

Pima County Health Care Benefits Trust Board Meeting May 7, 2020

Pursuant to A.R.S. § 38-431.02, notice is hereby given that the Pima County Health Care Benefits Trust held a meeting open to the public on **Thursday, May 7, 2020, at 9:00 a.m.** The meeting was held virtually through GoToWebinar.

MINUTES

A. Roll Call

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| Present | Keith Dommer, Chair, Board Member Daisy Jenkins, Board Member Ellen Wheeler, Board Member |
| Absent | Dr. Francisco Garcia, Board Member |
| Also Present | Marchelle Pappas, Board Coordinator Cathy Bohland, Pima County, Human Resources Gayl Zambo, Pima County, Human Resources Jennifer Billa, Pima County, Human Resources Debbie Knutson, Pima County, Human Resources Eric Rustand, CBIZ Ana Arenas Roth, CBIZ Jessica Velasquez, CBIZ Mike Zucarelli, CBIZ Matt Weel, CVS Health Taylor Nervo, Employers Health Ray Eveleth, Aetna Karen Peters, Aetna Meredith Litton, Pima County, Finance Zulema Adame, Pima County, Finance Xavier Rendon, Pima County, Finance Anthony Batchelder, Pima County, Finance Andy Welch, Pima County, Finance Blanca Rosetti, Pima County, Finance Jean Lee, Pima County, Finance |

Meeting was called to order at 9:02 a.m.

B. Pledge of Allegiance

- All present joined in the pledge of allegiance.

C. Approval of February 13, 2020 Meeting Minutes

- Moved by Ms. Jenkins, seconded by Ms. Wheeler, approved [3:0].

D. Human Resources Items – Gayl Zambo

- **Discussion/Possible Action – Recommendation regarding employees affected by COVID-19 Furlough who choose to make their premium payments by credit card. Can the 2% transaction fee be paid by the Trust?**

Ms. Zambo advised that individuals have been furloughed, and if they choose to use a credit or debit card to pay for benefit premiums it results in a 2% transaction fee. An inquiry was made as to whether it was appropriate for the Trust to pick up those fees. Mr. Dommer stated he inquired whether this would violate the gift clause of the Arizona Constitution or state law and the County Attorney stated it would not; CBIZ concurred. Ms. Jenkins asked whether this creates a taxable event for the employee. Ms. Zambo stated she did not believe that to be the case due to other expenditures. Mr. Dommer identified Section 4.6 of the Pima County Health Care Benefit Trust Document and states that the Trustees do not have the authority or responsibility to collect premiums, and therefore he does not believe the Trust Board should be taking any action on this item. Mr. Dommer states he likes the idea of the Trust covering the 2% fee, and Ms. Jenkins agreed and said perhaps the Board members could state for the record that they do not object to covering the 2% transaction fee. Ms. Wheeler agreed she had no objection.

- **Follow up items from prior meeting**
 - **Process/Options for determining reserves (CBIZ)**

Mr. Dommer noted that the Trust Board asked CBIZ to share information about the level or reserves typically maintained by health insurance and/or healthcare organizations. Mr. Rustand was scheduled to discuss this item but has not been able to join the meeting yet, and Ms. Velasquez offered to present the information. Mr. Dommer said he would prefer to wait for Mr. Rustand to join the meeting.

Mr. Rustand joined the call at a later time and provided information on the topic. The net position of the Trust balance is about \$3 million less than budgeted. Mr. Rustand said there are different ideologies about how much of a balance should be maintained, and it comes down to what the Trust Board feels comfortable with. When a reserve policy is agreed upon it would become a Trust document exhibit and decisions are made in conjunction with it.

Some examples: 1) VEBA (Voluntary Employee's Beneficiary Association) Trust. Pima County is not a VEBA trust. Reserves are set at 35% of annual projected costs. 2) Captive insurance trusts require a minimum of four months of expected revenues of premium be kept in the Trust at all times. 3) School District Trusts are more conservative and use six months of projected claims reserves.

The Pima County Trust historically targeted a reserve threshold of \$20 million as a relatively comfortable number. The Trust can establish a reserve policy or look at this year to year.

Mr. Dommer stated that the current net position is 33% of total costs and 40% of plan revenue. He said maintaining reserves equal to six months of claims sounded a little high, and he likes the four months of revenue. Mr. Dommer expressed concern about building a requirement into the Trust document rather than just having a policy statement.

Ms. Litton clarified that six months of claims is approximately \$22-\$23 million. Mr. Rustand said the Trust net position would be \$28.5 million if based on 40% of revenue of premiums or \$35 million if based on six months of projected total Trust costs. Ms. Wheeler suggested that the targeted Trust reserves be based on total costs and not just claims. Mr. Dommer agreed. Mr. Dommer recommended four months of total costs. Mr. Welch stated that would be \$23.7 million. Mr. Dommer suggested having a recommendation for a Trust reserve level at the August meeting. All Board Members were in agreement with August. Mr. Dommer asked if the staff can assist with the recommendation, and Mr. Rustand said he would work with staff to prepare. Mr. Rustand also said he talked with an actuary about the appropriate level of reserves for the Trust, and the actuary recommended at least four months of costs in reserve. Mr. Rustand said some would say maintain six months of costs, given the current unknowns. Ms. Jenkins stated that due to the unknown risks, she would favor the six-month level, and when it is more stable and more is known, we could revert to the four months. Mr. Dommer stated that this would be a \$12 million increase from current reserves. Ms. Jenkins asked that the Trust get a recommendation of how to build up to the six month reserve mark and over what period of time. Ms. Wheeler expressed concern about increasing premiums when people have been furloughed and suggested building slowly and ensuring that our net position does not decrease. Ms. Zambo said that rates that go into effect for July 1, 2020 will increase 8.61%. Ms. Litton said the increase is due to projections of an increase in claims costs and not to necessarily build up the reserves. Ms. Jenkins requests the appropriate person come prepared at the next meeting with recommendations to achieve the six-month reserve level without affecting the employees significantly.

Mr. Dommer requested financial information at the August meeting for projections for FY2021/2022, what the net position should be at for four months of costs, at six months of total costs, and then the FY2021/22 forecast to see where we stand, and what the next two or three years would be to reach the six months of costs. Ms. Jenkins states that six months may not be realistic but at least we would know whether it is achievable and can make an informed decision with the information. Mr. Rustand said that to initially fund the Trust, the Trust funds from the County that the Trust paid back over a three-year period. Other factors can be used other than rates to establish the reserve. Mr. Dommer said the Trust may be more comfortable with a four-month reserve if the Trust were able to borrow \$10 million from the County if needed. Mr. Rustand stated that ultimately the County is responsible for the costs, as it is self-funded. Mr. Rustand said if claims increase in the short term due to the pandemic, we should use six months reserve, but if there is no increase for pandemic then four months may be sufficient. Mr. Dommer stated that the August meeting numbers should tell us exactly what reserves look like. Ms. Wheeler asked about the impact to the Trust if HSA funding is moved back to the departments. Mr. Welch stated that will reduce Trust spending by \$7 million, and the July 2020 rates were set with that in mind.

- **Informational Topic** (*Due to time constraints, the Trust members may choose to table this item to the August meeting.*)
 - **Specialty Coupons Policy Update and Financials (CBIZ)**

Ms. Wheeler moved to table this item to the next meeting. Ms. Jenkins seconded. Mr. Dommer agreed, and the item was tabled.

E. Aetna Presentation Summary – Ray Eveleth

Cost of Services

Cost of Services is up \$2.8 million (14.4%) over the prior period to \$22.5 million for the third quarter of 2019/2020 plan year (compared with an increase of 23% from the prior year at the end of the second quarter). The Inpatient (IP) paid amount per member increased 21.7%. Ambulatory paid amounts per member increased 10.7%. Claimants under \$100,000 (all claims, excluding high cost claimants (HCC) over \$100,000) increased 5.9%. We are starting to see a reversal. Last quarter it was at 10%. Claimants under \$100,000 (IP Facility, excluding HCC) increased 3.9%. This is a quarter of what it was at last meeting. Claimants under \$100,000 (Ambulatory, excluding HCC) increased 6.9%. This is a little less than it was a few months ago.

High Cost Claimants (HCC)

The number of HCC increased 29.6% from 27 to 35 over the prior period. Last quarter it was a 75% increase. HCC accounted for 31.8% of the total paid amount (right in line with Aetna Book of Business is 32.1%). Seeing this starting to trend down.

Utilization

Utilization increased 15.1% (+2,118) over the prior period to 16,121.

Admits/1000 (+11.0%), Days of Care (DOC)/1000 (+18.1%), and Average Length of Stay (ALOS) (6.3%). These are a substantial reduction from the last quarter.

Total surgeries/1000 (+2.4%); Office Visits (OV)/1000 (+1.6%) and Emergency Room (ER) visits/1000 (-1.2%) compared to the PP. This is in line with the last quarter.

Utilization by Relationship: Employee (EE), Spouse (SP), Child (CH): +17%, +25%, -4% in Total Admissions; Total Surgeries: +13% (Spouse/Partner)

Top 5 Major Diagnostic Categories: Musculoskeletal (+18%), Circulatory System (+45%), Nervous System (+51%), Digestive System (+18%), Kidney/Urinary Tract (+16%). These have remained pretty consistent.

ER utilization: visits decreased slightly by -2%; amount paid per visit increased +20%. Found that the Plan still stays below the book of business for appropriateness of care. The one category that drove this was preventable or avoidable; however, based on their conditions, the admits

could have been prevented or avoided had they stated compliant with their medications and treatment protocols for chronic condition.

Maternity: 76 total deliveries at average paid amount per admit of \$8,310. 4 NICU's, average paid/admit was \$47,000. A year ago it was 72 total deliveries and \$ NICU's as well. This has remained consistent.

Network Summary (page 25)

Current 'Total Network Discount Savings': 67.1% (66.2% is Network Discount guarantee). This is driven by in-network treatment and trends in the right direction, being at or above the book of business.

Pima County saw 47% of its Facility spend occur at a Banner|Aetna Performance Network contracted hospital (\$6.3 million). Fifty percent remain within the Banner Network; Aetna has discussed with CBIZ about how to present information about the Performance Network for discussion at a later date.

Mr. Dommer asked how we approach educating members about avoidable emergency visits. Mr. Eveleth stated they will reach out to the County Benefits Group to assist in streamlining this through a reach-out program.

COVID-19 Informational Update

These are incurred claims beginning the first week of March. This is a fluid document due to coding created for COVID-19 symptoms and conditions. In this period, there were not hospital admissions. For the current week there were 17 tests for 16 individuals (one tested twice) and 13 lab other claimants. There were a total of 66 tests (65 individuals) and 26 other claimants since March 1. Graphs show weekly and cumulative for treatment related costs for COVID-19. The claim volume for telemedicine increased. Current week paid is \$12,935 and to date \$42,364 for 194 and 772 claims respectively. Total paid claims for current week is \$433,663, with only 0.1% of the costs due to COVID-19 related. A month ago Aetna, CBIZ and the County engaged in a cost estimator exercise to get an idea of percent of testing and percent of positives to get an idea of potential claim liability as a percent of claims. The data shows the avoided or deferred claims due to social distancing, elective surgery ban, and Teladoc and the data shows it is trending down. Costs of COVID-19 test at \$51 per test. The report does not have facility-related claims. Ms. Wheeler clarified that there were no facility-related claims during the period reported. Mr. Rustand stated that there is incentive to identify everything as COVID-19 in order to get the claim covered and asked Aetna whether they have the ability to separate the costs of COVID-19 claims and other claims. Mr. Eveleth stated that Aetna will go back and review the claims to review the coding. There is legislation currently proposed for predatory actions concerning coding everything as COVID-19.

Follow up items from prior meeting

- **Oncology trends and details**

Ms. Zambo advised that Dr. Garcia had requested this information. Ms. Peters said that the information is in a Power Point which can be shared with Dr. Garcia.

In the minutes from last Trust meeting, Mr. Eveleth said he noticed Aetna was asked whether the ER utilization was related to lack of primary care doctor access and if this is driving the utilization. Mr. Eveleth does not believe this is the case and will do a deeper dive into primary care access.

Ms. Wheeler states that this was a concern to Dr. Garcia and this should be reported back to Dr. Garcia as well.

F. Caremark/CVS Presentation Summary – Matt Weel - Reporting Period July 2019 – March 2020

Rebates

Q3 (January 2019-March 2019) – Rebates \$816,148.24; Q4 (April 2019-June 2019) – Rebates \$1,130,452.12; Q1 (July 2019-September 2019) – Rebates \$881,121.04; Q2 (October 2019-December 2019) – Rebates \$965,455.69

Financials

Total Gross Cost for July 2018 – March 2019: \$8,651,259 compared to current July 2019 – March 2020: \$10,483,317.

Total Net Cost for July 2018 – March 2019: \$7,445,532 compared to current July 2019 – March 2020: \$9,181,195.

Total Gross Cost Per Member Per Month for July 2018 – March 2019: \$87.44 compared to July 2019 – March 2020: \$106.28. The number of members stayed consistent on the plan.

Total Net Cost Per Member Per Month is the total of what the Plan paid for July 2018 – March 2019: \$75.26 compared to July 2019 – March 2020: \$93.08

Utilization and Drug Mix

Top Therapeutic Classes should not be a surprise as they are the same that have been discussed in the prior meetings. By total gross cost is the Antidiabetics: \$2,157,698 Gross Cost / 46,506 Rx / 670 Utilizer. Analgesics – Anti-Inflammatory: \$1,647,925 Gross Cost / 2,249 Rx / 983 Utilizers – This therapeutic class is where the RA is bucketed. Antineoplastics: \$869,332 Gross Cost / 603 Rx / 117 Utilizers – these numbers have remained consistent reporting period over reporting period.

Specialty

Specialty Top Classes were Rheumatoid Arthritis: \$1,544,464 Gross Cost / 35 Utilizers; Oncology: \$968,718 Gross Cost / 21 Utilizers; Multiple Sclerosis: \$656,977 Gross Cost / 15 Utilizers. Not much has changed from prior reporting period.

COVID-19

The first thing CVS did was waive home delivery for medications and front store products. CVS also waived limits on early refill prescriptions, implemented quantity limits to prevent stockpiling and extended prior authorizations to provide members with easier access to medications.

In the store, employees are wearing masks and gloves, added plexiglass, and markings on the floor for social distancing.

Outside the store, CVS opened large scale testing sites in five states. Their goal is to have this up and running in 1,000 stores by the end of month and goal of 1.5 million tests per month.

Specific utilization of high probability drugs for COVID-19 was 7.9% of total gross cost. Majority of spend is in non-COVID-related drugs.

G. CBIZ Presentation – Eric Rustand

Total Claims and administration spending totaled \$36,176,833. Loss ratio of 82.5% (actual claims vs. expected claims). Claims and administration cost per employee per month (PEPM) are \$781. Medical claims equal 72% of total claims and prescription claims with rebates equal 28% of total claims. Both are consistent with last year. Total increase of \$4,520,433 and \$96 PEPM is significant increase over last year. 10 new large claimants in March for a total of 34 with \$6,836,016 in claims. Total claims and administration PEPM \$824, which is 6.3% increase. Prior plan year was \$685 PEPM. Total of 22 large claimants (increase of 12 over prior year) equals 17% of total paid claims. We are trending higher from January to June 2019 vs. 2020, however are not as high in January to March. PEPM in 18/19 was \$740, is currently \$781 however that is typically higher in latter part of plan year. Enrollment is consistent. With runout total PEPM is \$775.

Mr. Dommer asked about the COVID-19 costs and if Mr. Rustand can provide any information on whether they will significantly impact the plan. Mr. Rustand stated they are working with various models for self-funded plans. The West has had a slower uptick for admissions and ventilated patients (not including California). The impact appears to be roughly 5%, some are as low as 3% and there is one that is 12%. He said he wants to see very specific information where the COVID-19 is the diagnosis rather than a symptom of COVID-19. CBIZ will use the 5% for now.

H. Pima County Finance – Andy Welch

Budget Review – March 31, 2019 to March 31, 2020

Mr. Welch noted a significant drop in the Trust balance net position of \$9.8 million, which was expected due to increased medical claims and payment of HSA funding by Trust. Total liabilities are up by \$1.2 million due to the timing of the payment of the claims. Overall, it is an \$11 million decrease in net position, which was planned due to the HSA funding and no rate increase.

Mr. Dommer noted the cash balance was \$32 million and someone may think we have \$32 million to spend; however \$6.5 million has already been spent but we have not written the check yet. To count on the number for stability, we should look at the \$25 million net position, which would be the cushion we have going forward. This would be the target to come up with when setting rates. Mr. Rustand agreed that this is the current reserve. .

Mr. Welch reviewed the comparative statement – operating revenues are up about \$190,000 due to pharmacy rebates. There was a \$4.6 million increase in claims for a total increase in operating expenses of about \$6 million. Grants and Finance is looking at the CARES Act to see if that funding can cover our COVID-19 related expenses.

Investment earnings have decreased by about \$260,000. The total net has dropped by \$10.4 million.

Operating earnings include \$44.5 million in charges for services (premium payments of \$30 million by departments) and \$3 million in pharmacy rebates. Operating expenses include Medical Claims and Pharmacy at \$33M, \$11 million HSA, Dental \$2 million, for total of \$46 million in claims.

Investment Policy

Long term investment has \$28.7 million at March 31, 2020 with an annual yield of 2.2% as of January 31, 2020.

On March 1, 2020, the County moved \$3 million out of the long-term pool to the short-term pool to ensure liquid cash is available to pay claims.

Ms. Litton said there are three statutes (A.R.S. §§ 11-491, 11-492 and 11-493) that guide the investment policy. All public monies have to be placed with the County Treasurer or the State Treasurer. The State is typically at a higher return. Finance regularly reviews all the funds that are at \$2 million and higher. Movement of money has to take place on the first of the month.

Mr. Dommer asked that Trust Board members receive all documents for the Trust meeting a week in advance.

I. Call to the Audience

J. Housekeeping

- **Suggestions for Future Informational Topics for Discussion**
 - Process Change
 - Role of all Players in the Room
- **Next Meeting Date – August 13, 2020**
- **Future Discussion Items**

- Specialty Prescriptions coupon discussion was tabled
- FY2020/2021 Forecast
- Recommended Net Position Policy
- Aetna to review PCP availability
- Oncology Review if deemed useful by Dr. Garcia
- Ameritas was to provide information summary to be included whether presenting the information or not. Ms. Zambo informed the Board that Delta Dental will be our new third party administrator starting 7/1/20 due to procurement bid.

K. Adjournment at 11:32 a.m.