

Employee Benefits

2025 Client Service Strategy

March 5, 2025



Agenda

- ▶ State of the Market
- ▶ 2025 Renewal Decision Recap
- ▶ 2025/2026 Initiatives/Considerations
- ▶ Timeline



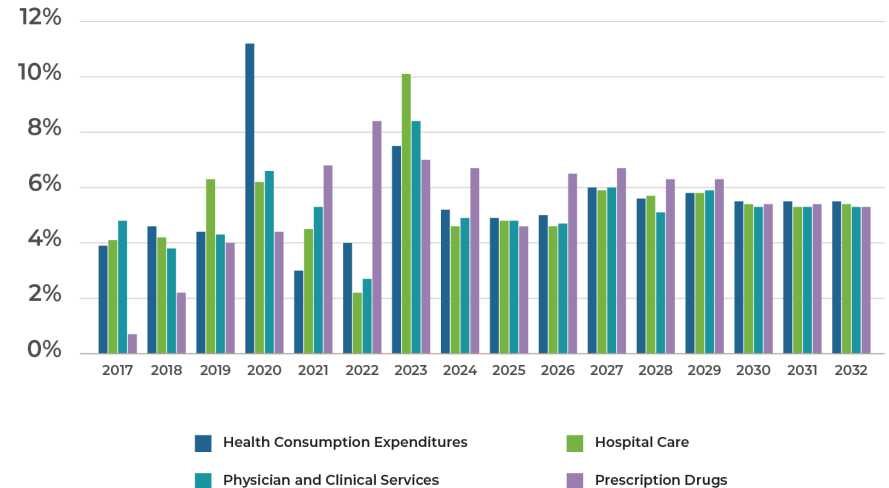
State of the Market

Market Trends

The cost of healthcare continues to rise and is outpacing GDP

- Healthcare spending rising at 5.6% annually, outpacing real GDP growth, expected to be 1.9% in 2025
- Projected to reach \$6.2 trillion by 2028
- Cost increases driven by:
 - Pharmaceuticals, hospitalization, physician care, prescription drugs and excessive administrative costs
 - Industry consolidation in the provider space:
 - Over 2,000 hospital mergers since the late 1990s
 - Consolidation impacts contract negotiations, inflating prices (50% of health plans surveyed).
- Unsustainable for employers without intervention

National Health Expenditure Annual Percent Change by Type of Expenditure: Calendar Years 2017-2032



Source: <https://www.cms.gov/data-research/statistics-trends-and-reports/national-health-expenditure-data/projected>

Health and Benefit Trends

- Health system consolidation and price increases are driving premium increases
 - Health prices can vary significantly between providers (Rand study)
 - Cancer expense is the number one cost driver for many employers
 - **Specialty drugs** are top cost drivers
 - Emerging gene therapies are very expensive
 - Supply Shortages hit 10 year high
- Fundamental provider payment reform is necessary, but insurers are not motivated to change
 - **Provider contracting** / Network disruption
 - Insurer / Health System contracts have limited identification and tiering of the best doctors
 - Insurer mark-up on prescription drugs is a huge source of their earnings
 - Shared Savings Contracts
- Access to Primary Care physicians is a growing concern
 - Site of care
 - Remote workplace locations may heighten care gaps
 - **Healthcare Staffing Challenges/Provider Consolidation**
- ER visits are down but ER costs up +6.2% per visit (Segal)
- Health system navigation is difficult
- Population Health declining
 - aging population
 - **Rise in obesity**
 - Continued demand for mental health and substance abuse support
 - Growing rise in **chronic conditions** that are driving high-cost claims.

By the Numbers

Trend for Self-Funded plans

8-9%

Trend for Fully-Insured plans

10-11%

Specialty drug trend

13-15%

Emergency room costs

+6%

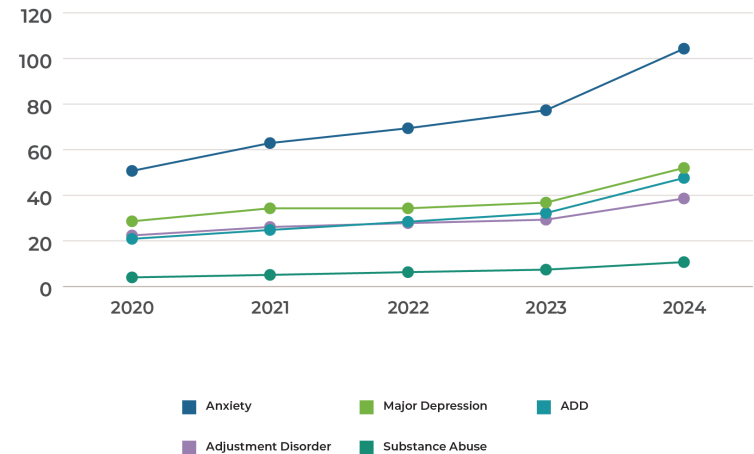
....captive concepts have flooded the market as employers look for ways to share good/bad years

Market Trends

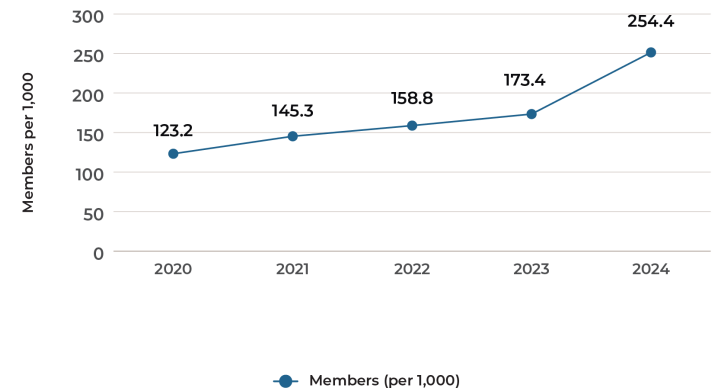
Continued increase in need for mental and behavioral healthcare

- Mental illness prevalence in U.S. adults increased from 19% (2020) to 23% (2024).
- Substance use disorder:
 - 18% of adults experienced a substance use disorder in the past year.
 - 77% of these individuals did not receive treatment.
- Suicide concerns:
 - 5% of adults reported serious thoughts of suicide in the past year.
 - Among youth, this number rises to 13%.
- Mental and behavioral health service demand has been climbing since 2020, and the upward trajectory continues into 2024.

Prevalence of Mental Health Diagnosis per 1,000 members



Total Mental Health Prevalence Year over Year





2025 Renewal Decisions & Final Financials

2025 Medical/Rx/Vision/Dental Renewal Recap

Plan	Decision/Outcome	Percentage Increase and Estimated Annual \$ Increase
Regence Medical/Rx VSP Vision	<p>Renewed with plan changes to both PPO and HSA. Additionally, changed employee contributions to 10%/20%</p> <p><i>Total premium (budget) includes all fixed costs and projected claims expenses.</i></p> <ul style="list-style-type: none"> • Regence ASO • VSP ASO • Sun Life Stop Loss Fee (below) 	<p>PPO - +3.11% HSA - +5.85%</p>
Sun Life Stop Loss	<p>Initiated a new contract with Sun Life.</p> <p><i>Received a +50% to prior Voya contract. Therefore, the Stop Loss was marketed to all best-in-class carriers and the decision was made to move to Sun Life on 1/1/25. They included one laser for \$1.3M.</i></p>	<p>Without laser the fixed costs decreased -8.3% from current; when including the laser, the total financial risk still decreased to +22.9%</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"> • Delta Dental ASO Fee 	<p>-0.70%</p>
Kaiser Medical/Rx/Vision	<p>Renewed with plan changes to both HMO and HSA. Additional changed employee contributions to 10%/20%</p>	<p>HMO - -0.41% HSA - +3.37%</p>
Kaiser Dental	<p>Renewed with no changes to plan designs or employee contributions</p>	<p>-2.0%</p>

Self-Funded Plan Expense Overview

City of Vancouver - Health Plan Expense Dashboard

January 1, 2023 - December 31, 2024



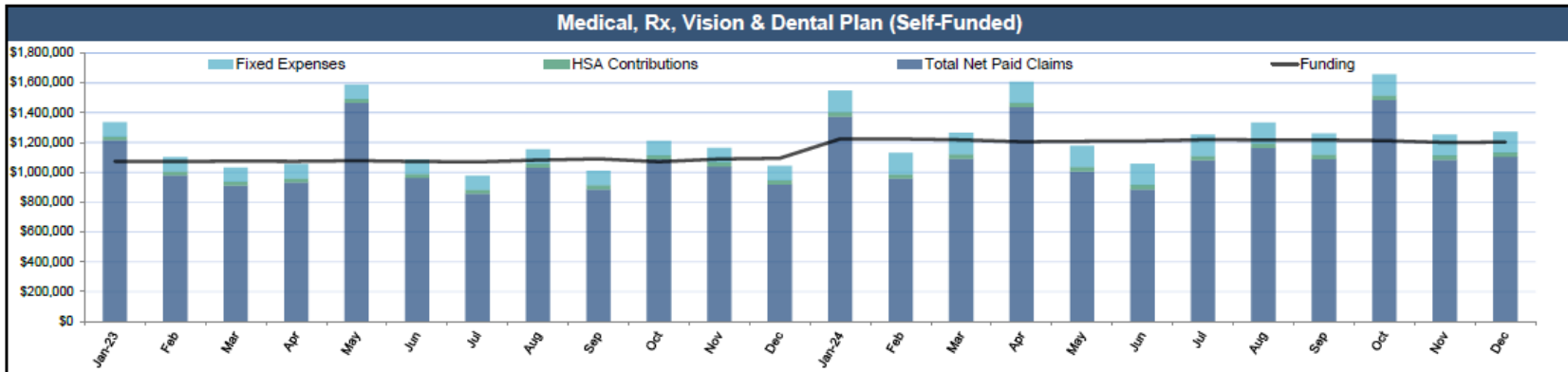
Funding Ratio Total Expenses/Budget			
	1/23 - 12/23	1/23 - YOY	1/24 - YTD
Medical, Rx & Vision	94.8%	94.8%	94.7%
Gain / (Loss)	\$615,549	\$615,549	\$702,756
Dental	96.9%	96.9%	92.5%
Gain / (Loss)	\$32,674	\$32,674	\$86,270
Vision	92.1%	92.1%	93.3%
Gain / (Loss)	\$11,281	\$11,281	\$10,200
Total Plans (Combined)	94.9%	94.9%	94.5%
Gain / (Loss)	\$659,504	\$659,504	\$799,226

Total Expenses PEPM Claims + Fixed			
	1/23 - 12/23	1/23 - YOY	1/24 - YTD
Net Medical	\$1,072.92	\$1,072.92	\$1,226.58
Rx	569.54	569.54	522.80
Vision	19.33	19.33	19.71
Dental	108.05	108.05	107.92
HSA Contributions*	47.29	47.29	50.21
Total	\$1,817.13	\$1,817.13	\$1,927.20
Change			6.1%

Per employee per month; Total is per medical enrolled employee

Total Expenses Claims + Fixed			
	1/23 - 12/23	1/23 - YOY	1/24 - YTD
Net Medical	\$7,265,797	\$7,265,797	\$8,798,242
Rx	3,856,899	3,856,899	3,750,014
Vision	130,927	130,927	141,345
Dental	1,028,438	1,028,438	1,065,905
HSA Contributions*	320,250	320,250	360,125
Total	\$12,602,312	\$12,602,312	\$14,115,630
Change			12.0%

*Funding Ratio Does Not Include HSA Contributions Starting in 2022



Number of Large Claims			
	1/23 - 12/23	1/23 - YOY	1/24 - YTD
>\$100,000	11	11	12
\$50,000 - \$99,999	23	23	27
\$25,000 - \$49,999	45	45	53

Top Large Claim Amounts		
	YTD Amount	Relationship
Individual A	\$2,468,175	Employee
Individual B	411,897	Spouse
Individual C	220,962	Employee

Self-Funded Large Claim Highlights

Per Individual ¹	2020	2021	2022	2023	2024
>\$100,000 Paid	12	12	14	11	12
>\$50,000 to \$100,000 Paid	18	18	19	23	27
>\$25,000-\$49,999 Paid	38	38	52	45	53
Total	68	68	85	79	92

Initiatives Considered for 2025

Initiative	When Discussed	Comments (Implemented?)
Employee Contribution Strategy Change	✓ All of 2024	<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. • 1/1/25 - Implemented a change to contributions to a straight 10% employee only and 20% for dependents.
Plan Design Changes on both Regence and Kaiser	✓ All of 2024	<ul style="list-style-type: none"> • 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. • 1/1/25 - Implemented plan changes to both Regence and Kaiser (to both plans offered by each carrier).



Benefit Strategy and Initiatives Going Forward

2025 Initiatives for 2026 – RFP's

Initiative	Goal	Notes and Timing
RFP for <u>Medical/Rx/Vision</u> Third Party Administrator Services And Fully Insured	<ul style="list-style-type: none"> ✓ Cost containment ✓ Least amount of disruption ✓ Narrow network option ✓ Possibly integrating vision benefits 	<ul style="list-style-type: none"> • Send out RFP by 3/5/25 • Preliminary proposals will be available 3/26/25 • Need to include provider disruption reporting, overall network changes and estimated pricing • Review analysis, pick top 3 respondents to interview • Conduct interviews • Decisions by 6/1/25 • Implementation 6/15/25 through 9/15/25
RFP for <u>Dental</u> Third Party Administrator Services	<ul style="list-style-type: none"> ✓ Cost containment ✓ Least amount of disruption 	<ul style="list-style-type: none"> • Send out RFP by 4/1/25 • Preliminary proposals will be available 4/15/25 • Need to include provider disruption reporting, overall network and estimated pricing • Analysis, pick top 3 respondents to interview • Decisions by 6/1/25 • Implementation 6/15/25 through 9/15/25
RFP for <u>Stop Loss</u>	<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 by 9/1/25 • Preliminary quotes will be available mid Sept • Lock in of new rates/contract will require data through September; mid-October decision to finalize funding rates
RFP for <u>FSA/Dependent Care/HSA</u> Services	<ul style="list-style-type: none"> ✓ Cost containment ✓ Better service ✓ Include HSA 	<ul style="list-style-type: none"> • Send out RFP by 4/1/25 • Preliminary quotes will be available 4/15/25 • Analysis and review, possible interviews • Implementation 6/15/25-9/15/25
Implement Additional <u>Mental Health</u> Services	<ul style="list-style-type: none"> ✓ Increase access and more immediate care for all employees 	<ul style="list-style-type: none"> • RFP was sent out late December 2024 • Most preliminary quotes are available now • Analysis and review, possible interviews • Implementation • Mid-year effective date?



Next Steps....

2025 Action Timeline (DRAFT)

Action	Timing	Decisions need to be made
Send out RFP's – Medical/Rx/Vision/Dental	March/April	June 1, 2025
Send out RFP – FSA/DepCare/HSA	April	June 1, 2025
Implementation	June - September	June 1, 2025
Carrier Utilization Reviews	June	NA
Self-Funded Plan Projections	June – October Preliminary; without final SL will start in June	NA
Kaiser Renewal	July 1	NA
Market Stop Loss	August	NA
Regence ASO Renewal and Summary of Changes	August/September	October 1, 2025
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	✓ 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	✓ 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) • Savings have been up to approximately 37%/\$680,000 • Continue to review and negotiate with Regence on current Rx program
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?)
Covid-19 Plan Updates	<ul style="list-style-type: none"> ✓ 2020-2021 ✓ 2022 	<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.

Past Initiatives Considered (5)

Initiative	When Discussed	Comments (Implemented?)
Life/DI Marketing	✓ 2024	<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
Contribution Modeling	✓ 2023 ✓ 2024	<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. • 1/1/25 - Implemented a change to contributions to a straight 10% employee only and 20% for dependents.
Plan Change Modeling	✓ 2023 ✓ 2024	<ul style="list-style-type: none"> • 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. • 1/1/25 - Implemented plan changes to both Regence and Kaiser (to both plans offered by each carrier).

Past Initiatives Considered (6)

Initiative	When Discussed	Comments (Implemented?)
PBM Marketing and Negotiation with Regence	✓ 2024	<ul style="list-style-type: none"> 1/1/2021 – Implemented change due to industry standard being higher than \$100 and to decrease use of ER in the future
Market Stop Loss	✓ 2024	<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