

**Benefits Focus Group  
(2/13/02)**

Committee members, alternates and staff advisors present:

Bill Campbell  
Suzy Milburn  
Pat Horan  
Neal Elliott  
Ed Whitehead  
Gil Fernandez  
Benita Saldutti  
John Agen  
Casey Humpert  
Stacey Monroe  
Debbi Horst  
Joyce Dolan  
John Glanden  
Kevin Stiff  
Andy St. John  
Joe Munyak  
John Glanden  
Gil Mitchell

Meeting began at 2:00 p.m., February 13, 2002, in City Commission Chambers.

Bill Campbell began the meeting by asking that the minutes of February 8 meeting be approved. Benita Saldutti made motion to approve them, second by Pat Horan. Minutes approved.

Rooms have been reserved for meetings on Wednesdays and Friday until March 1. The schedule of dates and times was distributed to the committee.

First issue to be considered was the selection of a chairperson for the committee. Benita Saldutti made a motion for John Agen to be the chairperson. Motion was seconded by Neal Elliot. Ed Whitehead asked the purpose of having a chairperson. Consensus was that the chairperson would be in charge of facilitating the meetings. Motion was approved. John Agen then recommended that Neal Elliot be vice-chairperson. Bill Campbell stated that since there are two different groups of interest on the committee, the vice-chairperson should be an active employee. Joyce Dolan made a motion that Benita Saldutti be the vice-chairperson. Motion was seconded by John Agen. Motion carried.

Bill Campbell talked about an email that had been sent around to several committee members by a retiree. He thinks there is still some confusion about the way the plans are set up. Bill wanted the committee to make know that the spreadsheet distributed

with that email was not prepared for Bill Campbell but by Bill Campbell. It showed the history of where the plan has been over the last 10 years. He pointed out that there are not two separate deductible rates for out of area retirees and people who live in the area. There is one established rate of a deductible regardless of where you live. In addition, the out of area retirees have access to the Beech Street Network doctors. The email was not sent out by Bill Campbell.

Human Resources received some questions for Kurt Gehring and they have been forwarded to him. He will be at Friday's meeting and will have answers to as many of those questions as possible.

Bill said that there were a couple of items on the list that really were not for Kurt Gehring. Neal Elliot had brought up the question of the money contributed by the County for the firefighters. Bill asked Neal to give the committee an explanation and history of the fund so the committee would understand what it was.

When the City firefighters and the County consolidated in 1996, there was an agreement that provided that the County would pay the City a percentage of a top paid firefighter's wage, on a quarterly basis, to help offset the cost of the City providing retirement health insurance. The interlocal agreement provided that City fire fighters who consolidated became County employees but that upon retirement, if they remained in the City's 175 plan, they were entitled to retirement health insurance provided by the City. To help offset those costs, the firefighters negotiated a contribution from the County back to the City. There is currently about \$800,000 in that account. It has not been used yet. Neal Elliot said that one of the questions he asked Kurt Gehring was, as a consultant, how he would recommend that that money be used. Neal did not think it would hurt to have an impartial consultant make a recommendation on its use. Neal said that City firefighters who went to the County and then will return to the City retirement's plan are unlike any other employee group because a contribution is being made on their behalf. Maybe that is a possibility for the focus group to figure out a way to do that for all employees.

The way the 4% contribution came to be was long before the consolidation. The firefighters negotiated with the County to provide for a supplemental retirement health insurance benefit for County firefighters who are covered by the Florida Retirement System (FRS). The FRS, at the time, provided a stipend of \$3/month/year of service. A 30-year employee received \$90/month to help offset costs. That is a defined contribution plan - something like Kurt Gehring was talking about. That changed several years later to \$5/month/year of service. So now if you are a 30-year employee, you get \$150/month or about \$1800/year. However \$1800 is not enough to cover all the cost and the sporadic increases granted by FRS are not anywhere sufficient to cover it. The IAFF went to the bargaining table with the County and asked them to set up a firefighter retirement health insurance trust. That trust was set up similar to a 175 or 185 board like the General Employees Board. To fund that trust, the firefighters proposed that instead of a 4% wage increase they would make a 4% contribution to the trust. They waived a pay raise one year in the context of a three-year agreement.

Around the time of consolidation, that was bargained up to 6%. Over the years that trust is constantly funded without regard to the rate of medical inflation. Right now, the FRS stipend combined with that benefit far more than pays for retirement health insurance for employees. That was secured for employees through a collective bargaining agreement that provided for an irrevocable individual contract between every employee in the bargaining unit and the County Administrator. That money is used to pay the premiums. It does not go to the individuals. It operates under the same limitation that the FRS stipend operates. That is they do not just send you \$1800/year. You have to prove that you are buying retirement health insurance and then they provide that money to offset that expense. In addition to that, this is set up as a VEBA (Variable Employee Benefit Account). It will then allow for the employee to pay for a wide variety of traditionally non-covered expenses like eyeglasses, deductibles and coinsurance. That is what Kurt Gehring was talking about when he talked about a defined contribution plan. This could be good for general employees who tend to retire a little bit later when they are closer to the age when they get Medicare. When a City employee gets Medicare, the insurance immediately turns into a supplement for Medicare. But, County employees continue to get the \$1800 from FRS and they continue to get the same amount from their trust. It goes into a medical spending account and it comes out to pay for covered insurance. It goes in nontaxable and comes out nontaxable.

Neal said that about the time of consolidation he suggested to the City Manager that it would be a good thing to do for the Police and the General Employees at the bargaining table after the 1993 resolution. Since many employees are already represented, the City could approach it as a way to provide for retirement health insurance for those hired after 1993. That is something the committee could consider, but they have to provide for the funding for those hired before 1993 who are entitled to the traditional plan.

Bill Campbell said that he thinks the concept has some possibilities and could be implemented for the long term.

One of the other questions submitted was something that needs to be addressed by the Finance department was what is the City going to contribute for the rest of this year for employee health care? Bill has asked Gib Mitchell to provide information to the committee of what amount the City has contributed so far, what the City contributes per employee and the amount needed to make the plan break even.

Neal Elliot pointed out one more detail of the plan that was negotiated at consolidation. That was that the money that comes from the County back to the City to offset the cost of retirement health insurance was designated for bargaining unit employees. That it really only applies who those who were employed at the time of consolidation and were in the bargaining unit before they retired. It really didn't take into consideration providing an offset for the cost of providing retirement health insurance for those who retired before 1996 or for those who retired without ever having been in the bargaining unit. That is something the City is going to have to struggle with. In the interlocal agreement that money was set-aside for a purpose. Now the City has to decide how to

spend it and for whom. They have to decide if they will treat pre-1996 retirees differently than post-1996 employees. Whether they will treat bargaining units differently than non-bargaining units. The question is what is the reasonable thing to do and how do you live up to the agreement? Neal thought it was worth spending some money on Kurt Gehring's opinion.

The question was asked if the fund had ever been tapped. Bill said it had not, that it is still earning interest and that is why he thinks the Finance Director needs to address that issue. The contribution is based on the current number of active firefighters who will come back to the City. It decreases each quarter. Some substantial payments came to the City the first couple of years, but they have gotten smaller. They are dwindling because the number of employees for whom the contributions were made has gone from around 140-150 to around 70-75 at present.

Gib Mitchell entered the meeting. Bill asked him if he would like to address the issue of the money that the County puts in for the fire fighters and let the committee know what the balance is. Gib said he was not sure of the exact balance, that it was somewhere around \$800,000.

Benita said that the concept of VEBA is very interesting and it would be worthwhile for the committee to discuss but thinks that discussion should be after March 1. March 1 is the deadline to come back with a recommendation for what is going to go into effect on April 1. The committee needs to be concentrating on a short-term plan and recommendation and then address the long-term plans after March 1.

Neal Elliott agreed except for the possible exception if infusing some part of that \$800,000 into the current shortfall as part of a short-term plan. That is why he felt that the committee needed to understand something about that \$800,000 and where it came from.

Handouts that were distributed the previous week by Kurt Gehring were discussed. Handouts show the actual proposed changes to the plan this year. Bill Campbell stated that at the last meeting it was expressed that we need to get people into the most cost effective plans and have some type of mechanism to do that. That is how the plans were structured this year - by setting up TeamHealth as the lowest cost plan. Bill said that if we could get everyone into TeamHealth that would be a wonderful solution financially. This statement was based on the experience of the hospital their savings which are going to be close to 30% for 2001. This is for people who went out of PPO and into TeamHealth. The thinking was to set up the premiums to encourage people to go into TeamHealth. The other plan where some considerable savings are seen is the EPO, the local network plan. The change in rate that was most significant was the PPO because that is the most expensive plan for the City. That is probably the area where the committee needs to look at those proposed changes and decide what everyone can and cannot live with. Need to decide what they think the plan should look like to come up with some workable product.

Benita Saldutti said that she had distributed the recommended changes to everyone in her department and gathered comments. Most people can live with the TeamHealth and EPO changes. It is in the area of the PPO; particularly the change in the deductibles and the co pays. The deductibles have gone up and the co pays have gone down and so that is going to mean a lot more out of pocket expenses. In addition, the premium for dependents is really high. For those who live in town, there is a choice, but people that live out of town must be in the PPO. The committee needs to change that design somewhat to make it more affordable for those people outside the area.

Bill Campbell said that rather than the City trying to punish employees/retirees the City is trying to make the cost of the plan reflect what the cost is to the City. Kevin Stiff stated that he felt the City was trying to force people into the TeamHealth or the EPO and that was not fair to those who had no other choice but the PPO. Bill said that people who use the most expensive option should have to pay for the most expensive option that the City has. That is what the City tried to do. Bill said that perhaps the solution is maybe to structure the premiums so that retirees who live outside the area pay the same premium as if they live in the area. Employees with dependents who live in the area and want the PPO would have to pay a higher premium.

Pat Horan said that some people would be willing to switch from PPO to EPO if they were educated to the fact that most of their regular doctors are still available to them in the EPO plan.

With TeamHealth the selection of doctors is more limited than the EPO or PPO. It is essentially the same network with the exception of Inter Coastal Medical Group, who did not want to participate in TeamHealth with the hospital. That reduces the number of doctors by about 20%. That is the major difference. Other than that group, the majority of doctors that are in EPO and PPO are in TeamHealth.

Currently there are only about 12 employees signed up for TeamHealth because the City was not able to offer it to represented employees. The City has received no complaints to date from those employees participate in TeamHealth.

Another comment that people felt pretty strong about was that the price for dependents and the deductibles for dependents should be per dependent. A person with one or two dependents should not be paying the same as someone with ten dependents. There was discussion of whether the deductibles should be tiered in groups or individually. Concern was expressed about putting an undue burden of cost on active employees.

John Agen asked if the question about per dependent deductible and premium had been sent to Kurt Gehring and if the savings benefit had been requested also. Bill said that it had been requested.

Another thing to ask Kurt Gehring would be what parts of the plan might be reasonable to offer as a cafeteria option.

Further discussion on deductible amounts, which are currently \$100/single and \$300/family. The proposal is to go up to \$300/single and \$900/family. Suggested that \$200/person and no family cap seemed a reasonable solution.

John Agen stated that the most important thing to find out is what the savings may be to see if it will be enough to make the change worthwhile or if it will affect the plan adversely in the long run. He would like to see numbers on the changes before any changes are actually made.

Neal Elliott suggested the possibility of having more choices on the PPO. Suggested the possibility of \$300, \$500, \$750 and \$1000 deductible options combined with lower premiums.

Neal also suggested offering incentives for people to make healthier life choices. Such as to quit smoking, having annual physicals, and physical fitness for example. Also maybe include the provision that if an employee attends a class or training on how to access the medical system they would benefit by a lower deductible. If this were offered as an incentive to the employee, the retiree and their dependents, it would shift the burden of the increased cost to the user.

Neal also asked about the availability of a 24-hour help line. Bill Campbell said that the hospital is working hard to get the doctors to be more accessible to patients.

Gil Fernandez asked if the higher percentage of costs on all lower claims are actually from use of the PPO instead of the EPO. Bill said that generally speaking that was correct because of the use of out of network doctors. Bill said there had been a tremendous migration out of the PPO into the EPO over the past couple years as people see the EPO as a good system. Currently over half of the employees are in the EPO.

Pat Horan said it would be beneficial if there were a clearinghouse for doctors that are taking new patients, so people would not have to call several before they find one that will take them. Bill said that the doctors that participate in the network are not supposed turn patients away and he would like to know who they are if there are doctors that are doing that. .

Bill summarized the main issues to discuss with Kurt Gehring:

1. per person premium or per dependent premium
2. the deductible issue – both the amount and number
3. discuss the out of pocket maximums
4. more PPO options i.e. to go to catastrophic type limits or have a couple of tiered plans and premiums are structured by how rich the plan is that you choose
5. Look at the co pays

Benita said that raising the deductible and lowering the co pay is going to cause out of pocket expenses to be a lot more next year than it was last year. Would like to see those brought closer together. She also questioned the proposal to go away from away from a deductible and co insurance to a flat fee for regular physician's services. Bill said that the reason was a way to keep out of pocket costs down - so people would not have to pay out all the deductible right away. That it was a good way to offset some of the deductibles that had been put in. Benita said she felt like that was going to make it too expensive for the City.

Neal Elliott asked about the value of the savings in the changes proposed. The percentages on the sheet are not really specific to what services they apply to. They are pretty general. That is a question for Kurt Gehring. What assumptions were used to project the savings percentage? Would like to see the percentages broken down per item.

Discussion about City retirees and requirement that they have Medicare. They are required to have Medicare parts A and B. Medicare Part B cost is paid by the retiree. Bill Campbell said that those employee who do not qualify for Social Security, namely those Police who were hired before 1986, have Medicare Part A coverage provided for them by the City. They are still responsible for purchasing Part B.

The question was asked of how much money is the committee trying to come up with. Bill said he thought the original amount was \$850,000 that would be saved by implementing the proposed changes.

Suzy Milburn asked for a list of possible funding sources or any other available funds. Gib Mitchell stated that there are not any other funds available. The only two sources of funds – the employees dependent premiums and the City's contribution. That is what we are limited to.

Neal Elliot said that at some point, it might be appropriate to tap into the fund of money contributed by the County to the City for retired firefighters. Benita pointed out that currently the City puts in \$4600/active employee/year, but the County only contributes \$1600/active firefighter/year to the City for retired firefighter medical benefits. The fund could help supplement some of what the City has to pay for those firefighters, but it will not pay the whole thing.

At some point, someone needs to decide what portion of that fund will go for what purpose.

Gib read from the January 31 Report for the Health Insurance Fund. Revenues total \$1,865,220.02 for first four months of the fiscal year. Claims, cost allocations, insurance, special services, legal and judicial fees have cost \$2,231,045.02. The City is already in the hole. Committee asked for a copy of the report.

Committee asked why legal fees were being paid from the insurance fund. Bill Campbell said he would have to get the detail. John Agen asked that a copy be available to be passed out to the Committee members by Friday.

Kevin Stiff asked the committee to consider placing some type of parameters on what portion of costs will be born by the City and what portion will be born by the employees. Bill will ask Kurt Gehring to address that issue on Friday.

Gib Mitchell said that if no changes are made to the plan and it continues as it is now, the City will have to contribute \$1,090 for each and every employee and retiree in addition to the \$4,866,000 that is already in the budget to contribute to the plan.

John Agen asked if the committee could be provided with the percentage of the total employees contribution for cost of the health plan over the last five or ten years. This would be strictly the cost of the dependent coverage since the City pays 100% of employees' and retirees' premiums.

Being no further discussion, meeting was adjourned at 3:50 p.m.

Next meeting is Friday, February 15, 2002, 2:00 p.m. in the City Commission Chambers.

Minutes Approved: February 20, 2002

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John Agen, Chairperson