CITY OF McALLEN

AGENDA

CITY COMMISSION SPECIAL JOINT MEETING WITH THE MCALLEN PUBLIC UTILITY BOARD
WEDNESDAY, MAY 31, 2023 – 3:45 PM
MCALLEN CITY HALL
CITY COMMISSION CHAMBERS; 3RD FLOOR
1300 HOUSTON AVENUE
MCALLEN TEXAS, 78501

https://zoom.us/j/5087553077?pwd=TjduYjR4U2l3cWU1NjlsZzlsM2hJUT09

Members of the public that wish to listen to the meeting can log in to the virtual Zoom meeting or dial (346) 248-7799 US (Houston) Meeting ID: 508 755 3077 Passcode: 878576.

Individuals that wish to participate in the meeting or comment on an agenda item should call (956) 681-1020 by 3:30 pm. Any individual dialing in acknowledges his or her phone number may be visible to the public.

"At any time during the course of this meeting, the City Commission may retire to Executive Session under Texas Government Code 551.071(2) to confer with its legal counsel on any subject matter on this agenda in which the duty of the attorney to the City Commission under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with Chapter 551 of the Texas Government Code. Further, at any time during the course of this meeting, the City Commission may retire to Executive Session to deliberate on any subject slated for discussion at this meeting, as may be permitted under one or more of the exceptions to the Open Meetings Act set forth in Title 5, Subtitle A, Chapter 551, Subchapter D of the Texas Government Code."

CALL TO ORDER

SWEARING IN CEREMONY OF NEWLY ELECTED OFFICIAL

JOINT MEETING WITH MCALLEN PUBLIC UTILITY BOARD

1. Discussion and Possible Action of City of McAllen Employee Health Plan.
2. **EXECUTIVE SESSION, CHAPTER 551, TEXAS GOVERNMENT CODE, SECTION 551.071 (CONSULTATION WITH ATTORNEY), SECTION 551.072 (DELIBERATION REGARDING REAL PROPERTY), SECTION 551.074 (PERSONNEL MATTERS) AND SECTION 551.087 (ECONOMIC DEVELOPMENT)**

ADJOURNMENT

IF ANY ACCOMMODATION FOR A DISABILITY IS REQUIRED (OR INTERPRETERS FOR THE DEAF), NOTIFY THE CITY SECRETARY'S DEPARTMENT AT 681-1020 FORTY-EIGHT (48) HOURS PRIOR TO THE MEETING DATE. WITH REGARD TO ANY ITEM, THE BOARD OF COMMISSIONERS MAY TAKE VARIOUS ACTIONS INCLUDING BUT NOT LIMITED TO RESCHEDULING AN ITEM IN ITS ENTIRETY FOR A FUTURE DATE OR TIME.

C E R T I F I C A T I O N

I, the Undersigned Authority, do hereby certify that the attached agenda of the meeting of the McAllen Board of Commissioners is a true and correct copy and that I posted a true and correct copy of said notice on the bulletin board in the Municipal Building, a place convenient and readily accessible to the general public at all times, and said Notice was posted on May 26, 2023 at 3:30 pm and will remain so posted continuously for at least 72 hours preceding the scheduled time of said meeting in accordance with Chapter 551 of the Texas Government Code.

/s/
Perla Lara, TRMC/CMC, CPM
City Secretary

CITY OF McALLEN

ITEM SUMMARY

BOARD: City Commission

AGENDA ITEM	1.
DATE SUBMITTED	05/25/2023
MEETING DATE	5/31/2023

1. Agenda Item: Discussion and Possible Action of City of McAllen Employee Health Plan.
2. Party Making Request: Jolee Perez
3. Applicant:
4. Nature of Request:
5. Fiscal Impact Summary:
6. Budgeted:

Bid Amount:	_____	Budgeted Amount:	_____
Under Budget:	_____	Over Budget:	_____
		Amount Remaining:	_____

7. Routing:

Diana Silva	Created/Initiated - 5/25/2023
Jolee Perez	Approved - 5/25/2023
Angie Rodriguez	Approved - 5/25/2023
Sergio Villasana	Approved - 5/25/2023
Gerardo Noriega	Approved - 5/25/2023
Jeff Johnston	New -
Isaac Tawil	

8. Staff Recommendation:
9. Advisory Board:
10. City Attorney:
11. Manager's Recommendation:

City of McAllen
EMPLOYEE
BENEFITS

MEMORANDUM

TO: Roy Rodriguez; City Manager
CC: Jeff Johnston; Assistant City Manager
FROM: Jolee Perez; Director of Employee Benefits
DATE: May 26, 2023
RE: Health Plan Update and Recommendations for 2023-24

During the special called workshop on May 31, 2023, staff will be presenting the 22-23 plan year update as well as health plan forecasts and recommendations for the 23-24 plan year.

HEALTH FUND REVIEW & RECOMMENDATIONS

Presented 05/31/23

OVERVIEW

INCLUDED IN REPORT

- Initial forecast of health funds as they were projected in Spring of 22 for fiscal 22-23;
- A breakdown of recommendations that were approved and implemented in October of 2023 and what our current projected impact of those has been on the funds;
- Where we believe our funds will be by the end of fiscal 22-23;
- Projections for the 23-24 fiscal year on both funds; and
- Response options and action items for projected 23-24 financials.

KEY TAKE-A-WAYS

- Changes effective 10/01/22 have an estimated $2,671,670 net savings to the plan for fiscal 22-23 based off of first half of fiscal year data.
- There were several areas of overall plan experience that were outside of trend and the anomaly has resulted in a $3.8M variance from budget on the Active Fund.
- Had changes made on 10/01/22 not been done, the plan would have realized $6.5M of deficit.
- Looking ahead at fiscal 23-24, carriers are underwriting with a 17% projected claims expense increase based on medical trends (*inflation, Med & Rx contracts/pricing, high cost claimants experience*).
- Current efforts continue to reduce that expected increase so that it's not experienced fully, however with no surplus to draw against, and a deficit to resolve from this years anomalies, continued strategic action will be needed to ensure proper funding for next fiscal plan year.

22-23 PLAN REVIEW

CHANGES WITH IMPACT EXPERIENCE ACROSS BOTH FUNDS	PROJECTED IMPACT	ESTIMATED ACTUAL IMPACT	VARIANCE
PPO to EPO Plan Type Change	$579,000	$291,798	($287,202)
Deductible/MOOP Changes	$779,278	$302,841	($476,437)
Medical Copay Changes	$360,941	$103,340	($257,601)
Rx Copay Changes	$280,540	$291,540	$11,000
Premium Changes	$395,400	$424,967	$29,567
Shared Savings to Naviguard Transition	$300,000	$300,000	$0
Stop Loss Threshold Increase	$225,687	$218,437	($7,250)
Agency Administrative Fee Terms	$4,876	($0)	($4,876)
Direct Primary Care	$907,326	$738,747	($168,579)
IMPACT OF ALL CHANGES	**$3,833,048**	**$2,671,670**	**($1,161,378)**

Direct Primary Care savings based off of five months of data in only immediate DPC replacement categories. No impact calculated against outside categories as there is not enough data to calculate available at this time. Additional savings to Fire Department with respect to physicals is also not reflected (projected at $50K plus labor expenses).

REF #	FUND BALANCE REVIEW	ACTIVE FUND	RETIREE FUND
1	**Initial Forecast Projected Ending Fund Balance 22-23**	**($3,109,176)**	**$413,675**
2	**Projected Impact of Recommended Changes for 22-23**	**$3,723,003**	**$110,045**
3	**Approved Budget Ending Fund Balance 22-23**	**$613,827**	**$523,720**
4	**Estimated Actual Ending Fund Balance 22-23**	**($3,253,908)**	**$426,898**
5	***Variance***	**($3,867,735)**	**($96,822)**
ANOMALIES OUTSIDE OF BUDGET	*Outpatient Facility Utilization Expenses*	$858,961	$17,530
	22-23 Actual Starting Fund Balance Variance	$724,445	
	High Dollar Claimants	$644,000	
	Agency Exit	$437,572	
	Pharmacy Utilization Expenses	$421,478	$8,602
	Claims Lag from 21-22	$411,600	$8,400
	Shared Savings Expenses	$85,000	
	Increase of 30% PC Utilization Impact - Plan	$73,815	$1,608
	Increase of 30% PC Utilization Impact - DPC	$75,000	
	Administrative Expenses	$29,519	
6	**Remaining variance from original projections:**	**($106,345)**	**($60,682)**

The table summarizes the recommended changes in spring of 2022 for the plan year effective October 1, 2022. The original projected impact of the change is identified, as well as the estimate of what we expect to realize by the end of the fiscal year based on six months of data. Estimated numbers are calculated with straight trend. Without twelve months of experience, there is not enough information to include any other assumptions.

Funding Outlook FY 22-23

Current estimates project a negative ending fund balance of ($3,253,908).

Option A below spreads full liability across plan funds based on enrollment proportions.

Option B represents the same spread of liability, but offsets full deficit by $1.5M of estimated funds that were budgeted for healthcare subsidy but unused due to position vacancy or enrollment tier differentials.

It is recommended that we utilize the budgeted but unused funds to help support the deficit as the expectation of use is already in budget and allows the remainder deficit to have less impact across funds.

22-23 DEFICIT RESPONSE OPTIONS		
	OPTION A	OPTION B - SUGGESTED
	($3,253,908) DEFICIT FILL	($3,253,908) DEFICIT FILL
011 - GENERAL FUND	$2,068,583	$1,095,162
160 - DOWNTOWN SERVICE FUND	$21,030	$11,134
560 - INT'L TOLL BRIDGE FUND	$87,943	$46,560
580 - ANZALDUAS CROSSING FUND	$30,589	$16,195
400 - WATER FUND	$248,536	$131,581
450 - SEWER FUND	$191,181	$101,216
500 - SANITATION FUND	$303,978	$160,934
558 - TRANSIT SYSTEM FUND	$13,383	$7,085
556 - MCALLEN EXPRESS FUND	$68,825	$36,438
550 - MCALLEN INT'L AIRPORT FUND	$66,914	$35,426
520 - CLGC FUND	$22,942	$12,146
541 - CONVENTION CENTER FUND	$80,296	$42,511
670 - FLEET/MAT MGMT FUND	$36,324	$19,231
690 - GENERAL INSURANCE FUND	$13,384	$7,085
VARIOUS FUNDS - Budgeted/Unused		**$1,531,204**

Funding Outlook FY 23-24

We have continued to strategically manage the plan over the paste few years, seeking methods to drive cost down, cost shifting where needed, and incentivizing better choice/engagement of patients in their care. As a result, the City has been able to minimize the impact of hemorrhaging costs of healthcare. Even in light of $2M plus of pandemic unforeseen expenses in recent years, we have prevented expenses from being where they would have been and we out perform most peers. This has allowed for the plan to remain favorable for members, while minimizing both employer contributions and member contributions towards expenses as much as possible.

However, projections have suffered in the wake of some unanticipated expenses that existed outside of trend with no surplus available to offset, and for 23-24, industry projection reflects a 17% increase to claims expenses which the fund is not able to sustain without further action to counteract it.

The recommendations made focus on stronger contract terms with our Third Party Administration contracting, while building a contribution structure focused on meeting expense needs and also trying to build fund surplus for unanticipated expenses.

FY 2023-24 Projections	Active Fund No Changes	Active Fund With Changes	Retiree Fund No Changes	Retiree Fund With Changes
Beginning Fund Balance	($3,253,908)	($3,253,908)	$426,898	$426,898
22-23 Budget Amendments ** Proposed prior page*	$0	$3,253,908	$0	$0
Revenues	$13,321,901	$17,347,401	$1,435,008	$1,596,456
Health & Pharmacy Claims	$15,736,038	$15,298,090	$754,967	$794,227
TPA Fixed Costs	$1,400,261	$984,787	$203,938	$186,327
Administrative Expenses	$653,850	$653,850	N/A	N/A
Ending Fund Balance	($7,722,156)	$410,674	$903,001	$1,042,800

THIRD PARTY ADMINISTRATION

While two years remain available under our current United Healthcare/Optum Rx contract, in light of funding challenges, we pursued a group purchasing option through Health Action Council that has been vetted over the past four years. Health Action Council meets all Texas governmental procurement requirements. Other Texas entities procuring one ore more group purchasing lines through Health Action Council include ***Corpus Christi***, ***Euless*** and ***Texarkana***.

Given that at this time UHC / Optum Rx have been the awarded Third Party Administrators procured through the group purchasing bid, moving to renewal through Health Action Council secured the City more control over their plan design, better terms for both fixed costs and pharmaceutical pricing, as well as additional support features.

For 23-24, it allows for savings without any carrier disruption for members.
It provides more affordable solutions while maintaining control of the plan.

It is recommended that we award Third Party Administrative services to UHC / Optum Rx through their Health Action Council proposal inclusive of rebates through Honest Rx for a period of three years, effective October 1, 2023.

EFFECTIVE PARTNERSHIP

- Purchasing power of 2.6M members (230 Employers).
- Annual audits and market checks with term enhancements.
- Involvement in future RFP processes, joining a myriad of others with substantial expertise, all with the same goal of reducing healthcare spend while improving health outcomes and membership satisfaction.
- Obtainment of additional medical management programs.
- Health Action Council is a non-profit, 50% of membership is public sector.

TERMS & GUARANTEES

- Best price guarantee - a plan sponsor can not contractually obtain lower price for like services from the carrier. It will always be a lower rate.
- Ability to improve pharmacy guarantees as well as improved rebate structure through third party (Honest Rx), offsetting annual fixed expenses and reducing claims by approximately $496K.
- Annual Growth Credits (paid following year), Pharmacy Fund Credits and Transition Credits, along with loyalty credits at renewal.

HEALTH ACTION COUNCIL

FACTS ABOUT THE COUNCIL

Health Action Council is a not-for-profit, member-driven organization made up of approximately 230 U.S. employers and union groups who offer health benefits and wellness services to 2.6 million employees, dependents, and retirees throughout all 50 states.

Health Action Council was founded in 1983 by five companies who wanted to get more value from the millions of dollars they were spending on healthcare coverage for their employees. They banded together to work with hospitals to ensure their employees were receiving efficient, affordable quality care.

Soon it evolved into a much larger coalition of employers that leveraged its combined purchasing power to obtain medical, prescription, vision and dental coverage for their employees at rates they would be unable to secure if they negotiated with insurance companies on their own.

In addition, in 2008 Health Action Council formed Health Quality Forum (HQF), a charitable, non-profit 501(c)(3) subsidiary. This entity focuses on high-quality, cost-effective healthcare and enables employer members to collaborate with health plans, physicians, hospitals, the pharmaceutical industry, and other key stakeholders to accelerate progress toward improving the health of employee and regional populations.

EXAMPLES OF SOME HEALTH ACTION COUNCIL MEMBERS

City of Cleveland
City of Columbus
City of Corpus Christi
City of Dayton
City of Dublin
City of Euless
City of Hammond
City of Middletown
City of Painesville
City of Texarkana
City of Toledo
Cleveland Metropolitan School District
Clermont County
Columbus City Schools
Energizer
Fraternal Order of Police - Miami Lodge 20
Getty Images
Honda of America Manufacturing
League of Minnesota Cities
Nationwide Insurance
Ohio Civil Service Employees Association
Sherwin Williams

health action council | United Healthcare

Innovative Medical Plan

Better Outcomes for Members

Our innovate risk mitigation strategies have helped plan sponsors maintain trend at half the industry levels.

Flexible

- We listen and offer open-sourced solutions
- Plan sponsors maintain full control over their health plan
- Innovative solutions lower costs
- Advocate4Me Elite's dedicated service team personalize your employees' experience in navigating benefits and connecting services
- Custom Clinical Model offers custom clinical triggers and dedicated case management nurses based on SDOH risk and health disparities

Accountable

- Access to administrative fee pricing guarantees and custom fees at risk
- Member-driven contracting process
- Achieve never-event payment protection
- Automatically earn $30 per participating employee with the opportunity to gain more as participation in the program increases
- National accounts have NPS of 89

Effective

- Paid $1.2 million in growth credits in 2021 and 2022
- Saved more than $7.4 million in administrative fees and credits from 2019 - 2022
- Program governed by member-driven Board of Directors
- In less that 6 months 28% of targeted members were engaged in custom SDOH clinic

Our medical trend over the past 10 years in 3.3% approximately, half the industry average

Health Action Council is a not-for-profit, member-driven organization offering more than 230 employer members and their 2.6 million individuals flexible health benefits and wellness services.

health action council | OPTUMRx®

Prescription Drug Coverage

Flexible

- We listen and offer open-sourced solutions
- Optimal cost savings through formulary, discount and network options
- Enhanced savings through utilization management programs
- Customizable solutions that meet the unique needs of your employees
- Attractive transition and ongoing administrative credits
- Client specific performance guarantees

Accountable

- Members receive 100% of rebates with guarantees
- Conducts fully funded annual audit with 100% of findings returned to plan sponsors
- Annual market check
- Member-driven contracting process
- Meets public sector procurement requirements
- Visibility to all data and the PBM agreement
- Work with nationally recognized brands to manage financial trend

Effective

- Paid $124,000 in performance guarantees on total at risk amount of $4 million
- Achieved over $16 million in audit and market check savings from 2019-2021
- Dual selection credit available if OptumRx and United Healthcare selected
- Program governed by member-driven Board of Directors
- Saved plan sponsors over $700,00 market check and audit expenses

Achieved over $16 Million in Audit and Market Check Savings from 2019-2021

Health Action Council is a not-for-profit, member-driven organization offering more than 230 employer members and their 2.6 million individuals flexible health benefits and wellness services.

PLAN PREMIUM STRUCTURE

The chart below reflects premiums in their current structure (CUR), in their claims adjusted structure (ADJ) and the recommended premium structure (REC) for fiscal 23-24.

MONTHLY RATES	EMPLOYEE ONLY			EMPLOYEE & SPOUSE			EMPLOYEE & CHILD			EMPLOYEE & FAMILY		
	CUR	ADJ	REC	CUR	ADJ	REC	CUR	ADJ	REC	CUR	ADJ	REC
TOTAL PREMIUM	**$430**	**$498**	**$605**	**$920**	**$1,244**	**$1,099**	**$844**	**$708**	**$1,023**	**$972**	**$1,544**	**$1,153**
EMPLOYEE - EE COV	$20	$24	$40	$20	$24	$40	$20	$24	$40	$20	$24	$40
EMPLOYEE - DEP COV	N/A	N/A	N/A	$248	$373	$278	$210	$105	$220	$274	$523	$304
TOTAL EMPLOYEE PORTION	**$20**	**$24**	**$40**	**$268**	**$297**	**$318**	**$230**	**$129**	**$260**	**$294**	**$547**	**$344**
CITY - EE COV	$410	$474	$565	$410	$474	$565	$410	$474	$565	$410	$474	$565
CITY - DEP COV	N/A	N/A	N/A	$242	$373	$216	$204	$105	$198	$268	$523	$244
TOTAL CITY PORTION	**$410**	**$474**	**$565**	**$652**	**$847**	**$781**	**$614**	**$579**	**$763**	**$678**	**$997**	**$809**
SUBSIDY % - EE	95%	95%	93%	95%	95%	93%	95%	95%	93%	95%	95%	93%
SUBSIDY % - DEP	N/A	N/A	N/A	49%	50%	44%	49%	50%	47%	49%	50%	45%
SUBSIDY % - ALL	95%	95%	97%	71%	68%	72%	73%	82%	77%	70%	65%	70%

SUBSIDY BY FUND	CURRENT	CLAIM ADJUSTED	RECOMMENDED
011 - GENERAL FUND	$ 6,513,432	$ 8,184,588	$ 8,424,384
132 - CDBG FUND	$ 24,408	$ 35,892	$ 29,124
160 - DOWNTOWN SERVICE FUND	$ 57,336	$ 68,844	$ 77,508
560 - INT'L TOLL BRIDGE FUND	$ 283,272	$ 354,012	$ 364,416
580 - ANZALDUAS CROSSING FUND	$ 107,352	$ 145,692	$ 134,496
400 - WATER FUND	$ 763,608	$ 946,212	$ 995,472
450 - SEWER FUND	$ 616,440	$ 764,616	$ 792,552
500 - SANITATION FUND	$ 920,040	$ 1,143,732	$ 1,203,660
558 - TRANSIT SYSTEM FUND	$ 43,008	$ 51,828	$ 55,356
556 - MCALLEN EXPRESS FUND	$ 207,888	$ 258,912	$ 272,136
550 - MCALLEN INT'L AIRPORT FUND	$ 195,768	$ 235,656	$ 258,948
520 - CLGC FUND	$ 71,592	$ 91,560	$ 92,736
541 - CONVENTION CENTER FUND	$ 231,600	$ 284,088	$ 307,632
670 - FLEET/MAT MGMT FUND	$ 109,248	$ 137,652	$ 143,124
680 - HEALTH INSURANCE FUND	$ 30,408	$ 37,392	$ 39,084
690 - GENERAL INSURANCE FUND	$ 37,656	$ 46,092	$ 50,388

TOTAL INCREASE TO REVENUE	**$ 4,250,688**	**$ 3,966,636**
Employee Premiums	*$1,299,888*	*$ 609,960*
City Subsidy	*$ 2,573,712*	*$ 3,027,960*
Agencies	*$187,920*	*$ 165,768*
COBRA	*$ 4,080*	*$ 10,500*
Retirees	*$ 185,088*	*$ 47,496*

RECOMMENDATIONS SUMMARY

CHANGE / IMPACT	EXPLANATION
Medical/Rx Procured Through Health Action Council **$496,834**	Purchasing power of 2.5M members, secures the best in terms with vendor unable to be received outside of Health Action Council. Current awarded vendors are UHC / Optum. This means that with no disruption while maintaining more control of our plan, we are able to realize the savings without negative impact to members. Health Action Council has additional support features for our members to enjoy on top of what they have today. There are also Loyalty Credits, Growth Credits, Pharmacy Funds that are received directly from Health Action Council that are on top of savings, estimated at about $40K annually that are not built into savings figure presented. It is recommended that we award Third Party Administrative services to UHC / Optum Rx through their Health Action Council proposal inclusive of rebates through Honest Rx for a period of three years, effective October 1, 2023.
Diabetes Health Plan **$200,000**	The Diabetes Health Plan was announced as a sunset program effective January 2024. While the program will no longer be offered, the change of it's removal from our benefit is included in this list of recommendations as it did impact claims projections and will be a change experienced by members as we move forward.
Premium Change **$3,966,636**	Initial claim projections from carriers called for a 17% increase in claims for next year. Though cost containment strategies have kept the plan from realizing exponential cost in recent years, no surplus exists which which to draw against for unexpected expenses that are outside of trend and projections. Nor, is current revenue sufficient to fund 17% projected claims expense in 22-23.
EAP Fringe Benefit **$29,784**	The Employee Assistance Plan is a benefit to all full time employees, similar to that of Basic Life Insurance, both being paid from the health fund as part of the overall compensation package for employees. The Basic Life Insurance benefit is set up as a charge to departments with fund transfer to the health fund with each payroll run. However, the EAP has not been charged to departments and is an expense absorbed by the Health Fund without reimbursement. It is recommended that EAP accurately be reflected to reimburse the Health Fund from other funds, and included in the reporting for the cost of employer sponsored coverage on employee's W2.
Individual Stop Loss Carve Out **$66,388**	The renewal stop loss policy offered under UHC was not consistent with our experience and negotiations were unsuccessful in driving more reasonable premiums. Proposals were then solicited and while the final rates are not solidified until July, the initial proposals of carving out - and netting against a integration fee of UHC's - are estimated at approximately $66K currently. This item will be brought for final approval later this summer once final offers are received. Carriers will not supply this until we get closer to effective date. However, expected reduction in expenses are reflected in the adjusted budget that includes changes recommended.
Aggregate Stop Loss Removal **$66,611**	The City currently insures itself both with individual stop loss as well as aggregate stop loss (ASL). ASL will pay out once claims as a group hit 125% of projected claims by the stop loss carrier, up to a max of $1M. However, with bloated projections (typically $1-2M above experience, and the capitation of specific claims under our Direct Primary Care arrangement, Aggregate stop loss does not currently merit expense. Expected reduction in expenses are reflected in the adjusted budget that includes changes recommended.

Recommendations reflected in the funding outlook projections under "with changes" columns of both funds.

PRESENTED BY:

Jolee Perez
Director of Employee Benefits
(956) 681-1400
jrperez@mcallen.net