



PERSONNEL COMMITTEE MEETING

2025 EMPLOYEE BENEFITS UPDATE



October 7, 2024

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www.usi.com

Agenda

- 2024 Employee Benefit Reminders/Recap
- 2024 Year to Date Plan Performance
- 2025 City Medical and Dental Plan Cost Projections
- 2025 Plan Year Options
- Time for Questions

2024 (current) City Benefit Plan Reminders

Dental Plan



- Self-funded with Delta Dental of WI
- Employee contributions remained the same from 2023 without plan design changes
- 2 dental provider networks (**PPO** and **Premier**), and can go out-of-network if desired

Wellness Programming

- First year with Vitality wellness platform
- The City continued the voluntary **Primary Care Provider (PCP)** engagement wellness program to aid in the awareness of overall health and identify early health risks
- Employees and spouses who participate in the PCP wellness program are eligible for a City HSA contribution for plan year 2025
- The City's medical plan covered 1 preventive wellness visit a year at 100% with an in-network provider. In addition, preventive wellness visits were rendered at the Manty clinic and available at no cost!
- To show proof of participation in the PCP engagement program, employees and spouses needed to take the PCP Engagement form to a preventive PCP visit
 - Complete routine physical exam visit with your PCP between **8/1/2023 to 12/31/2024**
 - Submit the completed PCP form to Vitality as proof of participation in the 2024 program
 - Vitality is tracking all PCP visits. Employees/spouses need to upload their forms into Vitality

2024 (current) City Benefit Plan Reminders

Voluntary Vision Insurance

- Insured through **NVA**

Disability Insurances

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

Employee Assistance Program (EAP)

- Remained with National EAP vendor **SupportLinc/Curalinc**
- An EAP RFP is in process to look at options

Cafeteria Plan, HSA and COBRA administration

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

2024 (current) City Benefit Plan Reminders



Medical Plan

- Year 4 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)
 - City **\$800/\$1,600 HSA contribution** (wellness participation incentive)
 - PCP form completed in Vitality by 12/31/2024: \$800 for employee and/or \$800 for spouse
- Increase to employee contributions of 7.1% for health insurance and 0% for dental for the 2024 plan year
- Manty Clinic remains with **Froedtert/HFM**
 - 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
 - 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

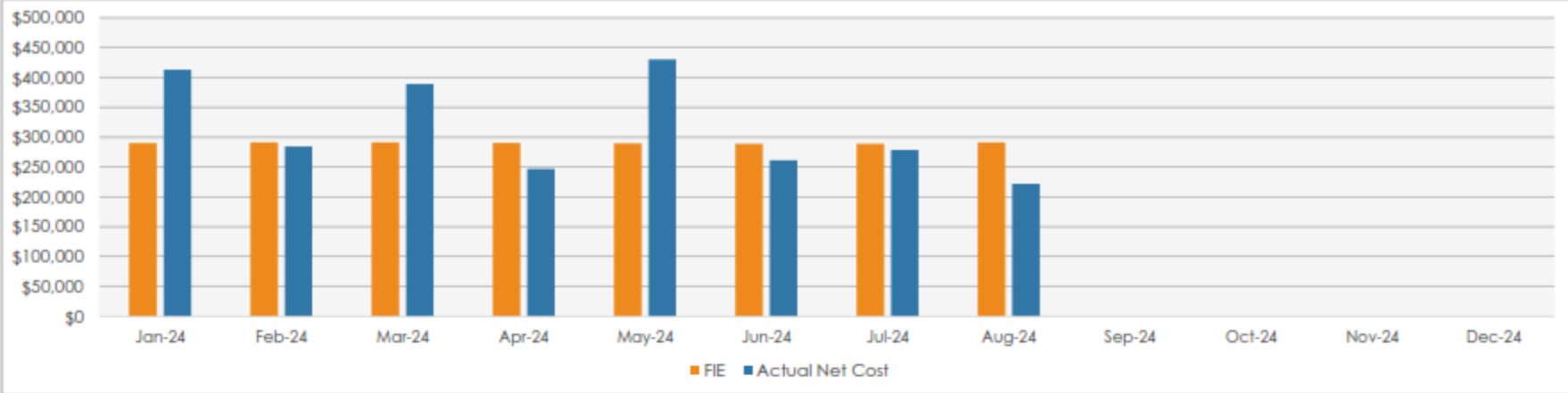
- It is prudent for the City as a plan sponsor of a self-funded plan to establish an **excess loss reserve** to:
 - Account for excess funding in its reserves when the plan performed under budget, and
 - Absorb financial strain when the plan performs over budget brought about by adverse or high-cost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

City Medical Plan Budget/Funding History

| Plan Year | City of Manitowoc's Total Budget/ Funding Rates | Rate Change by City of Manitowoc |
|-----------|---|--|
| 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 | \$625.00 / \$1735.00 <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. |
| 2023 | \$688.10 / \$1,743.88 <i>Recruitment/retention concerns →</i> | +10.9% (USI renewal recommendation called for a +12.24% increase in rates) - City Finance Director released \$200,000 from plan reserves and \$190,734 from general funds to absorb some of the excess costs for 2023 plan year |
| 2024 | \$737.02 / \$1,868.52 | +7.1% (USI renewal recommendation was 7.1%) |

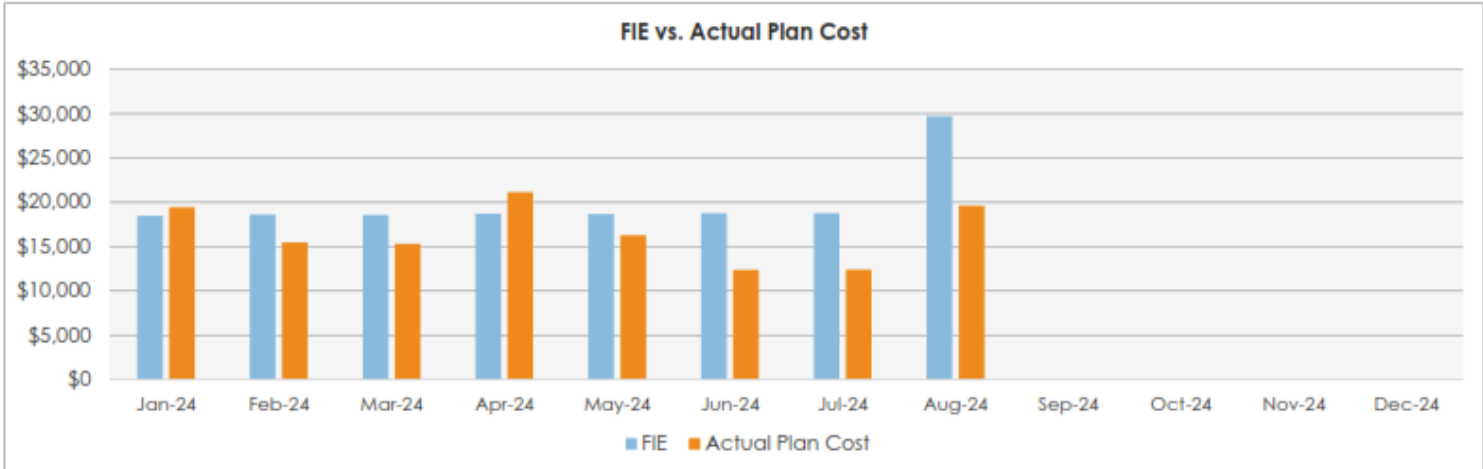
Note: City employee contributions increased as follows ~ 2020 **+0.04%**, 2021 **no increase**, 2022 **no increase**, 2023 **+10.9%**, 2024 **+7.1%**

Plan Year 2024 Medical Plan Performance



| | Enrollment | Fixed Costs | | | Paid Claims | | | | | | Total Plan Costs | | Position | | Miscellaneous |
|---------------|--------------|-----------------|-------------------|------------------|--------------------|------------------|------------------|----------------------|--------------------|----------------|--------------------|--------------------|----------------|--------------------|---------------------|
| | (1) | (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 | (20) |
| | Total Ees | Admin Fees* | Stop Loss Premium | Total | Medical Claims | Rx Claims | Misc** | Over SSL | Net Total Claims | Claims / Ee | Actual Net Cost | FIE | Net Cost / FIE | FIE - Net Cost | ER HSA Contribution |
| Jan-24 | 192 | \$8,372 | \$42,490 | \$50,862 | \$1,201,704 | \$36,155 | \$11,653 | (\$887,327) | \$362,184 | \$1,886 | \$413,046 | \$289,734 | 142.6% | (\$123,312) | \$0 |
| Feb-24 | 194 | \$8,387 | \$42,688 | \$51,075 | \$184,835 | \$39,255 | \$8,958 | \$0 | \$233,048 | \$1,201 | \$284,123 | \$291,208 | 97.6% | \$7,085 | \$0 |
| Mar-24 | 194 | \$8,387 | \$42,688 | \$51,075 | \$335,364 | \$59,695 | \$141,402 | (\$198,656) | \$337,805 | \$1,741 | \$388,880 | \$291,208 | 133.5% | (\$97,671) | \$132,000 |
| Apr-24 | 194 | \$8,380 | \$42,509 | \$50,889 | \$174,638 | \$59,981 | \$9,522 | (\$48,467) | \$195,674 | \$1,009 | \$246,564 | \$290,077 | 85.0% | \$43,513 | \$0 |
| May-24 | 193 | \$8,372 | \$42,410 | \$50,783 | \$324,861 | \$115,566 | \$7,028 | (\$68,260) | \$379,196 | \$1,965 | \$429,978 | \$289,340 | 148.6% | (\$140,638) | \$0 |
| Jun-24 | 192 | \$8,365 | \$42,311 | \$50,676 | \$172,105 | \$51,919 | \$10,964 | (\$24,616) | \$210,372 | \$1,096 | \$261,048 | \$288,603 | 90.5% | \$27,555 | \$0 |
| Jul-24 | 192 | \$8,365 | \$42,311 | \$50,676 | \$271,911 | \$67,935 | \$7,240 | (\$119,356) | \$227,730 | \$1,186 | \$278,406 | \$288,603 | 96.5% | \$10,197 | \$0 |
| Aug-24 | 194 | \$8,387 | \$42,688 | \$51,075 | \$136,078 | \$72,538 | \$10,615 | (\$48,618) | \$170,614 | \$879 | \$221,689 | \$291,208 | 76.1% | \$69,520 | \$0 |
| Sep-24 | | | | | | | | | | | | | | | |
| Oct-24 | | | | | | | | | | | | | | | |
| Nov-24 | | | | | | | | | | | | | | | |
| Dec-24 | | | | | | | | | | | | | | | |
| Totals | 1,545 | \$67,015 | \$340,096 | \$407,110 | \$2,801,496 | \$503,044 | \$207,383 | (\$1,395,300) | \$2,116,623 | \$1,370 | \$2,523,733 | \$2,319,982 | 108.8% | (\$203,751) | \$132,000 |

Plan Year 2024 Dental Plan Performance



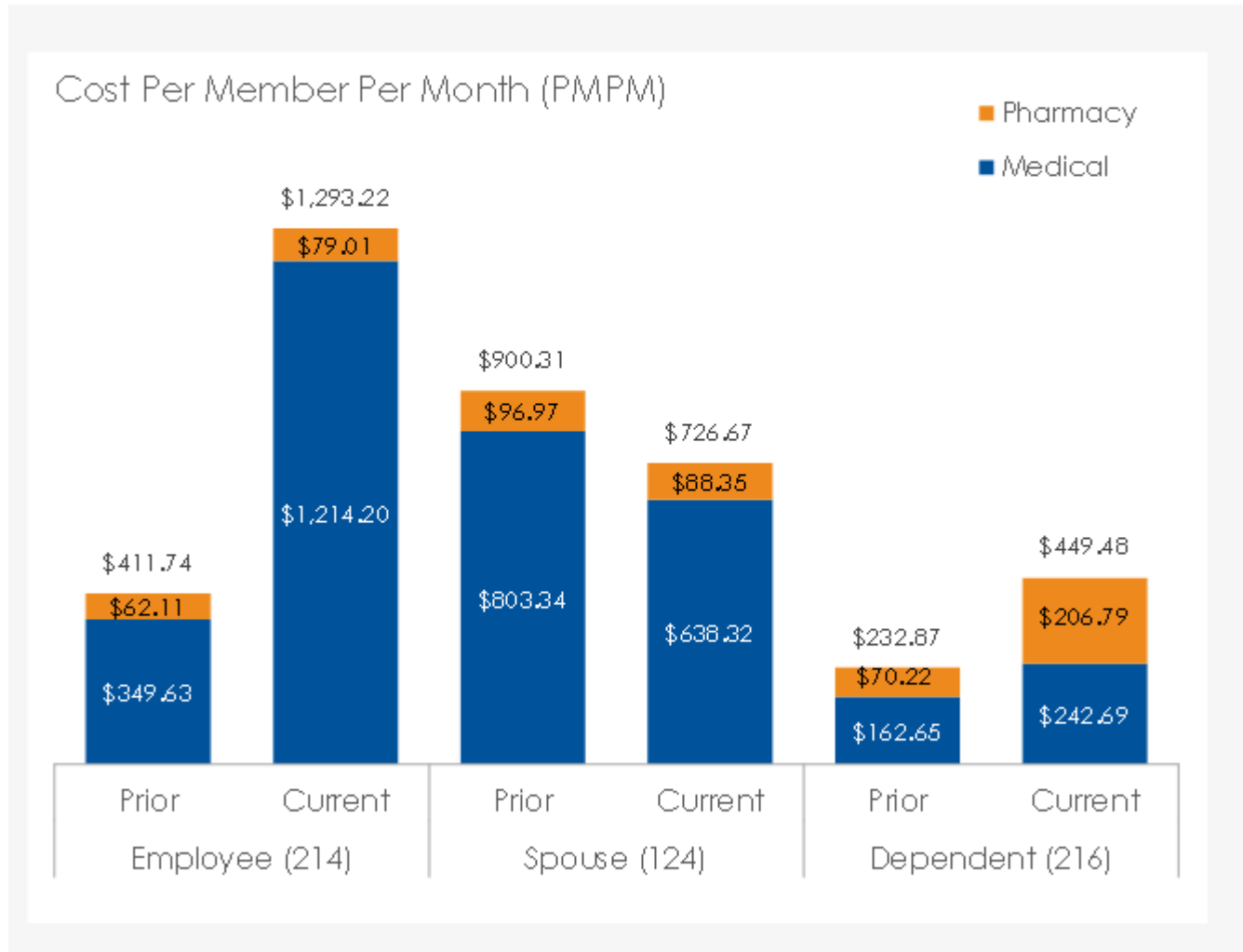
| | Enrollment (1) | Fixed Costs (2) | Claims (3) | | Claims PEPM (5) = 4/1 | Total Plan Costs (6) = 2+4 | Position (7) = 6/3 (8) = 3-6 | |
|---------------|-------------------|--------------------|------------------|--------------------|--------------------------|-------------------------------|---------------------------------|---------------------|
| | Total Ees | Administration | FIE | Paid Dental Claims | Claims / Ee | Actual | Actual/FIE | FIE to Actual Costs |
| Jan-24 | 198 | \$931 | \$18,453 | \$18,484 | 93 | \$19,415 | 105.2% | (\$962) |
| Feb-24 | 201 | \$945 | \$18,581 | \$14,499 | 72 | \$15,444 | 83.1% | \$3,137 |
| Mar-24 | 200 | \$940 | \$18,538 | \$14,361 | 72 | \$15,301 | 82.5% | \$3,237 |
| Apr-24 | 202 | \$949 | \$18,700 | \$20,156 | 100 | \$21,105 | 112.9% | (\$2,405) |
| May-24 | 201 | \$945 | \$18,658 | \$15,316 | 76 | \$16,261 | 87.2% | \$2,397 |
| Jun-24 | 201 | \$945 | \$18,735 | \$11,400 | 57 | \$12,345 | 65.9% | \$6,390 |
| Jul-24 | 201 | \$945 | \$18,735 | \$11,436 | 57 | \$12,381 | 66.1% | \$6,354 |
| Aug-24 | 204 | \$945 | \$29,674 | \$18,658 | 91 | \$19,603 | 66.1% | \$10,071 |
| Sep-24 | | | | | | | | |
| Oct-24 | | | | | | | | |
| Nov-24 | | | | | | | | |
| Dec-24 | | | | | | | | |
| Totals | 1,608 | \$7,544 | \$160,074 | \$124,310 | 77 | \$131,854 | 82.4% | \$28,220 |

2024 Plan Performance

- Plan year **2024 stop loss coverage** with HealthPartners:
 - A 2-year stop loss renewal was negotiated in 2023 for both 2023 and 2024
 - We have received the stop loss renewal from HealthPartners. The original stop loss renewal was 97%. This is the highest we have ever received. We are doing the following to mitigate this high renewal:
 - Negotiated with HealthPartners to decrease the renewal to 89%.
 - We are working with another stop loss carrier to hopefully move the coverage for a smaller renewal increase.
- High-cost claimants in 2023 were at 12 total with 6 over the stop loss deductible of \$100,000. There are a total of 10 high-cost claimants with 3 over the stop loss deductible of \$100,000 through August 2024.


2024 Plan Performance cont.

Relationship Cost Drivers



2024 Medical Plan Design - Benchmarking

USI Benefits Benchmarking: In all, over 10,000 employers participate the 2024 survey, from dozens of industries, and every state in the country.

| |  City Government | 250-500 Employees | Central Region |
|---|---|-------------------|----------------|
| BOLDED City benefits are at, or better than benchmarks | | | |
| HDHP Medical Plan Deductible | | | |
| Individual Deductible | \$2,000 | \$3,000 | \$3,200 |
| Family Deductible | \$4,000 | \$5,000 | \$6,400 |
| Individual Annual Out-of-Pocket Maximum | \$4,250 | \$3,200 | \$5,000 |
| Family Annual Out-of-Pocket Maximum | \$8,500 | \$6,400 | \$10,000 |
| In-Network plan member coinsurance after deductible | 20% | 20% | 20% |
| Employer Provided HSA Contribution | | | |
| Single Coverage | \$800 | \$950 | \$650 |
| Family Coverage | \$1,600 | \$1,900 | \$1,500 |
| Prescription Drug Copays | | | |
| Generic | 20% | 20% | 20% |
| Preferred Brand | 20% | 20% | 20% |
| Non-preferred Brand | 20% | 20% | 20% |
| Specialty | 20% | 20% | 20% |
| Monthly Medical Insurance Premiums | | | |
| Single | \$737 | \$786 | \$649 |
| Family | \$1,869 | \$2,201 | \$1,914 |
| Monthly Medical Insurance Employee Contribution | | | |
| Single | \$92 | \$78 | \$108 |
| Family | \$234 | \$334 | \$530 |
| Monthly Employer Contribution Percent | | | |
| Single | 88% | 90% | 83% |
| Family | 88% | 85% | 72% |

Plan Year 2025 Plan Projections

| Renewal Projection Detail | | USI Projected Renewal | | | |
|--|------------|-----------------------|-----------------|-----------------|-----------------|
| | | Medical | | Rx | |
| Experience Periods | | Sep 23 - Aug 24 | Sep 22 - Aug 23 | Sep 23 - Aug 24 | Sep 22 - Aug 23 |
| A: Actual Paid Claims | | \$4,167,597 | \$2,223,640 | \$796,219 | \$452,616 |
| B: Large Claims Removed | | -\$2,013,871 | -\$253,364 | | |
| C: Claims Paid - After Pooling | A + B | \$2,153,726 | \$1,970,276 | \$796,219 | \$452,616 |
| Adjustments | | | | | |
| Tier Mix Adjustment | | -\$4,082 | -\$6,850 | -\$1,509 | -\$1,574 |
| D: Total Adjustments | | -\$4,082 | -\$6,850 | -\$1,509 | -\$1,574 |
| E: Total <u>after</u> Adjustments | C + D | \$2,149,644 | \$1,963,426 | \$794,709 | \$451,042 |
| F: Average Contracts | | 191 | 190 | 191 | 190 |
| G: Average Membership | | 502 | 498 | 502 | 498 |
| H: Claims Per Employee (PEPM) | E / F / 12 | \$936.66 | \$863.04 | \$346.28 | \$198.26 |
| I: *Trend Used: | | 7.40% | 7.40% | 10.40% | 10.40% |
| J: Trended Months | | 16 | 28 | 16 | 28 |
| L: Experience Rated Claims / Contract | | \$1,030.20 | \$1,019.47 | \$395.11 | \$249.75 |
| M: Experience Period Weighting | | 80% | 20% | 80% | 20% |
| N: Projected Claims Blended By Year | L * M | \$1,028.06 | | \$366.04 | |
| O: Manual Claim Pick (Independent Med/Rx) | | | | | |
| P: Credibility | | 100% | | 100% | |
| Q: Wellness Fees, Broker Fee, Clinic Fees, ER HSA Cont, Shared Savings | | | \$307,588 | | |

- Renew as is, with no design / program changes

| Estimated Renewal | | Per Employee | Annualized |
|--|-------|-------------------|--------------------|
| R: Projected Contracts | | 194 | |
| Projected Membership | | 508 | |
| S: Projected Claim Cost | N + Q | \$1,526.22 | \$3,553,040 |
| Current Claim Costs Based on 194 EE's | | \$1,268.98 | \$2,954,183 |
| Change from Current | | 20.27% | \$598,857 |
| Fixed Costs (estimated) | | | |
| Administrative Expenses | | \$4.29 | \$9,982 |
| Specific Stop Loss | | \$401.73 | \$935,234 |
| Aggregate Stop Loss | | \$7.93 | \$18,472 |
| COBRA Admin WEX | | \$0.66 | \$1,536 |
| HSA Admin | | \$1.85 | \$4,307 |
| PCORI | | \$0.61 | \$1,420 |
| T: Total Administrative Fees | | \$417.08 | \$970,951 |
| Projected Total Renewal Cost | | \$1,943.30 | \$4,523,991 |
| Current Total Budgeted Costs Based on 194 EE's | | \$1,501.07 | \$3,494,501 |
| Change from Current | | 29.46% | \$1,029,491 |

Plan Year 2025 Plan Projections with Adjustments

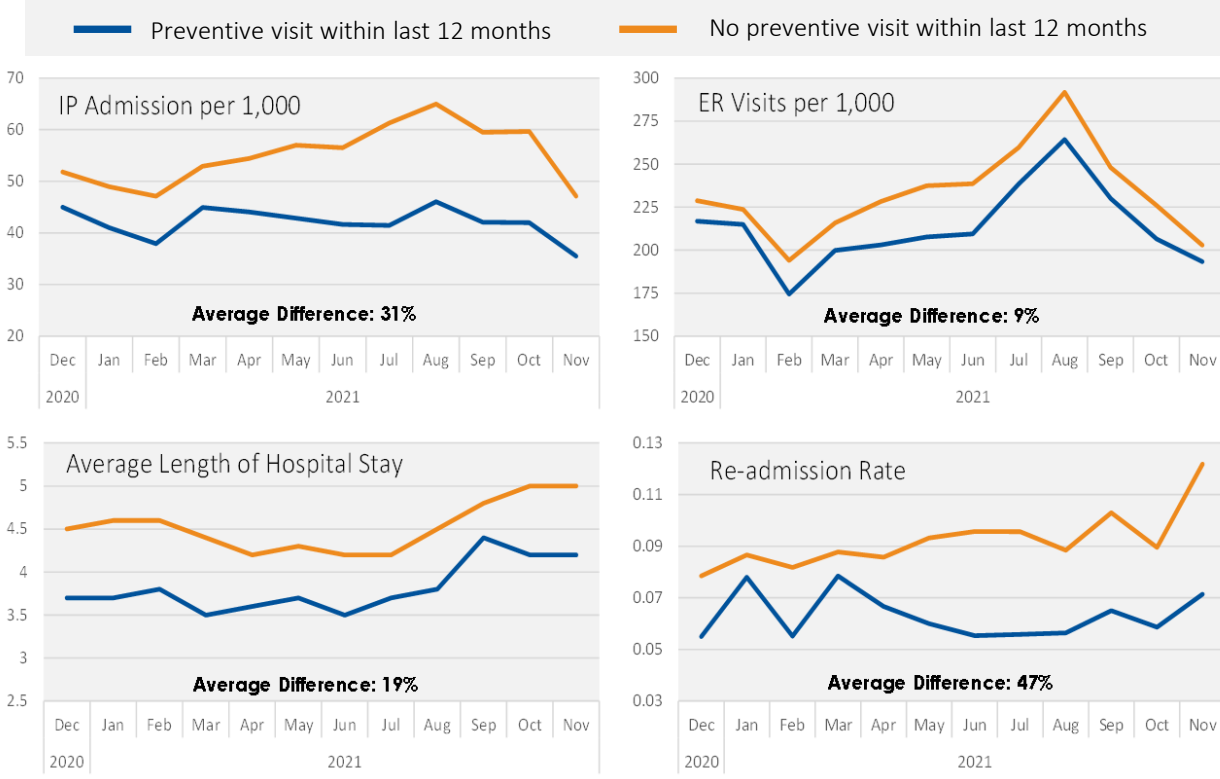
| Proposed Funding | Current | Initial Renewal | Option 1 |
|--|---------------|--------------------|--------------------|
| | Current Plans | No Adjustments | Adjustments |
| Projected Fixed Costs | | \$970,951 | \$970,951 |
| Estimated Expected Claims | | \$3,553,040 | \$3,553,040 |
| Plan Design Adjustments | | | |
| - Estimated Percent of Savings | | 0.00% | -11.94% |
| - Hinge Health/ PaydHealth Savings & Claims Savings w/ 3D (-274,282 - 150,000) | | \$0 | -\$424,282 |
| Total Cost for Funding | | \$4,523,991 | \$4,099,709 |
| Percent of Funding Variance | | 29.46% | 17.32% |

| Premium Rates | Enrollment | Current Plans | No Adjustments | Adjustments |
|--------------------------------|------------|---------------|----------------|-------------|
| Medical Plan | | | | |
| Employee | 63 | \$737.02 | \$954.15 | \$864.66 |
| Family | 131 | \$1,868.52 | \$2,418.99 | \$2,192.13 |
| Total Estimated Premium | | | | |
| Monthly Premium | 194 | \$291,208 | \$376,999 | \$341,642 |
| Annual Premium | | \$3,494,501 | \$4,523,991 | \$4,099,709 |
| Annual Change from Current | | | \$1,029,491 | \$605,209 |
| % Change from Current | | | 29.46% | 17.32% |

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

Plan Year 2025 Options

KEEP:

- Robin HealthPartners **medical plan administration** and its HealthPartners *focused provider network*
- The current **HDHP/HSA medical plan design (\$2,000 / \$4,000 deductible)**
- Wellness Related
 - **Primary Care Provider (PCP) engagement strategy;** Employees and/or spouses who engage with a primary care provider (could be at the Manty Clinic) who receive an annual physical/wellness screenings, are eligible to receive (for Plan Year 2025):
 - City HSA contribution of \$800 for the covered employee and \$800 for a covered spouse (subject to Council approval each year)
- 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 at the same rates**
- **100% employee insurance funded plans** (through NVA vision and Mutual of Omaha disability, accident/critical illness coverages)
- Continue Wellness Platform with Vitality

Plan Year 2025 Options cont.

Change:

Budget Related

- Medical plan recommended increase of 17% factoring in claims reduction with PaydHealth and removal of high-cost claims that will not be ongoing.

Employee Contributions

- In-line with the above funding budget, increase employee monthly contributions for medical (10%)
 - *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:

- 2020 **+0.04%**
- 2021 **no increase**
- 2022 **no increase**
- 2023 **+10.9%**
- 2024 **+7.1%**

Plan Year 2025 Options cont.

Change:

Medical Plan Options

- Add PaydHealth to the Medical plan for an estimated savings of \$236,448 (or 3.7%)
 - PaydHealth is a service that helps the medical plan get specialty high-cost prescription drugs at a lower cost to save the plan money
- Add Hinge Health to the Medical Plan for an estimated savings \$33,790
 - Hinge Health is a virtual physical therapy option for employees. Get the needed physical therapy from home. No office visits, no copays.

2025 Recommendations for resolution

- Self-funded Health insurance to remain with Robin Health Partners as the third-party administrator
 - No plan design changes to the current high-deductible, health savings account eligible plan
 - Premium contribution rate increases of approximately 17% to the City and 10% to employees
- Self-funded dental insurance to remain with Delta Dental as the third-party administrator
 - No premium contribution rate increase
 - Adding porcelain crown coverage
 - Adding CheckUp Plus program (where your cleanings do not go towards the annual max)
 - Adding orthodontia coverage to age 26 (from age 19)
- Wellness platform to remain with Vitality, to continue encouraging employees and spouses to make healthy lifestyle choices
- Cafeteria plan services (HSA, FSA, etc.) to remain with WEX as the administrator
- Employer HSA contributions will be made in March 2025 per employee and per spouse as incentives for meeting specific wellness parameters
 - \$800 for each covered employee and spouse who engaged with a primary care provider between 08/01/2023 and 12/31/2024
- Continue to offer no/low-cost services through the Manty Health & Wellness Clinic, in partnership with MPSD and Froedtert
- EAP services for employees and their families through Empathia. The City worked with USI to evaluate several new vendors. The recommendation is to move to Empathia effective 01/01/2025.
- Vision insurance to remain with NVA and be paid 100% employee-funded
- Disability insurance to remain with Mutual of Omaha and be 100% employee-funded
- Critical illness and accident insurance to remain with Mutual of Omaha and be 100% employee-funded
- Alternative virtual physical therapy option for employees through Hinge Health per recommendation from USI.

Questions?



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