

MINUTES OF THE MEETING OF THE
CITY OF SEAFORD BENEFITS COMMITTEE

10:00 a.m.

March 13, 2019

MEMBERS PRESENT: June Merritt-Director of Finance & HR, Annette Cole-HR Coordinator, Lisa Gillespie-PW Operations Coordinator, Matt Mills – Senior Corporal, Kris Smith-Integra Administrative Group, LLC.

June Merritt called the meeting to order at 10:05 a.m. and welcomed Kris Smith from Integra Administrative Group, LLC and requested that he begin his presentation of the annual healthcare review for the City of Seaford.

Kris Smith first identified the inflation trends for Preferred Provider Organization (PPO)/point of service to be 7.1% for 2019. This means that hospitals, providers, and pharmacies will be charging 7.1% more for their services. Another high cost area that shows a higher than average inflation trend is specialty drugs or biologics that have a 14.3% inflation trend for 2019. This is a high cost area that needs to be managed appropriately and Integra does have management services in place to manage those costs. Overall inflation trends for PPO's have come down from 10.4% in 2005 to 7.1% in 2019. 2018 and 2019 are only projected costs, as it takes two years for actual costs to be calculated, however it still remains a valuable forecasting tool.

Kris Smith then explained what the current health insurance benefit looks like for the City of Seaford. The City currently has a PPO plan that has both in-network and out-of-network benefits. We are utilizing Unimerica as the stop loss carrier, which is a division of United Health Care. Benefits are provided on a co-pay basis, unless deductibles apply. Benefits are currently the same as prior year 2017 as the City had a fairly good renewal year last year so the committee recommended we maintain those benefits as is. Mr. Smith went on to explain some value added benefits such as the med tipster discounted generic drug program and the transplant benefit. He also stated that employees currently have a dental and vision benefit in the amount of \$500.00 per individual for dental and \$400.00 per individual for vision to a maximum annual amount of \$1,500.00 and \$1,200.00 respectively.

Kris Smith went on to state that there were no major changes that the ACA or law were requiring although they have given employers the option of raising the maximum out of pocket expenses by \$600 per individual and \$1,200 per family as the government recognizes the inflation trend and allows the employer to share that cost with employees.

The committee then began looking at the financial numbers and quotes that have been received by Integra Administrative Group for the 2019-2020 contract year. In summary, Mr. Smith stated the following information regarding current costs:

1. Total fixed costs including life, contract premiums with Unimerica, administrative fees to Integra, and value added benefit costs for programs like med-tipster, telemed, health advocate, etc. are currently \$439,970.
2. Projected claims amount for the year was \$729,413 and taking the nine month claims amount and extrapolating it out to 12 months it looks like actual costs will be \$923,481 putting us at 16% over projections.

3. The maximum projected claims amount was \$996,762 so if we come in at \$923,481 the City will be 5.10% under projected maximum fixed costs.

Integra sent out quote requests to 6 different reinsurance carriers and received 60 different quotes and they narrowed it down to the nine best quotes that Integra would like to present today. The quote analysis summary is as follows and the full cost analysis spreadsheet is attached.

1. The incumbent, Unimerica, sent its first offer that would maintain the design of the plan as it is currently. With no changes to the plan the quote would be a 9.63% increase in projected costs.
2. Sirius America, sent an offer that was very similar to how the City plan is currently. With no changes, the quote would be a 10.29% projected cost increase.
3. The incumbent, Unimerica, sent another offer that would add a \$20,000 aggregate specific, which would change the projected claims cost to \$835,206. This will mean a 9.35% projected cost increase.
4. Sirius America sent another offer that would add a 20,000 aggregate specific as well, which would change the projected claims cost to \$835,239. This will mean a 10.04% projected cost increase.
5. The incumbent, Unimerica, sent a third quote that would raise the contract deductible to \$75,000. This would give the City more claim exposure if they had higher claims during the year, therefore fixed costs would decrease but the projected cost of claims would increase due to that exposure. This will mean a 9.69% projected cost increase.
6. Sirius America, sent a third quote as well that would raise the contract deductible to \$75,000. This would give the City more exposure if they had higher claims during the year, therefore fixed costs would decrease but the projected cost of claims would increase due to that exposure along with the cost of run out claims to be paid from prior year. This will mean a 9.85% projected cost increase.
7. Sirius America, sent a fourth quote that would raise the contract deductible to \$75,000 along with an added aggregate specific of \$20,000. Again this will lower fixed costs but give the City a lot more claims exposure if higher claims were to occur during the year. Therefore, fixed costs would decrease but the projected cost of claims would increase due to that exposure along with the cost of run out claims to be paid from prior year. This will mean a 9.39% projected cost increase.
8. Sirius America, sent a fifth quote that would raise the contract deductible to \$80,000. This will keep fixed costs about the same but give the City more claims exposure if higher claims were to occur during the year. This will mean a 9.54% projected cost increase.
9. Westport Insurance, sent a quote that would raise the contract deductible to \$80,000. This carrier is "A" rated as well and has sent in a quote that has a contract premium decrease of \$58,615. Due to the higher claims exposure, projected claims would be \$839,892 and combined would mean a projected cost increase of 4.44%.

The current contract with Unimerica has an experienced rewards program, which means if the City claims run well there will be a claims portion refunded to the City on a renewed contract. Currently, the reward refund under the current claims scenario will be approximately \$40,000. Mr. Smith said this is

important to note, if the committee chose a renewal option with Unimerica this \$40,000 could be used to help offset costs. June Merritt then asked Mr. Smith to clarify that the \$40,000 refund was not shown in these numbers and he said that is correct, but if you were to add in the refund it would lower the fixed percentage increase on all Unimerica quotes. Both Sirius and Westport do not have this rewards offer.

Mr. Smith then stated that the Unimerica offer is a firm offer and that they have been a good business partner throughout the years. He has been successful in years past at negotiating the contract premium price down and will attempt to again if the committee decides to go with a Unimerica offer.

June Merritt went on to explain the risk of raising the contract deductible maximum, stating that the City would then take on the added risk of having to pay claims up to the new contract specific deductible. This means that if the committee were to raise the deductible to \$80,000 and two members have claims that meet or exceed that amount, the City would then have an additional \$20,000 in costs. Kris Smith said that is correct, in the current year the city has had one member that has exceeded the \$70,000 deductible. It is not uncommon to see one or two claims meet the deductible per year. This is important to keep in mind, when looking at the different deductible options. If you compare option 15A and 15C the premium savings for the higher deductible is around \$9,000. Therefore, it is Mr. Smith's recommendation to keep the lower deductible because the 1:1 savings is not worth the City's potential liability.

Annette Cole then asked Mr. Smith to explain the aggregating specific and what the changes from none to \$20,000 would be. Mr. Smith explained that the plan would give the City a 1:1 deduction, or close to it, in contract premium savings and for that deduction the plan would ask that the City take \$20,000 in claims risk above the \$70,000 on an aggregate basis. So if a member has claims that reach \$90,000, the City would pay the \$90,000 and then if any other member or members go beyond the \$70,000 contract maximum, the plan will pay.

Mr. Smith finished his presentation of the quote analysis by stating that the Westport options and the Sirius America quotes are both good offers but not yet a firm offer.

June Merritt asked the committee if they had any other questions for Mr. Smith. There being none, Mrs. Merritt called for a motion to close the regular benefits committee meeting and go into Executive Session to discuss specific claims information that is protected under HIPAA. Annette Cole seconded the motion; the motion so passed with all present voting in favor. The regular meeting was closed at 10:38 a.m.

June Merritt reopened the regular Council Meeting at 11:30 a.m.

June Merritt asked Kris Smith one question regarding HIPAA training for any new members of the committee going forward. Mr. Smith stated that Integra Administrative Group provided an online HIPAA training tool for the City's use and that he would send Ms. Merritt a link.

There being no other questions, June Merritt called for a motion to adjourn the meeting.

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Annette Cole made a motion to close the Regular Meeting. Matt Mills seconded the motion; motion so passed with all voting in favor. Meeting was adjourned at 11:37 a.m.

Annette Cole, Secretary