Wilmington City Council met in special session at 5:30 p.m. on Tuesday, February 26, 2013, with President Pro Tem Mark McKay presiding.

Call to Order
Roll Call: Jaehnig, present; Wells, present; Stuckert, present; Wallace, present; Mead, present; Siebenaller, present.

Judiciary Committee - Chairperson Siebenaller explained that purpose of the meeting was to gather information regarding the employee health insurance plan. Council wishes to review options for renewal and ensure the employees have a policy in place.

Mayor Riley expressed appreciation for work by the Insurance Committee, which comprised of employees. He explained that the committee worked with brokers and looked at options for renewal, with the goal of obtaining a package that was was good for the employees but also kept in mind that funds were limited. He said the plan chosen was equal to or even better than the plan they had last year but was almost 2% less expensive. He explained that Chief Duane Weyand was the chair of the insurance group and introduced Liz Fortney, the insurance broker.

Chief Duane Weyand explained how the insurance committee approached the renewal process from three aspect 1) Manage the benefits for the city so they would not be overextending themselves, 2) Provide the best coverage for the employees and try to maintain continuity for the employees, and 3) Overall cost of the program. He explained the RFP process and summarized the results. He said they chose Anthem for the following reasons: 1) Monthly aggregate cap, which benefits the City, 2) A 1.97% reduction in cost, which was a testament to the employees and their efforts to keep healthcare costs down; 3) Great customer service in the past provided by Liz Fortney; 4) Maintains continuity for the employees; and 5) The 36/12 plan year gives a longer time to submit and reconcile claims from the time the service is provided.

Liz Fortney said she was sensitive to the fact that the insurance plan is a very large cost item for the city and said they tried to come up with a program that provided the best advantage to both the city and the employees. She explained that the city moved to Anthem in April 2011 – a decision that was made because they have very strong contract that mitigates the risk for the city. The family-specific deductible rather than an individual, monthly accommodation caps the city’s maximum exposure on a monthly basis. Anthem will advance money on specific claims and aggregate claims (while competing companies would only advance money on a specific claim), which mitigates risk. Initial review from Anthem asked for a 16.63% rate increase. She went back through six years of claims and had multiple meetings with the underwriters. At the end of the day, Anthem’s renewal ended up with a 1.97% decrease over the current cost. She explained that this referred to the city’s maximum liability for the cost of the insurance plan. She said the city is self-funded, so the cost is variable, but we do know what the maximum cost is. She said in addition, they added several pieces of coverage – some that were legislated and some that they felt were in the employees’ best interest. Women’s Preventative HealthCare Act is added on at renewal. Combined therapy visits were added to give employees’ more flexibility. They added a benefit for hearing aids for minor children. They negotiated with Anthem to provide $5000 Wellness Allowance that can be used by the city to encourage the employees to lead healthy lifestyles and manage chronic conditions. Since April 1, 2011, the city has come $998,000 below the maximum cost, so the plan performs very well. She also negotiated a 13.38% decrease in dental administration fees. She said there was increase in life insurance and vision insurance.

Mike Wallace asked when the last time was that the city reached the maximum and Liz Fortney answered it was in 2010. Wallace asked how many times in the past 6-10 years did the city get to the maximum amount. Liz Fortney answered that the city has only been fully self-funded since April 1, 2009. He asked if there was any way that we could come up with an estimate of the expected insurance costs rather than budgeting on the maximum amount. Liz said the industry standard is a 20% corridor between the maximum and the expected cost. She explained that the city has been running at about 72% maximum loss ratio over the past two years. She said every fifth year, you can count on having a bad year. Councilman Wallace asked if the 80% number was used, would we show an increase. Liz Fortney said if you used the 80% maximum number, the city would be slightly above where the actual costs were through December 31. She added that we are not to the end of the plan year yet, so it remains to be seen.

Councilman Stuckert asked what contract year the $998,000 was based on. Liz explained it was from April 1, 2011, through December 31, 2012 and during that time period in aggregate, the total cost for the city was $998,000 below maximum.

Councilman Siebenaller asked about doing an 18-month plan to try to get an October 1 start date. Liz said that 18-month plans with true self-funded plans are not being offered in the marketplace. The reason is there is so much uncertainty as to what is going to happen when PPACA (Patient Protection and Affordable Care Act) fully implements January 1, 2014. She said she approached Anthem and other carriers regarding an 18-month contract and was not able to find a stop-loss carrier outside of an association-type pool group that would offer an 18-month contract at this time. She said a year from now, that may change.

Mayor Riley said that in some ways we are fortunate to have an April 1 because most companies have negotiated to the end of the year and we're not competing with them. They're having a feeding frenzy trying to come up with good rates, but we're after the fact so we can negotiate better rates generally. He said that an October renewal date might give us a little more information going into the budget process; however, there would still be an element of the unknown.

Liz said that first of all, you don't want to be on January 1. With the majority of the companies trying to get a January 1 renewal, it is very difficult to get time with the underwriter. You have better negotiating ability if you do not renew on January 1. Moving away from that to an October 1, there are a number of problems that surround that, the first being that the way that the plan is written, the benefits accumulate on a plan-year basis instead of a calendar-year basis. The reason that was done was because we were using HRA, a reimbursement vehicle where when the employees have claims, the city reimburses those claims. If we had set that up on a calendar-year basis, then the city would have reimbursed claims from April through December and then started over in January. Since the deductibles here are relatively low and the employees tend to have out-of-pocket expenses in the first three months of the year much more than later in the year, it was a budget-buster for the city. That is the reason it was set up as a plan-year. Now that we are on a plan-year, if we move October 1, all of the employees deductibles are going to reset on October 1. Typically they will meet their deductibles in the first few months, but then they will have to meet another $2000 deductible when it resets in October. That's a problem.

President Pro Tem McKay clarified that they were talking about October of this year. Liz said that was correct. She was outlining a scenario where they would renew in April and then renew again in October. She explained that we could not get an eighteen-month plan, so the only way to move to an October renewal date is to do a six-month plan. She said it would cause the employees to pay double their out-of-pocket expenses.

Councilman Jaehnig pointed out that fall is the time of year when many people's budgets are tight because of the holidays coming up. He said that he assumed that if we went to a 6-month contract, we would not see the 1.97% reduction. Liz Fortney confirmed that it would be more. She said that the 36/12 contract meant that if a claim was incurred within the last three years and Anthem gets it in the next 12 months, they are going to pay it. She said that is what is referred to as a paid contract. She said if you go from a 36/12 to a 36/6. She said that it would not be a 50% reduction in cost but more like a 25% reduction. She said you still have the 36-month period but have only lost 6 months on the end. Then you would have to renegotiate the contract and have a 25% reduction in the total cost, but the cost is the risk over 6 months, not 12 months. From a budgeting perspective, that is catastrophic if you have claims.

Councilman Siebenaller asked if an 18-month plan is ever possible, notwithstanding the uncertainty of the current market. Liz Fortney explained that she has done up to 24-month plans in the past. She said in the past 12-18 months, carriers have moved away from that because of the uncertainty in the marketplace. Councilman Siebenaller asked if it was likely that some of that uncertainty might be cleared up by this time next year. Liz Fortney said she hopes so. She said that she cannot be certain that it will be possible by next year, but she is certain that it is not possible to do it today.

Councilman Siebenaller said that he thinks the six-month plan idea came up because they heard about the inability to do an 18-month plan and wanted to move to the October 1 start date to make budgeting more efficient. He said council should do whatever it can to move forward while meeting all of those goals.

Councilman Stuckert said that the problem for council is that on the largest cost item in the budget, they only have firm figures for three out of the twelve months. He said that it renders the budget process as meaningless.

Liz Fortney said that she understands because she does a budget for her business. She said that a budget is a great tool in terms of planning for and managing your financial life, but at the same time, it is a fluid instrument that has to be adaptable when circumstances change. For example, last year and this year, the city has had a fairly large surplus in the insurance fund. That money is available. Just because the city didn't budget for it. She added that she understood that there were some items that were removed from the budget – just because you didn't budget for it, now that you have the money, can you not reallocate that and put those items back on the table for discussion again?

Councilman Stuckert said his point is they have an obligation because they are getting low on carry-over funds. He said if there is a catastrophic event during the calendar year, they are uncomfortable with having a guessing game on that large of an expense item. He said he just wanted her to understand how anxious they are and want her to help them find a solution. Liz Fortney said that she understands that it creates angst.

Councilman Jaehnig said that based on the four years they have been self-funded, in regards to the estimated costs, the 1.9% decrease versus the increase that was expected seems like the largest difference that he can remember. Is there any time that the cost came back higher than our estimated costs during the budgeting time a far as when the negotiations were done?

Liz Fortney said the 16.63 is what Anthem came in with on their initial renewal. The budget number that was presented to Mary Kay back in October projected a 10% increase. So we had a 12% swing, which is still substantial. It wasn't 18%. As far as Liz's ability to predict what costs will be, she always tries to build in a little cushion just in case we get further into the year and something serious comes up that adversely affects the rates. Up until now, she has never had a year in nine years where we have come in over what she has projected.

Councilman Jaehnig verified that while we may be over-budgeting, we have never under-budgeted. Councilman Stuckert asked given the experience over the last couple of years, what was the rationale behind the 16% increase. He added that he comes from an insurance background. Liz Fortney explained that different companies use different strategies when they do their renewals. Some look strictly at that group and what the claim history is. What anthem does, on the fixed cost side, they renew their entire book of business in the State of Ohio as one. So the initial fixed cost increase came in at 20-22% because that is what everyone got. She said her job is to take the claims history in and mitigate that increase. On the claim side, Anthem uses a fixed formula for every renewal. She said once they present that, it is her job to negotiate it down. She said they are very willing to negotiate when they have a group like the City of Wilmington who works to keep their claim history at a good level.

Councilman Wallace asked what kind of rating or evaluation the Anthem plan has. Liz Fortney says this is one of the richer benefit plans that she has across her book of business. She thinks Anthem provides an excellent level of coverage for the employees. Their out-of-pocket cost is relatively low. To the employees' credit, they have really made an effort over the past few years to stay out of the emergency room unless it is an emergency and use generics and do all of the things you can do to keep the costs down. As far as the benefits go, it is very high level of benefit.

Councilman Wallace asked with the changes happening in the insurance world, is the city smart to continue to be a self-funded program?

Liz Fortney said absolutely. She said that there were fees that were not to be called taxes. One of the fees is an PCORI (Patient-Centered Outcome Research Institute). For every person who is covered by a plan in 2013, you will pay $2 for the purpose of funding this panel. In 2014 that will go up and 2015 it will go up and then supposedly it will disappear in 2019. The second fee is called the reinsurers fee. It is a fee that applies to self-funded plans and fully-funded plans. That fee at this time is being calculated to be between $5 and $6 per covered person. If you have six kids, it's 5-6 dollars for every person in your family. The third fee is an insurer's fee and does not apply to self-funded plans. It amounts to 2.46% of the cost of your premium, which can be quite high. Under the self-funded plans the city will be subject to one less tax.

President Pro Tem McKay said he thought there was some necessity to move forward to sign the paperwork and asked if there was a timeframe for completion.

Liz Fortney said that open enrollment is 30 days prior to the effective date of the plan. Open enrollment technically starts Friday. In order to move forward with the plan, the mayor would need to sign off on the rates as presented and sign off on the benefits as presented. Once that is done, it is submitted to Anthem and the city starts open enrollment. Then, after the fact, Anthem comes back and issues the actual updated contracts.

President Pro Tem McKay asked if we needed to have it in place prior to Friday. Liz answered "yes." President Pro Tem McKay asked if there was a legislation that council needed to pass.

Law Director said to authorize the mayor to enter into a contract, there does not need to be written legislation. A simple motion would be appropriate to authorize him to enter into contract, not to exceed whatever council has appropriated in this year's budget.

Mayor Riley said that in the last 15 years, this has not been done. The mayor has signed it. Council has only been involved in the budgetary process. He said he really wants to work with council and have council understand it as much as they possibly can. He said he wants everyone to understand that they are looking at the alternatives of going to a different enrollment date, understanding that it cannot happen this year, for the financial health of the city. He requested council's approval to enter into an agreement because if they don't, the employees will not have insurance.

Councilman Stuckert said he didn't see any reason not to go ahead with the authorization. They are fine with the contract. He urged that we use this as a stepping stone to change the practice of the former mayors. He said he thought it was a bad practice in the past. He said he didn't see any reason to delay.

A motion was made by Siebenaller and seconded by Mead to authorize the mayor to enter into the insurance contract as presented by Liz Fortney within the constraints of what was appropriated in the 2013 budget.
Roll call: Jaehnig, yes; Wells, yes; Stuckert, yes; Wallace, yes; Mead, yes; Siebenaller, yes.
Motion passed.
Mayor authorized to sign insurance contract.

Mayor Riley thanked council on behalf of all of the employees. He publicly thanked the insurance committee for their work and thanked Liz for her hard work on getting the 2% reduction in rates.

Councilman Wells asked if we have employees that opt out of our insurance plan. Liz said there is one.

A motion was made by Jaehnig to adjourn.
President Pro Tem McKay declared the meeting adjourned.
Council adjourned.

ATTEST:

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President of Council

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Clerk