



BOARD OF ALDERMEN
CITY OF SHELTON
BUDGET WORKSHOP MINUTES
MAY 15, 2025
SHELTON CITY HALL, 54 HILL STREET, SHELTON, CT

Call to Order/Pledge of Allegiance

Alderman Anglace called the Board of Aldermen Budget Workshop to order at 7:00 p.m. in the auditorium at Shelton City Hall. All those present stood and pledged allegiance to the Flag of the United States of America.

Roll Call

Alderman John F. Anglace, Jr., President – Present
Alderman Eric McPherson, Vice President – Present
Alderman Cris Balamaci – Present
Alderman Lorenzo Durante – Present
Alderman Porter McKinnon – Present
Alderman Anthony Simonetti – Present
Alderman Bernie Simons – Present
Alderman Benjamin Perry – Present

Also Present

Ray O'Leary, Treasurer
Paul Hiller, Finance Director – Via Zoom Grace Zweig, Incoming Finance Director

Joe Pinto, IMA Financial Group

Alderman Anglace: We are pleased to have with us Joe Pinto.

Joe Pinto: For those of you who have not met me, my name is Joe Pinto. I am an agent with IMA Financial. We used to be Sinclair Risk, we got bought right in the middle of the process of the City hiring us last year. I am the benefits broker for the City. We took over the account last June. The City, as you know, was with Cigna in a self-insured plan for several years. We did an analysis, looking at several options including the Connecticut State Partnership Plan and we looked at self-insured options with other carriers. The option that made the most financial sense for the City and the Board of Ed was to go with an Aetna option. We switched the plan to Aetna midyear, we did it on November 1, 2024. Instead of having everything with Aetna, we broke it up. The Stop Loss Insurance company is Fidelity Insurance, the pharmacy benefits are managed by Meritain, which is a subsidiary of Aetna. Aetna is the third party administrator and it is their network of physicians that the employees have access to. The projected decrease from switching from Cigna to Aetna was over a million dollar estimate. Obviously

being self-insured it is all estimates. The plan has run very well this year. I want to walk you through some claim information, some budget estimates and then I will take any questions that you might have. You can see July, August, September and October were with Cigna. November with claims through April

MONTHLY CLAIMS

Month	***Headcount***			Proj. Claims	Active Medical	Retiree Medical	Run out from Cigna	Combined RX	Rebates	Specific Claims	Lasers	Total Paid Claims
	Active	Retiree	Enrolled									
CIGNA												
Jul. 24	545	42	587	\$1,364,188	\$1,087,330	n/a		\$314,757		\$0	\$0	\$1,402,087
Aug. 24	545	42	587	\$1,364,188	\$862,221	n/a		\$356,710		\$0	\$0	\$1,218,931
Sep. 24	542	42	584	\$1,357,216	\$769,631	n/a		\$333,343		\$0	\$0	\$1,102,974
Oct. 24	542	42	584	\$1,357,216	\$764,932	n/a		\$374,399		\$383,705	\$0	\$1,139,331
AETNA												
Nov. 24	542	42	584	\$1,357,216	\$180,315	\$4,312	\$410,529	\$184,283		\$0	\$0	\$779,439
Dec. 24	542	42	584	\$1,357,216	\$688,913	\$53,339	\$96,735	\$291,249		\$0	\$0	\$1,130,236
Jan. 25	544	42	586	\$1,361,864	\$760,418	\$100,802	(\$4,016)	\$339,620		\$0	\$0	\$1,196,824
Feb. 25	542	41	583	\$1,354,892	\$792,665	\$95,728	\$33,929	\$378,799	\$182,423	\$0	\$0	\$1,301,121
Mar. 25	539	43	582	\$1,352,568	\$1,183,517	\$187,173	\$6,740	\$361,388		\$9,228	\$39,948	\$1,778,766
Apr. 25	537	43	580	\$1,347,920	\$890,001	\$61,974	\$5,121	\$388,495				\$1,345,591
May 25												
Jun. 25												
Totals	4,344	335	4,679		\$7,979,943	\$503,328	\$549,038	\$3,323,043	\$182,423	\$392,933	\$39,948	\$12,395,300
Average	543	42	585	\$0	\$806,055	\$55,925	\$61,004	\$369,227		\$43,659	\$4,439	\$1,549,413



were with Aetna. The total claims paid out – on the next page it is broken out between City and Board of Ed, but total claims paid so far this year through 10 months has been \$12.4 million. That is actually down from last year. When you flip the page there is claim trending.

CLAIM TRENDS

Medical Claims - Combined				Medical Claims - City				Medical Claims - BOE			
Plan Year	Paid Under Stop Loss	Avg. # of EEs	Paid Per EE	Plan Year	Paid Under Stop Loss	Avg. # of EEs	Paid Per EE	Plan Year	Paid Under Stop Loss	Avg. # of EEs	Paid Per EE
2023-24	\$13,072,624	541	\$24,164	2023-24	\$4,665,967	129	\$36,170	2023-24	\$8,406,657	412	\$20,405
2024-25 YTD	\$9,032,309	-	-	2024-25 YTD	\$3,436,614	-	-	2024-25 YTD	\$5,595,695	-	-
2024-25 Annualized	\$9,944,774	584	\$17,029	2024-25 Annualized	\$3,951,736	150	\$26,345	2024-25 Annualized	\$6,633,331	434	\$15,284

Prescription Claims - Combined				Prescription Claims - City				Prescription Claims - BOE			
Plan Year	Paid Under Stop Loss	Avg. # of EEs	Paid Per EE	Plan Year	Paid Under Stop Loss	Avg. # of EEs	Paid Per EE	Plan Year	Paid Under Stop Loss	Avg. # of EEs	Paid Per EE
2023-24	\$4,301,782	541	\$7,952	2023-24	\$1,070,433	129	\$8,298	2023-24	\$3,231,349	412	\$7,843
2024-25 YTD	\$3,323,043	-	-	2024-25 YTD	\$941,756	-	-	2024-25 YTD	\$2,381,287	-	-
2024-25 Annualized	\$3,987,652	584	\$6,828	2024-25 Annualized	\$1,130,107	150	\$7,534	2024-25 Annualized	\$2,857,544	434	\$6,584

Above does not include rebates from meritan

Total Claims - Combined				Total Claims - City				Total Claims - BOE			
Plan Year	Paid Under Stop Loss	Avg. # of EEs	Paid Per EE	Plan Year	Paid Under Stop Loss	Avg. # of EEs	Paid Per EE	Plan Year	Paid Under Stop Loss	Avg. # of EEs	Paid Per EE
2023-24	\$17,374,406	541	\$32,115	2023-24	\$5,736,400	129	\$44,468	2023-24	\$11,638,006	412	\$28,248
2024-25 YTD	\$12,355,352	-	-	2024-25 YTD	\$4,378,370	-	-	2024-25 YTD	\$7,976,982	-	-
2024-25 Annualized	\$14,572,718	584	\$24,953	2024-25 Annualized	\$5,081,843	150	\$33,879	2024-25 Annualized	\$9,490,875	434	\$21,868



Medical Claims – Combined, Prescription Claims – Combined, and then Total Claims – Combined. It is probably easiest if we go through the total claims and then if you want to back up and look at medical versus prescription, we can do that. \$12.4 million year to date. On this page there is a little bit of lag on some of the claims so it says \$12.35 million. The annualized claims for this year will be, unless something goes haywire between now and the end of June, \$14.572 million in total claims. That is down significantly from 23-24, last fiscal year, where it was \$17.3 million. Claims are actually down quite a bit. The average claim paid per employee has gone from \$32,000 to what we projected to be down around \$25,000. The reason for that is Cigna was more expensive. At the end of the day Cigna's pharmacy payouts were much higher than the negotiated rates that Meritain has with the same pharmacy utilization. When we switched the plan there were no differences in the pharmacies that people had to access, there was no real difference in the prescriptions that they could access. If you were on Lipitor before, you could still be Lipitor. If you were on Farxiga before, you could still be on Farxiga. There was no, other than a couple of here and there, prescriptions people had to switch to. Everything was basically the same.

Alderman Balamaci: So, they could stay on the brand as opposed to generic.

Joe Pinto: Generic if available, but for a lot of the drugs we are seeing generic might not be available or as effective, they are not making people use the particular generic. The prescription claims have gone down quite a bit. The medical claims have also gone down. Some of that is due to the fact that Aetna has lower negotiated medical rates with Griffin Health and its affiliates. Obviously, we are in the Valley. Not everybody that works for the City and Board of Education live in the Valley, but a lot of the people do live in this area and use Griffin physicians, Griffin Hospital for their services. Lower negotiated rates were an advantage for the town and Board of Ed plan as well. So, claims are trending quite a bit down. Any questions on the claims?

Alderman Perry: What do you attribute that to?

Joe Pinto: The prescriptions, negotiated rates. Utilization is about the same. People are seeing the doctor about as frequently as before.

Alderman Balamaci: I noticed from the last printout I had that it looks like you renegotiated the admin fees and they came down a little.

Joe Pinto: We did. Interestingly enough, Aetna's subsidiary, Meritain, that does the pharmacy also will be a TPA (Third Party Administrator) for these health plans. We went to Meritain, Meritain came in at a lower rate and I took that back to Aetna and said listen, we are going to move the TPA services over to your sister company if you don't do something for us. That prompted them to drop their rates without having to change the plan again this year because we don't want to have to go through that with the unions and employees. When you change the plan there is a lot of disruption, people aren't used to the same card and people get upset about kind of silly things, but being able to keep everything the way it was and still save money on that was pretty good.

Alderman Balamaci: Can you give me a rationale as to why we stopped the aggregate coverage? We are kind of small and if you had total claim coverage, I think that would be beneficial to this entity.

Joe Pinto: The reason that we stopped – actually the aggregate claim coverage was decided before we came on last year. The conversations that we had with Paul and the Mayor last year regarding the aggregate coverage, the City has never come close to an aggregate claim. You run pretty well, so the individual stop loss really is sufficient. Aggregate coverage is very cheap because they don't ever pay out. You are saving yourself a little bit of money for something you never were really going to use anyway. I might look at it differently as well.

Alderman Balamaci: From what I see on both sides of the house, the utilization of employees on both sides of the house go to the physician quite a bit. The frequency to me would be beneficial to still carry that coverage.

Joe Pinto: It is something we could always back on if that were the decision.

Alderman Simonetti: What is aggregate claims?

Joe Pinto: When you have a self-insured group, you have individual stop loss. The City is responsible for each person on the plan up to \$200,000. Anything over \$200,000 is paid for by stop loss insurance. Aggregate stop loss then puts another level where if you had worst case scenario – we manage these plans and have never seen an aggregate stop loss claim – but it puts a second level of insurance on top of that. Basically, if everybody was getting to the point where we were having individual stop loss hits on a high frequency of members of the plan, then that would kick in and the City would just stop paying for everything all together.

Alderman Balamaci: When we did have the plan, again I know it was before you and you may not know, what was our cap on that total aggregate?

Joe Pinto: It is a moving figure. Since I wasn't managing the plan when you had one, I don't know. The aggregate, what they call the attachment point, is a moving target every year.

Alderman Simonetti: The medical costs for the City are much higher than that of the Board of Education. Is there some critical reason for that? Are there older people? More one group than another?

Joe Pinto: You are looking at the current employees. You have an older group with the City. There is more utilization. When your City employees are going to the doctor it is for more significant services.

Alderman Balamaci: Does the TPA, or Aetna, notify at the 50% SIR (Self-Insured Retention) to the employer so they are put on notice that a large fund..

Alderman Anglace: What is an SIR?

Joe Pinto: Self-Insured Retention. The \$200,000 that the City is responsible for of each person on the plan.

Alderman McKinnon: You and Cris speak the same language, but I am hearing Chinese here.

Alderman Balamaci: But you don't really need to know, if he answered differently then I would explain what we were talking about.

Alderman McKinnon: I love the fact that you know what you are talking about, that is a great asset for us that you understand what is going on. To what you have said today so far, you may as well have said it in Chinese. It does not make any sense to me.

Joe Pinto: What can I explain deeper for you?

Alderman McKinnon: Just some basic questions. I don't know a whole lot about health insurance plans and how these things work. First of all, we are self-insured, so that means, from what I understand, you just said that we pay as the City up to \$200,000 for any claim that any employee might have over the course of that year. Any one person over the course of the entire year. That is where these numbers come from so that I understand. (yes) What does Aetna contribute? You say we have a plan with Aetna. Is it only beyond \$200,000 or why do we have a plan with Aetna if we pay up to \$200,000.

Joe Pinto: It is not even Aetna that is paying, honestly. The easiest way to walk through the basics of it is if you went to the last page, Projected Plan Cost & Renewal.

PROJECTED PLAN COST & RENEWAL

	<u>23-24</u> <u>Total</u> <u>Cigna</u> <u>7/1/23 - 6/30/24</u>	<u>24-24 Estimated</u> <u>Total</u> <u>AETNA</u> <u>7/1/24 - 6/30/25</u>	<u>24-25 Projected</u> <u>Total</u> <u>AETNA</u> <u>7/1/24 - 6/30/25</u>	<u>25-26 Renewal</u> <u>Total</u> <u>AETNA</u> <u>7/1/25 - 6/30/26</u>
Counts				
Employee Only	584	584	584	584
Specific Coverage				
Employee Only	\$175,000 12/12	\$200,000 15/12	\$200,000 15/12	\$200,000 15/12
	\$271.67	\$355.48	\$355.48	\$369.05
Annualized Specific Premium	\$1,903,863	\$2,491,204	\$2,491,204	\$2,586,302
Aggregate Coverage				
Attachment Point	12/12	No Coverage	No Coverage	No Coverage
Employee Only Factor	\$18,284,713	\$0	\$0	\$0
PMPM Premium	\$2,809.12	\$0.00	\$0.00	\$0.00
Annualized Aggregate Premium	\$96,851	\$0	\$0	\$0
Expected Claims				
Medical & Rx	\$17,374,406	\$16,441,102	\$14,572,718	\$15,301,354
Estimated Rx Rebates	\$0	\$1,434,403	\$500,000	\$1,100,000
Total Expected Claims	\$17,374,406	\$15,006,699	\$13,802,660	\$13,917,793
Administrative Fees				
Claims, Network, URC, Plan Docs.	\$5.97 # EEs 584	\$41.50 # EEs 584	\$41.50 # EEs 584	\$33.46 # EEs 584
PCORI Fee	\$0.00	\$0.00	\$0.00	\$0.00
Teladoc	\$0.00	\$0.00	\$0.00	\$0.00
Annual Administrative Fees	\$41,838	\$193,888	\$193,888	\$234,488
Total Fixed Costs	\$2,042,552	\$2,685,092	\$2,685,092	\$2,820,790
Expected Plan Cost	\$19,416,958	\$17,691,790	\$16,487,752	\$16,738,583



I can walk you through the components of the plan a little bit easier that way as it will be visual for you. If you are looking at – let's start with the column on the left – 23-24 Total Cigna. That was the projection of where we were last year. Employee count 584, that is members on the plan not counting spouses and children. Specific coverage, \$175,000. When you renewed with Cigna in 2023 the City's self-insured retention was \$175,000 per employee. The lower that number is, the higher your insurance premium will be. We went from \$175,000 to \$200,000 for retention because we were able to negotiate better stop loss insurance rates. Specific coverage is the stop loss coverage.

Alderman McKinnon: So the \$355 in 24 estimated total or the \$271 under 23-24, we pay that as the City to Aetna?

Joe Pinto: That's not paid to Aetna. That's paid to another insurance company, Fidelity Security is the name of that insurance company, for the stop loss insurance only. That is the only component they are responsible for. Then you have aggregate coverage, which you had. Actually you see the attachment point here is \$18.2 million in 2023. Then the City dropped the aggregate coverage effective last year, 7/1/24. Then you have the claims. That is the second component of the total cost of the plan. Stop loss insurance and the claims. In 2023 you finished out at \$17,374 million in claims. The projected estimate with Aetna was \$15 million. Then projected where you will be at the end of the year based on claims to date is \$13.8 million. Then if you push that out, we are writing a 5% trend on that, which brings you to about \$13.9 million which is what we think the claims will be next year.

Alderman McKinnon: If we went from \$175,000 to \$200,000 and our rate went up ..

Joe Pinto: Based on prior experience there were a lot more stop loss hits in the past.

Alderman McKinnon: But you said you have never seen it go to ...

Joe Pinto: That's aggregate. This is individual stop loss coverage. There is coverage on every person on the plan. The aggregate is on the plan itself.

Alderman McKinnon: The aggregate is on the \$18 million and we never hit that \$18 million mark. Okay.

Alderman Simonetti: As Porter said, I agree it is Chinese. Are we paying the first \$200,000 of every claim?

Joe Pinto: Of every person on the plan. So, \$200,000 for the police officer, \$200,000 for his wife and then \$200,000 for each of his children.

Alderman Simonetti: Does the employee chip in on any of that?

Joe Pinto: Depending on the plan. Some employees chip in, some don't.

Alderman Balamaci: The cost of the stop loss, I did check and you are right at the right market value, you didn't inflate it and did it as realistic. Do you think – again I don't have the average of how many

large loss claims we had, but I remember last year we had may around 16? Where I worked, we had to raise our stop loss SIR. I'm just curious, I don't think that is a same thing for us here. I think we are pretty lucky to be able to keep it low.

Joe Pinto: Last year it was necessary to raise it. Based on how it is running now, it does not need a conversation.

Alderman Simonetti: What is this number, 12/12, 15/12, 15/12, 15/12?

Joe Pinto: 12/12 – the stop loss coverage means that the City will collect claims on anything above \$175,000 in the first one for any claims that were incurred and paid in the 12 month period of the policy, so 12/12. Incurred in 12 months, paid in 12 months. When we moved to Aetna, because we moved midyear, we did a look back on the stop loss. We did a three month look back. The way the Cigna contract was, anything that wasn't paid by the end of June of last year, if any large claims extended beyond that, the City wouldn't get the benefit of the stop loss insurance. So we did a three month look back on that. The way we did it was, if anything got paid on those large claims retrospectively, three months prior to the inception of the new plan with Aetna, the City would still have the coverage. We didn't leave a gap in coverage for the City. It is actually a good thing we did that because we just found out about a claim that Cigna paid late and there is coverage for it.

Alderman Simonetti: Employees only, 584 is the number of employees we are covering? The first \$200,000 – if I multiple 584 times \$200,000, it is \$116 million. That is what we are on the hook for.

Joe Pinto: If every single person... plus family members. That is why a lot of people like the aggregate coverage. That being said, you'd never get to that.

Alderman McKinnon: Do the employees, City or Board of Education, contribute anything to their healthcare costs.

Joe Pinto: Some City employees do, depending on their union contract. On the Board of Ed side there are employee contributions that come in. These numbers are gross numbers. I did not net out the employee contributions because it is easier to have a conversation based on gross costs.

Alderman McKinnon: Do we have control what those contributions are? Can we raise those?

Joe Pinto: It is by their contract.

Alderman McKinnon: Do we have access to those contracts to understand what those numbers are?

Joe Pinto: The Board of Ed contracts are actually all on the Board of Ed website.

Alderman McKinnon: They have copays and all the other regular...

Joe Pinto: Some of the people have copays, some of the people have high deductible plans.

Alderman McKinnon: It does not matter what that contract is?

Joe Pinto: When we are talking about gross cost of the plan it is the stop loss insurance, the claims, the administrative fees. Those are the components.

Alderman Balamaci: I don't recall this and probably never asked about it – on the retiree medical that we see under Aetna, can you refresh my memory – who is on our panel for retirees? Is it on the Board of Ed side?

Joe Pinto: It is mostly on the City side. You have some people, based on the union contract that they retired under they were entitled to medical benefits in retirement. Same thing on the Board of Ed side. It is only up to age 65. You don't have anybody over age 65. On the Board of Ed side there might be a couple just based on that they were not eligible for Medicare.

Alderman Balamaci: None of these figures obvious include – the school custodians pay their insurance through the union.

Joe Pinto: I believe that is the only bargaining unit in the City that does that.

Alderman Simonetti: When looking at Administrative Fees, it says Claims, Network, URC, Plan Docs - \$5.97. If I multiple that times 584 I come up with \$3,485.

Joe Pinto: Times 12.

Alderman Simonetti: Thank you.

Alderman McKinnon: Are these your fees?

Joe Pinto: My firm earns \$15 per member per month. That is roughly half of what you were paying to the previous broker. That \$15 per employee per month is built into that \$369 figure, the employee only specific coverage. We get a check from the stop loss carrier. That is where they built that in.

Alderman Simonetti: The plan pays you?

Joe Pinto: The plan pays us. You can do it different ways. I could send the City a bill every month too, but rather than having them cut yet another check, it is easier to either do it through Aetna or the stop loss carrier.

Alderman Simonetti: We are going to go from \$19,223,000, this year the estimate is \$17,691,000, projected for 24-25 is \$16,487,000. Projected is \$16,738,000. So we are up about 400,000.

Joe Pinto: Again, I don't know exactly what you budgeted into the budget last year for medical, but the gross cost of the plan for this year, based on the claims trend that we have developed is \$16,738,583.

Alderman McKinnon: John, maybe you can help me with this. The number for last year, 23-24 number of \$19,416,958, was that a budgetary number? Where do the employee contributions come in to reduce that number?

Alderman Anglace: Paul, there is a question for you.

Alderman McKinnon: Paul, looking at last year, and we can extrapolate that for the year coming, the final cost was \$19,416,000. Was that a budgetary cost that came out of the budget? Where did the employee contributions come out of that number?

Paul Hiller: They come out of that – what we show on a budgetary basis is a net cost, net of the employee contributions.

Alderman McKinnon: What was that number for 23-24?

Paul Hiller: The net cost on the City side for group insurance was \$5,690,933. Board of Ed is significantly higher because there are many more people involved. I can tell you where we are at the moment.

Alderman McKinnon: For 23-24 those books should be closed.

Paul Hiller: The Board of Ed's cost last year was in the \$10 million range. Their estimate for this year, year to date, is \$10,375,000. That is net. That number, as Joe knows, has changed because we just got hit with a major stop loss in the last two weeks that we were not aware of. It came out of Cigna, which we are incurring a net cost to us of \$167,000. We are going to be up on the Board of Ed side over \$10.5 million for the current year and on the City side, year to date, through the end of March we were net of just over \$4 million for nine months.

Alderman McKinnon: If you are saying that, we are looking at almost \$15 million in budgetary costs to us and only a million in costs or 1.5 in employee contributions.

Paul Hiller: On the City side, the employee contributions are very limited.

Alderman McKinnon: He said it was \$5 million, \$4 million something for the City side and \$10.3 million for the Board of Ed side. That is almost \$15 million. The estimate for this year is \$16.4, so we are looking at 1-1.5 million reduction from employee contributions and that is 10%, so the employee only has a 10% contribution is my question. That is what I am trying to get at.

Paul Hiller: Employee contributions vary. The Police Department, which represents roughly one-third of the enrollment in the City employment, does make contributions in the 8% category. Other contributions, there are other employees, whether they be City Hall employees, recreation employees, Highways and Bridges, etc., etc., there is no contribution. The City is paying 100% of their costs.

Alderman McKinnon: It sounds like we need to renegotiate those contracts. This is absurd. This is why we are in trouble. This is why the City is in trouble.

Alderman Balamaci: I really want to know, and I keep bringing it up. I recall the figures last year when they were looking at the State, it was before you were on board, Joe. In my mind the figure, I think he said the combined (Rob Blanchard I think his name was) was \$16 million, if we went with the State for their plan. I am curious, is there going to be any – I know it is a disaster to have to switch and change, but is there any benefit in moving towards that kind of plan?

Joe Pinto: We looked at it last year. Initially Smith Brothers looked at it for you. When we came on, we also included it in an analysis of the State plan when we looked at making the move to Aetna. The soft costs of the plan are about the same. The premium costs at the end of the day are about the same. For year one, what you are not factoring in is, there is run out on claims, so you are still going to pay run out on claims for about six months. I don't have an idea in our calculations, but I can tell you that your IBNR (Incurred But Not Reported) is in the area of a million dollars. You also lose six months of prescription rebates which is about a half million dollars for the City, somewhere between \$500-600,000.

Alderman Balamaci: So, we take a hit the first year, but going forward wouldn't it be better? This is not something the Mayor is a fan of, but I think it is time to revisit looking at other options.

Joe Pinto: We just did that six months ago.

Alderman Balamaci: I know. This is just my opinion, I feel we are too small to be self-insured. I worked for Northwell, 100,000 employees, a big difference, and they weren't even self-insured. They had a premium plan. We treated it as self-insured, but it was to \$1 million, we paid the first million on claims. I'm just thinking we have to think outside of the box. I am personally aligned with Porter that it is time that these contracts – I worked for a municipality for ten years and we had to pay into our insurance. Not when I first started, but those days are over, the free insurance. Hardly anybody has that. I know we do other things too to benefit the employees when they don't take the insurance. I don't know how many people get that benefit either. I'm talking more to the body that we have to start thinking of that stuff going forward because I do think this is unsustainable, especially with the aging population.

Joe Pinto: The concern with the Connecticut Partnership Plan always has been, depending on how much money the State has to subsidize the plan, the rates can vary greatly. This year it was only between 4 and 5% increase, which is very reasonable, but there have been years when it has been 10-11%. It depends. When the State has a little bit more money on the rainy day fund, they can put a little bit more money in the plan. That plan loses money every year and it only stays afloat because the State subsidizes it to keep it afloat.

Alderman McKinnon: Could we not go to bid just in general?

Joe Pinto: That is the exercise we undertook for you six months ago. We looked at the State and other plans as well. I can tell you that every carrier that we took this to on a fully insured basis declined it.

Alderman Balamaci: Right, I think Paul has told us that in the past.

Joe Pinto: If the claims run in this direction for the next couple of years, it might be an option for you, but because the claim trajectory had been very steep in the upward position, nobody wanted to take on that risk.

Alderman Balamaci: Some of that was Covid though.

Alderman Simonetti: Do you find this happening in other municipalities?

Joe Pinto: Every town runs differently. If they are in the right plan and they are doing the right things behind the scenes, then things run well. If they are just letting people go off on their own and do whatever they want to do, then typically it is harder to manage.

Alderman Simonetti: Explain that to me – go off and do it..

Joe Pinto: On this plan, on the City side, particularly the plan that people do not contribute to, it is a narrow network. You can't go out of network, you can only go to in-network physicians. There are plans where you can go to any doctor you want and it is hard to control costs when you are basically allowed to just go wherever you want, as far as doctors go or pharmacies go.

Alderman Simonetti: So, you think our plan is a good plan?

Joe Pinto: Your plan is structured favorably for the plan, for you, for the City and Board of Ed, more so on the City side, less so on the Board of Ed side, but they contribute on their side as well whereas the City employees do not contribute.

Alderman Simonetti: So, it is not the same plan because you are contributing.

Joe Pinto: It is the same overall plan, but every unit, every bargaining unit has its own plan design built into the plan. There is a high deductible plan, HSA plans built in and then there are also copay based plans, it depends on what your contract says. At the end of the day, that is why we don't look at how much it is for this union, how much for that union, we look at how it breaks out, stop loss insurance, the claims and the administrative fees.

Alderman Simonetti: John, in this document that we used the other night, where is the insurance cost in this document?

Alderman Anglace: It is in the Mayor's budget. Employee resources section. What you have is the summary.

Alderman Perry: On a regular, non-self-insured policy, with taking Covid into effect, over the past 4-5 years, what is the fluctuation percentage-wise per year?

Joe Pinto: 2020 healthcare costs went way down because nobody left their house. 2021-22 they inflated. They started leveling off again in 2023-24 to today. Again, depending on the size of the group that you are in, depending on the utilization, how much the insurance company is paying out, it varies greatly. I can tell you that in Connecticut if you are an employer under 50, it is next to impossible to get insurance because there are only two or three carriers now that are even writing insurance in Connecticut for groups that size. For a group of your size, 500 and something people, it is easier to get insurance, but again it would depend, based on how your claims had been running, there is a reason why they declined to quote for you, because your claims were really running in the wrong direction. It seems we have gotten a better mix, a better carrier, a better fee basis and your claims are coming in the right direction.

Alderman Perry: That's how they look at it? It is not like an average of how many employees or whatever. Say in 2023 ...

Joe Pinto: It is the loss experience of the group.

Alderman Perry: They look at your past losses to see where you are going to fall. Thank you.

Alderman Anglace: To get back to your question. I said it was in the Mayor's budget. The expenditure side of the budget under employee resources. Group insurance, and I believe that is defined as a combination of both the City side and Board of Education side – last year the original budget this year was \$5.9 million. The Mayor has put in his budget recommending \$4.8 million.

Alderman Perry: But our cost is going to be a million less, roughly.

Alderman Balamaci: 1.1 less.

Alderman Perry: That is his projection, that is what he projected in the budget.

Alderman Simonetti: He put in 4.8 this year. It says here that the total fixed cost is going to be 2.8, the administrative fees are \$235,000 with the expected plan cost of \$16 million. Am I missing something?

Joe Pinto: I want to say that based on the numbers that you said, John, that is probably just the City side of the plan. That is netted out with the police contributions.

Alderman Anglace: All we are looking at in his budget is just the City side and not the Board of Ed side.

Alderman McKinnon: That is in their own budget, the Board of Ed budget. It is separate.

Alderman Anglace: The Mayor is giving them in his recommended budget \$1 million in new money. How much would their insurance be?

Alderman McKinnon: According to this page, the claim trends, you are looking at the Board of Ed annualized for this year of \$9.4 million and that is down from last year from \$11.6 million. They are down about \$2 million. We, the City, 23-24 was \$5.736 and annualized this year estimated as \$5.081, so we are down 700,000. So the trend is down, not up on both sides by a significant percentage. You are looking at a 20% decline on the Board of Ed side and almost a 15% decline on the City side. I think it is trending right. I think the Mayor has predicted this and he is on the right track. If we trend 20% down again next year the lower line item he has at 4.8 for this year in the budget will be on target, if not high.

Alderman Anglace: The question raised in my mind when talking about the strategy, would it help – the Board of Education has a number of things that they want. They want us to fund all their contractals and many of the things that they have identified as contractals are not really contractals. There are issues that the State is not funding and they want us to pick them up and identify them as contractals, but they are not. Would it help any if – last year I believe we put in a \$2 million in health insurance reserves and that money is still to be determined and used at the end of this fiscal year and it probably won't be determined until maybe September or October, the bills will come in late. In looking at the same picture next year, building the budget for next year which is what we are in the process of doing right now, would it help any if we were to put a small, I say small, somewhere between half million and a million dollars into a health reserve account on the City side and Board of Education, but the Mayor works it out with them.

Joe Pinto: I guess that is a hard question to answer. The numbers that I presented tonight are numbers that I am confident of where they will come in. That is more of a conversation for how fiscally conservative do you want to be and how much do you want to hedge your bets against what I am recommending.

Alderman Anglace: I guess what we are faced with, and this is already out in public view, when Mayor Lauretti presented his budget to us, he indicated that he wanted to say his budget would yield a one half mill tax decrease. If you just funded what we look at and what we think are legitimate contractual increases like negotiated teacher's salaries, negotiated non-certified people salaries, you would come out with a situation where you would have maybe \$700,000 left that you could use toward health insurance. Would that be helpful?

Joe Pinto: I don't know how to answer your question, honestly John. That is more of a strategy conversation for you guys to have than for me to comment on. I could only just give you the numbers that have come out of our underwriting and actuarials.

Alderman McKinnon: Do these numbers that you put in here include dental?

Joe Pinto: No, that is medical only. Those are all separate.

Alderman Balamaci: Dental is capped.

Alderman Anglace: The dental plan has \$40,000 last year and \$40,000 this year.

Alderman Simonetti: So, the Mayor is not planning a healthcare reserve?

Alderman Anglace: No, he is not. He took out the Special Education reserve and the special health insurance reserve. However, today we had a conversation about it, the Mayor and I. He is thinking about it. It remains to be seen where we go. We need to understand how it works and maybe we feel a little better about it and understand it a little better and maybe we can be more conversant on it now. We had no input at all except for Cris who has more knowledge than the rest of us. I hope that we can, between now and next Thursday when we have to set the budget, we have to think about the strategies, what we are going to do to make it work. It seems to me that this is a subject for another discussion, not at this meeting, but I wanted to get an idea of what you felt the impact would be if we did something like that again. We aren't going to be able to put in \$2 million. Healthcare is one thing, but Special Ed is just totally on the State. They put the law in place, they won't fund it and they talked big time about funding it this year and now there is talk about not funding it. We just have to take the position, plain and simple, we are not funding it. We are not funding it. One government entity says we are not going to supply it, give it to the local municipality. Hey, pony up. It is your law, you don't like the law change it. If you can't fund it, change it.

Alderman McKinnon: Can I ask a professional opinion. Trump made a new executive order recently about prescriptions, drug prices capping those, negotiating those. How much of an affect do you think that will have on this?

Joe Pinto: I have absolutely no idea how much affect that will have on it. Anybody that says that they do know, I think they are lying to you.

Alderman Balamaci: That brings up a point, the State of Connecticut – do they give municipalities a premiere or discount rate on pharmaceuticals?

Joe Pinto: No.

Alderman Simonetti: If I am looking at this correctly, we have \$3 million in savings in the medical claims. I have another \$400,000 here, another \$3 million there. So, I add those up?

Joe Pinto: One is medical, one is prescription and the other is total. Your total reduction from 23 to 24 was about \$2.8 million. The other thing I think to your question John about hedging your bets and putting a little bit more in a reserve fund somewhere, if you look at the expected claims, medical and Rx combined, projected for the end of this year it was projected out to be \$14.5 and change. We built 5% on top of that number for next year. So even if the claims continue to trend downward or if they stay flat, there is still \$800,000 additional built into the estimate for additional claims next year.

Alderman Anglace: We are looking at the possibility in addition to that.

Joe Pinto: So, you would be building an extra \$1.5 million over this year?

Alderman Anglace: That wasn't only for City side, it was for both the City side and Board of Ed side. That is the way we set it up last year to take care of both.

Joe Pinto: I just wanted you to know there is \$800,000 built in additional for next year. It nets out because the prescription rebates are estimated to be higher next year and that nets out in the claim number. So, you take the prescription rebates and reduce that from the total paid claims and that is how you come to the total expected claims.

Alderman McPherson: That could be lowered possibly right?

Joe Pinto: The claim number? It could be lower. It is all projections.

Alderman Durante: As a Board, we constantly say we are looking out for the best interest of the group. Let's say they were different entities, Board of Ed or the City, would they ever get a plan as accommodating as the one that we are reviewing right now?

Joe Pinto: I would have to say, based on the size of the Board of Ed group versus the size of the City group, combining the two groups together actually is favorable towards the City.

Alderman Durante: So, we can actually say that working together is good for both.

Joe Pinto: Working together, having the Board of Ed and City on the same plan works out more in favor of the City because the City is so much smaller than the Board of Ed group. It elevates the size of the group and allows you to spread the costs thinner. If you think of anything after the fact, give it to Theresa and she has my email and can send it along.

Alderman Anglace: Paul, any comments? Joe, would you come back once or twice a year? (absolutely).

ADJOURNMENT

Alderman Simonetti MOVED to adjourn the Board of Aldermen Budget Workshop Meeting. Seconded by Alderman Simons.

A voice vote was taken and the motion passed unanimously (8-0). Meeting adjourned at 8 pm.

Respectfully Submitted

Donna Fonda

Donna Fonda
Acting Clerk, Board of Aldermen