



COMMON COUNCIL COMMITTEE MEETING

2023 EMPLOYEE BENEFITS UPDATE



October 3, 2022

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www.usi.com

Agenda

- 2022 Employee Benefit Reminders/Recap
- 2022 Year to Date Plan Performance
- 2023 City Medical and Dental Plan Cost Projections
- Bending the Trend/Market Trends
- 2023 Plan Year Options
- Time for Questions

2022 (current) City Benefit Plan Reminders

Dental Plan



- Self-funded with Delta Dental of WI
- Employee contributions remained the same from 2021 and no design changes
- 2 dental provider networks (**PPO** and **Premier**), and can go out-of-network if desired

Wellness Programming



- Go365 wellness platform and *Bucks* incentives continued
- Onsite HRA/biometrics will again take place Oct/Nov/Dec 2022
- As discussed [at last year's open enrollment](#), employees and spouses have been working toward Go365 wellness goals - if reached, a City HSA contribution (if approved) will apply for plan year 2023 as follows:
 - **Silver status in Go365 by 09/30/2022**: \$200 employee and/or \$200 spouse -- 03/01/2023
 - **Gold status in Go365 by 09/30/2022** \$400 employee and/or \$400 spouse -- 03/01/2023

2022 (current) City Benefit Plan Reminders

Voluntary Vision Insurance

- Insured through **NVA**

Disability Insurances

- Voluntary STD and LTD insured through **Mutual of Omaha**
- NEW for 2022: Voluntary Accident & Critical Illness Coverages

Employee Assistance Program (EAP)

- Moved to National EAP vendor **SupportLinc**, away from Aurora

Cafeteria Plan, HSA and COBRA administration

- FSA (general medical and limited purpose), HSA, as well as COBRA administration is with **Wex, Inc.**

2022 (current) City Benefit Plan Reminders



Medical Plan

- Year 3 of self-funded plan administration by **Robin HealthPartners** and *focused* provider network
- A HDHP/HSA medical plan design has been in effect since 1/1/2020
 - **\$2000 single/\$4000 family deductibles**
 - Deductible must be met before the plan reimburses anything (excluding routine care, certain preventive drugs)
- No change to employee contributions (from 2021)
- Manty Clinic moved to **Froedtert/HFM** from Aurora
 - Includes Primary Care Model
 - Access to no/low-cost care for covered employees and family members
 - Covered employees and family members also have access to HFM Wellness Center membership (\$15 per month)
 - Exercise classes, lap pool, fitness equipment, sauna



Medical Plan Structure - Reminders

The City of Manitowoc's medical plan is self-funded

- **Self-funded** = a group health plan in which the employer provides coverage directly to its employees and is responsible for all financial costs and administrative functions of the plan
- The City is responsible to pay all claims as they are incurred
- Employees pay part of the cost through premiums, deductibles, coinsurance and copays

Robin/HealthPartners is the **Third-Party Administration (TPA)**, not an insurance company

- The TPA processes medical, and prescription claims on behalf of the City, and possesses the provider network which is attached to the City's plan and applies to in-network level of benefits

As a self-funded plan, the City also purchases **stop loss insurance** to protect the City and the plan against large catastrophic claims

Medical Plan Structure – cont.

- With recommendations by the City's Benefit Consultant (USI), the City establishes an annual **medical plan budget** based on a predetermined funding level and it maintains that budget regardless of claims experience

- It is prudent for the City as a plan sponsor of a self-funded plan to establish an **excess loss reserve** to:
 - Account for excess funding in its reserves when the plan performed under budget, and
 - Absorb financial strain when the plan performs over budget brought about by adverse or high-cost claims experience

City Medical Plan Budget/Funding History

Plan Year	City of Manitowoc's Total Budget/ Funding Rates	Rate Change by City of Manitowoc
2019	\$617.74 / \$1569.68	+1.98% (USI renewal recommendation called for +1.98%)
2020	\$620.36 / \$1572.20	+0.19% (USI renewal recommendation called for 0.19% increase in rates)
2021	\$620.36 / \$1572.20 <i>Recruitment/retention/COVID concerns →</i>	No change from 2020 (USI renewal recommendation called for +2.7% increase in rates)
2022	\$620.36 / \$1572.20 <i>Recruitment/retention concerns →</i>	No change from 2021 (USI renewal recommendation called for +5.18% increase in rates) -City Finance Director allocated \$169,580 in budget/overage from reserves (\$22,045 attributable to employee contributions) to absorb excess costs for plan year 2022 est. budget.

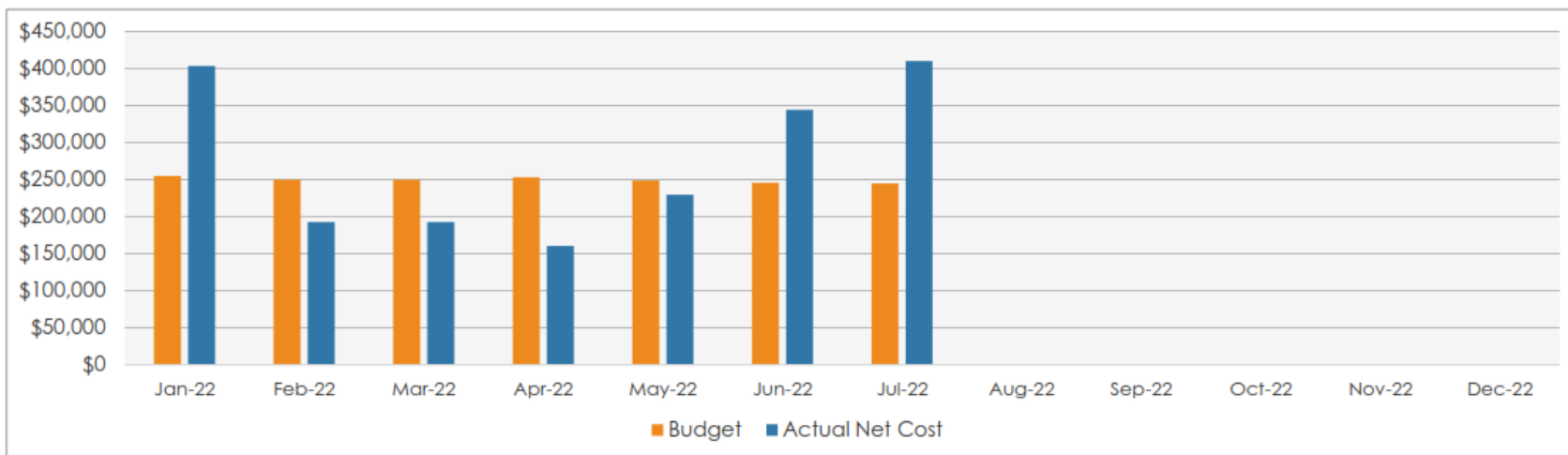
Note: City employee contributions increased as follows- 2019 **+2%**, 2020 **+0.04%**, 2021 **no increase**, 2022 **no increase**.

City Renewal Action for Next Year

Plan Year	City of Manitowoc's Total Budget/ Funding Rates <u>per Option</u> Single/ Family	Renewal Calculation
2023	1. \$767.31 / \$1932.88 2. \$745.64 / \$1889.55 3. \$691.71 / \$1742.43	<ul style="list-style-type: none"> (Option 1) No plan changes, with exception of doubling City HSA contributions would result in a +23.05% increase (Option 2) No plan changes (City HSA contributions would stay the same) USI renewal calculation calls for +20.19% increase. (Option 3) Authorization of \$190,000 from Health Plan reserves and \$200,000 from General Fund to absorb excess costs would bring the increase down to 10.92% (includes No plan changes other than doubling City HSA contributions)

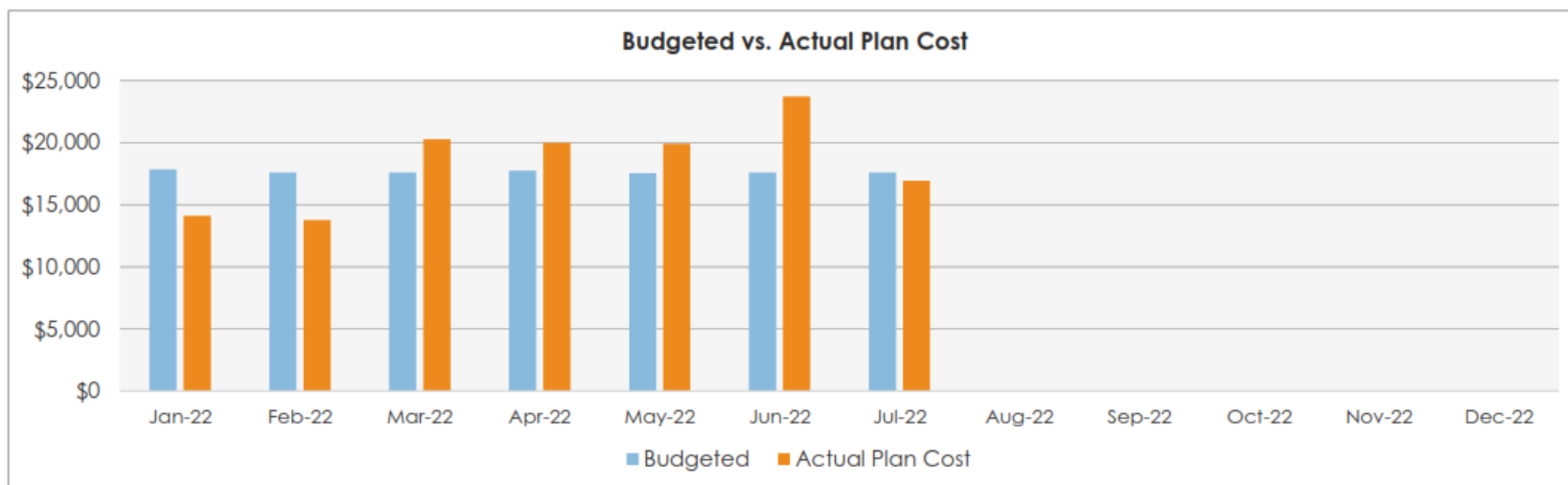
Note: City employee contributions increased as follows- 2019 **+2%**, 2020 **+0.04%**, 2021 **no increase**, 2022 **no increase**.

Plan Year 2022 Medical Plan Performance



Enrollment (1)	Fixed Costs			Paid Claims						Total Plan Costs		Position		
	(2)	(3)	(4) = 2+3	(5)	(6)	(7)	(8)	(9) = 5+6+7+8	(10) = 9/1	(11) = 4+9	(12)	(13) = 11/12	(19) = 12-11	
Total Ees	Admin Fees	Stop Loss Premium	Total	Medical Claims	Rx Claims	Misc*	Over SSL	Net Total Claims	Claims / Ee	Actual Net Cost	Budget	Net Cost / Budget	Budget - Net Cost	
Jan-22	199	\$10,227	\$37,312	\$47,539	\$295,664	\$17,285	\$42,835	\$0	\$355,784	\$1,788	\$403,323	\$254,806	158.3%	(\$148,518)
Feb-22	195	\$10,088	\$36,528	\$46,616	\$107,389	\$30,335	\$8,002	\$0	\$145,726	\$747	\$192,342	\$249,469	77.1%	\$57,126
Mar-22	195	\$10,088	\$36,528	\$46,616	\$103,377	\$33,368	\$9,258	\$0	\$146,002	\$749	\$192,619	\$249,469	77.2%	\$56,850
Apr-22	199	\$10,196	\$37,012	\$47,207	\$73,619	\$31,983	\$7,781	\$0	\$113,383	\$570	\$160,590	\$252,902	63.5%	\$92,312
May-22	195	\$10,073	\$36,378	\$46,450	\$134,643	\$40,304	\$8,134	\$0	\$183,082	\$939	\$229,532	\$248,517	92.4%	\$18,985
Jun-22	193	\$9,995	\$35,911	\$45,906	\$263,455	\$31,911	\$2,571	\$0	\$297,937	\$1,544	\$343,843	\$245,372	140.1%	(\$98,470)
Jul-22	195	\$6,509	\$35,777	\$42,286	\$363,708	\$42,566	\$54,345	(\$93,064)	\$367,555	\$1,885	\$409,842	\$244,709	167.5%	(\$165,132)
Aug-22														
Sep-22														
Oct-22														
Nov-22														
Dec-22														
Totals	1,371	\$67,177	\$255,445	\$322,621	\$1,341,855	\$227,753	\$132,925	(\$93,064)	\$1,609,469	\$1,174	\$1,932,090	\$1,745,243	110.7%	(\$186,847)

Plan Year 2022 Dental Plan Performance



	Enrollment (1)	Fixed Costs (2)	Claims (3)		Claims PEPM (4)	Claims PEPM (5) = 4/1	Total Plan Costs (6) = 2+4	Position (7) = 6/3 (8) = 3-6	
	Total Ees	Administration	Budgeted	Paid Dental Claims	Claims / Ee	Actual	Actual/Budgeted	Budgeted to Actual Costs	
Jan-22	200	\$900	\$17,841	\$13,215	66	\$14,115	79.1%	\$3,726	
Feb-22	197	\$887	\$17,575	\$12,863	65	\$13,750	78.2%	\$3,826	
Mar-22	197	\$887	\$17,575	\$19,396	98	\$20,283	115.4%	(\$2,707)	
Apr-22	201	\$905	\$17,736	\$19,061	95	\$19,966	112.6%	(\$2,230)	
May-22	198	\$891	\$17,543	\$19,013	96	\$19,904	113.5%	(\$2,361)	
Jun-22	199	\$896	\$17,583	\$22,802	115	\$23,698	134.8%	(\$6,115)	
Jul-22	201	\$905	\$17,590	\$16,030	80	\$16,934.50	96.3%	\$656	
Aug-22									
Sep-22									
Oct-22									
Nov-22									
Dec-22									
Totals	1,393	\$6,269	\$123,444	\$122,380	88	\$128,649	104.2%	(\$5,204)	

2022 Plan Performance

- At last year's personnel committee meeting, USI reported that there had been a higher number of high-cost claimants which in-turn made **securing HealthPartners stop loss coverage** challenging for plan year 2022
- Plan year **2022 stop loss coverage** with HealthPartners:
 - Renewal offer was a 29% increase and avoided lasers
- Plan year **2023 stop loss coverage** with HealthPartners:
 - Renewal offer was negotiated from 17% to a 10% increase and avoided lasers
- High-cost claim results for the most current period (July 2021 – June 2022) are shared on the following slide . . .

2022 Plan Performance

High-Cost Claimant Review (July 2021 – June 2022) - Members with greater than \$50,000 in claims costs:

- 10 Claimants totaling \$1,081,736 in paid medical, and pharmacy claims
- These high-cost claimants account for **41%** of the City's total claims cost
 - Typically, high-cost claimants make up 20-35% of total paid claims
- 50% of the high-cost claimants were from covered spouses and dependents

2022 Plan Performance cont.



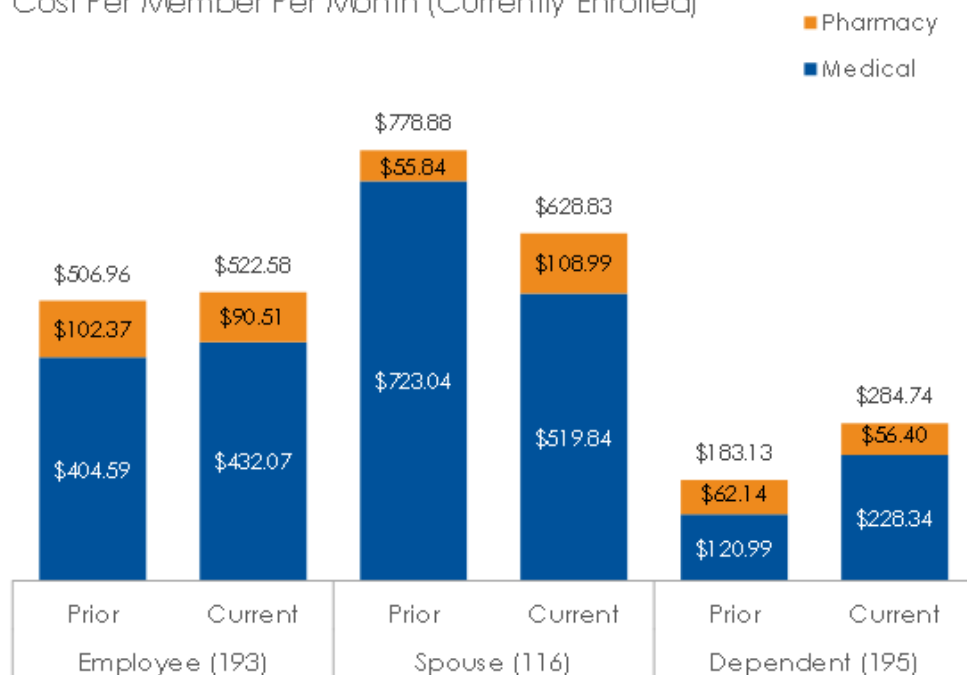
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Relationship cost drivers

Cost Per Member Per Month (Currently Enrolled)




- Spouses and dependents are frequently the drivers of cost.
- Requiring spouses that have their own employer-sponsored medical plan to take that plan can help to mitigate risk.
- Spousal surcharges can result in up to 6% savings, compared to when no spousal surcharge exists.

Current Reporting Period: July 2021 - June 2022
 Prior Reporting Period: July 2020 - June 2021

2022 Medical Plan Design - Benchmarking

USI Benefits Benchmarking: In all, over 8000 employers participate the 2021 survey, from dozens of industries, and nearly every state in the country.

		City Government	250-500 Employees	Midwest Region
<i>Bolded City benefits are at, or better than benchmarks</i>				
HDHP Medical Plan Deductible				
Individual deductible	\$2,000	\$2,000	\$3,000	\$3,000
Family deductible	\$4,000	\$4,000	\$6,000	\$6,000
Individual Annual out-of-pocket maximum	\$4,250	\$3,000	\$5,000	\$4,500
Family annual out-of-pocket maximum	\$8,500	\$6,000	\$10,000	\$9,000
In-network plan member coinsurance after deductible	20%	20%	20%	20%
Employer Provided HSA contribution				
Single coverage	\$400	\$650	\$650	\$504
Family coverage	\$800	\$1,100	\$1,200	\$1,130
Prescription Drug Co-pays				
Generic	20%	20%	20%	20%
Preferred Brand	20%	20%	20%	20%
Non-preferred Brand	20%	20%	20%	20%
Specialty	20%	20%	20%	20%
Monthly Medical Insurance Premiums				
Single	\$620	\$670	\$570	\$579
Family	\$1,572	\$1,802	\$1,653	\$1,682
Monthly Medical Insurance Employee Contribution*				
Single	\$78	\$87	\$140	\$136
Family	\$197	\$363	\$630	\$514
Monthly Employer Contribution Percentage				
Single	87%	85%	85%	83%
Family	87%	84%	71%	77%

Plan Year 2023 Recommendations

City of Manitowoc

ANNUAL COST SUMMARY

Total Medical & Drug Costs				
	Current	Renewal	% Change	\$ Change
Specific Stop Loss	\$441,124.00	\$485,243.00	10.00%	\$44,119.00
Aggregate	\$18,626.00	\$18,626.00	0.00%	\$0.00
Medical Administration	\$49,607.00	\$22,201.00	-55.25%	(\$27,406.00)
HSA I Administration	\$4,484.00	\$4,484.00	0.00%	\$0.00
COBRA Administration	\$1,544.00	\$1,544.00	0.00%	\$0.00
HSA I Contributions	\$89,702.00	\$179,404.00	100.00%	\$89,702.00
Annual PCORI Fee	\$1,397.79	\$1,472.94	5.38%	\$75.15
Total Fixed Cost	\$606,484.79	\$712,974.94	17.56%	\$106,490.15
Claims Cost	\$2,530,553.00	\$3,147,040.00	24.36%	\$616,487.00
Total Fixed & Claims Cost	\$3,137,037.79	\$3,860,014.94	23.05%	\$722,977.15

Option 1:

- Renew as is, with no design / program changes
- Doubling HSA contributions

Total Dental Costs				
	Current	Renewal	% Change	\$ Change
Fixed Cost	\$10,854.00	\$11,336.00	4.44%	\$482.00
Claims Cost	\$200,230.00	\$212,555.00	6.16%	\$12,325.00
Total Fixed & Claims Cost	\$211,084.00	\$223,891.00	6.07%	\$12,807.00

- Dental calls for a **6.07%** increase

Plan Year 2023 Recommendations

City of Manitowoc

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HSA I Contributions	\$89,702.00	\$89,702.00	0.00%	\$0.00
Annual PCORI Fee	\$1,397.79	\$1,472.94	5.38%	\$75.15
Total Fixed Cost	\$606,484.79	\$623,272.94	2.77%	\$16,788.15
Claims Cost	\$2,530,553.00	\$3,147,040.00	24.36%	\$616,487.00
Total Fixed & Claims Cost	\$3,137,037.79	\$3,770,312.94	20.19%	\$633,275.15

Option 2:

- Renew as is, with no design / program changes
- Leave City HSA contributions as is – no change

Total Dental Costs				
	Current	Renewal	% Change	\$ Change
Fixed Cost	\$10,854.00	\$11,336.00	4.44%	\$482.00
Claims Cost	\$200,230.00	\$212,555.00	6.16%	\$12,325.00
Total Fixed & Claims Cost	\$211,084.00	\$223,891.00	6.07%	\$12,807.00

- Dental calls for a **6.07%** increase

Plan Year 2023 Recommendations

City of Manitowoc

ANNUAL COST SUMMARY

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Annual PCORI Fee	\$1,397.79	\$1,472.94	5.38%	\$75.15
Total Fixed Cost	\$606,484.79	\$712,974.94	17.56%	\$106,490.15
Claims Cost	\$2,530,561.00	\$2,766,703.00	9.33%	\$236,142.00
Total Fixed & Claims Cost	\$3,137,045.79	\$3,479,677.94	10.92%	\$342,632.15

Total Dental Costs				
	Current	Renewal	% Change	\$ Change
Fixed Cost	\$10,854.00	\$11,336.00	4.44%	\$482.00
Claims Cost	\$200,230.00	\$212,555.00	6.16%	\$12,325.00
Total Fixed & Claims Cost	\$211,084.00	\$223,891.00	6.07%	\$12,807.00

Option 3:

- Renew as is, with no design / program changes
- Doubling HSA contributions
- Authorize **\$200,000** from General Fund and **\$190,000** from health plan fund reserves
- Dental calls for a **6.07%** increase

Bending the Trend/Market Trends

– Problems with Traditional Wellness Programs

Health insurance carriers, wellness vendors, and many brokers promote traditional wellness activities as strategies to improve employee health, yet these programs fail to drive members to engage with their Primary Care Physician.

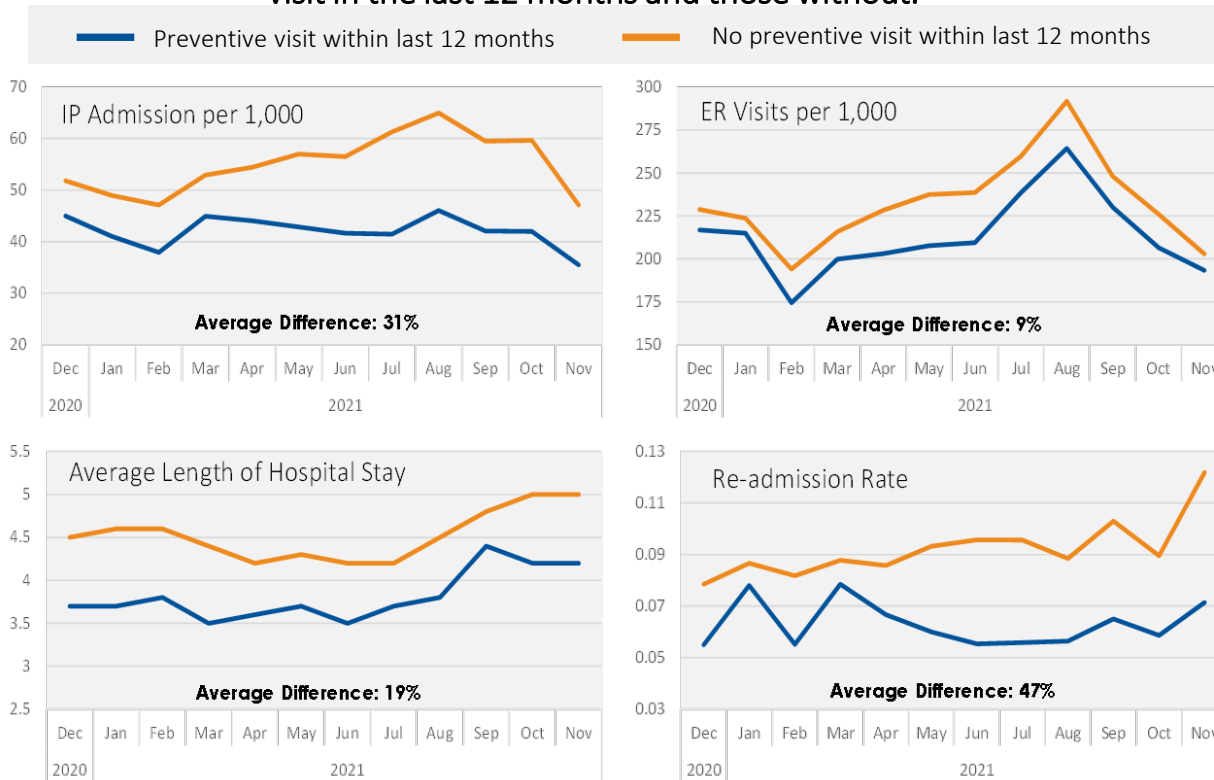
STANDARD VENDOR SOLUTIONS	CHALLENGES
On-site Biometric Screenings	Non-diagnostic tests that lead to no follow-up
Stand Alone Health Risk Appraisal	Self-reported health information, no follow-up
Weight Loss Challenges or Biggest Loser Competitions	Costly with little long-term financial benefit to the company
Tobacco Cessation	While 70% of smokers want to quit, only about 6% of smokers successfully quit smoking ¹
Carrier disease management programs	Limited ability to demonstrate improved health status or lowered claims

¹ <https://drugfree.org/learn/drug-and-alcohol-news/almost-70-percent-of-smokers-want-to-quit-but-few-do/>

The Impact of Connecting Members to their PCP

Incentivized Physician Engagement is the first step of the USI CORE strategy that reduces inefficiencies in settings of care and helps manage the number and intensity of services consumed driving a ~3-5% reduction in total health care claims.

Utilization differences across 857,000 adults with a preventive office visit in the last 12 months and those without.¹



- USI demonstrates that adults with active primary care relationships experience **reductions in:**
 - ER services
 - inpatient admissions
 - average length of stay
 - re-admission rates

¹502,000 without preventive care visits; 355,000 with a preventive care visit in the last 12 months

Medical Management through Primary Care

Primary Care improves adherence to age and gender appropriate screening and testing for early detection and prevention.

AGE AND GENDER APPROPRIATE SCREENING RATES	Sample Projected Trends of Entire Adult Population				NORM
	PRE-USI	Year 1	Year 2	Year 3	
Women with recommended mammography screening	44%	48%	47%	58%	45%
Women with recommended cervical cancer screening	45%	46%	51%	63%	50%
Individuals with recommended colorectal screening	29%	33%	36%	42%	31%

- Cancer can account for up to 25% of catastrophic claims.
- Data shows that USI programs enhance compliance with recommended screenings.
- Early detection may result in significantly reduced costs over the long-term.

*Case data accessed from USI's proprietary 3D Analytics Tool

Plan Year 2023 Options

KEEP:

- Robin HealthPartners **medical plan administration** and its HealthPartners *focused provider network*
 - No plan design changes to the current high-deductible plan
 - **Go365** Wellness platform and \$Bucks incentives
- Continue City sponsored **Manty Clinic** through Froedtert/Holy Family with access to no/low-cost care for covered employees and spouses
- Delta Dental of Wisconsin as **dental plan administrator** and **dental provider network**
- **Cafeteria plan administrative services** (HSA, FSA, etc.) through WEX (formerly Discovery Benefits)
- **EAP services** to employee and their families through Curalinc (SupportLinc)
- **100% employee insurance funded plans** (through NVA vision and Mutual of Omaha disability, accident/critical illness coverages)

Plan Year 2023 Options cont.

Change:

Introduce at this year's Open Enrollment:

- Wellness Related – increase (double) 2023 City HSA contributions
 - **Silver status in Go365 by 09/30/2022**: \$400 employee and/or \$400 spouse -- 03/01/2023
 - **Gold status in Go365 by 09/30/2022** \$800 employee and/or \$800 spouse -- 03/01/2023

Increased City HSA incentive in-line with Market/Benchmarks
- Cease annual onsite biometrics events after this fall's event
- Replace annual biometrics with a **Primary Care Provider (PCP) engagement strategy**; Employees and/or spouses who engage with a primary care provider (could be at the Manty Clinic) will be eligible for the 2024 HSA contribution (as approved by Council)

Plan Year 2023 Options cont.

Change:

Budget Related

- Authorize a total of **\$390,000** to the health fund of which **\$200,000** is from **general fund** and **\$190,000** from health fund reserves
- Increase Plan Year 2023 **medical funding budget 10.92%** which equates to a \$342,640.15 increase of which \$299,810.13 is the City's share (87.5%) which should be added to the City's 2023 budget
- Increase **dental funding budget 6.07%**

Employee Contributions

- In-line with the above funding budget, increase employee monthly contributions for medical (10.92%) and dental (6.07%)
 - *Increase in employee payroll contributions would continue to align under Market/Benchmarks*
 - *As a reminder, current 87.5% City contribution toward the cost of medical coverage is higher than Market/Benchmarks*

Note: History of employee contributions:

- 2019 **+2%**
- 2020 **+0.04%**
- 2021 **no increase**
- 2022 **no increase**

Questions?



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