



# CITY OF MESA EMPLOYEE BENEFIT TRUST FUND (EBT) – OPERATIONS REPORT



SELF-INSURANCE TRUST FUND BOARD PRESENTATION  
February 5, 2018

# Employee Benefit Trust (EBT) Benefit Program Overview

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The City's Employee Benefit Trust Fund provides health and welfare benefit programs for employees, retirees and eligible family members:

- ❑ Medical/behavioral health/prescription drug benefits (including Medicare Part D prescription drug program for eligible retirees)
- ❑ Stop-loss medical insurance (individual annual claim amounts >\$300,000)
- ❑ Dental benefits
- ❑ Vision Care benefits (routine eye care and materials)
- ❑ EAP program
- ❑ Health and Dependent Care Flexible Spending Accounts
- ❑ Health and Wellness Center (near-site primary and preventive care medical services)
- ❑ Mesa Wellness 360 – programs, incentives/rewards, digital platform

# Employee Benefit Trust (EBT) Benefit Program Overview cont.

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- ❑ Basic Group Term Life and Accidental Death and Dismemberment Insurance (up to \$500,000 coverage – full-time employees only)
- ❑ Supplemental Group Term Life Insurance for employees and dependents (up to \$300,000 coverage)
- ❑ Business Travel Accident/Commuter Death Insurance (\$200,000 coverage)
- ❑ Short Term Disability Insurance (full-time employees only)
- ❑ Long Term Disability Insurance (full-time sworn officers and elected officials only)

# EBT Funding

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- ❑ EBT is funded by:
  - Contributions from City department budgets
  - Employee, retiree and COBRA premiums
  - State retirement system subsidies (ASRS & PSPRS) for retiree health care plan participants
  - Medicare Part D Drug subsidy reimbursements (EGWP) – for eligible retirees
  - PBM generated Brand Drug Rebates for active and retiree prescription drug programs
  - Administrative, Wellness and Performance Guarantee (PG) credits from contracted vendors
  - Stop-Loss Insurance reimbursements for medical/prescription drug claims over \$300,000 per claimant per year
  - Trust investment income

# Benefit Administration Changes

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## Medical Plans: Third-Party Administration and Provider Network

- ❑ Comprehensive RFP procurement process (2017)
- ❑ Cigna awarded 3 to 5 year contract starting 1/1/18 (replaces AmeriBen and BCBSAZ):
  - ❑ Administration and service consolidation for:
    - Medical and behavioral health TPA services (claims, appeals, customer service)
    - Medical management services (case management, pre-certifications and disease management)
    - Provider network services in all 50 states - minimal network disruption with OAP Plus medical network (including 20 Cigna Medical Group staff model facilities in AZ)

# Benefit Administration Changes cont.

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- ❑ Cigna administration features continued:
  - ❑ Base administration fee reductions and first year credits
  - ❑ 24 x 7 x 365 customer service
  - ❑ On-site Cigna representative
  - ❑ Comprehensive, award-winning member portal
  - ❑ Opportunity for Plan benefit enhancements to increase member satisfaction and reduce out-of-pocket costs e.g. reduced copays and deductibles
  - ❑ Contracted Telehealth services introduced
  - ❑ Claims cost containment opportunities
  - ❑ Partial funding of Mesa Wellness 360 program (\$260,350 annually)

# Health and Wellness Initiatives

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## **City of Mesa Employee Health and Wellness Center:**

- ❑ Primary and preventive care; DOT physicals
- ❑ Third-party managed/staffed by MD and two mid-level professionals:
  - 4,787 unique patients to date
  - Average utilization rates – 71.5% monthly
  - Chronic conditions managed/treated – high cholesterol, HBP and diabetes

# Health and Wellness Initiatives cont.

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## **Wellness initiatives, education and group disease management programs:**

- ❑ 2017 – 1,520 participants in over 108 classes and 6 disease management programs (City staffed)
- ❑ Mesa Wellness 360 program (with Sonic Boom digital platform)
  - Go live! for all eligible employees in 2018 with points/incentive reward opportunities
  - Engage and encourage healthy behaviors and “points” opportunities via fitness devices, mobile app, contests, events, screenings, daily challenges, health coaching and other health education tools/classes for active employees enrolled in City medical plans
  - Wellness incentives/rewards – up to \$200 cash cards (250 points = \$50) in 2018 and \$200 medical premium reduction in 2019



# Challenges/Opportunities for EBT for 2018/19

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- ❑ Increased frequency of high dollar claimants (over \$150,000) but significantly decreased severity (cost) of high dollar claimants:
  - 43 high dollar claimants (\$9 million) in CY 2017 compared to 34 (\$9.5 million) in CY 2016
  - One stop-loss claimant over \$300,000 in CY 2017 compared to 11 stop-loss claimants in CY 2016
  - Top diagnostic drivers: earlier stage cancers, cardiovascular/stroke, blood disorders
- ❑ 1% membership increase - 13,484 members by January 2018

# Challenges/Opportunities for EBT for 2018/19 cont.

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- ❑ Significant reduction in base administration fees for medical plans over next 5 years (approx. \$600,000 savings annually)
- ❑ Vendor funded administrative credit increases (medical plans) for implementation, communications and wellness activities (over \$1 million in 2018 to over \$300,000 per year in 2019 - 2022)
- ❑ Overall medical plan rate increases reduced to 4% for CY 2018 (instead of projected 8%)
- ❑ ACA fees/compliance obligations in FY 18/19 and later (current regulations):
  - PCORI Federal Excise Tax – estimated \$30,000 annually
  - 1095 reporting process for employees and IRS
  - 40% “Cadillac Tax” impact (postponed from 2018 until 2022)
- ❑ Life, AD&D and Disability insurance RFP process in 2018 - opportunities for cost containment and administrative efficiencies in 2019 and beyond