

**Benefits Focus Group
(2/8/02)**

Committee members, alternates and staff advisors present:

Suzy Milburn
Pat Horan
Neal Elliott
Rick Winters
Karen Lusk
Gil Fernandez
Benita Saldutti
John Agen
Casey Humpert
Stacey Monroe
Linda McKinney
KayKae Thomas
Joyce Dolan
John Glanden
Kevin Stiff
Andy St. John
Pamela Hays

Meeting began at 2:30 p.m., February 8, 2002, in City Commission Chambers.

Linda McKinney, serving as alternate for Bill Campbell, started the meeting. There was a discussion about the City Manager's focus as stated in the minutes, "to find a way to keep the level of service and find a way to help bring the costs down. ...to try to understand the situation, the options and give as much feedback to the administration as possible so they would know how the employees and retirees feel about the plan." The focus should read: "to find a way to keep the level of service and find a way to help bring the costs down. ...to try to understand the situation, the options and give as much feedback to the administration as possible so they would know how the employees and retirees feel about the different options and what the solutions should be."

Committee's recommendation should be well reasoned and submitted in writing to the City Manager. That will be the recommendation the City Manager makes to the City Commission from the Committee.

Neal Elliott asked if committee could give its report directly to the Commission instead of through the administration. That way it would be presented by someone who had been present at the committee meetings and had knowledge of what had occurred at the meetings.

Linda McKinney stated that since the committee was formed at the request of the City Manager, it would be proper for the report to be made to the City Manager. Then he

could decide if he wanted a representative of the committee to go with him to the Commission.

The consensus of the committee was that as it gets closer to the March 1 deadline, the recommendation will be put in writing and presented to the City Manager in its entirety. At that time it will be decided if the whole committee or a selected spokesperson will meet with the City Manager. If that happens, the discussion will be limited to the written recommendation of the committee. The committee would like to make sure their recommendation is presented to the Commission in its entirety and not changed.

Neal Elliot expressed that he would like to keep the option open to present directly to the City Commission because the new City Manager doesn't have a history with the Commission and what was promised to employees regarding retirement health insurance - that it will be provided by the employer.

Linda stated that although that is probably a good point, that discussion needs to come at the time there is something to present. The committee can worry about how to do it when they have something to do it with.

Kurt Gehring of the Gehring Group, a consultant of the City who helped develop recommended changes to the City's health plan, was introduced. After presenting a brief background of his firm, he offered his services to the committee to help them understand the basics of the rates and where they are, the projections that were made, and any options that are available. Asked what the committee wanted to see and what information he could provide for them.

Benita Saldutti asked questions about the Gehring Group's current contract and how they were being paid. Asked if they were being paid by the vendor selected by the City. Mr. Gehring stated that he was not being paid by the vendors and was currently working for the City on a project fee basis. Benita pointed out that the contract has not been amended to reflect that. Mr. Gehring said he had talked with Bill Campbell and Gib Mitchell and they were going to take care of getting an amendment to the contract approved.

Kevin Stiff asked if the Gehring Group had prepared the program the City wanted to enact. Mr. Gehring stated that they had provided the City with several options such as fully insured plans as well as the self-insured option and the implementation of TeamHealth.

Handouts were distributed. Handouts consisted of comparisons between current EPO and PPO plans and costs and the City's proposed changes. There was also a handout showing the renewal projection made by the Gehring Group for the City's current plan year.

Mr. Gehring said that initially the City wanted to go fully insured because at that time they did not have the TeamHealth option. His opinion is that the solution is not in

switching from vendor to vendor, but rather in changing the behavior of the employees that are purchasing the health insurance. One way is to shift cost to them. Another way is to make them more accountable such as providing them with a spending account or something similar.

Mr. Gehring was asked what he would recommend as a consultant, if he did not have direction from an employer, as to what period of time should be given to a focus group or committee to review a plan. He said approximately one year. He pointed out that at this point, the longer the City delays making changes, the longer the delay before any credit is seen. There is about a three-month delay after changes are implemented before any claims are actually paid.

Neal Elliot asked about a spreadsheet that compared EMI, Aetna & Cigna proposals and the increased cost for retiree and dependent coverage. Asked if those proposals were prepared at the direction of the City. Mr. Gehring replied that the insurance carrier or Third Party Administrator (TPA) does not care who pays what. All they care about is the cost of the program and how much money they will need for the next year. From there they look at the number of employees, the number of dependents and then try to make a rational decision as to what the employee rate should be, what the dependent rate should be, etc. All they are concerned with is the bottom line. Those rates are more a funding issue with the City. It is all post bid information. Having this type of committee is very common in other municipalities, but usually they are involved at the start of the process instead of at this point.

Mr. Gehring explained differences between an open access type of point of service option and closed access where you go through a gatekeeper such as with an HMO option. The City's current program through its TPA is what is called a "fee for service". A person goes to the doctor; a claim is generated and then sent to the carrier. The incentive is for the doctor to see you.

The Beech Street Network that the City has now is probably the best program available to cover people outside of the Healthcare Sarasota area. The costs with Beech Street are approximately 15-20% higher than costs with providers in Healthcare Sarasota.

Defined contribution health insurance programs were explained briefly as an option.

Committee asked that Mr. Gehring provide them with information in writing on defined contribution plans so it can be reviewed and studied.

The committee would like to hear about incentives to change employee behavior instead of just penalties. Committee is interested in long-term as well as short-term options.

The committee, as a group, needs to establish goals and objectives then review the choices available.

Mr. Gehring said that self-funding in itself is a long-term approach. You are supposed to have several good years followed by a bad year. You just need to make sure you have enough surpluses during the good years to help pay for the bad years. The City has had several bad years in a row. In addition, the decision was made to make the plan richer. That is okay as long as you are monitoring the costs and know that the decision has to be made at times to increase costs to employees, such as co pays, deductibles, etc. If you do not do those things, you will reach a point where you cannot do it anymore.

The committee asked Mr. Gehring if he could put together a group of suggestions that have worked in the past. Some quick fix solutions such as increasing the size of the deductible or tiered dependent coverage. Then the committee would have an opportunity to look at and discuss those options as a group.

Mr. Gehring asked for a request in writing from the group. This should include any specific questions about the changes that have been recommended. He will respond in writing and provide as much information as he can to justify those changes. One of the first things the committee needs to decide is whether they want to make those changes or recommend against them. He asked the committee to remember that 20% of the insured are incurring 80% of the claims. If a change is made in the schedule of benefits, it will only affect the users of the plan. If a change is made in the contribution levels, it will affect everyone in the plan. He would like to invite Healthcare Sarasota, EMI and TeamHealth representatives to a meeting to answer questions from the committee. He also said the committee could invite other vendors to talk to them so they would know what they had to offer.

He would like to work on one issue at a time. Short-term options should be considered first and then long-term options should be worked on.

Neal Elliot made the motion to get some type of list together of information the committee would like from Mr. Gehring. The committee will send suggestions/questions to Human Resources (HR) by Tuesday. HR will consolidate suggestions and forward to Mr. Gehring. They will get back in touch with the author of idea for clarification if necessary. That way there would be a raw record of the original data and the consolidation for Mr. Gehring. Both would be available to the group.

Suzy Milburn seconded the motion.

Committee will meet with Mr. Gehring based on his schedule and when he is able provide the requested information.

It was expressed that it would be helpful to have a set time and day for the meetings. This would help employees and department plan their work schedules. Committee decided to meet two times a week on Wednesdays at 2:00 p.m. and Fridays in the morning subject to the availability of the Commission Chambers.

Neal Elliot stated that he felt that only committee members should be allowed to schedule meetings. The City should not be able to cancel and reschedule meetings without getting the approval of the committee.

Discussion was guided back to the motion on the floor. Items requested from Mr. Gehring need to be limited to the short-term situation. Then the committee will address the long-term situation in a few weeks.

Motion approved.

There was a discussion about selecting a chairperson for the committee. Linda McKinney asked that the discussion be delayed until Bill Campbell returns since he was the one the City Manager charged with forming the committee.

Neal Elliot asked what Bill Campbell's position is on the committee. Linda stated that she was under the impression that Bill was the chair of the committee. That is why she asked that the discussion be delayed until his return. Committee members expressed that they feel they should have the right to select their own chairperson.

Neal Elliott asked why the IAFF had not been invited to the meetings since the PBA and the Teamsters were participating. Said he would like to make a motion for the committee to ask the City to include an IAFF member on the committee. Linda McKinney said that the motion was out of order. That it was not a reasonable motion because it is outside the scope of the committee. Legal labor counsel, Dan Kunkle, had advised the City that they had no standing with the IAFF.

John Agen felt that it would be reasonable to request Mr. Kunkle to give the committee a standing on that. Stated that he would request that. Linda agreed that that was a reasonable request, but did not believe she could allow the committee to make a motion that is contrary to what legal counsel has advised.

There was a discussion about excluding a large group of people (fire fighters) that will be affected by the decisions of the committee. John Agen said he would contact Bill Campbell and ask for an explanation as to why the IAFF are being excluded. If he does not get a satisfactory answer, he will approach Mr. McNees.

Benita Saldutti said that the committee feels that they should be included but understand that HR has to take the advice of their attorney. Linda stated that it would be reasonable to get something in writing to that effect and that she will follow up on it.

Minutes were approved with the following corrections:

On page 6 says the motion was tabled and it should read that the motion was withdrawn.

Linda asked if everyone wanted the corrected minutes distributed to them. John Agen was only member who requested a corrected copy.

Committee thanked Mr. Gehring for his presence and comments.

The meeting was adjourned at 4:20 p.m.

Next meeting is Wednesday, February 13, 2002, 2:00 p.m. in the City Commission Chambers.

Minutes approved: February 13, 2002

John Agen, Chairperson