# JOINT CITY COUNCIL AND IMU BOARD OF TRUSTEES MEETING

March 4, 2024
6:00 PM
City Council Chambers
110 N 1st St., Indianola, IA
Agenda

1. **Call to Order**
2. **Pledge of Allegiance**
3. **Roll Call**
4. **Discussion and direction regarding health insurance renewals.**
5. **Adjourn**

# City of Indianola/IMU

Joint Meeting – Benefit Renewals

**March 4, 2024**

HOLMES MURPHY

# Introduction and Disclosure

Thank you for partnering with Holmes Murphy and Associates. We appreciate the opportunity to explore product options on your behalf. Our focus is in strategic planning, implementation and maintenance of employee benefit plans.

- This proposal is based upon the financial and underwriting information provided by you. In the event there have been significant changes, or we are missing material data, we will need that information in order to forward it to underwriters. Any additional information may change the rates shown. This proposal is issued by the carrier as a courtesy and for the sake of expediency. Actual rates will depend upon underwriting and the final enrollment.
- This proposal is intended to be a summary of the premium costs of the plans under consideration. Please refer to the carriers' proposals for the actual terms, conditions, limitations, and exclusions.
- Never terminate your existing coverage until advised that replacement coverage has been confirmed by the replacement carrier.
- It is imperative we be informed of any employee or dependent who is hospitalized or otherwise disabled and not actively at work on the effective date of any new contract. Coverage may not be available for these individuals. It is imperative we be informed of any employee or dependent who is covered under your group's COBRA provision or retiree plan.
- This proposal is provided only for your internal use. No further use or distribution is authorized without our prior written consent.
- All insurance carriers have their own operating procedures. A change in carrier could, therefore, affect the way certain plan coverages are evaluated.
- As your insurance agent/broker, generally Holmes Murphy has access to many insurance companies to place your coverage. We have obligations to you as the purchaser and to the insurance company as determined in both statutory and case law. We may have authority to obligate the insurance company on your behalf. As a result we may be bound by the terms of our agreement with the insurance company. We typically receive compensation from the selling insurance company based on the agreement Holmes Murphy has with the company. That compensation may vary from company to company and also be impacted by the volume of business Holmes Murphy has with them, the profitability of that business, and other factors. You may
  receive information about our compensation on any of the policies proposed by us, by asking us for the information.
- This proposal summary refers to A.M. Best Ratings in several places. It is Holmes Murphy's policy to place coverage with carriers who have a secure financial strength rating.

  A.M. Best Company is the leading provider of insurer ratings of a company's financial strength and ability to meet its obligations to policyholders. A.M. Best's Rating is an independent opinion, based on a comprehensive quantitative and qualitative evaluation, of a company's balance sheet strength, operating performance and business profile. Best's Ratings are not a warranty of a company's financial strength and ability to meet its obligations to policyholders. Complete information on A.M. Best can be found on their website: www.ambest.com

# A.M. Best Ratings

| | | |
|---|---|---|
| **Secure** | | |
| A++, A+ | Superior | Assigned to companies that have, in our opinion, a superior ability to meet their ongoing obligations to policyholders |
| A, A- | Excellent | Assigned to companies that have, in our opinion, an excellent ability to meet their ongoing obligations to policyholders |
| B++, B+ | Very Good | Assigned to companies that have, in our opinion, a good ability to meet their ongoing obligations to policyholders |
| **Vulnerable** | | |
| B, B- | Fair | Assigned to companies that have, in our opinion, a fair ability to meet their current obligations to the policyholders,but are financially vulnerable to adverse changes in underwriting and economic conditions. |
| C++, C+ | Marginal | Assigned to companies that have, in our opinion, a marginal ability to meet their current obligations to policyholders, but are financially vulnerable to adverse changes in underwriting and economic conditions. |
| C, C- | Weak | Assigned to companies that have, in our opinion, a weak ability to meet their current obligations to policyholders but are financially extremely vulnerable to adverse changes in underwriting and economic conditions. |
| D | Poor | Assigned to companies that have, in our opinion, a poor ability to meet their current obligations to policyholders but are financially extremely vulnerable to adverse changes in underwriting and economic conditions. |
| E | Under Regulatory Supervision | Assigned to companies (and possibly their subsidiaries/affiliates) that have been placed by an insurance regulatory authority under a significant form of supervision, control or restraint where-by they are no longer allowed to conduct normal ongoing insurance operations. This would include conservatorship or rehabilitation but does not include liquidation. It may also be assigned to companies issued cease and desist orders by regulators outside their home state or country. |
| F | In Liquidation | Assigned to companies that have been placed under an order of liquidation by a court of law or whose owners have voluntarily agreed to liquidate the company. Note: Companies that voluntarily liquidate or dissolve their charters are generally not insolvent. |
| S | Suspended | Assigned to companies that have experienced sudden and significant events affecting their balance sheet strength or operating performance and whose rating implications cannot be evaluated due to a lack of timely or adequate information. |
| **Not Rated** | | |
| NR-1 | Insufficient Data | |
| NR-2 | Insufficient Size and/or Operating Experience | |
| NR-3 | Rating Procedure Inapplicable | |
| NR-4 | Company Request | |
| NR-5 | Not Formally Followed | |

# AGENDA

- Medical Renewal & Budget
- Dental Renewal
- Vision Renewal
- Life & Disability Renewals

# Financial Snapshot

| | Covered Employees | | | | | Claims Paid | | | | | Admin | Claims/Admin | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Month | Single | EE+S | EE+C | Family | Total | Medical | Rx | Stoploss Reimbursements | Rx Rebates | Total Med/Rx | Invoice | TOTAL | Expected Claims/Admin |
| Jul-23 | 30 | 20 | 12 | 45 | 107 | $76,055 | $14,457 | $0 | $0 | $90,512 | $28,677 | $119,189 | $122,719 |
| Aug-23 | 35 | 21 | 13 | 46 | 115 | $339,235 | $16,784 | ($233,579) | ($21,565) | $100,875 | $30,821 | $131,696 | $131,894 |
| Sep-23 | 35 | 21 | 15 | 45 | 116 | $211,580 | $18,387 | ($119,945) | ($4,859) | $105,162 | $31,089 | $136,251 | $133,041 |
| Oct-23 | 39 | 19 | 16 | 44 | 118 | $97,072 | $25,664 | ($18,112) | $0 | $104,623 | $31,625 | $136,249 | $135,335 |
| Nov-23 | 42 | 18 | 16 | 47 | 123 | $665,166 | $19,695 | ($589,699) | ($24,418) | $70,745 | $32,965 | $103,710 | $141,069 |
| Dec-23 | 43 | 18 | 16 | 47 | 124 | $116,356 | $20,844 | ($4,691) | $0 | $132,509 | $33,233 | $165,742 | $142,216 |
| Jan-24 | 45 | 18 | 17 | 46 | 126 | $111,755 | $5,144 | ($645) | ($24,272) | $91,982 | $33,769 | $125,751 | $144,510 |
| Feb-24 | | | | | | | | | | | | | |
| Mar-24 | | | | | | | | | | | | | |
| Apr-24 | | | | | | | | | | | | | |
| May-24 | | | | | | | | | | | | | |
| Jun-24 | | | | | | | | | | | | | |
| **Total** | **269** | **135** | **105** | **320** | **829** | **$1,617,218** | **$120,975** | **($966,671)** | **($75,115)** | **$696,408** | **$222,180** | **$918,588** | **$950,785** |
| **PEPM** | | | | | | **$1,950.81** | **$145.93** | **($1,166.07)** | **($90.61)** | **$840.06** | **$268.01** | **$1,108.07** | |

| | Average Claims & Admin | Accrual Rate |
|---|---|---|
| PEPM | **$1,108.07** | **$1,146.91** |
| Actual Compared to: | | **96.6%** |

# 2024 Medical Plan Design

| | Wellmark BCBS $3,000 QHDHP Current | | Wellmark BCBS $3,200 QHDHP Renewal | |
|---|---|---|---|---|
| **BENEFIT OVERVIEW** | **In-Network** | **Out-of-Network** | **In-Network** | **Out-of-Network** |
| Deductible | Embedded | | Embedded | |
| Single | $3,000 | $3,050 | $3,200 | $3,250 |
| Family | $5,400 | $5,700 | $6,000 | $6,300 |
| Coinsurance | 100% / 0% | 80% / 20% | 100% / 0% | 80% / 20% |
| Out of Pocket Maximum | | | | |
| Single | $3,000 | $3,350 | $3,200 | $3,550 |
| Family | $5,400 | $6,700 | $6,000 | $7,700 |
| Lifetime Maximum | Unlimited | Unlimited | Unlimited | Unlimited |
| **BENEFIT HIGHLIGHTS** | | | | |
| Office Visits | | | | |
| Physician | Deductible | Deductible, 20% | Deductible | Deductible, 20% |
| Specialist | Deductible | Deductible, 20% | Deductible | Deductible, 20% |
| Preventive Services | Paid In Full | Deductible, 20% | Paid In Full | Deductible, 20% |
| Hospital Services | | | | |
| Inpatient/Outpatient | Deductible | Deductible, 20% | Deductible | Deductible, 20% |
| Urgent Care | Deductible | Deductible, 20% | Deductible | Deductible, 20% |
| Emergency Room | Deductible | Deductible | Deductible | Deductible |
| Mental Health / Substance Abuse | | | | |
| Inpatient/Outpatient | Deductible | Deductible, 20% | Deductible | Deductible, 20% |
| Prescription Drugs | Blue Rx Value Plus | | Blue Rx Value Plus | |
| Retail | Deductible | | Deductible | |
| Mail Order | Deductible | | Deductible | |

Deductible changes are required due to IRS regulations on minimum deductibles for Qualified High Deductible Health Plans

# Medical/Rx Renewal - Wellmark

Rates not yet final – will be finalized in early April

| | 2023 Costs | 2024 Costs | $ Increase | % Increase | 2023 Budget | 2023 Actual |
|---|---|---|---|---|---|---|
| **Total Fixed Costs** | $398,799 | $443,216 | $44,417 | 11.1% | | |
| **Wellmark Expected Claims** | $1,325,818 | $1,299,714 | ($26,103) | -2.0% | | |
| **Total Annual Expected Costs** | $1,724,617 | $1,742,930 | $18,313 | 1.1% | | |
| **Total Annual Maximum Costs** | $2,056,081 | $2,067,885 | $11,804 | 0.6% | | |
| **PEPM Expected** | $1,159.02 | $1,171.32 | | | **$1,146.91** 2.1% under renewal | **$1,108.07** 5.4% under renewal |

Based on 124 employees = EE: 43 / ES: 47 / EC: 18 / FA: 16

Administrative Fees:

- Medical admin fee increasing from $48.20 PEPM to $50.75 PEPM
- Network access and PBM fees remaining the same

Stop Loss Considerations

- Leverage trend – currently at 15%
- Specific premium increasing from $183.37 PEPM to $210.67 PEPM

# Decisions Needed

Specific Stop Loss Level

- Current: $100,000
- Recommended to leave stop loss at $100,000 for another year to re-evaluate ($100,000 is higher than benchmark)

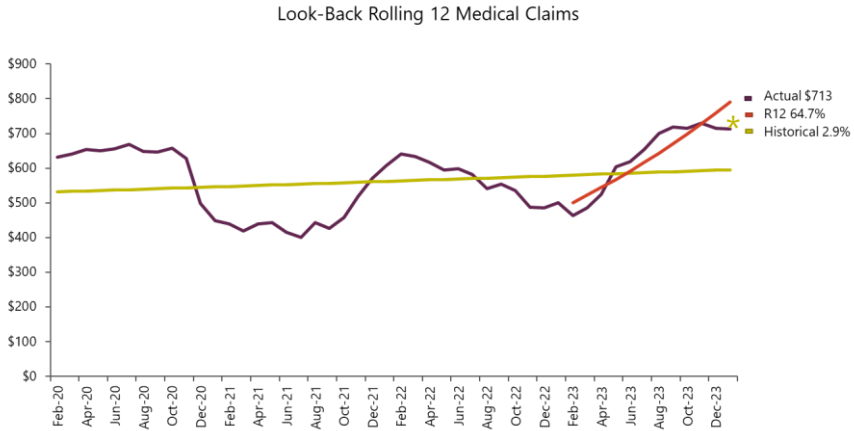
2024/2025 Medical Accrual

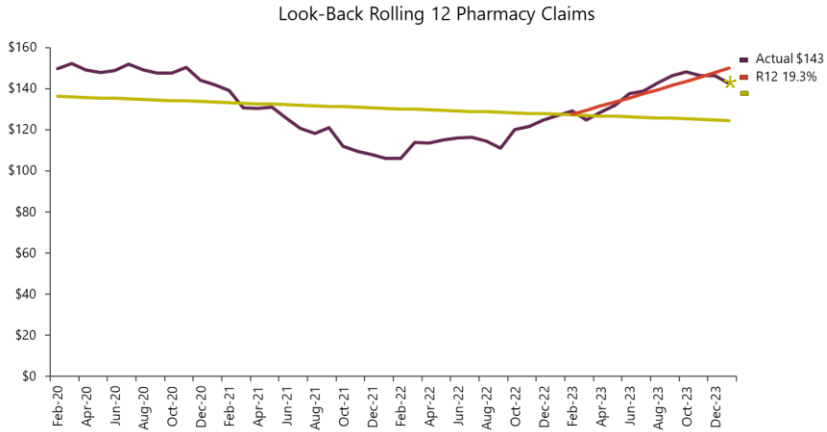
- Current: $1,078 PEPM / $1,578,000 Annual (based on average enrollment of 122)
- Recommended: $1,058 PEPM / $1,600,000 (based on average enrollment of 126)

Employee Contributions

- Current: Employees pay 14.4% of total premium
- Recommended: Keep employee rates flat – would pay 17% due to decrease in overall funding

# Past Coverage Levels



# Budget Model Analysis

| | 2023-24 Plan Year<br>Current Med Trend at 7.0% & Rx Trend at 13.0% | | 2024-25 Plan Year<br>Prospective Med Trend at 7.0% & Rx Trend at 13.0%<br>Prospective PCL 25th Med & 25th Rx | | |
|---|---|---|---|---|---|
| | Budget | Reforecast | Projection | Projection w/ Changes | Difference |
| **Average Headcount** | **122** | **122** | **126** | **126** | |
| PEPM Gross Cost | $1,078 | $1,037 | $920 | $912 | ($8) |
| PEPM EE Contributions | $155 | $155 | $155 | $155 | $- |
| PEPM Net Cost | $923 | $882 | $765 | $757 | ($8) |
| Gross % Change To Budget | | (3.7%) | (14.6%) | (15.4%) | *Cost // (Savings)* |
| Net % Change To Budget | | (4.4%) | (17.1%) | (18.0%) | |
| Annual Gross Cost | $1,578,000 | $1,519,000 | $1,391,000 | $1,379,000 | ($12,000) |
| Annual EE Contribution | $227,000 | $227,000 | $234,000 | $234,000 | $ - |
| Annual Net Cost | $1,351,000 | $1,292,000 | $1,157,000 | $1,145,000 | ($12,000) |
| Gross $ Change To Budget | | ($59)K | ($187)K | ($199)K | *Cost // (Savings)* |
| Net $ Change To Budget | | ($59)K | ($194)K | ($206)K | |

- Medical and Rx PCL's set at 25th percentile – same as current
- Includes IRS required plan design changes
- After change column reflects increase to deductible and no change to employee contributions
- HSA Contributions of $2,600 included
- Employee rates remain flat (would pay 17% of overall plan cost)

# Budget Model Analysis

| 2023-24 Rates | | 2024-25 Rates | | |
|---|---|---|---|---|
| **Funding** | **Employer** | **Funding** | **Employer** | Overall funding change |
| $585.47 | $501.21 | $575.02 | $490.76 | -1.8% |
| $1,087.77 | $931.23 | $1,068.36 | $911.82 | -1.8% |
| $971.93 | $832.07 | $954.58 | $814.72 | -1.8% |
| $1,594.14 | $1,364.72 | $1,565.69 | $1,336.27 | -1.8% |
| Employer Cost Share: | 85.6% | | 85.3% | |

| | | Employee Contributions | | |
|---|---|---|---|---|
| **3000** | **Enrollment** | **2023-24** | **2024-25** | **Change** |
| Employee Only | 45 or 35.7% | $84.26 | $84.26 | $- -% |
| Employee + Spouse | 18 or 14.3% | $156.54 | $156.54 | $- -% |
| Employee + Child(ren) | 17 or 13.5% | $139.86 | $139.86 | $- -% |
| Employee + Family | 46 or 36.5% | $229.42 | $229.42 | $- -% |
| Employee Cost Share: | | 14.4% | 17.0% | 2.6% |

# Decisions Needed

## Reserve Balance

- Premium Holiday
- HSA Contributions – leave at $2,600 ($100 per pay period)

## Alight Concierge Program

- Current Cost: $7,440 ($5.00 PEPM)
- Recommended: Remove program for annual savings of $7,440 – no utilization over past two years

# Other Renewals

## Dental

- Current Annual Spend: $103,855
- Renewal Annual Spend: $103,855
- Renewal Alternate: $108,009 (includes coverage for white fillings & fluoride application twice per benefit period)
- Recommended Action: Renew with alternate for 4% increase. Use Alight funds to pay for enhancements.

**Common Plan Enhancements:**

| | | |
|---|---|---|
| ☑ | Implants: | 59% of employers |
| ☒ | Coverage for Posterior Composites (white fillings): | 48% of employers |
| ☒ | Increasing benefit frequency for fluoride: | 14% of employers |

## Vision

- Current Annual Spend: $20,829
- Renewal Annual Spend: $20,829
- Recommended Action: Renew as-is with Avesis

# Other Renewals

Basic Life

- Current Annual Spend: $20,300
- Renewal Annual Spend: $20,300
- Recommended Action: Renew as-is with Mutual of Omaha

STD

- Current Annual Spend: $66,443
- Renewal Annual Spend: $66,443
- Recommended Action: Renew as-is with Mutual of Omaha

LTD

- Current Annual Spend: $26,141
- Renewal Annual Spend: $26,141
- Recommended Action: Renew as-is with Mutual of Omaha

# Next Steps

| Activity | Target Date |
|---|---|
| ~~Pre-Renewal Meeting~~ | ~~January~~ |
| ~~Request Alternates/Marketing~~ | ~~January~~ |
| ~~Receive Renewals & Alternates~~ | ~~January~~ |
| ~~Renewal Negotiation & Prep~~ | ~~February~~ |
| ~~Renewal Meeting~~ | ~~March~~ |
| Finalize Renewal Decisions & Budget | March/April |
| Open Enrollment Communications Finalized | May |
| Open Enrollment Meetings | May/June |

# Thank you.

HOLMES MURPHY®