

**Benefits Focus Group  
(2/22/02)**

Committee members, alternates and staff advisors present:

John Agen  
Benita Saldutti  
Bill Campbell  
Pat Horan  
Neal Elliott  
Ed Whitehead  
Gil Fernandez  
Casey Humpert  
Stacey Monroe  
Joyce Dolan  
Kevin Stiff  
Jim Godshall  
Janice Cox  
Rick Winters  
KayKae Thomas  
Karen Lusk  
Dick Minster  
Mark Trefethen  
Suzy Milburn  
Linda McKinney  
John Glanden  
Debbi Horst

Meeting began at 10:30 a.m., February 22, 2002, in City Commission Chambers.

John Agen started meeting by asking if the committee could have the minutes from 2/15 & 2/20 meetings to review before next Wednesday's meeting.

A summary of the discussion of the February 20 meeting was handed out. The first page summarized the PPO plan -- Current plan, City's proposal and Focus Group's proposal. Second page summarized the EPO plan proposals in same format. Third page summarized the TeamHealth plan for information only. Bill Campbell stated that he had sent the sheets to Kurt Gehring and he would address them at the February 27 meeting. Bill said his only concern was the 100% benefit on the alcohol & drug abuse benefit. The committee needs to set some type of lifetime maximum on the benefit in order to satisfy the Reinsurance Company. Mr. Gehring will come up with some type of recommendation for Wednesday.

John Agen asked if there had been a request made to Mr. Gehring about the addition of a supplemental policy to go along with the EPO plan for those living outside of the state. Bill said yes and that Mr. Gehring will also talk about Medicare.

Bill said Benita and he had met and put together a rough proposal for dependent premiums for starting the group's discussion.

|                    |      |
|--------------------|------|
| <u>Team Health</u> |      |
| Employee           | \$ 0 |
| Employee +1        | \$38 |
| Family             | \$43 |
| <br>               |      |
| <u>EPO</u>         |      |
| Employee           | \$ 0 |
| Employee +1        | \$42 |
| Family             | \$47 |
| <br>               |      |
| <u>PPO</u>         |      |
| Employee           | \$ 0 |
| Employee +1        | \$46 |
| Family             | \$51 |

Current premium is \$39.00/week for EPO & PPO for dependent and family. The premium includes dental coverage.

Casey Humpert asked if the changes in the structure of the plan and the new proposed rates were implemented if that would cover the shortfall the City has projected. Bill said that he had not given the figures to Kurt Gehring because the group has not decided on the amounts.

Kevin Stiff asked what the City's proposed rate increases were. Rates are per week. TeamHealth - \$40/one dependent & \$45/family, EPO - \$45/one dependent & \$49/family, PPO - \$7/employee, \$59/one dependent, \$64/family.

Neal Elliot asked if there were any provisions under TeamHealth or EPO to have an in-network physician refer you to a different provider or specialty center if a person has a serious illness. Bill said yes, because most of the major centers of excellence for diseases are in the Beech Street network. However, if they are not and there is not care available in the network, a person would be referred out of network and it would be considered as in network cost. Neal said that he thought the Beech Street network only applied to the PPO. Bill said no, that there is an agreement through Beech Street to offer that for both EPO and PPO. If you have a disease that cannot be treated locally and have to go out of state, it is treated like a network expense.

Gil Fernandez asked if the changes the committee had proposed the previous week to the structure of the plan along with raising the premiums would make up the shortfall and provide for a surplus in the fund or would it just be a match for the existing year? Bill said that the changes originally proposed by the City were to meet the projected expenses for the year and not to provide for any surplus. If the group goes with their plan design and the premiums proposed, then the difference will have to come from the City.

Ed Whitehead said for the sake of starting discussion, he felt that the proposed dependent premiums seemed fairly reasonable and would not create any undue hardship. He asked if the changes the group proposes would stop the drastic annual increases. Would the changes make the program workable for years to come or just postpone a drastic increase?

Bill said that putting these changes into effect would not take the pressure off of the upward movement of healthcare costs until healthcare costs are stabilized by some sort of government action. He said these are good short-term solutions, but cannot be how the plan is going to stay for the next five years. The Focus Group will have to continue to come up with more recommendations for the long term.

John Agen reminded the committee that the current focus of the group is to address those items that will be short-term fixes that everyone can live with for the remainder of this year. Next, the group needs to start planning for the next few years. Some of the changes that need to be made, such as dependent premiums and adding tiers to the plan will need to be phased in to allow people to plan for the increases.

Neal again mentioned the 800,000 fund in trust for former City firefighters' benefits and that it will be a tough issue to decide when and how to use that money. He also mentioned an additional \$150,000. This money is from an additional 2% (over the 4% contribution that the County gives the City to help offset the cost of retirement health insurance) that goes into an individual account in the City Credit Union. There are trustees for that money and they have bylaws set up and approved, but have delayed voting on their implementation. Presently, no one can take any money out. Neal's thinking is that this money could possibly be used in some way – in addition to the \$800,000.

Benita asked what plan the retiree's would be on for the remainder of the year. Bill said the rates discussed at this meeting will apply to active employees only and retirees will retain the \$169/month premium – that their plan will have no changes this year. Active employees will be on the old plan until April 1, which is when the new plan design will begin. John Agen asked if the group could get a confirmation on that. Bill said yes.

John said that in conversation with the City Manager, Mr. McNees had indicated that if any issues came up during the group's meetings that needed a decision from him that he would be glad to come and address those issues. John said he thought before there was much more discussion about the \$800,000 and the \$150,000 that the group would like to hear what the City Manager's plan is for those funds. Bill said he was pretty sure that the City Manager did not have a plan because a plan had never come from the Finance Department to start putting any of that money into the medical fund.

John asked if this was an item that should be put off until long-term plans were made, or if it should be a part of the short-term recommendation to the City on March 1. Bill said that it was one of the items that had been given to Mr. Gehring last week for his recommendation.

Neal Elliott said it would be practical to get the opinion of an actuary.

Suzy Milburn asked what were the proportionate dollars that should be taken out of that fund if it is used for the retired firefighters currently on the City's health insurance. Bill said that would be an actuarial calculation as to what percentage each has used as part of the plan. Some firefighters came into the City's health insurance plan a month after consolidation and some came in much later. Suzy asked if the committee would be provided with those figures. Bill said that he had not asked anyone to provide that information. Actuarial could not be done in a couple of days – that it would involve a good bit of work.

Mark Trefethen said that since the issue with the firefighter's funds will probably wind up being a bargaining issue with the actives, and if the group wanted to get some actuarial studies, that they should use the same actuary that the firefighter's pension uses. As part of the interlocal agreement when the fire department transferred to the county, all parties agreed that it would be an accepted actuary. Bill said he thought the two separate issues of the group making recommendations for the plan and the fire department bargaining with management were getting confused. Bill also said if the group wanted a recommendation from Mr. Gehring, that he has an actuary on his staff that can do some of the calculations for the purpose of the group. It might not be part of the short-term solution, but probably within 30 days, he could have some intelligent numbers for the group.

Neal said although the directions for using the money will have to come from the firefighters involved more than anyone else, he still feels the group should have something to do with it too.

Mark said he would hate to have the group ask for recommendations from Kurt Gehring based on assumptions that might be erroneous based on future negotiations. Neal said he agreed and that the group need to get some direction

for an actuary from those who represent the actives and those that represent the retirees.

The discussion turned back to proposed dependent premiums. Benita said she would like to hear from the Teamsters and PBA representatives about the PPO rates and if they are comfortable with them. Kevin Stiff asked about the percentage breakdown between the City's contribution and the employee's contribution for the premium rates proposed. Bill said they really could not produce those numbers because the premiums have not been determined yet.

The objective of the proposed rates is to influence employees and retirees to go the TeamHealth and EPO plans, so those should be the lowest cost. Since the current premium is \$39.00/week, decided to make TeamHealth \$38/week as an incentive to get people to go to that plan. As you start going to the tiers, you have to keep increments for family coverage into the other plans relatively low. Otherwise, you will end up with a proposal like what the City proposed originally in the first place. The group needs to keep the premiums livable for those who will have to pay them.

Kevin said he would still like to see percentages of what employees/retirees are paying as compared to what it is costing the City. Right now, the employee pays about 12-½ % of the cost. His question is what percentage are we going to ask the employee to pay? Where is that percentage compared to where it has been? That would be one way to reach an understanding – that the City is willing to pay a certain percentage and the employee will pay a certain percentage.

Bill said Mr. Gehring could work up some numbers, but it would all be based on assumptions as to how many people would be in each plan. If the majority of people wind up in TeamHealth, the percentage will be lower and if the majority wind up in the PPO, it will be higher.

Benita said in the current budget year, the City is putting in \$4600/year for each employee. That is the figure used in the departments when they are doing their budgets. The City puts in that amount per person without regard for how many dependents the employee has. She asked if anything above that amount was just put in as a lump sum from the City as it is needed. Bill said yes, and that includes employees and retirees – 1109. However, when a retiree turns 65, the City cuts its contribution in half, just like his dependent premium is cut in half. Bill said he does not think the City should reduce that contribution.

John Agen had asked for a five-year history on the percentage of employee contributions vs. the City's contribution. Bill said the committee has that information on the spreadsheet that Chris Lyons handed out previously. The spreadsheet reflects the total dollar amounts; all that needs to be done is to figure the percentage on those numbers.

Benita said those numbers are hard to quantify because about 50% of the participants are single with no dependents. That means that 50% of the people are not paying anything and the other 50% are picking up the difference. Until the group knows where the dependents come in – whether someone has one dependent or five dependents or whatever, that rate cannot be calculated. It is not comparing the same things.

Kevin asked how the City had decided to charge \$39/week originally? Bill said that \$39/week was what the contribution was for many years. A weekly rate was established many years ago with a small increase here or there. It probably was not enough to cover the dependent coverage, but it was a number the City felt comfortable with so it would not be charging the employees too much. It is what was used as the base line figure for this year.

Ed Whitehead said he thought the rates should be raised slowly over a period of time so employees will be able to handle the increases. He also said that when long-term options are considered, the group could look at retiree coverage and possibly come up with some sort of tiered structure for people who retire at various stages. For example, under the current situation, a person who came to the City 15-20 years ago and worked for 10 years and became vested, is entitled to the same benefits as someone who worked more than 30 years. He was not proposing to take anything away from anyone in the plan now, but in the long term, to keep the plan healthy it is something that needs to be addressed. Those are two issues to consider in the long-term.

Bill asked the group to decide on what rates it wanted to use so he could give them to Mr. Gehring to run projections to determine what the savings will be.

Benita said she would like to hear from those in the Public Works area regarding the PPO. Would they be able to live with the new rates? Jim Godshall said his personal opinion is that the new rates are not that bad because they are a lot less than the original proposed increases, but he could not answer for everyone.

Neal pointed out the difference between the City's proposed PPO rate of \$64/week (\$1300/year) and the group's proposed rate of \$51/week (\$624/year) and how the increases would affect employees at the lower end of the wage scale. Bill reminded the group that there are still the EPO and TeamHealth options for those employees.

Kevin expressed the importance of educating the employees about all the different options. A sheet of questions and answers could be made available to all employees to help them understand the different plans and the coverage they offer.

John Agen said if some changes in the EPO could be made to in order to cover out of state dependents, then more participants probably would not have a

problem switching from PPO to EPO. The most important thing is to fill the needs of the employee.

Bill said it was not possible to work an EPO arrangement with the Beech Street Network because there is just not enough discount – that the cost would actually be higher. He said it was a possibility that active employees who are required to have the PPO because they have children out of state could be charged the EPO rates but be allowed to stay in PPO since they don't have any other choice.

Benita pointed out that the difference in the rates for a family on PPO is only \$3 more than the EPO and that is not a very big incentive to switch plans. Bill said that the original idea on the City's proposed rates was to make the PPO more expensive so it would drive people into the other plans. It is hard to make much of a spread between EPO, TeamHealth & the PPO without making the PPO too expensive or out of reach. Through education (by pointing out the difference in deductibles vs. copays, etc.) you will make people see that the savings is greater than just the weekly premium amount. For the City, obviously a slight increase in dependent coverage would help offset expenses; but the big benefit for the City is to encourage people to move into the EPO and TeamHealth plans.

Bill asked if the committee wanted to look at the dental plan. Question was asked if there was much of a savings in that area? Bill said that a commercial dental plan would be much more expensive with less benefit to the employee. The group decided to leave the discussion regarding dental for the long-term approach.

Group agreed to a 90-day lifetime maximum for the alcohol and drug abuse benefit since that is the same limit imposed by the TeamHealth plan.

There was a discussion about the new enrollment period for active employees. The group felt that there should be more education sessions in each department with group members participating. The group also would like to have input on the method of presentation.

Bill was asked to bring a draft of what he perceives as the group's proposal/recommendation to the City Manager to the next meeting for the group's review and revision. The recommendation needs to include that the group hopes to continue to work on long-term solutions.

Meeting was adjourned at 11:50 a.m.

Next meeting is Wednesday, February 27, 2002, 2:00 p.m. in the Public Works Department Training Room, 1761 12<sup>th</sup> Street.

Minutes Approved: \_\_\_\_\_

\_\_\_\_\_  
John Agen, Chairperson