MINUTES 2/8/16

SELF-INSURANCE PROGRAM BOARD MEETING

A meeting of the Self-Insurance Program Board of Trustees was called to order at 2:30 p.m., Monday, February 8, 2016, in Personnel Conference Room #2 at 20 E. Main Street, Suite 130, Mesa.

MEMBERS PRESENT	MEMBERS ABSENT	OTHERS PRESENT
Fenton Moran		Tracy Hurt, Board Secretary
Art Schenkel		Jan Ashley, Emp. Benefits Administrator
Kelly Vorseth		Irma Ashworth, Finance Director
Board Chair Kevin Thompson		Nitra Hawkins, Safety Svcs Administrator
Michael Kennington, CFO		Candace Cannistraro, Ofc of Mgmt & Bdgt Dir
		Gary Manning, Human Resources Director
		Jim Smith, City Attorney
		Marc Steadman, Deputy City Attorney
		Lisa Angiano, MAI Safety Services/WC

Citizens Present
None

The first order of business was to review/approve the minutes from the February 11, 2015 meeting. Chair Thompson asked if there were any comments, questions, or concerns or changes to the minutes or if they could be approved as drafted. No changes were proposed. Board member Michael Kennington proposed the minutes be approved. Board member Art Schenkel seconded the motion. Chair Thompson called for a vote. The vote was unanimous.

Chair Thompson asked if there were any items from citizens present. There were no items from citizens present.

The next order of business was to hear and discuss Council's changes made to the First Amended Restatement of Trusts for Public Property and Liability Trust and Employee Benefits Self-Insurance Trust Funds and to hear a presentation on the funds.

Jim Smith reviewed the red-lined changes on the First Amended Restatement of Trusts for Public Property and Liability Trust and Employee Benefits Self-Insurance Trust Funds. Jim emphasized that a number of the changes were document clean up and one substantive change:

Section 1.06 The trust balance is to be maintained at $10M with fund transfers periodically.

The trust has been at $10M for the last two years and this now formalizes that amount. Candace clarified that this is actually documenting the recommendation by the board previously to reduce the fund balance from $12M. This was a formal adoption by City Council to maintain the $10M balance. Kelly Vorseth asked if the fund balance of $10M had been in effect but just never been formally stated. Candace confirmed that this was the case.

The next order of business was to hear a presentation and discuss the Public Property and Public Liability Trust fund, the Worker's Compensation Trust Fund and the Employee Benefits Trust Fund and related Trust Agreement.

Marc Steadman provided an overview of the Property & Public Liability Trust Fund and stated that the City Attorney's office is responsible for expenditures from the Property & Public Liability Trust Fund.

The Trust Fund was set up under City Charter and is intended to pay any claims for negligence, damage and injury caused by City employees or City of Mesa responsibility.

Marc noted that most cases are handled by in-house counsel/staff. In the last 3-4 years almost no cases were sent to outside counsel. Last year in-house costs were approximately $1M and one case that went to outside counsel was approx. $90,000. The City Attorney's office handled 45 cases and 300 claims of people making a demand against the City for money before they file a lawsuit. In the long run it has been a prudent thing to handle as much as possible in house. If there is a conflict between the department representing different parties or a case requires medical expertise then we hire out, but we have been able to keep 90+% of our cases in house.

Marc referred to Exhibit 1 which shows the payouts on claims and lawsuits that were closed on 7/1/2005 - 6/30/2015. The chart shows the ups and downs of claims history. The main reason is when a high exposure incident happens we have no control over that and we have no control of when that case closes. He stated that over the last ten years the City has averaged approximately $3M in claims payouts a year. Two of the last three years were less at $700,000 and $300,000 and this year we are under $250,000. Unfortunately, that number may be going up due to two major drivers: the flooding case from south Mesa where 150 home owners have sued the City (this includes a cost for outside counsel working on that case) where $30M is at stake, and several police shootings that have occurred. Nationally the pendulum for suing police and large verdicts against police departments has swung in favor of the plaintiffs.

Michael Kennington asked if the $30M figure was the cap on our liability insurance and Marc clarified that the $30M was a figure reached multiplying 150 residents by $200,000 per house which is their claim. The City is self-insured up to $3M on the liability claims. The first $3M we pay and then we have several layers of excess insurance up to $50M. Over $50M would require City money again. The challenge with the $3M liability is that it is per incident, not per year. The flooding would be one incident. Each instance of a police shooting could be $3M and that would exhaust our $10M fund balance. We don't yet know enough about the recent police shooting cases to make an estimate.

Michael Kennington asked what the average timeframe is for cases to close. Marc said that there is not really an average as each case could take any amount of time. Big cases typically are resolved in two to three years. Referring to the Exhibit 1 chart, the insurance we buy is excess liability, property, airport, aircraft, museum, and cyber risk. Overall what we pay is a reflection of the national insurance market - not just our claims. This year we have made an arrangement with Travelers Insurance and if they give us an acceptable bid we can lock in that rate for another year without having to do another underwriting reevaluation. A number of carriers nationally are getting out of the law enforcement industry and it may become more difficult to obtain a policy with a reasonable premium.

Michael Kennington asked how long our liability insurance lasts and if we have to renew those annually. Marc confirmed that we have to add any new property and renew each year. If we stay with the same company we do not need to go through the underwriting evaluation and we can simply add our additional properties or remove vehicles, etc. It is a much less burdensome process for us. Marc is not sure Travelers will be alarmed with the recent PD cases, but it depends on the dollar amount of the cases.

Kelly Vorseth asked how Travelers would respond if they had to pay out large claims and Marc clarified that they must pay a claim for an incident that occurred during a covered period but at any time they may choose not to insure us any longer or to increase the premiums forcing us to look elsewhere for coverage. Michael Kennington added that the insurance would only have to pay if the claim was over $3M million and Marc Steadman confirmed. Marc noted that it is very rare that the cases go over the $3M and referenced the Exhibit 1 chart which shows past claims/payouts.

Art Schenkel asked if we were expecting a decrease in providers/ insurers that provide this type of insurance and Jim Smith confirmed that this is already the case. The market did start to shrink and a number of companies were not interested in bidding in Mesa because Mesa was doing annual bids and these companies are looking for municipalities that will do underwriting renewals for 2-3 year periods. We went to council this last year to change to that model since the industry expects it. The insurers come in and look at the police policies, historical records, claims, and payouts. There is a tremendous amount of time and effort and they are looking at the long term. Jim expects that the rates will be going up nationally because of these changes. Kelly Vorseth asked if they will lock in the rates for multiple years and Jim Smith said that the providers absolutely will not do that.

Chair Thompson noted that the aircraft insurance rate has almost doubled and wanted to know if this was because of the aircraft that we lost or a combination of losing the aircraft and the cost of replacement. Jim Smith confirmed that it was both, and that the aircraft is a multiple year policy, an exception in comparison to the other policies. The cost was actually more for the replacement. It is a set value that you are replacing and now we are insuring that full new aircraft but as time goes by the cost will decrease.

Fenton Moran asked how many aircraft we have. Jim Smith stated that we have four (4) aircraft. It was the oldest helicopter that crashed. Kelly Vorseth asked if the cost was also medical or just replacement of the aircraft. Marc Steadman replied that it was just the aircraft replacement as there were no injuries.

Jim Smith added that we may have to agree to a higher SIR as the insurance market shrinks. We may need to go back to Council and reevaluate the $10M fund balance if our SIR is increased to a $5M or $7M SIR. Phoenix has a $7.5M SIR.

Chair Thompson asked if there is an opportunity to partner with other jurisdictions to share the costs. Marc replied that smaller jurisdictions may do that but has asked our broker and for a larger jurisdiction like Mesa it is a better deal for us to have our own. Travelers was very happy with our claims practices, our police department practices, and our safety record in solid waste. The concern is when you spread the risk among others you don't have control of what some other cities are doing and for a city our size it is not as feasible.

Art Schenkel asked for an update on the flood case. Marc Steadman stated that he could give an overview but since it was a public meeting and no attorney-client privilege applies he could not be specific.

Approximately 200 homes were flooded and 100 of those homeowners sued, and there were approximately 50 renters that also sued. Marc shared that the first lawsuit was not successful and the residents have filed another. The second lawsuit has been put on hold while the plaintiffs go to the court of appeals to try to have the first lawsuit decision overturned.

Marc Steadman stated that the design met regulations during the time of the build. If a judge disagrees then the court would divide out liability between ADOT and Mesa and Mesa would be responsible for a portion of damages.

Kelly Vorseth asked if any federal funds had been given to the residents. Marc stated that there was very little available and some plaintiffs have applied for some federal money. Marc explained that if that area was a designated flood plain area then the National Insurance Flood Insurance system would require building to a 100 year flood and would subsidize flood insurance for those residents. Because this was not a flood plain area, this does not apply.

Kelly asked if any design changes were being made to that area. Marc stated that we are making some changes so that if the basin fills the water will first go back into the ADOT channel. If the same storm happens again the neighborhood would not be flooded.

Jim Smith explained that subsequent remedial measures - the fact that you do something subsequent that may have prevented the incident in the first place, does not mean you admit to any wrongdoing.

Marc Steadman asked if there were any additional questions. There were none and Candace Cannistraro proceeded with the funding recommendation portion of the PPL Fund.

Candace noted that Office of Management and Budget focuses on the fiscal year and when the claims were paid out. The fund is usually budgeted assuming a $3M payout each year. Staff looks at expenses for the current year to date and forecasts end of year expenditures. Adding next year's forecasted $3M for claims as well as operations, insurance premiums, etc. to bring the expected expenditures to $5.5M. This estimate includes City contribution of $5.5M.

The majority contributions come from General Fund but it does include all funds, including the enterprise fund, etc. The General Fund is a higher portion because of fire and police. The recommendation for the 16/17 budget is a $5.5M contribution to keep the fund balance at $10M.

If our expenses are higher than the $3M we would have to contribute more into the fund to maintain the $10M balance and that would have a budgetary impact to the General Fund and all of the various funds. If the expenses were lower, then we would actually contribute only what we need to maintain the $10M and that would result in one-time savings. We actually did have that last year as the total expenses were only $2.8M. We had savings in 14/15 and that allowed our General Fund to have the fund balance.

Chair Thompson asked if we could end up shifting funds back to the trust fund if needed and Candace acknowledged that the City Attorney's office keeps them informed so that they can set aside funds ahead of time as part of the budget process. They are not seeing a need to bump it up past the $3M at this point for 16/17. Estimates are done each quarter with all departments and OMB will be informed by City Attorney if any mid-year change is needed.

Kelly Vorseth asked if excess funds in the General Fund are there for projects or things waiting for excess funds. Are those excess funds reallocated? Candace stated that any savings are designated as on-going or one-time savings so that they can be allocated appropriately for program enhancements, additional staff, etc. The excess goes into the General Fund and is available for the highest priority projects. This can change from council meeting to council meeting.

On a global basis we already have a lot of priority items that are not funded as part of the adopted budget, such as radio replacements for PD, facility maintenance projects, etc. Savings from different areas can increase our ending fund balance and then we would work with council and city staff to prioritize those funds.

Michael Kennington asked if Chair Thompson wanted to make recommendations at this time. Chair Thompson stated that would be Item 6 on the agenda.

Art Schenkel noted that administrative and premium costs are at $1M for premiums, $1M for staff, and $3M for claims which totals $5M and asked if it is the City's economic strategy to double that to come up with the $10M fund balance.

Candace stated that every fund is different, and they look at the claim risk for the particular year. This includes how much money is set aside versus how much money they would need to "find" during a short period of time to fund possible claims. That means we would have to take from something that was already allocated and move those dollars into this fund. The $10M is a comfort level in order to not have to find the money if expenses come in higher than expected. Staff is comfortable at the $10M level unless we see more lawsuits pending. If lawsuits start to go up then we start to look at our risks. We weigh finding the money versus setting it aside.

Marc Steadman added that years ago the fund was at approximately $17M although theoretically it was generating income (interest), and now that is no longer the case. Once that money is in the trust fund, by statute it can only be used to pay trust fund expenses.

Kelly Vorseth stated that looking historically it seems that the amount was not needed and we could be more flexible and bump it up during the year as needed. Candace explained that during the recession we moved from contributing money and letting it sit there to truly managing the funds on a proactive basis rather than just setting money aside each year.

Jim Smith added that over a number of years looking at the $10M and recognizing that if in a couple years there is a recession, some large claims, and SIR increase to $5M, if we have lowered the fund and we do not have the money to fund up to $10M it may take years to build back up. It gives flexibility as opposed to drawing the number down and then you have to come up with funds to pay the claims.

Chair Thompson asked if there were any additional questions. There were none and we moved on to the Worker's Compensation Trust Fund.

Nitra Hawkins presented an overview of the worker's compensation unit. Our worker's compensation program is self-insured, self-administered and pays all medical, loss time wage costs, legal, and self-insurance bonds. Because we are a self-insured municipality we have to bond out our outstanding liability every year. For 2016 we have a bond of approximately $25M. We also have stop loss excess worker's compensation premiums coverage, and staff costs. Our worker's compensation team adjudicates claims and pays all medical bills in house which saves the City money. The City averages approximately 421 new claims a year.

In 2015 there were 401 new claims. Two claims adjustors handle an average of 165 open claims each at any given time. The oldest claim goes back to 1985 and newest claim is as of today (2/8/16). Cost containment measures have been put in place which includes the directed-care policy requiring employees to visit a designated medical facility for their first visit. This facility is Banner Occupational Health Clinic. We contract with AZ BCBS network for additional cost savings. Utilization reviews are used to determine the medical necessity of the service and we have rolled out a WC Prescription Pilot Program utilizing a pharmacy benefits manager (Cypress Care) which showed a YTD savings of $37,100. This pilot program has been very successful and has saved the trust fund a significant amount of money.

Michael asked if we can direct people to use a generic instead of a name brand drug prescription. Nitra responded that this would be included in Phase 2 of the pilot program while noting that we must not discount what the doctor prescribes.

Pharmacists on staff with Cypress Care can reach out to doctors and ask if they are aware of the generic alternatives.

Nitra stated that we have implemented some preauthorization requirements for certain prescriptions through Cypress Care. Kelly asked what Cypress Care's main role is and Nitra explained that they are like a broker and they have contracts with CVS, Walgreens, Fry's, Safeway, etc. These pharmacies have already negotiated what Cypress Care will pay and are billed a set rate within the network. Kelly asked if we paid a fee and if the savings includes the deduction of that fee. Nitra confirmed that a dispensing fee is paid to Cypress Care and that the savings includes the deduction of those fees.

Art Schenkel stated that this is his line of work and most of the time you can go with generic versus name brand prescriptions and asked if we are currently looking at generic? Nitra stated that you must be careful to follow the doctor's prescriptions when they have "dispense as written" listed. Our primary focus in phase one of the pilot program was getting claimants used to the new card. We will be looking at high-use name brand prescriptions and reach out to the doctor's to introduce the alternatives. All that can be done is to reach out - the doctors may still choose to dispense as written.

Kelly Vorseth asked if the utilization review was provided by an outside agency. Nitra confirmed that the utilization review is done by a third-party company and there is also an in-house review by Cypress pharmacists regarding the prescriptions. Kelly asked if it is a 100% utilization review or random. Nitra stated that it is based on the claims and the complexities. Some complicated cases require third-party assistance to ensure care is provided adequately.

Kelly asked about a trend in claims year to year. Nitra replied that it has been stable. Art asked if there was a metric showing an average lost day, Nitra responded that there is not a metric since they can vary according to the patient and the injury. Some claims are moved into supportive care and these claims can skew the average. We currently have more reopening of claims that have previously been closed. In the State of Arizona you have lifetime rights to petition to reopen your claims. We have several that have reopened claims to have required additional surgeries, etc. This will add to the cost of how we administer the trust.

Chairman Thompson asked if employees must use the Banner Health Care Clinic or if they can use their own doctor. Nitra replied that Arizona statutes provide that the employer can direct one visit and the City chose in 2005 to be able to direct the first visit. After that first visit, it is the employee's choice where they want to go.

Gary Manning noted that most employees do not return to Banner for continued treatment but see their own provider or a specialist to get the care they need. Michael asked if the initial discussion for the City of Mesa Employee Wellness Center was to have these type of visits there and why we were utilizing Banner instead, Gary explained that this would be a phase two project for the Wellness Center and we are not quite there yet.

Kelly Vorseth asked if Banner was paid on a case by case basis. Nitra explained that it was a contract bid and every time an employee is seen we pay.

Nitra touched briefly on the funding of the Worker's Compensation Trust Fund while noting that Candace would go into more detail during her portion with the funding recommendation. The trust is funded by General Fund contributions from departments. If we have a claim that is over our self-insured retention of the $1M we are required to pay, then we receive a reimbursement. Excess WC insurance reimbursements for 2015 were $154,176. Subrogation reimbursements are those payments that we receive when others insured are at fault. Subrogation reimbursements were $108,730 in 2015.

Potential impacts to the trust fund are increased medical costs and current providers that are leaving the AZ BCBS network which may increase costs with out of network visits. Limited specialty providers in network will contribute to increased costs as well.

Candace provided a financial review and funding recommendations referring to the Worker's Compensation Fund Charts - Data through 12-31-15 graph showing fund balances and expenses for the worker's compensation fund. The chart illustrates a change in how we manage those fund balances and show we drew the balance down over the last couple years. The balance was at its peak in 2008/2009.

Claims paid out over the last several years have been very consistent at $3.7M, $3.3M, $3.1M and we are projecting this year at $4M for claims and forecasting $4.2M for 16/17 taking into consideration increased medical costs. Even though we may have the same number of claims coming in, the value of the claims may be higher due to increased medical costs. There is nothing causing us to believe the claims will increase significantly other than the normal inflationary costs going forward.

The fund balance is managed by targeting 100% of the following year's expenses. For fiscal year 15/16 we hope to end with 6.1 million dollars to cover 100% of all of the claims for the following year. It is funded 100% on the City side through payroll. It is different from the PPL Fund in that it is funded through payroll and PPL is funded through a transfer so we have control over when and how we move money into the PPL Fund.

WC Fund goes through payroll and every time a payroll is run a percentage rate per job title is collected based on the state's risk assessment of various jobs. For example a police officer or electrician, firefighter, etc. is a higher rate than an office worker.

Kelly asked if the rate is increased if we hire 20 new police officers, etc. Candace confirmed that would have a higher rate than other positions. We can change the rates throughout the year but we choose not to because it is included in the individual department budgets and would affect their overall budget.

Fiscal year 14/15 ended with a higher fund balance and allowed us a cushion for this year. This allows us to decrease the rates for 16/17. Estimated expenses for 16/17 are $6.1M and will only require a contribution of $5.2M because we have that cushion in the fund balance. The goal is that our expenses and our fund balance are the same and that we manage that on a year by year basis. You will see our contributions go up or down depending on the previous years' fund balance.

Candace opened for questions and there were no additional questions. We moved on to the Employee Benefit Trust Fund.

Jan Ashley presented an overview of the Employee Benefit Trust Fund. The number of current members covered are 13,166 which is an increase from last year (approximately an 800 member increase). Most of the increase is in family coverage and very little increase in employee coverage. Employee coverage has remained fairly static. There was also a slight increase in the retiree (on average 50-100 retirees each year) and we had to replace those retirees with employees as well.

Medical and prescription drug plans are provided through three third-party administrators. AmeriBen provides our in-state medical plan services including our integrated case management, precertification and disease management programs. The out-of-state plan members are handled directly through BCBS of Arizona and they are providing our case management, precertification and disease management for those out-of-state members.

We recently made a change as of January 1st to move the entire family of an out-of-state member to the out-of-state program instead of having a family in both in-state and out-of- state which cost two administrative fees instead of one. There was a savings of $80-100,000 of admin fees. Michael Kennington asked if it changed the cost of the claims and Jan responded that there were no increased claim costs involved with this change.

Kelly Vorseth asked for an example of a City of Mesa employee who would be an out-of-state member. Jan gave some examples including a college age dependent who is out of state. The entire family has access to the total national network of BCBS.

Art Schenkel asked for clarification that one family member the out-of-state plan puts the entire family in the out-of-state plan. Gary noted that there was no additional cost placed on the employee/family but a savings in the administration fee that the City of Mesa paid. There was no cost change for the members and it was a cost savings for the City - a win-win for both parties. Kelly Vorseth asked when that took effect and Jan Ashley responded that the change was effective 1/1/16.

Jan reviewed the stop loss insurance which covers the excess claims above $300,000 commencing this year. It was $275,000 last year and we went out for bid at the end of last year and we have retained Matrix - a risk management services entity. We also have a new underlying insurance carrier – TransAmerica replacing Ace American effective this year. The stop loss insurance requires a fairly significant premium that we pay each year in order to have coverage for an unlimited amount of claim dollars. The coverage has no 'top end" and the 'bottom end" is $300,000 per specific claimant which is in line with our type and number of claims.

Michael Kennington asked if the $300,000 was per claim and Jan clarified that it was per individual and when an individual reaches $300,000 worth of claims that we pay out then anything above that is reimbursed to us by the stop loss insurance. High dollar reimbursements are paid out and reimbursed within a week to help in the cash flow.

Kelly Vorseth asked how many stop loss claims we have on average and Jan responded that it varies dramatically. Two years ago we had a high number of reimbursements, last year was down, and 2015 has been a banner year. This was our highest stop loss year in our history. There were 8-13 claimants resulting in stop loss reimbursements in 2015.

Dental benefits are provided through Delta Dental which has been a very successful network implementation and resulted in lower claims cost.

Vision benefits went out for renewal and we obtained a four year rate guarantee at a slight increase with VSP.

Flex Spending Accounts have 1,000 - 1,100 participants and is provided through Connect Your Care. This was the first year that we had a third party provider for FSA. They provide a debit card for the FSA account and a rollover feature that allows a rollover if employees have not used up to $500 of their account in one year. The rollover can continue from year to year but does not go with employee if they terminate or retire.

EAP services are continued with our previous provider and we received a 3-5 year guarantee on the fee. EAP is 100% funded by the City. Kelly V. asked what the percentage of use is. Jan did not have exact numbers but estimated that the percentage is between 20-40% utilization by employees or their household members. Michael K. asked if there was no cost to employees and Jan confirmed that there is not a charge for up to 8 visits per issue.

Group term life insurance, accidental death and dismemberment insurance is going up for renewal this year. We currently use Reliant Standard Life Insurance and we have the opportunity to exercise two (1-year) renewals with them should we choose to. Jan is hopeful to maintain the current rate or perhaps a small improvement in the rates. Business Travel Accident/Commuter Death Insurance is 100% City funded and is provided to all fulltime employees. We have a five year flat-rate guarantee that we are half way through. We have only had one claim on that insurance policy.

Michael asked for clarification as to a "death-only" policy and Jan explained that it also covers dismemberment related to business travel or commuter death or dismemberment.

Short term disability is a voluntary program and we just completed an RFP and were successful in obtaining a 30% rate reduction for employees because this is 100% funded by employees themselves. We were also able to receive some plan enhancements to the richest versions of those plans. Long term disability that the trust has is the policy for sworn or elected officials in addition to their PSRS policy. The trust LTD is 100% funded by the City.

The Employee Health and Wellness Center update: We have had 2,825 unique patients to date at the Wellness Center (1,468 employees and 1,356 dependents). Utilization rates have been consistently between 70-85% monthly. Chronic conditions that have been managed and treated are high blood pressure (7.86%), high cholesterol (5%) and diabetes (2.2%). Kelly asked if the unique patient numbers are not repeat visits and Jan confirmed.

Michael Kennington asked how our statistics compared with other third party vendors and Jan shared typical introductory utilization of a third-party center would be 40-60% so she believes that we started out with much more demand than there were available appointments. This has tapered off and had some peaks and valleys.

Art Schenkel asked what primary services the Employee Wellness Center provides. Jan replied that it is anything you might reasonably expect to get at a family practitioner, not an extensive scope of services but most of the preventative types of care such as wellness visits, sports physicals, and urgent onset such as flus, colds, lacerations, ear infections, etc. Semi-acute but not emergent care issues. Lab draws are also taken and sent out to a third party lab such as Sonoran Quest, LabCorp, etc. There is no in-house x-ray.

Art asked if this was provided at a marginal cost to the employees and Gary stated that the employees had no cost for these wellness center visits. There is a nominal fee for generic prescriptions that are dispensed at the facility. Employees pay a modest copay for the prescription between $5-20 for those.

Art asked if the center was staffed by nurse practitioners and Jan responded that the center was staffed by a DO, 2 physician assistants, 2 medical assistants and 2 office staff. No claims are generated or processed for these visits.

Fenton Moran asked if there were any statistics to show that the wellness has paid for itself in cost savings, etc. and Jan stated that it is too soon to determine that. During the initial years of such an enterprise you will see an increase in costs by virtue of new patients who have not previously gone to the doctor and this can increase claims initially when referred to specialists, etc. We don't have any specific figures on what that amount might be but believe that there has been an increase in that regard and we believe there will be an increase for all of those previously undiagnosed conditions that have gone untreated and we want them to be handled through the plan.

Art Schenkel commented that the key is to get the care early and prevent higher costs by later treatments. Gary Manning confirmed that managing chronic illnesses is not a short term sprint but a marathon and the goal is to get those individuals into the center to begin managing those chronic illnesses. Kelly asked if there is data to record diagnosis, etc. and Jan stated that we must not collect data that would identify individuals and violate HIPAA privacy laws.

Michael Kennington asked if the fact that 15/16 was a "banner year" for claims had any correlation to the new employee wellness center. Jan does not feel that the current years amount of claims were a direct result of the wellness center due to the fact that the high claims cases are complex cancers, cardiovascular cases, etc. and those were not just discovered in the last year as a result of a wellness center visit/referral.

Candace provided a financial review referring to the Employee Benefits Trust Fund Charts – Data Through 12-31-2015 noting that the Wellness Center opening in FY 14/15 accounted for $1.6M of the increase in total expenses while the City has also experienced increased medical and prescription claims beginning in 14/15 and continuing in FY15/16. The cost containment measures and actions that the City has actively pursued over the years allowed for recent premium increases to be minimal. The claims expense experienced so far in FY 15/16 along with the projected costs for the next 12 months are estimated to reduce the fund balance (reserves) by just over $14.0 million before premium rates can be adjusted to compensate.

Fenton Moran asked if the cost burden would be shifted to employees and Candace stated that we try to avoid that. The plans themselves are evaluated and the cost of the plan is considered.

The City has been able to reduce costs over the last few years but an 8-9% annual increase in cost is more in line with the national average. Rates will be determined in the summer. An 8% increase in premium contributions for the calendar year 2017 results in an estimated fund balance on June 30, 2017 of about $35.0 million. This level of fund balance is still adequate for the fund; however, to maintain the fund balance, an additional 8% increase in calendar year 2018 would be needed.

Chair Thompson thanked the presenters and asked if there were additional questions or discussions. There were none. He asked if the Board was ready to make a recommendation based on the information provided.

The recommendations are as follows:

Property & Public Liability Trust Fund: Staff recommends the City contribution for FY 15/16 be set at a level to achieve a minimum of a $10.0M ending reserve balance. The current projection is $5.2M. Staff recommends including a $5.5M City contribution in the FY 16/17 budget to achieve a minimum forecasted ending reserve balance of $10.0M.

Employee Benefits Trust Fund: Staff recommends the City contribution to the EBT Fund budgeted for FY 16/17 be based on current medical and dental premiums to be increased 8% in the benefit plan year 2017. The current estimate for the resulting City contribution is $55.0 million. The increased premiums affect 6 months of the fiscal year. The final budgeted contribution amount may differ slightly as the estimated number of employees/retirees is further refined during the budget process.

Worker's Compensation Fund: Staff recommends the continuation of the current practice to adjust rates annually unless a significant change in expenses occurs. Staff recommends setting the rates for FY 16/17 at a level to achieve a targeted ending reserve balance sufficient to cover the annual expenses. For FY 16/17, the reserve target is $6.2M. The current estimate for the City contribution for FY 16/17 is $5.2M. The final budgeted contribution may vary slightly from the recommendation as the adjusted rates are applied to budgeted salaries and the budget process has not yet been completed.

Michael Kennington moved that the Board take the recommendations of staff and present those to City Council for FY 16/17. Art Schenkel seconded the motion. The vote was unanimous for the recommendation.

Staff presented current licenses for verification/confirmation as required by A.R.S. § 11-981(B)(1).

Michael Kennington moved that the Board recommend Designation of Risk Management Consultant/Insurance Administrator for the Public Property and Liability, Worker's Compensation, and Employee Benefits Trusts and Kelly Vorseth seconded the motion. The vote was unanimous for the recommendation.

The final agenda item was motion to authorize the Chairperson of the Board to approve minutes prior to next meeting, and to schedule future meetings. Fenton Moran motioned and Kelly Vorseth seconded. The vote was unanimous authorizing the Chairperson to approve the minutes once they have been circulated to all Trustees. The next meeting will be calendared for February 2017.

There being no further business, Chair Thompson moved that the meeting be adjourned. Art Schenkel seconded the motion. All concurred. The Board adjourned at 4:49 p.m.

Tracy Hurt 3/30/16
Tracy Hurt, Secretary to the Board Date

Kevin Thompson 3/30/16
Kevin Thompson, Board Chair Date

c: Christopher J Brady, City Manager
Self-Insurance Trust Funds Board Members
DeeAnn Mickelsen, City Clerk
Mayor's Office

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