

**Benefits Focus Group
Presentation to the City Manager
(3/5/02)**

Committee members, staff advisors and City Manager at table:

John Agen
Benita Saldutti
Linda McKinney

Michael A. McNees, City Manager

Members in audience:

Ed Whitehead
Andy St. John
Pat Horan
Rick Winters
Karen Lusk
Gil Fernandez
KayKae Thomas
Casey Humpert
Suzy Milburn
Stacey Monroe
Dick Minster
John Glanden
Joe Munyak
Joyce Dolan
Chris Lyons
Debbie Horst
Jim Godshall

The presentation to the City Manager began at 9:00 a.m., March 5, 2002, in the City Commission Chambers, City Hall.

John Agen thanked everyone for being in attendance. He also thanked Mr. McNees for meeting with the Group. The first meeting of the Benefits Focus Group was held on January 25. The group has been meeting for approximately 4 weeks. He stated that he appreciated the participation of the PBA and Teamsters representatives and a Firefighter to give the Group a more balanced representation. The purpose of the committee was to develop a recommendation for the City Manager's consideration regarding health care benefits. The Group convened twice a week and successfully met the March 1 deadline for short-term proposals. The Group's recommendation does not balance the City budget or eliminate the shortfall in the health insurance fund. The short-term goal was to find a compromise between the current plan design and rate structure and that which was proposed by the City last fall. It was projected that the changes will produce a savings of approximately \$400,000 over the current plan. Any meaningful changes to the health insurance fund cannot be developed in four weeks, and once developed they may not produce immediate results. The City must be

willing to adopt a long-range goal. He went on to say that the work of the Committee could not have accomplished without the assistance of the Human Resources Department who provided administrative support and material necessary for the Group to accomplish their goal. It is now the Group's request that the recommendations be submitted in their entirety to the City Commission. Mr. Agen then turned the meeting over to Mr. McNees.

Mr. McNees first thanked the Group for their work. He agreed than to make annual adjustments, there needs to be a longer-term plan in place. He said he appreciated the Group's efforts and would be grateful to any of the members who would want to stay on as part of the Group to address long-term solutions.

Mr. McNees asked for clarification of the figures on the handouts. Linda McKinney summarized the handout showing the changes that the group had recommended to the PPO and EPO plans and answered questions about the copays, coinsurance and deductibles.

Benita Saldutti pointed out that the Group had Mr. Gehring's assistance on all the recommendations. He had helped them decide on the figures and determine the financial impact these recommendations would have on the plan.

Mr. McNees asked if the networks had agreed to the changes. Ms. McKinney said that the City makes the decisions as to what the Plan design will be and the third party administrator makes the adjustments.

Mr. McNees stated that one of the goals in the development of the original proposals was for an incentive for employees to select TeamHealth, as this plan is the most cost effective plan. He said that the proposed changes to the EPO and PPO made the costs very similar to TeamHealth. His concern that the City would lose that incentive. Ms. McKinney said that although the incentive is not as large as it would be if the Group had increased the PPO, the difference was made in the premium paid for dependents. For example, on the EPO for family coverage it's \$51 per week, for TeamHealth is \$43 per week. Initially that's not a large amount, but coupled with some of the changes in the plan design, that will start the process. Ms. McKinney stated that from her past experience, the first year you not see a great amount of activity when you make a change in the health plan.

Mr. McNees asked the Group if TeamHealth proved to be something that the employees were satisfied with, would they consider increasing the incentives for employees to join so that the gap is wider. Mr. Agen said the Group had discussed, at length, the use of TeamHealth and incentives. The Group had agreed that 1) This would be part of a long-term goal, and 2) The focus should be on educating the employees about the benefits of the plan.

Mr. McNees said that Intercoastal, the group of doctors that are in the EPO & PPO, but not in TeamHealth is meeting with the Mayor and he will be attend that meeting. He would like to know why they are not participating in TeamHealth. His goal in attending this meeting would be to find out why they do not want to participate in TeamHealth and do whatever he can to try to convince them to participate.

Mr. McNees stated that he thought TeamHealth was a bit misunderstood as far as the employee traveling outside the local area and he believes that the education mentioned

earlier would rectify this.

Mr. Agen asked if Chris Lyons could come down to the table to discuss any financial information that Mr. McNees might want to review. There was a discussion about the Attachment B showing the City's 2002 Projected Plan Cost. Mr. Lyons answered questions about the figures projected.

Ms. McKinney mentioned that there was an annualized figure and also an April 1 impact. The annualized figure would be that the City's cost through plan design would be reduced by \$521,000 annualized. The contributions have been increased by \$131,000, so the net result by that shifting is around \$390,000. The City had budgeted \$4.9 million for year 2002. When you use the costs, it requires the City to add approximately another \$1.8 million. Mr. McNees put his concern into a question. "If we adopt these changes April 1st, how much do we cut from our projected expenses from April 1st to October 1st? Is that the \$400,000 number or the \$300,000 number?" Mr. Lyons said it would be the \$394,000 number - that would be the annualized savings it were annualized. Ms. Saldutti stated that it would be through December 31 rather than to October 1. Ms. McKinney indicated that the mandate would be through December as the Group would be implementing other changes going into the next plan year beginning January 1st, so the Group only costed it out through the end of the calendar year. Mr. McNees then asked if the \$1.8 million was new money or money allotted that had already been funded by the transfer from the public casualty. Mr. Lyons indicated that the transfer of the \$750,000, he believes that Mr. McNees was referring to, was from fleet liability. That was to cover through December 31st. Mr. McNees asked again whether the \$1.8 million was new money or a part that had already been funded. Mr. Lyons indicated that it was new money.

Ms. McKinney indicated that there was some good news. The claims experience rate from October to December 2001 was not as drastic as projected. Mr. McNees asked whether this was the City's cost and Mr. Lyons answered yes. He believed that when Mr. Mitchell and Mr. Campbell met with Mr. McNees regarding some of the projections, they were based upon projections through October 2001. When the Focus Group first started, they asked the Gehring Group to put together more information through December and the claims experience improved by about \$400,000 on an annual basis. So that did help the situation somewhat. Mr. Lyons was not in the meetings, but he indicated that he thought there was a figure of about \$2.2 million mentioned at one point in time and as you can see it's \$1.8 million. So that's the difference that has already been factored in. Mr. McNees stated that he was unclear regarding the \$400,000 utilization decrease and the \$400,000 the Group's recommendation of plan design changes. Mr. Lyons indicated that it did total \$800,000, but the \$400,000 of the utilization experience had nothing to do with the Group's recommendations, it's just a change in the medical experience as had been originally projected. Mr. McNees then questioned if the Group's bottom line total cost include that increase. Mr. Lyons answered no and further stated that it was a total increase of \$800,000 off the projections Mr. McNees had originally looked at. Mr. Lyons said that the way the numbers are derived, the total cost projections, is using the claims experience. What the Group did was to revise the current plan cost projections with the lower number, based upon the favorable claims experience from the last quarter of 2001. The \$400,000 that the Group recommended is real changes as compared to revised claims experience. Ms. McKinney stated that the City's current exposure reflects that \$400,000 savings. Mr. McNees wanted to

know if the \$8.0 million included this change to the revised claims experience and the answer was yes. Ms. McKinney stated that unfortunately that the revised claims experience and the recommendation of changes of the Focus Group were both \$400,000. Mr. McNees wanted to make clear that when the changes are explained to the employees, we are not changing too many variables at once. Mr. Lyons stated that it might be best to show the experience effect. The original number was \$8.4 million, the claims experience saved \$400,000 would bring the figure down to \$8.0 million and then the plan design changes brought the figure down another \$400,000 to \$7.6 in rough figures. Mr. Lyons stated that claims experience could change at any time. It could be better or could be worse as the year progresses.

Mr. McNees said he had no problem in taking these recommendations to the City Commission as they stand. He also indicated that he welcomed as many of the group as would like to attend the Commission meeting. He said the Group might like to choose a spokesperson to walk the City Commission through what the Group did and how they came up with the recommendations. He indicated that this should take place at the next Commission meeting, if these recommendations were going to be implemented by April 1st. He indicated that there were only a couple days to figure out how to fill the hole. He said that he and the Finance Department would have some work to do and he thinks they probably can, but he would not be able to answer this without a lot more information from Mr. Lyons.

Ms. McKinney indicated that the unions had been contacted and they each have a representative on the committee. They also have a copy of the proposal. The Group is trying to ask for their assistance in getting an expedited review of the process. Ms. McKinney was going to send an email out to all employees as a first review for their interest because it is a very big interest item. She stated that there would need to be a few days to communicate this to the employees. This is presuming that the City can work with the Unions in tandem. She stated that the Human Resources Department could do the sign-up with IST's help for individuals who would like to change their coverage. This process would be available to everyone. The individuals who are in the Group have also committed to assist in the communication and answer questions of the employees.

Mr. Agen then stated that he felt that the Group had addressed every item that they could think of in the short period of time in which the Group had to work. He felt this was the Group's best product to carry through to the end of the year. However, he feels that part of the long-term goal is right in play with the way the City is going currently, he thinks the education of the participants and the push for the TeamHealth network to be increased is essential. He stated that he is not too sure of the requirements to get into the various networks, but if that could be increased, he would also be willing to change. He further stated that this would have to be done through the education. The Group has adjusted all the numbers that the Group felt they could adjust that would be accepted by the participants.

Mr. Agen stated at the start the Group did finish the short-term, but part of the long-term would be targeting what will occur in January and anticipate more savings by some of the changes. The Group has adjusted the deductibles and various other numbers and now it would be time to start working on the plans themselves and the participants in the plans to try to offer further savings.

Mr. McNees thanked the Group for the good work they produced. He indicated that they had

