

## **Joint City/GUC Pay & Benefits Committee**

Monday, September 14, 2020

3:00 p.m.

Virtual

- I. Call to Order
- II. Approval of the Agenda
- III. Approval of Minutes – August 26, 2019
- IV. Mercer Presentation: COG/GUC 2021 Recommendations for Health/Dental Insurance
- V. Discussion of Joint Committee Recommendations
- VI. Next Steps
- VII. Adjournment

PROPOSED MINUTES  
JOINT PAY AND BENEFITS COMMITTEE  
MONDAY, AUGUST 26, 2019

The Joint Pay and Benefits Committee of the City of Greenville (COG) and the Greenville Utilities Commission (GUC) met on Monday, August 26, 2019, in Conference Room 337 at City Hall, Greenville, N.C.

Committee members present included Council Member Rick Smiley, Mayor Pro-Tem Rose Glover and GUC Commissioners Joel Butler and Kelly L. Darden, Jr.

Other City officials and staff present included City Manager Ann E. Wall, Assistant City Manager Michael Cowin, Director of Human Resources Leah Futrell, and HR Specialist II Kimberly Phelps.

Other GUC officials and staff present included General Manager/CEO Tony Cannon, Chief Administrative Officer Chris Padgett, Director of Human Resources Richie Shreves, Benefits Administrator Leah Herring, Human Resources Manager Lena Preville, Executive Assistant to the General Manager/CEO Amy Wade, Public Information Officer/Communications Manager Steve Hawley, and General Counsel Phil Dixon.

Others present included Steve Graybill and Parker Cramer from Mercer and Ginger Livingston from The Daily Reflector.

**ITEM I-CALL TO ORDER**

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City Manager Ann Wall called the meeting to order at 3:10 p.m. and a quorum was ascertained.

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**ITEM II-APPROVAL OF THE AGENDA**

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Council Member Smiley moved to accept the agenda. Commissioner Butler seconded the motion, which passed by unanimous vote.

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**ITEM III-APPROVAL OF MINUTES**

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Council Member Smiley moved to approve the March 26, 2019 minutes. Commissioner Butler seconded the motion, which passed by unanimous vote.

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**ITEM IV- MERCER PRESENTATION: COG/GUC 2020 RECOMMENDATIONS FOR  
HEALTH/DENTAL INSURANCE**

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Mr. Steve Graybill announced that there is good news to report for medical plan costs. Medical plan costs are running well below budget for the current year and are projected to be within current year budget for 2020. As such, there are no recommended changes to the current plan designs or employee premiums for 2020. Lower than expected claims and pharmacy rebates are factors in Mercer's recommendations.

Effective January 1, 2020, Cigna is partnering with Omada Health to offer a new program designed to help and coach at-risk employees to reduce their risk of obesity-related chronic diseases, such as diabetes and hypertension. There are parameters in place for participation. The enrollment fee of \$235 covers the cost of a digital, blue-tooth scale, health coach and peer group, marketing, etc. There are no additional costs unless the enrolled employee loses at least 1% of their body weight. With set parameters for participation, based on the estimated enrollment of 74 members, Cigna estimates the two-year net savings of the program to be \$31,376.

Mr. Parker Cramer reviewed the financial data and assumptions for the baseline cost of the medical plan and dental projections. With both plans under budget, Mercer recommended holding rates and employee contributions status quo.

After discussion, Council Member Smiley made a motion to offer the new Omada program to employees, and to accept the recommendation with no changes to the medical and dental plans and no changes to employee contributions for medical and dental plans. Commissioner Butler seconded the motion, which passed by unanimous vote.

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#### **ITEM V-DISCUSSION OF RECOMMENDATIONS FOR THE JOINT BOARD MEETING**

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After discussion, it was the consensus of the Committee for the managers to develop a memorandum to send to each governing board outlining the Joint Pay and Benefits Committee recommendations in lieu of having the Joint City/GUC Board Meeting scheduled for September 23, 2019. Without any objections to the recommendations, each governing board will need to reflect the cancelation of the Joint Meeting in their respective meeting calendars and take action on the Joint Pay and Benefits Committee recommendations.

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#### **ITEM VI-CLASSIFICATION AND COMPENSATION STUDY UPDATE**

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Ms. Leah Futrell stated that both the City and GUC have kicked off the classification and compensation study and are currently gathering input from employees. Preliminary study results are expected in March 2020 with appeals and final recommendation in April 2020 and implementation on July 1, 2020.

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#### **ITEM VII-ADJOURNMENT**

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It was the consensus of the Committee to cancel the second Joint Pay and Benefits Committee meeting scheduled for September 13, 2019.

There being no further discussion, Council Member Smiley made the motion to adjourn the meeting and Commissioner Butler seconded the motion. The vote was unanimous, and the meeting was adjourned at 3:46 p.m.

Respectfully submitted,

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Amy Wade  
Executive Secretary

# 2021 Renewal Recommendations

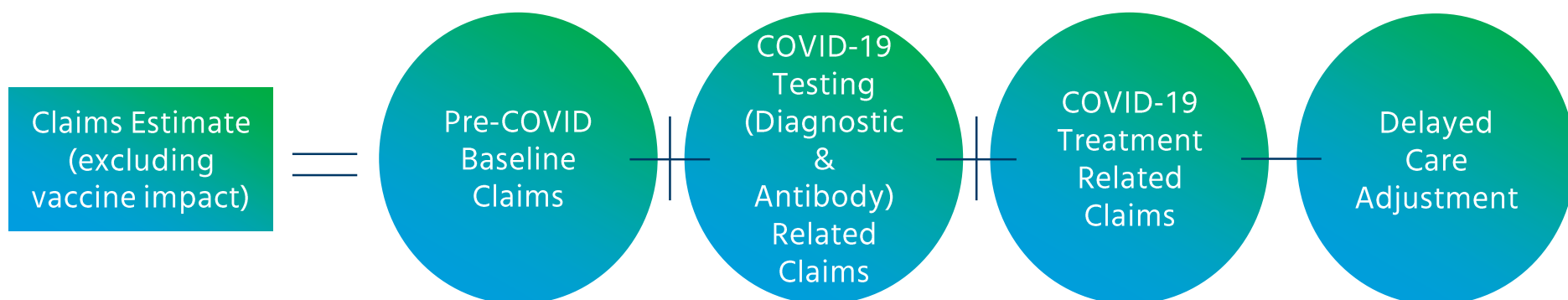
**City of Greenville and  
Greenville Utilities Commission**

September 2020

## **2021 Plan Year Recommendations With Covid Impact**

# COVID-19 Health Plan Impact Framework

## Primary Impact vs. Secondary Impacts



Separate from the primary factors above, tracking impact of COVID-19 on secondary factors such as behavioral health claims, use of telehealth, utilization management loosening, case severity due to delayed care, pressure on provider reimbursement, may be warranted, and also considered when setting 2021 trend

# Vaccine Considerations

- A successful vaccine campaign will mark an inflection point and materially change assumptions regarding COVID-19 impact
- Among the many unknowns are:
  - Effectiveness
  - Timing
  - Cost
  - Availability through other channels (e.g. occupational or public health)
- Given the uncertainties, we did not include the impact of a vaccine in our scenario estimates. We believe a vaccine may increase total 2021 claims costs 1-2% given a variety of assumptions.
  - 75% vaccination rate with costs of \$100 (for one or multiple vaccinations)
  - An earlier vs. later introduction of a vaccine during 2021 will lead to cost impact at the lower end of the range as costs of testing and treatment dissipate



## 2021 Summary Findings – Baseline Scenario

	Summary of COVID-19 Impacts		
	Scenario 1	Scenario 2	Scenario 3
Assumed Client Testing Rate	14.0%	28.0%	55.9%
Symptomatic Members with Positive Tests	0.7%	1.4%	2.8%
Unadjusted 2021 Claims (medical/Rx)	\$19,690,655	\$19,690,655	\$19,690,655
Testing Cost	\$127,455	\$239,325	\$427,891
Anti-body Cost	\$17,810	\$35,620	\$71,241
Treatment Cost	\$64,707	\$155,742	\$364,140
Member Cost Sharing	(\$5,644)	(\$13,846)	(\$32,809)
Net Deferred Care in 2021	(\$184,820)	(\$184,820)	(\$184,820)
Additional Margin	\$0	\$0	\$0
Total 2021 Cost after COVID-19	\$19,710,163	\$19,922,676	\$20,336,298
<b>Increase (Decrease) - \$</b>	<b>\$19,508</b>	<b>\$232,021</b>	<b>\$645,643</b>
Increase (Decrease) - %	0.1%	1.2%	3.3%

Number of Hospitalizations	1.6	4.0	9.4
Number of Members Tested	418	836	1,671

- Scenarios apply same approach as 2020 with projected virus incidence through the end of 2021
- Participation cost-sharing assumptions assumes 100% coverage for testing
- The results above should be viewed as incremental to underlying trend assumptions, which will need to consider secondary impacts of COVID-19 on trend, such as:
  - higher increases in provider payments
  - increase in case complexity due to postponement of care
  - Mental health impact from social isolation/anxiety/depression

# Total medical & pharmacy Year-to-date (YTD) July 2020

0.4% of Members produced 15.7% of claims (HCC)

HCC threshold of \$100K



## Cost & budget summary

### Gross paid claims

**\$9.6m**

1.6% Prior YTD differential  
0.9% Rolling 12 month differential

### Adjusted paid claims

**\$9.0m**

-4.7% Prior YTD differential  
-2.6% Rolling 12 month differential

### Fixed costs

**\$1.1m**

11.8% Prior YTD differential  
11.2% Rolling 12 month differential

### Gross plan cost

**\$10.2m**

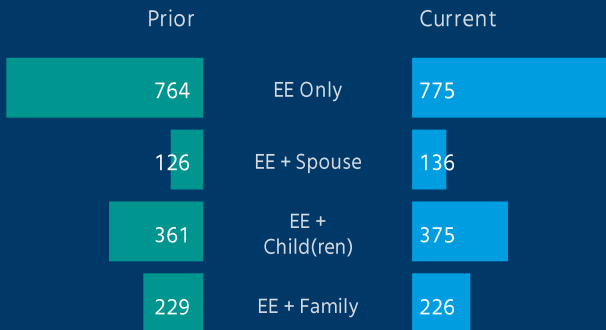
-3.1% Prior YTD differential  
-1.3% Rolling 12 month differential

### Gross budget

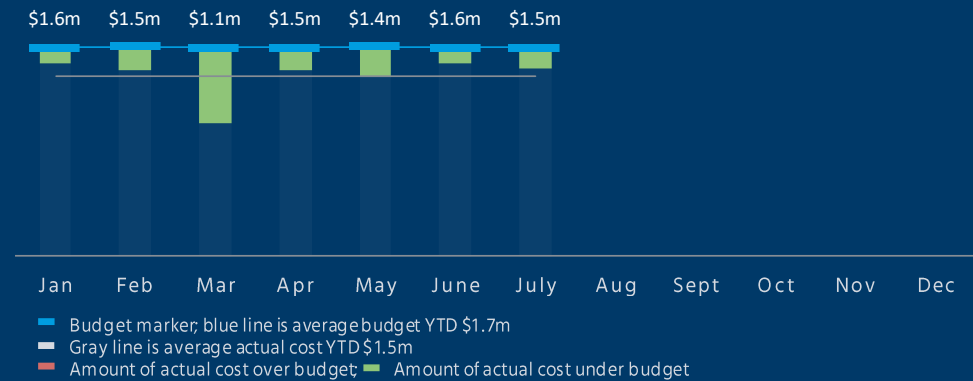
**\$11.8m**

1.6% Prior YTD differential  
3.0% Rolling 12 month differential

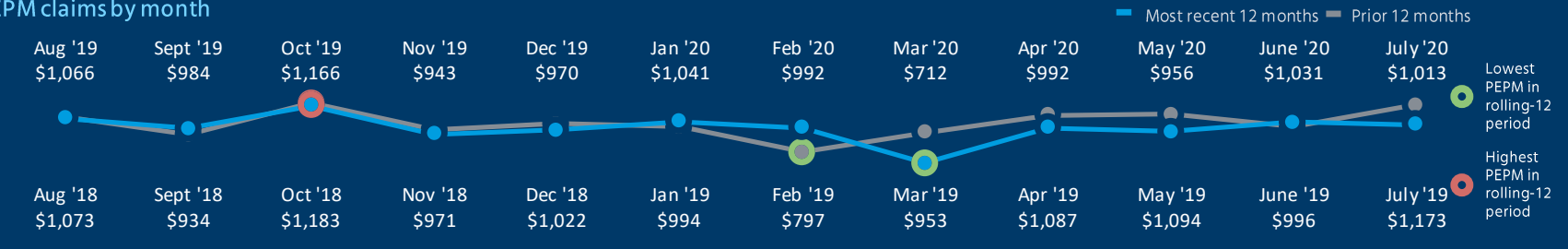
## Average enrollment



## Gross plan cost vs gross budget



## PEPM claims by month



# 2021 Recommended Rx Program Enhancements

- **Best Start @ Accredo:** requires members newly prescribed specialty medication(SRx) to use Accredo on their first fill. Current SRx members are already filling medications at Accredo.
  - Members newly prescribed SRx currently have one grace fill allowed
  - No disruption to members
  - Promotes better specialty drug management and engagement which results in lower condition costs
- **SaveonSP\*:** maximizes drug manufacturer assistance to reduce members out of pocket costs for medications.
  - No disruption to members
  - Members have a choice to opt-in to the program
  - Aims to achieve a zero dollar cost share for the member
  - Would only apply to the Enhanced and Core PPO Plans due to first-dollar coverage restrictions on HDHPs
  - Up to \$193,000 in annual savings for both members and COG/GUC

# 2021 Recommended Rx Program Enhancements

## (Continued)

- **Patient Assurance Program:** makes diabetes medications more affordable for members to increase medication adherence funded by the manufacturers
- Caps customer cost share for eligible drugs at point-of-service
  - \$25 for 30 days supply, pre-deductible (savings of \$5 per script)
- Only for the Enhanced and Core PPO plans as HSA members receive these preventive drugs at no cost
- No member disruption
- Estimated member savings of \$3,000 annually for employees

# 2020 & 2021 Projections

## Assumptions and Caveats

- 2020 Reforecast and 2021 Status Quo Projections based on 24 months of historical claims experience (April 2018 – March 2020) with 70% weight on the most recent 12 months and 30% weight on the prior 12 months. Dental projections only use the last 12 months of historical claims experience (April 2019 – March 2020).
- Adjustments were made to the historical claims experience to reflect current (2020) plan designs, Rx formulary, and plan and tier migration.
- Projections assume annual claim trends of 5.75% for medical, 9.00% for Rx, 4.00% for vision, and 3.75% for dental unless otherwise noted.
- Projections include margin of 2.0% to account for claim fluctuations.
- Smoker and spousal surcharges estimated based on census data provided by COG & GUC.
- ASO and SL fees provided by Cigna; ASO fees reflect Cigna 2021 renewal (2% increase) and SL fees are assumed to increase by 15.0% in 2021.
- Employer HSA funding amounts of \$500/\$1,000 for single/dependent tiers is assumed to remain unchanged.
- Rx rebates included in 2020 & 2021 projections.
- COVID-19 health plan impact continues to emerge. No explicit adjustments have been made to 2020 or 2021 projections, but COG/GUC should consider including additional margin in 2021.

# 2021 Recommended Approach

## Medical/Rx/Vision

- The scenario below represents 4.875%/8.035% medical/Rx trend and includes the impact of SaveOnSP (~\$193K in savings)
  - Mercer's market trend guidance suggests 2021 trend estimates of 4.0-7.5% for medical and 6.5-9.0% for Rx
  - COG/GUC recent trends have been lower than market, but consideration should be given to potential claims volatility (utilization and HCCs vary year-to-year) and the uncertain impacts of COVID when setting 2021 budgets
- 2021 projections include an explicit 2.0% claims fluctuation margin
- 2021 employee contributions are assumed to remain flat over 2020

2020 Budget		2021 Status Quo Projection		
PE Rates x April 2020 Enrollment		Data thru 03.2020		
		Trends: Medical: 4.875%; Rx: 8.035%		
		vs. 2020 Budget		
		\$		%
<b>AGGREGATE</b>				
<b>Gross Cost</b>				
Paid Claims		\$19.3M		
Rx Rebates		(\$0.9M)		
Fixed Cost (ASO & SL)		\$2.1M		
Projected HSA Funding		\$0.1M		
<b>Total Gross Cost</b>	<b>\$20.3M</b>	<b>\$20.6M</b>	<b>\$0.3M</b>	<b>1.5%</b>
<b>Employee Cost</b>				
Employee Contributions <sup>1</sup>	\$3.2M	\$3.2M	\$0.0M	0.0%
Tobacco Surcharge	\$0.1M	\$0.1M	\$0.0M	0.0%
Spousal Surcharge	\$0.1M	\$0.1M	\$0.0M	0.0%
<b>Total Employee Cost</b>	<b>\$3.4M</b>	<b>\$3.4M</b>	<b>\$0.0M</b>	<b>0.0%</b>
<b>COG/GUC Net Cost</b>	<b>\$16.9M</b>	<b>\$17.2M</b>	<b>\$0.3M</b>	<b>1.8%</b>
COG/GUC Cost Share	83.4%	83.6%		
<b>PEPY</b>				
		vs. 2020 Budget		
		\$		%
Gross Cost	\$13,437	\$13,644	\$207	1.5%
Contribs & Surcharges	(\$2,235)	(\$2,235)	\$0	0.0%
COG/GUC Net Cost	\$11,203	\$11,409	\$207	1.8%
04.2020 Enrollment	1,511	1,511	0	0.0%

# Total dental Year-to-date (YTD) July 2020

## Cost & budget summary

### Gross paid claims

**\$508.6k**

-12.1% Prior YTD differential  
-5.2% Rolling 12 month differential

### Fixed costs

**\$27.6k**

2.2% Prior YTD differential  
3.0% Rolling 12 month differential

### Gross plan cost

**\$536.2k**

-11.5% Prior YTD differential  
-4.8% Rolling 12 month differential

### Gross budget

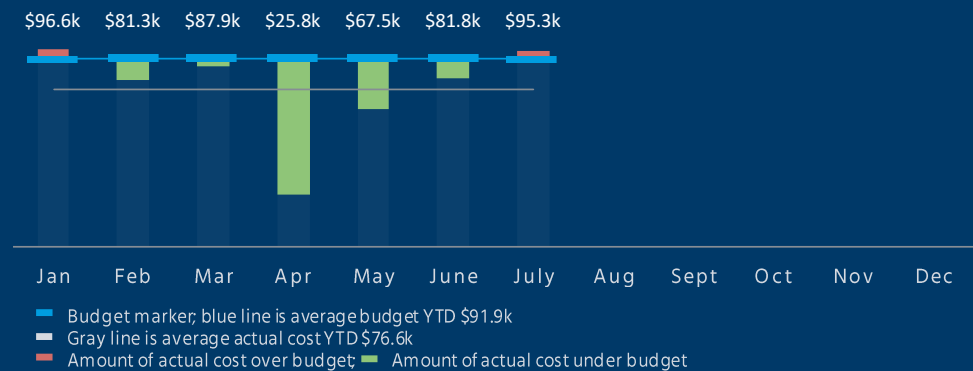
**\$643.0k**

2.9% Prior YTD differential  
5.1% Rolling 12 month differential

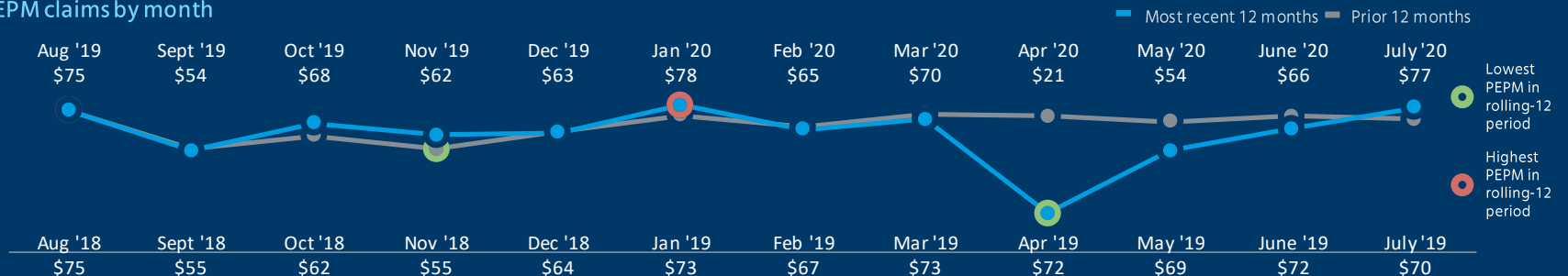
## Average enrollment

Prior		Current
545	EE Only	542
118	EE + Spouse	142
224	EE + Child(ren)	235
332	EE + Family	328

## Gross plan cost vs gross budget



## PEPM claims by month



# 2020 & 2021 Projections

## Dental

- 2020 Reforecast gross and net costs are **\$1,085K** and **\$591K**, respectively
  - COG/GUC net cost has increased slightly from the Final 2020 Projection mostly due to EE election changes
- 2021 required rate increase is **2.0%**
  - Assuming no increase to employee contributions, projected 2021 net costs are **\$631K**

Final 2020 Projection Data through March 2019		2020 Budget PE Rates x April 2020 Enrollment			2020 Reforecast Data through March 2020 & April 2020 Enrollment					2021 Status Quo Projection Data through March 2020 & April 2020 Enrollment				
		vs. Final 2020 Proj			vs. Final 2020 Proj		vs. 2020 Budget		vs. 2020 Budget		vs. 2020 Reforecast			
		\$		%	\$	%	\$	%	\$	%	\$	%		
<b>AGGREGATE</b>														
<b>Gross Cost</b>														
Paid Claims	\$1,016K				\$1,038K	2.2%	\$22K		\$1,077K		\$39K	3.8%		
Fixed Cost	\$47K				\$47K	0.8%	\$0K		\$48K		\$1K	1.9%		
<b>Total Gross Cost</b>	<b>\$1,063K</b>	<b>\$1,103K</b>	<b>\$40K</b>	<b>3.7%</b>	<b>\$1,085K</b>	<b>\$22K</b>	<b>2.1%</b>	<b>(\$17K)</b>	<b>-1.6%</b>	<b>\$1,125K</b>	<b>\$22K</b>	<b>2.0%</b>	<b>\$40K</b>	<b>3.7%</b>
<b>Employee Contributions</b>	<b>\$480K</b>	<b>\$494K</b>	<b>\$14K</b>	<b>3.0%</b>	<b>\$494K</b>	<b>\$14K</b>	<b>3.0%</b>	<b>\$0K</b>	<b>0.0%</b>	<b>\$494K</b>	<b>\$0K</b>	<b>0.0%</b>	<b>\$0K</b>	<b>0.0%</b>
<b>COG/GUC Net Cost</b>	<b>\$583K</b>	<b>\$608K</b>	<b>\$25K</b>	<b>4.3%</b>	<b>\$591K</b>	<b>\$8K</b>	<b>1.3%</b>	<b>(\$17K)</b>	<b>-2.9%</b>	<b>\$631K</b>	<b>\$22K</b>	<b>3.7%</b>	<b>\$40K</b>	<b>6.7%</b>
COG/GUC Cost Share	54.8%	55.2%			54.4%					56.1%				
<b>PEPY</b>		vs. Final 2020 Proj			vs. Final 2020 Projection			vs. 2020 Budget		vs. 2020 Budget			vs. 2020 Reforecast	
		\$		%	\$	%	\$	%	\$	%	\$	%	\$	%
Gross cost	\$712	\$730	\$17	2.4%	\$718	0.8%	\$6		(\$12)	-1.6%	\$745	2.0%	\$26	3.7%
Contributions & Surcharges	(\$322)	(\$327)	(\$5)	1.7%	(\$327)	1.7%	(\$5)		\$0	0.0%	(\$327)	0.0%	\$0	0.0%
COG/GUC Net Cost	\$391	\$403	\$12	3.0%	\$391	0.1%	\$0		(\$12)	-2.9%	\$417	3.7%	\$26	6.7%
Enrollment	1,226	1,249	23	1.9%	1,249	1.9%			\$0	0.0%	1,249	0.0%	0	0.0%



# Summary Of 2021 Recommendations

- Recommend a 1.5% increase in medical plan premiums and no change in employee contributions.
- Continue HSA year-one funding of \$250 individual and \$500 family to incentivize movement into the HDHP plan
  - This is in addition to the regular, annual funding of \$500 individual and \$1,000 family.
- Adopt recommended RX plan changes
- Recommend a 2.0% increase in dental plan premiums and no change in employee contributions.

*All estimates based upon the information available at a point in time are subject to unforeseen and random events. Therefore, any projection must be interpreted as having a likely range of variability from the estimate. Any estimate or projection may not be used or relied upon by any other party or for any other purpose than for which it was issued by Mercer. Mercer is not responsible for the consequences of any unauthorized use.*

