

Benefits Focus Group
2/15/02

Committee members, alternates and staff advisors present:

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

Meeting began at 2:00 p.m., February 15, 2002, in City Commission Chambers.

Bill Campbell distributed the following: Summary of questions that were transmitted to Kurt Gehring, the Self-Insurance Fund Statement, and an article about Self Directed Health Care Plans. He stated that Kurt Gehring was running late, but would be at the meeting.

Minutes will be approved at the next meeting so everyone has a chance to read them.

Bill said that after the last meeting, Gib Mitchell had checked the balance on the Firefighters' Medical Trust Fund and it is \$812,000. The fund has never been touched. Mr. Gehring has been asked for a recommendation, if any, on how that money could start being used or put into the insurance fund.

Ed Whitehead asked how the committee could consider tapping the Firefighter's fund for the insurance fund when that money was designated for employees who were in the fire department at a certain time. Bill said that the money was put into the fund to defray the cost of health insurance for those fire fighters who retired and came back into the City's health insurance plan. Although there are

currently 45 on the plan, there has never been any money taken out of the trust to reimburse the City's insurance fund. Ed stated that he wanted to make sure it was understood that the money was narrowly focused for a small group of employees and not a general windfall to be used for the insurance fund.

Neal Elliot explained about the origination of the contribution from the County to the City and its purpose. The primary concern was with FRS members at that time - to try to make sure that their benefit was equal to that of the retired City firefighters. The retired City firefighter's retirement health insurance was guaranteed by the 1993 Resolution. It was not stipulated at the time that the \$800,000 would be cut up in any particular way, but that the money would simply go to offset the cost of retirement health insurance to firefighters. The thought was that the City would hold their obligation to provide insurance to everyone and that the \$800,00 would simply be put into the fund to help offset the cost of providing retirement health insurance - not just to firefighters, but to everyone.

Neal said that he thinks it should be a subject of discussion how to use it and to what extent. His suggestion is that the City keep the money and its promise to provide retirement health insurance to retirees. If the City chooses to undo that resolution somehow, then it will have to be decided who is entitled to that money and why and to what extent.

The issue is just to get a recommendation about how to start putting some of that money into the insurance fund if it is decided that it should be used. To decide how to put some of it into the fund now to help defray the shortfall but still leave an amount there that will take care of the active firefighters who will come onto the plan in the future.

John Agen asked how the money is being invested. Gib Mitchell stated that it is invested along with the other money in the General Fund under the same guidelines.

Neal Elliot said that he had submitted questions for Mr. Gehring that do not appear on the list that was sent to him. Bill said that some issues needed to be discussed as long-term options. The list for Mr. Gehring mostly covered the short term.

Kurt Gehring arrived and the meeting was turned over to him to answer the questions he had been sent. He said that he had not had time to answer all the questions as thoroughly as he would like. He handed out the following: Three spreadsheets showing survey results that compared various municipalities' and counties' costs for HMO, PPO and POS plans; a sheet showing current and proposed changes to the City's EPO and PPO plans; and a recap of the City's 2001 Medical Claims by month.

First handout discussed was the 2001 Medical Claims. This gives the claims experience for the year and shows month-by-month claims dollar amounts. Pie chart at bottom of handout shows that the City is within the industry guidelines for prescription drug usage (15-20%).

Question was asked if that was because of using Caremark? Mr. Gehring said that could be the reason, or the percentage could be skewed because hospital and inpatient claims were so high. He would like to get more information for the committee in order to give a truer picture. He will get the claims cost per head (enrollment/divided into claims experience) to find out how the City compares to other entities in the area. He will also get some underwriting statistics to see if the City's claims per head are higher than the norm. If that is the case, then the putting plan changes into effect would help the claims/head cost go down. John Agen asked about prior years claims experience. Wanted to know if 18% (for prescription costs) has been the norm all along. Mr. Gehring said the inflation rate for prescription drugs has gone to 24% over last three years. Prescription drugs are usually a place where you can look to save money on a plan. The other is affecting behaviors. A lot of the questions asked by the committee related to the area of affecting behavior.

Suzy Milburn asked why the dental costs were not included in the handout. Bill Campbell said that about \$370,000/year is what the City is paying for dental. Detailed records are not maintained for dental as they are for the medical plan. Mr. Gehring said that dental inflation is 4%, unlike healthcare, which is 16%, and the City's dental program is in line with plans of other municipalities. In addition, there is a natural cap, or a maximum, that will be paid under the plan. To offset cost, there is not a lot more that can be done to dental other than doing away with the program.

Several questions asked about charging a deductible per dependent. Mr. Gehring said that he didn't know of any group that has ever done that. Was not sure if that could even be administered on the Healthcare Sarasota side. He will get that information from them and provide it to the committee. He also said that dependents are usually a good risk.

As far as charging a premium for each dependent, that question will have to be answered by Bill Campbell as to whether or not the City can administer that internally.

Discussed next handout showing percentage of savings estimated if proposed changes are implemented. Also looked at handouts with comparisons between other municipalities and counties in the state to show what they offer in their plans. Comparisons were made between City deductibles and those of others in the survey. Mr. Gehring said he thought the \$100 deductible for City of Sarasota was too low, but that \$300 may be too much - maybe a common ground can be found. Deductible amounts should have a spread between in network and out of

network to encourage people to use the in network doctors. This is a valid area for change.

Neal Elliott asked about raising the deductibles to \$1,000 (as an example) and then give credit for healthy lifestyle choices to lower the deductible. Mr. Gehring said that credits for healthy choices are almost impossible to police. He felt the better alternative would be to offer some sort of defined contribution plan or spending account to go along with that higher deductible. This is something that can be discussed as a long-term option.

John Agen asked about the cost savings if the deductible is raised from \$100 to \$300. The sheet shows 2% savings. Kurt Gehring said the savings would still be roughly the same (1.5% to 2%) if the deductible is only raised to \$200. The 2% reflects 2% of the total premium in that particular program (PPO). The estimates of savings are conservative and not exact.

Out of pocket maximums were discussed. The City's proposed max out of pockets are definitely higher than the other entities, but max out of pocket doesn't really affect that many people. It should be changed because \$750 is too low but perhaps \$2500 is too high. Mr. Gehring recommended at least \$1500 for in network and possibly \$3000 for a family. For out of network, either double those amounts or keep them the same.

Prescription drugs and increase in co pays for 90-day supply on mail-in orders was discussed. Mr. Gehring's opinion is that the increase is too low. Only about 10% of drugs are being purchased on a mail order basis. Most programs will have double the amount of co pays for mail order than they have for the 30-day supply.

Discussion on the use of co pays for out of network physicians' services. That is to encourage the use of in network doctors. Out of network will only be paid at 60%. The thought process is that the co pays would offset the cost of the larger deductible. If deductible is brought down to \$200, then 60% coverage may need to be changed to another level.

Hospital services change from 90% to 80% in network and 60% out of network is to encourage people to use the in network services. Mr. Gehring said the plan needs to be structured to make sure the differential between in and out of network is at least 20% in order to affect behavior.

Discussion of the savings projection for TeamHealth. The projection was based on 20% of insured going to the TeamHealth Plan. Since there are not that many enrolled, the savings will not be that high. Mr. Gehring said that if the premium incentives are put into effect, then there would probably be a shift of people from the PPO & EPO to the TeamHealth Plan. Bill said that one reason the enrollment is so low is that it was not offered to represented employees.

Benita asked about the proposed rates and if they would go into effect on April 1? Bill said that Mr. McNees told the retirees they would not have to pay anything.⁽¹⁾ The committee's task is to determine what the active employees will pay. Bill reminded the committee that the PPO rates were structured higher as a way to get people to go into the EPO and TeamHealth. As changes are made to the rate structure and the rates are tiered, there will be a lot of rates that will seem very high. That is because of adding additional tiers that were not there before.

Discussion followed about going to four tiers – single employee, employee plus one dependent (spouse or child), employee plus three dependents, and then family for example. The tiers can be defined any way the committee chooses.

Mr. Gehring said that he would come back to the committee with the total rate as compared to the contribution level so that the percentages can be looked at. The rates can be adjusted to any amount as long as the total overall premium comes out to the amount needed.

Neal Elliott brought up issue of having an active County firefighter on the committee. He said he felt that they have a right to be represented on the committee. Bill Campbell said he thought that was an issue that John Agen and he should discuss with the City Manager. John said he would like to have the issue settled before the next meeting.

Being no further discussion, meeting was adjourned at 4:00 p.m.

Next meeting is Wednesday, February 20, 2002, 2:00 p.m. in the City Commission Chambers.

⁽¹⁾The intended meaning of this statement was that retirees would not have to pay any premiums. This did not refer to retiree dependents.

Minutes Approved: February 27, 2002

John Agen, Chairperson