



## **DRAFT MINUTES**

### **LOSS TRUST FUND BOARD MEETING**

#### **TELEPHONIC**

**Tuesday, June 2, 2020  
5:00 p.m.**

**PRESENT:** Richard O'Connor, Chair  
Suzanne Welch, Vice Chair  
Dominic Bilotti  
Brandon Perlow  
Allan Smith

**STAFF:** Katie Callaway, Risk Management Director  
Lauran Beebe, Human Resources Manager  
Lori Davis, Senior City Attorney

**GUESTS:** Charlie Broucek, Hays Companies  
Emily Clauss, Nyhart  
Suraj Datta, Nyhart  
Megan Shoemaker, Nyhart

#### **1. CALL TO ORDER**

Chair O'Connor called the meeting of the Loss Trust Fund Board to order at 5:00 p.m.

#### **2. ROLL CALL**

A formal roll call confirmed the presence of Board Members as stated above.

## **OLD BUSINESS**

### **1. Approval of the February 4, 2020 meeting minutes**

Grammatical corrections were identified.

VICE-CHAIR WELCH MOVED TO APPROVE THE FEBRUARY 4, 2020 LOSS TRUST FUND BOARD MEETING MINUTES AS AMENDED. DIRECTOR PERLOW SECONDED THE MOTION, WHICH CARRIED FIVE (5) TO ZERO (0). CHAIR O'CONNOR, VICE-CHAIR WELCH, BOARD MEMBERS BILOTTI, SMITH, AND PERLOW VOTED IN THE AFFIRMATIVE BY ROLL CALL VOTE. THERE WERE NO DISSENTING VOTES.

## **NEW BUSINESS**

### **1. Presentation of actuary study by Nyhart.**

Suraj Datta, Emily Clauss, and Megan Shoemaker from Nyhart reviewed the reserve analysis report, prepared by Nyhart for the City of Scottsdale.

The report outlines three uses of reserves. The most important reserve is the IBNR, which represents an asset amount that is held for liabilities that are incurred, but have not yet been paid. Uses for an IBNR include claims that will not be paid until after the claim year; when transitioning from a fully insured to self-insured program; and if the City were to shut down its self-insured program. Level 2, the claims fluctuation reserve, is intended to address years of high claims. Level 3, the premium stabilization reserve, is a discretionary account that continues to accrue reserve funds.

Nygart's conservative recommendation is that the City set the medical IBNR at 7.7 percent of expected claims; dental IBNR at 7 percent of expected dental claims; and the premium stabilization reserve at 8.7 percent.

### **2. Review, discuss and take action on recommended reserve strategy for the Health Care Self-Insurance Fund.**

Katie Calloway, Risk Management Director, noted that per the FY2018/19 annual report, the healthcare self-insurance fund has built up a reserve in excess of the recommended 25.1 percent. The FY 2018/19 fund balance is \$11,464,000 with a projected ending fund balance for FY 2019/2020 of \$11,752,000.

Charlie Broucek, Hays Companies, noted that through April of 2020, the fund had an additional approximately \$1.254 million surplus on the medical side and approximately \$117,000 on the dental plan, totaling approximately \$1.371 million in surplus through April.

Ms. Calloway said that the COVID crisis has affected the City's budget and the budget and finance department is looking for areas with surplus funds that can be drawn upon. The budget department has indicated an interest in beginning in July 2020 with an initial \$1.6 million drawdown. The Loss Trust Fund Board is being asked to make a reserve strategy recommendation in order to maintain a reasonable reserve level.

Mr. Broucek noted that the intent would be to draw down funds to a reserve level in the form of a premium holiday.

Chair O'Connor clarified that a motion would be to establish a prudent reserve policy at the recommended 25.1 percent, which would then leave Council and the finance department with the final decision of how much excess funds would be used.

Director Smith mentioned that the most recent report from Hays Companies projects a six-percent increase in rates.

Ms. Calloway explained that in looking at the FY 2018/19 year-end medical self-insured fund balance, the estimated expenses for the medical plan was total uses of \$34,139,000. She estimated that after a 25.1 percent reserve, approximately \$3 million would be left in the reserve fund. The proposal is to make a calculation at the end of each fiscal year once an exact fund balance has been determined and track that amount throughout the year.

Discussion ensued regarding the recommendation and Directors expressed agreement with the recommended 95 percent reserve threshold.

VICE-CHAIR WELCH MOVED TO APPROVE THE RESERVE STRATEGY FOR THE HEALTH CARE SELF-INSURANCE FUND. DIRECTOR SMITH SECONDED THE MOTION, WHICH CARRIED FIVE (5) TO ZERO (0). CHAIR O'CONNOR, VICE-CHAIR WELCH, BOARD MEMBERS BILOTTI, SMITH, AND PERLOW VOTED IN THE AFFIRMATIVE BY ROLL CALL VOTE. THERE WERE NO DISSENTING VOTES.

**3. Review information of other government entities and the reporting structure of Risk Management.**

Ms. Calloway reviewed the comparative Risk Management reporting structure report. She noted that of the self-insured funding entities, several have trust funds similar to that of the City of Scottsdale, several have a municipal pool and Central Arizona Project has a captive insurer.

Vice-Chair Welch noted that City of Phoenix risk management reports to their finance department.

Vice-Chair Welch requested that a review of the ICMA survey findings be agendaized for a future meeting.

**4. Review, discuss and take action on a response to the anonymous letter regarding management of the Risk Management Department.**

Discussion ensued regarding the February 17, 2020 anonymous letter addressed to Mayor Lane and City Council Members and cc'd to the Risk Management Office. The author expressed concern about a conflict of interest, because the Risk Department and the City Attorney are jointly responsible for making decisions about the Risk Trust Fund and the Risk Department reports directly to the City Attorney's office.

Vice-Chair Welch noted that historically, the City of Scottsdale Risk Fund Department has primarily reported to the Treasurer's Office. In her professional experience, private sector businesses typically report to the treasurer.

Director Smith noted that he works with clients who report to a variety of departments, including their treasurer's office, legal department, and human resources department.

DIRECTOR SMITH MOVED TO SUPPORT THE CURRENT REPORTING STRUCTURE OF RISK MANAGEMENT AND THE CITY ATTORNEY'S OFFICE. VICE-CHAIR WELCH SECONDED THE MOTION, WHICH CARRIED FIVE (5) TO ZERO (0). CHAIR O'CONNOR, VICE-CHAIR WELCH, BOARD MEMBERS BILOTTI, SMITH, AND PERLOW VOTED IN THE AFFIRMATIVE BY ROLL CALL VOTE. THERE WERE NO DISSENTING VOTES.

**5. Review, discuss and take action on 2019 Board and Commission Annual Report Summary.**

Ms. Calloway reviewed the proposed 2019 Loss Trust Fund Board Annual Report Summary.

Directors requested that the Anticipated Issues section include "Reserve strategy for medical benefits plan."

DIRECTOR PERLOW MOVED TO APPROVE THE 2019 BOARD AND COMMISSION ANNUAL REPORT SUMMARY AS AMENDED. VICE-CHAIR WELCH SECONDED THE MOTION, WHICH CARRIED FIVE (5) TO ZERO (0). CHAIR O'CONNOR, VICE-CHAIR WELCH, BOARD MEMBERS BILOTTI, SMITH, AND PERLOW VOTED IN THE AFFIRMATIVE BY ROLL CALL VOTE. THERE WERE NO DISSENTING VOTES.

**OPEN CALL TO THE PUBLIC**

There were no members of the public who wished to speak.

**ADJOURNMENT**

DIRECTOR SMITH MOVED TO ADJOURN THE MEETING. VICE-CHAIR WELCH SECONDED THE MOTION, WHICH CARRIED FIVE (5) TO ZERO (0). CHAIR O'CONNOR, VICE-CHAIR WELCH, BOARD MEMBERS BILOTTI, SMITH, AND PERLOW VOTED IN THE AFFIRMATIVE BY ROLL CALL VOTE. THERE WERE NO DISSENTING VOTES.

With no further business to discuss, being duly moved and seconded, the meeting adjourned at 6:15 p.m.

Recorded and Transcribed by eScribers, LLC.



# RISK MANAGEMENT FY 2019/20 ANNUAL REPORT

7447 EAST INDIAN SCHOOL ROAD, SUITE 225  
SCOTTSDALE, AZ 85251 • 480.312.2490  
<https://scottsdaleaz.sharepoint.com/sites/RiskManagementSafety>



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## Executive Summary - Risk Management FY 2019/20 Report

This annual report can be viewed as four sections.

- **Pink Tabs:** Provides a snapshot of Risk Management's income and expenses for the fiscal year ending on June 30, 2020. This includes various charts that expound on the expense items in the Risk Management program.
- **Yellow Tabs:** Starts with a summary of the entire City's loss experience for the previous six years and are followed by the same report broken out by division. These provide an indication of the frequency and severity of claims by each department over time. Note that claim payments all register in the fiscal year in which the claim/injury/accident occurred, regardless of the year(s) the payment(s) were made.
- **Green Tabs:** This is an overview of the self-funded medical and dental plans.
- **Blue Tabs:** Provides information on the financial status of the Loss Trust Fund. A summary is provided along with the final five-year forecast budgets for the self-insured benefits and the self-insured risk management accounts, respectively.

### **Risk Management Highlights**

- ✓ The department goal for total Cost of Risk not to exceed 2% was not achieved and Risk Management ended with a total cost of 2.15%.
- ✓ Although there were reductions in the frequency of overall claims, the costs of excess insurance premiums and the procurement of a new claims database significantly impacted the total Cost of Risk.
- ✓ The OSHA recordable injury rate, per 100 employees, has trended down from 8.32 in FY 2018/19 to 7.19 in FY 2019/20. There were also reductions in the number of injuries for the Police and Fire Departments as shown on page 16.
- ✓ The comparison of insurance premiums on page 5 indicate we are moving into a hard market with substantial increases for property excess casualty insurance, as highlighted.
- ✓ **The FY 2019/20 year-end funding for the Risk Management accounts achieved the actuary confidence level of 85%. The approved budget for FY 2020/21 is designed to achieve the actuary 85% confidence level goal of the Loss Trust Fund Board.**
- ✓ In July of 2020, Risk Management underwent a reorganization of its management staff, with the promotion of George Woods Jr. to Acting Director of Risk Management and Kevin D. Cullens to Safety Manager and a renewed commitment to improve the City's risk cost. An extensive data mining project was initiated to understand what could be done to lower the City's accident experience, increase the City's loss prevention efforts and lower the City's risk cost. Along with this additional data and with a new focus on improving the City's loss prevention, Risk

Management has increased its visibility in the City and the frequency of its outreach and loss prevention interactions with various departments and key employees within the City.

### **Medical Benefits Highlights**

Medical and dental claims expenses incurred in FY 2019/20 were lower than expected. This is attributed to the COVID-19 pandemic where many members postponed treatment and doctor visits. The City collected \$32 million in revenues and incurred \$30 million in claims and administrative costs. Every year the City works with its benefit consultant, Hays, to develop medical and dental plan cost projections and provide recommendations to the City Council concerning funding level and cost sharing strategies. The Total Benefits Advisory Committee (TBAC) continues to receive training on claims administration and how it affects the City and reviews various plan design options/rate distributions. Human Resources also works with the Office of Communications to explore the best ways to engage and communicate with City staff which includes in-person staff meetings and electronic communications.

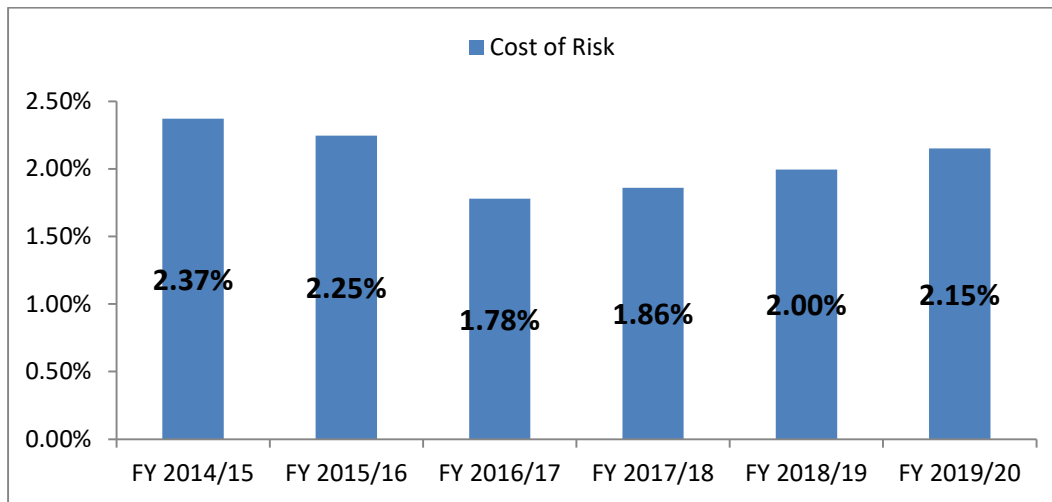
We are happy to report the City's wellness program is producing a positive return on investment. Cigna recently performed a case study on the City's wellness program. Cigna and Hays utilize the health assessment and claims data to provide program recommendations tailored to prevent the onset or degeneration of a disease or illness and promote healthier lifestyles. Cigna compared the City's yearly trend to their competitor's national average trend as reported to Wall Street. The City's annual trend has created a cost savings of \$9.7 million in four years. We will continue to look at ways to drive our chronic disease statistics lower.

## Cost of Risk

The Cost of Risk chart depicts all of the expenses involved in the Risk Management program. In addition to claims and legal costs, it accounts for all costs including loss control services, safety incentives, purchase of personal protective equipment, insurance, OSHA required medical testing, safety training, safety grants, staff salaries and computer software. The City historically has measured the performance of the program by comparison to the City's total operating budget and a goal "not to exceed" 2%. The FY 2019/20 program ended slightly above goal at 2.15%.

Please note the amount listed below as "Claim Payments" represents payments on all claim types: General Liability, Auto Liability, Law Enforcement Liability, Employment Liability and Workers' Compensation during the fiscal year. The "Operating Budget" line represents the Risk Management Department's operating expense.

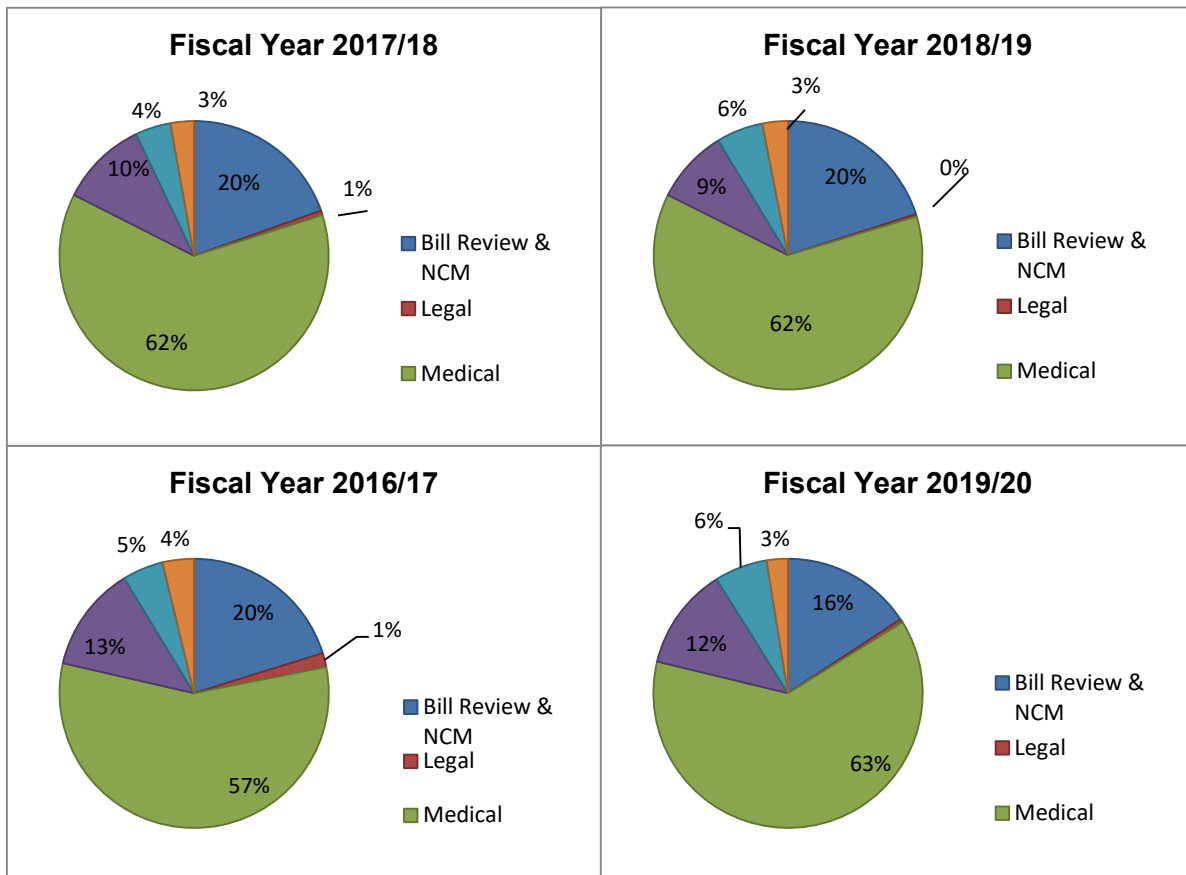
	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
Claim Payments	\$6,264,697	\$6,244,642	\$5,379,106	\$5,867,891	\$7,371,950	\$8,121,261
Operating Budget	1,006,724	1,122,979	960,564	1,070,083	1,087,279	1,227,988
Excess Insurance Premiums	2,488,896	2,348,821	2,025,676	1,960,295	1,969,017	2,242,427
Unemployment Compensation	14,965	19,983	18,136	37,907	30,227	28,123
Special Event Reimbursements	(94,639)	(113,130)	(103,753)	(103,617)	(117,863)	(116,326)
Total Recoveries	(547,143)	(609,170)	(452,279)	(508,535)	(1,071,110)	(1,135,303)
Risk Management Program Cost	\$9,133,500	\$9,014,125	\$7,827,450	\$8,324,024	\$9,269,500	\$10,368,170
City Operating Budget	\$385,044,759	\$401,312,174	\$440,154,190	\$447,716,995	\$464,569,653	\$482,086,151
<b>Cost of Risk</b>	<b>2.37%</b>	<b>2.25%</b>	<b>1.78%</b>	<b>1.86%</b>	<b>2.00%</b>	<b>2.15%</b>



## Workers' Compensation Payment Breakdown

The following depicts a comparison of the total payments made for the City's workers' compensation claims. Increasing medical expenses (highlighted in yellow) will continue over time due to a variety of factors. The length of time the self-insurance program is in place makes it more likely that old injuries will be re-opened in order to treat worsening conditions or to take advantage of medical advancements. In addition to the cost of advanced procedures and catastrophic injury care, the basic cost of medical treatments and prescription medications continue to rise. The broadening of benefits by the legislature, an aging work force, longer life expectancies, increasing wages, and expanding numbers of covered employees and volunteers are all factors that affect the total workers' compensation cost. These and other historical factors are accounted for by the City's actuary when projecting future losses.

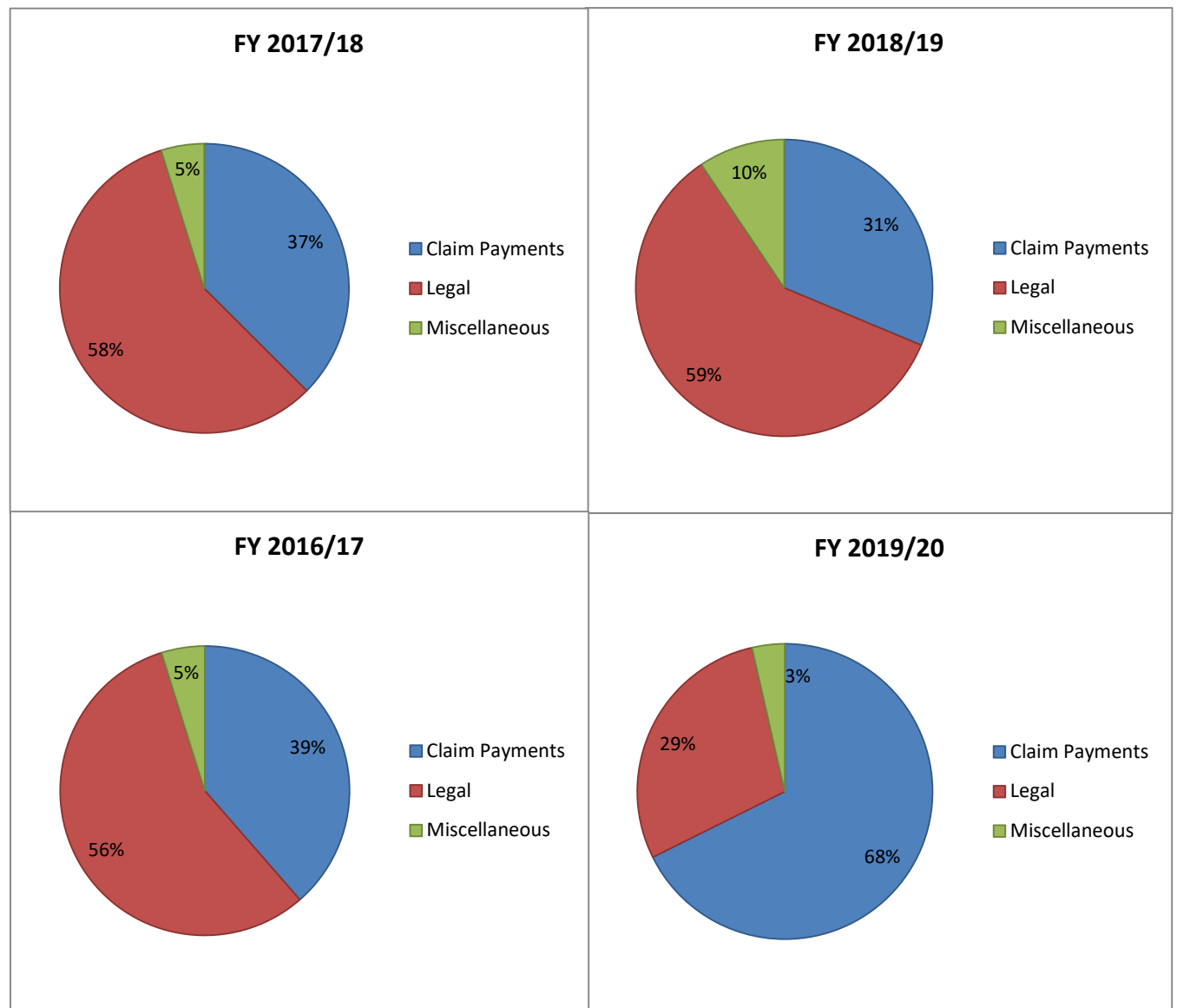
	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
Bill Review & NCM	\$663,635	\$790,692	\$999,750	\$558,018
Legal	55,798	22,837	13,380	15,166
Medical	1,864,185	2,517,296	3,094,119	2,220,105
Partial Disability	418,328	422,882	442,372	436,176
Total Disability	161,022	172,078	280,515	225,728
ICA Fees	124,972	114,660	152,685	90,434
<b>Total</b>	<b>\$3,287,940</b>	<b>\$4,040,445</b>	<b>\$4,982,821</b>	<b>\$3,545,625</b>



## General Liability Payment Breakdown

The following charts depict year-over-year spending on general liability and auto liability claims. The legal component is made up of charges from the City Attorney's Office and outside counsel. The City Attorney's Office provides the City's primary defense for all lawsuits. They charge the Trust Fund a reduced rate of \$143.00 per hour (attorneys) and \$69.00 per hour (paralegals) for professional services. Infrequently, the City Attorney and Risk Manager will agree to assign outside counsel to defend a lawsuit. Those costs are included in the legal portion. The miscellaneous category is made up of the litigation costs including, but not limited to, research, travel, depositions, testimony of expert witnesses, and costs to obtain medical records.

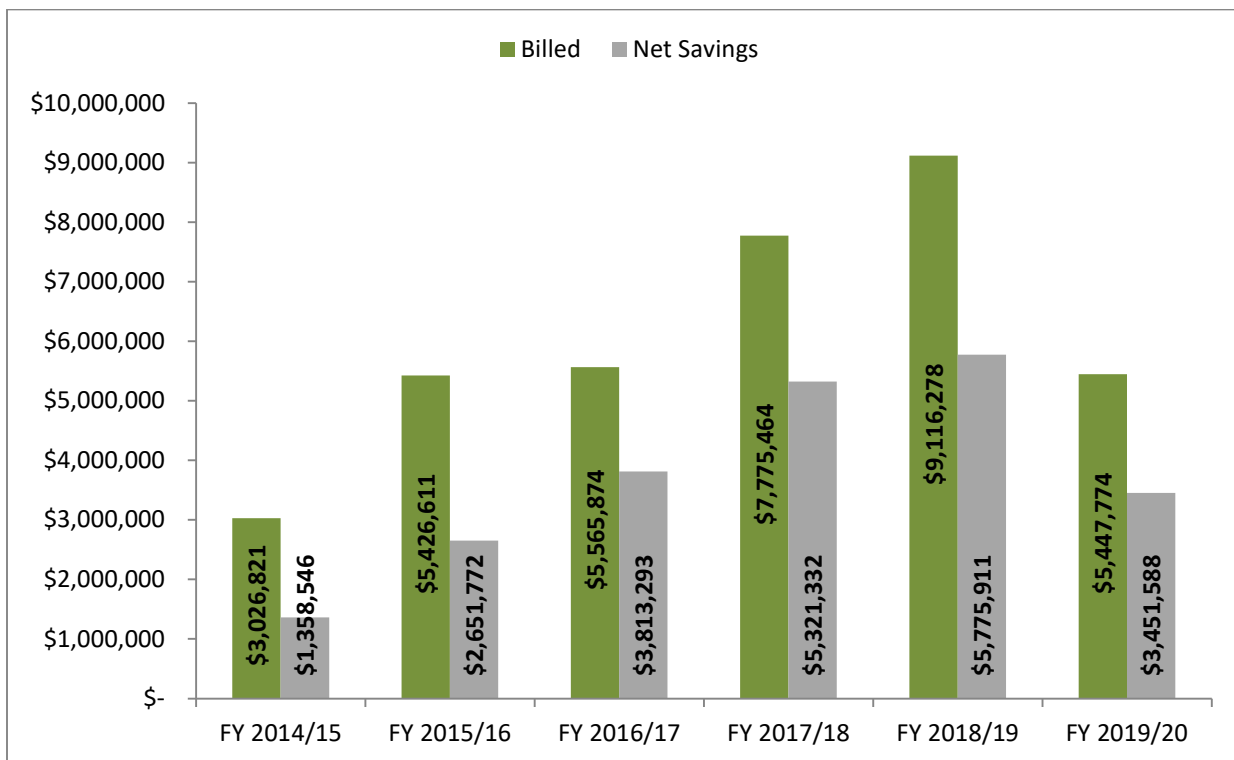
	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
Claim Payments	\$614,150	\$438,432	\$467,844	\$2,290,767
Legal	899,923	674,574	886,009	974,268
Miscellaneous	77,115	56,459	140,585	121,028
<b>Total</b>	<b>\$1,591,188</b>	<b>\$1,169,465</b>	<b>\$1,494,437</b>	<b>\$3,386,063</b>



## Medical Bill Review Savings

The City contracts with a third party, CorVel Corporation, to review and adjust workers' compensation medical bills to reasonable amounts as allowed by statute. This is considered a "best practice" for controlling the medical costs of workers' compensation claims. Medical bills are reviewed on a line item basis for accuracy, removal of duplicate charges, review of reasonable and customary charges, fee bundling, and any other opportunities to ensure maximum savings. The amounts in green are the total of the original bills. The net savings in gray are the total savings after the fees paid to CorVel. There has been a significant reduction in the amount billed, which has correlated to a reduction in medical review savings. However, we continue to benefit from a constant percentage of medical review savings versus amounts billed compared to the prior year.

	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
Billed	\$3,026,821	\$5,426,611	\$5,565,874	\$7,775,464	\$9,116,278	\$5,447,774
Net Savings	1,358,546	2,651,772	3,813,293	5,321,332	5,775,911	3,451,588
<b>% Savings</b>	<b>45%</b>	<b>49%</b>	<b>69%</b>	<b>68%</b>	<b>63%</b>	<b>63%</b>



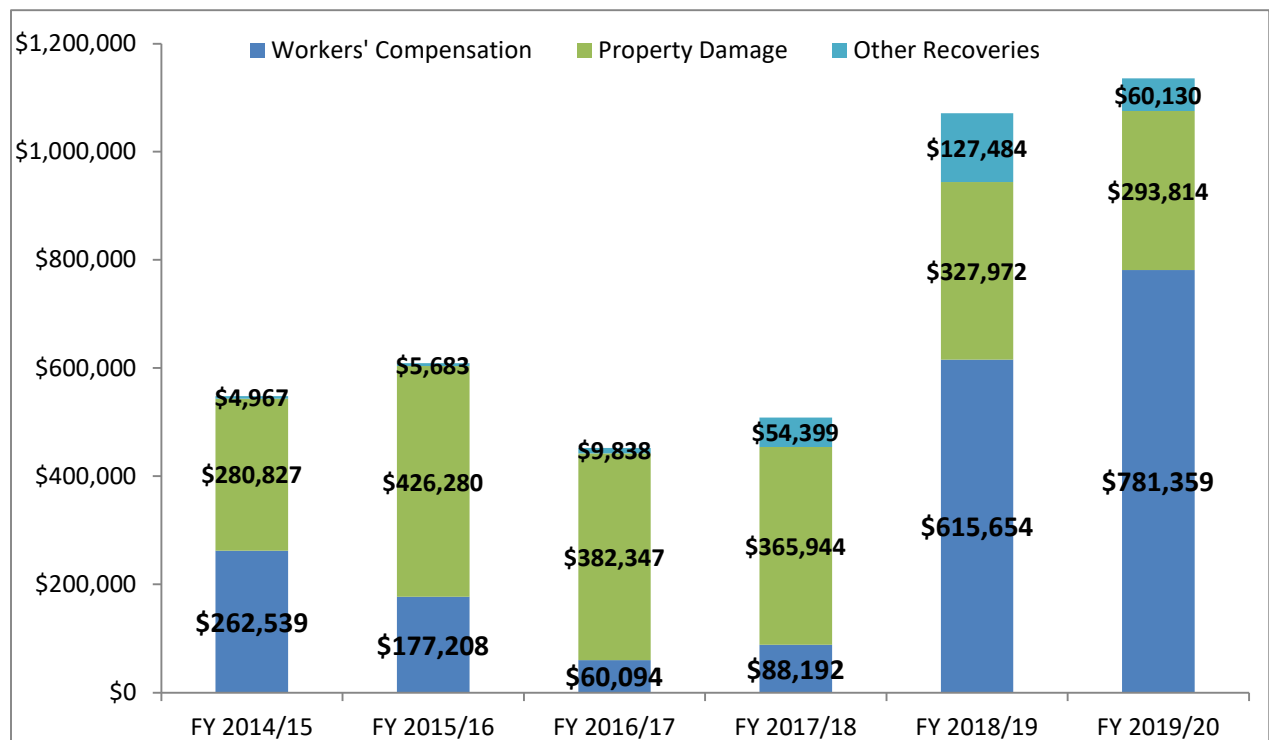
## Recoveries

In FY 2019/20 the Risk Management Team continued its process of scanning police reports for damage to City property and pursuing recovery of those damages. Additionally, every adjuster examines each claim for third-party liability and recovery potential. The Risk Management Assistant and the Claims Manager continue to concentrate on recoveries of damage to City property.

The other recoveries noted below are primarily from the sharing of insurance coverage costs for off duty Police Officers.

The workers' compensation recoveries are predominantly reimbursements of expenses for those workers' compensation claims that have exceeded the City self-insured retention level set in the excess insurance contracts. Although the City has reached its financial liability on these claims, we must continue to manage these claims for as long as they remain open. The current insurance contract caps the City's liability at \$1,000,000 per injury. However, the obligation to manage the claim will continue indefinitely.

	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
Workers' Compensation	\$262,539	\$177,208	\$60,094	\$88,192	\$615,654	\$781,359
Property Damage	280,827	426,280	382,347	365,944	327,972	293,814
Other Recoveries	4,967	5,683	9,838	54,399	127,484	60,130
<b>Total Recoveries</b>	<b>\$548,333</b>	<b>\$609,170</b>	<b>\$452,279</b>	<b>\$508,535</b>	<b>\$1,071,110</b>	<b>\$1,135,303</b>







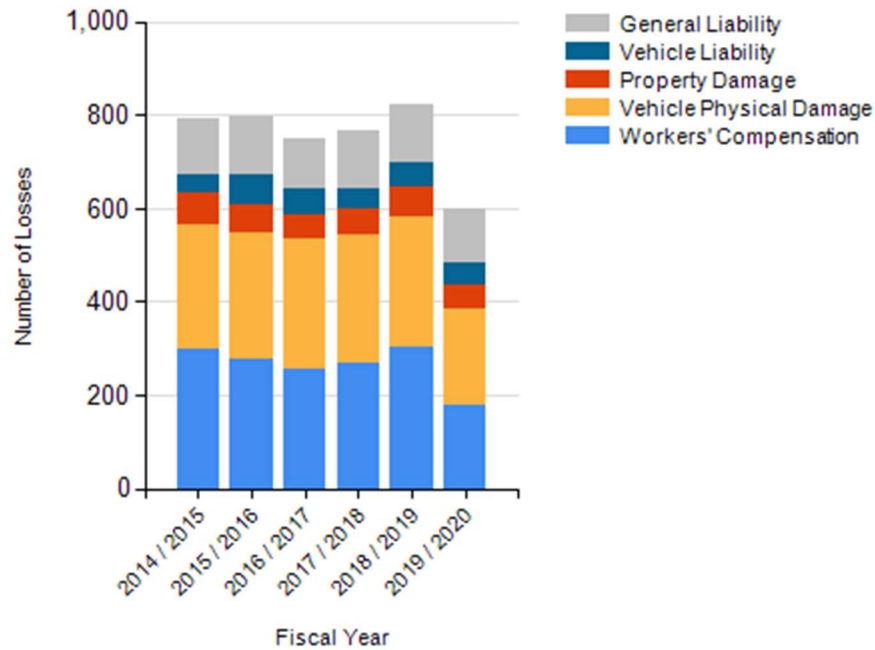


## All Divisions Combined Incurred Performance

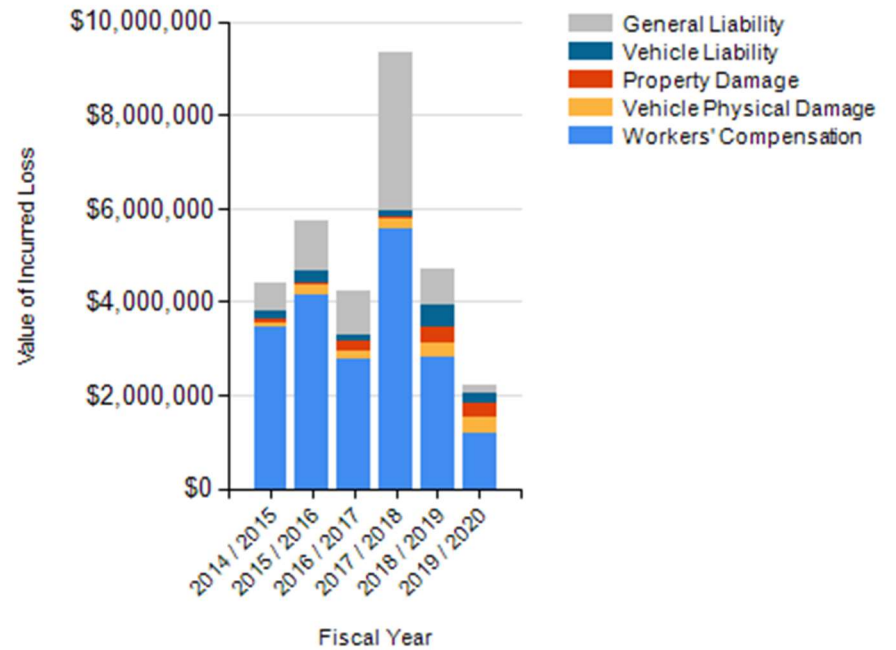
### Claim Frequency and Severity by Date of Loss

Claim Type	FY 2014/15		FY 2015/16		FY 2016/17		FY 2017/18		FY 2018/19		FY 2019/20	
	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity
General Liability	119	\$589,756	125	\$1,057,072	108	\$927,086	123	\$3,424,661	124	\$783,287	113	\$160,233
Vehicle Liability	39	\$173,147	63	\$250,269	55	\$120,929	41	\$97,343	54	\$477,312	46	\$215,862
Property Damage	71	\$61,949	63	\$36,927	50	\$205,282	57	\$44,827	65	\$332,454	54	\$304,007
Vehicle Physical Damage	266	\$94,570	270	\$230,822	282	\$207,026	276	\$221,500	278	\$300,477	203	\$326,234
Workers' Compensation	298	\$3,475,773	276	\$4,153,178	255	\$2,761,448	268	\$5,566,682	303	\$2,826,307	181	\$1,192,197
<b>City Total</b>	<b>793</b>	<b>\$4,395,195</b>	<b>797</b>	<b>\$5,728,268</b>	<b>750</b>	<b>\$4,221,771</b>	<b>765</b>	<b>\$9,355,013</b>	<b>824</b>	<b>\$4,719,837</b>	<b>597</b>	<b>\$2,198,534</b>

**Frequency of Claims**



**Severity of Claims**



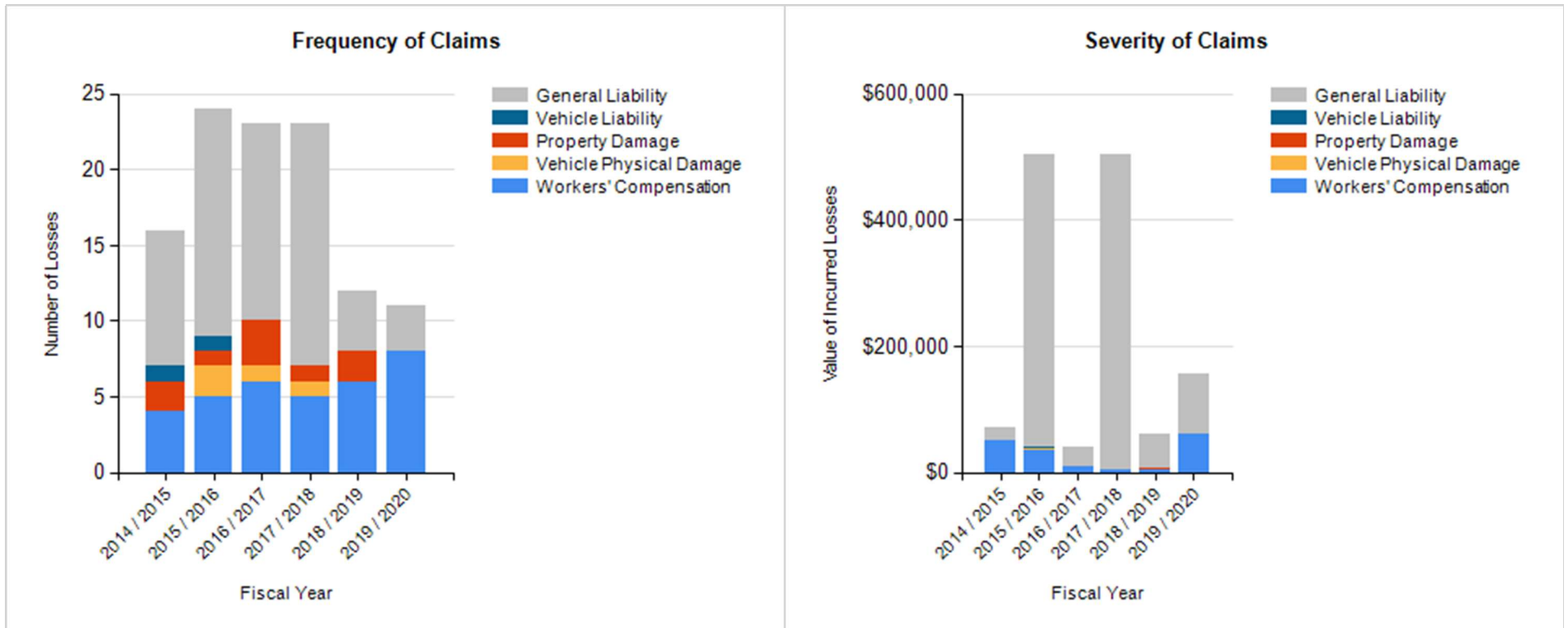




## Charter Officers Loss Performance

Claim Frequency and Severity by Date of Loss for Mayor and City Council, City Attorney, City Auditor, City Clerk, City Manager, City Treasurer, and Presiding Judge

Claim Type	FY 2014/15		FY 2015/16		FY 2016/17		FY 2017/18		FY 2018/19		FY 2019/20	
	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	
General Liability	9	\$18,664	15	\$464,052	13	\$29,949	16	\$499,717	4	\$55,000	3	\$95,670
Vehicle Liability	1	\$0	1	\$965	0	\$0	0	\$0	0	\$0	0	\$0
Property Damage	2	\$0	1	\$0	3	\$0	1	(\$3,324)	2	\$1,513	0	\$0
Vehicle Physical Damage	0	\$0	2	\$4,296	1	\$0	1	\$0	0	\$0	0	\$0
Workers' Compensation	4	\$51,917	5	\$34,543	6	\$9,770	5	\$4,296	6	\$5,118	8	\$61,784
<b>Charter Officers Total</b>	<b>16</b>	<b>\$70,582</b>	<b>24</b>	<b>\$503,856</b>	<b>23</b>	<b>\$39,719</b>	<b>23</b>	<b>\$500,689</b>	<b>12</b>	<b>\$61,632</b>	<b>11</b>	<b>\$157,454</b>





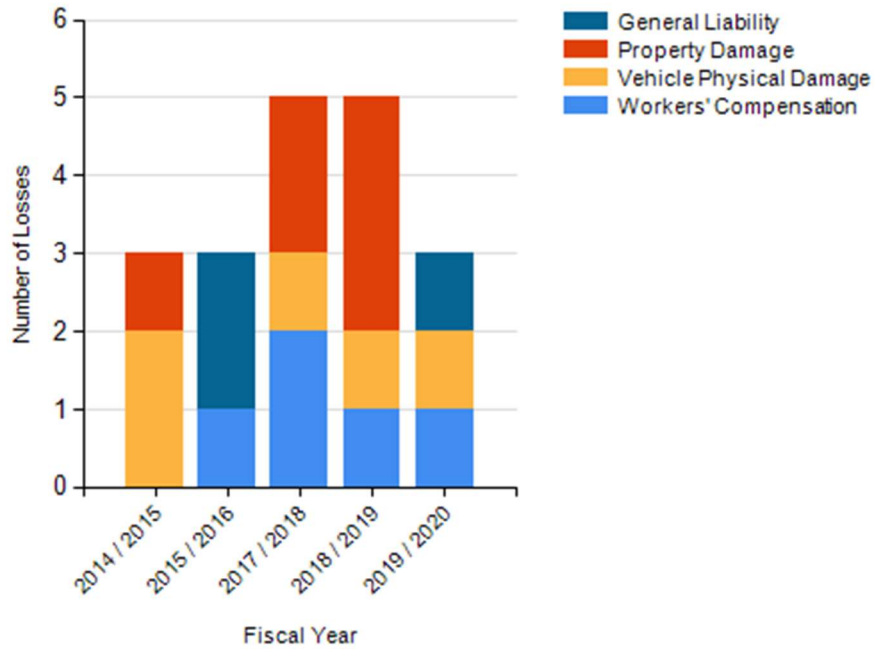


## Administrative Services Loss Performance

Claim Frequency and Severity by Date of Loss for Human Resources and Information Technology

Claim Type	FY 2014/15		FY 2015/16		FY 2017/18		FY 2018/19		FY 2019/20	
	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity
General Liability	0	\$0	2	\$0	0	\$0	0	\$0	1	\$0
Property Damage	1	\$4,370	0	\$0	2	\$39,989	3	\$58,723	0	\$0
Vehicle Physical Damage	2	\$0	0	\$0	1	\$3,832	1	\$433	1	\$0
Workers' Compensation	0	\$0	1	\$190	2	\$6,946	1	\$75	1	\$9,871
<b>Administrative Services Total</b>	<b>3</b>	<b>\$4,370</b>	<b>3</b>	<b>\$190</b>	<b>5</b>	<b>\$50,767</b>	<b>5</b>	<b>\$59,231</b>	<b>3</b>	<b>\$9,871</b>

Frequency of Claims



Severity of Claims





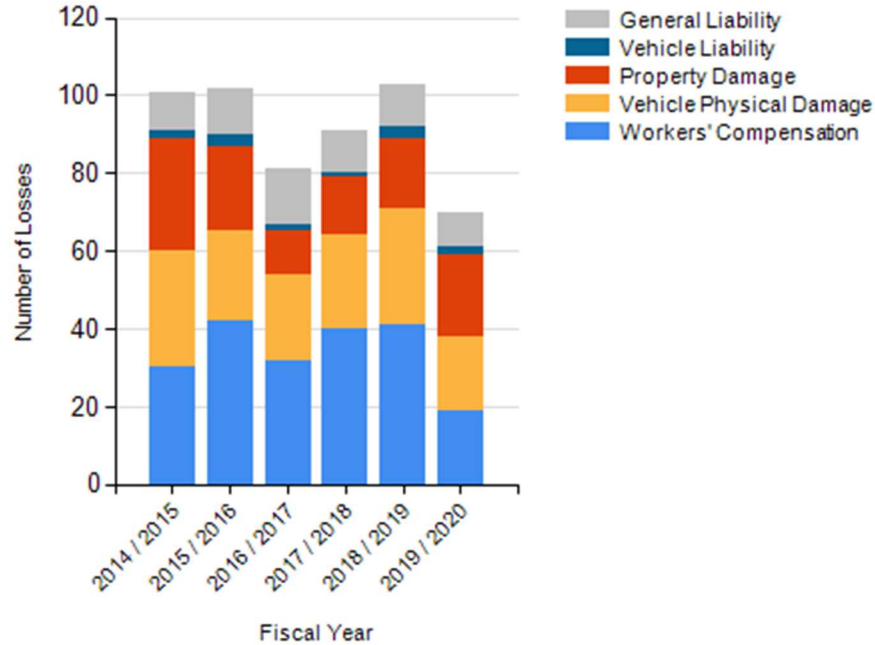


## Community Services Loss Performance

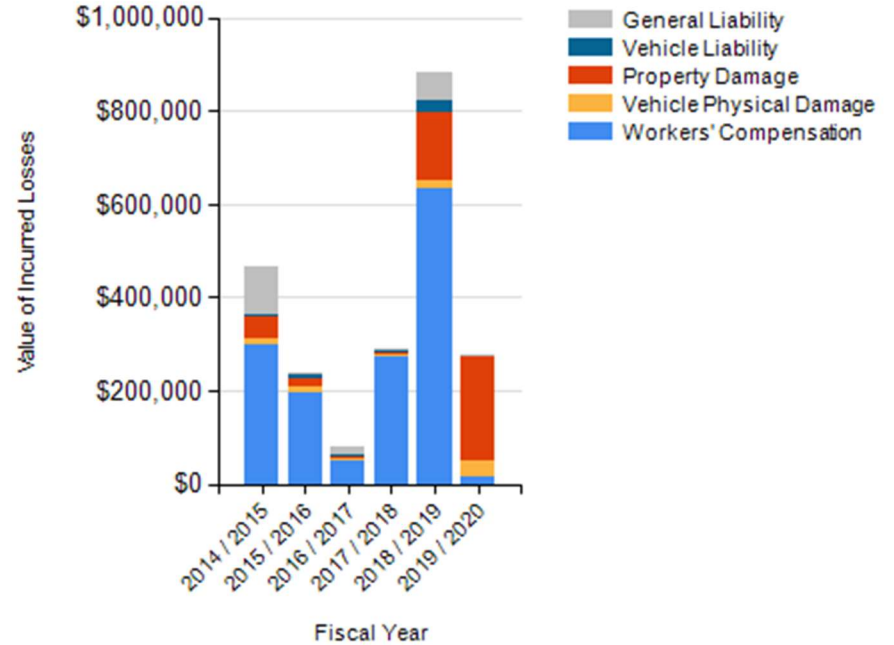
Claim Frequency and Severity by Date of Loss for Human Services, Libraries, Parks and Recreation, Westworld, and Preserve

Claim Type	FY 2014/15		FY 2015/16		FY 2016/17		FY 2017/18		FY 2018/19		FY 2019/20	
	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity
General Liability	10	\$103,264	12	\$1,290	14	\$18,285	11	\$6,369	11	\$61,553	9	\$1,100
Vehicle Liability	2	\$4,909	3	\$8,188	2	\$1,080	1	\$1,594	3	\$23,878	2	\$3,703
Property Damage	29	\$47,108	22	\$20,384	11	\$7,970	15	\$935	18	\$146,662	21	\$224,804
Vehicle Physical Damage	30	\$14,968	23	\$9,666	22	\$2,436	24	\$10,492	30	\$17,959	19	\$32,131
Workers' Compensation	30	\$297,305	42	\$198,000	32	\$50,694	40	\$272,673	41	\$633,549	19	\$17,825
<b>Community Services Total</b>	<b>101</b>	<b>\$467,552</b>	<b>102</b>	<b>\$237,527</b>	<b>81</b>	<b>\$80,464</b>	<b>91</b>	<b>\$292,064</b>	<b>103</b>	<b>\$883,601</b>	<b>70</b>	<b>\$279,564</b>

Frequency of Claims



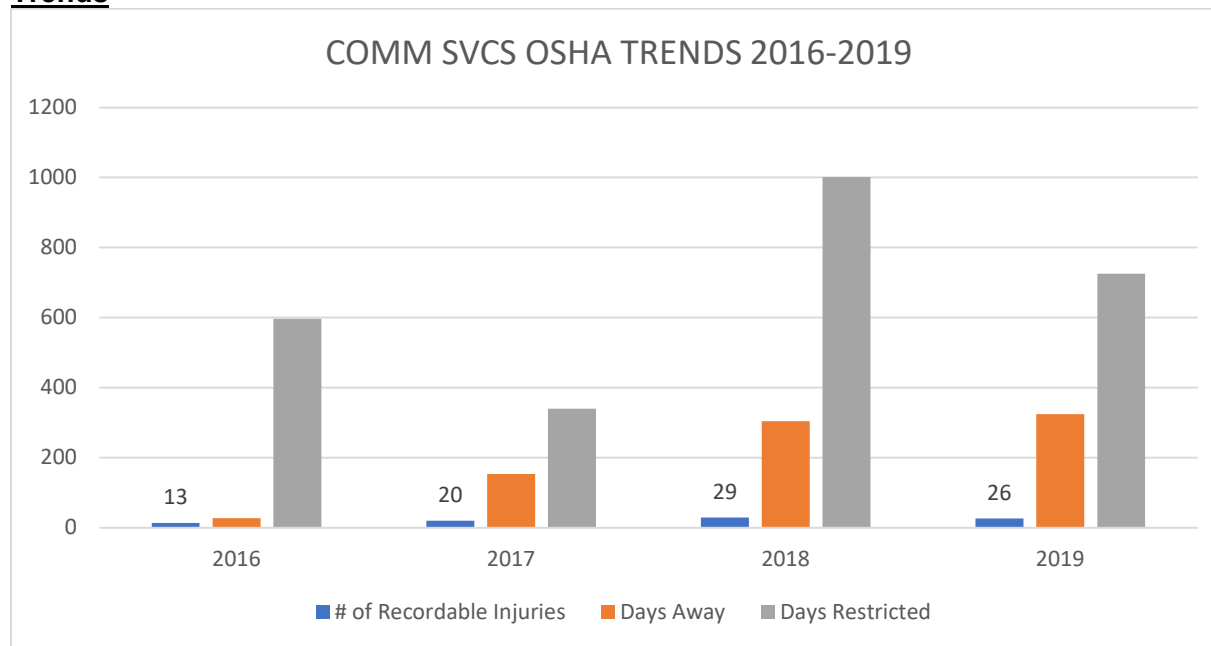
Severity of Claims



**Community Services Action Plan**  
2019/20 Annual Safety and Health Program  
Evaluation, Performance Objectives and Action Plan

**ACTION PLAN**

**Trends**



During calendar year 2019, Community Services sustained 26 recordable injuries, with 5 claims resulting in lost time (324 work days). This is an improvement from the previous year's total of 29 recordable injuries.

The main injury types experienced were:

- Sprains/Strains - Twenty (20)
- Contusions/Lacerations - Four (4)
- Irritation/Rash - One (1)
- Stings - One (1)

**Goals for Calendar Year 2021**

Risk Management intends to work closely with the Community Services Department to address the major drivers concerning its past year's injury experience. This would include, but not be limited to, in-person safety trainings, risk analysis and mitigation trainings, and safety awareness trainings. In addition to this approach, Risk Management intends to utilize the following in efforts to positively impact the loss experience of the Community Services Department.

**High Incidents of Sprains/Strains**

Engage nursing/physical therapy/triage services to focus on more effective physical preparation before and throughout shift assignments. These services may include safe practices for



exercises, weight training, stretching, and avoidance of slips, trips, and falls.

### **Implement New Learning Management System (LMS) for ALL Staff**

- a. Deploy expanded offering of safety training through the new LMS system. Require completion of monthly short safety videos (30-60 minutes) focused on subject training for review of best practices based on recent reported injury/accident types.
- b. Ensure all OSHA, NFPA and other applicable mandated or recommended health and safety training content is added to the new LMS system and scheduling/completion of training for ALL City staff is monitored by the City Safety Office for proper implementation and follow-up.

### **Update and Centralize All Division Injury/Accident Review Boards**

Complete audits of existing practices and implement new written processes and procedures with meaningful oversight by the City Safety Office. New processes will ensure direct correlation of injury/accident data with specific safety measures implemented for risk mitigation.

### **Implement Focused Field Practical Safety and Health Training**

The City Safety Office, along with monitoring effective use of the LMS system, will provide additional field practical safety training sessions focused on specific job descriptions, teams or other areas of ongoing injury/accident concerns.

### **Loss Experience**

It is the goal of Risk Management and the City Safety Office to reduce the overall loss experience related to the Community Services Department by a minimum of 2-5%, as compared to the previous calendar year.

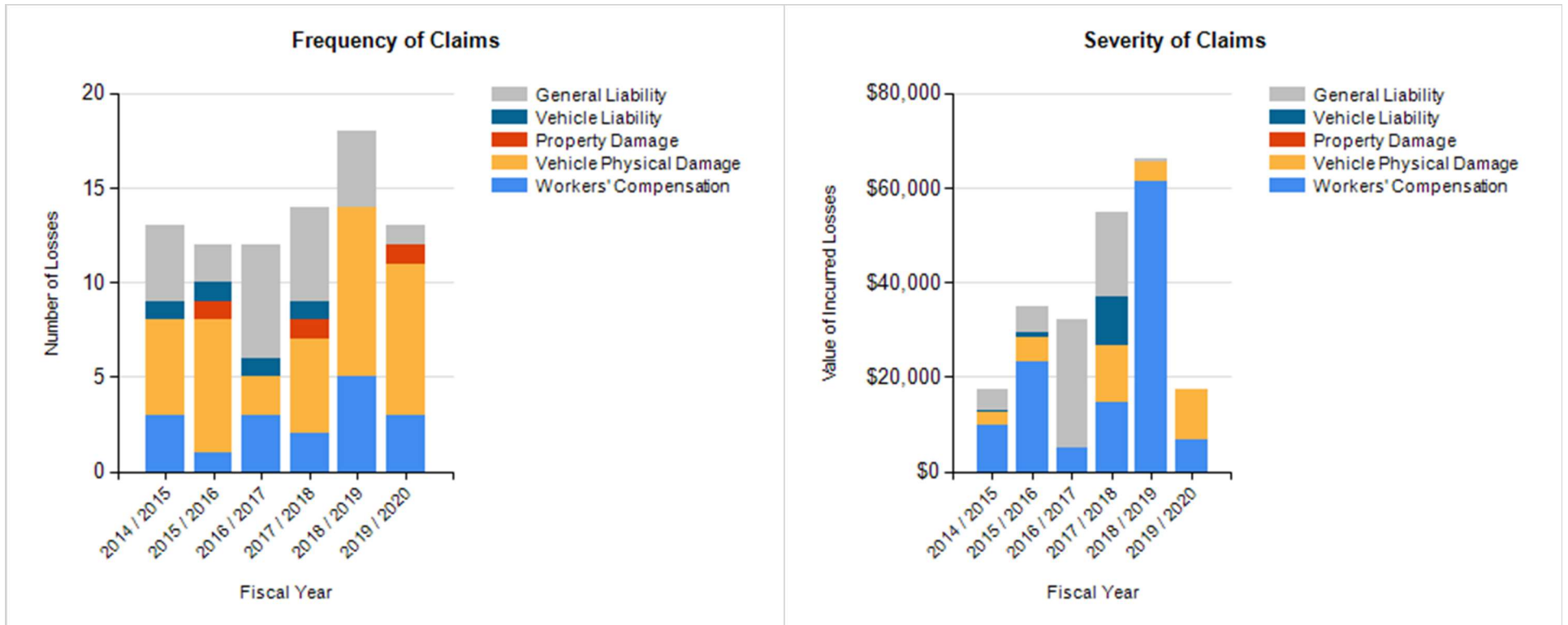




## Community and Economic Development Loss Performance

Claim Frequency and Severity by Date of Loss for Airport, Economic Development, Planning and Development, and Tourism and Events

Claim Type	FY 2014/15		FY 2015/16		FY 2016/17		FY 2017/18		FY 2018/19		FY 2019/20	
	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity
General Liability	4	\$4,250	2	\$5,416	6	\$26,996	5	\$17,749	4	\$825	1	\$0
Vehicle Liability	1	\$192	1	\$1,136	1	\$0	1	\$10,484	0	\$0	0	\$0
Property Damage	0	\$0	1	(\$2,565)	0	\$0	1	\$0	0	\$0	1	(\$1,000)
Vehicle Physical Damage	5	\$2,822	7	\$4,864	2	\$0	5	\$11,809	9	\$4,034	8	\$10,499
Workers' Compensation	3	\$10,007	1	\$23,392	3	\$5,020	2	\$14,842	5	\$61,320	3	\$6,869
<b>Community &amp; Economic Development Total</b>	<b>13</b>	<b>\$17,272</b>	<b>12</b>	<b>\$32,243</b>	<b>12</b>	<b>\$32,017</b>	<b>14</b>	<b>\$54,884</b>	<b>18</b>	<b>\$66,179</b>	<b>13</b>	<b>\$16,368</b>





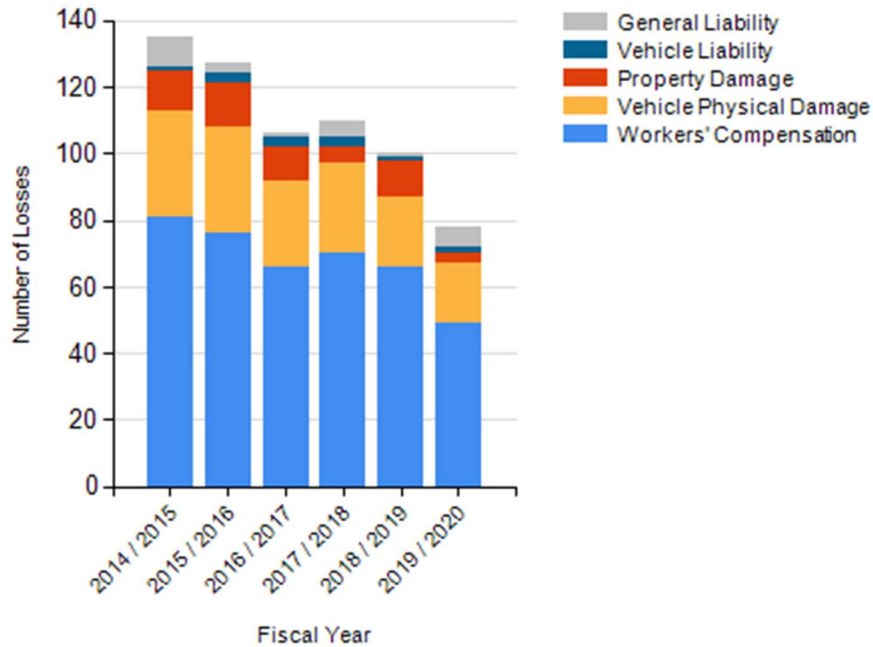


# Fire Department Loss Performance

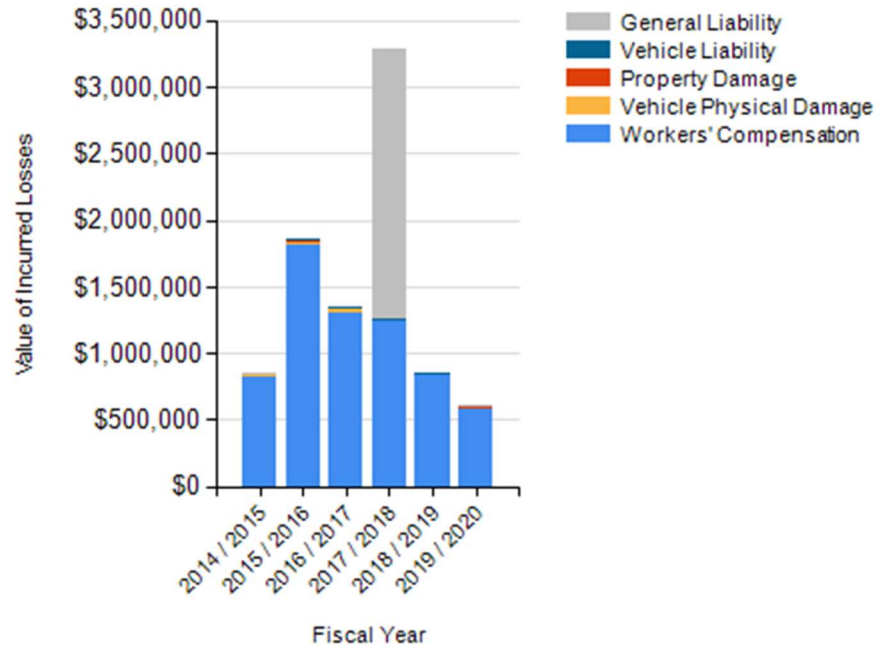
Claim Frequency and Severity by Date of Loss for the Fire Department

Claim Type	FY 2014/15		FY 2015/16		FY 2016/17		FY 2017/18		FY 2018/19		FY 2019/20	
	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	
General Liability	9 / \$2,554	3 / \$0	1 / \$0	5 / \$2,034,231	1 / \$0	6 / \$8,374						
Vehicle Liability	1 / \$0	3 / \$12,926	3 / \$2,515	3 / \$1,019	1 / \$1,537	2 / \$5,513						
Property Damage	12 / \$6,090	13 / \$20,788	10 / \$7,642	5 / \$1,183	11 / \$0	3 / \$9,562						
Vehicle Physical Damage	32 / \$22,725	32 / \$13,948	26 / \$33,864	27 / \$13,902	21 / \$16,196	18 / \$10,916						
Workers' Compensation	81 / \$823,792	76 / \$1,814,373	66 / \$1,300,294	70 / \$1,239,911	66 / \$833,707	49 / \$581,230						
<b>Fire Department Total</b>	<b>135 / \$855,161</b>	<b>127 / \$1,862,037</b>	<b>106 / \$1,344,315</b>	<b>110 / \$3,290,245</b>	<b>100 / \$851,440</b>	<b>78 / \$615,595</b>						

Frequency of Claims



Severity of Claims

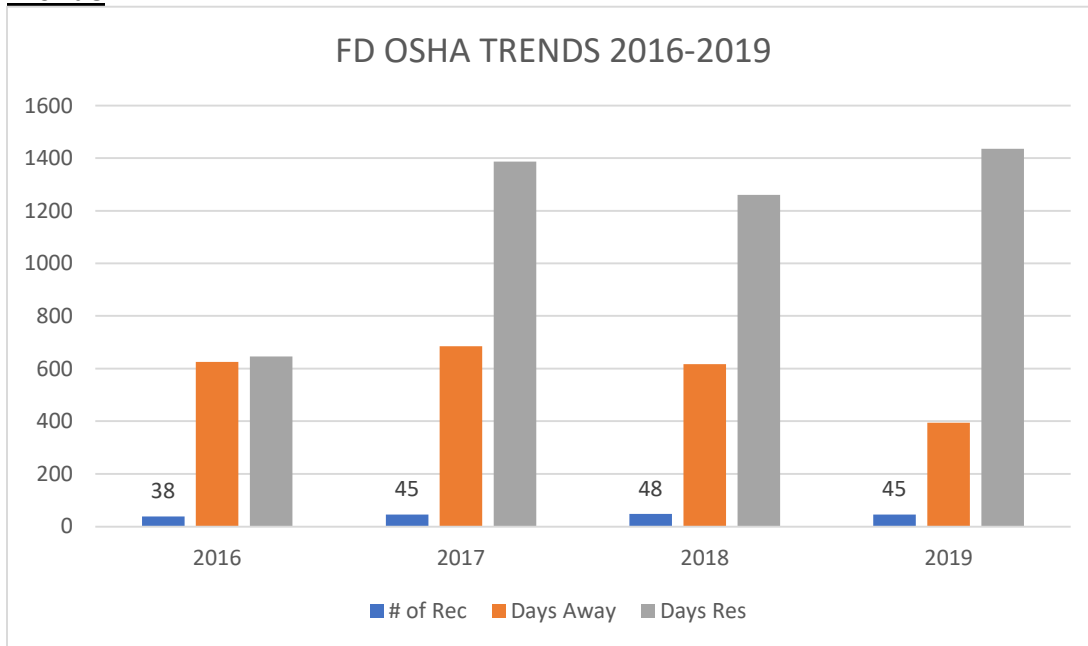


# Fire Department Action Plan

## 2019/20 Annual Safety and Health Program Evaluation, Performance Objectives and Action Plan

### **ACTION PLAN**

#### **Trends**



During calendar year 2019, the Fire Department sustained 45 recordable injuries, with 10 claims resulting in lost time (394 work days). This is an improvement from the previous year's total of 48 recordable injuries and 12 claims which resulted in lost time (596 work days).

The main injury types experienced were:

- Sprains/Strains - Twenty-eight (28)
- Contusions/Lacerations - Six (6)
- PTSD - Four (4)
- Infection/Skin Disorder - Three (3)
- Chest Pains/Respiration - Two (2)
- Blood Exposure - One (1)
- Fracture/Break - One (1)

#### **Goals for Calendar Year 2021**

Risk Management continues to work closely with the Fire Department to address the major drivers concerning its past year's injury experience, sprains and strains. Risk Management has recently increased the frequency with which it interacts with the management staff of the Fire Department in efforts to highlight opportunities for injury reductions. Risk Management will also maintain a strong presence on the Injury/Accident Review Board of the Fire Department to assist in determining the root cause of many injuries within this department. In addition to this approach, Risk Management intends to utilize the following to effectively improve the loss experience of the

Fire Department.

### **High Incidents of Sprains/Strains**

Engage nursing/physical therapy/triage services to focus on more effective physical preparation before and throughout shift assignments. These services may include safe practices for exercises, weight training, stretching, and avoidance of slips, trips, and falls.

### **Implement New Learning Management System (LMS) for ALL Staff**

- a. Deploy expanded offering of safety training through the new LMS system. Require completion of monthly short safety videos (30-60 minutes) focused on subject training for review of best practices based on recent reported injury/accident types.
- b. Ensure all OSHA, NFPA and other applicable mandated or recommended health and safety training content is added to the new LMS system and scheduling/completion of training for ALL City staff is monitored by the City Safety Office for proper implementation and follow-up.

### **Update and Centralize All Division Injury/Accident Review Boards**

Complete audit of existing practices and implement new written processes and procedures with meaningful oversight by the City Safety Office. New processes will ensure direct correlation of injury/accident data with specific safety measures implemented for risk mitigation.

### **Implement Focused Field Practical Safety and Health Training**

The City Safety Office, along with monitoring effective use of the LMS system, will provide additional field practical safety training sessions focused on specific job descriptions, teams or other areas of ongoing injury/accident concerns.

### **Loss Experience**

It is the goal of Risk Management and the City Safety Office to reduce the injury loss experience related to the Fire department by 2-5%, as compared to the previous calendar year.



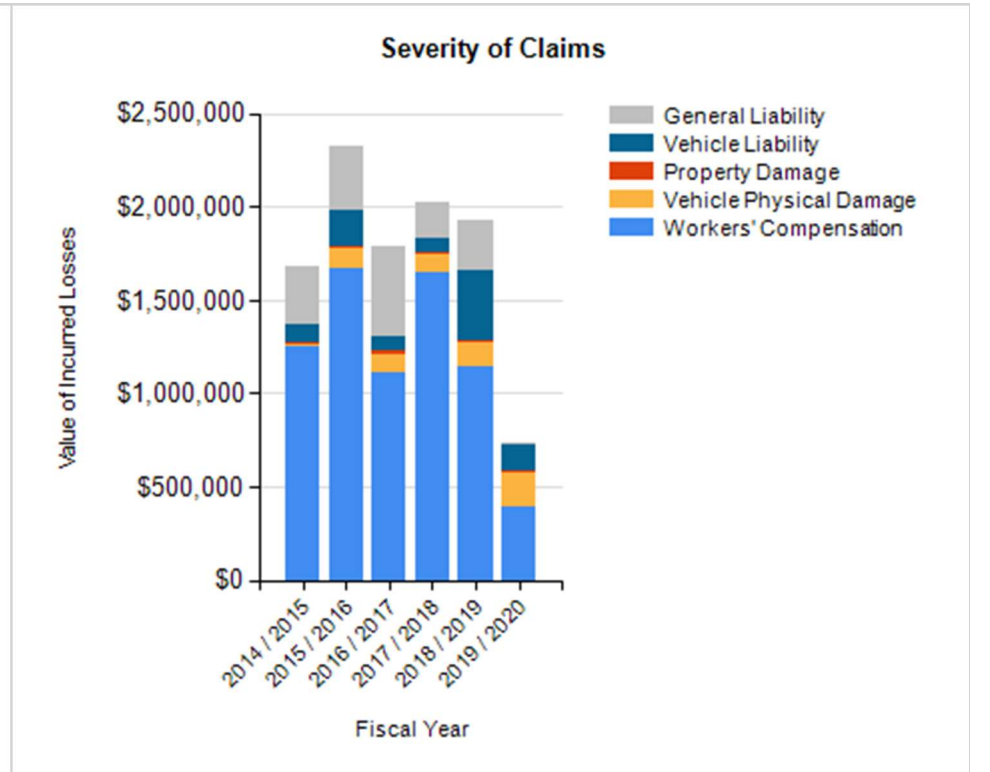
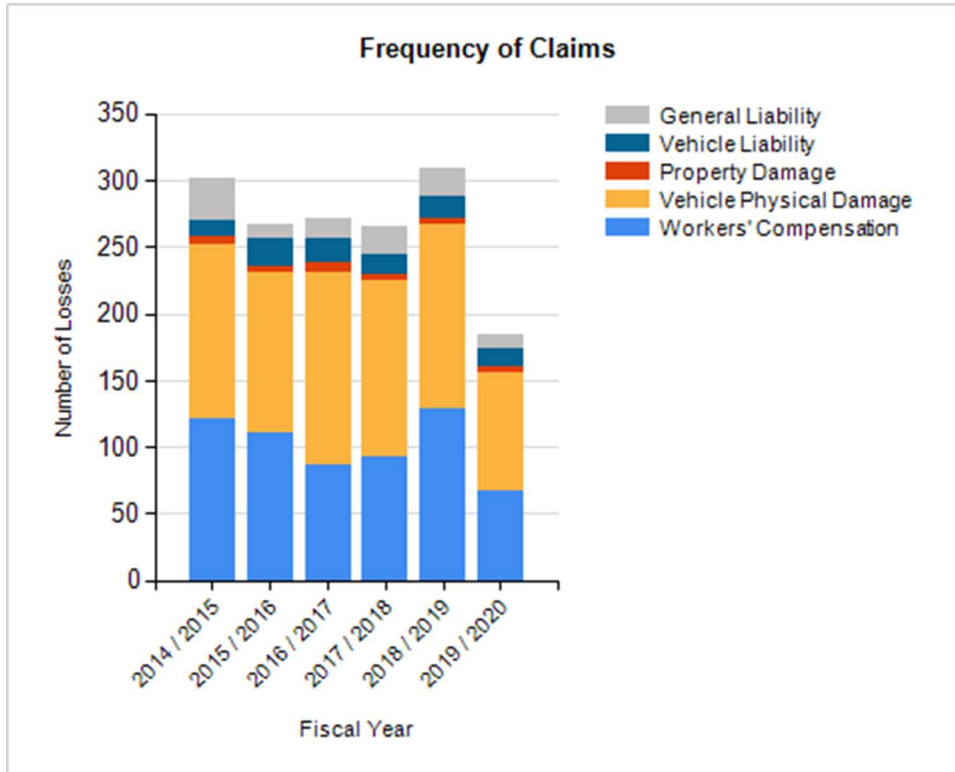




# Police Department Loss Performance

Claim Frequency and Severity by Date of Loss for the Police Department

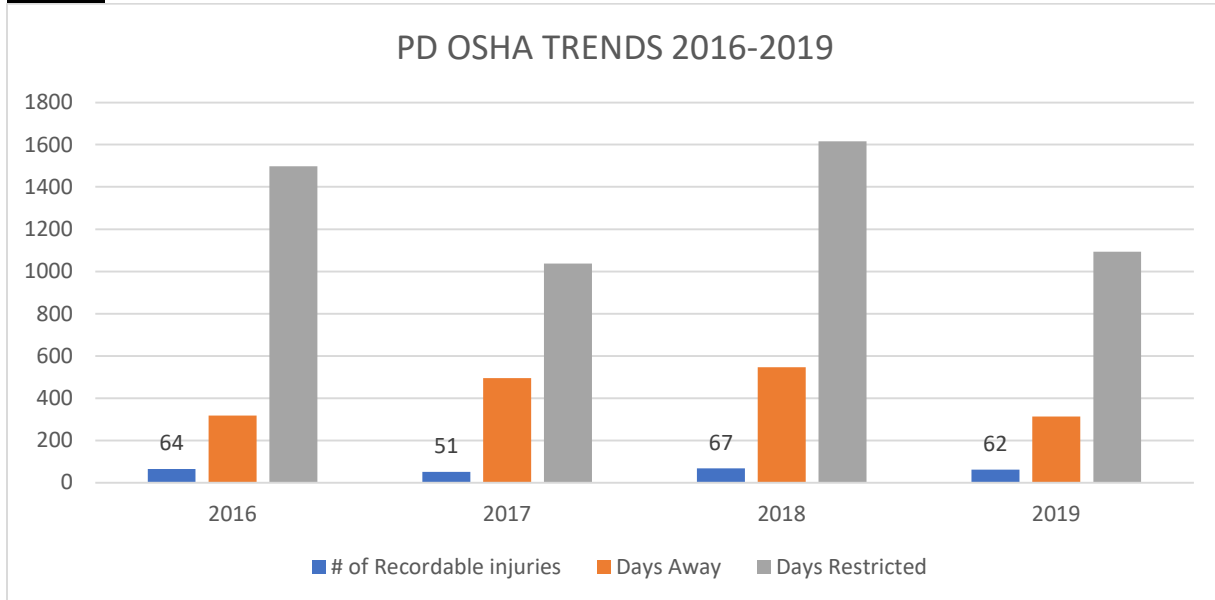
Claim Type	FY 2014/15		FY 2015/16		FY 2016/17		FY 2017/18		FY 2018/19		FY 2019/20	
	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	
General Liability	32	\$304,159	10	\$352,132	15	\$481,340	21	\$192,885	21	\$272,502	10	\$1,407
Vehicle Liability	12	\$99,545	21	\$189,846	19	\$79,826	15	\$66,343	17	\$376,231	13	\$146,820
Property Damage	6	\$4,219	5	\$79	7	\$12,294	4	\$128	4	\$5,685	5	\$1,683
Vehicle Physical Damage	131	\$11,004	120	\$113,936	144	\$102,842	133	\$108,065	139	\$135,192	89	\$194,312
Workers' Compensation	121	\$1,256,571	111	\$1,673,309	87	\$1,110,286	92	\$1,652,299	128	\$1,143,064	67	\$389,160
<b>Police Department Total</b>	<b>302</b>	<b>\$1,675,497</b>	<b>267</b>	<b>\$2,329,301</b>	<b>272</b>	<b>\$1,786,588</b>	<b>265</b>	<b>\$2,019,721</b>	<b>309</b>	<b>\$1,932,674</b>	<b>184</b>	<b>\$733,382</b>



# Police Department Action Plan 2019/20 Safety and Health Program Evaluation, Performance Objectives and Action Plan

## ACTION PLAN

### Trends



During calendar year 2019, the Police Department sustained 62 recordable injuries, with 11 claims resulting in lost time (313 work days). This is an improvement from the previous year's total of 67 recordable injuries which resulted in 10 cases in lost time (660 work days).

The main injury types experienced were:

- Sprains/Strains - Thirty-two (32)
- Contusions/Lacerations - Nineteen (19)
- Eye/Teeth/Respiratory - Three (3)
- Blood Exposure - Two (2)
- Repetitive Motion - Two (2)
- Hearing Loss - Two (2)
- PTSD - One (1)
- Dislocation/Fracture - One (1)

### Goals for Calendar Year 2021

Risk Management maintains a close relationship with the Police Department and participates on various committees tasked with reviewing loss history and injury incidents. Sprains/strains continue to lead in terms of frequency and severity for this department. In partnership with the Police Department, Risk Management continues to strategize regarding safety improvements geared towards reducing the overall number of injury claims year over year and developing procedures to address the loss history of the Police Department. Risk Management intends to

utilize the following to effectively improve the loss experience of the Police Department.

### **High Incidents of Sprains/Strains**

Engage nursing/physical therapy/triage services to focus on more effective physical preparation before and throughout shift assignments. These services may include safe practices for exercises, weight training, stretching, and avoidance of slips, trips, and falls.

### **Implement New Learning Management System (LMS) for ALL Staff**

- a. Deploy expanded offering of safety training through the new LMS system. Require completion of monthly short safety videos (30-60 minutes) focused on subject training for review of best practices based on recent reported injury/accident types.
- b. Ensure all OSHA, NFPA and other applicable mandated or recommended health and safety training content is added to the new LMS system and scheduling/completion of training for ALL City staff is monitored by the City Safety Office for proper implementation and follow-up.

### **Update and Centralize All Division Injury/Accident Review Boards**

Complete audit of existing practices and implement new written processes and procedures with meaningful oversight by the City Safety Office. New processes will ensure direct correlation of injury/accident data with specific safety measures implemented for risk mitigation.

### **Implement Focused Field Practical Safety and Health Training**

The City Safety Office, along with monitoring effective use of the LMS system, will provide additional field practical safety training sessions focused on specific job descriptions, teams or other areas of ongoing injury/accident concerns.

### **Loss Experience**

It is the goal of Risk Management and the City Safety Office to reduce the injury loss experience related to the Police Department by 2-5%, as compared to the previous calendar year.



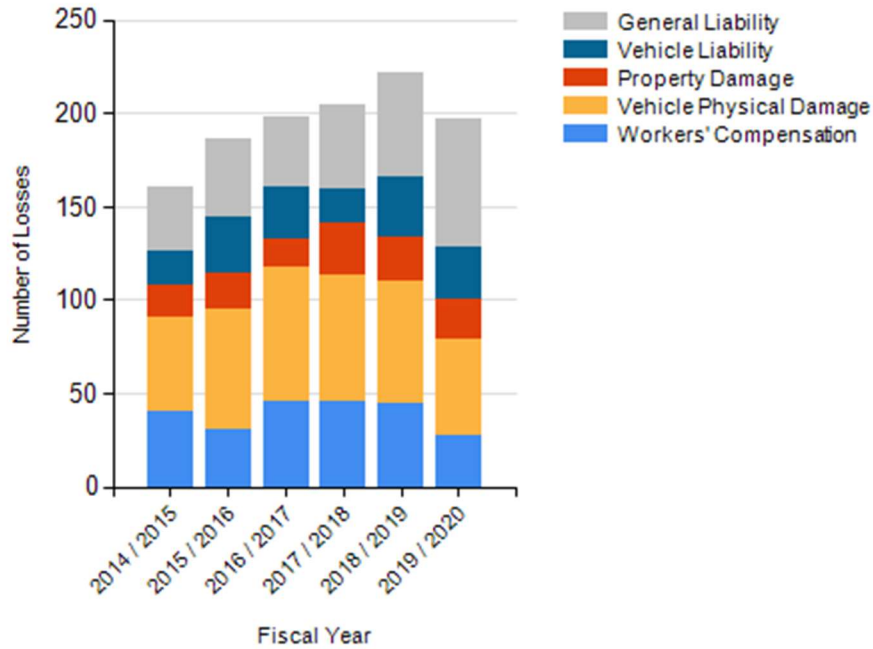


## Public Works Loss Performance

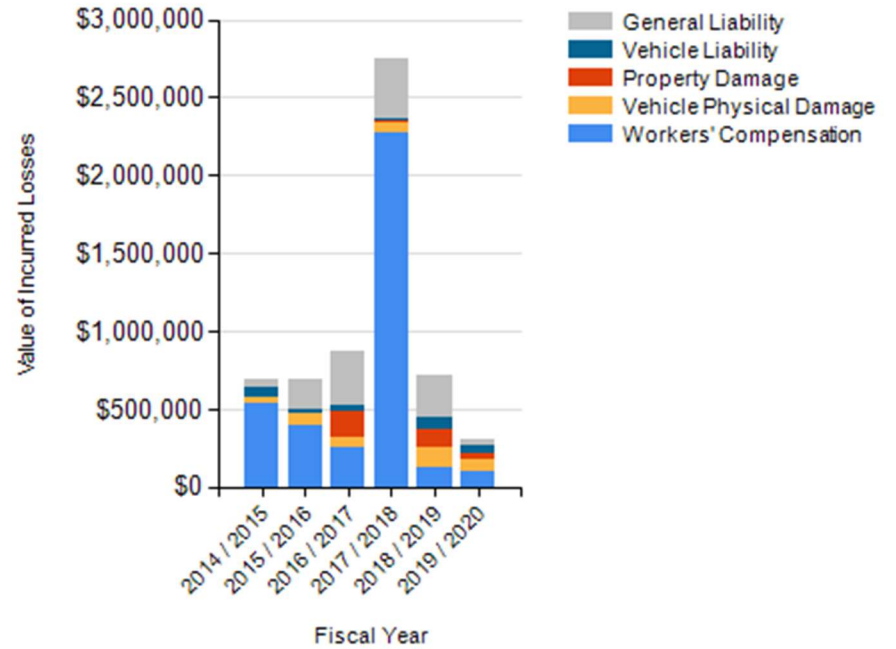
Claim Frequency and Severity by Date of Loss for Transportation, Solid Waste Management, Capital Project Management, Fleet Management, Street Operations, and Facilities Management

Claim Type	FY 2014/15		FY 2015/16		FY 2016/17		FY 2017/18		FY 2018/19		FY 2019/20	
	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity
General Liability	35	\$47,724	41	\$184,199	37	\$346,142	44	\$387,306	56	\$266,927	69	\$31,376
Vehicle Liability	18	\$65,700	30	\$33,229	28	\$36,957	19	\$17,045	32	\$73,526	27	\$57,926
Property Damage	17	(\$3,659)	20	(\$1,759)	15	\$172,301	28	\$5,509	24	\$118,480	21	\$42,042
Vehicle Physical Damage	50	\$29,619	64	\$77,126	72	\$62,169	67	\$71,970	65	\$126,961	51	\$68,378
Workers' Compensation	41	\$542,262	31	\$394,429	46	\$253,880	46	\$2,269,627	45	\$128,768	28	\$105,076
<b>Public Works Total</b>	<b>161</b>	<b>\$681,646</b>	<b>186</b>	<b>\$687,224</b>	<b>198</b>	<b>\$871,450</b>	<b>204</b>	<b>\$2,751,457</b>	<b>222</b>	<b>\$714,662</b>	<b>196</b>	<b>\$304,798</b>

Frequency of Claims



Severity of Claims

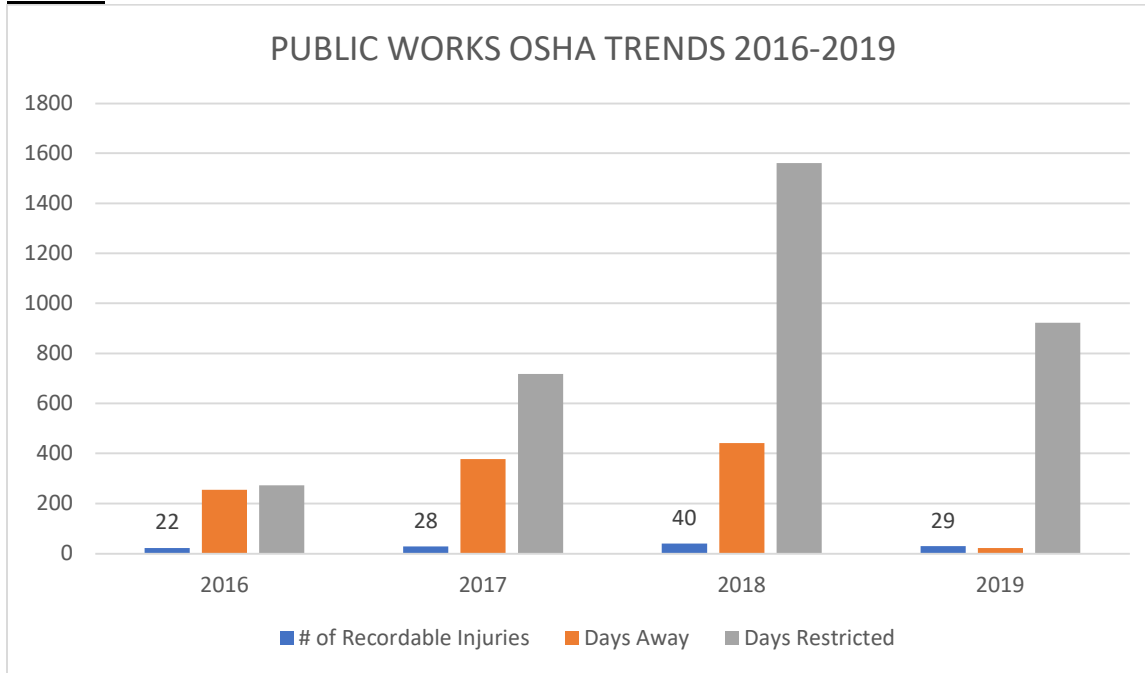


# Public Works Safety Action Plan

## 2019/20 Annual Safety and Health Program Evaluation, Performance Objectives and Action Plan

### ACTION PLAN

#### Trends



During calendar year 2019, the Public Works Department sustained 29 recordable injuries, with 5 claims resulting in lost time (22 work days). This is an improvement from the previous year's total of 40 recordable injuries and 8 claims which resulted in lost time (54 work days).

The main injury types experienced were:

- Sprains/Strains - Twenty (20)
- Contusions/Lacerations - Seven (7)
- Fracture/Crush - Two (2)

Injury count per division within Public Works:

- Solid Waste: 18 injuries
- Fleet: 6 injuries
- Streets/Signals: 3 injuries
- Facilities: 2 injuries
- CPM: 0 injuries

## **Goals for Calendar Year 2021**

Risk Management intends to work closely with the Public Works Department to address the major drivers concerning its past year's injury experience. This would include, but not be limited to, in-person safety trainings, risk analysis and mitigation trainings, safety awareness trainings, and ride-a-longs. In addition to this approach, Risk Management intends to utilize the following in efforts to positively impact the loss experience of the Public Works Department.

### **High incidents of Sprains/Strains in Solid Waste Department**

Engage nursing/physical therapy/triage services to focus on more effective physical preparation before and throughout shift assignments. These services may include safe practices for exercises, weight training, stretching, and avoidance of slips, trips, and falls.

### **Implement New Learning Management System (LMS) for ALL Staff**

- a. Deploy expanded offering of safety training through the new LMS system. Require completion of monthly short safety videos (30-60 minutes) focused on subject training for review of best practices based on recent reported injury/accident types.
- b. Ensure all OSHA, NFPA and other applicable mandated or recommended health and safety training content is added to the new LMS system and scheduling/completion of training for ALL City staff is monitored by the City Safety Office for proper implementation and follow-up.

### **Update and Centralize All Division Injury/Accident Review Boards**

Complete audit of existing practices and implement new written processes and procedures with meaningful oversight by the City Safety Office. New processes will ensure direct correlation of injury/accident data with specific safety measures implemented for risk mitigation.

### **Implement Focused Field Practical Safety and Health Training**

The City Safety Office, along with monitoring effective use of the LMS system, will provide additional field practical safety training sessions focused on specific job descriptions, teams or other areas of ongoing injury/accident concerns.

### **Loss Experience**

It is the goal of Risk Management and the City Safety Office to reduce the injury loss experience related to the Public Works Department by 2-5%, as compared to the previous calendar year.



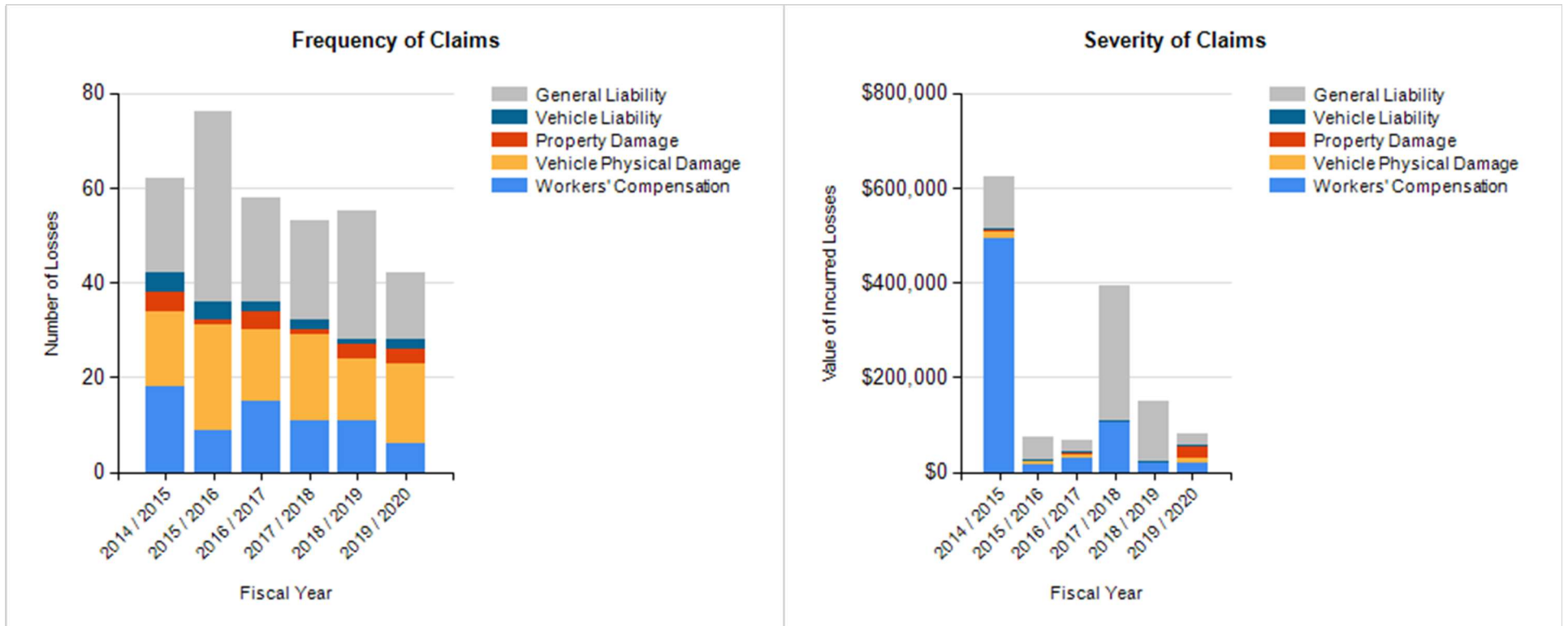




## Water Resources Loss Performance

Claim Frequency and Severity by Date of Loss for Planning and Engineering, Reclamation Services, Water Quality, and Water Services

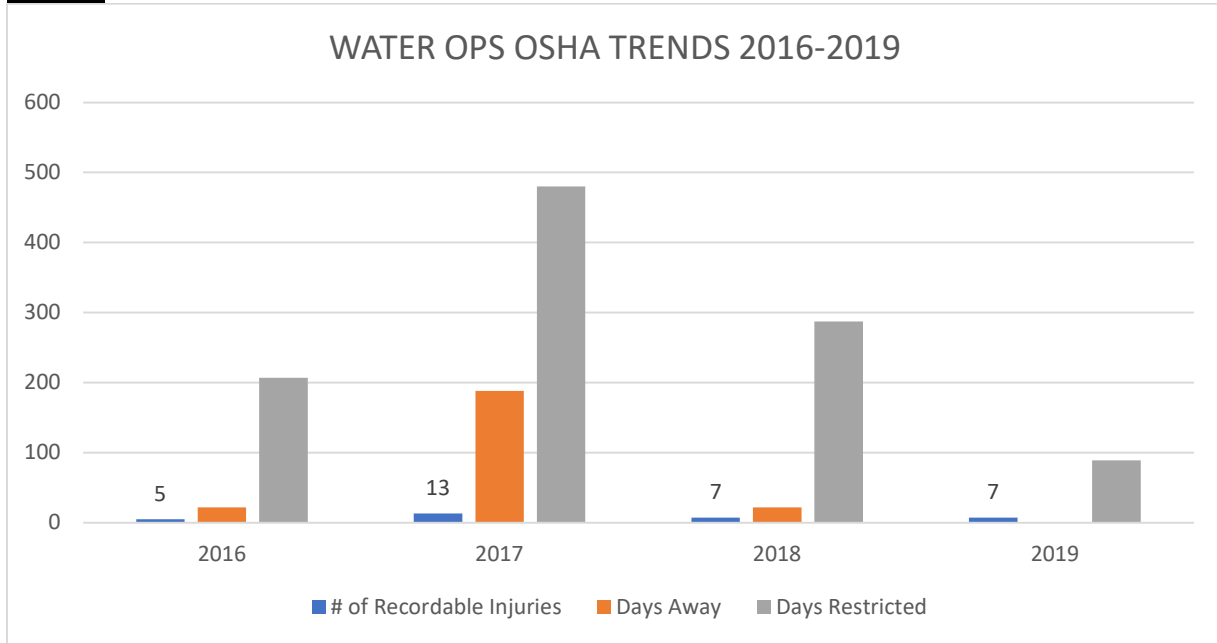
Claim Type	FY 2014/15		FY 2015/16		FY 2016/17		FY 2017/18		FY 2018/19		FY 2019/20	
	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	
General Liability	20	\$109,142	40	\$49,984	22	\$24,374	21	\$286,405	27	\$126,480	14	\$22,305
Vehicle Liability	4	\$2,801	4	\$3,979	2	\$550	2	\$857	1	\$2,139	2	\$1,900
Property Damage	4	\$3,821	1	\$0	4	\$5,076	1	\$407	3	\$1,392	3	\$26,916
Vehicle Physical Damage	16	\$13,433	22	\$6,986	15	\$5,715	18	\$1,430	13	(\$298)	17	\$9,997
Workers' Compensation	18	\$493,919	9	\$14,941	15	\$31,504	11	\$106,087	11	\$20,705	6	\$20,383
<b>Water Resources Total</b>	<b>62</b>	<b>\$623,115</b>	<b>76</b>	<b>\$75,890</b>	<b>58</b>	<b>\$67,219</b>	<b>53</b>	<b>\$395,186</b>	<b>55</b>	<b>\$150,419</b>	<b>42</b>	<b>\$81,501</b>



**Water Resources Action Plan**  
2019/20 Annual Safety and Health Program Evaluation,  
Performance Objectives and Action Plan

**ACTION PLAN**

**Trends**



During calendar year 2019, the Water Department sustained 7 recordable injuries, with 0 claims resulting in lost time. This is consistent with the previous year's total of 7 recordable injuries. However there was 1 claim which resulted in lost time (22 work days).

The main injury types experienced were:

- Sprains/Strains - Three (3)
- Contusions/Lacerations - Two (2)
- Fracture/Break - One (1)
- Hearing Loss - One (1)

**Goals for Calendar Year 2021**

Risk Management continues to work closely with the Water Department and its safety personnel to address the major drivers concerning its past year's injury experience, sprains and strains. The Water Department utilizes two safety members dedicated to loss and injury prevention and conducts an internal accident review to ascertain the root cause of many injuries within its department. This is evident based on the low number of claims received from this department year over year. In addition to working with the safety personnel, Risk Management intends to utilize the following to effectively improve the loss experience of the Water Department.

### **Implement New Learning Management System (LMS) for ALL Staff**

- a. Deploy expanded offering of safety training through the new LMS system. Require completion of monthly short safety videos (30-60 minutes) focused on subject training for review of best practices based on recent reported injury/accident types.
- b. Ensure all OSHA, NFPA and other applicable mandated or recommended health and safety training content is added to the new LMS system and scheduling/completion of training for ALL City staff is monitored by the City Safety Office for proper implementation and follow-up.

### **Update and Centralize All Division Injury/Accident Review Boards**

Complete audit of existing practices and implement new written processes and procedures with meaningful oversight by the City Safety Office. New processes will ensure direct correlation of injury/accident data with specific safety measures implemented for risk mitigation.

### **Implement Focused Field Practical Safety and Health Training**

The City Safety Office, along with monitoring effective use of the new LMS system, will provide additional field practical safety training sessions focused on specific job descriptions, teams or other areas of ongoing injury/accident concerns.



# Self-Insured Medical and Dental Plans FY 2019/20

## Introduction

Health benefits are a significant part of the City's compensation package and are important in the recruitment and retention of employees. Responsibility related to the self-insured medical and dental plans, including rate determination and benefit offerings, lies with the City Council, City Manager, City Treasurer, and Human Resources. This report is intended to provide a historical perspective concerning self-funding by the City as well as information concerning current status of the self-insured plans.

## Background

The City has self-insured a portion of its medical and dental benefit plans since 1990. In January 2004, the City expanded its self-insurance programs by introducing predominantly self-insured medical plans along with the already self-insured dental plan. Operationally, a self-insured employer designs its own schedule of benefits, pays for those benefits, and typically utilizes the services of an external organization to provide medical and utilization review services, administer the plans and provide customer service. Since 2014, medical and dental claims and administrative services have been performed by Cigna. There were four medical plans that were offered by the City in FY 2019/20. Two plans are identical with one plan utilizing the Open Access Plus (OAP) Network and one plan utilizing the Local Plus Network, a narrower network of physicians/facilities. The discounts are more favorable with the Local Plus plan which will result in a claims savings if employees are enrolled in that plan.

### **Cigna OAP In-Network – 66% of Employees Enrolled**

This is an exclusive provider plan like an HMO; participants pay specific co-payments for services with no deductibles or co-insurance. Employees may only use in-network providers, but do not need referrals. There are no out-of-network benefits on this plan.

### **Cigna LocalPlus In-Network – 6% of Employees Enrolled**

This is like the OAP In-Network plan; however, employees may only use LocalPlus In-Network providers, which includes Honor Health, Phoenix Children's, Cigna Medical Group and Abrazo providers. There are no out-of-network benefits on this plan.

### **Cigna OAP – 13% of Employees Enrolled**

This is a hybrid preferred provider plan that features co-payments for primary care and specialist office visits; and deductibles for co-insurance payments for most other services (laboratory, x-ray, hospitalizations, etc.). Employees have a choice of using either in-network or out-of-network providers.

### **Cigna OAP + HSA – 15% of Employees Enrolled**

This is a federally qualified high deductible health plan with an optional health savings account feature. This plan offers in-network and out-of-network benefits, subject to annual deductibles and co-insurance once deductibles are met. Employees have a choice of using either in-network or out-of-network providers.

The COVID-19 pandemic affected all healthcare plans nationally and worldwide. Our plan has seen decreased utilization in the last quarter when elective and non-emergency procedures were temporarily halted or postponed. We anticipate this delayed care will eventually occur in FY 2020/21. Due to the pandemic, our plan experienced far fewer claims than projected and finished favorably. We continue to monitor our claims to see how this current fiscal year will be affected.

Cigna provides \$150,000 in a wellness fund to incentivize employees towards healthy behaviors. Cigna recently performed a case study on the City's wellness program. Over the last 6 years, there were incremental changes to programs, benefits and the overall employee culture. The incentive strategy was based off claims data and the City's key health risks are hypertension and obesity:

**2014-2015** - Elevated well-being strategy included incentives for health assessments and primary care visits. Education included tobacco cessation and general well-being topics.

**2015-2016** - Implemented tobacco incentive and began healthy blood pressure education.

**2016-2017** - Conducted onsite biometric events to increase blood pressure screening participation.

**2017-2018** - Offered employees healthy blood pressure incentive to improve health outcomes.

**2018-2019** - Implemented healthy blood pressure incentive for spouses.

**2019-2020** - Implemented Diabetes Prevention Program incentive for employees and spouses.

Cigna compared the City's trend to their competitor's national average trend as reported to Wall Street. The City's annual trend has created a cost savings of \$9.7 million in four years. Several items that attribute to this are the City's gaps in care compliance, steerage to high-quality, low cost providers, generic prescription dispensing rates and members being actively engaged in their healthcare. Not only did the City trend beat Cigna's top competitors, but the City also has outperformed Cigna's Book of Business with best in class results in the following areas:

- Hypertension gaps in care
- Hypertension medication adherence
- Health Assessment completion rates
- Generic drug dispensing rates

Cigna continues to reimburse the City 100% of any prescription rebates and they are paid on a quarterly basis. We received \$1.0 million in pharmacy reimbursements for July 1, 2019 – June 30, 2020.

## Plan Performance and Actuarial Study

The following table reflects revenues generated by internal funding rates and claim loss data for the fiscal year ending June 30, 2020, for the self-insured medical plans.

Revenues <sup>(a)</sup>	\$32 M
Expenses <sup>(b)</sup>	\$30 M
\$ Variance Favorable/(Unfavorable)	\$2 M
% Variance Favorable/(Unfavorable)	6%

<sup>(a)</sup> Includes amounts paid by the City, employees and PSPRS disabled retirees

<sup>(b)</sup> Includes medical and prescription drug claim payments, administrative fees and City expenses

The loss ratio (expenses compared to revenue) over the past three years for active employees is as follows:

	<u>FY2017/18</u>	<u>FY2018/19</u>	<u>FY2019/20</u>
Cigna OAP In-Network	107%	97%	96%
Cigna LocalPlus In-Network	76%	88%	41%
Cigna OAP	123%	110%	121%
Cigna HSA	63%	48%	62%
Overall (including City expenses)	104%	95%	93%

Each year an actuarial study is conducted to determine the accrued liabilities existing at year-end that carryover into the next fiscal year. A cash reserve is maintained against the estimated claims run-off liabilities, and to provide for any reasonably expected increase in the cost of medical claims during the ensuing year.

Our Cigna PPO dental plan ran at a favorable 89% loss ratio in FY 2019/20. Preventive dental is important to overall health. Starting in FY 2018/19, we removed the deductible for preventive cleanings. We also increased the annual maximum benefit by \$200 for each year a member receives their preventive cleaning. Those who had a preventive cleaning in FY 2018/19 will have their annual maximum benefit increase from \$1,500 to \$1,700 and if they had an additional cleaning in FY 2019/20, it would increase to \$1,900. This annual maximum benefit will continue to increase each year until a maximum of 3 years, or a maximum annual benefit of \$2,100 (assuming members continue to receive their preventive cleaning).

### Financial Limitations and Controls - Stop-Loss Coverage

Under a self-insured arrangement, the employer assumes financial risk for claims instead of paying a monthly premium to a carrier who assumes the risk. However, in order to protect the plan from unpredictable, catastrophic claims, an employer may purchase stop-loss insurance from a third party insurer for a fixed premium rate. There are two types of stop-loss insurance: Specific Stop-Loss coverage and Aggregate Stop-Loss coverage. Specific Stop-Loss limits the employer's liability to a predetermined dollar amount (the deductible) on each covered participant in a fiscal year. Aggregate Stop-Loss protects an employer from total claims for all participants that exceed the annual aggregate amount in a fiscal year.

The City carried Specific Stop-Loss coverage through Symetra Life Insurance Company which provides protection against individual catastrophic claims that exceed \$325,000 in a fiscal year. The City's premium for this protection was approximately \$775,000 in FY 2019/20. There were five

large claims which exceeded the stop-loss and the City received \$380,000 in stop-loss reimbursements. The City does not currently carry Aggregate Stop-Loss coverage because the health care claims volume is large enough to be relatively predictable from year to year, making it unlikely that the City would benefit from this protection.

## Large Claims

An important component of the self-insurance program is to identify potential large claims and to provide case management assistance. When an individual participant has a condition that may approach the specific deductible, the stop-loss carrier is notified so they can work with the claims administrator on case management. The City incurred 39 catastrophic claims (over \$100,000) that resulted in payment of around \$7.4 million, or nearly 25% of the City's total medical plan payments for the year. Last year, the large claims accounted for 19% of total medical plan payments.

## Plan Demographics

The following reflects medical plan enrollment at the end of FY 2019/20 (2,118 total employees).

	<u>Employees/COBRA</u>	<u>Disabled Retirees</u>	<u>Total</u>
<b>Cigna OAP In-Network</b>			
Individual Only	470	5	430
Individual & Children	222	5	251
Individual & Spouse	219	1	222
Individual & Family	<u>503</u>	<u>1</u>	<u>523</u>
<b>Total</b>	<b>1,414</b>	<b>12</b>	<b>1,426</b>
<b>Cigna LocalPlus Network</b>			
Individual Only	52	0	52
Individual & Children	11	0	11
Individual & Spouse	14	0	15
Individual & Family	<u>36</u>	<u>0</u>	<u>39</u>
<b>Total</b>	<b>113</b>	<b>0</b>	<b>113</b>
<b>Cigna OAP</b>			
Individual Only	128	2	151
Individual & Children	41	3	43
Individual & Spouse	30	1	38
Individual & Family	<u>87</u>	<u>2</u>	<u>86</u>
<b>Total</b>	<b>286</b>	<b>8</b>	<b>294</b>
<b>Cigna OAP + HAS</b>			
Individual Only	156	1	138
Individual & Children	50	0	37
Individual & Spouse	22	1	24
Individual & Family	<u>55</u>	<u>2</u>	<u>46</u>
<b>Total</b>	<b>283</b>	<b>2</b>	<b>285</b>

## Employee Medical Rates

The plan experienced an approximate 6% rate increase for FY 2020/21. We continued the blood pressure incentive of \$20 per month for employees and \$20 per month for spouses. The out-of-



pocket maximum on the OAP In-Network and LocalPlus plans (\$2,500/\$5,000) had not been changed for several years and were considerably lower than the other two plans (OAP - \$4,500/\$9,000 and HSA - \$4,000/\$8,000). This year we increased the out-of-pocket maximum on the OAP In-Network and LocalPlus plans to \$3,000/\$6,000. With more employees facing mental health challenges all over the nation, we also reduced the mental health co-pay from \$20 to \$10.

### **Disability Retiree Medical Rates**

In January 2014, the City Council voted to eliminate the retiree medical plans and continue to allow PSPRS disabled retirees to pay the full monthly premium for active employees instead of the retiree rate. There were 22 disabled retirees enrolled in July 2020. We anticipate that these plans will continue to run at a loss ratio. For FY 2019/20 the funding loss ratio for the PSPRS disabled retirees was 113%. Retirees paid \$300,000 in premiums, but experienced \$334,000 in claims.

The following table reflects the FY 2020/21 rate models for the self-insured medical and dental plans.

July 1, 2020 to June 30, 2021	FY 20/21 Monthly Premium	FY 20/21 City Contribution	FY 20/21 Employee Contribution
<b>City of Scottsdale Cigna OAP In-Network</b>			
Employee Only	\$705	\$564	\$141
Employee & Child(ren)	\$1,279	\$959	\$320
Employee & Spouse/Partner	\$1,526	\$1,145	\$381
Employee & Family	\$2,190	\$1,643	\$547
<b>City of Scottsdale Cigna LocalPlus Network</b>			
Employee Only	\$638	\$510	\$128
Employee & Child(ren)	\$1,157	\$868	\$289
Employee & Spouse/Partner	\$1,381	\$1,036	\$345
Employee & Family	\$1,983	\$1,488	\$495
<b>City of Scottsdale Cigna OAP</b>			
Employee Only	\$618	\$519	\$99
Employee & Child(ren)	\$1,123	\$887	\$236
Employee & Spouse/Partner	\$1,339	\$1,058	\$281
Employee & Family	\$1,922	\$1,519	\$403
<b>City of Scottsdale Cigna OAP + HSA</b>			
Employee Only	\$588	\$529	\$59
Employee & Child(ren)	\$1,067	\$885	\$182
Employee & Spouse/Partner	\$1,273	\$1,044	\$229
Employee & Family	\$1,827	\$1,462	\$365

## Live Life Well

The City realizes that the health of employees and family members and their willingness to adopt healthier lifestyles are major factors influencing health care costs. As such, the City has developed a workplace health promotion program called “Live Life Well” which has been in operation since 2009. The program, modeled after the Wellness Council of America’s Well Workplace initiative and Healthy Arizona Worksites, promotes healthy lifestyles through wellness education and participation in result-oriented projects. The administration of this program is the responsibility of the Human Resources Department. The Live Life Well program is a key component to helping achieve the City’s organizational wellness goals and create a long-term culture of good health. The City firmly believes that investing in wellness pays dividends in decreased health care costs, increased productivity, improved customer service, recruiting and retention and better job satisfaction.

Through the efforts of Live Life Well and City employees, the City has been recognized for its commitment to a healthy workforce. Wellness awards include: second place for Phoenix Business Journal’s Valley’s Healthiest Employers; American Heart Association’s Fit Friendly Silver Award; Public Sector Cigna Well-Being Award; and Health Arizona Worksite Program Platinum Award.

Two committees are responsible for the decisions that help direct the Live Life Well program: the Benefit Coordinating Committee (BCC) and the Total Benefits Advisory Committee (TBAC). The BBC, comprised of upper level managerial employees, provides strategic direction. TBAC is a larger employee group that consists of a cross-section of all City divisions. The primary goals are to develop, educate and communicate benefit information and wellness programs consistently throughout the organization.

Specific strategies employed include:

- Omada Diabetes Prevention Program – Introduced a digital lifestyle change program that helped employees lose weight and develop long-term healthy habits. This program was targeted for our pre-diabetic population. Out of 401 members identified as being eligible through claims data, 287 applied and 205 were accepted into the program. Participating members who completed up to 15 lessons averaged a 3.8% weight loss and those who completed over 16 lessons averaged a 7.2% weight loss.
- Biometric Screenings - Annual biometric screenings through an employee’s primary care physician or on-site screenings with an HRA (health risk assessment) provides baseline information on the health of the City’s employee population. Employees receive specific information concerning their health status, establish an important relationship with their primary care physician, and the City receives aggregate information to help identify specific wellness program needs. FY 2019/20 achieved over 50% employee participation. The incentive given is \$120 per employee for single coverage and \$240 per employee for dependent coverage.
- Blood Pressure Incentive - Due to 11% of our population experiencing high blood pressure, we introduced and continue to offer an outcomes-based incentive focusing on blood pressure. Employees and spouses who had their blood pressure verified at >140/90 and completed the health risk assessment received

a \$10 per paycheck discount.

- Tobacco Surcharge – Employees who self-disclose they use tobacco and/or their dependent uses tobacco are charged \$10 per paycheck, \$20 per month.
- Centers of Excellence Incentive - Members who have certain procedures (back, knee, cardiac, pregnancy, bariatric) at a Centers of Excellence facility, receive a \$250 incentive. The Centers of Excellence have earned a top rating for cost and health outcomes based on industry standards. Data reviewed includes patient experience, cost, re-admissions, complications, related deaths and average length of stays.
- Wellness Classes - Walking and weight loss programs, tobacco cessation, fitness, health and cooking education classes. Employees who complete a health coaching goal where they speak on-line or on the phone with a health coach (through Cigna) regarding a variety of topics including tobacco cessation, weight loss, nutrition, exercise and depression receive a \$25 incentive after completion.
- Mental Health – This year we focused on mental health. We incorporated mindfulness techniques, meditation and additional yoga classes. We offered training for managers and supervisors on “mental health first aid.” This will assist them to identify, understand and respond to signs of mental illness and substance abuse disorders. We also added on-site group and confidential individual EAP services in May which were well attended.
- Financial Wellness – We have several vendors come on-site to discuss budgeting, retirement, women and retirement, wills and trusts, investing and saving for emergencies.
- Benefit Newsletter – Through the City’s website, subscribers receive benefit updates and information in an effort to reach more family members.
- Benefit Bulletin – In collaboration with the Office of Communications, a bi-weekly online publication is provided Citywide regarding various benefits, training, and wellness topics.

# CITY OF SCOTTSDALE HEALTHCARE SELF-INSURANCE FUND FIVE YEAR FINANCIAL FORECAST

	Actual 2019/20 <sup>(a)</sup>	Adopted 2020/21	Approved 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26 <sup>(b)</sup>
<b>Beginning Fund Balance</b>								
IBNR Reserve	2,177,679	2,479,047	2,568,330	2,954,143	2,756,783	2,918,213	3,089,290	3,270,498
Operating Contingency	2,471,945	2,812,550	2,263,463	2,604,365	3,126,702	3,309,454	3,503,116	3,708,236
Premium Stabilization Reserve	2,758,782	2,944,482	2,939,225	3,042,786	3,302,059	3,494,016	3,697,387	3,912,842
Undesignated, Unreserved Fund Balance	4,056,274	3,303,076	6,396,583	5,047,315	4,860,164	4,794,125	4,748,115	4,670,132
<b>Total Beginning Fund Balance</b>	<b>11,464,680</b>	<b>11,539,155</b>	<b>14,167,600</b>	<b>13,648,608</b>	<b>14,045,708</b>	<b>14,515,808</b>	<b>15,037,908</b>	<b>15,561,708</b>
<b>Revenues</b>								
Employer Contribution - Medical	24,460,782	24,773,410	24,773,410	27,210,900	28,843,600	30,574,100	32,408,700	32,408,700
Employee Contributions - Medical	7,463,164	8,144,856	8,144,856	8,633,500	9,151,500	9,700,700	10,282,800	10,282,800
Employer Contribution - Dental	819,626	868,735	868,735	886,100	903,800	921,900	940,300	940,300
Employee Contributions - Dental	780,485	866,252	866,252	883,600	901,200	919,300	937,700	937,700
Disabled Retiree Contributions	260,134	321,300	321,300	340,600	361,000	382,700	405,700	405,700
Miscellaneous	244,045	292,517	292,517	296,800	301,300	305,800	310,200	310,200
<b>Subtotal</b>	<b>34,028,236</b>	<b>35,267,070</b>	<b>35,267,070</b>	<b>38,251,500</b>	<b>40,462,400</b>	<b>42,804,500</b>	<b>45,285,400</b>	<b>45,285,400</b>
<b>Transfers In</b>								
Operating	87,430	165,700	165,700	190,600	217,500	247,500	250,000	250,000
<b>Subtotal</b>	<b>87,430</b>	<b>165,700</b>	<b>165,700</b>	<b>190,600</b>	<b>217,500</b>	<b>247,500</b>	<b>250,000</b>	<b>250,000</b>
<b>Total Sources</b>	<b>34,115,666</b>	<b>35,432,770</b>	<b>35,432,770</b>	<b>38,442,100</b>	<b>40,679,900</b>	<b>43,052,000</b>	<b>45,535,400</b>	<b>45,535,400</b>
<b>Expenditures</b>								
Medical Claims	28,141,562	32,495,477	32,495,477	34,435,100	36,490,600	38,670,100	40,980,000	40,980,000
Dental Claims	1,379,468	1,460,184	1,460,184	1,504,000	1,549,100	1,595,600	1,643,400	1,643,400
Insurance & Bond Premiums	773,501	801,459	801,459	849,600	900,500	954,400	1,011,900	1,011,900
Administrative Fees	578,003	579,480	579,480	601,900	625,400	649,700	675,100	675,100
Live Life Well Program	264,762	345,081	345,081	345,200	345,300	345,400	345,500	345,500
City Administration	201,298	183,488	183,488	217,300	201,700	211,500	246,500	246,500
Behavioral Health Insurance Claims	74,152	86,593	86,593	91,900	97,200	103,200	109,200	109,200
Citywide Pay Program	-	-	-	-	-	-	-	-
Compensation Other	-	-	-	-	-	-	-	-
<b>Subtotal</b>	<b>31,412,746</b>	<b>35,951,762</b>	<b>35,951,762</b>	<b>38,045,000</b>	<b>40,209,800</b>	<b>42,529,900</b>	<b>45,011,600</b>	<b>45,011,600</b>
<b>TOTAL OPERATING BUDGET</b>	<b>31,412,746</b>	<b>35,951,762</b>	<b>35,951,762</b>	<b>38,045,000</b>	<b>40,209,800</b>	<b>42,529,900</b>	<b>45,011,600</b>	<b>45,011,600</b>
<b>Total Uses</b>	<b>31,412,746</b>	<b>35,951,762</b>	<b>35,951,762</b>	<b>38,045,000</b>	<b>40,209,800</b>	<b>42,529,900</b>	<b>45,011,600</b>	<b>45,011,600</b>
<b>Sources Over/(Under) Uses</b>	<b>2,702,920</b>	<b>(518,992)</b>	<b>(518,992)</b>	<b>397,100</b>	<b>470,100</b>	<b>522,100</b>	<b>523,800</b>	<b>523,800</b>
<b>Ending Fund Balance</b>								
IBNR Reserve	2,568,330	2,604,365	2,954,143	2,756,783	2,918,213	3,089,290	3,270,498	3,270,498
Operating Contingency	2,263,463	2,954,143	2,604,365	3,126,702	3,309,454	3,503,116	3,708,236	3,708,236
Premium Stabilization Reserve	2,939,225	3,042,786	3,042,786	3,302,059	3,494,016	3,697,387	3,912,842	3,912,842
Undesignated, Unreserved Fund Balance	6,396,583	2,418,869	5,047,315	4,860,164	4,794,125	4,748,115	4,670,132	5,193,932
<b>Total Ending Fund Balance</b>	<b>14,167,600</b>	<b>11,020,163</b>	<b>13,648,608</b>	<b>14,045,708</b>	<b>14,515,808</b>	<b>15,037,908</b>	<b>15,561,708</b>	<b>16,085,508</b>

<sup>(a)</sup> Unaudited.

<sup>(b)</sup> FY 2025/26 Sources and Uses mirror FY 2024/25 Sources and Uses. FY 2025/26 is included as a placeholder for the sole purpose of this report. The FY 2025/26 Sources and Uses will be updated appropriately during the FY 2021/22 budget development process.



# CITY OF SCOTTSDALE RISK MANAGEMENT FUND FIVE YEAR FINANCIAL FORECAST

	Actual 2019/20 <sup>(a)</sup>	Adopted 2020/21	Approved 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26 <sup>(c)</sup>
<b>Beginning Fund Balance</b>								
Operating Contingency	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Operating Reserve	19,685,252	19,775,391	19,924,010	21,956,591	23,697,691	25,013,291	26,135,991	27,317,891
<b>Total Beginning Fund Balance</b>	<b>22,185,252</b>	<b>22,275,391</b>	<b>22,424,010</b>	<b>24,456,591</b>	<b>26,197,691</b>	<b>27,513,291</b>	<b>28,635,991</b>	<b>29,817,891</b>
<b>Revenues</b>								
Self Insurance (Property and Workers Comp)	10,499,969	11,000,000	11,000,000	12,720,600	12,661,900	12,871,500	13,330,400	13,330,400
Property Tax	251,471	1,829,000	1,829,000	330,000	330,000	330,000	330,000	330,000
Reimbursements from Outside Sources	841,489	625,000	625,000	500,000	500,000	500,000	500,000	500,000
Miscellaneous	410,140	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Unemployment Claims	109,828	100,000	100,000	100,000	100,000	100,000	100,000	100,000
<b>Subtotal</b>	<b>12,112,898</b>	<b>13,704,000</b>	<b>13,704,000</b>	<b>13,800,600</b>	<b>13,741,900</b>	<b>13,951,500</b>	<b>14,410,400</b>	<b>14,410,400</b>
<b>Total Sources</b>	<b>12,112,898</b>	<b>13,704,000</b>	<b>13,704,000</b>	<b>13,800,600</b>	<b>13,741,900</b>	<b>13,951,500</b>	<b>14,410,400</b>	<b>14,410,400</b>
<b>Expenditures</b>								
Insurance & Bond Premiums	2,242,427	3,112,000	3,112,000	3,261,000	3,420,400	3,587,700	3,763,200	3,763,200
Liability	3,386,063	3,064,703	3,064,703	3,134,200	3,204,200	3,275,600	3,348,900	3,348,900
Physical Damage	1,189,573	755,000	755,000	772,100	789,400	807,000	825,000	825,000
Risk Management	1,206,754	1,313,508	1,313,508	1,373,300	1,427,800	1,484,900	1,544,100	1,544,100
Safety Grants Program	21,234	29,000	29,000	29,600	30,400	31,000	31,600	31,600
Unemployment	28,123	35,000	35,000	35,800	36,600	37,400	38,200	38,200
Workers Compensation	3,545,625	3,357,500	3,357,500	3,433,600	3,510,300	3,588,500	3,669,000	3,669,000
Citywide Pay Program	-	-	-	-	-	-	-	-
Compensation Other	-	-	-	-	-	-	-	-
Vacation Trade	-	-	-	-	-	-	-	-
<b>Subtotal</b>	<b>11,619,799</b>	<b>11,666,711</b>	<b>11,666,711</b>	<b>12,039,600</b>	<b>12,419,100</b>	<b>12,812,100</b>	<b>13,220,000</b>	<b>13,220,000</b>
<b>TOTAL OPERATING BUDGET</b>	<b>11,619,799</b>	<b>11,666,711</b>	<b>11,666,711</b>	<b>12,039,600</b>	<b>12,419,100</b>	<b>12,812,100</b>	<b>13,220,000</b>	<b>13,220,000</b>
<b>Transfers Out</b>								
CIP Technology	254,341	4,708	4,708	19,900	7,200	16,700	8,500	8,500
<b>Subtotal</b>	<b>254,341</b>	<b>4,708</b>	<b>4,708</b>	<b>19,900</b>	<b>7,200</b>	<b>16,700</b>	<b>8,500</b>	<b>8,500</b>
<b>Total Uses</b>	<b>11,874,140</b>	<b>11,671,419</b>	<b>11,671,419</b>	<b>12,059,500</b>	<b>12,426,300</b>	<b>12,828,800</b>	<b>13,228,500</b>	<b>13,228,500</b>
<b>Sources Over/(Under) Uses</b>	<b>238,758</b>	<b>2,032,581</b>	<b>2,032,581</b>	<b>1,741,100</b>	<b>1,315,600</b>	<b>1,122,700</b>	<b>1,181,900</b>	<b>1,181,900</b>
<b>Ending Fund Balance</b>								
Operating Contingency	1,681,500	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Operating Reserve	20,742,510	21,807,972	21,956,591	23,697,691	25,013,291	26,135,991	27,317,891	28,499,791
<b>Total Ending Fund Balance</b>	<b>22,424,010</b>	<b>24,307,972</b>	<b>24,456,591</b>	<b>26,197,691</b>	<b>27,513,291</b>	<b>28,635,991</b>	<b>29,817,891</b>	<b>30,999,791</b>
<b>Actuarial Assessment <sup>(b)</sup></b>								
50%-55% Expected	18,616,823	20,177,683	19,819,618	21,165,647	22,421,305	23,428,169	24,711,403	25,711,205
75% Confidence Level	20,478,505	22,195,451	21,801,580	23,282,212	24,663,436	25,770,986	27,182,534	28,282,326
80% Confidence Level	21,409,346	23,204,335	22,792,561	24,340,494	25,784,501	26,942,394	28,418,113	29,567,886
85% Confidence Level	22,340,188	24,213,220	23,783,542	25,398,776	26,905,566	28,113,803	29,653,684	30,853,446
90% Confidence Level	23,271,029	25,222,104	24,774,523	26,457,059	28,026,631	29,285,211	30,889,254	32,139,006
85% confidence level vs ending fund balance	83,822	94,752	673,049	798,915	607,725	522,188	164,207	146,345

(a) Unaudited.

(b) Adopted FY 2020/21 reflects the actuarial assessment used during the FY 2020/21 budget development process and dated June 30, 2019. The rest of the document reflects the most recent actuarial assessment, dated June 30, 2020.

(c) FY 2025/26 Sources and Uses mirror FY 2024/25 Sources and Uses. FY 2025/26 is included as a placeholder for the sole purpose of this report. The FY 2025/26 Sources and Uses will be updated appropriately during the FY 2021/22 budget development process.

## **FY 2019/20 Financial Results of the Trust Fund**

The Healthcare Self-Insurance Fund Five Year Financial Forecast previously referenced depicts an actual FY 2019/20 ending fund balance of \$14.2 million. The fund balance includes a Healthcare Claims Reserve designation in case medical claims are substantially greater than anticipated. Each year claims are projected through the Insurance Brokers Analysis of the City's historical claims and the claims experience of hundreds of other business entities across the nation. This results in a per employee per month projection of medical claims that will be presented for payment during the 12-month cycle. The resulting total annual projected claims are then funded by setting the contributions of the insured members and the City's contribution to equal the total estimated claims expenses.

The Risk Management Fund Five-Year Financial Forecast, as shown on the previous page, relies on an actuary to: 1) estimate outstanding losses; 2) project the development of existing losses to the ultimate final cost; 3) project losses to be paid during the fiscal year; and 4) recommend fund balances.

Unlike the Healthcare Self-Insurance Fund where health plans are funded each year based on the anticipated medical claims that will be presented that year, the Risk Management Fund must account for "long-tail" liability claims. Long-tail liability claims have long durations between the incident date and the final resolution of that claim. The lag time from claim receipt until ultimate resolution affects the Cost of Risk each year, as claim payments made from the general ledger are reflected in the fiscal year they are made, regardless of when the actual claim or incident was received by Risk Management. This accounting differs from the amounts stated on the All Divisions Combined Incurred Performance page, which is a depiction of the value of the claim during a specific fiscal year. The value of each claim is derived from the reserve amount, any payments made, less any recoveries received on the claim in that specific fiscal year.

For example, a general liability claim related to a trip and fall may be received by the City in a specific fiscal year and may ultimately be resolved in the next fiscal year or years. The value of this claim will be reflected on the All Divisions Combined Incurred Performance page during the fiscal year in which the claim was received. However, the ultimate resolution which may take place in the next fiscal year, or years, will be reflected in the Cost of Risk during the fiscal year in which the payment was made. This would be the case for all claims received by Risk Management.

The Arizona Workers' Compensation law allows for continuing medical treatment for work-related injuries for the injured worker's life. Therefore, old claims may lie dormant and reopen for further treatment at any time, resulting in a string of medical and lost income payments over time. In addition, loss of earning capacity can be awarded for some work-related disabilities, which is to be paid monthly for the life of the injured worker.

Each year the Risk Management Fund's ending fund balance is compared to the actuary's projected amount recommended to resolve all outstanding self-insured claims. The actuary's projection is completed after the close of the fiscal year in order to capture any new claims that occurred during the fiscal year. The actuary applies a variety of mathematical methods considering all historical loss information to develop the projected funding needed to defend against and resolve all outstanding claims. The annual actuarial study provides a table of projected ultimate losses at various confidence levels.

## **CONCLUSION**

Overall, the financial health of the Loss Trust Fund remains strong. The Loss Trust Fund Board has elected to fund the Loss Trust Fund at an 85% confidence level, which is summarized at the bottom of the Risk Management Fund Five-Year Financial Forecast previously referenced. The 85% confidence level can be viewed as an 85% probability that sufficient Trust Fund assets will be available to resolve all claims. The total ending fund balance for Actual 2019/20 is \$22.4 million. This balance achieved an 85% confidence level when compared to the June 30, 2020 Actuarial Report, which is an improvement from the previous fiscal year's confidence level funding of 80%. The same June 30, 2020 Actuarial Report is then used to update the confidence levels that were used from the June 30, 2019 Actuarial Report for the adopted FY 2020/21 budget. The updated confidence levels are reflected in the approved 2020/21 budget. Future budgets and Risk Management operations will be designed to minimize losses, increase loss prevention efforts, and maintain an 85% confidence level within the Loss Trust Fund, to the fullest extent achievable.