LMBC Meeting Minutes
October 15, 2024
Zoom Meeting
Compiled by Maria Xiong

LMBC Members:
Amy Tuttle, Mgmt - Present
Carolyn Welch, PPA-BOEC- Present
Casey Hettman, PPCOA- Present
Claire Houston, PCL- Present
Erich Pacheco (for Blake Dye), Mgmt- Present
Isaac McLennan, PFFA- Present
Jamie Doscher, Rec - Absent
Jenny Scott, City Auditor's- Present
Kim Epling, Mgmt- Present
Leslie Goodlow, Mgmt- Present
Lex Jakusovszky, Mgmt- Present
Margaret Evans, Mgmt- Present
Michele Juon, Mgmt – Absent
Nick Kreimeier, DCTU - Present
Nicole Powell, Mgmt- Present
Rob Hutchens, PFFA- Present
Ron Zito, Mgmt- Present
Tom Armstrong, Mgmt- Present
Vince Elmore, IPR- Present
Rachel Whiteside, PTE17- Present

Guest Presenters:
Mike Jordan, City Administrator
Jonas Biery, Deputy City Administrator for Budget & Finance
Tracy Warren, BHR Director

Facilitator: Meredith Holley

Aon:
Jennifer Weddle
Megan Poppe

Staff:
Michelle Taylor
Anne Hogan
Maria Xiong

1. Budget Update and best practices

Jonas Biery presented a high-level overview of the FY 25-26 budget, indicating an anticipated budget gap of 5% or more, based on guidance previously communicated by the mayor during the fall budget review. Citywide costs are increasing without a corresponding rise in revenue. Key contributing factors include rising healthcare and benefit costs, inflation, and the end of one-time funding sources. A fiscal outlook work session is scheduled for Tuesday to provide further analysis, with the mayor expected to release the budget with proposed reductions and new processes next week.

Michael Jordan emphasized the need to prepare for the mayor's proposal next spring and expressed gratitude for the ongoing efforts of the LMBC group. It was noted that estimates won’t be available until at least December, and significant cost increases are expected. The group was encouraged to consider various scenarios for managing these costs given the

changes in elected officials and to explore alternatives to ensure the city can afford the best healthcare coverage possible.

Erich Pacheco raised a question about adjusting property tax revenue to accommodate cost increases, to which Jonas clarified that potential increases would be minimal due to declining property values. Pathways exist for tax levy requests, but these are challenging and not immediate solutions.

Michael Jordan provided context on the City's overall budget which is approximately $8.2 billion. The conversation touched on the impact of in-house versus external utility operations on budgeting. Discussion included an inquiry about the City's "no new taxes" directive. Historical references were made to past healthcare reform attempts and the ongoing national issues related to healthcare costs.

Jenny Scott inquired about how the city determines the percentage for healthcare cost increases in the budget. Jonas Biery explained the need for a balance between realistic projections and the City's competing priorities, noting that healthcare costs are rising faster than overall City costs, which are projected at 2-3% compared to 8% or more for healthcare.

2. Current claims trend and actions needed

Michelle Taylor reported that early projections indicate 18% increase in costs, highlighting the need to monitor trends over the coming months due to potential fluctuations in either direction. In November, Kaiser will present utilization data that will inform the renewal rate expected in December. At the December meeting, Moda and Express Scripts will present their data, allowing insights into high utilization areas to help develop packages targeting increases of 8%, 10%, 15%. Michelle T. encouraged team members to prepare specific questions for these meetings to ensure timely data requests. Rob Hutchens raised concerns about long-term trends and the effects of previous buy-down strategies. Michelle T. attributed the unexpected increase to rich plan design, national trends, and a convergence of healthcare issues.

Erich Pacheco emphasized the need for equitable healthcare costs based on employees' ability to pay, reinforcing points made that include premiums, copays, and deductibles. To illustrate this, Paul Cone provided the example of union dues being a percentage of employees' income. Michelle highlighted the City has the added layer to work with premium percentages being embedded in collective bargaining contracts, but the idea offers a valuable perspective and could be used as part of the overall strategy. Leslie Goodlow cautioned against assuming that higher earners can bear greater costs, while Megan Poppe stressed that managing claims costs represents the larger issue. In support of equitable contributions, Claire Houston advocated for a percentage-based approach for benefits, particularly for higher earners. Finally, Rachel acknowledged the need for substantial changes to address the static nature of deductibles, expressing concern that even with substantial changes to out of pocket maximum, we would still be below our target.

Michelle Taylor noted that AON has a data analytics tool to help visualize changes to copays and their levels, to which this information was shared twice over the summer. She emphasized the need for a multipronged approach to plan design, using the example of an 8% cap, especially given last year's difficulties with a 1.5% cap. Claire Houston inquired about the implications of reductions and how much each percentage represents, to which Michelle T. responded that 1% has an approximate value of $1 million. Tom Armstrong suggested that historical data on copays and inflation would be beneficial and questioned whether copays should increase with cost-of-living adjustments (COLA). Michelle also raised the idea of gradually increasing out-of-pocket costs over time rather than waiting for the need to make drastic changes, while Meredith asked what costs would look like if they tracked with COLA so the City is looking at this as a takeaway. Michelle T. highlighted the importance of choice for employees and discussed how collaboration with other entities might diminish that value. Partnering with other entities could reduce the City's ability to have a say in coverage levels, rates, and plan options. Megan Poppe noted the risk perspective of having both closed (like Kaiser) and open (like Moda) benefit systems. She explained that in a closed system, the risk of high-cost claims does not fall on the City, while in a self-insured plan, the City benefits during underbudget years but faces losses in challenging years. Rachel Whiteside expressed concerns about being upsold on new programs and would like to see data related to the cost savings and outcomes of programs moved forward by LMBC.

3. Update on tasks from last meeting

All members present agreed to add the definitions and acronyms document onto the LMBC web page, accessible by the public.

Rate history was updated with a new "Buy Down" column added to the rate history spreadsheet, specifically for the self-funded tab. Once we reach a certain actuarial level, the City will buy down a portion of the premium increase due to high reserve levels. This practice, which has been regularly utilized the past, ensures that Bureaus and plan participants will not bear the burden of the increase. Note that reserves do not apply to Kaiser, as it operates on a fully-insured basis.

Other jurisdiction plan design and collaboration options: HR is comparing other jurisdiction insurance plans and will share this with the committee once available. Michelle encouraged the LMBC group to conduct further research. In reviewing preliminary information with one group, the lowest out-of-pocket expense on the Kaiser plan was $1,500, while the richest PPO had a $2,250 out-of-pocket maximum, with monthly premiums higher than those of the City.

Meredith Holley inquired about potential cost reductions as a result of pooling with other groups. Michelle Taylor responded that while a larger pool could mitigate risks associated with high claims costs, it's challenging to provide definitive answers. A concern to emphasize is that collaborating with another group could reduce the City's control and limit opportunities in plan design. The State offers two PPO options: Synergy (OHSU/Legacy) and Providence, compared to the City offering Connexus which includes Providence, OHSU, Legacy and Adventist.

In general, investing in primary care can provide valuable results and data has shown a return of a $13 reduction in care cost per every dollar spent. This highlights the ongoing value of primary care and the current Preventive Care Initiative which requires employees to complete a qualified exam once every two calendar years. Michelle Taylor discussed a recent article highlighting generational trends in primary care usage, emphasizing the importance of building relationships in healthcare early on.

The group expressed enthusiasm for the onsite/near-site clinic concept as a long-term strategy. There needs to be considerable discussion about its costing, implementation, location, and projecting a two-year setup and a five-year plan to assess its impact on claims and member experience. Continuing this conversation seemed valuable amongst the committee. Rob Hutchens asked about the city's population within a five-mile radius, and Michelle Taylor mentioned they are analyzing member locations and collaborating with AON, Moda, and Kaiser. Data would be looking at home address, worksite location, and current distance between employee and their existing primary care.

Rachel Whiteside requested data on specialty programs previously implemented by the Labor Management Benefits Committee, to assist with determining effectiveness. Michelle Taylor stated that AON is working with Express Scripts and Moda to address high claims and program value, while Rachel asked about standard audit periods, to which Michelle replied the City continuously assesses value and presents recommended changes as part of this committee. Michelle also stated the City should be reviewing cost and member safety.

4. Values Discussion

Meredith Holley introduced the concept of having dedicated individuals to represent the values and articulate their importance as recommendations are considered. One approach could be to designate an officer(s) focused on each quality, equity, and value. This person would bring specific expertise and focus to future discussions. Another idea is to explore how to effectively represent more complex values, such as financial responsibility, in these dynamics. What might this designation look like?

The conversation moved to the value of quality within the City’s benefits, highlighting several key points. The group discussed the importance of offering benefits that are both competitive and innovative, with an emphasis on providing clear information about available options.

Consistency and stability were also crucial, as many committee members feel employees should start with the benefits offered at the time of hire, ensuring any proposed significant changes are clearly communicated. Tom Armstrong emphasized that consistency means avoiding abrupt changes, such as dropping significant benefits such as networks. Rachel echoed the importance of maintaining consistent benefit offerings. Discussion ensued related to the use of “promised” related to benefits. Erich Pacheco noted the need to adapt to changing circumstances, including intergenerational equity issues. Megan Poppe added that external national or legislative changes could impact benefits, which are beyond the City's control.

In terms of effectiveness, Ron Zito cautioned against labeling benefits as "cutting-edge", suggesting this could be misleading. Margaret Evans emphasized the need for solid, competitive coverage rather than just cutting-edge options as it may not meet needs. Isaac McLennan expressed concern that the focus should be on meeting market needs rather than merely being competitive.

Ron suggested that benefits should be both competitive and comprehensive, while Michelle T. highlighted the importance of aligning benefits with participants' needs. Erich concluded by stating that addressing individual needs is essential for equity.

5. Budget discussion

Erich Pacheco inquired about the presence of a representative from the city budget office. Michelle Taylor noted there are currently no official committee members from the budget office, they are invited to the meeting and will likely be attending in the future. Carolyn Welch raised concerns about the cost of the new council and how this impacts the overall budget outlook, and Kim Epling discussed how the budget process would change given the new structure, seeking information on how to stay updated on these changes and their impact.

Isaac McLennan pointed out that budget and decision prioritization would ultimately be the council's responsibility and questioned how the group could enhance communication with them. Rob Hutchens expressed frustration over the lack of attention given to the group's recommendations last year, raising concerns about who has authority. Michelle clarified that committee recommendations are presented to the council, who has the ultimate budget authority. Tom suggested that in case of a deadlock, two reports could be submitted to the council. Rachel added that a quorum for recommendations moving forward to Council requires a75% vote in favor by the committee. Meredith discussed strategies for managing voting deadlocks.

Tracy Warren reminded the group about the budget note that needs to be addressed, emphasizing the importance of making a commitment to work towards a recommendation in January. This timeline differs from the typical process and requires the group to adapt its approach to honor this request. Michelle T. dropped the budget not verbiage in the chat:

> The budget note serves as a policy directive in the adopted 2024-25 budget. It states: "Continued Collaboration on Future Health Insurance Cost Solutions. In January 2024, the Bureau of Human Resources (BHR) discovered that the City's employer-paid insurance costs would increase by 12.9% for the LMBC and 18.2% for the PPA, significantly exceeding the City's budgeted increase of 5%. To maintain the same level of employee coverage as in the previous fiscal year, the Council approved a temporary solution using one-time funds and an employee surcharge for FY 2024-25. Additionally, labor and BHR committed to developing a long-term solution that ensures sustainable, solvent, and competitive benefits in the face of rising national trends in health insurance costs. As a result, the Mayor has directed BHR, City leadership, and labor unions to

collaborate on a sustainable recommendation for the Council's approval, addressing rising health insurance costs for the City's employer-paid benefits by January 2025."

Tracy explained this budget note is in response to the costs associated with the letters of agreement signed by LMBC. Given the existing target goal of providing an 8%, 10%, 12%, and 15% options, she emphasized the need for the committee to continue working towards multiple options for Council consideration. During the discussion, Isaac proposed increasing the current and future healthcare cost calculation within the budget, allowing the committee to manage fluctuations more effectively over time. Erich Pacheco supported this idea, likening it to the budgeting practices for water and sewer services, where forecasts must align with actual needs to avoid inadequate rates.

Meredith Holley emphasized the importance of having CBO representation present in discussions. Tom Armstrong mentioned the need to adjust overhead costs as part of baseline assumptions. Carolyn Welch advocated for forward-thinking recommendations, and Jenny Scott highlighted the necessity of involving the budget office in the meetings.

Nick Kreimeier raised concerns about deadlock situations, suggesting processes to resolve them, while Meredith Holley proposed a structured approach to voting during deadlocks to facilitate consensus. Tracy recommended focusing on long-term costs when designing plans, recognizing that expenses are likely to rise.

Rob Hutchens and Megan Poppe further clarified that while cost distribution may vary, the overall expenses remain consistent with shifting premiums from the City to employees. If the City moved to a salary based premium, Michelle suggested locking in rates similar to what is currently practiced for long-term disability insurance given the changes in employee salary throughout the year. Tom emphasized the need for accelerated decision-making to provide timely information to the budget office, while Rachel noted that submitting recommendations early could allow for revisions if necessary. The group also discussed the possibility of extending meeting lengths in November and December to accommodate vendor presentations. Michelle Taylor responded she would extend out the time in November, look for a different time in December due to bargaining dates, and review the contract with Meredith to see if there were available funds to keep facilitation offerings through the calendar year.

6. Public comment: None

Meeting adjourn 4:00 PM