



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

3939 N. Drinkwater Blvd.  
City Attorney Conference Room  
Scottsdale, AZ 85251

**November 13, 2019**  
**5:00 p.m.**

### **NOTICE AND AGENDA**

**\*Amended Agenda\* Items 1 & 2 Added Under New Business**

### **LOSS TRUST FUND BOARD**

**Richard O'Connor– Chairman**  
**Suzanne Welch– Vice Chairman**  
**Dominic Bilotti**

**Russell Mosser**  
**Brandon Perlow**

#### **CALL TO ORDER**

#### **ROLL CALL**

#### **OLD BUSINESS**

1. Approval of February 13, 2019 Meeting Minutes. Action Item: Motion to approve or disapprove minutes as submitted or with suggested changes.

#### **NEW BUSINESS**

1. Farewell & Thank You to Trustee, Russ Mosser- Information Item
2. Introduction of Trustee, Dominic Bilotti- Information Item.
3. Review, discuss, and take action on the submission of Annual Report to Council for fiscal 2018/19. Motion to approve or disapprove.
4. Review, discuss, and take action on the submission of the Trustee Fund Status Letter to Mayor and City Council. Action Item: Motion to approve or disapprove.

#### **OPEN CALL TO THE PUBLIC (A.R.S. § 38-431.02)**

Subject to reasonable time, place and manner restrictions, as determined by the Chairperson, members of the public will be allowed to address the Loss Trust Fund Board on any issue within the jurisdiction of the Board. Those wishing to speak are customarily limited to a five (5) minute presentation. At the conclusion of the open call to the public, individual members of the Board may respond to criticisms made by those who have addressed the Board, may ask staff to review a matter or may ask that a matter be put on a future agenda. Members of the Board shall not discuss or take legal action on matters, however, raised during an open call to the public unless the matters are properly noticed for discussion and legal action.

#### **ADJOURNMENT - Action Item: Motion to adjourn**



Persons with a disability may request a reasonable accommodation by contacting the Risk Management Office at 480-312-2490. Requests should be made 24 hours in advance, or as early as possible, to allow time to arrange the accommodation. For TTY users, the Arizona Relay Service (1-800-367-8939) may contact the Risk Management Office at 480-312-2490.

# RISK MANAGEMENT

FY 2018/19

## ANNUAL REPORT



City of Scottsdale



Working Safely



For our Citizens



And our Families





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# Executive Summary - Risk Management FY 2018/19 Report

This annual report can be viewed as four sections.

The pink tabs provide a snapshot of Risk Management's income and expenses for the fiscal year ending on June 30, 2019. This includes various charts that expound on the expense items in the Risk Management program.

The yellow tabs start with a summary of the entire City's loss experience for six years and are followed by the same report broken out by division. These provide an indication of the frequency and severity by departments over time. Note that claim payments all register in the fiscal year in which the claim/injury/accident happened, regardless of the year(s) the payments were made.

The green tab is an overview of the Self-Funded Medical and Dental Plans.

The blue tab 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 achieved.
- ✓ Workers' Compensation claim costs continue to trend poorly, as noted on the workers' compensation charts on page 3.
- ✓ The OSHA recordable injury rate, per 100 employees, has trended up from 6.72 to 7.21. FY 2018/19 was 8.57. The largest increase, occurred in the Police Department, with an additional 28 injuries in FY 2018/19, over the prior fiscal year 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 insurance, as highlighted.
- ✓ The FY 2018/19 year-end funding for the Risk Management accounts achieved the actuary confidence level of 80%. The approved budget for FY 2019/20 is designed to achieve the actuary 85% confidence level goal of the Loss Trust Fund Board.

## Medical Benefits Highlights

Medical and dental claims expenses incurred in FY 2018/19 were only slightly higher than expected. We collected \$28.2 million in revenues and incurred \$29.2 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.

Cigna and Hays utilize the health assessment and claims data to provide programs tailored to prevent the onset or degeneration of a disease or illness and promote healthier lifestyles. The rates continue to include a tobacco surcharge for employees and their dependents who utilize tobacco products. Last year we implemented a high blood pressure incentive for employees, and this year we extended that incentive to spouses since blood pressure and related chronic diseases continue to impact our plan. We will continue to look at ways to drive our chronic disease stats lower.

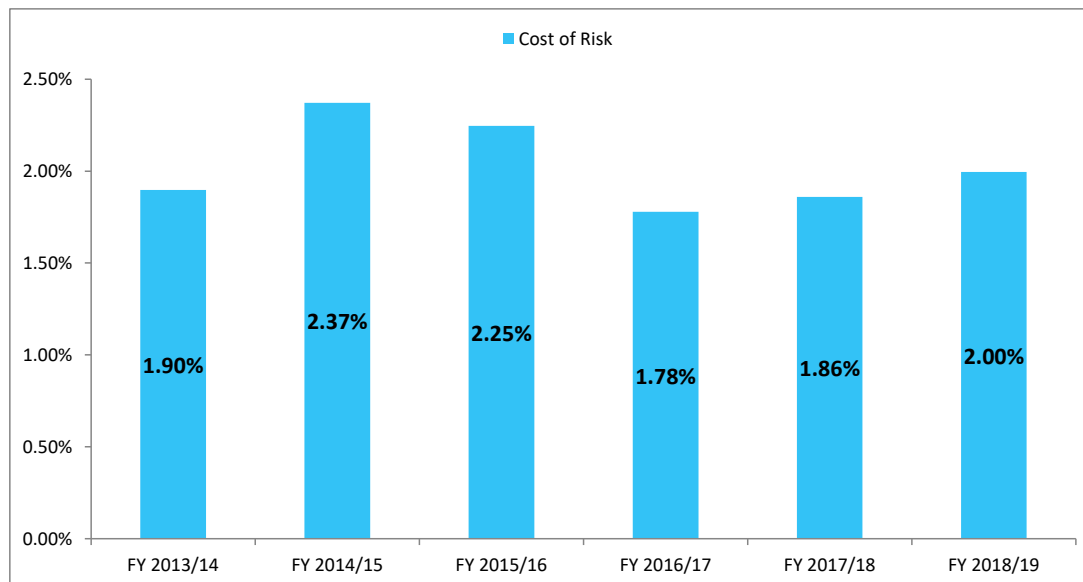


# Cost of Risk

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 2018/19 program ended at exactly the goal of 2% of the city total operating budget.

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 operating expense.

	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19
Claim Payments	\$ 5,256,752	\$ 6,264,697	\$ 6,244,642	\$ 5,379,106	\$ 5,867,891	\$ 7,371,950
Operating Budget	952,713	1,006,724	1,122,979	960,564	1,070,083	1,087,279
Excess Insurance Premiums	1,379,951	2,488,896	2,348,821	2,025,676	1,960,295	1,969,017
Unemployment Compensation	37,656	14,965	19,983	18,136	37,907	30,227
Special Event Reimbursements	(108,825)	(94,639)	(113,130)	(103,753)	(103,617)	(117,863)
Total Recoveries	(361,935)	(547,143)	(609,170)	(452,279)	(508,535)	(1,071,110)
Risk Management Program Cost	\$ 7,156,312	\$ 9,133,500	\$ 9,014,125	\$ 7,827,450	\$ 8,324,024	\$ 9,269,500
City Operating Budget	\$ 377,050,005	\$ 385,044,759	\$ 401,312,174	\$ 440,154,190	\$ 447,716,995	\$ 464,569,653
<b>Cost of Risk</b>	<b>1.90%</b>	<b>2.37%</b>	<b>2.25%</b>	<b>1.78%</b>	<b>1.86%</b>	<b>2.00%</b>



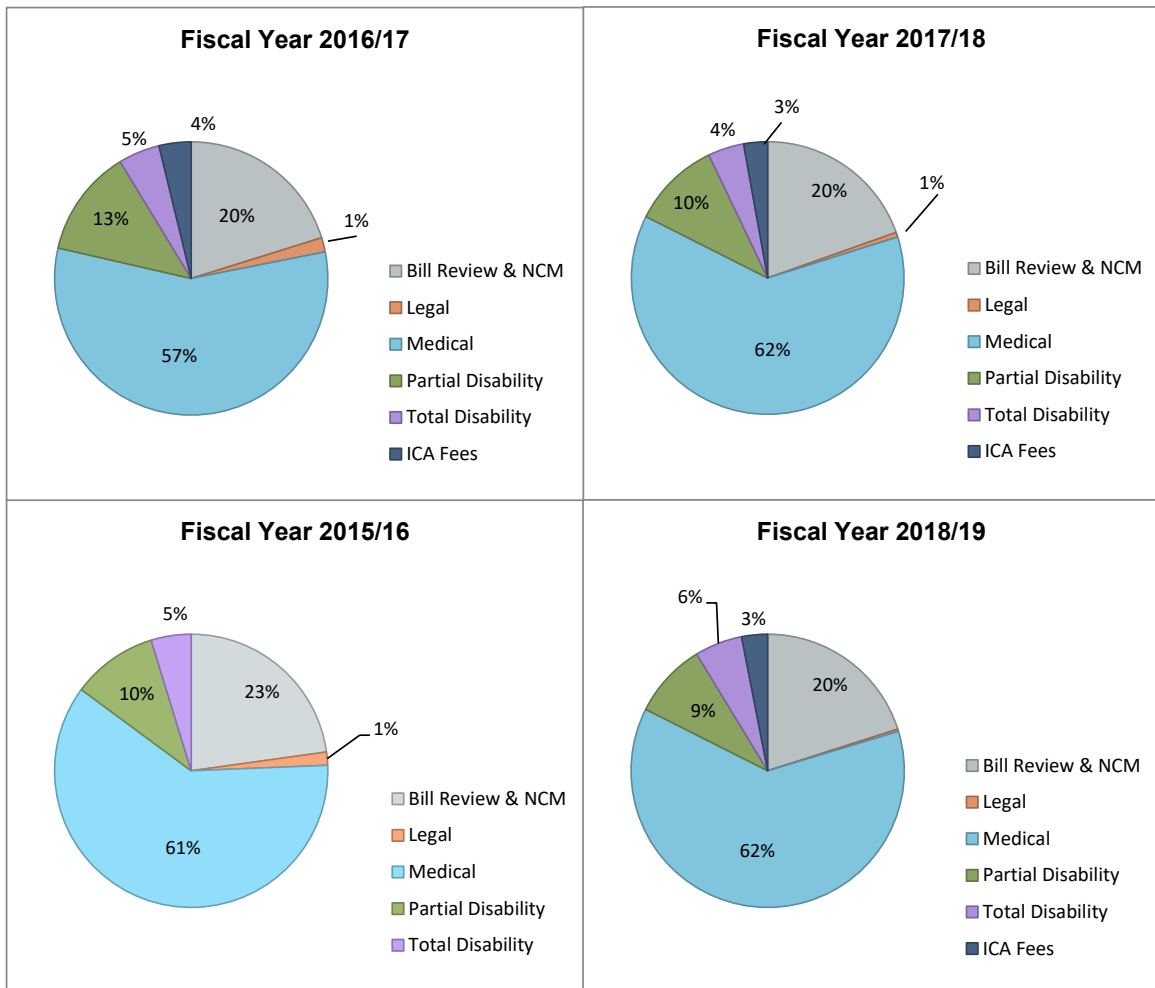




# Workers' Compensation Payment Breakdown

The following depicts a comparison of the total payments made for our workers' compensation claims. Increasing medical expense (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 & volunteers are all factors that affect the total workers compensation spend. These and other historical factors are accounted for by our actuary when projecting future losses.

	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19
Bill Review & NCM	\$910,847	\$663,635	\$790,692	\$999,750
Legal	\$62,322	\$55,798	\$22,837	\$13,380
<b>Medical</b>	<b>\$2,427,603</b>	<b>\$1,864,185</b>	<b>\$2,517,296</b>	<b>\$3,094,119</b>
Partial Disability	\$405,106	\$418,328	\$422,882	\$442,372
Total Disability	\$189,079	\$161,022	\$172,078	\$280,515
ICA Fees	\$71,959	\$124,972	\$114,660	\$152,685
<b>Total</b>	<b>\$4,066,916</b>	<b>\$3,287,940</b>	<b>\$4,040,445</b>	<b>\$4,982,821</b>

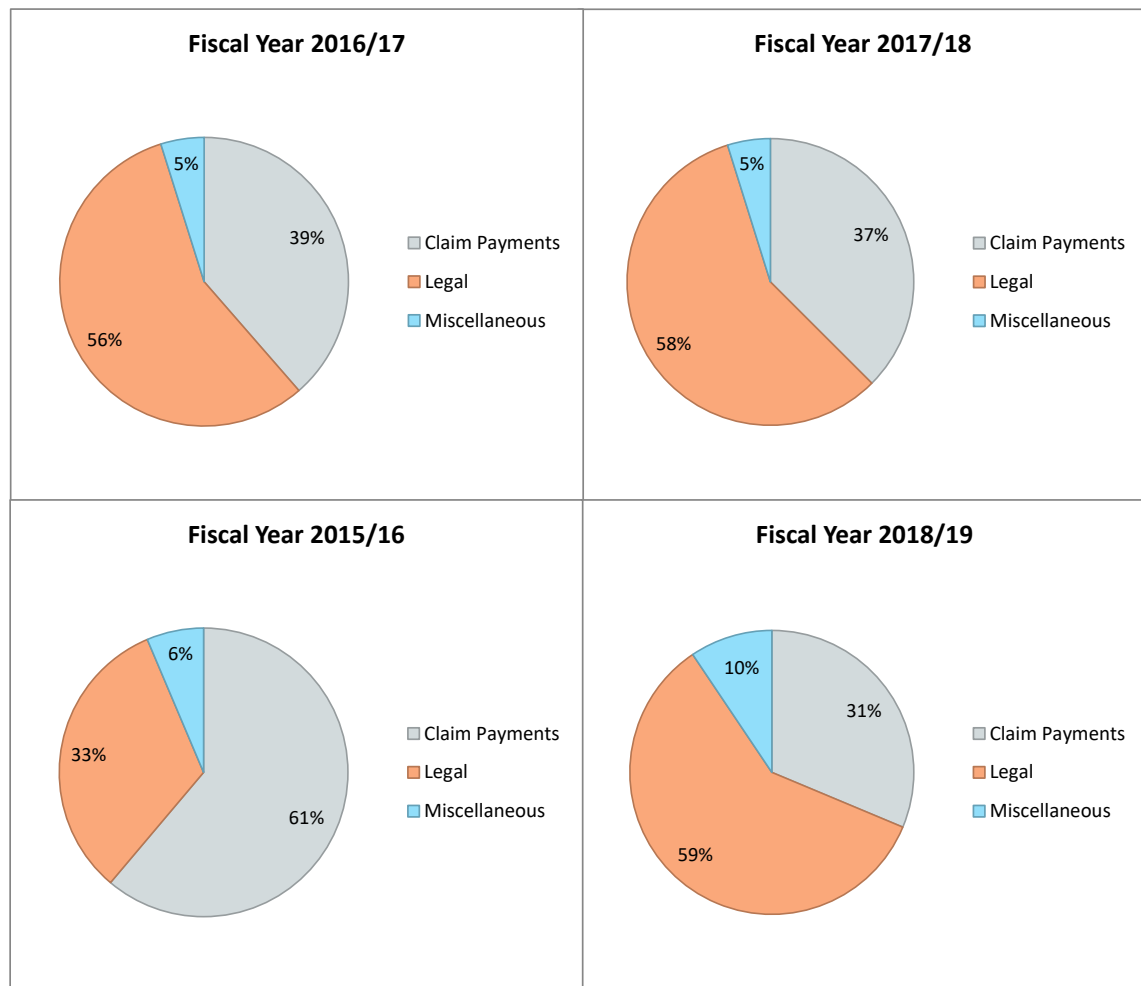




# General Liability Payment Breakdown

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 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 slice as well. 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 2015/16	FY 2016/17	FY 2017/18	FY 2018/19
Claim Payments	\$1,079,542	\$614,150	\$438,432	\$467,844
Legal	\$573,021	\$899,923	\$674,574	\$886,009
Miscellaneous	\$112,562	\$77,115	\$56,459	\$140,585
<b>Total</b>	<b>\$1,765,125</b>	<b>\$1,591,188</b>	<b>\$1,169,465</b>	<b>\$1,494,437</b>





Insurance Premium Comparison July 1, 2019 - July 1, 2020												
Coverage & Layer	Expiring Carrier	Expiring Exposures	Expiring Premium, Taxes & Fees	Expiring Rate	Renewal Carrier	Renewal Exposure	Renewal Premium, Taxes & Fees	Renewal Rate	Exposure Change	Total Cost \$ Change	Total Cost % Change	Rate Change
Fine Arts - excluding Terrorism	Starnet	\$ 25,482,338	\$ 9,454.00	0.0371	Starnet	\$ 25,855,521	\$ 9,704.00	0.0375	1.5%	\$250	2.6%	1.2%
Property - including Terrorism	Zurich	\$857,345,643	\$ 311,951.00	0.0355	Zurich	\$907,183,233	\$ 377,970.00	0.0408	5.8%	\$66,019	21.2%	15.0%
DIC Flood - excluding Terrorism	Endurance & Westchester	\$584,229,891	\$ 97,874.88	0.0168	Endurance & Westchester	\$646,648,911	\$ 119,423.04	0.0185	10.7%	\$21,548	22.0%	10.2%
10M xs 20M High Hazard 10M xs 50M Moderate												
NFIP Flood 8662 E Union Hills Bldg O					NFIP		\$ 3,883.00			\$3,883		
NFIP Flood 8662 E Union Hills Bldg Q					NFIP		\$ 2,292.00			\$2,292		
NFIP Flood 8662 E Union Hills Bldg R					NFIP		\$0			\$0		
NFIP Flood 8662 E Union Hills Bldg S					NFIP		\$ 829.00			\$829		
Auto Physical Damage over-the-road with \$75,000 deductible					Travelers		\$ 66,565.00			\$66,565		
Public Entity Liability - including Terrorism \$2 Mil XS \$2 Mil SIR	Travelers	\$162,232,538	\$ 548,372.00	0.0034	Travelers	\$165,904,544	\$ 583,549.00	0.0035	2.3%	\$35,177	6.4%	4.1%
Automobile Liability - including Terrorism \$2 Mil X \$2 Mil SIR / Composite Rated	Travelers	913	\$ 167,843.00	184	Travelers	901	\$ 177,643.00	197	-1.3%	\$9,800	5.8%	7.2%
Umbrella / Excess Liability - including Terrorism \$18 Mil XS \$2 Mil SIR	Travelers	\$162,232,538	\$ 226,100.00	0.0014	Travelers	\$165,904,544	\$ 243,058.00	0.0015	2.3%	\$16,958	7.5%	5.1%
Excess Liability - including Terrorism \$10 Mil XS \$20 Mil XS \$2 Mil SIR	Hallmark	\$162,232,538	\$ 94,183.42	0.0006	Hallmark	\$165,904,544	\$ 98,893.46	0.0006	2.3%	\$4,710	5.0%	2.7%
Excess Liability - including Terrorism \$20 Mil XS \$30 Mil XS \$2 Mil SIR	Great American	\$162,232,538	\$ 129,000.00	0.0008	Great American	\$165,904,544	\$ 135,000.00	0.0008	2.3%	\$6,000	4.7%	2.3%
Excess Workers Compensation-including Terrorism / Statutory xs \$1 Mil SIR	Safety National	\$162,232,538	\$ 227,126.00	0.1400	Safety National	\$165,904,542	\$ 232,266.00	0.1400	2.3%	\$5,140	2.3%	0.0%
Storage Tank Liability - including Terrorism	Illinois Union	16	\$ 11,663.66		Illinois Union	15	\$ 6,927.82		-6.3%	-\$4,736	-40.6%	
Aviation/Drone Liability - including Terrorism \$50,000,000 Limit	Global Aerospace		\$ 15,000.00		Global Aerospace		\$ 16,450.00			\$1,450	9.7%	
Aviation/Airport Liability - including Terrorism \$200,000,000 Limit	National Union		\$ 23,900.00		National Union		\$ 26,510.00			\$2,610	10.9%	
Network Security & Privacy - Including Terrorism	National Union		\$ 50,000.00		National Union		\$ 76,000.00			\$26,000	52.0%	
Fiduciary Liability - 457 Plan \$10,000,000 Limit	Zurich		\$ 24,971.00		Zurich		\$ 25,643.00			\$672	2.7%	
<b>Totals</b>			<b>\$1,937,438.96</b>				<b>\$2,202,606.32</b>			<b>\$265,167</b>	<b>13.7%</b>	

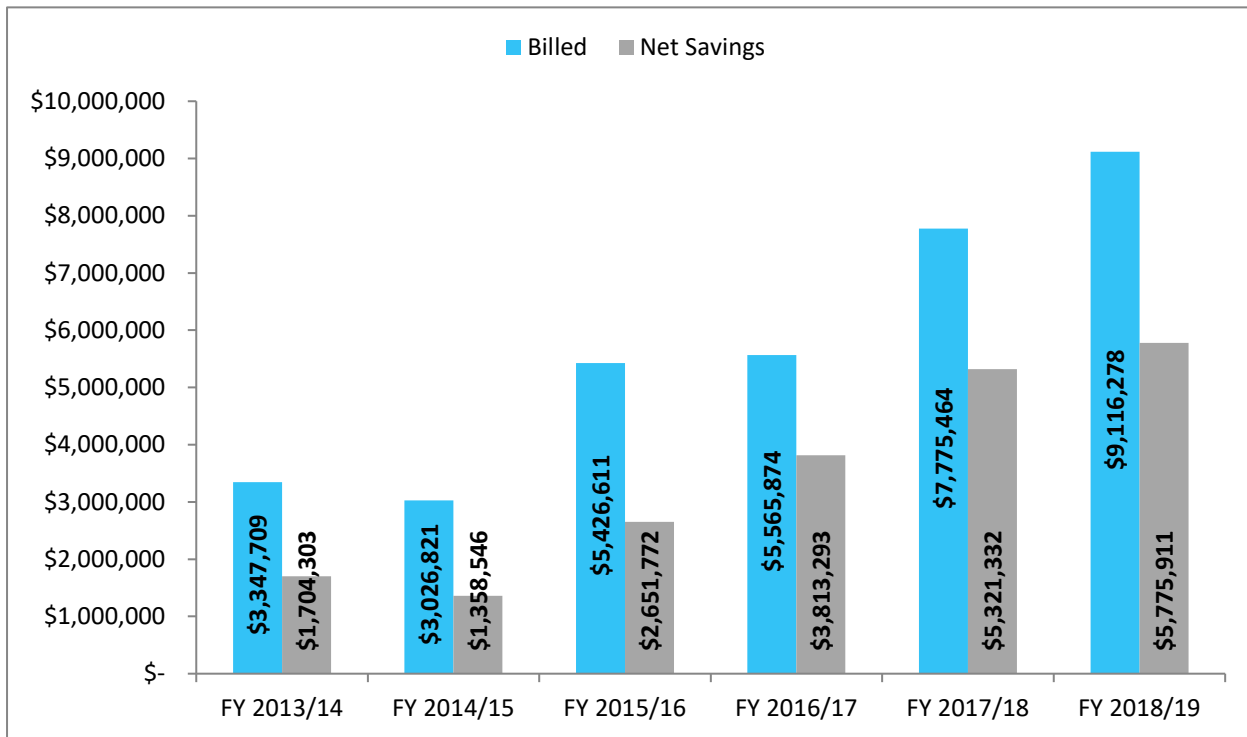
Includes any applicable surplus lines taxes & fees



## 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 blue are the total of the original bills. The net savings in gray are the total savings after the fees paid to CorVel. In the last two terms, the savings percentages have increased, which is an indication that the make up of bills included more hospital or surgical center charges. Those charges in general can be reduced more substantially than invoices for standard treatments.

	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19
Billed	\$ 3,347,709	\$ 3,026,821	\$ 5,426,611	\$ 5,565,874	\$ 7,775,464	\$ 9,116,278
Net Savings	\$ 1,704,303	\$ 1,358,546	\$ 2,651,772	\$ 3,813,293	\$ 5,321,332	\$ 5,775,911
<b>% Savings</b>	<b>51%</b>	<b>45%</b>	<b>49%</b>	<b>69%</b>	<b>68%</b>	<b>63%</b>







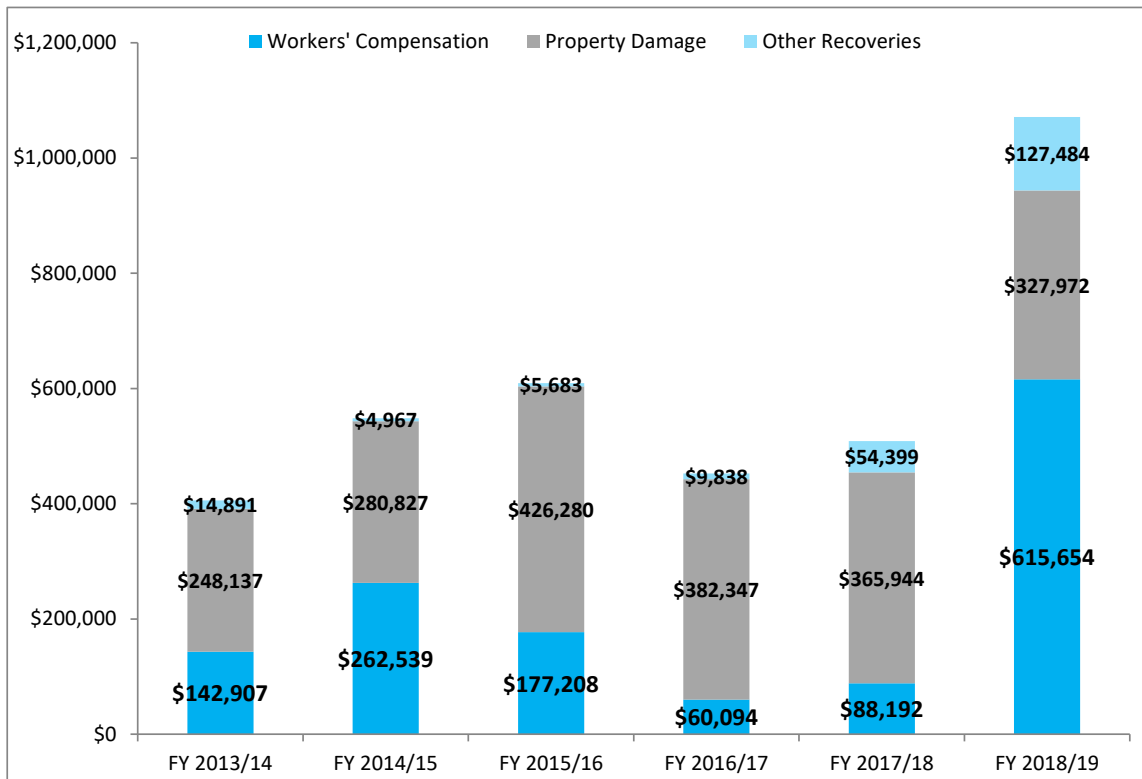
# Recoveries

In FY 2018/19 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 Property & Liability Adjuster continue to concentrate on recoveries of damage to city property.

The other recoveries are primarily from cost sharing for insurance coverage for off duty police officers.

The workers' compensation recoveries are predominantly reimbursements of claims 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 their financial liability on these claims, we must continue to manage them for as long as they are 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 2013/14	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19
Workers' Compensation	\$142,907	\$262,539	\$177,208	\$60,094	\$88,192	\$615,654
Property Damage	\$248,137	\$280,827	\$426,280	\$382,347	\$365,944	\$327,972
Other Recoveries	\$14,891	\$4,967	\$5,683	\$9,838	\$54,399	\$127,484
<b>Total Recoveries</b>	<b>\$405,935</b>	<b>\$548,333</b>	<b>\$609,170</b>	<b>\$452,279</b>	<b>\$508,535</b>	<b>\$1,071,110</b>





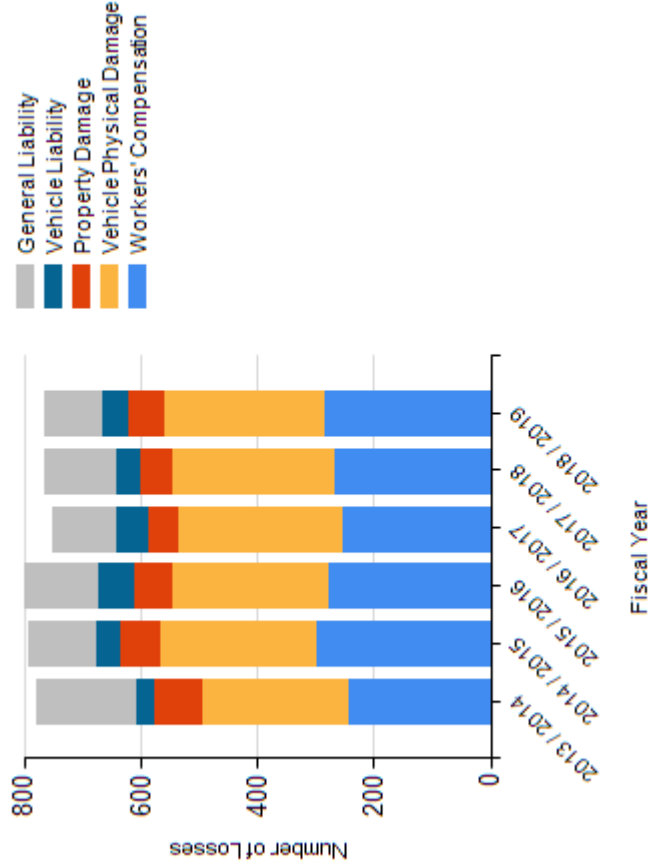


# All Divisions Combined Loss Performance

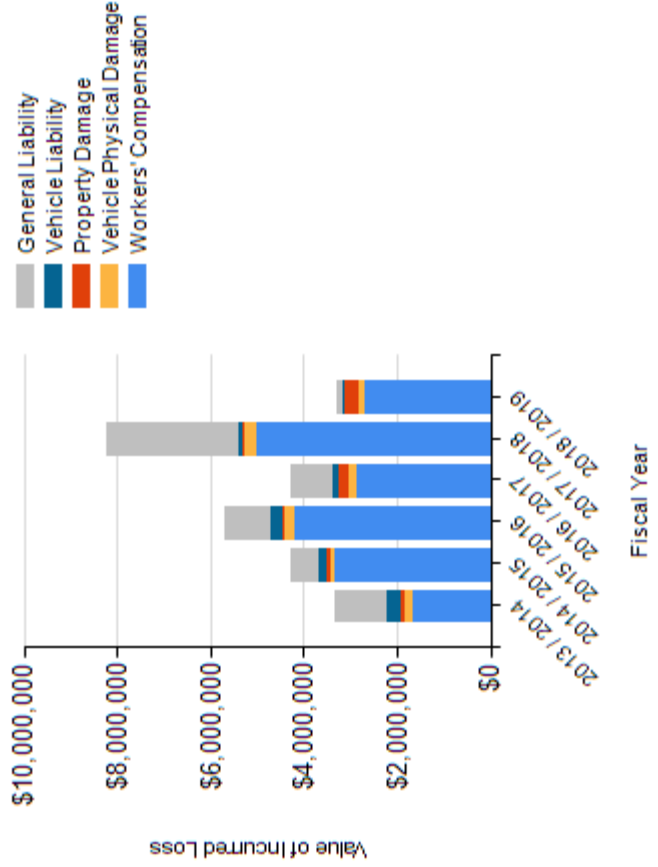
## Claim Frequency and Severity by Date of Loss

Claim Type	2013 / 2014		2014 / 2015		2015 / 2016		2016 / 2017		2017 / 2018		2018 / 2019	
	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity
General Liability	170	\$1,138,114	119	\$589,756	125	\$978,825	108	\$905,906	122	\$2,830,659	99	\$133,096
Vehicle Liability	34	\$285,458	39	\$173,147	63	\$250,269	55	\$120,929	41	\$97,343	43	\$64,280
Property Damage	80	\$83,001	71	\$61,949	63	\$36,927	50	\$205,282	56	\$39,486	63	\$274,632
Vehicle Physical Damage	251	\$175,337	266	\$94,570	270	\$230,822	282	\$207,026	277	\$221,900	274	\$149,230
Workers' Compensation	243	\$1,671,668	298	\$3,338,475	276	\$4,176,684	254	\$2,847,563	268	\$5,026,274	284	\$2,687,651
<b>City Total</b>	<b>778</b>	<b>\$3,353,578</b>	<b>793</b>	<b>\$4,257,898</b>	<b>797</b>	<b>\$5,673,527</b>	<b>749</b>	<b>\$4,286,706</b>	<b>764</b>	<b>\$8,215,662</b>	<b>763</b>	<b>\$3,308,888</b>

**Frequency of Claims**



**Severity of Claims**



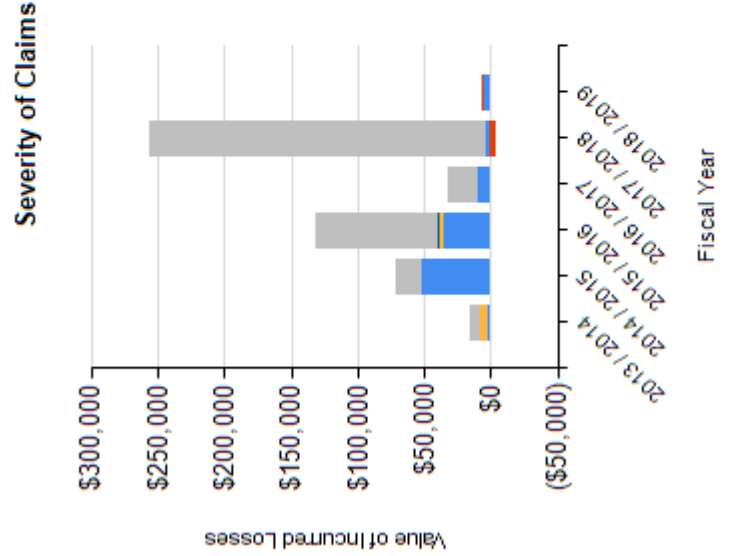
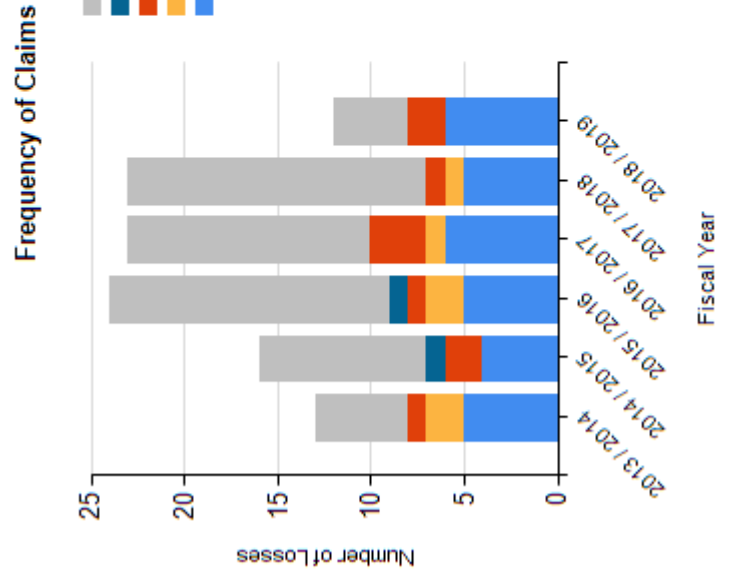




# Charter Officers Loss Performance

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

Claim Type	2013 / 2014		2014 / 2015		2015 / 2016		2016 / 2017		2017 / 2018		2018 / 2019	
	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity
General Liability	5	\$7,684	9	\$18,664	15	\$91,777	13	\$21,939	16	\$252,290	4	\$0
Vehicle Liability	0	\$0	1	\$0	1	\$965	0	\$0	0	\$0	0	\$0
Property Damage	1	\$0	2	\$0	1	\$0	3	\$0	1	(\$3,324)	2	\$1,513
Vehicle Physical Damage	2	\$6,856	0	\$0	2	\$4,296	1	\$0	1	\$0	0	\$0
Workers' Compensation	5	\$1,614	4	\$51,917	5	\$34,543	6	\$9,770	5	\$4,296	6	\$5,205
<b>Charter Officers Total</b>	<b>13</b>	<b>\$16,154</b>	<b>16</b>	<b>\$70,582</b>	<b>24</b>	<b>\$131,581</b>	<b>23</b>	<b>\$31,709</b>	<b>23</b>	<b>\$253,263</b>	<b>12</b>	<b>\$6,718</b>





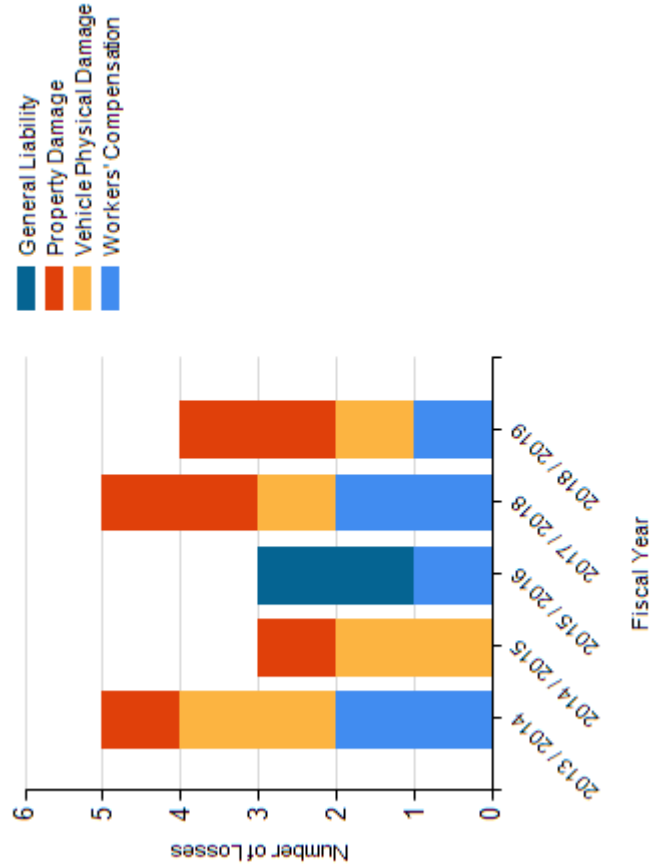


# Administrative Services Loss Performance

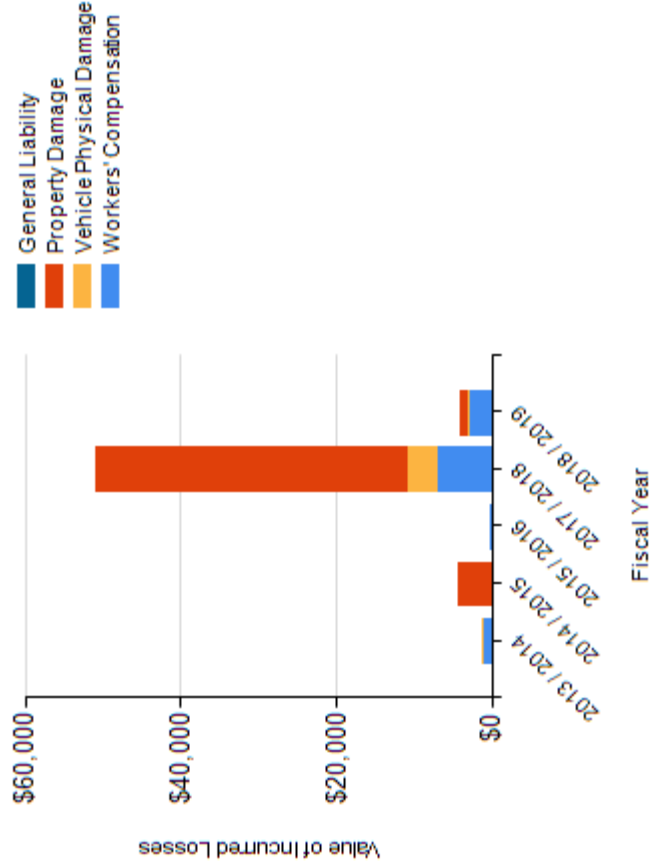
Claim Frequency and Severity by Date of Loss for Communications, Human Resources, Information Technology, and Purchasing

Claim Type	2013 / 2014		2014 / 2015		2015 / 2016		2017 / 2018		2018 / 2019	
	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity
General Liability	0	\$0	0	\$0	2	\$0	0	\$0	0	\$0
Property Damage	1	\$0	1	\$4,370	0	\$0	2	\$39,989	2	\$901
Vehicle Physical Damage	2	\$105	2	\$0	0	\$0	1	\$3,832	1	\$433
Workers' Compensation	2	\$1,115	0	\$0	1	\$190	2	\$6,946	1	\$2,700
<b>Administrative Services Total</b>	<b>5</b>	<b>\$1,220</b>	<b>3</b>	<b>\$4,370</b>	<b>3</b>	<b>\$190</b>	<b>5</b>	<b>\$50,767</b>	<b>4</b>	<b>\$4,034</b>

Frequency of Claims



Severity of Claims







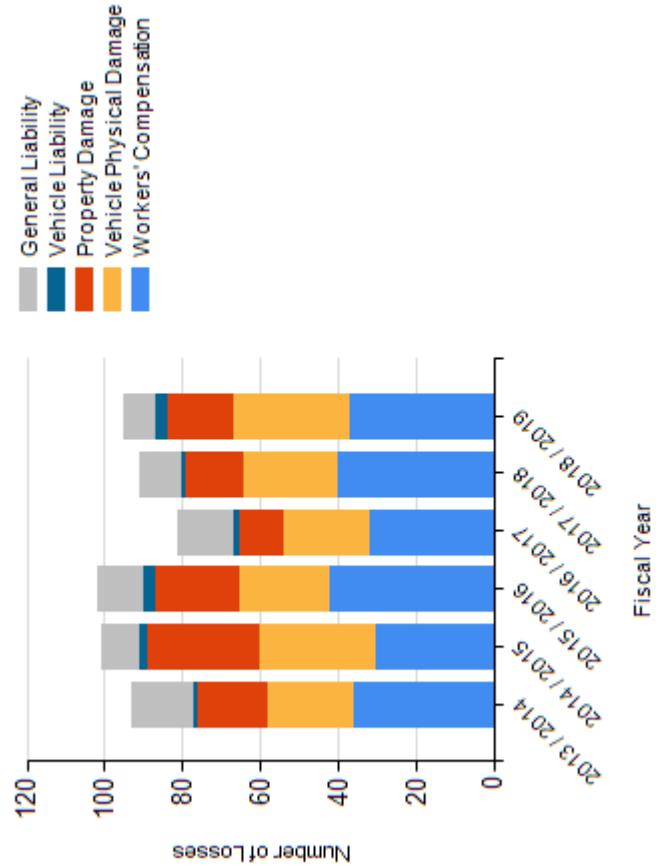


# Community Services Loss Performance

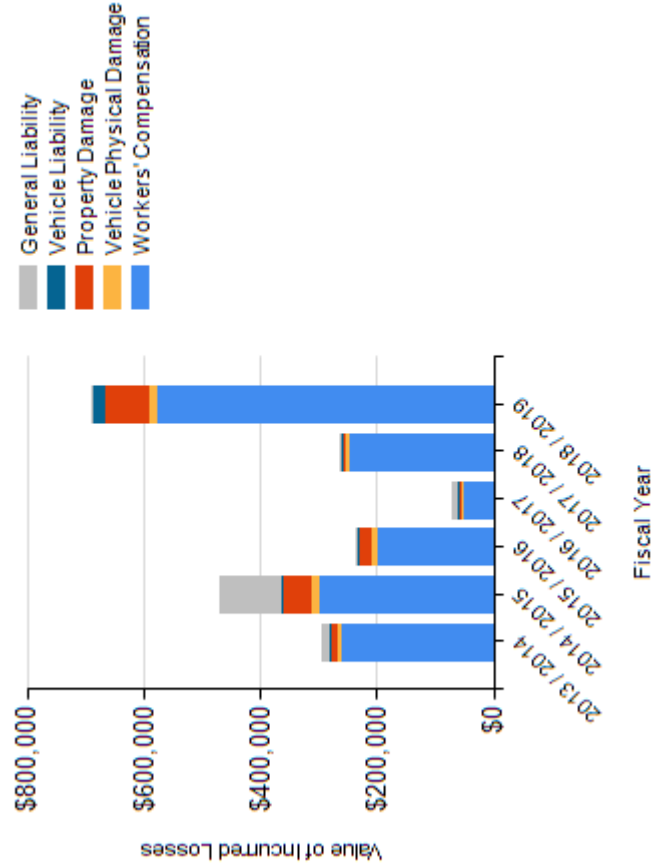
## Claim Frequency and Severity by Date of Loss for Human Services, Libraries, Parks & Recreation, and Preserve

Claim Type	2013 / 2014		2014 / 2015		2015 / 2016		2016 / 2017		2017 / 2018		2018 / 2019	
	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity
General Liability	16	\$12,969	10	\$103,264	12	\$1,290	14	\$7,529	11	\$5,297	8	\$1,053
Vehicle Liability	1	\$1,113	2	\$4,909	3	\$8,188	2	\$1,080	1	\$1,594	3	\$21,258
Property Damage	18	\$11,975	29	\$47,108	22	\$20,384	11	\$7,970	15	\$935	17	\$77,505
Vehicle Physical Damage	22	\$6,449	30	\$14,968	23	\$9,666	22	\$2,436	24	\$10,492	30	\$13,812
Workers' Compensation	36	\$260,324	30	\$297,305	42	\$198,000	32	\$50,694	40	\$245,365	37	\$575,083
<b>Community Services Total</b>	<b>93</b>	<b>\$292,829</b>	<b>101</b>	<b>\$467,552</b>	<b>102</b>	<b>\$237,527</b>	<b>81</b>	<b>\$69,709</b>	<b>91</b>	<b>\$263,684</b>	<b>95</b>	<b>\$688,711</b>

Frequency of Claims



Severity of Claims

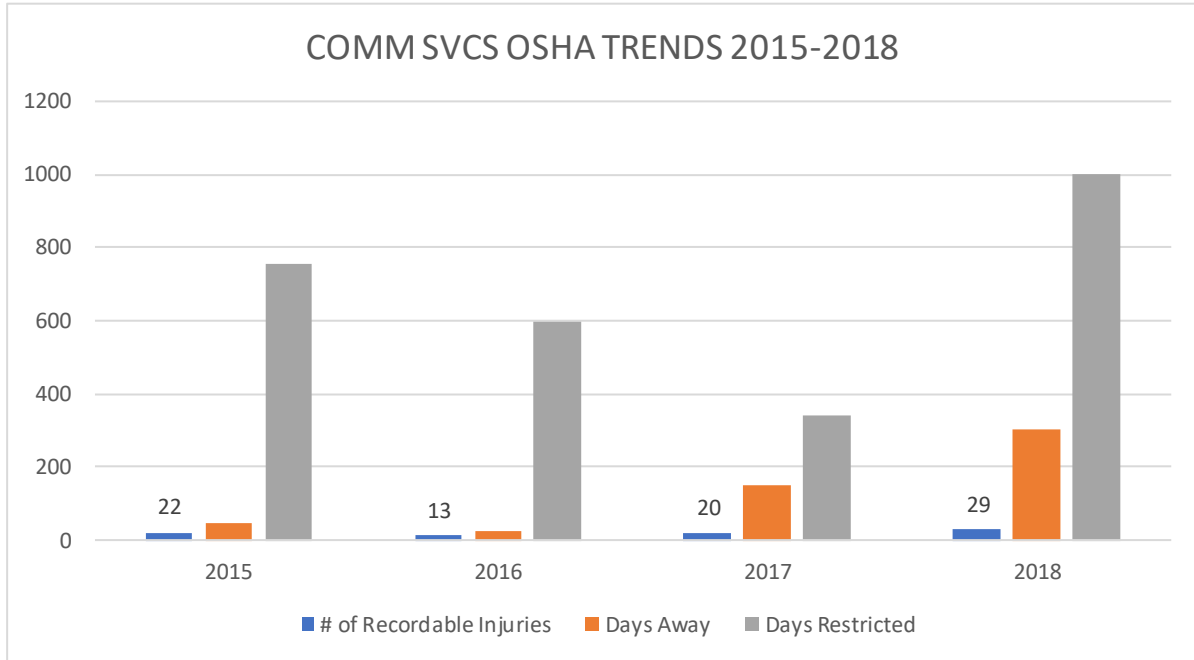




# Community Services Action Plan

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

### **RECOMMENDED ACTION PLAN**



### **Trends**

During calendar year 2018 Community Services had 5 Lost Workday cases (304 hours) compared to 2 cases (153 hours) in 2017.

*The main injury types experienced were:*

- Eleven strains/sprain
- Nine contusions
- Three lacerations

### **Goals for This Year**

- **Part-Time Staff:**

Assign monthly safety training through SharePoint and require completion of monthly safety quiz to reinforce the safety information. **Measurable:** Completion Reports will show 90% completion overall.

- **Full-Time Staff:**

Continue to require full-time staff in Parks and Recreation/Human Services/Preserve attend monthly safety meetings – and/or review monthly safety training notes sent out following the meeting. **Measurable:** Attendance reports will show a 65% attendance by full-time staff and 90% completion of reviewing the safety notes.

- **All Staff:**

Continue to conduct annual safety inspections of all Parks & Recreation/Human Services/Preserve work locations with the Safety Team. Provide the site staff with a report and any feedback or items needing to be addressed for safety. **Measurable:** Reports are saved on SharePoint and follow up documented for reference with 100% of all sites.

- **Safety Representative & Supervisors:**

Safety Representative will meet with supervisors regarding preventable injuries to explore the root cause and how changes might be implemented to avoid that type of injury in the future. **Measurable:** P&R Safety Representative will complete contact/discussion with supervisors for 90% of the injuries.

- **Safety Representative**

Information – education campaigns will be conducted for the top 3 types of accidents in Parks & Recreation/Human Services/Preserve over the next 12 months: Slips – Trips – Falls, Inattention, and Over-Exertion. **Measurable:** All staff will receive the information either at their work site or via electronic delivery for each campaign within year.



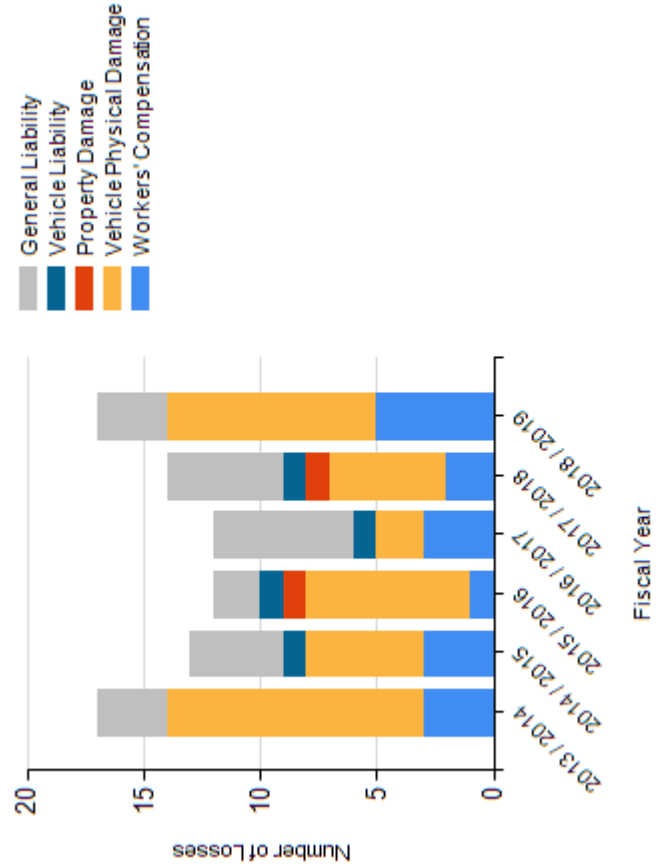


# Community & Economic Development Loss Performance

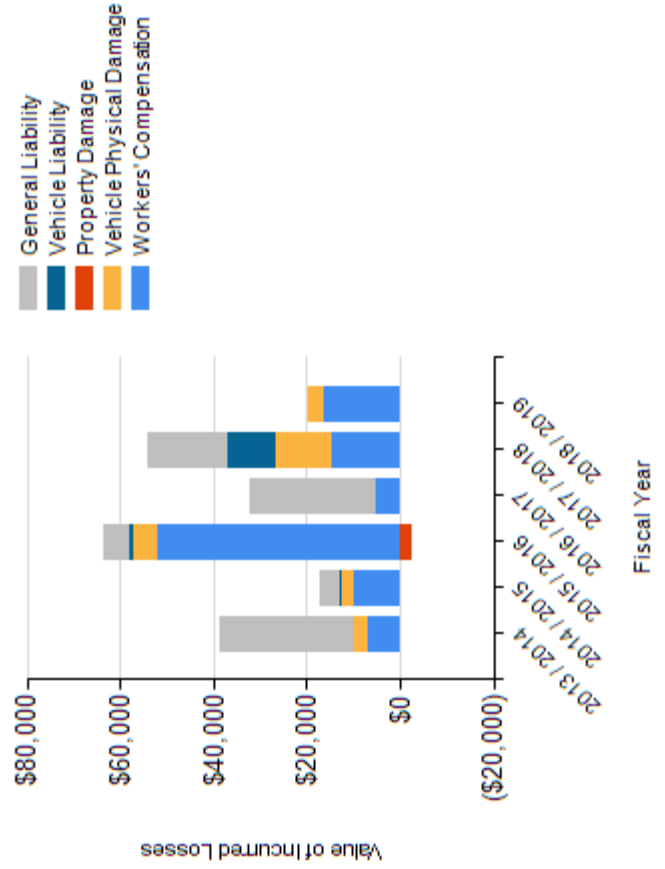
Claim Frequency and Severity by Date of Loss for Airport, Economic Development, Planning & Development, Tourism & Events, Transportation, and Westworld

Claim Type	2013 / 2014		2014 / 2015		2015 / 2016		2016 / 2017		2017 / 2018		2018 / 2019	
	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity
General Liability	3	\$29,099	4	\$4,250	2	\$5,416	6	\$26,996	5	\$16,771	3	\$0
Vehicle Liability	0	\$0	1	\$192	1	\$1,136	1	\$0	1	\$10,484	0	\$0
Property Damage	0	\$0	0	\$0	1	(\$2,565)	0	\$0	1	\$0	0	\$0
Vehicle Physical Damage	11	\$2,928	5	\$2,822	7	\$4,864	2	\$0	5	\$11,809	9	\$3,701
Workers' Compensation	3	\$6,776	3	\$10,007	1	\$52,085	3	\$5,020	2	\$14,842	5	\$16,162
<b>Community &amp; Economic Development Total</b>	<b>17</b>	<b>\$38,804</b>	<b>13</b>	<b>\$17,272</b>	<b>12</b>	<b>\$60,936</b>	<b>12</b>	<b>\$32,017</b>	<b>14</b>	<b>\$53,905</b>	<b>17</b>	<b>\$19,864</b>

Frequency of Claims



Severity of Claims





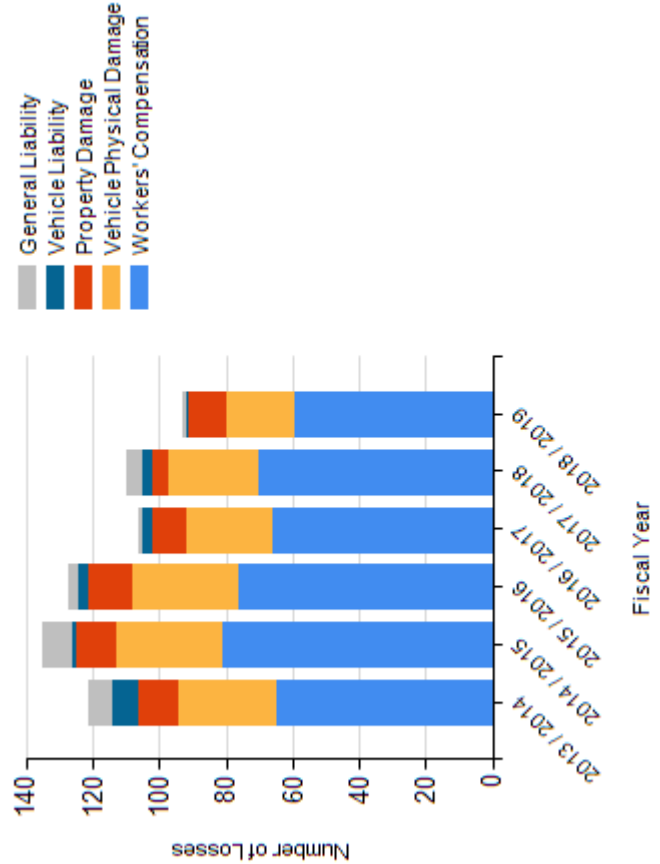


# Fire Department Loss Performance

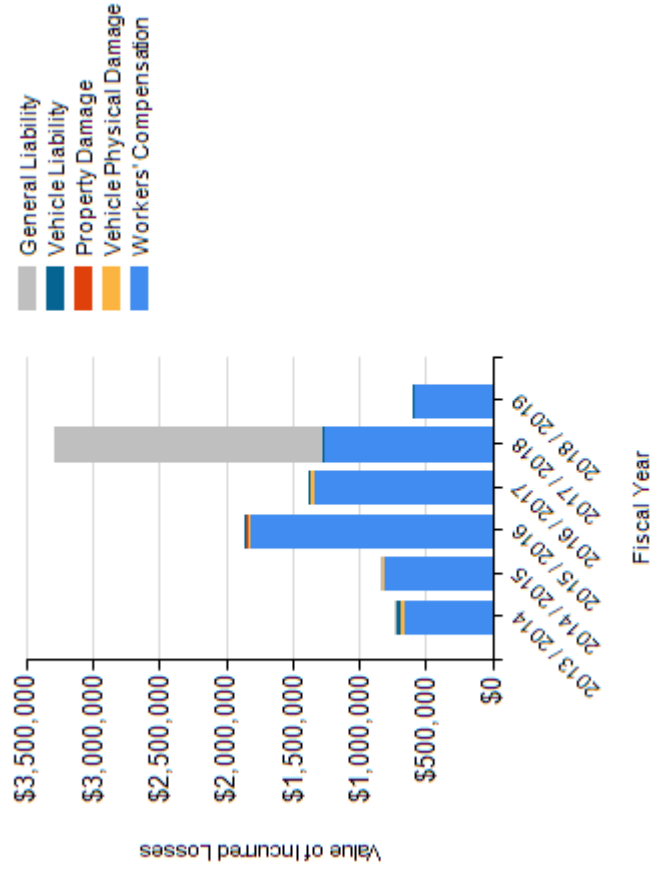
## Claim Frequency and Severity by Date of Loss for the Fire Department

Claim Type	2013 / 2014		2014 / 2015		2015 / 2016		2016 / 2017		2017 / 2018		2018 / 2019	
	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity
General Liability	7	\$9,940	9	\$2,554	3	\$0	1	\$0	5	\$2,000,869	1	\$0
Vehicle Liability	8	\$30,891	1	\$0	3	\$12,926	3	\$2,515	3	\$1,019	1	\$1,537
Property Damage	12	\$0	12	\$6,090	13	\$20,788	10	\$7,642	5	\$1,183	11	\$0
Vehicle Physical Damage	29	\$31,406	32	\$22,725	32	\$13,948	26	\$33,864	27	\$13,902	21	\$13,246
Workers' Compensation	65	\$657,580	81	\$805,362	76	\$1,812,068	66	\$1,336,837	70	\$1,262,235	59	\$583,863
<b>Fire Department Total</b>	<b>121</b>	<b>\$729,816</b>	<b>135</b>	<b>\$836,731</b>	<b>127</b>	<b>\$1,859,731</b>	<b>106</b>	<b>\$1,380,858</b>	<b>110</b>	<b>\$3,279,208</b>	<b>93</b>	<b>\$598,647</b>

Frequency of Claims



Severity of Claims



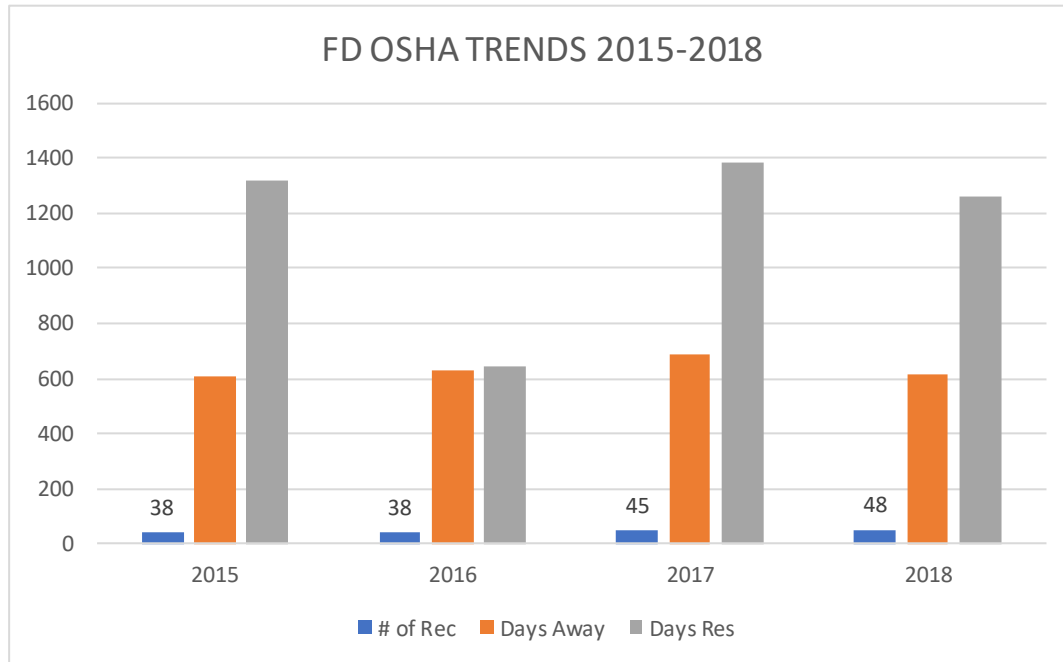




# Fire Department Action Plan

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

### **ACTION PLAN**



### **Trends**

- Injuries about the same as previous year. Restricted days slightly down.
- Needlesticks increased
- Slips, trips, and falls made up a large percentage of injury types
- Strains were the most common injury experience, nearly 50% of the total

### **Goals Not Met from Prior Year**

Utilized the Root Cause analysis form for all injuries that were deemed to be preventable and followed through on the corrective actions identified by the investigative team.

### **Goals for This Year**

- Conduct yearly Functional Movement Screenings on 85% of Sworn Fire personnel to identify asymmetries which result in functional movement deficiencies.
- Provide Needle Stick Prevention retraining to 95% of sworn fire personnel.



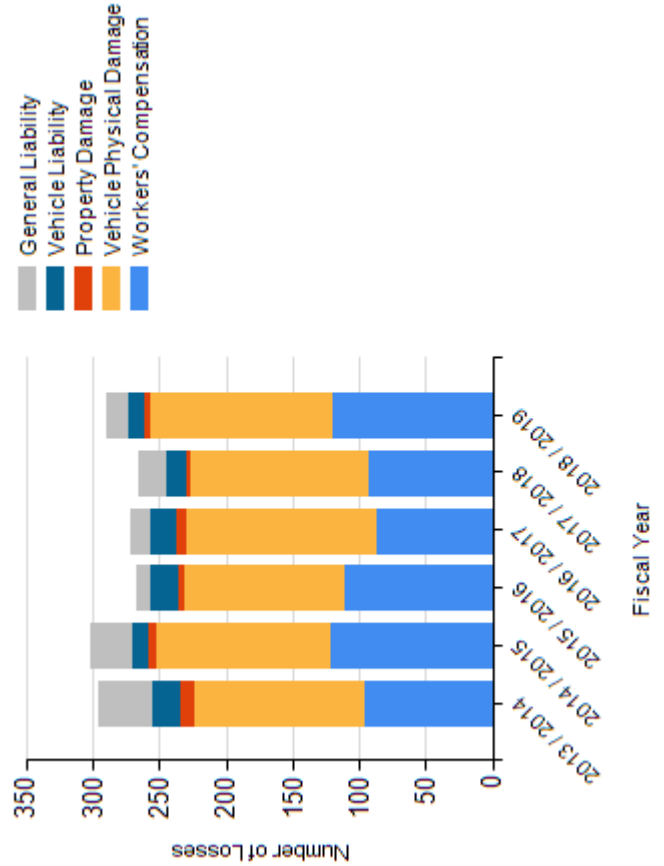


# Police Department Loss Performance

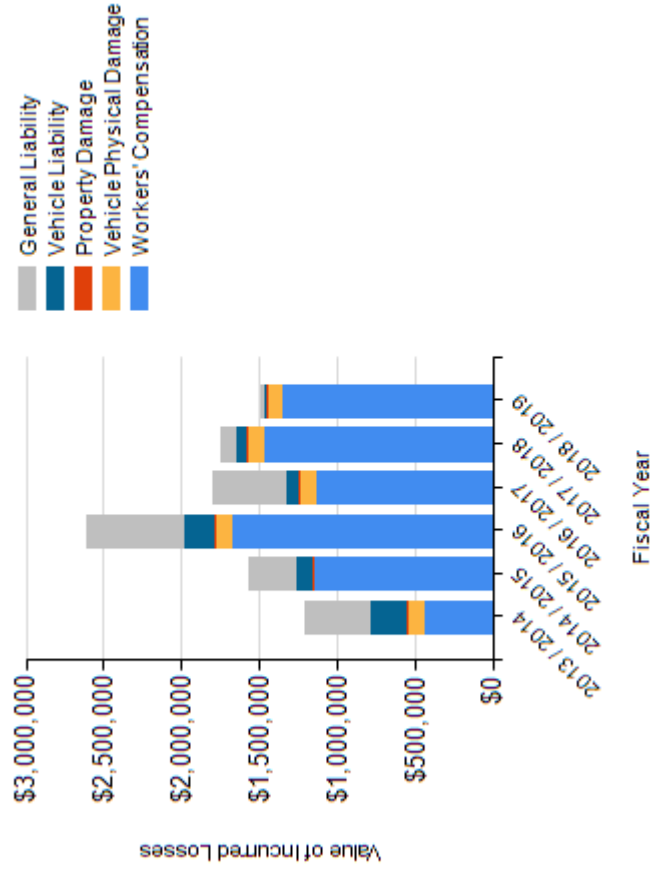
## Claim Frequency and Severity by Date of Loss for the Police Department

Claim Type	2013 / 2014		2014 / 2015		2015 / 2016		2016 / 2017		2017 / 2018		2018 / 2019	
	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity
General Liability	40	\$424,172	32	\$304,159	10	\$639,913	15	\$478,175	20	\$109,085	16	\$20,179
Vehicle Liability	21	\$241,125	12	\$99,545	21	\$189,846	19	\$79,826	15	\$66,343	12	\$18,513
Property Damage	11	\$10,344	6	\$4,219	5	\$79	7	\$12,294	4	\$128	4	\$5,685
Vehicle Physical Damage	128	\$100,932	131	\$11,004	120	\$113,936	144	\$102,842	134	\$108,465	137	\$90,007
Workers' Compensation	95	\$435,111	121	\$1,142,919	111	\$1,670,427	86	\$1,124,380	92	\$1,467,444	120	\$1,352,844
<b>Police Department Total</b>	<b>295</b>	<b>\$1,211,684</b>	<b>302</b>	<b>\$1,561,846</b>	<b>267</b>	<b>\$2,614,201</b>	<b>271</b>	<b>\$1,797,518</b>	<b>265</b>	<b>\$1,751,464</b>	<b>289</b>	<b>\$1,487,228</b>

Frequency of Claims



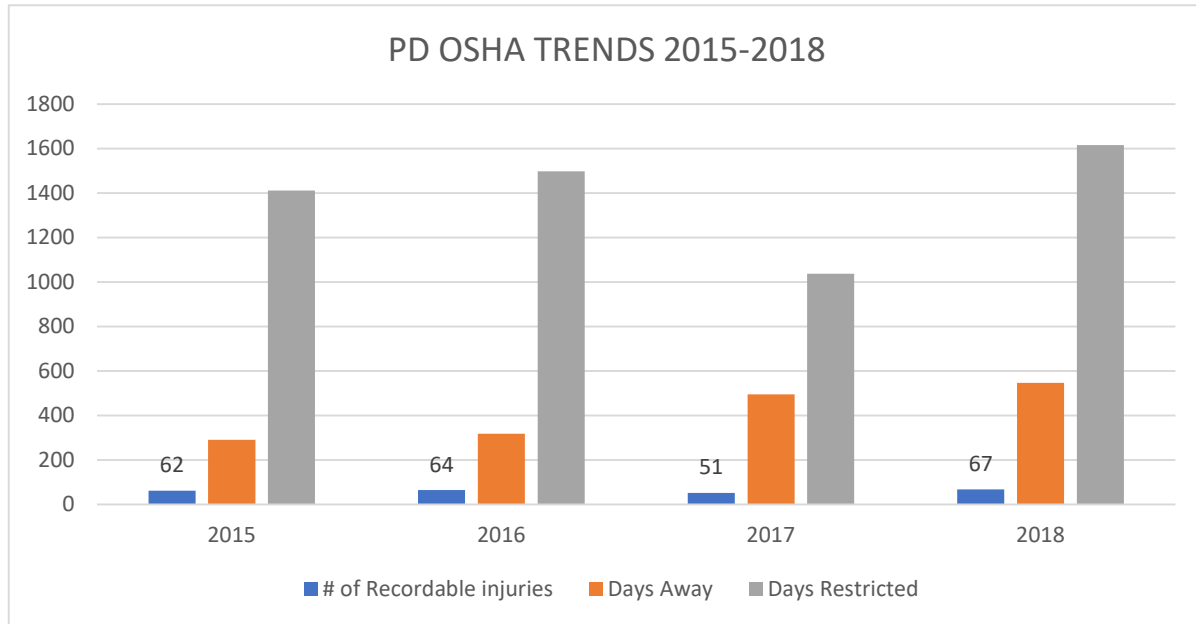
Severity of Claims





**Police Department Action Plan**  
**2019-20 Safety and Health Program**  
**Evaluation, Performance Objectives and Action Plan**

**ACTION PLAN**



**Trends**

- Both, lost workdays and restricted days increased
- Frequency of injuries and severity have gone up from last year

**Goals Met Year to Date**

- Utilized the Root Cause analysis form for the injuries that were deemed to be preventable and followed through on the corrective actions identified by the investigative team.
- Assigned a representative that attended the monthly City Safety Team meeting.

**Goals for 2019-20**

- Review and monitor Ground Fighting training to determine if changes are needed and ensure injuries are minimized
- Begin a Slips, Trips, and Falls publicity campaign to address this type of accident in the Police Department. Used will be posters, flyers, videos, and newsletters.

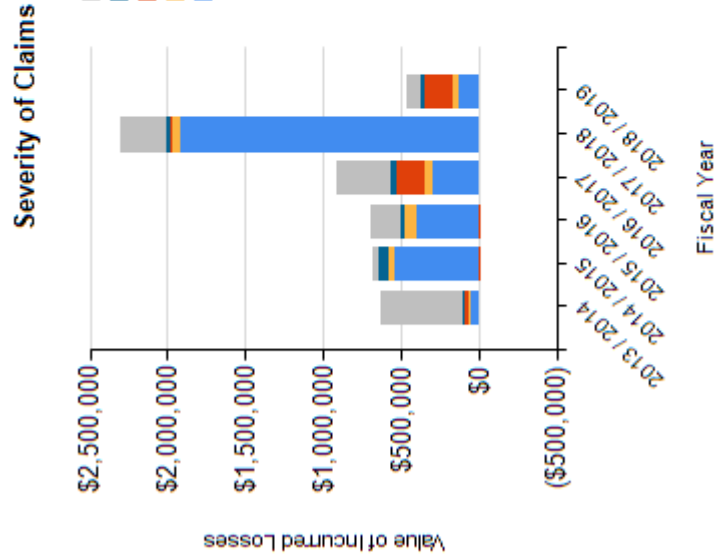
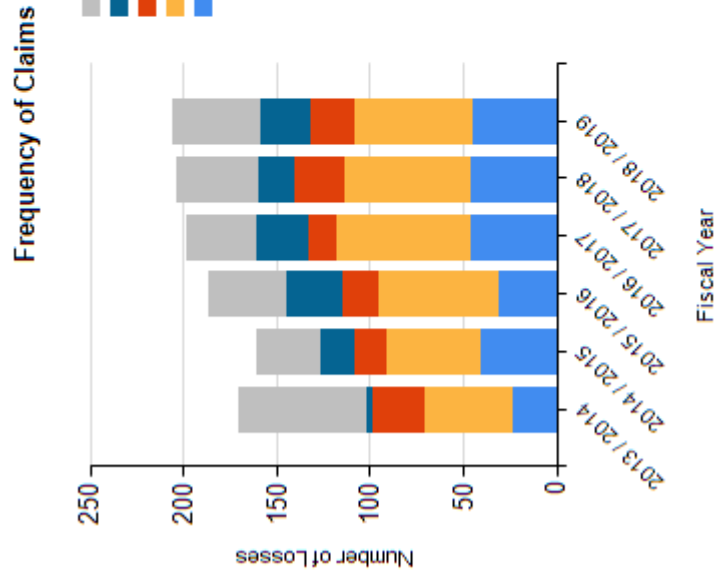




# Public Works Loss Performance

## Claim Frequency and Severity by Date of Loss for Capital Projects, Facilities, Fleet, Solid Waste, and Street Operations

Claim Type	2013 / 2014		2014 / 2015		2015 / 2016		2016 / 2017		2017 / 2018		2018 / 2019	
	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity
General Liability	68	\$527,898	35	\$47,724	41	\$190,446	37	\$346,892	44	\$298,272	48	\$91,456
Vehicle Liability	4	\$12,329	18	\$65,700	30	\$33,229	28	\$36,957	19	\$17,045	26	\$20,832
Property Damage	28	\$25,274	17	(\$3,659)	20	(\$1,759)	15	\$172,301	27	\$167	24	\$187,637
Vehicle Physical Damage	47	\$21,586	50	\$29,619	64	\$77,126	72	\$62,169	67	\$71,970	63	\$28,329
Workers' Compensation	23	\$47,540	41	\$542,262	31	\$394,429	46	\$289,357	46	\$1,911,560	45	\$131,558
<b>Public Works Total</b>	<b>170</b>	<b>\$634,627</b>	<b>161</b>	<b>\$681,646</b>	<b>186</b>	<b>\$693,471</b>	<b>198</b>	<b>\$907,677</b>	<b>203</b>	<b>\$2,299,014</b>	<b>206</b>	<b>\$459,812</b>

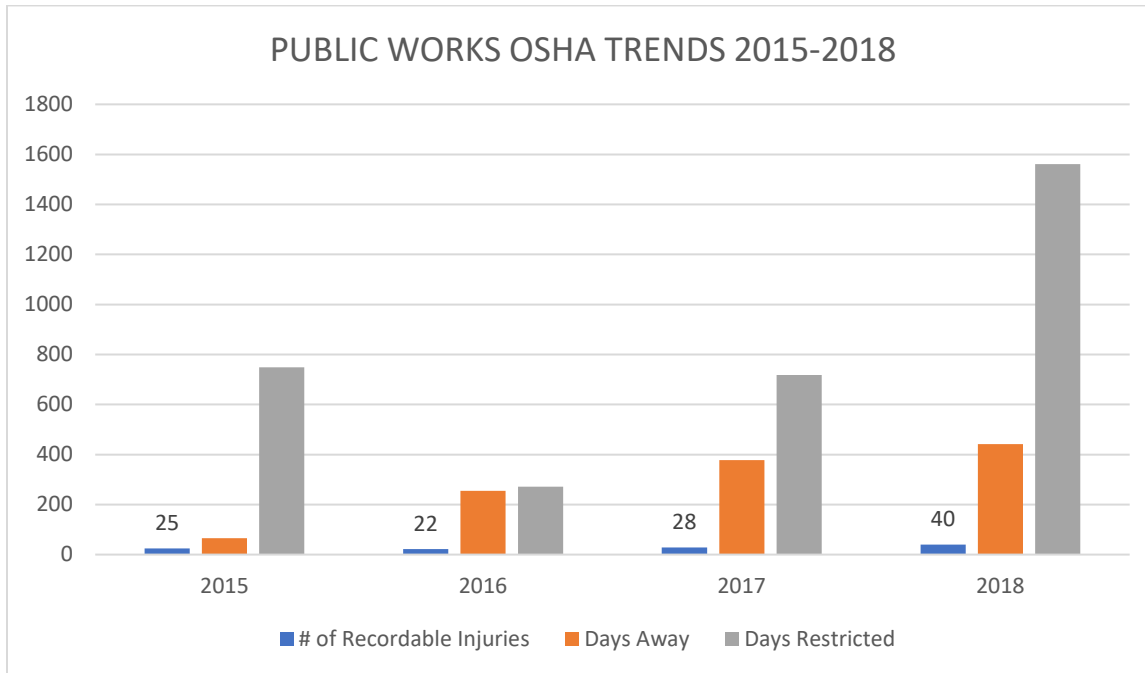






**Public Works Safety Action Plan**  
**2019/20 Annual Safety and Health Program**  
**Evaluation, Performance Objectives and Action Plan**

**RECOMMENDED ACTION PLAN**



**Trends**

For calendar year 2019, Public Works experienced 41 OSHA recordable injuries. The most common injuries were strains, contusions, and lacerations. Department breakout is as follows:

- Solid Waste: 17 injuries
- Fleet: 11 injuries
- Streets/Signals: 7 injuries
- Facilities: 4 injuries
- CPM: 1 injury

**Goals for This Year**

- Develop and implement a Slips, Trips, and Falls program to roll out to all Public Works employees.
- The Fleet Department will establish an employee team to review injuries and accidents associated with job positioning.
- Solid Waste will conduct a PPE review to identify if changes to equipment is warranted.
- Public Works will ensure 100% compliance with the Respiratory Protection and Hearing Conservation Programs.



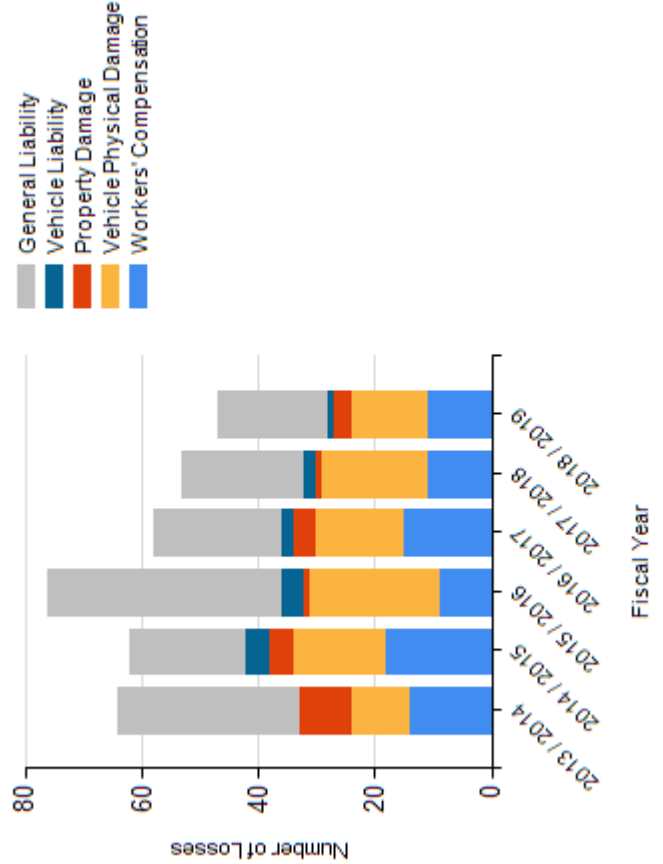


# Water Resources Loss Performance

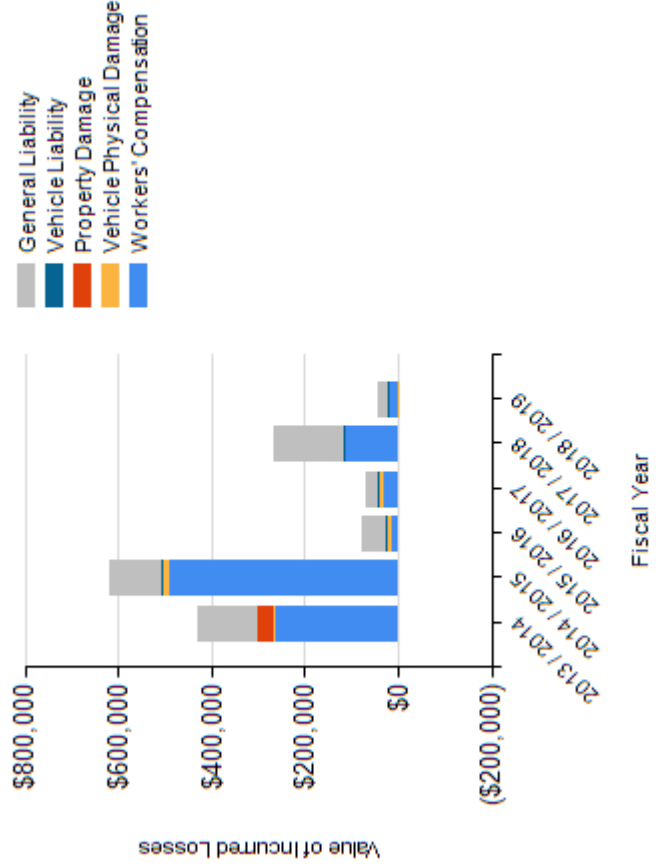
Claim Frequency and Severity by Date of Loss for Planning & Engineering, Reclamation Services, Water Quality, and Water Services

Claim Type	2013 / 2014		2014 / 2015		2015 / 2016		2016 / 2017		2017 / 2018		2018 / 2019	
	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity
General Liability	31	\$126,352	20	\$109,142	40	\$49,984	22	\$24,374	21	\$148,076	19	\$20,408
Vehicle Liability	0	\$0	4	\$2,801	4	\$3,979	2	\$550	2	\$857	1	\$2,139
Property Damage	9	\$35,409	4	\$3,821	1	\$0	4	\$5,076	1	\$407	3	\$1,392
Vehicle Physical Damage	10	\$5,075	16	\$13,433	22	\$6,986	15	\$5,715	18	\$1,430	13	(\$298)
Workers' Compensation	14	\$261,607	18	\$488,702	9	\$14,941	15	\$31,504	11	\$113,587	11	\$20,235
<b>Water Resources Total</b>	<b>64</b>	<b>\$428,444</b>	<b>62</b>	<b>\$617,899</b>	<b>76</b>	<b>\$75,890</b>	<b>58</b>	<b>\$67,219</b>	<b>53</b>	<b>\$264,357</b>	<b>47</b>	<b>\$43,876</b>

Frequency of Claims



Severity of Claims

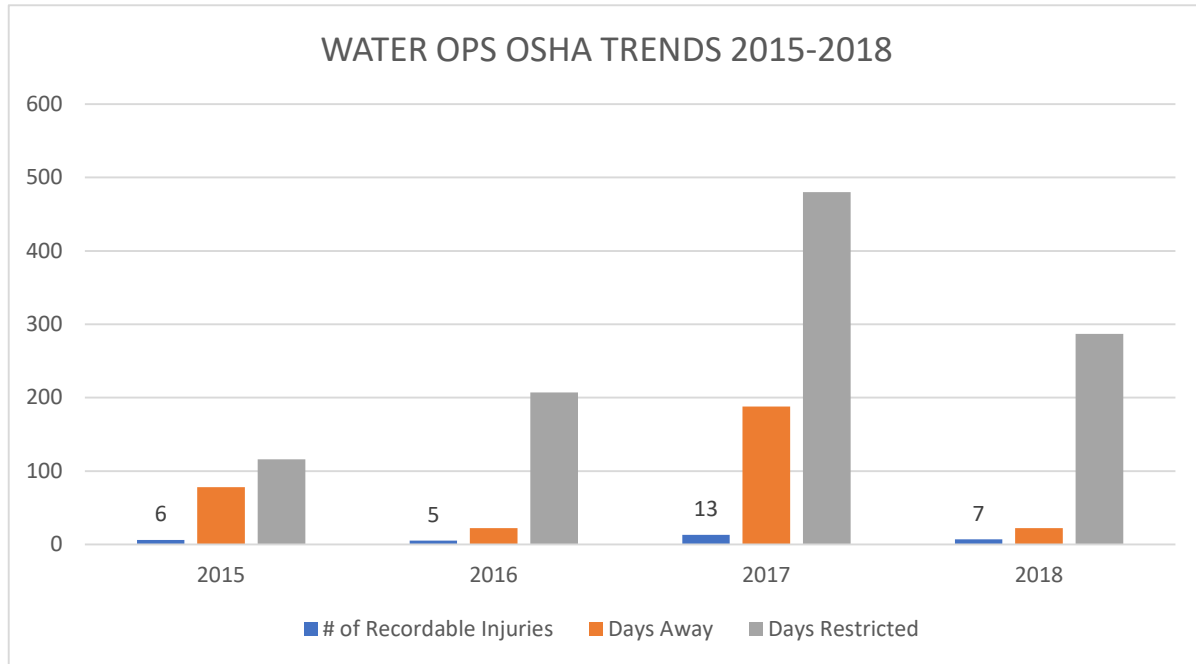




# Water Resources Action Plan

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

### **RECOMMENDED ACTION PLAN**



### **Trends**

During calendar year 2018 Water Resources had seven OSHA recordable injuries. There were four contusions, two strain/sprain, and one chemical exposure. Four of these injuries were deemed to be Preventable.

### **Goals for This Year**

- Goal No. 1 – Expand safety awareness within the Division, concentrating on the individual.

**Objective 1A** – Every WR employee has safety in their goals & objectives. WR will give employees opportunities to meet/exceed their individual goals & objectives by providing opportunities for them to develop and deliver Safety presentations in the monthly Division Safety meetings.

**Objective 1B** – The Water Resources Safety Committee will sponsor a Safety poster contest (with prizes) for individuals and groups to design safety posters which can be printed and displayed throughout the Division. Posters can be for all of Water Resources or for specific areas or plants.

**Objective 1C** – Complete the course of computer-based trainings begun in FY 18-19 which we can assign to employees working night shifts and others who cannot attend the monthly Safety meetings at either Water Operations or the Water Campus.

- Goal No. 2 – Develop an awareness at all levels of the safety challenges experienced by employees and supervisors in each work group throughout the Division. Concentrate on the education and training of front-line supervisors and team leads

**Objective 2A** - Security, Safety & Training Coordinators will visit job sites to assist employees to understand how safety in the field can be accomplished utilizing proper job setup techniques.

**Objective 2B** – Work closely with certain employee groups who have a much higher number of injuries and accidents than the average for other groups. Provide Supervisors and Team Leads with additional tools to keep their teams aware of common hazards in their specific work environment.

**Objective 2C** – Encourage Supervisors to institute regular “7-minute trainings/Tailgate talks” to address specific hazards encountered by their employees by assigning individual employees to develop and present these trainings on a rotating basis.



# Loss Trust Fund Annual Report

## Self-Insured Medical and Dental Plans

### FY 2018/19

#### **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 18/19. Two plans are identical with one plan utilizing the Open Access Plus (OAP) Network and one plan utilizes 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 – 68% of employees enrolled**

This is an exclusive provider plan similar to an HMO; participants pay specific co-payment 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 similar to 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 – 15% of employees enrolled**

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

#### **Cigna OAP + HSA – 11% 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 or out-of-network providers.

After analyzing our claims data, Cigna has found that 33% of our population has a chronic disease, of which 57% were engaged with the chronic coaching service. We carefully monitor our chronic diseases and our top disease states continue to be high blood pressure, high cholesterol, obesity, depression, asthma and diabetes. Comorbid members are those identified as having two or more chronic disease conditions. In FY 2018/19, our overall number of comorbid members decreased from 1,949 to 1,830. Cigna provides \$150,000 in a wellness fund to incentivize employees towards healthy behaviors. We use these funds to target our top disease states and continue to see increased participation in all of our class offerings, walking program and weight loss programs. This past fiscal year we held around 200 classes for approximately 4,000 employees regarding financial education, budgeting, social security, healthy cooking, exercise classes, weight watchers, stress and resilience, estate planning and retirement. Over 500 employees took advantage of one-on-one consultations with Nationwide. We implemented a tobacco surcharge in FY 2016/17 and will continue to have a surcharge in FY 2019/20. Additional strategies are outlined in the Live Life Well section.



Cigna continues to reimburse the City 100% of any prescription rebates and they are paid on a quarterly basis. We received \$1.2 million in pharmacy reimbursements for July 1, 2018 – June 30, 2019.

### 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, 2019, for the self-insured medical plans.

Revenues (a)	\$30 M
Expenses (b)	\$28.3 M
\$ Variance Favorable/ (Unfavorable) %	\$ .7 M
Variance Favorable/ (Unfavorable)	5%

(a) Includes amounts paid by the City, employees and PSPRS disabled retirees

(b) 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>FY 2016/17</u>	<u>FY 2017/18</u>	<u>FY 2018/19</u>
Cigna OAP In-Network	94%	107%	97%
Cigna LocalPlus In-Network Cigna OAP	n/a	76%	88%
Cigna HSA	79%	123%	110%
Overall (including city expenses)	50%	63%	48%
	91%	104%	95%

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

Our Cigna PPO dental plan ran at a favorable 95% loss ratio in FY 18/19. Preventive dental is important to one's overall health. For FY 18/19, we removed the deductible for preventive cleanings. We also increased the out-of-pocket maximum by \$200 for each year a member receives their preventive cleaning. Those that had a preventive cleaning in FY 18/19 will have their out-of-pocket maximum increase from \$1,500 to \$1,700. This out-of-pocket will continue to increase each year until a maximum of 3 years, or a maximum out-of-pocket 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 carries 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 \$650,000 in FY 18/19. There were two large claims which exceeded the stop loss and the City received \$100,000 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 31 catastrophic claims (over \$100,000) that resulted in payment of around \$5.5 million, or nearly 19% of the City's total medical plan payments for the year. Last year, the large claims accounted for 24% of total medical plan payments.

## Plan Demographics:

The following reflects medical plan enrollment at the beginning of FY 2018/19.

	<u>Employees/COBRA</u>	<u>Disabled Retirees</u>	<u>Total</u>
<b>Cigna OAP In-Network</b>			
Individual Only	425	5	430
Individual & Children	246	5	251
Individual & Spouse	220	2	222
Individual & Family	<u>521</u>	<u>2</u>	<u>523</u>
<b>Total</b>	<b>1,412</b>	<b>14</b>	<b>1,426</b>
<b>Cigna LocalPlus Network</b>			
Individual Only	52	0	52
Individual & Children	11	0	11
Individual & Spouse	15	0	15
Individual & Family	<u>39</u>	<u>0</u>	<u>39</u>
<b>Total</b>	<b>117</b>	<b>0</b>	<b>117</b>
<b>Cigna OAP</b>			
Individual Only	149	2	151
Individual & Children	41	2	43
Individual & Spouse	37	1	38
Individual & Family	<u>84</u>	<u>2</u>	<u>86</u>
<b>Total</b>	<b>311</b>	<b>7</b>	<b>318</b>
<b>Cigna OAP + HSA</b>			
Individual Only	131	1	138
Individual & Children	37	0	37
Individual & Spouse	23	1	24
Individual & Family	<u>46</u>	<u>0</u>	<u>46</u>
<b>Total</b>	<b>237</b>	<b>2</b>	<b>239</b>

## Employee Medical Rates

The plan experienced an approximate 6 percent rate increase for FY 2019/20. This included restoring the contribution percentage split requested by Council in FY 2012/13 of 80 percent plan premiums paid by the city and 20 percent paid by the employee for employee only (OAP In-Network/LocalPlus Network plans; and 75 percent plan premiums paid by the city and 25 percent paid by employees and their dependents. We continued the blood pressure incentive of \$20 per month for employees and \$20 per month for spouses. Two new recommendations were the Omada Diabetes Prevention Program (Omada) and Cigna One Guide (One Guide). Approximately 50 percent of our employee population is at risk for pre-diabetes, heart disease or other cardiovascular diseases. Pre-diabetics cost our plan approximately \$1,200 additionally in claims costs per year. Omada is an online delivery platform that offers an effective solution for addressing the obesity and diabetes epidemics and is run through our plan as a healthcare claim. By participating in the program, it is estimated that members will reduce their diabetes risk by 30 percent.

One Guide is a customized concierge program to increase customer service and help employees (and family members) make the most of their benefits. With 5,300 members enrolled in our various medical plans, there are many different needs. Employees will continue to call HR/Benefits or utilize the myCigna app for benefit-related questions.

But, with One Guide, members will receive personalized assistance in finding specialized medical care, scheduling appointments, obtaining prior authorizations, refilling medications, deciding which medical plan is optimal for them during open enrollment, along with other tailored cost-savings opportunities and programs.

**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 23 disabled retirees enrolled in July 2019. We anticipated that these plans would continue to run at a loss ratio. For FY 18/19 the funding loss ratio for the PSPRS disabled retirees was 171%. Retirees paid \$300,000 in premiums, but experienced \$500,000 in claims.

The following table reflects the FY 2019/20 rate models for the self-insured medical and dental plans.

## Monthly Benefit Premiums

July 1, 2018 to June 30, 2019	Monthly Premium Employees	Full Time Employee (City Contribution)
<b>City of Scottsdale Cigna OAP In-Network</b>		
Enrollee Only	\$666.00	\$133.00 (\$533.00)
Enrollee & Child(ren)	\$1208.00	\$302.00 (\$906.00)
Enrollee & Spouse/Partner	\$1441.00	\$360.00 (\$1081.00)
Enrollee & Family	\$2069.00	\$517.00 (\$1552.00)
<b>City of Scottsdale Cigna LocalPlus In-Network</b>		
Enrollee Only	\$603	\$121 (\$482.00)
Enrollee & Child(ren)	\$1093	\$273 (\$820.00)
Enrollee & Spouse/Partner	\$1304	\$326 (\$978.00)
Enrollee & Family	\$1873	\$468 (\$1405.00)
<b>City of Scottsdale Cigna OAP</b>		
Enrollee Only	\$582.00	\$93.00 (\$489.00)
Enrollee & Child(ren)	\$1058.00	\$222.00 (\$836.00)
Enrollee & Spouse/Partner	\$1261.00	\$265.00 (\$996.00)
Enrollee & Family	\$1811.00	\$380.00 (\$1431.00)
<b>City of Scottsdale Cigna OAP + HSA</b>		
Enrollee Only	\$557.00	\$56.00 (\$501.00)
Enrollee & Child(ren)	\$1011.00	\$172.00 (\$839.00)
Enrollee & Spouse/Partner	\$1206.00	\$217.00 (\$989.00)
Enrollee & Family	\$1731.00	\$346.00 (\$1385.00)
<b>Cigna PPO Dental</b>		
Enrollee Only	\$41.58	\$5.18 (\$36.40)
Enrollee & Child(ren)	\$74.82	\$34.28 (\$40.54)
Enrollee & Spouse/Partner	\$91.44	\$48.82 (\$42.62)
Enrollee & Family	\$123.70	\$77.96 (\$45.74)

## Cost Sharing Components – Self-Insured Medical Plans:

An important component of a self-insured program is plan design. Under a self-insured plan, the employer designs the schedules of benefits for participating employees. A successful plan design will incorporate cost sharing features between the employee and employer in order to maintain plan affordability and equity. Additionally, a self-insured plan should be designed to provide employees an incentive to be careful health care consumers and encourage wellness and prevention.

## 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. 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 results-oriented projects. 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. Awards include: One of the valley's healthiest employers for the past seven years by the Phoenix Business Journal; American Heart Association's Fit Friendly Gold Award for the fifth straight year; Cigna's Well-Being Award the last three out of four years; Official Gold Seal of Good Health Keeping from Wellness Council of Arizona for the past three years.

Two committees are responsible for the administration of the Live Life Well program: the Benefit Coordinating Committee (BCC) and the Total Benefits Advisory Committee (TBAC). The Benefit Coordinating Committee, comprised of upper level managerial employees, provides program oversight and 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:

- Biometric screenings - annual biometric screenings through an employee's Primary Care Physician or on-site screenings with an HRA (health risk assessment) which 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 2018/19 achieved 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 who had their blood pressure verified at >140/90 **and** completed the health risk assessment received a \$10 per paycheck discount. For FY 18/19 we extended this incentive to spouses.
- Tobacco surcharge – employees who self disclose they use tobacco and/or their dependent uses tobacco are charged \$10 per pay check, \$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.
- Preventive Dental - removed the \$50 deductible on cleanings.
- 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 \$25 incentive after completion.
- Mental Health – This upcoming year we are emphasizing mental health. We are incorporating mindfulness techniques, meditation and additional yoga classes. We also are training certain 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.
- 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 - emailed to employee and spouse's home email addresses to reach more family members.
- Benefit bulletin – a bi-weekly online email regarding various benefit and wellness topics is sent to all employees.



## FY 2018/19 Financial Position of the Trust

The Healthcare Self-Insurance Fund Five Year Financial Forecast on the following page reflects an actual FY 2018/19 ending fund balance of \$11.5 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 last page, rely 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. These are claims that have long periods of time between the date of the loss and the final full settlement. For example, a liability claim for a trip and fall might not be reported for six months or result in a lawsuit for up to one year. Thereafter, expenses for defense might linger for two or more years until the matter goes to trial or is ultimately settled. The Arizona Workers' Compensation law allows for continuing medical treatment for work related injuries for life. Therefore, old claims can be dormant but reopen for further treatment anytime resulting in a string of medical and lost income payments over time. In addition, loss of earning capacity is awarded for some work-related disabilities and is replacement income that is paid monthly for the life of the claimant.

Each year the Risk Management Fund's ending fund balance is compared to the actuary's projected amount of funds needed to ultimately close all outstanding self-insured claims. The actuary's projection is completed after the close of the fiscal year so that it captures all the new claims that occurred during the fiscal year. The actuary applies a variety of mathematical methods to historical loss information to develop the projected funding needed to settle all outstanding claims. The annual actuarial study provides a table of projected ultimate losses at various confidence levels. The Loss Trust Fund Board has selected the actuary 85% confidence interval as a target for funding each year. The 85% confidence level can be looked at like an 85% probability that funding will be enough to ultimately settle all claims.

The Actuarial Assessments at various confidence levels are summarized at the bottom of the Risk Management Fund Five-Year Financial Forecast, with the 85% confidence level highlighted. The total ending fund balance for Actual 2018/19 is \$22.2 million. This balance achieved an 80% confidence level when compared to the June 30, 2019 Actuary Report. The same June 30, 2019 Actuary Report is then used to update the confidence levels that were used from the June 30, 2018 Actuary Report for the Adopted FY 2019/20. The updated confidence levels are reflected in Approved 2019/20.

In conclusion, the Risk Management Fund ending balance for FY 2018/19 is adequately funded per the actuary's 80% confidence level. However, the balance is not funded at the 85% confidence level that the Loss Trust Fund Board has set for a target. It is anticipated that FY 2019/20 will achieve the updated, targeted 85% confidence level. Future budgets will be designed to ensure the most recent published 85% confidence level projection is met.



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

	Actual 2018/19 <sup>(a)</sup>	Adopted 2019/20	Approved 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25 <sup>(b)</sup>
<b>Beginning Fund Balance</b>								
Healthcare Claims Reserve	6,812,770	8,440,550	8,964,681	9,252,612	9,556,412	9,933,112	10,363,012	10,825,412
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
<b>Total Beginning Fund Balance</b>	<b>9,312,770</b>	<b>10,940,550</b>	<b>11,464,681</b>	<b>11,752,612</b>	<b>12,056,412</b>	<b>12,433,112</b>	<b>12,863,012</b>	<b>13,325,412</b>
<b>Revenues</b>								
Employer Contribution - Medical	22,774,565	24,347,313	24,347,313	26,282,100	28,371,700	30,628,500	33,065,700	33,065,700
Employee Contributions - Medical	7,141,324	7,613,343	7,613,343	8,235,400	8,907,200	9,632,800	10,416,500	10,416,500
Employer Contribution - Dental	804,385	931,400	931,400	950,000	969,000	988,400	1,008,200	1,008,200
Employee Contributions - Dental	759,253	786,359	786,359	802,100	818,100	834,500	851,200	851,200
Miscellaneous	286,949	322,316	322,316	326,900	331,600	336,800	341,600	341,600
Disabled Retiree Contributions	230,610	282,972	282,972	297,200	312,000	327,600	344,000	344,000
<b>Subtotal</b>	<b>31,997,086</b>	<b>34,283,703</b>	<b>34,283,703</b>	<b>36,893,700</b>	<b>39,709,600</b>	<b>42,748,600</b>	<b>46,027,200</b>	<b>46,027,200</b>
<b>Transfers In</b>								
Operating	146,386	143,319	143,319	165,700	190,600	217,500	247,500	247,500
<b>Subtotal</b>	<b>146,386</b>	<b>143,319</b>	<b>143,319</b>	<b>165,700</b>	<b>190,600</b>	<b>217,500</b>	<b>247,500</b>	<b>247,500</b>
<b>Total Sources</b>	<b>32,143,472</b>	<b>34,427,022</b>	<b>34,427,022</b>	<b>37,059,400</b>	<b>39,900,200</b>	<b>42,966,100</b>	<b>46,274,700</b>	<b>46,274,700</b>
<b>Expenditures</b>								
Medical Claims	26,965,298	30,867,972	30,867,972	33,323,700	35,976,100	38,840,300	41,934,000	41,934,000
Dental Claims	1,447,866	1,460,184	1,460,184	1,504,000	1,549,100	1,595,600	1,643,400	1,643,400
Insurance & Bond Premiums	658,730	667,319	667,319	720,800	778,400	840,600	907,900	907,900
Administrative Fees	422,567	503,055	503,055	526,600	551,200	577,400	605,100	605,100
Live Life Well Program	249,959	344,316	344,316	344,900	344,900	344,900	344,900	344,900
City Administration	173,609	206,773	206,773	236,600	216,800	222,100	252,800	252,800
Behavioral Health Insurance Claims	73,532	84,306	84,306	88,800	93,700	98,800	104,300	104,300
Citywide Pay Program	-	2,860	2,860	5,900	9,000	12,200	15,600	15,600
Compensation Other	-	2,306	2,306	4,300	4,300	4,300	4,300	4,300
<b>Subtotal</b>	<b>29,991,561</b>	<b>34,139,091</b>	<b>34,139,091</b>	<b>36,755,600</b>	<b>39,523,500</b>	<b>42,536,200</b>	<b>45,812,300</b>	<b>45,812,300</b>
TOTAL OPERATING BUDGET	29,991,561	34,139,091	34,139,091	36,755,600	39,523,500	42,536,200	45,812,300	45,812,300
<b>Total Uses</b>	<b>29,991,561</b>	<b>34,139,091</b>	<b>34,139,091</b>	<b>36,755,600</b>	<b>39,523,500</b>	<b>42,536,200</b>	<b>45,812,300</b>	<b>45,812,300</b>
<b>Sources Over/(Under) Uses</b>	<b>2,151,911</b>	<b>287,931</b>	<b>287,931</b>	<b>303,800</b>	<b>376,700</b>	<b>429,900</b>	<b>462,400</b>	<b>462,400</b>
<b>Ending Fund Balance</b>								
Healthcare Claims Reserve	8,964,681	8,728,481	9,252,612	9,556,412	9,933,112	10,363,012	10,825,412	11,287,812
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
<b>Total Ending Fund Balance</b>	<b>11,464,681</b>	<b>11,228,481</b>	<b>11,752,612</b>	<b>12,056,412</b>	<b>12,433,112</b>	<b>12,863,012</b>	<b>13,325,412</b>	<b>13,787,812</b>

(a) Unaudited.

(b) FY 2024/25 Sources and Uses mirror FY 2023/24 Sources and Uses. FY 2024/25 is included as a placeholder for the sole purpose of this report. The FY 2024/25 Sources and Uses will be updated appropriately during the FY 2020/21 budget development process.





**CITY OF SCOTTSDALE  
RISK MANAGEMENT FUND  
FIVE YEAR FINANCIAL FORECAST**

	Actual 2018/19 <sup>(a)</sup>	Adopted 2019/20	Approved 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25 <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	19,007,354	20,176,262	19,685,252	19,965,007	21,755,707	23,124,307	24,286,207	25,313,107
<b>Total Beginning Fund Balance</b>	<b>21,507,354</b>	<b>22,676,262</b>	<b>22,185,252</b>	<b>22,465,007</b>	<b>24,255,707</b>	<b>25,624,307</b>	<b>26,786,207</b>	<b>27,813,107</b>
<b>Revenues</b>								
Self Insurance (Property and Workers Comp)	9,500,000	10,500,000	10,500,000	11,400,000	11,800,000	11,900,000	12,100,000	12,100,000
Reimbursements from Outside Sources	764,944	450,000	450,000	450,000	450,000	450,000	450,000	450,000
Property Tax	320,667	251,471	251,471	330,000	330,000	330,000	330,000	330,000
Miscellaneous	445,836	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Unemployment Claims	112,226	100,000	100,000	100,000	100,000	100,000	100,000	100,000
<b>Subtotal</b>	<b>11,143,673</b>	<b>11,401,471</b>	<b>11,401,471</b>	<b>12,880,000</b>	<b>12,780,000</b>	<b>12,880,000</b>	<b>13,080,000</b>	<b>13,080,000</b>
<b>Total Sources</b>	<b>11,143,673</b>	<b>11,401,471</b>	<b>11,401,471</b>	<b>12,880,000</b>	<b>12,780,000</b>	<b>12,880,000</b>	<b>13,080,000</b>	<b>13,080,000</b>
<b>Expenditures</b>								
Insurance & Bond Premiums	1,969,017	2,566,000	2,566,000	2,688,500	2,819,500	2,957,000	3,101,400	3,101,400
Liability	1,494,437	2,719,206	2,719,206	2,777,200	2,833,900	2,892,500	2,953,700	2,953,700
Physical Damage	894,692	430,024	430,024	439,000	448,100	457,000	467,000	467,000
Risk Management	1,078,086	1,230,288	1,289,033	1,469,000	1,483,400	1,498,900	1,514,000	1,514,000
Safety Grants Program	9,193	25,500	25,500	26,100	26,500	27,200	27,700	27,700
Unemployment	30,227	35,000	35,000	35,700	36,500	37,200	38,000	38,000
Workers Compensation	4,982,821	3,469,000	3,469,000	3,542,900	3,615,100	3,690,000	3,768,300	3,768,300
Citywide Pay Program	-	23,212	-	48,100	70,000	91,600	110,700	110,700
Compensation Other	-	39,506	3,290	56,900	57,200	57,400	57,600	57,600
Fuel and Maint and Repair	-	-	683	-	-	-	-	-
Vacation Trade	-	2,139	2,139	2,200	2,300	2,300	2,400	2,400
<b>Subtotal</b>	<b>10,458,473</b>	<b>10,539,875</b>	<b>10,539,875</b>	<b>11,085,800</b>	<b>11,392,500</b>	<b>11,711,500</b>	<b>12,040,800</b>	<b>12,040,800</b>
TOTAL OPERATING BUDGET	10,458,473	10,539,875	10,539,875	11,085,800	11,392,500	11,711,500	12,040,800	12,040,800
<b>Transfers Out</b>								
CIP Technology	7,302	581,841	581,841	3,500	18,900	6,600	12,300	12,300
<b>Subtotal</b>	<b>7,302</b>	<b>581,841</b>	<b>581,841</b>	<b>3,500</b>	<b>18,900</b>	<b>6,600</b>	<b>12,300</b>	<b>12,300</b>
<b>Total Uses</b>	<b>10,465,775</b>	<b>11,121,716</b>	<b>11,121,716</b>	<b>11,089,300</b>	<b>11,411,400</b>	<b>11,718,100</b>	<b>12,053,100</b>	<b>12,053,100</b>
<b>Sources Over/(Under) Uses</b>	<b>677,898</b>	<b>279,755</b>	<b>279,755</b>	<b>1,790,700</b>	<b>1,368,600</b>	<b>1,161,900</b>	<b>1,026,900</b>	<b>1,026,900</b>
<b>Ending Fund Balance</b>								
Operating Contingency	1,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Operating Reserve	20,685,252	20,456,017	19,965,007	21,755,707	23,124,307	24,286,207	25,313,107	26,340,007
<b>Total Ending Fund Balance <sup>(b)</sup></b>	<b>22,185,252</b>	<b>22,956,017</b>	<b>22,465,007</b>	<b>24,255,707</b>	<b>25,624,307</b>	<b>26,786,207</b>	<b>27,813,107</b>	<b>28,840,007</b>
<b>Actuarial Assessment</b>								
50%-55% Expected	19,208,819	20,130,566	18,719,636	20,177,683	21,340,694	22,299,868	23,100,770	23,983,026
75% Confidence Level	21,129,701	22,143,623	20,591,600	22,195,451	23,474,763	24,529,855	25,410,847	26,381,329
80% Confidence Level	22,090,142	23,150,151	21,527,581	23,204,335	24,541,798	25,644,848	26,565,886	27,580,480
85% Confidence Level	23,050,583	24,156,679	22,463,563	24,213,220	25,608,833	26,759,842	27,720,924	28,779,631
90% Confidence Level	24,011,024	25,163,208	23,399,545	25,222,104	26,675,868	27,874,835	28,875,963	29,978,783

Note: To prepare FY 2019/20 Adopted Budget the Actuarial Assessment used to achieve the 85% Confidence Level was dated June 30, 2018, which was the most recent assessment available at the time of the budget development. FY 2019/20 Approved Budget reflects the most recent assessment as of June 30, 2019.

<sup>(a)</sup> Unaudited

<sup>(b)</sup> Sources and/or Uses will be modified as needed during the budget development process to ensure the 85% Confidence Level is met.

<sup>(c)</sup> FY 2024/25 Sources and Uses mirror FY 2023/24 Sources and Uses. FY 2024/25 is included as a placeholder only for the sole purpose of this report. The FY 2024/25 Sources and Uses will be updated appropriately during the FY 2020/21 budget development process.

November 14, 2019

To: The Honorable Mayor and City Council

Re: Report and Recommendations from the Advisory Trustees of the Loss Trust Fund

Scottsdale Revised Code 2-171 requires that the Loss Trust Fund Advisory Trustees are required to meet at least once per year and submit a report to the City Council regarding the status of the Loss Trust Fund. During FY 2018/19. The Loss Trust Fund board met on November 7, 2018 and February 13, 2018. This memo serves as the Trustees' required report for the fiscal year ending June 30, 2019 as discussed during the Loss Trust Fund board meeting held on November 13, 2019.

The FY 2018/19 Risk Management Annual Report is attached, which contains the statistical and financial details of the Loss Trust Fund as of June 30, 2019.

### **Risk Management Fund**

The FY 2018/19 Risk Management Fund ending balance of \$21.1 million has reached the actuary 80% confidence level. The Loss Trust Fund Advisory Board has recommended that the fund balance be maintained at no less than the actuarial 85% confidence level, which was not achieved for FY 2018/19. However, budget development for FY 2019-20 is designed to meet the 85% confidence interval at year end.

The Advisory Trustees concluded that as of June 30, 2019, the Risk Management portion of the Loss Trust Fund (General Liability, Workers' Compensation, Vehicle Liability, Vehicle Physical Damage and Property claims) is adequately funded to address future financial claim obligations.

### **Self-Insured Group Health Fund**

The Healthcare Self-Insurance Fund ending balance for FY 2018/19 is \$8.9 million of reserve. The City uses an internal calculation to determine an appropriate fund balance, which includes a reserve for large claims beyond what was anticipated, and a 30-day reserve for incurred but not reported (IBNR) claims. The Healthcare Self-Insurance Fund ending balance historically has met the large claims and IBNR reserve needs. The excess per person insurance or "Stop Loss" minimizes any affect a large loss might have and the projections for total uses and sources are relatively stable.

**Ongoing Financial Controls**

The Advisory Trustees also wish to advise that the financial status of the Loss Trust Fund is regularly monitored and updated by the City Treasurer's and City Attorney's staff. The Board is confident that any material changes identified during the fiscal year will be reported to the Board and City Council timely.

Respectfully submitted this 14<sup>th</sup> day of November 2019.

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Richard O'Connor, Chairman  
Loss Trust Fund Board Advisory Trustees