savings for the year and Aon confirmed it would be approximately $280k depending on covered head counts during the year.

Megan with Aon also shared that even though the City may get a more favorable rate by marketing stop loss, the carrier could put in a "laser" on coverage which is not favorable to

the plan. Right now, the City does not have “lasering” on the plan. Aon stated the City would want to avoid this when looking at other carriers.

Megan Poppe provided persona examples comparing someone’s annual income to plan cost-shares.

As a follow up from previous committee conversations, there was interest in better understanding how plan cost share changes impact people in various income ranges. For these examples, Aon used four different salaries and displayed the information in various ways to illustrate the differences.

Example 1: Someone making $24 per hour ($50,000 annual income) enrolled in the CityCore plan with a $250 deductible and $1,800 out of pocket maximum would pay about 0.5% of annual income towards deductible and 3.6% of annual income towards out-of-pocket maximum. At family level deductible, it would cost someone 1.5% of annual income while out of pocket maximum would cost someone 10.8% of annual salary. Increasing the deductible to $350 and out of pocket to $2,000 would have translated to a cost reduction of about 0.8% for the plan in claims savings, while increasing the deductible to $500 and out of pocket maximum to $2,000 would have resulted in a cost reduction of about 1.4% to the plan.

A reminder was shared that employees can contribute up to $3,200 on a pretax basis for the year for healthcare expenses to help offset eligible out of pocket expenses.

Example 2: Someone making $38.50 per hour ($80,000 annual income) enrolled in the CityCore plan with a $250 deductible and $1,800 out of pocket maximum would pay about 0.3% of annual income towards deductible and 2.3% of annual income towards out-of-pocket maximum. At family level deductible, it would cost someone 0.9% of annual income while out of pocket maximum would cost someone 6.8% of annual salary. Increasing the deductible to $350 and out of pocket to $2,000 would have translated to a cost reduction of about 0.8% for the plan in claims savings, while increasing the deductible to $500 and out of pocket maximum to $2,000 would have resulted in a cost reduction of about 1.4% to the plan.

Example 3: Someone making $48 per hour ($100,000 annual income) enrolled in the CityCore plan with a $250 deductible and $1,800 out of pocket maximum would pay about 0.3% of annual income towards deductible and 1.8% of annual income towards out-of-pocket maximum. At family level deductible, it would cost someone 0.8% of annual income while out of pocket maximum would cost someone 5.4% of annual salary. Increasing the deductible to $350 and out of pocket to $2,000 would have translated to a cost reduction of about 0.8% for the plan in claims savings, while increasing the deductible to $500 and out of pocket maximum to $2,000 would have resulted in a cost reduction of about 1.4% to the plan.

Example 4: Someone making $57.70 per hour ($120,000 annual income) enrolled in the CityCore plan with a $250 deductible and $1,800 out of pocket maximum would pay about 0.2% of annual income towards deductible and 1.5% of annual income towards out-of-pocket maximum. At family level deductible, it would cost someone 0.6% of annual income while out of pocket maximum would cost someone 4.5% of annual salary. Increasing the deductible to $350 and out of pocket to $2,000 would have translated to a cost reduction of about 0.8% for the plan in claims savings, while increasing the deductible to $500 and out

of pocket maximum to $2,000 would have resulted in a cost reduction of about 1.4% to the plan.

When salaries increase, the cost to someone with higher salaries cost less than to those with lower salaries.

Megan presented another method to further understand cost members for healthcare compared for when they begin incurring claims.

For a single enrollee with low utilization, someone that goes in for a preventive care visit, one lab work, a general office visit and receives some generic medications, would have a total cost of about $675 with a member cost share of $29 under the CityCore plan. Under Kaiser, it would cost the member about $185. For a single enrollee with high utilization, someone that goes in for a preventive care visit, a lab work, a few office visits, some generic medications, some preferred brand name medications, and an inpatient hospital stay of a few days, would have total cost of about $45,000 with a member cost share of $1,800 under the CityCore plan. Under Kaiser, it would cost the member about $415 out of pocket. Looking at this based on income, similar as before, as salaries increase, percentage of out-of-pocket costs to the member decrease in relation to income.

Something to note in comparing the plans, is someone that is a low utilizer pays more for Kaiser than the self-insured plan. Someone that is a high utilizer pays less for Kaiser than the self-insured plan.

Isaac Mclennan commented that these examples are eye openers and was curious to understand what a medium City plan utilizer would look like from an out-of-pocket cost perspective. Aon responded they wanted the committee to see the low end and the high end. On the high end, Aon wanted to show this particularly because everything exceeding the annual max becomes the plan's responsibility. Rachel asked if members are closer to the lower or higher end utilizers. Megan responded stating they could provide more information soon, as the 2023-24 plan year is still paying out claims. Michelle Taylor asked the committee to clarify if they were wanting utilizer information specific to employees or all plan participants. Isaac responded stating the entire population should be included since they all make up the City's plan.

Megan moved onto an example of an individual covering their family.

For a family enrollee with low utilization, each family member that goes in for a preventive care visit, one lab work, a general office visit and receives some generic medications, would have a total cost of about $1,285 with a member cost share of $34 under the CityCore plan. Under Kaiser, it would cost the member about $190. For a Family enrollee with high utilization, each family member that goes in for a preventive care visit, a lab work, a few office visits, some generic medications, some preferred brand name medications, and an inpatient hospital stay of a few days, would have total cost of about $54,950 with a member cost share of $2,493 under the CityCore plan. Under Kaiser, it would cost the member about $770 out of pocket. With contributions factored in, it would cost an employee about $3,200 under the CityCore and about $1,467 under Kaiser.

Claire commented these examples were fantastic and really helps put things into perspective. She asked if there would there be any clear patterns or trends of who are high utilizers, such as income levels. Megan responded stating Aon does not have data with

salary information, nor does Moda; so that cannot be answered at this time because the data (salary/utilization) doesn't cross paths at this time.

Nicole from Aon commented that in generally thinking about the market, they don't typically see utilization and salary correlated. Aon may see patients deferring services such as knee, hip, surgeries. Also, individuals can have more than one income and there are social determinants of health that could have an impact.

4. Demo of Aon Analytics - Aon

Megan wanted to bring back the Aon analytics due to some committee members being out during the prior meeting and giving those who saw it last month time to digest. Megan asked the committee if they'd like to do a refresher or do an orientation of the model first so all can understand how the tool works. Rachel suggested Aon provide an overview of the tool.

Nicole Persson provided the overview on the Aon analytics tool. Aon has a tool that helps us understand how components of an individual (age, salary, status, etc) impacts satisfaction based on health plan packages. The data used was collected from Aon surveying many people. Overall, the satisfaction score is 91 at this time with current health plan options. This is the highest Aon has seen. Even with decent changes to increased deductibles and out of pocket maximum, satisfaction score is at 85 and still high.

Michelle commented that she was unable to attend the last meeting, but heard the request for information on what plan design changes have been made over the years. Michelle shared a list of historical changes to the committee via email.

Nicole P. provided examples such as changes to the deductible and out of pocket maximum proposed by Moda last year; the Aon tool show these changes provide savings to the plan with no impact to overall plan member satisfaction. If the City was to make changes to Kaiser deductibles more in line with the self-insured plan, the satisfaction score remains higher than other plans.

Megan asked Nichole P. what the 2025 renewal guestimate would be if we were looking at renewal now. Nichole P. responded at we would be seeing a 12%-15% increase range. We are going to be at a starting point of 4%-6% plus a trend of 8%-10%. Megan asked this question because she said it would be helpful for all to start thinking and understanding the changes that help shave off some rate increases.

Claire asked Aon when the City anticipates receiving renewal estimates and if there is any deadline for Moda and Kaiser to provide their renewals. Megan responded stating the Kaiser renewal usually comes in December and that is the soonest it can be done based on plan experience. Nicole P. commented for Moda, a preliminary number might be provided earlier but it would be an estimate and would require a second round of underwriting review later to make sure trend is met so the plan is not underfunded for the following year. Megan followed up by clarifying if Aon provided a preliminary in early November, it would only include 3 months of claims data, which is less than desired.

Tom Armstrong commented this is all great information and had a suggestion for Michelle. He recommended this information be presented to the budget office. There is only so much

we can do on the plan design side to shift costs and encouraged Michelle to schedule meetings with budget office. Michelle responded that BHR is in conversations with the budget office and sharing information with them. Michelle believes they are getting closer to a budget number which would be shared with the committee.

Tom also asked if we are getting feedback from employees about the surcharge. Michelle responded stating approximately 60% of employees completed their enrollment online, so they saw it there. Additionally materials included verbiage related to the surcharge. Each time employees get paid, there is a wave of employees contacting our office and BHR is doing their best to explain this is a one-year band aid.

Rachel commented there is only so much the committee can do with the Aon tool through smaller plan design changes. If the City is expected to cut several percents instead of a couple percents, what else can be considered. Rachel is interested to see alternative options at a future meeting.

5. **Facilitator for Committee and Schedule – Michelle Taylor**

   Michelle informed the committee that one of things for the September and October Meetings will include bringing in a facilitator, Meredith Holley. Something that Meredith will do is meet with management in one group and another, separate session with the labor folks to gather common interests and identify where things break down. The hope is to extend the September and October LMBC meetings from 1-4pm so there is time for this facilitation to occur.

   Leslie wanted to clarify if we were starting earlier or extending. Michelle responded both, that the next two meetings would run from 1pm through 4pm. Leslie stated she would need to attend part of October via phone due to a conflict.

   Rachel let the committee know the Labor group is scheduled to meet with Meredith on Tuesday, September 10th for an hour. Rachel will send an invite to the labor folks.

   Rachel asked Michelle to send an updated invite for the September and October LMBC meetings and may need to be hybrid for those who cannot make it in person. Michelle confirmed this would be done shortly after the meeting ended.

   Leslie shared that Management is meeting with Meredith on August 26th11am-12pm.

6. **Other Business**

   None

7. **Public Comment**

   None

8. **Next Meeting**

   - September 17, 2024, 1pm-4pm. Will be hybrid, in person preferred.

9. Meeting was adjourned at 3:03p.m.