

SPECIAL MEETING
BOARD OF ALDERMEN
TOWN OF WAYNESVILLE
MUNICIPAL BUILDING
MAY 25, 2010
TUESDAY, 5:30 P.M.

The Board of Aldermen reconvened their meeting of May 17, 2010, at 5:30 p.m. on Tuesday, May 25, 2010. Board Members present were Mayor Gavin Brown, Aldermen Gary Caldwell, Wells Greeley and LeRoy Roberson. Also present were Town Manager Lee Galloway, Finance Director Eddie Caldwell, Assistant Town Manager Alison Melnikova and Human Resources Director Margaret Langston.

Mayor Brown called the meeting to order at 5:35 p.m. and noted that the purpose of the meeting was for the Town Board to continue discussions on the 2010-2011 Town Budget. He noted that the Board had invited representatives of Wells Fargo Insurance Services to attend the meeting and discuss some potential options for the Town on health insurance for employees. The Town is presently insured by Blue Cross-Blue Shield through Wells Fargo Insurance Services. Present for the meeting were Jim Wood, local manager of Wells Fargo Bank, and Kendall Moore, Senior Vice-President of Wells Fargo Insurance Services.

The Town Manager and Finance Director noted that after receiving a projected 24% increase in the renewal rates for health insurance, they asked Ms. Langston to work with Mr. Moore in finding some alternatives for the Town to consider that might be more affordable. Mr. Moore worked with Blue Cross-Blue Shield to get a lower rate quote, and it ended up at 17.4%, which still meant nearly \$350,000 in higher costs. So he was asked to find other alternatives and did so, and these were passed along to the Town Board at their meeting of May 17. The Board asked that Mr. Moore be invited to meet to present the alternatives and answer questions.

Mr. Moore explained that as a result of increasing insurance premiums, beginning in 2003, Blue Cross-Blue Shield introduced a new program referred to as a "High Dollar Deductible". By moving to the program, there is a dramatic drop in the initial premium, but even with the client picking up the higher deductible cost, there is still a great potential for cost savings. He noted that since 2003, more than 75% of their clients have switched to this program and no company has switched back. All have experienced savings of various proportions, and he believes Waynesville would as well.

Under the option that is recommended, the deductible would go from \$500 to \$5,000, with the Town picking up the expense of the portion between \$500 and \$5,000. Employees would have the same co-pay at the doctor's office and the same drug card co-pays. Even their maximum out of pocket expenses would remain the same, capped at \$2,500 per person and \$5,000 per policy. In some ways, this proposal is a better deal for employees, since the Town picks up all the deductible between \$500 and \$5,000. Under the current policy, the employee pays 20% of the deductible up until they reach their maximum out of pocket expense of \$2,500.

Mr. Moore showed the results experienced by comparable groups to the Town. He knew that there was a concern about how much the Town would have to pay to cover the higher deductibles. Based upon the use of the health insurance benefits over the past three years, Mr. Moore estimated that

the Town might have an expense of \$150,000 to \$180,000. Finance Director Eddie Caldwell indicated that with the Town's claims history, in the worst case scenario, he would estimate the payout to be in the \$230,000 range. But Caldwell and Galloway noted that in the proposed budget, an increase of \$470,000 was allocated for higher health insurance costs, so the Town had a built in cushion should the use of benefits exceed the worst case scenario.

Board members asked questions to assure themselves that employees would be well informed of the changes in the program. Mr. Moore explained that the employee would be issued two insurance cards, one with Blue Cross-Blue Shield showing the \$500 deductible. The other card would be with a firm Blue Cross-Blue Shield hires to manage the High Deductible Program, Elkins and Associates. The employee would present both cards to the health care provider who would call both and determine that the employee is responsible for the first \$500, the Town would be responsible for the next \$4,500 and then the employee would be responsible for 30% of the amount until they reach their maximum out-of-pocket expenditure.

The employee would be required to complete a form and fax it to Elkins and Associates to show the amount of the charge in excess of \$500. Elkins and Associates would process the claim, mail a check to the employee and the employee would then be responsible to pay the health care provider the bill. Elkins would then bill the Town of Waynesville for the amount over \$500 up to \$5,000 paid out for each employee. For the year, this amount is what is estimated in the \$200,000 range. The Town would pay a fee to Elkins and Associates which would be approximately \$7,000 annually and based upon the number of employees. Mr. Moore advised that Wells Fargo Insurance Services had worked with Elkins for seven years and never had a problem.

The question was asked whether employees could have the check issued directly to the provider rather than to themselves, and Mr. Moore indicated that there were certain problems with that type arrangement and it was felt the check to the employee worked well. He noted that if the employee does not pay the provider with the funds received from Elkins, the provider would be dealing directly with the employee and not with the Town of Waynesville.

The Town Manager pointed out that one of the concerns that had been expressed with the transfer of the Finance Department to Hazelwood was that there would be a reduction in the number of people working at the Municipal Building and a concern about employee safety. He noted that he has previously mentioned concern that Human Resources Director Margaret Langston needed additional help to manage the various programs and oversee the paperwork of her operation. He suggested that the savings in this health insurance program could be such that a part time person could be hired for the afternoons to assist employees with completing and faxing the forms to the Elkins Group and to help Ms. Langston with the work of the Human Resources Department.

There being no further questions on the health insurance program, Mayor Brown asked the Town Manager if he had any updates on the solid waste issues with Haywood County. Galloway noted that the County had not made an announcement about the direction they planned to take with solid waste, and he reminded the Board that the County Commissioners would hold a public meeting on the solid waste issue after the public hearing on the County Budget scheduled for Tuesday, June 1, at 5:30 p.m. At that time, the Commissioners are to receive a presentation from the Solid Waste Committee on the solid waste operation and the direction for the future.

With no further business, Alderman Roberson made a motion that the Budget Work Session be adjourned. This was seconded by Alderman Greeley and passed unanimously at 6:35 p.m.

A. Lee Galloway
Town Manager

Gavin A. Brown
Mayor