HEALTHCARE & RETIREMENT BENEFITS TASK FORCE
MEETING AGENDA*
MONDAY, JANUARY 13, 2014
2:00 P.M.
MEETING ROOM B, MUNICIPAL PLAZA

A MEETING OF THE HEALTHCARE & RETIREMENT BENEFITS TASK FORCE WILL BE HELD AT MUNICIPAL PLAZA, PLAZA ROOM B, SAN ANTONIO, TEXAS 78205 ON MONDAY, JANUARY 13, 2014 AT 2 P.M., TO CONSIDER THE FOLLOWING MATTERS:

-*Agenda Subject to Change -

Item 1: Presentation of Updated Financial Scenarios

Mary Elizabeth Redding, Bartel Associates (30 minutes)

Task Force Questions and Discussion (2 hrs)

DISABILITY ACCESS STATEMENT

This meeting is accessible to disabled persons. City Hall and Municipal Plaza are wheelchair accessible. The accessible entrance for City Hall is located at 100 Military Plaza. Accessible parking is also located at City Hall, 100 Military Plaza. To arrange for special assistance to attend this meeting, please call the Disability Access Office at 207-7243. Requests for interpreter for the hearing impaired must be received at least 48 hours prior to the meeting by calling 207-7245 V/TTY for assistance.

Healthcare & Retirement Benefits Task Force

Monday, January 13, 2014

Presentation of Updated Financial Scenarios

Mary Elizabeth Redding, FSA, Bartel Associates

1. Presentation
2. Detail Models
    a. 15 Year Average Projection
    b. 20 Year Average Projection
    c. Recession Projection
3. Historical Trends form 2003 to 2013 for Uniform and Civilian Compensation and Benefits
4. Property Tax Information for 15 Year, 20 Year, and Recession Models

City of San Antonio Retirement and Healthcare Benefits Task Force

January 13, 2014

Mary Beth Redding

www.bartel-associates.com

BARTEL ASSOCIATES, LLC

Financial Models

- Purpose: To show the Task Force the expected general trend of General Fund revenue and expenses
  - 3 Scenarios, with projection based on:
    - 15 year historical growth
    - 20 year historical growth
    - 15 year historical growth with recession 2021-2025

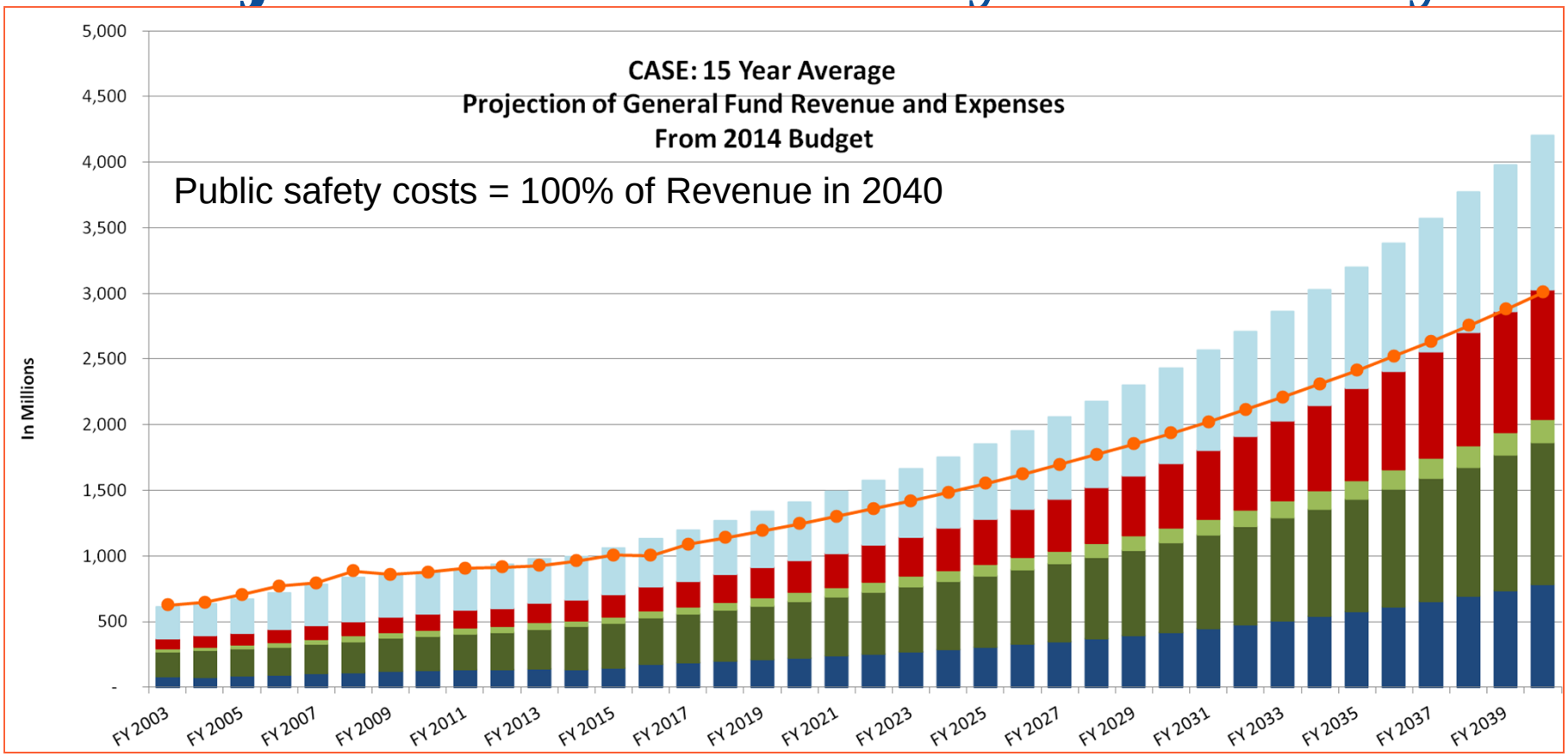
Financial Models

- Modifications to January 6 Models to reflect Task Force Input
  - Heathcare Trend: 7% civilian/8% Uniform for 20 years
  - Pre-Paid Retiree Healthcare discount rate remains 8%
  - Compound Annual Growth Rates add one year to each calculation period
- Other
  - Projections begin from 2014 budget
  - Revenue reserve increases to 15% beginning in 2016
- Results of modified scenarios show no significant changes from models presented last week

Financial Models

- Key Observations
  - Public Safety expenses have grown faster than revenue in the past 20 years
  - Because expenses, especially public safety, grow faster than revenue, the projection model shows:
    - Public safety costs in time exceed total projected revenue
    - Total projected expenses exceed projected revenues in all future years
    - A deficit exists beginning in 2015

Projection Model – 15 yr Summary



General Fund Revenue, Net of Reserve from FY 2016

Non-Public Safety General Fund Cost

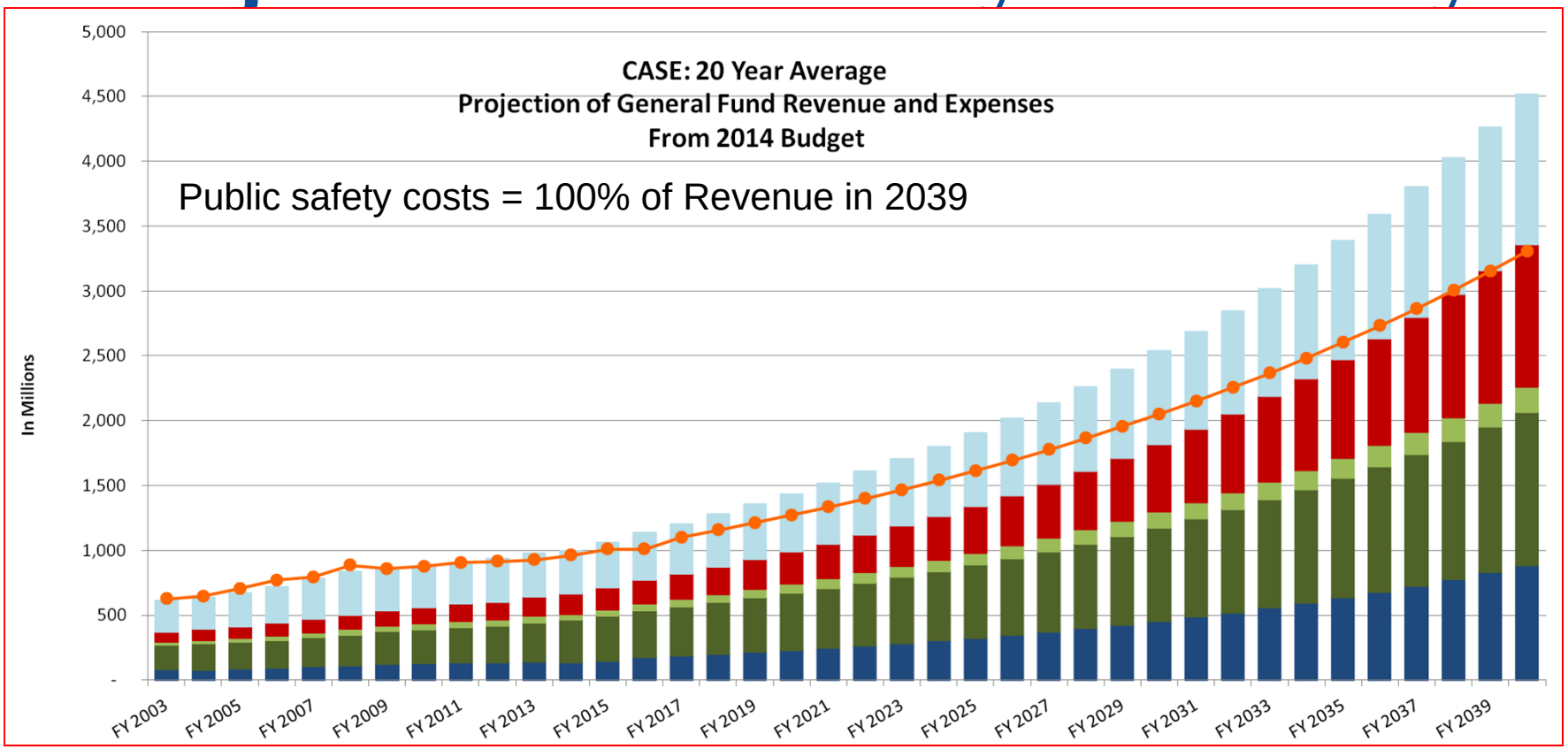
Uniform Pension, Pre-Funded Healthcare & Active Healthcare

Uniform Leave Buyback, Clothing Allowance, Tuition Reimbursement, Retiree Payouts, Overtime, and non-pensionable pays

Uniform Salaries

Public Safety Program Costs including all Public Safety Civilian Positions

Projection Model – 20 yr Summary



General Fund Revenue, Net of Reserve from FY 2016

Non-Public Safety General Fund Cost

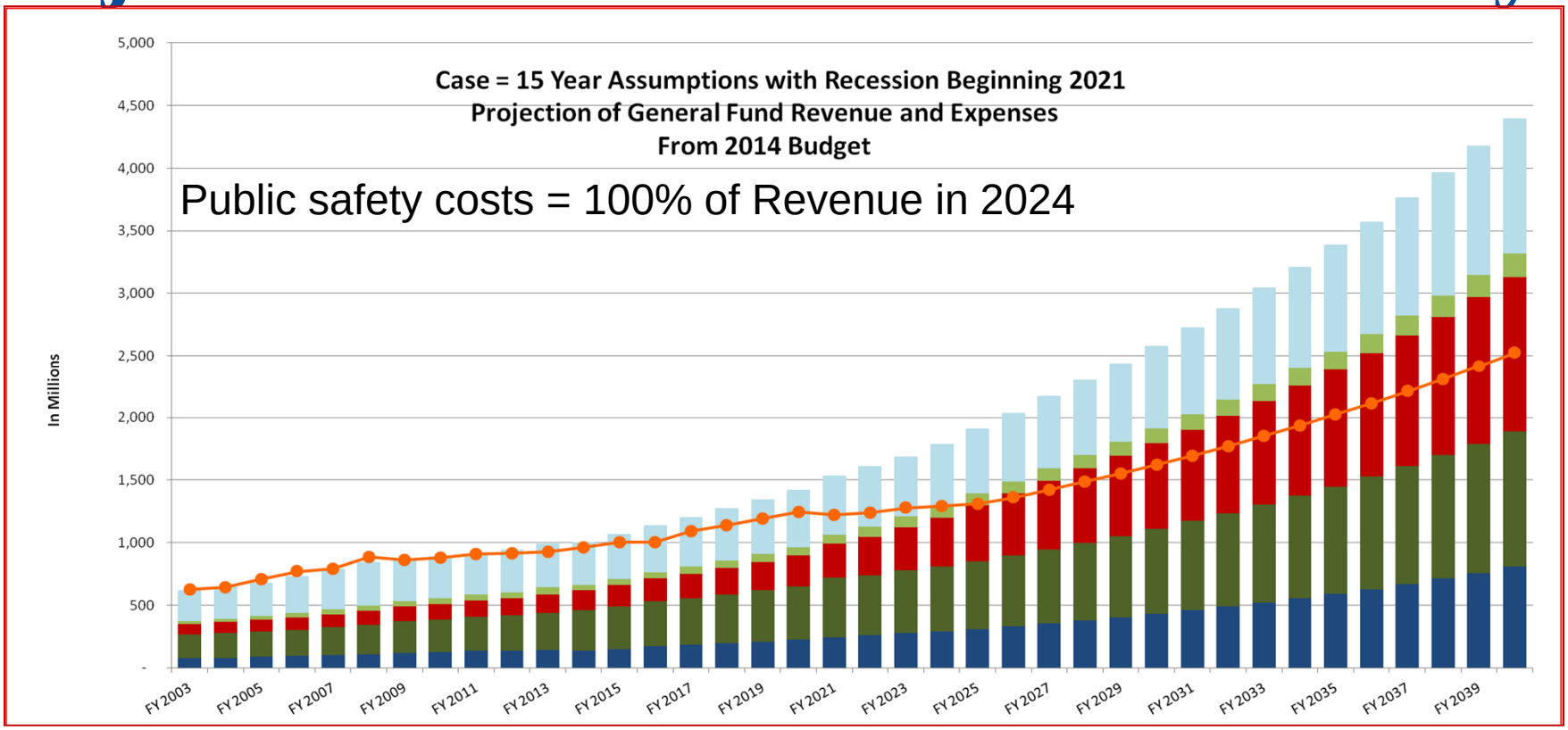
Uniform Pension, Pre-Funded Healthcare & Active Healthcare

Uniform Leave Buyback, Clothing Allowance, Tuition Reimbursement, Retiree Payouts, Overtime, and non-pensionable pays

Uniform Salaries

Public Safety Program Costs including all Public Safety Civilian Positions

Projection Model – Recession Summary



General Fund Revenue, Net of Reserve from FY 2016

Non-Public Safety General Fund Cost

Uniform Pension, Pre-Funded Healthcare & Active Healthcare

Uniform Leave Buyback, Clothing Allowance, Tuition Reimbursement, Retiree Payouts, Overtime, and non-pensionable pays

Uniform Salaries

Public Safety Program Costs including all Public Safety Civilian Positions

Financial Models

- How Can The Projections Be Changed?

These are not suggestions, just observations

- Short-Term Actions:
  - Reduce expenses or the expense growth rate
    - Salaries
    - Benefits, especially Active Healthcare
    - Services provided
  - Increase Revenues
- Mid-Term to Long Term Considerations:
  - Slower effect: Pension or other changes for future hires
  - Change Benefits (Pension and Pre-Funded Healthcare) for Active Employees
  - Change Benefits (Pension and Pre-Funded Healthcare) for Future Hires

Summary

- 3 Scenarios developed as requested by Task Force: 15 year, 20 year, and Recession
- A deficit exists beginning in 2015
- Public Safety Expenditures have grown faster than revenue over the past 20 years and are projected to continue to grow faster than revenue
- In any of the three scenarios Public Safety could take up to 100% of General Fund Revenue based on historical trends

Responses to Task Force Questions

Tiffany Parker, Vice President, MHBT Incorporated

MHBT

McQueary | Henry | Bowles | Troy

Leaders in Employee Benefits Solutions

Healthcare Performance Review

Healthcare and Retirement Benefits Task Force

Tiffany Parker, Vice President, Employee Benefits Consultant

Our firm has been retained to assist with the historical analysis of the City of San Antonio healthcare and retirement benefits and to offer our expertise to The Healthcare & Retirement Benefits Task Force. The following are our responses to several of the questions submitted by The Task Force.

PART 1

Why have total healthcare costs increased from $56M in 2005 to $91M in 2013?

Due to a Collective Bargaining Agreement, the Uniform plan designs have not changed or allowed for adjustments to keep up with healthcare inflations, causing claims to increase 88%, from $25M in 2005 to $47M in 2013. Uniform employees have not shared in any of the premiums during this time. The Civilian plans have made moderate, yearly benefit changes, including increasing member cost sharing and introducing a CDHP. The Civilian total claims increased $31M to $44M, a 42% increase. The Civilian employees picked up approximately 16% of the current total through premium contributions, allowing the City to realize a lower total claim cost and trend of 37%, versus the 88% trend on the Uniform population.

How much did healthcare costs increase from 2008 to 2013?

The total net paid medical expenses Per Employee per Month increased 37.8%; the Uniform plans increased 47% and the Civilian plans increased 1.02% (1/08 to 9/13).

How much did claims increase in FY13 in total; Civilian versus Uniform? What was the average cost per employee?

Total medical and pharmacy claims increased 5.7% on a net paid PEPM basis.

Civilian:

- Fiscal Year 2013 (10/1/12-9/30/13) Total Net Paid (Medical and Rx) expenses decreased (over same time period FY12) by 2%, reducing the City's overall healthcare spend by $709K
    - Net Paid PEPM for this same time period decreased 3%; Medical decreased 3% and Pharmacy decreased 4%
    - Overall plan utilization increased 3% over prior period to 91% of members utilizing medical benefits
    - Medical Covered Expenses PEPM for FY13 = $549.95
    - High Cost as a percentage of total spend = 32.5%

Uniform:

- Fiscal Year 2013 (10/1/12-9/30/13) Total Net Paid (Medical and Rx) expenses increased (over same time period FY12) by 16%, increasing the City's overall healthcare spend by $6.2 Million.
    - Net Paid PEPM for this same time period also increased by 16%; Medical increased 21% and Pharmacy increased 4%
    - Overall plan utilization increased 6% to 90% of members utilizing medical benefits
    - Medical Covered Expenses PEPM for FY13 = $829.27
    - High Cost as a percentage of total spend = 24.9%

Why is the Uniform Gross Benefit Adequacy so much higher than the Civilian, and even the local, market and national peers?

The Fire and Police plans have a generous benefit offering due to a collective bargained contract.

Gross Adequacy of Benefits	Civilian	Police	Fire	National CDHP	UHC local Market	UHC National	UHC TX Municipality
FY 2011	84.3%	88.5%	87.5%	NA	NA	NA	NA
FY 2012	84.2%	87.6%	88.6%	NA	NA	NA	NA
FY 2013	80.5%	89.7%	88.5%	77.0%	83.0%	84.0%	85.0%

Adequacy of Benefits: The ratio of gross payments to covered expenses. An indication of overall benefit plan richness. The percent the City pays for the cost of healthcare as compared to the overall expense (Deductibles, Out of pockets and Copays are included in the employees cost share percentage; does not include premium contributions)

Why is the City contribution rate so much higher for the Uniform plans than for the Civilian plans? Why are the contribution rate so much higher than their local, market and national Peers?

For uniform employees, active healthcare is included in the respective fire and police collective bargaining agreements and are subject to negotiation. Minimal changes have been made to these healthcare benefit plans and no philosophy or formal strategy is currently in place. San Antonio is the only major Texas City where uniform employees pay no healthcare premiums for dependents and families. Austin, Dallas, Fort Worth and Houston all have equal premiums, deductibles and Out-of-Pocket costs for Uniform and Civilian employees. In total (premiums, copays, deductibles and out of pockets), Uniform employees paid 9% of their healthcare expense compared to Civilian employees who paid approximately 30% of their total healthcare expenses. City of Austin employees (both Civilian and Uniform) pay 36% of their total healthcare expenses. According to a 2013 National AON Hewitt Study, the average employee pays 43% of their total healthcare expenses

What is the average annual premium contribution per employee?

The Uniform employees and their dependents pay $0 premiums for their healthcare. Civilian employee's average annual premium per Employee for FY13 was $1,185.

Why have the Police or Fire not implemented standard industry trends for reducing claims cost such as Consumer Driven Strategies, employee contributions, employee wellness strategies, similar to the Civilian plans? Other local Peer Cities offer CDHP's to their Uniform populations, contribute to premiums and participate in wellness programs.

The Uniform Health Plans are subject to collective bargaining agreements. Any plan design changes are subject to negotiation.

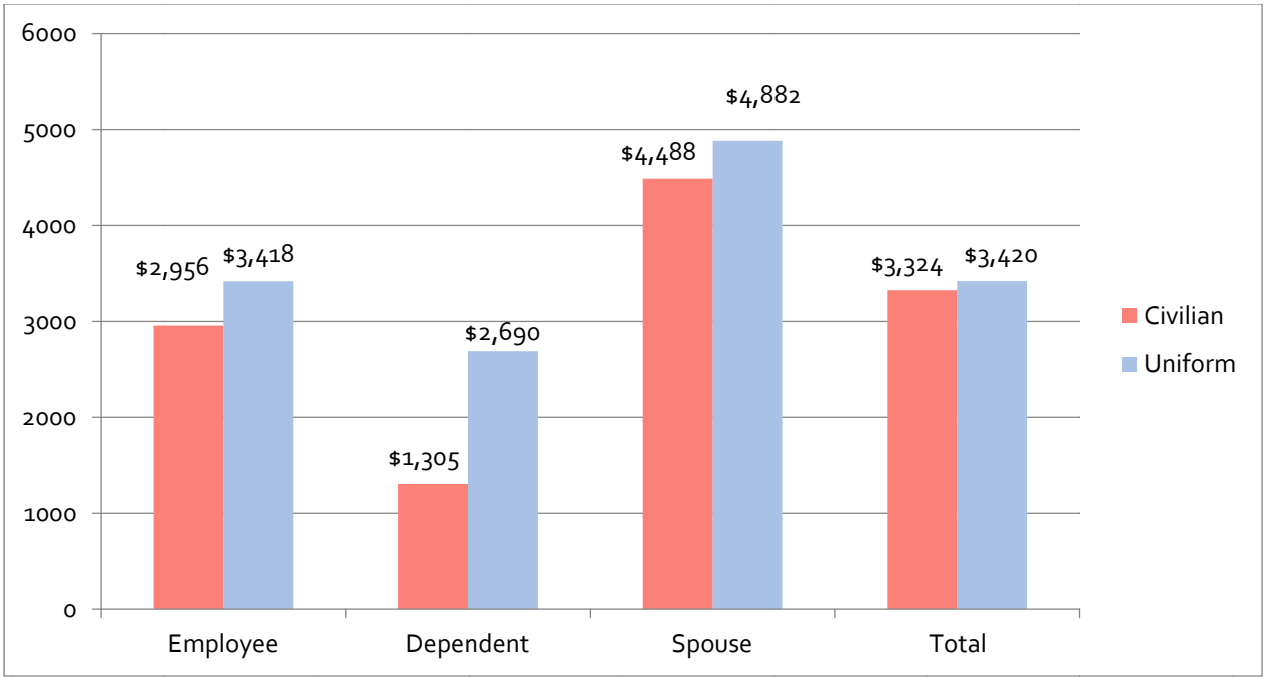
What are the City medical costs for the Civilian, Fire and Police plans for the past three years? Why are the trend rates so different between Civilian, Police and Fire?

The Uniform plans have not changed during these time periods due to a collective bargaining agreement. Member cost shares have actually decreased as a percentage of total medical spend on the plans. The Civilian plans have made benefit design changes and added additional consumer driven options to encourage member engagement and keep costs low.

Net Paid Medical PEPM	Civilian	Police	Fire
FY 2011	$398.16	$582.11	$538.77
FY 2012	$445.24	$555.85	$601.15
FY 2013	$433.16	$715.54	$664.52
2 Year Change	8.79%	22.92%	23.34%
Average Trend	4.56%	12.11%	11.06%

What is the FY13 medical claims cost by employees versus spouses versus dependents?

The Uniform Dependents cost on average 2x's more than the Civilian Dependents.

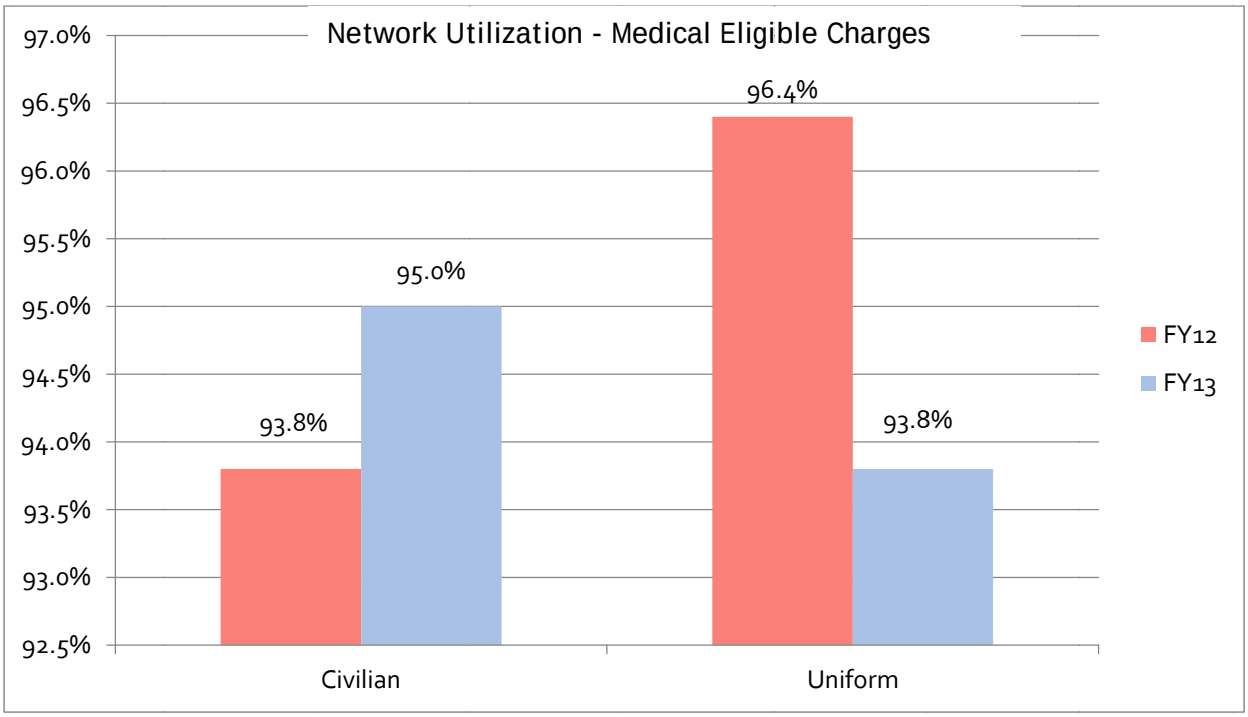


<u>Trends (FY13 over FY12)</u>

- **Civilian Employee -11.9%**
- **Uniform Employee +18.3%**
- **Civilian Dependent +4.4%**
- **Uniform Dependent +15.5%**
- **Civilian Spouse +2.0%**
- **Uniform Spouse +17.8%**
- **Civilian Total -1.1%**
- **Uniform Total 16.8%%**

What are the last two years of In Network utilization levels for Civilian and Uniform and does this have an impact on overall claims?

- In-Network utilization has increased in the Civilian population, due in part to benefit design changes and member cost shifting, causing an increase in the overall In-Network discount realized by the City of San Antonio. This increased In-Network utilization allowed the City to reduce FY13 expenses by $983K over FY12.
- Conversely, In-Network utilization decreased on the Uniform population resulting in an impact of approximately $2.3M in additional claims as the network discount deteriorated along with the In-Network utilization.



What would the City savings be if the Uniform membership were to shift to the 2014 Civilian benefit plans?

If the membership would split approximately equal to Civilian enrollment percentages, savings would be equivalent to about $7-8M annually. If the CDHP or New Value plan achieved more than 20% of the migration, savings would likely be greater than $9M annually. These savings do not include any value of premium cost sharing; only the value of the plan designs change. Additional savings would occur from employee/dependent premium contributions.

The Mayor has specifically requested this Task Force to provide ideas for controlling healthcare costs going forward. What solutions should the City consider to control costs?

Some of the options should include the following:

- Implement new benefits tiers for new Uniform hires
- Make plan design changes for Uniform plan(s) to include current employees
- Create multi-year strategy for health plans which allow for medical and pharmacy plan design changes to be adjusted automatically on an annual basis
- Implement a CDHP for the Union plans
- The City should consider implementing a dependent audit given the large proportion of dependents on the Uniform plans, and the high claim costs and trends they are incurring.
- A spousal surcharge for spouses who have alternate coverage options.
- A mandatory Population Health Management Program
- Introducing Premium cost sharing across all Employee/Dependent Tiers for the Uniform plans
- Limit or reduce Out of Network benefits to lower overall City costs

CIVILIAN COMPENSATION & BENEFITS

($ in Millions)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	% Change
Compensation	$198	$199	$206	$221	$231	$245	$254	$264	$265	$269	$283	43.0%
TMRS	23	23	25	27	28	31	34	32	34	28	30	34.1%
Social Security	12	12	13	14	14	15	16	16	16	17	18	43.0%
Active Healthcare*	31	35	29	34	36	30	33	40	37	42	43	39.6%
Retiree Healthcare*	8	8	9	11	10	10	10	8	8	7	6	-24.9

*Healthcare costs are net premiums

- Since 2003, Civilian compensation and benefit costs have increased 40.0%

UNIFORM COMPENSATION & BENEFITS

($ in Millions)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	% Change
Compensation	$212	$228	$244	$262	$277	$287	$305	$312	$326	$340	$364	71.6%
Pension	45	48	50	52	55	58	62	64	67	70	73	62.9%
Active Healthcare	21	27	26	29	29	31	34	37	42	44	52	141%
Retiree Healthcare	15	14	17	17	19	20	21	22	24	24	25	66.7%
Legal/Vision/Dental	4.7	4.7	4.6	4.8	4.8	4.9	5.0	5.2	5.2	5.2	5.4	13.5%

- Since 2003, Uniform compensation and benefit costs have increased 74.1%

Our firm has been retained to assist with the historical analysis of the City of San Antonio healthcare and retirement benefits and to offer our expertise to The Healthcare & Retirement Benefits Task Force. The following are our responses to several of the questions submitted by The Task Force.

PART 2

Question 1: Can the City provide the actual amounts budgeted and expended by group (Civilian, Fire, Police) for each of the last plan three years (both City and Employee contributions), excluding the uniformed retiree section?

Fiscal Year	Civilian	Uniform	Uniform by Group	
			Police	Fire
2011				
Budget	$46,674,694	$37,776,486	$20,648,894	$17,127,592
Actual*	$40,183,295	$38,308,940	$22,347,248	$15,961,692
2012				
Budget	$45,987,149	$39,926,720	$23,206,203	$16,720,517
Actual*	$45,585,958	$39,670,961	$22,100,212	$17,570,750
2013				
Budget	$38,208,689	$43,048,781	$23,751,532	$19,297,249
Actual*	$43,544,275	$47,283,354	$27,101,834	$20,181,520

**Actual is based on Booked claims*

Question 2: Can the City provide a general description of how it adopts the budgeted amounts for each of the groups?

Budget is adopted based on analysis of prior year claims. Specifically, the most recent budget assumptions included the following;

- 10.2% regional trend
- Benefit design differential:
  - .956 Current Period (last 12 months)
  - .963 Prior Period (12 months prior to Current Period)
- 70% Credibility for Current Period
- 30% Credibility for Prior Period
- Use May, 2013 Enrollment Census
- Additionally there is migration assumptions taken into consideration for movement between plans as while an individual may move to a theoretically lower cost option, their claims will not necessarily follow that lower cost trend. Also, plans were historically rated and increased based on their own performance, however this year there was a blending of plan design values and experience to make the differences between plans less significant.

Question 3: Can the City provide the average enrollment by plan by year for each of the last three years offered for each group (Value PPO, Premier PPO, Standard PPO, CDHP, Police and Fire) by tier election (employee only, employee & spouse, employee & child(ren), and employee & family)?

Membership Year	2011				
	Data				
Group Name	Sum of Single Subscribers	Sum of Subscribers plus Spouse	Sum of Subscribers plus Child/Children	Sum of Subscribers plus Family	Sum of Positively Enrolled Dependents
Fire	271	218	133	1,003	3,617
Police	377	251	299	1,299	4,902
Premier	839	270	330	330	1,863
Retiree Premier	92	26	-	6	56
Retiree Standard	116	52	3	6	95
Retiree Value	57	21	2	2	40
Standard	733	310	491	540	2,828
Value	967	201	314	391	1,999
Grand Total	3,453	1,349	1,572	3,578	15,399

Membership Year	2012				
	Data				
Group Name	Sum of Single Subscribers	Sum of Subscribers plus Spouse	Sum of Subscribers plus Child/Children	Sum of Subscribers plus Family	Sum of Positively Enrolled Dependents
Fire	247	210	136	1,045	3,771
Police	369	249	312	1,330	5,074
Premier	671	175	219	169	1,073
Retiree Premier	85	20	1	6	39
Retiree Standard	113	45	3	5	75
Retiree Value	67	26	3	5	50
Standard	758	340	512	550	2,932
Value	1,108	272	432	515	2,706
Grand Total	3,416	1,337	1,617	3,625	15,720

Membership Year	2013				
	Data				
Group Name	Sum of Single Subscribers	Sum of Subscribers plus Spouse	Sum of Subscribers plus Child/Children	Sum of Subscribers plus Family	Sum of Positively Enrolled Dependents
Fire	224	209	133	1,066	3,861
HSA	161	63	59	96	458
Police	367	259	310	1,335	5,105
Premier	244	66	69	56	354
Retiree HSA	7	2	1	1	4
Retiree Premier	49	5	0	2	8
Retiree Standard	116	27	4	3	38
Retiree Value	104	42	5	13	85
Standard	879	302	395	404	2,218
Value	1,287	356	624	709	3,793
Grand Total	3,438	1,330	1,600	3,683	15,925

Question 4: Can the City provide claims data that illustrates the claims distribution for each of the classes of employees (separating fire and police because they do bargain separately and lumping their data together may mask underlying trends) so that the work group can see where the high cost drivers are in terms of large claims?

Due to the potential for identification of individual information, and to comply with HIPPA, only the minimum necessary information has been provided.

FY 2013 High Cost Claimants >$50K	Civilians	Fire	Police
Employees	31%	23%	29%
Spouses	45%	20%	13%
Dependents	18%	16%	40%

Question 5: Which medical plans offered, if any, are considered Grandfathered plans? None

Question 6: Can the City provide additional detail on its current wellness initiatives, including costs of the programs and estimated "return on investment"?

The City provides a variety of wellness incentives and programs to help Civilian employees improve their overall health. Civilian employees can earn monetary incentives through participation in the Virgin Pulse Program which tracks employee fitness levels. To date, over half of all civilian employees participate in the program and have logged over 3 billion steps. In addition, civilian employees have access to other wellness programs such as the Tobacco Cessation Program, Employee Health + Wellness Center, and Weight Watchers at Work. Employees also have access to the Employee Assistance Program which offers counseling services for work, personal, marriage, and family issues.

The City also provides access to three On-Site Health Coaches to the City employees. Employees who are engaged with a health coach have better network utilization, less costly admissions, better PCP utilization and engagement in wellness.

The table below provides differences between "Engaged" and "Non-Engaged" civilian employees in FY 2013. "Engaged" employees are those who actively participate in City-sponsored Wellness activities such as on-site wellness coaches, preventative exams, and/or biometric screenings.

	Engaged	Non-Engaged	Difference
Network Utilization	98.6%	95.4%	3.2
Average paid per admission	$14,022	$15,109	7.7%
Cholesterol/Lipid Panel	64%	44%	20
Wellness Exam	54%	23%	31
Physician Visits PMPY	5.30	3.55	49%