

RUTHERFORD COUNTY BENEFITS & INSURANCE COMMITTEE
MARCH 22, 2011 COURTHOUSE

MINUTES

MEMBERS PRESENT:

MICHAEL JONES
MERRY HICKERSON
PAULA BARNES
ALLEN MCADOO
JEFF SANDVIG
JOYCE EALY
WILL JORDAN
BILL SELLERS
GREG HALL
REGINA HARVEY
ELIZABETH CRACE
DONNIE HESTER
JOE RUSSELL

OTHERS PRESENT:

EVELYN ANDERSON
SONYA STEPHENSON
MELISSA STINSON
PAUL HUFFMAN
LISA NOLEN
ERNIE CLEVINGER
JEANNIE HERNDON
DAN GOODE
KELLI PERRIEN
MARK KING
KED MARSH
AUDIENCE

APPROVE MINUTES:

A motion was made by Merry Hickerson to approve the minutes from the last Benefits & Insurance Committee meeting on January 27, 2011. The motion was seconded by Commissioner Ealy and passed unanimously.

FINANCIALS:

Mrs. Stinson, Insurance Director, reviewed the February insurance fund report. The PEPM for medical/dental (fund 264) is \$618.99 compared to \$655.12 for the same period prior year. The average PEPM is \$686.70 compared to \$635.32 last year. The combination of CareHere results, makes the PEPM cost at \$651.57 compared to \$652.71 prior year at this time.

The worker's comp fund (266) YTD is \$604,778.02 compared to prior year \$699,731.74. This is about 86% of prior year.

A motion was made by Susan Boney to approve the financial report as presented. The motion was seconded by Mr. Sellers and passed unanimously.

WC/OJI STATS:

Dan Goode, Safety Coordinator, reviewed the OSHA report for February. February had 31 accidents, making the year to date 49. There are 28 recordable on the OSHA log with 14 having restricted days. The total incurred in February is \$67,611.10; the Board of Education had \$51,861.10 with 13 claims, County General had \$14,850 with 17 claims, and the Highway dept. had \$900.00 with one claim. The trend shows less severe accidents due to increased awareness.

WELLNESS UPDATE:

Kelli Perrien, Wellness Coordinator, presented last month's overview of the Smart Steps Wellness Program. A Financial wellness seminar was attended by 28 employees, CareHere held a HRA clinic at Eagleville and had 29 participants; a Stress Reduction Seminar was held at Warm Springs with 65 participants. Several CareHere webinar's will be available through the month. Upcoming activities include diabetes management, physical and emotional health, exercise, HRA's, and environment topics. All program date and times are found on the Insurance Department website.

BID LIST FOR ON-SITE MEDICAL:

Mrs. Stinson informed the Committee that the bid for on-site medical services was released in January 2011. At the bid opening on March 14th, 4 companies delivered bids according to the RFP, TakeCare, CIGNA, HeathStat, and Concentra. CareHere did not deliver their RFP in a timely manner. The matter has been reviewed by the County attorney; the CareHere bid could not be considered as it did not comply with the RFP requirements for timely submissions. A review will begin soon to see if any of the submitted bids are suitable; the findings will be given at the next Insurance meeting on April 28th.

CONTRACT IMPROVEMENTS: CCMSI & CIGNA:

Mrs. Stinson has been reviewing the existing contracts to gain a better understanding on the operations and financial cost associated with the Insurance Department. She explained that in the past, the Property & Casualty evaluation was handled by RAI, who also agreed to help with property & casualty consulting and assist with OJI program development as needed. CCMSI is our broker and TPA for property & casualty; Mrs. Stinson felt there were unnecessary expenses incurred under the contract with RAI. She discussed the contract with RAI who then agreed to reduce their costs to \$3,500 this year. She then discussed property evaluation with CCMSI who agreed to provide these services at current contract rate. The County will realize an overall savings of \$6,000 starting next year for property evaluations.

Regarding CIGNA, there are multiple components, medical, dental, vision, and pharmacy which affect the cost. The pharmacy cost involves a per prescription cost; a dispensing fee for each prescription filled. There are also rebates from manufacturers to CIGNA. After negotiations with CIGNA there were some improvements in pricing, dispensing fees and rebates, the County will receive \$411,000 in rebates for 2010; after averaging in the improvement, the County will see an additional \$128,352 in savings beginning July 1st. This is about a 31% increase in benefit with CIGNA.

HEALTH CARE REFORM:

The County employed Deloitte Consulting, LLC to help with Health Care Reform. Deloitte provided a detailed report of their findings and estimated cost impact for the medial plan. Mrs. Stinson reviewed the changes which will impact our plan.

The first provision includes coverage for dependent children to age 26, effective July 1, 2011 with an estimated cost impact of \$564,000. This allows dependents who have no coverage available through their employer to stay on our plan up until age 26. The Insurance Department will send communication out to the employees in May so that they can enroll eligible dependents.

There will be no pre-ex for children, and beginning in 2014, no pre-ex for adults with a projected impact of \$493,000.

Employers with more than 200 employees are required to auto-enroll full time employees into a plan, the employee's can opt out. The cost impact will depend on the plan option used for auto enrollment.

Another provision of the act is minimum essential coverage. This requires employers to offer minimum essential coverage as defined by the HHS. Rutherford County is a grandfathered plan and can continue as long as we meet guidelines. Under Health Care Reform, employers can contribute 60% and still be considered in compliance. Currently, the County contributes 77% on Option 1, 87% on Option 2, and 100% on Option 3. There are no expected expenses to the County at this time.

The FSA/HAS restrictions limits annual health care FSA contributions (effective 2013) and eligibility of OTC medications for reimbursement under FSA (effective 2011). This reduces contribution level available for employees from \$5,000 as currently allowed by RCG to \$2,500 (indexed) as required by the Act.

The most prominent part of this reform is the High Value Plan Tax (or Cadillac Tax). Effective 2018, a 40% excise tax on benefit values in excess of \$10,200/individual and \$27,500/family will take place. This is a significant impact to the County in how pricing of plans is determined. Each option is considered a plan and functions as its own entity under Health Care Reform. One plan option can be grandfathered, but not all. Based on the current funding, Option 1 is considered a Cadillac Plan; however, Option 2 and Option 3 (HRA) are not. This provision of the Act considers the full premium cost. The retiree plans fall under the Cadillac Tax and the County has already addressed their coverage.

Assessed fees will be imposed on self-funded plans on a per capita fee to help fund healthcare research. In 2012, \$1, and in 2013 \$2 will be paid for the average number of covered lives. Total member in February 2011 was 11,401.

Mrs. Stinson advised reviewing the subsidization of premiums, options 1, 2, and 3, and revisit how the County funds these benefits. The County needs to review vendor contracts to control costs, to review administrative costs, and review programs tied to the medical and dental plans to verify if they are cost effective. The County needs to determine the program cost and the benefit received for the cost of these programs. Deloitte suggested the County review the Implementation of the Act to determine level of participation level. We need to enhance where needed, as the projected cost impact in 2014 is \$1.896M. We need to review the waiting period to see if that is an opportunity to offset some of the premiums and still maintain grandfathered status.

After questions, Mrs. Stinson informed the Committee that the Insurance Department will be sending communication in May regarding dependents up to age 26. The dependents do not have to reside in the parent's home, they may be married, but have no medical coverage available.

STOP-LOSS REVIEW:

Mrs. Stinson reviewed a handout regarding the County individual stop loss for medical coverage only. The current stop loss risk is set at \$380,000. Based on claim experience and loss ratio, Mrs. Stinson suggested an increase to \$750,000. She reviewed the time frame from July 2007 to June 2011. The actual premium paid is a little over 2 million. The actual reimbursement is \$859,629.10 or a loss ratio of 41.17%. The current year is an abnormal plan year with high experience, which is to be expected sometimes. In the plan years 7/2007-6/2010 the loss ratio is 8% versus 41% for 07/2010 – 06/2011. If the County had a stop loss level of \$750,000 for the four years reviewed, the loss ratio would have been 31.82%, a savings of

Page 3
Benefits & Insurance Committee Meeting
March 22, 2011

\$475,719.92 realized during that 4 year period. It appears that the County has the ability to take on additional risk based on claim projections based on CIGNA's book of business.

After questions, a motion was made by Merry Hickerson to recommend the Stop Loss level increase to \$750,000 effective July 1, 2011. The motion was seconded by Elizabeth Crace. After discussion, the motion passed unanimously. The motion will be forwarded to the next Budget Committee meeting.

ADJOURNMENT:

The meeting was adjourned at 1:55 p.m.

Mayor Burgess, Chairman
Rutherford County Benefits & Insurance Committee