RUTHERFORD COUNTY BENEFITS & INSURANCE COMMITTEE
MARCH 25, 2013 COURTHOUSE

MINUTES

MEMBERS PRESENT:	OTHERS PRESENT:
MERRY HICKERSON	MELISSA STINSON
ELIZABETH CRACE	EVELYN ANDERSON
GREGG HALL	JAY BROWN
DONNA ANDREWS	SONYA STEPHENSON
DONNIE HESTER	KELLIE LEWIS
WILL JORDAN	MARY ASHERBRANNER
SUSAN BONEY	PAUL HUFFMAN
JOE RUSSELL	BOB SHUPE
REGINA HARVEY	JEREMY SHUPE
VIRGIL GAMMON	LISA NOLEN
JOYCE EALY	MARK KING
ALLEN MCADOO	WAYNE BLAIR
JEFF SANDVIG	DOUG DAVIS
MAYOR BURGESS	HARRY GILL
	OTHERS IN ATTENDANCE

APPROVE MINUTES:

A motion was made by Susan Boney to approve the minutes from the last Benefits & Insurance Committee meeting on January 24, 2013. The motion was seconded by Merry Hickerson and passed unanimously.

FINANCIALS:

Risk Management Director, Melissa Stinson reviewed the insurance fund for medical, dental, and vision (264). The PEPM for March was $745.75, compared to $664.77 last March. The year to date average is $811.05 compared to $803.71 last year at this time. Adding the on-site medical clinics changed the PEPM to $779.64, compared to prior year $698.80. The year to date average is $846.22, with prior year $834.88 (1.4% upward). The workers comp fund (266) YTD was $617,893.07 at the end of March, compared to $833,457.70 prior year.

WC/OJI STATS & WELLNESS UPDATE:

These two agenda items were included in the packet for the Committee to review. The items were not presented due to the constraints of time required for this meeting.

LIFE & AD&D BID:

Jay Brown, Cowan Benefit Services, reviewed the spreadsheet regarding life insurance. All proposals submitted were reviewed; the two finalists were MetLife and Hartford Life. The current carrier, Standard had an -8.0% decrease in annual cost savings to the County (employer paid), MetLife had 6.5% increase, and Hartford had -12.9% savings of $34,861.00. The employee paid supplemental benefits showed Standard at 12.0% increase, MetLife had -27.4%, and Hartford had -3.4% decrease. By combining this information together, overall, Standard was 6.3%, MetLife -17.8%, and Hartford -6.1%. Risk Management Director, Melissa Stinson addressed the retiree rates, and stated that Standard and Hartford held the rate flat at .54 per 1,000, however, MetLife increased retiree rates to .72 per 1,000. Overall, comparing everything, Hartford had a savings to the employer of 12.9%, and 3.4% to the employee. The plan design was consistent with all 3 carriers; the current carrier, Standard, does offer a line-of-duty benefit for death and dismemberment (2x benefit). Hartford ‘s life of duty benefit offers accidental death benefit (doubled), but not for dismemberment. Hartford also offers a limited open enrollment by allowing employees to increase their supplemental coverage $10,000 each year without medical underwriting. An employee could increase their coverage for the next 3 years for a total of $30,000. A modified open enrollment will help stabilize rates for the next time we have to bid out the life coverage as it would prevent adverse selection. The County had a true open enrollment three years ago when Standard became the carrier; participation increased by 20-25%. The open enrollment impacted claims causing rates to go up in some areas. Ms. Stinson said about 1,281 employees are enrolled in supplemental life. The County pays for basic $35,000 coverage for all full time employees; Hartford rates were better. After reviewing the overall picture, she recommended Hartford Life as the new carrier effective January 1, 2014.

After discussion, a motion was made by Merry Hickerson to recommend Hartford Life based on the overall savings to both employees and the County. The motion was seconded by Jeff Sandvig and passed unanimously.

SHORT TERM DISABILITY (STD) BID:

The current STD carrier Reliance, failed to submit a bid to the Purchasing Committee within the deadline, therefore, they cannot be considered for next year. The intent of the bid is to replace current benefits at the same cost to the employees. Cigna proposed a flat premium and matched the current benefits. MetLife had a 2% increase and a 2 year rate guarantee although 3 years was requested. MetLife's weekly benefit was $50 less than Reliance and Cigna. Ms. Stinson said Hartford was the 3rd choice, however, they had a 12% increase in premium.

A motion was made by Merry Hickerson to recommend Cigna as the new STD carrier effective January 1, 2014. The motion was seconded by Jeff Sandvig and passed unanimously.

PROPERTY & CASUALTY BID:

Bob Shupe, Employee Security Planning, reviewed the Executive Bid Summary regarding property casualty/TPA bids. There were 2 submissions, and multiple carriers through the 2 brokers who submitted proposals. CCMSI, the current TPA who manages the OJI program, submitted 3 proposals. J. Smith Lanier was the other broker. Mr. Shupe pointed out that the current property coverage is $100M limit (this was requested in the bid specs), CCMSI quoted this; J. Smith Lanier quoted $200M, twice the amount currently in place. Although it is unlikely for the County to have a claim over $100M, it is possible. Another difference in J. Smith Lanier quote was for earthquake coverage. The request was for 10M, but their quote was for 100M. Mr. Shupe thought the reasoning was that the premium was the same. The premium for property was $433,040 for J. Smith Lanier, CCMSI property premium is $435,223 which also includes crime coverage. To add crime coverage to J. Smith Lanier's quote, (it was not included) would cost about $8,000. Another notable difference was for Inland Marine coverage. The request was for coverage to apply on a blanket basis, CCMSI answered "yes"; J. Smith Lanier stated it was per schedule. Inland Marine coverage includes contractor's equipment and musical instruments. These things need to be on a blanket basis so that the County is not constantly verifying inventory every day. For vehicle insurance, the request was for physical damage to be included with $1M limit and $25K retention. CCMSI said "yes", however, J. Smith Lanier had a $50K retention (deductible per vehicle). The quote for $5,000,000 single limit liability was agreeable with CCMSI; J. Smith Lanier quoted $1M + 4M excess each line of coverage.

In regard to uninsured/underinsured motorist, Ms. Stinson met with the BOE regarding contracted school buses. The cost for bus owners to carry this coverage is very high; it may be that the BOE will have to help fund this at a great cost to them. CCMSI has agreed to provide $5,000,000, J. Smith Lanier does not provide this coverage, and it would fall under General Liability. Currently, a child on a school bus who is injured would have no recourse if the third party was an uninsured motorist. Our contract currently excludes this type of coverage on a contracted school bus; providing this would close a gap in the program . Mr. Shupe said in lieu of commissions, any agent/broker tied to this account will only receive a flat rate fee; CCMSI quoted a $10,000 flat fee, J. Smith Lanier quoted $60,000 flat fee.

For TPA services, it appears CCMSI has the most experience in processing OJI claims. At one time, Brentwood Services (J. Smith Lanier quote) processed worker's comp claims for the County; within their TPA, they are now handling OJI claims. There is also a $3,500 take over conversion fee if Brentwood Services becomes the TPA. One thing J. Smith Lanier offered that CCMSI did not, was a flat fee of $110,000 with a minimum of $85,000 (for no claims), CCMSI minimum charge is $9,950 (for no claims). Mr. Shupe reviewed a claim cost comparison by comparing costs between CCMSI and Brentwood Services using claims incurred from July 1, 2011 through June 30, 2012. The total annual cost was $180,125.00 for CCMSI and $177,705.00 for Brentwood Services, however, this does not include the set up fee for a new carrier, and the auto physical damage number is out of proportion due to a high number of vehicles damaged in a hail storm. In reality, there was not much difference in the two companies regarding overall costs.

Mr. Sandvig asked if the County could opt to pay the flat fee for TPA services of $110,000, and Ms. Stinson confirmed this. Mrs. Harvey asked when a claim is filed, how it is replaced. If it is equipment, it is replaced at functional replacement value. If it is a vehicle, it is replaced at actual cash value at the time of loss.

CCMSI and J. Smith Lanier were each given 15 minutes to present to the Committee. Chuck Akers, Chip Hoover, Jon Smitterman, and Josh Broden represented J. Smith Lanier Brokers. Janet Bowman represented CCMSI.

After discussion, a motion was made by Elizabeth Crace to recommend to remain with CCMSI, option #3 (Travelers & Brit Global carriers) for Property & Casualty effective July 1st. The motion was seconded by Virgil Gammon. The motion passed; 12 yes votes (Donna Andrews, Susan Boney, Mayor Burgess, Elizabeth Crace, Commissioner Ealy, Virgil Gammon, Greg Hall, Donnie Hester, Merry Hickerson, Commissioner Jordan, Commissioner McAdoo, and Joe Russell); Regina Harvey and Jeff Sandvig voted against the motion.

STOP LOSS PREMIUM:

Paul Huffman, Cigna reviewed the stop loss renewal effective July 1st. It is not part of the 3 year medical contract, and is decided each year. The current rate is $5.48 per employee with the pooling level at $750,000. To remain in the same individual pooling level, the monthly rate increased to $5.95 (8.6% rate increase) per employee or $348,718 annual premium. Two other options were reviewed; but, raising the individual pooling level puts more risk on the County. Ms. Stinson recommended staying at the current pooling level of $750,000.

A motion was made by Merry Hickerson to remain in the same pooling level of $750,000 with a rate of $5.95 per employee for an annual premium of $348,718 effective 07/01/2013. The motion was seconded by Jeff Sandvig and passed unanimously.

BARIATRIC SURGERY BENEFITS:

In the work sessions held April 3rd, it was discussed to look into this benefit and bring more information to the Committee. Ms. Stinson reviewed 2 periods of time; base period is July 2010 – June 2011, and current period is July 2011 – June 2012. There were 7 claimants in the base period for a total of $165,936 and 3 in the current period for a total paid of $75,881. Based on the actual claims experience and other changes in review for the plan, Ms. Stinson recommended leaving this benefit in the medical plan for at least one more year to gain more experience in the actual trend of this benefit.

A motion was made by Regina Harvey to continue with the Bariatric Surgery Benefit at this time. The motion was seconded by Virgil Gammon and passed unanimously.

PLAN CHANGES:

Also in the work session, it was recommended to make plan design changes in an effort to control premium increases. On the Co-pay Plan, it was recommended to move the annual deductible from $750/person, $1500/family to $1000/person, $2,000/family for in-network benefits. For out-of-network benefits, the deductible would move from $1500/person, $3000/family to $2000/person, $4000/family. For the annual out-of-pocket maximum , move it from $3750/person, $7500/family to $4000/person, $8000/family in-network benefits; and for out-of-network benefits move from $7500/person, $15000/family to $8000/person, $1600/family. The ER co-pay would increase from 100% after $150 per visit co-pay to 100% after $300 per visit co-pay, both in-network and out-of-network. The UC(urgent care) co-pay would move from 100% after $30 co-pay to 100% after $60 co-pay in-network. Mail order pharmacy/90 day retail benefits would move from $15/$90/$180 to $12/$75/$150 which are below current plan design to encourage 90 day retail or mail order.

On the Deductible Plan, it was recommended to move the out-of-network annual deductible from $900/person, $1800/family to $1000/person, $2000/family. The annual out-of-pocket will move from $2550/person, $4850/family to $2500/person, $5000/family in-network; and move from $4850/person, $9450/family to $5000/person, $10000/family for out-of-network benefits. The ER co-pay would move from 80% after deductible (additional $250 may apply) to 80% after deductible, $300 per visit co-pay in-network. The out-of-network benefit would move from 60% after deductible; additional $250 may apply to 60% after deductible; $300 per visit co-pay. The mail order pharmacy/90 day retail will change from $15/20%/35% (no deductible) to $12/15%/30% (no deductible).

The HRA Plan changes recommended are moving the annual deductible from $1500/single, $3000/family collective to $1750 single, $3500/family collective in-network. The out-of-network annual deductible would move from $2500/single, $5000/family collective to $3000/single, $6000/family collective. The mail order pharmacy/90 day retail benefit would change from 30%/40%/50% (deductible apply) to 25%/35%/45% (deductible apply).

The total savings realized with these changes total $675,700 for 2014. Mrs. Harvey said the ER co-pay seems to be a big concern to teachers. Ms. Stinson stated that 30% of ER visits are steerable- a lower level of care is available at other facilities like urgent care clinics, Med-Point, retails clinics at Walgreens, etc. The goal is to drive behavior so that employees make better choices. If you go to the ER and are admitted, the ER co-pay is waived.

A motion was made by Merry Hickerson to accept the recommended plan changes for a savings of $675,700 effective 01/01/2014. The motion was seconded by Commissioner Jordan and passed unanimously.

2014 DENTAL & MEDICAL PREMIUMS:

The dental program is self-sustaining and no premium increase is needed for 2014 explained Ms. Stinson. A motion was made by Regina Harvey to hold the dental rates flat, with no rate increase for 2014. The motion was seconded by Will Jordan and passed unanimously.

Mayor Burgess stated that a lot of discussion had been made regarding one component of the retirees, the U65 retirees. Jeff Sandvig was allowed to speak offering his suggestion for this group, along with Wayne Blair, Board of Education. At a recent BOE board meeting, it was recommended to request that the Insurance Committee and Rutherford County Commission Budget Committee prepare a 2014 medical insurance rate proposal that will combine the pre-65 retirees with the active employee group and set a common overall rate for both groups with the pre-65 retirees paying one half the overall rates.

Mr. Blair addressed the Committee in an effort to find an opportunity or relief for the U65 retirees and offer a solution or proposal. It appeared that due to the large number of employees in the medical plan, it looked awkward to have the U65 older retirees take such a big hit in premium. One of the easiest corrections seemed to be to blend them in with the large group so they would not experience such a large increase in premium. Other proposals for this group to have some relief would be welcomed.

The cost will continue to grow for this group. The U65 groups needs a 160% increase, however, 50% is requested. This is only 35.25% of the actual needed rate explained Ms. Stinson. The actual claim dollar in 2012 fiscal year PEPM was $9,796 for active employees, and pre65 retiree was $14,945. Our OPED liability current liability is $60,783,318, and our monthly arc is 12 million dollars. We are not contributing anything at this time. The impact for this is higher interest rates when we borrow money, for example, for a new school. This creates a snowball effect if we blend the U65 retirees. The necessary rate increase for the active population is 24.6%. To balance the equation, we could do a one year adjustment to the pre-65 retiree (2014) and adjust the County contribution to 65.5% for single coverage, and 63.5% family coverage, for the co-pay and deductible plan. The pre65 retiree pays $9.90 more per month, family $48.14 on the co-pay plan, for the deductible plan the single rate increases by $11.31 and family $55.01 in 2014. This would give the County one year to explore other options for the pre-65 retiree. If we blend the rates, a pre-65 enrolled in the co-pay plan would pay less in premium in 2014 to the sum of $26.78 a month, and a 4 tier enrollment would be necessary for this group. At 50% county funding, a family rate in the co-pay plan would pay $253.36 more in premium for a total rate of $760.07 (for 2 tiers). If we blend the rates and go to a 4 tier enrollment 18 enrolled in family coverage, 12 would change to EE + Spouse for a rate of $537.63 (blended rate). If we don't blend rates, at 50% contribution, the premium is $760.07. The rate for EE + Child is $473.63 versus $760.07, and EE + Family is $742.44 versus $760.07. For the deductible plan, the single rate would drop below current rate by $28.92 , EE + Spouse would move from a family rate of $868.65 to $617.97, EE + Child would move from $868.65 to $544.38, the family coverage would move from $868.65 to $852.39. If the rates are blended, the largest population of the U65 retirees would pay less next year; was this the intent of the BOE? Other counties base their contribution on the years of service for that employee. Our youngest retiree is 50 years old, and we have children as young as 3 participating in the U65 model. The active employee will pay 3% more in premium so that the U65 can have a blended rate.

When we blend rates, we are rolling the experience of the U65's into the active population; a single rate would be $512.03, and family $1,484.89. We must do one of three choices: accept what was originally proposed, modify the U65 with a one year stipend, or blend the rates.

After discussion, Mrs. Hickerson said she was willing to compromise for one year in order to keep the plan viable, as blending was not a good option. She made a motion to modify the U65 group County contribution rate to allow this group to receive subsidy at a rate of 65.5% single, 63.5% family with the 50% rate increase attached for 2014 only (one year); for current U65 retirees and those who retire in 2013 (grandfathered) and look at other options for this group. Those who are U65 and retire on or after 01/01/2014 (non-grandfathered) will pay 50% of the total premium rate. The motion was seconded by Commissioner Jordan.

Commissioner Jordan explained that this is a temporary fix, and a lot of work needed to be done in the next year to find a solution for this group. Ms. Stinson calculated that a difference of $331,000 based on current enrollment will be put back on the County if the motion is passed.

Mr. Sandvig suggested an amendment to the motion by asking to blend the actives with the U65 retirees, that the single employees who are currently retired and under 65 pay the same rate in 2014 that they paid in 2013 (a rate pass for 2014). The rest of the population would incur a rate increase. The motion was seconded by Regina Harvey.

Ms. Stinson explained that blending the rates would require a 4-tier rate, therefore, the singles would pay what they pay today, but the rest would have a reduction in premium due to the structure moving from (2 tiers) single (EE) and family to EE, EE +Child, EE+Spouse, and EE+Family. The actives would have an additional 3% added to what is needed, and the O65 would have a 10% increase to support the U65 retirees.

After discussion, a roll call vote for this amendment was taken, 12 voted no (Ms. Andrews, Mrs. Boney, Mayor Burgess, Mrs. Crace, Commissioner Ealy, Mr. Gammon, Mr. Hall, Mr. Hester, Mrs. Hickerson, Commissioner Jordan, Commissioner McAdoo, and Mr. Russell), 2 voted yes (Regina Harvey and Jeff Sandvig). This amendment to the motion failed.

A roll call vote was taken, for the original motion made by Mrs. Hickerson. The motion passed by 13 to 1, with Commissioner McAdoo voting "no".

The post 65 retirees (O65) need an additional 10% increase for 2014. The total overall budget changed with the additional claims information that was added for February and March. The total overall budget was $63,069,805, the retirees need $4,775,397. 1.4M has been booked to the actives, taxpayers will subsidize the additional $331,000 needed for post 65 retirees.

A motion was made by Mr. Sandvig to recommend a 10% premium increase to the post 65 (O65) retirees for 2014; the motion was seconded by Mrs. Hickerson. Commissioner Ealy read a statement regarding conflict of interest, as she is a retired from the Board of Education. The motion passed with Commissioner McAdoo voting "no".

The active employees require a 24% increase for 2014, or $58,013,415. A motion was made by Mrs. Hickerson to recommend the actives receive a 24% increase to the total premium needs for 2014; the motion was seconded by Elizabeth Crace. The motion passed with one "no" vote by Commissioner McAdoo.

Ms. Stinson reviewed the 4 exhibits she was asked to prepare at the study session held April 3rd. In reviewing the plan changes and employee contribution adjusted at 80% all plans/tiers, she noted it is the same as what was discussed for the under age 65 retirees. The rates would almost double for the active employee portion. An employee today enrolled in the co-pay plan for single coverage, pays $42.10, in 2014 they would pay $101.20, EE + Spouse goes from $103.00 to $212.53, EE + Child goes from $90.74 to $187.23, and EE + Family goes from $142.24 to $293.49. If enrolled in the deductible plan the single coverage goes from $48.12 to $116.04, EE + Spouse goes from $117.72 to $243.68, EE + Child goes from $103.71 to $214.66, and EE + Family goes from $162.57 to $336.50. The HRA plan has no premium in 2013, it would increase to EE $73.35, EE + Spouse $154.04, EE + Child $135.70, and EE + Family $212.72. This represents a 163% increase to the active employee's premium. The exhibit showing plan changes and employee contribution adjusted 90%/variable by plan/tier and HRA 100%/variable by tier addresses sustainability, driving behaviors, and long term viability. This leaves the employee at the same funding level that they are today for single coverage. The funding for the co-pay plan EE + Spouse is 86%, EE + Child 87%, EE + Family 85%; the deductible plan, (the richest plan that pays the most benefit) is adjusted at EE + Spouse 84%, EE + Child 85%, and EE + Family 83%. The HRA funding is EE + Spouse 98%, EE + Child 99%, and EE + Family 97%.

A motion was made by Mrs. Hickerson to take exhibit #3 off the table; the plan changes and employee contribution adjusted at 80% for all plans/tiers. The motion was seconded by both Commissioner Jordan and Mr. Sandvig. The 80% funding level puts 7M to the employees, and 4M to the County. The motion passed, 12 voting "yes" and 2 "no" votes by Mr. Hester and Commissioner McAdoo.

Mr. Sandvig recommended a motion to have the County contribution for the Co-pay plan and Deductible plan at 90% for the employee, and 87% for the rest of the tiers; the HRA plan would be funded at 100% for the employee, and 98% for EE + Spouse, 99% for EE + Child, and 97% for EE + Family. The impact would be to go from 4.4 M to 6M on employees, (without the HRA change the impact would be 4.4M to 5.8M); and the employer portions drops about $250,000. The motion was seconded by Mrs. Harvey. The motion failed; 7 voting yes (Susan Boney, Elizabeth Crace, Virgil Gammon, Greg Hall, Regina Harvey, Joe Russell, and Jeff Sandvig). Those voting "no" were Donna Andrews, Mayor Burgess, Commissioner Ealy, Donnie Hester, Merry Hickerson, Commissioner Jordan, and Commissioner McAdoo.

A motion was made by Mrs. Hickerson to adopt Premium Proposal #4, plan changes and employee contribution adjusted 90% variable by plan/tier and HRA 100% variable by tier. The employee contribution for the co-pay plan would be EE 90%, EE + Spouse 86%, EE + Child 87%, and EE + Family 85%; for the deductible plan the county contribution would be EE 90%, EE + Spouse 84%, EE + Child 85%, and EE + Family 83%, and the HRA County contribution would be EE 100%, EE + Spouse 98%, EE + Child 99%, and EE + Family 97%. The motion was seconded by Commissioner Jordan and Donna Andrews. Overall, this represents a 63.1% increase to all levels, and a 19.1% increase to tax payers (the same increase as last year). A roll call vote showed the motion passed with 8 voting "yes" (Donna Andrews, Susan Boney, Mayor Burgess, Commissioner Ealy, Greg Hall, Mrs. Hickerson, Commissioner Jordan, and Mr. Sandvig). Elizabeth Crace, Virgil Gammon, Regina Harvey, Donnie Hester, Commissioner McAdoo, and Joe Russell each voted "no."

Mrs. Hickerson made a motion to recommend that all the changes made today regarding premium be rounded up to the nearest dollar to make accounting even. Mr. Sandvig spoke regarding the rounding differences between the 10 month and 12 month premiums. The motion failed as no one spoke up regarding a second to the motion.

<u>OTHER BUSINESS:</u>

Ms. Stinson spoke about a Wellness Credit that was mentioned during the work session. There would be a $25 charge added to the rate that was determined today. Everyone enrolled on the medical plan would do a Biometric screening during the suggested timeframe. When it was completed, the $25 would be removed from their rate. This is one way to control future costs. After discussion, it was decided to put this item on the next meeting agenda in May.

The meeting was adjourned at 4:41p.m.

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Ernest Burgess, Chairman