



Employee Benefits

Client Service Strategy

January 23, 2024



Agenda

- ▶ State of the Market
- ▶ 2024 Renewal Decision Recap
- ▶ 2024/2025 Initiatives/Considerations
- ▶ Timeline

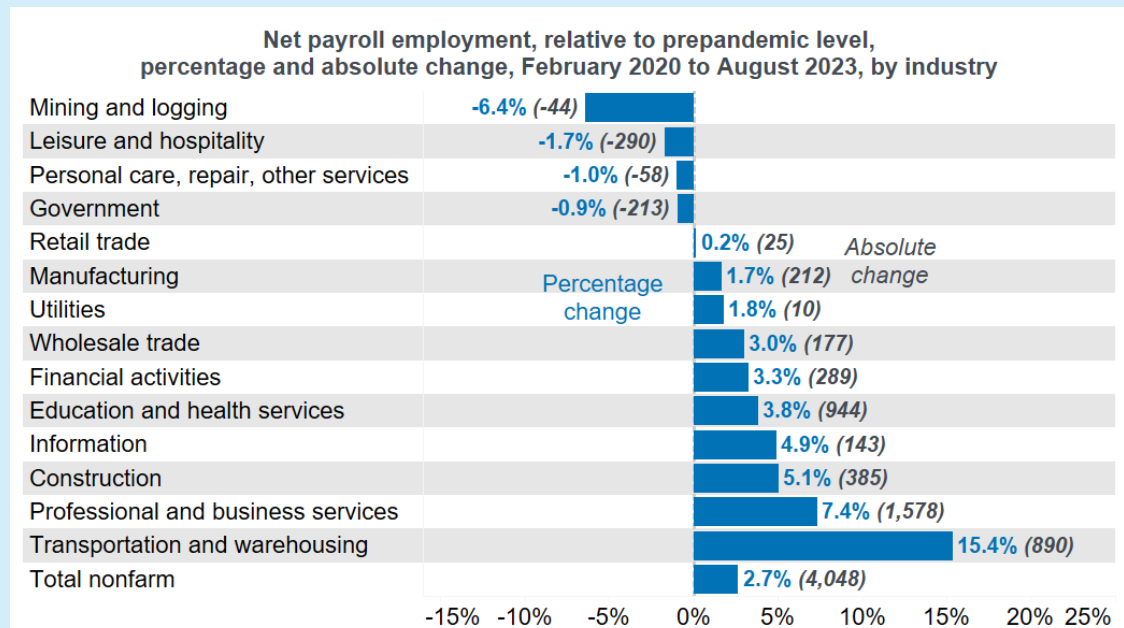


State of the Market

National Employment Trends by Industry

- Large variations in employment by industry since the pandemic
- Government is in the category for taking the longest to recover.

NET PAYROLL EMPLOYMENT PRE AND POST PANDEMIC (FEB, 2020-AUG, 2024) BY INDUSTRY



Source: US Bureau of Labor Statistics

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Economic Market considerations

- Economists continue to closely watch, unemployment, inflation and spending
- Speed & consistency...healthcare cost history, what lays ahead
- Long-Covid continues to impact individuals and therefore employer health plans, overall expected trend impact is 1-2%, while health plans don't see this as the major driver of medical cost trend of '24.
- Covid vaccines (boosters) are no longer subsidized or offered by the federal government
- Political impact of upcoming elections, legislation and regulatory decisions
- The labor market

Local Market Considerations

- Providence Health Plan & Health System continues to make waves in the market
 - Network negotiations
 - Launch of their health plan in Washington
- Kaiser
 - Tough renewals and future trends

2024 Average Regional Cost Trends:

Product	Fully Insured	Self Insured
Medical	10-12%	8-10%
Pharmacy	8-13%	8-11.5%
Dental	4-6%	4-6%
Vision	2-3%	2-3%

Health Care Considerations

- Price inflation, still primary driver for inpatient hospital, physician and overall trends.
- Trend and cost drivers - supply shortages still impacting providers and hospitals
- Continued demand for mental health and substance abuse support
- New treatments and technologies
- Trends for self-funded plans are expected between 8 to 10%, while specialty drug trends are almost 15% with increased utilization and new drugs to market.
- ER costs have decreased, while utilization has gone up over 6%
- US Life expectancy is taking hits in certain markets
- Hybrid, remote, in-office, the workplace location continues to dominate the conversations while there are employers/employees that never had choice, those that went remote - the question is how often, and how to get these employees in the office



2024 Renewal Decisions & Final Financials

2024 Medical/Rx/Vision/Dental Renewal Recap

Plan	Decision/Outcome	Percentage Increase and Estimated Annual \$ Increase
Regence Medical/Rx VSP Vision	<p>Renewed with no changes to plan designs (both PPO and HSA) or employee contributions</p> <p><i>Total premium (budget) includes all fixed costs and projected claims expenses.</i></p> <ul style="list-style-type: none"> • <i>Regence ASO Fee: +2.24%</i> • <i>VSP ASO Fee: No change, in rate guarantee</i> • <i>Voya Stop Loss Fee (below)</i> 	<p>+9.3% +1,107,461 over 2023</p>
Voya Stop Loss	<p>Renewed with no changes to contract.</p> <p><i>Stop Loss was marketed to all best-in-class carriers and there were no competitive quotes to replace Voya.</i></p>	<p>+50%; Rate Cap +\$485,514 over 2023 *Includes 2 lasers</p>
Delta Dental of WA Dental	<p>Renewed with no changes to plan designs or employee contributions</p> <p><i>Total premium (budget) includes all fixed costs and projected claims expenses.</i></p> <ul style="list-style-type: none"> • <i>Delta Dental ASO Fee: +2.24%</i> 	<p>+4.3% +42,991 over 2023</p>
Kaiser Medical/Rx/Vision	Renewed with no changes to plan designs or employee contributions	<p>+18% +\$61,910 over 2023</p>
Kaiser Dental	Renewed with no changes to plan designs or employee contributions	<p>-2.0% -\$380 over 2023</p>

Self-Funded Plan Expense Overview

City of Vancouver - Health Plan Expense Dashboard

January 1, 2022 - December 31, 2023



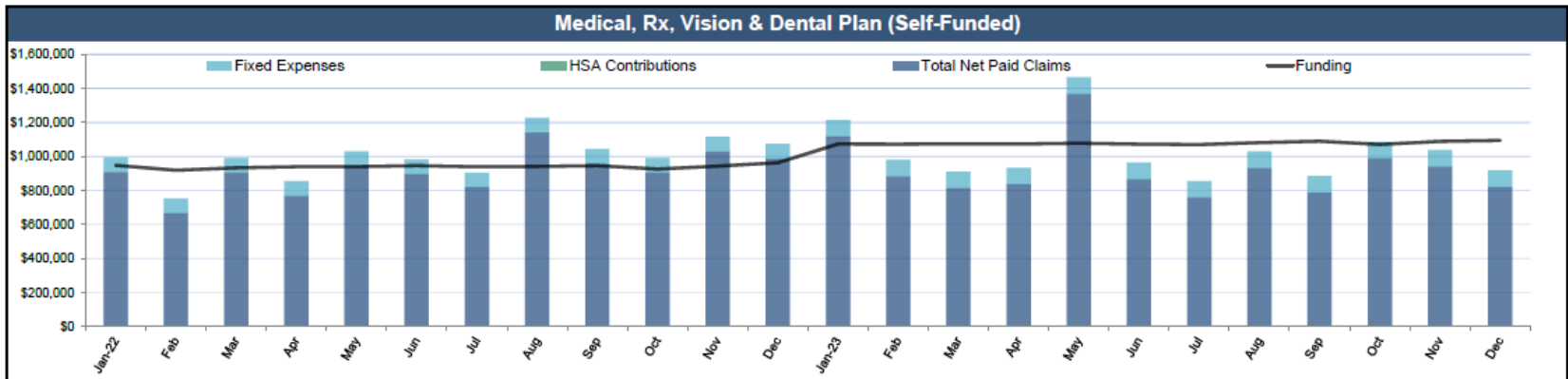
Funding Ratio			
Total Expenses/Budget			
	1/22 - 12/22	1/22 - YOY	1/23 - YTD
Medical, Rx & Vision	106.5%	106.5%	94.8%
Gain / (Loss)	(\$670,213)	(\$670,213)	\$615,548
Dental	96.2%	96.2%	96.9%
Gain / (Loss)	\$36,467	\$36,467	\$32,674
Vision	147.8%	147.8%	92.1%
Gain / (Loss)	(\$42,213)	(\$42,213)	\$11,281
Total Plans (Combined)	106.0%	106.0%	94.9%
Gain / (Loss)	(\$675,959)	(\$675,959)	\$659,504

Total Expenses PEPM			
Claims + Fixed			
	1/22 - 12/22	1/22 - YOY	1/23 - YTD
Net Medical	\$1,274.69	\$1,274.69	\$1,072.92
Rx	469.64	469.64	569.54
Vision	20.87	20.87	19.33
Dental	104.41	104.41	108.05
HSA Contributions*	45.21	45.21	47.29
Total	\$1,914.81	\$1,914.81	\$1,817.13
Current YTD Vs Prior YTD			-5.1%
Current YTD Vs Prior Plan Year			-5.1%

*Per employee per month; Total is per medical enrolled employee

Total Expenses			
Claims + Fixed			
	1/22 - 12/22	1/22 - YOY	1/23 - YTD
Net Medical	\$7,969,347	\$7,969,347	\$7,265,797
Rx	2,936,176	2,936,176	3,856,899
Vision	130,451	130,451	130,927
Dental	927,464	927,464	1,028,438
HSA Contributions*	282,625	282,625	320,250
Total	\$12,246,062	\$12,246,062	\$12,602,312

*Funding Ratio Does Not Include HSA Contributions Starting in 2022



Number of Large Claims			
	1/22 - 12/22	1/22 - YOY	1/23 - YTD
>\$100,000	14	14	11
\$50,000 - \$99,999	19	19	23
\$25,000 - \$49,999	52	52	45

Top Large Claim Amounts		
	YTD Amount	Relationship
Individual A	\$1,632,436	Subscriber
Individual B	405,134	Spouse
Individual C	339,558	Subscriber

Self-Funded Large Claim Highlights

Per Individual ¹	2019	2020	2021	2022	2023
>\$100,000 Paid	7	12	12	14	11
>\$50,000 to \$100,000 Paid	12	18	18	19	23
>\$25,000-\$49,999 Paid	41	38	38	52	45
Total	60	68	68	85	79

2024 Lasers (amount over \$275,000 Deductible that CoV is at risk for):

Initiatives Considered in 2023 for 2024

Initiative	When Discussed	Comments (Implemented?)
Employee Contribution Strategy Change	✓ All of 2023	<ul style="list-style-type: none"> • Looked at benchmarking collected from other cities in the State of Washington as well as other entities that the City competes with on a more local basis. • Based on results, it was found that the City charges its employees much more overall for both employees and employees with dependents. • Due to timing with unions and collective bargaining, <u>no changes were implemented for 2024.</u>
Plan Design Changes on both Regence and Kaiser	✓ All of 2023	<ul style="list-style-type: none"> • In order to lower overall costs to both the City and employees going forward, plan changes were reviewed • Looked at benchmarking collected from other cities in the State of Washington as well as other entities that the City competes with on a more local basis. • Based on results, it was found that the City is in line with most other entities. • Due to timing with unions and collective bargaining, <u>no changes were implemented for 2024.</u>
Change the Current FTE Breakdown for Rates	✓ All of 2023	<ul style="list-style-type: none"> • In order to simplify and ease administration • Currently, FTE rates are broken out by .05 increments. • Benchmarks show increments are variable within other organizations, but all show bigger spread between each increment (i.e., .50, .75, 1.0 or .50, .60, .70, etc.). • Due to timing with unions and collective bargaining, <u>no changes were implemented for 2024.</u>



Benefit Strategy and Initiatives

2024 Compliance Initiatives

Initiative	Goal/Explanation	Notes/Timing
Coordinate Non-Discrimination Testing for Applicable Plans	<ul style="list-style-type: none"> ✓ Continued compliance that there is no discrimination of highly compensated or key employees on the plan. 	<ul style="list-style-type: none"> • Section 125 – Includes premiums, Flexible Spending Account (FSA), Health Savings Account (HSA) • Section 105(h) – for the self-insured health plan
Coordinate Non-Qualified Treatment Limitations (NQTL) Testing	<ul style="list-style-type: none"> ✓ The Consolidations Appropriations Act, 2021 (CAA) enacted in December 2020 amended the Mental Health Parity and Addiction Equity Act of 2008 by requiring self funded plans to conduct a comparative analysis of any non-quantitative treatment limitations. 	<ul style="list-style-type: none"> • Regence: will provide the data for the analysis within 45 days of DOL/IRS audit (they will not be performing the test) • Cost is about \$10,000 annually
RxDC Reporting Deadline is June 1, 2024	<ul style="list-style-type: none"> ✓ The Consolidations Appropriations Act, 2021 (CAA) enacted in December 2020 where insurance plans must submit information about Prescription Drugs to CMS. 	<ul style="list-style-type: none"> • Fully insured plans do not need to worry (Kaiser is handling this on their client's behalf) • Regence has filed on behalf of groups that use their services. If a portion is carved out, it is the responsibility of the health plan. • DBP will monitor this task with Regence and report completion to CoV
Report and Pay PCORI Fee Deadline is July 31, 2024	<ul style="list-style-type: none"> ✓ Employers with self-insured health plans must pay an annual fee to fund the Patient-Centered Outcomes Research Institute (PCORI). 	<ul style="list-style-type: none"> • Fully insured plans do not need to worry • DBP will provide the information for CoV in July to file the IRS Form 720 and pay the correct fee
Submit Gag Clause Attestation Deadline is December 31, 2024	<ul style="list-style-type: none"> ✓ A federal transparency law requires health plans to submit attestations of compliance with the prohibition on gag clauses by Dec 31 each year. 	<ul style="list-style-type: none"> • Both Kaiser and Regence will provide the information to confirm they are in compliance and CoV must submit the attestation on the CMS website. • DBP will monitor this task with both carriers

2024 Plan Reporting Initiatives

Initiative	Goal	Notes and Timing
<p>Plan Analytics Report Review (PlanIT)</p>	<p>✓ Identify patterns of utilization, areas of concern, top conditions and plan performance <i>for just the self-funded plan (Regence)</i></p>	<ul style="list-style-type: none"> • Report will include data incurred in 2023 • Due to runout on payment of claims, the report cannot be completed until May 2024
<p>Vendor Utilization Reporting (Regence and Kaiser)</p>	<p>✓ Identify patters of utilization, areas of concern, top conditions and plan performance with <i>each medical/rx provider separately (both Regence and Kaiser)</i></p>	<ul style="list-style-type: none"> • Includes the medical director's analysis of the data • Schedule these presentations for May/June 2024 • Regence is already scheduled for June 14th

2024 Initiatives - Plan Changes for 2025

Initiative	Goal	Notes and Timing
Analyze Potential Plan Changes to both Regence and Kaiser	<ul style="list-style-type: none"> ✓ Cost containment ✓ To stay in line with benchmarking of other public agencies (in appendix) 	<ul style="list-style-type: none"> • Things to look at include – <ul style="list-style-type: none"> -Increase deductible -Increase OOP Max -Increase copay(s) and/or coinsurance on specific benefits • Review carrier utilization reports to pinpoint high utilization areas and/or high-cost areas on the plan • Analysis will be ongoing, but goal is to have decision on options to consider by May.
Change Employee Contribution Amounts	<ul style="list-style-type: none"> ✓ Simplify for ease of communication and administration ✓ To get more in line with benchmarks of other public agencies 	<ul style="list-style-type: none"> • Represented Employees: The relevant contracts say that the City will absorb 5% of the increasing premium each year and the remainder of the increase is passed on to the employee (otherwise silent on rates). • Affects AFSCME, JLC and Fire Marshal groups • Last consideration was “employee only 5% and employee + dependents 20%”. • Analysis will be ongoing, but goal is to have decision on options to consider by May.
Change the Current FTE Breakdown for Rates	<ul style="list-style-type: none"> ✓ Simplify for ease of administration 	<ul style="list-style-type: none"> • Currently, FTE rates are broken out by .05 increments. • Benchmarks show increments are variable within other organizations, but all show bigger spread between each increment (i.e., .50, .75, 1.0 or .50, .60, .70, etc.).
Stop Loss Marketing	<ul style="list-style-type: none"> ✓ Potentially choose a new stop loss carrier in order to contain costs ✓ Eliminate lasered members while keeping fixed costs down 	<ul style="list-style-type: none"> • Send out RFP for stop loss in August 2024 • Preliminary quotes will be available early Sept • Lock in of new rates/contract will require data through September; mid-October decision to finalize funding rates



Next Steps....

2024 Action Timeline (DRAFT)

Action	Timing	Decisions need to be made
Update of Benchmarking	February	
Employee Contribution Change Discussion	February – May	May – Have options to show unions
Plan Change Discussion	February – May	May – Have options to show unions
FTE Change Discussion	February - May	
Carrier Utilization Reviews	June	
Regence Self-Funded Plan Projections	June – October Preliminary; without final SL will start in June	
Kaiser Renewal	July 1	
Plug in final Kaiser options	July - August	October
Plug in Regence options	July – September/October	October
Plug in contribution options	July – September/October	October
Market Stop Loss	August	
Regence ASO Renewal and Summary of Changes	August/September	September
Stop Loss Decision – Finalize Rates Using Claims Data through August	September 16-27	
Stop Loss Decision – Finalize Rates Using Claims Data through September	October 14-25	
Open Enrollment (Dependent on Finalization of Rates)	October - November	Depends on when stop loss is finalized



Appendix

-Past Initiatives Considered

Past Initiatives Considered (1)

Initiative	When Discussed	Comments (Implemented?)
Dialysis Cost Containment Program - Renalogic	✓ August 2018	<ul style="list-style-type: none"> Did not implement due to the possible disruption to members and possible legal issues
Second Surgical Opinion Service – MOREHealth	✓ August 2018	<ul style="list-style-type: none"> Did not implement due to the added communications necessary to engage people in the program (as it is voluntary)
Concierge App Option/Communications Technology	<ul style="list-style-type: none"> ✓ August 2018 ✓ August 2019 	<ul style="list-style-type: none"> Did not implement due to the expense of the program
Carveout Vision from Regence and Self-Fund Directly with either VSP or EyeMed (Regence was changing their vision plan which would change the benefits for members)	✓ August 2018	<ul style="list-style-type: none"> <u>1/1/2019</u> - implemented a self-funded vision plan with VSP Able to mirror current plan; minimal disruption for members Savings to vision plan year over year
Self-fund the Delta Dental of WA plan	✓ August 2018	<ul style="list-style-type: none"> <u>1/1/2019</u> - implemented a self-funded dental plan with Delta Dental of WA Est Savings = \$85,000 Annually
Add MedSavvy	<ul style="list-style-type: none"> ✓ August 2018 ✓ August 2019 ✓ August 2020 	<ul style="list-style-type: none"> <u>1/1/2020</u> – implemented; savings estimated to be about \$34,000 annually There was very low engagement Relaunched in the program in July 2020 Decision to terminate the program effective 1/1/2021
Site of Infusion Therapy	✓ August 2018	<ul style="list-style-type: none"> <u>1/1/2019</u> – implemented due to savings of about \$40,000 annually and the patient experience would improve with this model

Past Initiatives Considered (2)

Initiative	When Discussed	Comments (Implemented?)
Carveout Rx Program	<ul style="list-style-type: none"> ✓ August 2018 ✓ August 2019 	<ul style="list-style-type: none"> • Did not implement due to the disruption to the members (formulary) • Saving at the time was approximately 37%/\$680,000 • Continue to review and negotiate with Regence on current Rx program (savings has been \$72,000 for 2019 and \$85,000 for 2020)
Telehealth (Doctor on Demand)	<ul style="list-style-type: none"> ✓ August 2018 ✓ August 2019 ✓ August 2020 	<ul style="list-style-type: none"> • Did not initially implement due to availability of other virtual and nurse on demand services • <u>9/1/2020</u> – implemented off renewal due to the pandemic and the increase access to remote care
Livongo (Diabetes Management Program)	<ul style="list-style-type: none"> ✓ August 2018 ✓ August 2021 	<ul style="list-style-type: none"> • Did not implement due to the addition communication effort (as it is a voluntary program)
Change Emergency Room Copay from \$100 to \$250	<ul style="list-style-type: none"> ✓ August 2020 	<ul style="list-style-type: none"> • <u>1/1/2021</u> – Implemented change due to industry standard being higher than \$100 and to decrease use of ER in the future
Life/DI Review	<ul style="list-style-type: none"> ✓ August 2020 	<ul style="list-style-type: none"> • Did an UW audit and based on the review, the prior claims experience suggested that there were savings available. Life rate was reduced by -5.6% • Did an audit of current salaries and updated the LTD options with new benefit maximums for each class
mycovbenefits.com – employee benefits portal	<ul style="list-style-type: none"> ✓ September 2020 	<ul style="list-style-type: none"> • Purchased the domain through GoDaddy. DBP will continue to manage the site, but it is owned by COV • <u>10/1/2020</u> – implemented

Past Initiatives Considered (3)

Initiative	When Discussed	Comments (Implemented?)
MedSavvy Relaunch and Termination	<ul style="list-style-type: none"> ✓ July 2020 (Relaunch) ✓ January 2021 	<ul style="list-style-type: none"> • Based on the result of the relaunch, it was determined to eliminate the program due to the continuation of low engagement. • Employees who were participating were sent communication about the program ending effective January 1, 2021.
Ended Grandfathered Rx	<ul style="list-style-type: none"> ✓ January 2021 	<ul style="list-style-type: none"> • Completed the process with Regence to stop allowing members to get certain scripts without a preauthorization • Regence communicated with those affected by this change by sending them a letter in September 2020

Past Initiatives Considered (4)

Initiative	When Discussed	Comments (Implemented?)
<p>Covid-19 Plan Updates</p>	<p>✓ 2020-2021 ✓ 2022</p>	<ul style="list-style-type: none"> • Completed temporary changes to FSA and Dependent Care programs due to employees not working or working remotely (including increasing the carry over to \$550; permanently) • Completed change to plan to cover COVID-19 testing at no cost to employees (including HSA plans without any risk to the plan) • Completed change to plan to cover COVID-19 treatment at no cost (ended once the Washington Emergency Order ended (Kaiser eliminated this 7/1/21, Regence eliminated this 9/30/21) • Completed adding new language and additional coverage for telehealth services • COVID-19 testing, and telehealth service coverage were added to the plan permanently • Biden Administration released guidance to cover up to 8 OTC Covid-19 Test Kits per member every month up to \$12/test. The coverage was effective on 1/15/22.