

# CITY OF INDEPENDENCE

## 2023 STAY WELL PLAN RENEWAL

August 8, 2022

CBIZ



# Agenda



Current State

2023 Stay Well Recommendation Discussion

Program Goals

Suggested Timelines

Discussion: Illustrative Program Strategy

Multi-Year Program Design / City Management Recommendation



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# CURRENT STATE

# 2022 Plan Designs



| In-Network Benefits   | OAP 1  | OAP 2                               | Local Plus                          |
|---|--|-------------------------------------|-------------------------------------|
| <b>Network</b>  | OAP  | OAP                                 | Local Plus                          |
| <b>Deductible</b><br>Individual / Family                              | \$1,000 / \$2,500                              | \$1,750 / \$3,500                   | \$1,400 / \$2,800                   |
| <b>HSA Contribution</b>   | N/A  | \$600 / \$1,200                     | \$700 / \$1,400                     |
| <b>Member Coinsurance</b>   | 20%  | 20%                                 | 20%                                 |
| <b>Out-of-Pocket Maximum</b><br>Individual / Family                   | \$3,500 / \$8,750                              | \$3,500 / \$7,000                   | \$3,000 / \$6,000                   |
| <b>Physician Visits</b><br>Office (PCP/Specialist)                    | \$35/\$70                                      | Deductible then 20%                 | Deductible then 20%                 |
| <b>Preventative Care</b>  | 100% Covered                                   | 100% Covered                        | 100% Covered                        |
| <b>Urgent Care / ER</b>   | \$50 copay /<br>\$200 copay, then Ded then 20% | Deductible then 20%                 | Deductible then 20%                 |
| <b>Inpatient / Outpatient</b>   | \$200 copay, then<br>Deductible then 20%       | Deductible then 20%                 | Deductible then 20%                 |
| <b>Prescription Drug</b><br>Level 1/ Level 2 / Level 3 /<br>Specialty | \$15/\$40/\$75/\$200                           | Deductible then 20%                 | Deductible then 20%                 |
| <b>Enrollment</b>   | Active: 59%<br>Pre-65 Retiree: 97%             | Active: 26%<br>Pre-65 Retiree: 2.6% | Active: 15%<br>Pre-65 Retiree: 0.4% |

# 2022 Monthly Contributions



## Active

|                   | EE       | City       | Total      |
|-------------------|----------|------------|------------|
| <b>OAP 1</b>      |          |            |            |
| EE                | \$147.58 | \$590.26   | \$737.84   |
| EE + Spouse       | \$357.14 | \$1,428.50 | \$1,785.64 |
| EE + Child(ren)   | \$286.30 | \$1,145.16 | \$1,431.46 |
| Family            | \$498.80 | \$1,995.16 | \$2,493.96 |
|                   |          |            |            |
| <b>OAP 2</b>      |          |            |            |
| EE                | \$106.02 | \$482.94   | \$588.96   |
| EE + Spouse       | \$256.56 | \$1,168.76 | \$1,425.32 |
| EE + Child(ren)   | \$205.68 | \$936.94   | \$1,142.62 |
| Family            | \$358.34 | \$1,632.40 | \$1,990.74 |
|                   |          |            |            |
| <b>Local Plus</b> |          |            |            |
| EE                | \$76.22  | \$482.94   | \$559.16   |
| EE + Spouse       | \$184.44 | \$1,168.76 | \$1,353.20 |
| EE + Child(ren)   | \$147.87 | \$936.94   | \$1,084.81 |
| Family            | \$257.62 | \$1,632.40 | \$1,890.01 |

## Pre-65 Retiree

|                   | EE       | City       | Total      |
|-------------------|----------|------------|------------|
| <b>OAP 1</b>      |          |            |            |
| EE                | \$147.58 | \$590.26   | \$737.84   |
| EE + Spouse       | \$357.14 | \$1,428.50 | \$1,785.64 |
| EE + Child(ren)   | \$286.30 | \$1,145.16 | \$1,431.46 |
| Family            | \$498.80 | \$1,995.16 | \$2,493.96 |
|                   |          |            |            |
| <b>OAP 2</b>      |          |            |            |
| EE                | \$106.02 | \$482.94   | \$588.96   |
| EE + Spouse       | \$256.56 | \$1,168.76 | \$1,425.32 |
| EE + Child(ren)   | \$205.68 | \$936.94   | \$1,142.62 |
| Family            | \$358.34 | \$1,632.40 | \$1,990.74 |
|                   |          |            |            |
| <b>Local Plus</b> |          |            |            |
| EE                | \$76.22  | \$482.94   | \$559.16   |
| EE + Spouse       | \$184.44 | \$1,168.76 | \$1,353.20 |
| EE + Child(ren)   | \$147.87 | \$936.94   | \$1,084.81 |
| Family            | \$257.62 | \$1,632.40 | \$1,890.01 |

# 2022 Enrollment & Funding



|                               | OAP 1        | OAP 2       | Local Plus  | Total        |
|-------------------------------|--------------|-------------|-------------|--------------|
| <b>Active Enrollment</b>      | 504          | 215         | 134         | 853          |
| <b>Pre-65 Enrollment</b>      | 266          | 8           | 1           | 280          |
| <b>Total Enrollment</b>       | 782          | 224         | 123         | 1,128        |
| <b>Employee Contributions</b> | \$2,060,262  | \$585,662   | \$226,700   | \$2,872,624  |
| <b>Retiree Contributions</b>  | \$799,785    | \$20,300    | \$2,213     | \$822,298    |
| <b>City Contributions</b>     | \$11,439,705 | \$2,760,399 | \$1,450,483 | \$15,650,587 |
| <b>Total Funding</b>          | \$14,299,752 | \$3,366,362 | \$1,679,396 | \$19,345,509 |

*Enrollment data as of June 2022*

*Contributions & Funding annualized 2022 YTD (June) totals*

*Data based on CBIZ Monthly Performance Overview Report*



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# 2023 STAY WELL RECOMMENDATION DISCUSSION



# 2023 Stay Well Recommended Scenario

|            | Plan Design   | Funding                      | Contribution Split                     |
|------------|---|------------------------------|--|
| OAP 1      | Increase the following:<br>Deductible: \$2,000/\$5,000;<br>OOP: \$5,000/\$10,000. | Active: +5%<br>Pre-65: + 40% | 80% City / 20% Employee<br>(No Change) |
| OAP 2      | No Change   | No Increase                  | 82% City / 18% Employee<br>(No Change) |
| Local Plus | Increase the following:<br>Deductible: \$1,500/\$3,000                            | No Increase                  | 80% City / 20% Employee<br>(No Change) |
| New Plan   | Deductible: \$3,500/\$7,000<br>OOP: \$7,000/\$14,000                              | Decrement from OAP 2         | 87% City / 13% Employee                |

## New Plan

- QHDHP with no City-sponsored HSA contribution
- Deductible: \$3,500/\$7,000; 80% coinsurance; OOP: \$7,000/\$14,000
- “Low cost” Payroll deductions (\$0 for EE only coverage)



# 2023 Proposed Plan Designs



| In-Network Benefits  | OAP 1   | OAP 2                               | Local Plus                          | New Plan                          |
|--|---|-------------------------------------|-------------------------------------|-----------------------------------|
| Network  | OAP   | OAP                                 | Local Plus                          | OAP                               |
| Deductible<br>Individual / Family                              | \$2,000 / \$5,000                                 | \$1,750 / \$3,500                   | \$1,500 / \$3,000                   | \$3,500 / \$7,000                 |
| HSA Contribution   | N/A   | \$600 / \$1,200                     | \$700 / \$1,400                     | \$0                               |
| Member Coinsurance   | 20%   | 20%                                 | 20%                                 | 20%                               |
| Out-of-Pocket<br>Maximum<br>Individual / Family                | \$5,000 / \$10,000                                | \$3,500 / \$7,000                   | \$3,000 / \$6,000                   | \$7,000 / \$14,000                |
| Physician Visits<br>Office (PCP/Specialist)                    | \$35/\$70   | Deductible then 20%                 | Deductible then 20%                 | Deductible then 20%               |
| Preventative Care  | 100% Covered                                      | 100% Covered                        | 100% Covered                        | 100% Covered                      |
| Urgent Care / ER   | \$50 copay /<br>\$200 copay, then Ded then<br>20% | Deductible then 20%                 | Deductible then 20%                 | Deductible then 20%               |
| Inpatient / Outpatient   | \$200 copay, then<br>Deductible then 20%          | Deductible then 20%                 | Deductible then 20%                 | Deductible then 20%               |
| Prescription Drug<br>Level 1/ Level 2 /<br>Level 3 / Specialty | \$15/\$40/\$75/\$200                              | Deductible then 20%                 | Deductible then 20%                 | Deductible then 20%               |
| Enrollment   | Active: 54%<br>Pre-65 Retiree: 97%                | Active: 23%<br>Pre-65 Retiree: 2.6% | Active: 13%<br>Pre-65 Retiree: 0.4% | Active: 10%<br>Pre-65 Retiree: 0% |

# 2023 Stay Well Contributions – Active Employees



## 2022

|                   | EE                  | City       | Total      |
|-------------------|---------------------|------------|------------|
| <b>OAP 1</b>      | <i>Contribution</i> |            |            |
|                   | <i>20%</i>          |            |            |
| EE                | \$147.58            | \$590.26   | \$737.84   |
| EE + Spouse       | \$357.14            | \$1,428.50 | \$1,785.64 |
| EE + Child(ren)   | \$286.30            | \$1,145.16 | \$1,431.46 |
| Family            | \$498.80            | \$1,995.16 | \$2,493.96 |
| <b>OAP 2</b>      | <i>Contribution</i> |            |            |
|                   | <i>18%</i>          |            |            |
| EE                | \$106.02            | \$482.94   | \$588.96   |
| EE + Spouse       | \$256.56            | \$1,168.76 | \$1,425.32 |
| EE + Child(ren)   | \$205.68            | \$936.94   | \$1,142.62 |
| Family            | \$358.34            | \$1,632.40 | \$1,990.74 |
| <b>Local Plus</b> | <i>Contribution</i> |            |            |
|                   | <i>14%</i>          |            |            |
| EE                | \$76.22             | \$482.94   | \$559.16   |
| EE + Spouse       | \$184.44            | \$1,168.76 | \$1,353.20 |
| EE + Child(ren)   | \$147.87            | \$936.94   | \$1,084.81 |
| Family            | \$257.62            | \$1,632.40 | \$1,890.01 |

## 2023

|                   | EE                  | City            | Total           |
|-------------------|---------------------|-----------------|-----------------|
| <b>OAP 1</b>      | <i>Contribution</i> |                 | <i>Increase</i> |
|                   | <i>20%</i>          | <i>Increase</i> | <i>5%</i>       |
| EE                | \$154.95            | \$7.37          | \$619.79        |
| EE + Spouse       | \$374.98            | \$17.84         | \$1,499.94      |
| EE + Child(ren)   | \$300.61            | \$14.31         | \$1,202.43      |
| Family            | \$523.73            | \$24.93         | \$2,094.93      |
| <b>OAP 2</b>      | <i>Contribution</i> |                 | <i>Increase</i> |
|                   | <i>18%</i>          | <i>Change</i>   | <i>0%</i>       |
| EE                | \$106.02            | \$0.00          | \$482.94        |
| EE + Spouse       | \$256.56            | \$0.00          | \$1,168.76      |
| EE + Child(ren)   | \$205.68            | \$0.00          | \$936.94        |
| Family            | \$358.34            | \$0.00          | \$1,632.40      |
| <b>Local Plus</b> | <i>Contribution</i> |                 | <i>Increase</i> |
|                   | <i>14%</i>          | <i>Change</i>   | <i>0%</i>       |
| EE                | \$76.22             | \$0.00          | \$482.94        |
| EE + Spouse       | \$184.44            | \$0.00          | \$1,168.76      |
| EE + Child(ren)   | \$147.87            | \$0.00          | \$936.94        |
| Family            | \$257.62            | \$0.00          | \$1,632.40      |
| <b>New Plan</b>   | <i>Contribution</i> |                 |                 |
|                   | <i>13%</i>          |                 |                 |
| EE                | \$0.00              |                 | \$471.57        |
| EE + Spouse       | \$148.36            |                 | \$992.86        |
| EE + Child(ren)   | \$118.93            |                 | \$795.94        |
| Family            | \$207.21            |                 | \$1,386.73      |

# 2023 Stay Well Contributions – Pre-65 Retirees



## 2022

|                   | EE                  | City       | Total      |
|-------------------|---------------------|------------|------------|
| <b>OAP 1</b>      | <i>Contribution</i> |            |            |
|                   | <i>20%</i>          |            |            |
| EE                | \$147.58            | \$590.26   | \$737.84   |
| EE + Spouse       | \$357.14            | \$1,428.50 | \$1,785.64 |
| EE + Child(ren)   | \$286.30            | \$1,145.16 | \$1,431.46 |
| Family            | \$498.80            | \$1,995.16 | \$2,493.96 |
| <b>OAP 2</b>      | <i>Contribution</i> |            |            |
|                   | <i>18%</i>          |            |            |
| EE                | \$106.02            | \$482.94   | \$588.96   |
| EE + Spouse       | \$256.56            | \$1,168.76 | \$1,425.32 |
| EE + Child(ren)   | \$205.68            | \$936.94   | \$1,142.62 |
| Family            | \$358.34            | \$1,632.40 | \$1,990.74 |
| <b>Local Plus</b> | <i>Contribution</i> |            |            |
|                   | <i>14%</i>          |            |            |
| EE                | \$76.22             | \$482.94   | \$559.16   |
| EE + Spouse       | \$184.44            | \$1,168.76 | \$1,353.20 |
| EE + Child(ren)   | \$147.87            | \$936.94   | \$1,084.81 |
| Family            | \$257.62            | \$1,632.40 | \$1,890.01 |

## 2023

|                   | EE                  | City               | Total           |
|-------------------|---------------------|--------------------|-----------------|
| <b>OAP 1</b>      | <i>Contribution</i> |                    | <i>Increase</i> |
|                   | <i>20%</i>          | <i>EE Increase</i> | <i>80%</i>      |
|                   |                     |                    | <i>Increase</i> |
|                   |                     |                    | <i>40%</i>      |
| EE                | \$206.60            | \$59.02            | \$826.38        |
| EE + Spouse       | \$499.98            | \$142.84           | \$1,999.92      |
| EE + Child(ren)   | \$400.81            | \$114.51           | \$1,603.24      |
| Family            | \$698.31            | \$199.51           | \$2,793.24      |
| <b>OAP 2</b>      | <i>Contribution</i> |                    | <i>Increase</i> |
|                   | <i>18%</i>          | <i>Change</i>      | <i>Change</i>   |
|                   |                     |                    | <i>0%</i>       |
| EE                | \$106.02            | \$0.00             | \$482.94        |
| EE + Spouse       | \$256.56            | \$0.00             | \$1,168.76      |
| EE + Child(ren)   | \$205.68            | \$0.00             | \$936.94        |
| Family            | \$358.34            | \$0.00             | \$1,632.40      |
| <b>Local Plus</b> | <i>Contribution</i> |                    | <i>Increase</i> |
|                   | <i>14%</i>          | <i>Change</i>      | <i>Change</i>   |
|                   |                     |                    | <i>0%</i>       |
| EE                | \$76.22             | \$0.00             | \$482.94        |
| EE + Spouse       | \$184.44            | \$0.00             | \$1,168.76      |
| EE + Child(ren)   | \$147.87            | \$0.00             | \$936.94        |
| Family            | \$257.62            | \$0.00             | \$1,632.40      |
| <b>New Plan</b>   | <i>Contribution</i> |                    |                 |
|                   | <i>13%</i>          |                    |                 |
| EE                | \$0.00              |                    | \$471.57        |
| EE + Spouse       | \$148.36            |                    | \$992.86        |
| EE + Child(ren)   | \$118.93            |                    | \$795.94        |
| Family            | \$207.21            |                    | \$1,386.73      |



# 2023 Stay Well Recommended Scenario

## Stay Well Scenario Funding Generation

|   | Employees        | City               | Total              |
|---|------------------|--------------------|--------------------|
| 2022 Funding Totals                           | \$3,666,170      | \$15,547,862       | \$19,214,032       |
| 2023 Projected Totals from Stay Well Scenario | \$3,905,162      | \$16,898,820       | \$20,803,982       |
| <i>Change from 2022</i>                       | <i>\$238,992</i> | <i>\$1,350,958</i> | <i>\$1,589,951</i> |

## CBIZ Projection

|  |                                       |
|--|---------------------------------------|
| <b>CBIZ 2023 Funding Projection – No Changes*</b>  | \$23,176,228<br>+\$3,962,196 (+20.6%) |
| <b>CBIZ 2023 Funding Projection with Changes*</b><br>(Plan Design changes to OAP 1; Addition of New Plan with 10% Active EE migration) | \$21,701,565<br>+\$2,487,533 (+12.9%) |
| <b><i>Shortfall Created by Stay Well Scenario</i></b>  | <b><i>\$897,582</i></b>               |

\*CBIZ projection as of claims and enrollment through May 2022. Projection will be updated with additional months of claims before finalizing.

# CBIZ Concerns with Stay Well Recommendation



| Concern                            | Reasoning  |
|------------------------------------|--|
| Overall Plan Funding               | Per the prior slide, the scenario is almost \$900,000 short of CBIZ recommended funding.   |
| No increase to OAP 2 or Local Plus | If there is enough migration from OAP 1 to OAP 2 or Local Plus, it is possible that they could become underfunded without the appropriate premium rate increase to the HDHPs. If the entire 2023 funding increase is put on OAP 1, but then people to migrate from that plan to one of the HDHPs, we will reduce the actual funding for 2023.  |
| New Plan rates                     | Rates for the New Plan will be based off of OAP 2. Creating premium rates for the New Plan, without increasing the premium for OAP 2 first, it is very likely the rates will be too low. Given low contributions by design, it is possible that plan will be over-enrolled and underfunded.  |
| 2024 Funding and Beyond            | This does not represent a significant structural change to the Stay Well plan as a whole that will keep us from being in this position next year (and future years.) Further, once the ARPA funds are exhausted, and the City contribution to Stay Well is reduced significantly, the current City/Employee cost share will be unsustainable. This scenario does not begin to position the plan for that reduction in funds that will happen next year. When 2024 preparation starts next year, the plan will be even farther behind the 8-ball. Either a contribution increase or plan design change (or both) will be required to keep the plan from bankrupting, and they will be so significant, given the past few years of negligible/minimal increases & plan changes, that employees will be in an uproar. |

# Pharmacy Recommendation

- Initial Savings Projection: **> \$700,000**
  - Move to CVS Caremark through the Employer's Health Pharmacy Coalition, using the PrudentRx specialty Rx management program
- Final Savings Projection: **\$350,000**
  - Following release of improved Rx renewal contract provided from Cigna after negotiation of market check
- Proceeding with this option will result in breaking of the multi-year contract with Cigna, which would incur financial penalties. Those penalties have been accounted for in the CBIZ projections



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# PROGRAM GOALS







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# SUGGESTED TIMELINES

# CBIZ Suggested Timeline 2021-2023

## (First Presented 3/24/21)



| Effective Date  | Suggested Action –<br><i>Plan Design</i>                        | Suggested Action –<br><i>Total Plan Funding</i>      | Suggested Action –<br><i>Employee Contributions</i>              |
|-----------------|---|--|--|
| July 1, 2021    | N/A   | <b>Increase</b><br><i>(Potential cash infusion)</i>  | <b>Increase</b>  |
| January 1, 2022 | <b>Modify</b> to encourage Consumerism and health improvement   | <b>Increase</b> pursuant to CBIZ funding calculation | <b>Increase</b> based on funding requirements and business needs |
| January 1, 2023 | <b>Continue</b> to encourage Consumerism and health improvement | <b>Modify</b> pursuant to CBIZ funding calculation   | <b>Modify</b> based on funding requirements and business needs   |

# CBIZ Suggested Timeline 2023-2025



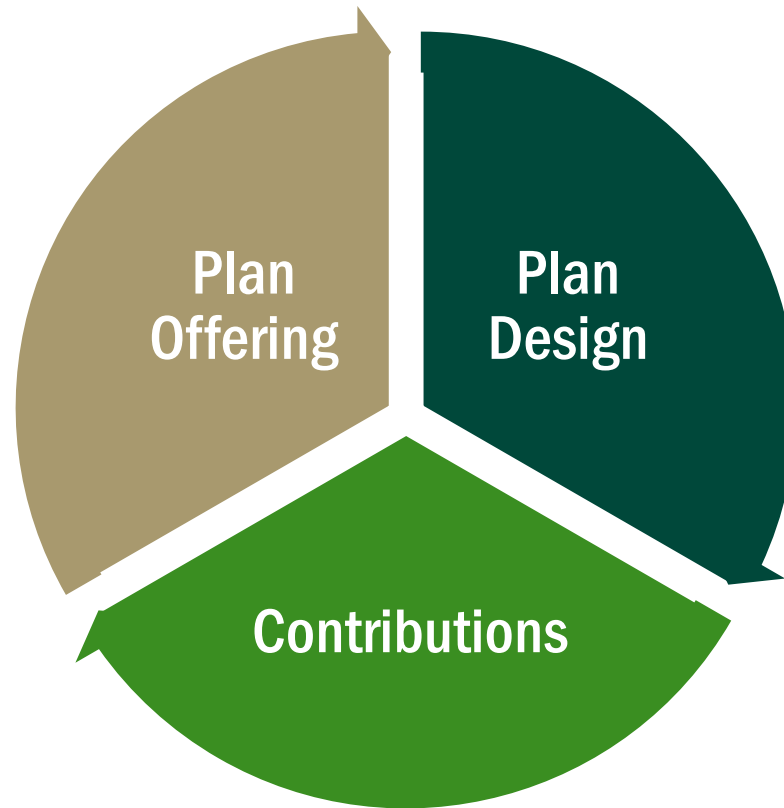
| Effective Date  | Suggested Action –<br><i>Plan Design</i>  | Suggested Action –<br><i>Total Plan Funding</i>      | Suggested Action –<br><i>Employee Contributions</i>                   |
|-----------------|---|--|---|
| January 1, 2023 | <b>Modify</b> to encourage Consumerism, health improvement, and mitigate funding requirements   | <b>Increase</b> pursuant to CBIZ funding calculation | <b>Modify</b> based on funding requirements and business needs        |
| January 1, 2024 | <b>Modify</b> to encourage Consumerism, health improvement, and mitigate funding requirements   | <b>Increase</b> pursuant to CBIZ funding calculation | <b>Modify</b> based on funding requirements and budgetary constraints |
| January 1, 2025 | <b>Continue</b> to encourage Consumerism, health improvement, and mitigate funding requirements | <b>Increase</b> pursuant to CBIZ funding calculation | <b>Modify</b> based on funding requirements and budgetary constraints |



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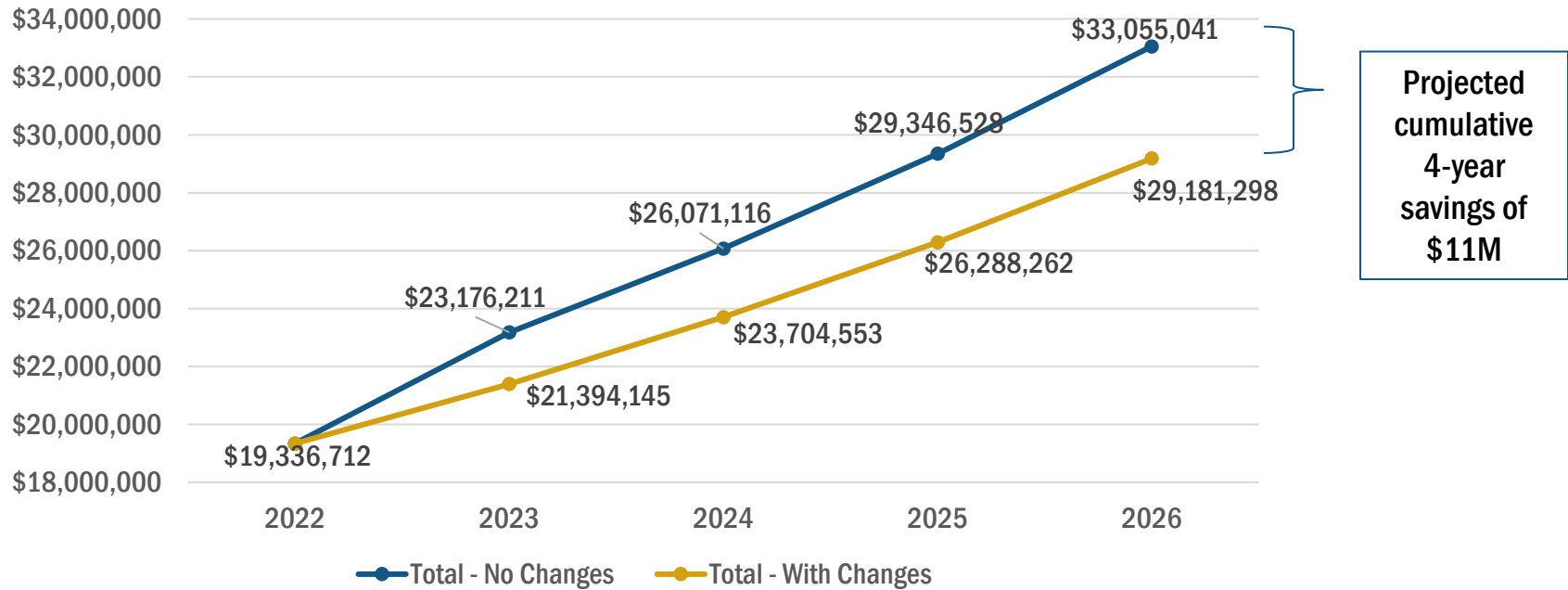
# DISCUSSION: ILLUSTRATIVE PROGRAM STRATEGY

# Components of Plan Strategy





# Illustrative 5-Year Cost Projections



| Year | Total - No Changes      | Total - With Changes |
|------|-------------------------|----------------------|
| 2023 | 20.6% (CBIZ projection) | 10%                  |
| 2024 | 12%                     | 10%                  |
| 2025 | 12%                     | 10%                  |
| 2026 | 12%                     | 10%                  |



# Illustrative Plan Design Options – OAP 1

| In-Network Benefits                             | Current           | Option 1          | Option 2          | Option 3           | Option 4           |
|---|-------------------|-------------------|-------------------|--------------------|--------------------|
| Deductible<br>Individual / Family               | \$1,000 / \$2,500 | \$1,250 / \$3,125 | \$1,500 / \$3,750 | \$2,500 / \$6,250  | \$3,500 / \$8,750  |
| Member<br>Coinsurance                           | 20%               | 20%               | 20%               | 20%                | 20%                |
| Out-of-Pocket<br>Maximum<br>Individual / Family | \$3,500 / \$8,750 | \$3,500 / \$8,750 | \$3,500 / \$8,750 | \$5,000 / \$12,500 | \$6,000 / \$15,000 |
| Actuarial Value                                 | 0.8274            | 0.8213            | 0.8165            | 0.7751             | 0.7545             |
| Projected Savings                               |                   | -\$130,758        | -\$233,650        | -\$1,121,092       | -\$1,562,670       |

Plan provisions not noted above remain unchanged



# Illustrative Plan Design Options – OAP 2

| In-Network Benefits                                 | Current           | Option 1          | Option 2          | Option 3           | Option 4           |
|---|-------------------|-------------------|-------------------|--------------------|--------------------|
| <b>Deductible</b><br>Individual / Family            | \$1,750 / \$3,500 | \$2,000 / \$4,000 | \$2,250 / \$4,500 | \$2,500 / \$5,000  | \$3,500 / \$7,000  |
| <b>HSA Contribution</b>                             | \$600 / \$1,200   | \$600 / \$1,200   | \$600 / \$1,200   | \$600 / \$1,200    | \$600 / \$1,200    |
| <b>Member Coinsurance</b>                           | 20%               | 20%               | 20%               | 20%                | 20%                |
| <b>Out-of-Pocket Maximum</b><br>Individual / Family | \$3,500 / \$8,750 | \$4,000 / \$8,000 | \$4,500 / \$9,000 | \$5,000 / \$10,000 | \$7,000 / \$14,000 |
| <b>Actuarial Value</b>                              | 0.8564            | 0.8392            | 0.8233            | 0.8212             | 0.7732             |
| <b>Projected Savings</b>                            |                   | -\$84,075         | -\$161,795        | -\$172,060         | -\$406,686         |

**Plan provisions not noted above remain unchanged**





# Illustrative Plan Design Options – Local Plus

| In-Network Benefits                             | Current           | Option 1          | Option 2          | Option 3           | Option 4           |
|---|-------------------|-------------------|-------------------|--------------------|--------------------|
| Deductible<br>Individual / Family               | \$1,400 / \$2,800 | \$1,750 / \$3,500 | \$2,000 / \$4,000 | \$2,500 / \$5,000  | \$3,500 / \$7,000  |
| HSA Contribution                                | \$700 / \$1,400   | \$700 / \$1,400   | \$700 / \$1,400   | \$700 / \$1,400    | \$700 / \$1,400    |
| Member<br>Coinsurance                           | 20%               | 20%               | 20%               | 20%                | 20%                |
| Out-of-Pocket<br>Maximum<br>Individual / Family | \$3,000 / \$6,000 | \$3,500 / \$7,000 | \$4,000 / \$8,000 | \$5,000 / \$10,000 | \$7,000 / \$14,000 |
| Actuarial Value                                 | 0.8886            | 0.8658            | 0.8486            | 0.8298             | 0.7817             |
| Projected Savings*                              |                   | -\$49,542         | -\$86,915         | -\$127,766         | -\$232,281         |

**Due to IRS changes in minimum deductibles for Qualified HDHPs, Local Plus will need to increase deductible to \$1,500/\$3,000 at a minimum.**

**Plan provisions not noted above remain unchanged**



# Percentage Split (current setup)

- Employer pays a flat percentage – tiered or straight
- This is more costly for Employers

## Example Scenario

| Preliminary Projected Employee Contributions: AS-IS |            |                                |   |   |            |             |                                |   |   |            |
|---|------------|--------------------------------|---|---|------------|-------------|--------------------------------|---|---|------------|
|   | #1 QHDHP   |                                |   |   |            | #2 PPO PLAN |                                |   |   |            |
|   | Enrollment | CBIZ Preliminary Funding Rates | CBIZ Preliminary Employee Contributions | CBIZ Preliminary Employer Contributions | ER %       | Enrollment  | CBIZ Preliminary Funding Rates | CBIZ Preliminary Employee Contributions | CBIZ Preliminary Employer Contributions | ER %       |
| Employee Only                                       | 331        | \$660.79                       | \$149.43                                | \$511.36                                | 77%        | 75          | \$734.82                       | \$166.17                                | \$568.65                                | 77%        |
| Employee + Spouse                                   | 112        | \$1,471.38                     | \$366.56                                | \$1,104.82                              | 75%        | 16          | \$1,649.91                     | \$411.04                                | \$1,238.87                              | 75%        |
| Employee + Child(ren)                               | 60         | \$1,133.99                     | \$324.54                                | \$809.45                                | 71%        | 11          | \$1,257.71                     | \$359.94                                | \$897.76                                | 71%        |
| Employee + Family                                   | 91         | \$1,880.39                     | \$429.60                                | \$1,450.79                              | 77%        | 17          | \$2,082.48                     | \$475.77                                | \$1,606.71                              | 77%        |
| <b>Estimated Monthly Total</b>                      | <b>594</b> | <b>\$622,670</b>               | <b>\$149,082</b>                        | <b>\$473,589</b>                        | <b>75%</b> | <b>119</b>  | <b>\$130,747</b>               | <b>\$31,087</b>                         | <b>\$99,660</b>                         | <b>75%</b> |
| <b>Estimated Annual Total</b>                       |            | <b>\$7,472,043</b>             | <b>\$1,788,980</b>                      | <b>\$5,683,063</b>                      |            |             | <b>\$1,568,961</b>             | <b>\$373,041</b>                        | <b>\$1,195,920</b>                      |            |

|                              |            |  |  |  |  |  |                    |                    |                    |  |
|------------------------------|------------|--|--|--|--|--|--------------------|--------------------|--------------------|--|
| <b>Combined Annual Total</b> | <b>713</b> |  |  |  |  |  | <b>\$9,041,004</b> | <b>\$2,162,021</b> | <b>\$6,878,983</b> |  |
|------------------------------|------------|--|--|--|--|--|--------------------|--------------------|--------------------|--|

| Preliminary Projected Employee Contributions: AS-IS |            |                                |   |   |            |             |                                |   |   |            |
|---|------------|--------------------------------|---|---|------------|-------------|--------------------------------|---|---|------------|
|   | #1 QHDHP   |                                |   |   |            | #2 PPO PLAN |                                |   |   |            |
|   | Enrollment | CBIZ Preliminary Funding Rates | CBIZ Preliminary Employee Contributions | CBIZ Preliminary Employer Contributions | ER %       | Enrollment  | CBIZ Preliminary Funding Rates | CBIZ Preliminary Employee Contributions | CBIZ Preliminary Employer Contributions | ER %       |
| Employee Only                                       | 331        | \$660.79                       | \$198.24                                | \$462.55                                | 70%        | 75          | \$734.82                       | \$227.44                                | \$514.37                                | 70%        |
| Employee + Spouse                                   | 112        | \$1,471.38                     | \$441.41                                | \$1,029.97                              | 70%        | 16          | \$1,649.91                     | \$394.97                                | \$1,154.94                              | 70%        |
| Employee + Child(ren)                               | 60         | \$1,133.99                     | \$340.20                                | \$793.79                                | 70%        | 11          | \$1,257.71                     | \$377.31                                | \$880.40                                | 70%        |
| Employee + Family                                   | 91         | \$1,880.39                     | \$564.12                                | \$1,316.27                              | 70%        | 17          | \$2,082.48                     | \$624.74                                | \$1,457.74                              | 70%        |
| <b>Estimated Monthly Total</b>                      | <b>594</b> | <b>\$622,670</b>               | <b>\$186,801</b>                        | <b>\$435,869</b>                        | <b>70%</b> | <b>119</b>  | <b>\$130,747</b>               | <b>\$39,224</b>                         | <b>\$91,523</b>                         | <b>70%</b> |
| <b>Estimated Annual Total</b>                       |            | <b>\$7,472,043</b>             | <b>\$2,241,613</b>                      | <b>\$5,230,430</b>                      |            |             | <b>\$1,568,961</b>             | <b>\$470,688</b>                        | <b>\$1,098,273</b>                      |            |

|                              |            |  |  |  |  |  |                    |                    |                    |  |
|------------------------------|------------|--|--|--|--|--|--------------------|--------------------|--------------------|--|
| <b>Combined Annual Total</b> | <b>713</b> |  |  |  |  |  | <b>\$9,041,004</b> | <b>\$2,712,301</b> | <b>\$6,328,703</b> |  |
|------------------------------|------------|--|--|--|--|--|--------------------|--------------------|--------------------|--|

The difference between tiered and straight percentage is nearly 10% in this scenario



# What is Defined Contribution?

- Sets dollar amounts across plans and tiers
- Employees buy up or down for different plans without impact to the employer - Employees pay for what they use
- Helps protect the plan in the event of an unexpected enrollment shift
- Controls employer spend for budgetary planning

## Example Scenario

|                                | Preliminary Projected #1 QDHP |                                |   |   |            | Employee Contributions: AS-IS #2 PPO PLAN |                                |   |   |            |
|--------------------------------|-------------------------------|--------------------------------|---|---|------------|---|--------------------------------|---|---|------------|
|                                | Enrollment                    | CBIZ Preliminary Funding Rates | CBIZ Preliminary Employee Contributions | CBIZ Preliminary Employer Contributions | ER %       | Enrollment                                | CBIZ Preliminary Funding Rates | CBIZ Preliminary Employee Contributions | CBIZ Preliminary Employer Contributions | ER %       |
|                                | Employee Only                 | 331                            | \$660.79                                | \$149.43                                | \$511.36   | 77%                                       | 75                             | \$734.82                                | \$223.46                                | \$511.36   |
| Employee + Spouse              | 112                           | \$1,471.38                     | \$366.56                                | \$1,104.82                              | 75%        | 16  | \$1,649.91                     | \$545.10                                | \$1,104.82                              | 67%        |
| Employee + Child(ren)          | 60                            | \$1,133.99                     | \$324.54                                | \$809.45                                | 71%        | 11  | \$1,257.71                     | \$448.25                                | \$809.45                                | 64%        |
| Employee + Family              | 91                            | \$1,880.39                     | \$429.60                                | \$1,450.79                              | 77%        | 17  | \$2,082.48                     | \$631.69                                | \$1,450.79                              | 70%        |
| <b>Estimated Monthly Total</b> | <b>594</b>                    | <b>\$622,670</b>               | <b>\$149,082</b>                        | <b>\$473,589</b>                        | <b>75%</b> | <b>119</b>                                | <b>\$130,747</b>               | <b>\$41,150</b>                         | <b>\$89,596</b>                         | <b>68%</b> |
| <b>Estimated Annual Total</b>  |                               | <b>\$7,472,043</b>             | <b>\$1,788,980</b>                      | <b>\$5,683,063</b>                      |            |   | <b>\$1,568,961</b>             | <b>\$493,803</b>                        | <b>\$1,075,158</b>                      |            |
| <b>Combined Annual Total</b>   | <b>713</b>                    |                                |   |   |            |   | <b>\$9,041,004</b>             | <b>\$2,282,783</b>                      | <b>\$6,758,221</b>                      |            |



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# MULTI-YEAR PROGRAM DESIGN

# Suggested Program Design



|                              | 2023   | 2024  | 2025  |
|------------------------------|--|---|---|
| Total Plan Funding           | Begin with CBIZ Funding Projection, then reduce funding based on plan decrements                     |   |   |
| Plan Offering                | OAP 1, OAP 2, Local Plus Add – New Plan<br>Rename all plans  | No changes at this time   | No changes at this time   |
| Plan Design                  | No changes to OAP 2, Local Plus<br>OAP 1 – Increase deductible & OOP<br>Carve out Rx to CVS Caremark | Deductible & OOP changes as required to mitigate increase                             | Deductible & OOP changes as required to mitigate increase                             |
| Active Contribution Scenario | <i>Defined Contribution</i><br>Based on OAP 2 at 82%/18% for all tiers                               | <i>Defined Contribution</i><br>Based on OAP 2 at 80%/20% single<br>75%/25% non-single | <i>Defined Contribution</i><br>Based on OAP 2 at 80%/20% single<br>75%/25% non-single |
| Pre-65 Contribution Scenario | <i>Defined Contribution</i><br>Based on OAP 2 at 80%/20% for all tiers                               | <i>Defined Contribution</i><br>Based on OAP 2 at 70%/30% single<br>65%/35% non-single | <i>Defined Contribution</i><br>Based on OAP 2 at 70%/30% single<br>65%/35% non-single |

Basing Defined Contribution on OAP 2 follows plan strategy by encouraging consumerism and matches current/recent enrollment & migration trends



# Plan Performance by Group

| <u>Group</u> | <u>Funding</u>      | <u>Claims</u>       | <u>Loss Ratio</u> |
|--------------|---------------------|---------------------|-------------------|
| Active       | \$34,857,509        | \$32,681,989        | 93.8%             |
| Pre-65       | \$9,074,230         | \$13,618,869        | 150.1%            |
| <b>Total</b> | <b>\$43,931,740</b> | <b>\$46,300,858</b> | <b>105.4%</b>     |

Based on Plan Costs 1/1/2020 - 5/31/2022  
Claims are net of stop loss reimbursements  
Claims do not include Rx reimbursements  
Fixed costs are not included

# 2023 Proposed Plan Designs



| In-Network Benefits  | Copay Plan<br>(OAP 1)                             | Stay Well Plan<br>(OAP 2) | Local Plus<br>(Local Plus) | Base Plan<br>(New Plan) |
|--|---|---------------------------|----------------------------|-------------------------|
| Network  | OAP   | OAP                       | Local Plus                 | OAP                     |
| Deductible<br>Individual / Family                              | \$2,000 / \$5,000                                 | \$1,750 / \$3,500         | \$1,500 / \$3,000          | \$3,500 / \$7,000       |
| HSA Contribution   | N/A   | \$600 / \$1,200           | \$700 / \$1,400            | \$0                     |
| Member Coinsurance   | 20%   | 20%                       | 20%                        | 20%                     |
| Out-of-Pocket<br>Maximum<br>Individual / Family                | \$5,000 / \$10,000                                | \$3,500 / \$7,000         | \$3,000 / \$6,000          | \$7,000 / \$14,000      |
| Physician Visits<br>Office (PCP/Specialist)                    | \$35/\$70   | Deductible then 20%       | Deductible then 20%        | Deductible then 20%     |
| Preventative Care  | 100% Covered                                      | 100% Covered              | 100% Covered               | 100% Covered            |
| Urgent Care / ER   | \$50 copay /<br>\$200 copay, then Ded then<br>20% | Deductible then 20%       | Deductible then 20%        | Deductible then 20%     |
| Inpatient / Outpatient   | \$200 copay, then<br>Deductible then 20%          | Deductible then 20%       | Deductible then 20%        | Deductible then 20%     |
| Prescription Drug<br>Level 1/ Level 2 /<br>Level 3 / Specialty | \$15/\$40/\$75/\$200                              | Deductible then 20%       | Deductible then 20%        | Deductible then 20%     |



# 2023 Projected Funding & Cost Split

| Scenario                              | Employee    | City         | Total        |
|---------------------------------------|-------------|--------------|--------------|
| Current                               | \$3,666,170 | \$15,547,862 | \$19,214,032 |
| 2023 Projection <i>As-Is</i> *        | \$4,429,731 | \$18,746,497 | \$23,176,228 |
| 2023 Projection <i>With Changes</i> * | \$5,206,310 | \$16,495,255 | \$21,701,565 |

### ***Changes Include:***

- OAP 1 – Plan design changes
- New Plan offering
- Assumption of 10% migration of Active employees to New plan (0% retiree migration projected)
- Contributions
  - Active: Defined contribution for all plans based on 82%/18% cost share of OAP 2
  - Pre-65: Defined contribution for all plans based on 80%/20% cost share of OAP 2

\*CBIZ projection as of claims and enrollment through May 2022. Projection will be updated with additional months of claims before finalizing.



# 2023 Projected Contributions & Cost Share



## Active

|                   | EE       | City       | Total      |
|-------------------|----------|------------|------------|
| <b>OAP 1</b>      |          |            |            |
| EE                | \$229.04 | \$582.54   | \$811.58   |
| EE + Spouse       | \$554.32 | \$1,409.78 | \$1,964.09 |
| EE + Child(ren)   | \$444.36 | \$1,130.16 | \$1,574.52 |
| Family            | \$774.17 | \$1,969.03 | \$2,743.20 |
|                   |          |            |            |
| <b>OAP 2</b>      |          |            |            |
| EE                | \$127.87 | \$582.54   | \$710.41   |
| EE + Spouse       | \$309.46 | \$1,409.78 | \$1,719.24 |
| EE + Child(ren)   | \$248.08 | \$1,130.16 | \$1,378.24 |
| Family            | \$432.23 | \$1,969.03 | \$2,401.26 |
|                   |          |            |            |
| <b>Local Plus</b> |          |            |            |
| EE                | \$91.93  | \$582.54   | \$674.47   |
| EE + Spouse       | \$222.47 | \$1,409.78 | \$1,632.25 |
| EE + Child(ren)   | \$178.35 | \$1,130.16 | \$1,308.51 |
| Family            | \$310.72 | \$1,969.03 | \$2,279.76 |
|                   |          |            |            |
| <b>New Plan</b>   |          |            |            |
| EE                | \$0.00   | \$568.81   | \$568.81   |
| EE + Spouse       | \$178.95 | \$1,197.60 | \$1,376.56 |
| EE + Child(ren)   | \$143.46 | \$960.07   | \$1,103.53 |
| Family            | \$249.94 | \$1,672.69 | \$1,922.63 |

## Pre-65 Retiree

|                   | Retiree  | City       | Total      |
|-------------------|----------|------------|------------|
| <b>OAP 1</b>      |          |            |            |
| EE                | \$243.25 | \$568.33   | \$811.58   |
| EE + Spouse       | \$588.70 | \$1,375.39 | \$1,964.09 |
| EE + Child(ren)   | \$471.92 | \$1,102.60 | \$1,574.52 |
| Family            | \$822.19 | \$1,921.01 | \$2,743.20 |
|                   |          |            |            |
| <b>OAP 2</b>      |          |            |            |
| EE                | \$142.08 | \$568.33   | \$710.41   |
| EE + Spouse       | \$343.85 | \$1,375.39 | \$1,719.24 |
| EE + Child(ren)   | \$275.65 | \$1,102.60 | \$1,378.24 |
| Family            | \$480.25 | \$1,921.01 | \$2,401.26 |
|                   |          |            |            |
| <b>Local Plus</b> |          |            |            |
| EE                | \$106.14 | \$568.33   | \$674.47   |
| EE + Spouse       | \$256.86 | \$1,375.39 | \$1,632.25 |
| EE + Child(ren)   | \$205.92 | \$1,102.60 | \$1,308.51 |
| Family            | \$358.75 | \$1,921.01 | \$2,279.76 |
|                   |          |            |            |
| <b>New Plan</b>   |          |            |            |
| EE                | \$113.76 | \$455.05   | \$568.81   |
| EE + Spouse       | \$275.31 | \$1,101.25 | \$1,376.56 |
| EE + Child(ren)   | \$220.71 | \$882.82   | \$1,103.53 |
| Family            | \$384.53 | \$1,538.11 | \$1,922.63 |



# Contribution Comparison (Monthly)

## Active

|                   | 2022<br>Current | 2023<br>Stay Well | 2023<br>City Manager |
|-------------------|-----------------|-------------------|----------------------|
| <b>OAP 1</b>      |                 |                   |                      |
| EE                | \$147.58        | \$154.95          | \$229.04             |
| EE + Spouse       | \$357.14        | \$374.98          | \$554.32             |
| EE + Child(ren)   | \$286.30        | \$300.61          | \$444.36             |
| Family            | \$498.80        | \$523.73          | \$774.17             |
|                   |                 |                   |                      |
| <b>OAP 2</b>      |                 |                   |                      |
| EE                | \$106.02        | \$106.02          | \$127.87             |
| EE + Spouse       | \$256.56        | \$256.56          | \$309.46             |
| EE + Child(ren)   | \$205.68        | \$205.68          | \$248.08             |
| Family            | \$358.34        | \$358.34          | \$432.23             |
|                   |                 |                   |                      |
| <b>Local Plus</b> |                 |                   |                      |
| EE                | \$76.22         | \$76.22           | \$91.93              |
| EE + Spouse       | \$184.44        | \$184.44          | \$222.47             |
| EE + Child(ren)   | \$147.87        | \$147.87          | \$178.35             |
| Family            | \$257.62        | \$257.62          | \$310.72             |
|                   |                 |                   |                      |
| <b>New Plan</b>   |                 |                   |                      |
| EE                |                 | \$0.00            | \$0.00               |
| EE + Spouse       |                 | \$148.36          | \$178.95             |
| EE + Child(ren)   |                 | \$118.93          | \$143.46             |
| Family            |                 | \$207.21          | \$249.94             |

## Pre-65 Retiree

|                   | 2022<br>Current | 2023<br>Stay Well | 2023<br>City Manager |
|-------------------|-----------------|-------------------|----------------------|
| <b>OAP 1</b>      |                 |                   |                      |
| EE                | \$147.58        | \$206.60          | \$243.25             |
| EE + Spouse       | \$357.14        | \$499.98          | \$588.70             |
| EE + Child(ren)   | \$286.30        | \$400.81          | \$471.92             |
| Family            | \$498.80        | \$698.31          | \$822.19             |
|                   |                 |                   |                      |
| <b>OAP 2</b>      |                 |                   |                      |
| EE                | \$106.02        | \$106.02          | \$142.08             |
| EE + Spouse       | \$256.56        | \$256.56          | \$343.85             |
| EE + Child(ren)   | \$205.68        | \$205.68          | \$275.65             |
| Family            | \$358.34        | \$358.34          | \$480.25             |
|                   |                 |                   |                      |
| <b>Local Plus</b> |                 |                   |                      |
| EE                | \$76.22         | \$76.22           | \$106.14             |
| EE + Spouse       | \$184.44        | \$184.44          | \$256.86             |
| EE + Child(ren)   | \$147.87        | \$147.87          | \$205.92             |
| Family            | \$257.62        | \$257.62          | \$358.75             |
|                   |                 |                   |                      |
| <b>New Plan</b>   |                 |                   |                      |
| EE                |                 | \$0.00            | \$113.76             |
| EE + Spouse       |                 | \$148.36          | \$275.31             |
| EE + Child(ren)   |                 | \$118.93          | \$220.71             |
| Family            |                 | \$207.21          | \$384.53             |