

November 12, 2015

BARTHOLOMEW COUNTY COUNCIL
Special Meeting
September 3, 2015

Commissioner Chairman Larry Kleinhenz, Commissioner Lienhoop and Commissioner Flohr were present.

Name:	Representing:	Title:	Present:
Evelyn Strietelmeier Pence	At Large	President	Present
Bill Lentz	At Large	Pro-Tem	Not - Present
Jim Reed	At Large		Present
Chris Ogle	District 1		Not - Present
Laura DeDomenic	District 2		Present
Mark E Gorbett	District 3		Present
Jorge Morales	District 4		Present
Chris Monroe	- -	Attorney	Present
Barb Hackman	Auditor	Secretary	Present

The Bartholomew County Council met on September 3, 2015 at 10:00 a.m. in the County Commissioners Chambers of the Governmental Office Building, 440 Third Street, Columbus, Indiana. This was a joint meeting with the County Commissioners for information regarding the County health insurance plan.

Chairman Kleinhenz opened the meeting. Doug Cassman from Governmental Consulting was present to share his review of the Health Insurance Plan. He recognized the County Council members that were present as well as other elected officials in attendance. Mr. Cassman stated that he had a very short time line so he may not have all the answers. This was also a very “narrow” project. They looked at dollars in and out of the trust. He stated that local governments as well as school corporations are under stress

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from Circuit Breakers and other funding cuts. He has worked locally with the school corporation in Bartholomew County. He had given a prepared report and asked for any questions that anyone has regarding that report. Judge Coriden asked that a synopsis of the report as not everyone in the audience had access to the report. Mr. Cassman stated that the County has been self-funded and had an agent overseeing it. He believes the employee count has gone up about ten (10) or so in recent years. In January of 2015 they added the "spousal exclusion". This provision has been put in most of the school corporations that they have assisted within the state. For our size, we have a single health insurance plan where with the number of employees they would normally see two (2) or three (3) plans. One recommendation will be to add another option for the employees. Another recommendation would be to increase the staff contributions. This may also suggest that they offer another option for the employees. The plan has off-site wellness plan and requires a bio-metric health screening. They believe this is a new and good idea. He did not see anything that he reviewed that would make our plan unique. It appears our population tends to be older than they would see in a school corporation. Age has a lot to do with health care costs in health care plans. In looking at the history of the last six (6) years, the average has been at about ten-percent (10%) a year. That is higher than he would expect to see and higher than they see in typical school corporations. He wants to remind staff that dollars that are spent for health care do not contribute to their retirement. He recommends more dollars on the wage scale and less on the health care. Chairman Kleinhenz asked if that would just compound the costs for

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the employer. Mr. Cassman stated that health care is the only one increasing ten-percent (10%) per month. If they know that the wage cost is a bit more predictable, it is an easier number to discuss than the health care costs. One dilemma that the plan has is that the County is funding the health care plan almost as the claims occur. That means the budget has to be set annually at the high probability of what the plan is going to be. At the school corporation, they are setting their rates at slightly below what they are expecting due to the sizable trust fund. He has looked at the new teacher contract and in it there is a section that states how they lean on the funds. In 2006, he went to the school board in October and explained that they could not pay claims for the rest of that year as they did not have the funds. From that point to the end of the year, they looked at what changes they needed to make to fix this issue. That is a discussion that is not your problem or their problem, but “our” problem. They made adjustments to several variables but ended up with enough cash to lean on if they guess incorrectly. (*Councilman Bill Lentz joined the meeting*). They are asked by employers if their plan is solid. Commissioner Flohr asked about the school corporation and the painful portions of fixing the plan. Mr. Cassman stated they put in a “spousal exception” for new hires and then for existing employees. Employee contributions were increased. They performed audits that allowed them to find some people that were covered but shouldn’t have been. One of his suggestions is that they have a dependent audit and then do one every three (3) to five (5) years. Commissioner Flohr asked if shifting County revenue to wages and away from insurance. Mr. Cassman stated that it is in the best interest that the County have a shift in

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contribution and wages. It makes sense to do this. In a couple of schools, the trust has allowed the corporation to have a premium holiday for the employees without hurting the trust. You have to be careful as how you do it, but once the trust is built up, there are some things you can do. As far as the dental insurance, he believes a “dental network” might provide a better cost for the County. Chairman Kleinhenz stated that they had just had that discussion with Greg Fox. Mr. Cassman stated that the school corporation does not have an “open enrollment”. You have one chance to be on the dental and then you are no longer eligible. Greg Fox asked if the clinic cost was built into the costs on the sheet for the school corporation. Mr. Cassman stated it was not. He stated that in 2015 the school has two (2) options; one with a high deductible. Their 2016 pricing is not out at this time. Chairman Kleinhenz asked about the 2015 plans. Mr. Cassman stated that the richer of the family plan is probably about three-hundred dollars (\$300) per month. They do not contribute to an employee health savings fund. Our administrative expenses are at or below average but our re-insurance costs are higher and they have made a recommendation regarding that. Money in the health fund stay that is not spent stays there for future use. As far as the pharmacy program, there was a change in 2011 to the Indiana Aggregate Purchasing Program. This allows us to be under the purchasing arrangement that the State of Indiana has as a large buyer. We are able to buy through the same Pharmacy Benefit Management (*PBM*). On page six (6), he has listed eleven (11) recommendations. These are more style and strategy and they may not be this County’s style and strategy. The first recommendation is to aggressively do what they

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need to do regarding benefit changes. They came into the County and looked for the Personnel Department and found it somewhat in the Auditor's Office. The second recommendation is to increase employee contributions. The County is currently funding the worst case scenario as we have no funds in reserve. The school corporation has cash that is drawing interest. Chairman Kleinhenz stated that the County had funded it as if we had money in the trust fund but we didn't have it. Mr. Cassman stated he would rather see them change the benefits. Chairman Kleinhenz stated that it is easier to decrease the benefits when we are following the first recommendation to raise wages. His third recommendation would be to build two (2) plan options for 2016. It will take a lot, but he believes it can be done. His fourth recommendation is for the County to pay the same contribution regardless of the plan. Chairman Kleinhenz hears that but has problems grasping that. Mr. Cassman stated that twenty-percent (20%) of the employees account for eighty-percent (80%) of the costs. If you have a high deductible plan, those that spend less than one-thousand dollars (\$1,000) a year, then the employees would benefit from the employee portion being less. At the school corporation, they are about fifty/fifty (50/50) between the richer plan and the higher deductible plan. Chairman Kleinhenz still sees it as the younger people paying in to help the ones using the plans. Mr. Cassman stated that when there is a shortfall, the County has to make up the shortfall, not the employees. Numbers five & six were regarding the dental as already discussed. Number seven is the re-insurance. The County is spending a lot of money for the re-insurance portion over a one-hundred-twenty-five-thousand dollars (\$125,000). It

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cost the County over seven-hundred-thousand dollars (\$700,000) in 2015. There are two (2) types of re-insurance. The first one is per belly button. The second is for the entire group. Looking at the ten (10) year history specific to re-insurance, the County has spent four-point-eight million dollars (\$4.8) while our claims have only been three-point-five (\$3.5) million dollars so the re-insurance company has made one-point-three (\$1.3) million dollars. He wants the County to take a little more risk on the short end and cut down on the large part. Number eight was to separate the contract with the broker/consultant from that of the TPA. The broker/consultant and the TPA are not one and the same. By doing this, you will also stop the other questions that are out there. Number nine is that we carry at least fifty-percent (50%) of one-year's annual spend for the health prescription. In 2018 we will be facing the Cadillac Tax. If he gross ups our current rate at ten-percent (10%) then the employer will face a forty-percent (40%) cut. The wellness clinic, employee contributions to the plan, employee contributions to flex spending and several other items including items from Colonial are items that will affect this amount. Money that comes out of the reserve account to support the health rate is not counted. As long as the reserve account is a 501C9, that money will not be counted in the Cadillac Tax. Number ten is to use reference-based pricing which utilizes the rates the Federal Government uses plus a percentage. This is like taking money from the brother and giving it to the sister. He does not believe this does the County any good. Currently we receive a forty-percent (40%) discount through Columbus Regional Hospital. Chairman Kleinhenz stated that they had a couple of medical firms that spoke

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to the County. One of the claims was that they could save one-point-five (\$1.5) to two-point-two (\$2.2) million dollars and he believes it was even stated they could guaranteed. He believes it was Medicare cost plus plan. Mr. Cassman states that it is something that you have to look at. The County hospital is also the responsibility. Chairman Kleinhenz stated that they had negotiated with the local hospital to have that discount. Mr. Cassman stated that there is a city outside of Indiana that the hospital came to them and said they would go under unless they went away from the plan they had. Commissioner Flohr asked if that is because the government would pay a portion and the person would not pay their portion. Mr. Cassman stated yes. He stated that it is like a grocery store that gives an over sixty-five (65) discount but only people over sixty-five (65) shop there – the discount goes away because they have to raise their cost. Number eleven is regarding the audit that he discussed earlier. He also mentioned that they are required to provide early retirees access to the health care plan until the employee or their spouse turns 65 as stated in IC 5-10-8-2.6. He did not see in the plan where this was discussed. The school corporation has a more robust plan and it is still on his target list. Auditor Hackman believes the retirees pay eighty-five-percent (85%) of the Cobra rate. Mr. Cassman stated that he just does not want the plan to be more robust than what the State requires.

The meeting was open to questions. Mark Webber, of the Republic, asked if the County went to a more traditional Anthem style insurance instead of self-insured, would the County save money. Mr. Cassman stated that they have several clients that have different vendors. They have some clients that won't do very well with an Anthem. The

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administration fees will go up. There may be a reduction in some claims. The way they work is they will give you a price for the year, but if it isn't enough, they will increase it the following year. He does not believe it will help our situation. Councilman Bill Lentz asked about the cost-plus and the concerns about it not meeting the cost of the claims. Why couldn't a supplemental insurance that an employee could purchase be available? Mr. Cassman stated that not everyone would buy it. That is where he still suggests the two (2) plan options. Greg Fox asked about the one-hundred-thirty-seven-percent (137%) increase over the past years, did Mr. Cassman see that when he reviewed the plan. Mr. Cassman stated that he knows there are some contribution solutions that the County has worked out regarding the County General and employee contribution. Attorney Grant Tucker asked that he put that in plain English. Mr. Cassman stated that it is up to the employer as to where the funds come from and how it is divided up. It is more of a style question as to how someone chooses to allocate the funds. It is not unique to this County. It does not help the issue. The cost is the cost and we need to work together to tighten it down. Commissioner Flohr asked regarding recommendation number nine. They are recommending one-point-eight (\$1.8) million dollars. Mr. Cassman stated yes. That would give the County some breathing room. Those funds would also avoid the Cadillac Tax. Treasurer Pia O'Connor stated that she had been on the school board at the time of their issue. They did not make changes that fixed it overnight. The employee contribution was raised over time. They also did not have eleven-million dollars (\$11,000,000) in the fund overnight, but it was built up over time.

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The third thing they did was eliminate insurance for the school board. Judge Heimann asked about page four (4). Mr. Cassman stated that the employee share of the cost would be eighteen dollars (\$18) per month for single and forty dollars (\$40) per month for family at the school. Judge Heimann asked what the employee contribution percentage was for the County currently. Mr. Cassman stated that it is probably eight-percent (8%); he knows it is under ten-percent (10%). Judge Heimann stated that page three (3) shows three-hundred sixty-six (366) employees. That includes three (3) retirees and one (1) Cobra. Looking at the paid claims per employee, the average was ten-thousand dollars (\$10,000) in 2012 and through 2015 it is twelve-thousand three-hundred dollars (\$12,300). Comparing it to the school corporation, it was ten-thousand-plus dollars (\$10,000+) in 2012 and ten-thousand-plus dollars (\$10,000+) in 2014. Is that comparing apples to apples. Mr. Cassman stated that he believes it is apples to apples. The costs fluctuate and that is expected. Mr. Cassman stated that they had to look through everything and make decisions based on history. Cathy Dunn stated that earlier Greg Fox had asked, would it require that those numbers be added to the school corporation numbers or subtracted from the County number. It was stated that the average age of the County employees is forty-six (46) years old. Judge Heimann asked if that is the lowest numbers. Mr. Cassman stated it is the tipping point. Judge Heimann asked about page five and the review of the five plans. He asked if that included fixed costs and re-insurance. Mr. Cassman stated yes. Judge Heimann asked how we arrive at the total cost of the plan. Mr. Cassman stated that the plan that is discussed at budget time includes

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life insurance costs, dental insurance costs and pharmacy costs. Any dollars not spent out of the trust, stay in the trust for future use. The numbers in the report are actual costs, not budgeted costs. Judge Heimann asked if there were any other large expenditure out of the fund. Mr. Cassman stated there were two (2); one was the build-up of the fund and the other was where the re-insurance carrier wanted a higher amount. Each of these items was about four-hundred-thousand dollars (\$400,000). Judge Heimann stated that our reserve had been a little shy of what he is recommending. Has he made a calculation as to why the reserve has been diminished so greatly? Mr. Cassman stated that he is not a CPA and they did not do an audit. They saw that we put money in at a lower level than the amount of the plans being paid out. Nothing was extremely unusual. Judge Heimann stated that Community Corrections was sent an e-mail as to the amount of the employer contribution. Is this a common practice in other counties? Mr. Cassman stated that the only County he knows of is Lake County. Recently it was reported that Lake County has a seven-point-seven (\$7.7) million dollar shortfall in their insurance. It was not part of his review as to how that is handled. Judge Heimann asked his final question regarding other agency's that Mr. Cassman deals with. Has he seen the situation we are in and were the solutions to do layoffs or higher costs? Mr. Cassman stated that the employee is standing on one foot waiting for the employers to determine the solution to fix the problem. The better employees are the employees that tend to leave first during issues like that. Councilman Jim Reed asked Cathy Dunn if she receives the statement from the hospital and reviews it. Cathy Dunn stated yes. Councilman Reed stated that it is then

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sent to the County to pay the money. It was clarified that he is not asking for an accounting of each employee. He would like to see what claims were paid per provider. Mr. Cassman stated that it could be done easily at the end of the year. It was determined that the Commissioners do receive information as to what providers received what amount for the year. Commissioner Lienhoop stated that they receive that information but it does not go into for what. Cathy Dunn stated that this is a 503C9 trust. She asked if the money that had been reconciled money monthly as seen by Mr. Cassman. She is clarifying that the money is not co-mingled. As far as more itemized check runs monthly; that could result in information that should not be released. Councilman Reed would like to see that there were ten (10) claims. Councilman Mark Gorbett had heard that there is a maximum amount an employee can pay per month. Mr. Cassman stated that the ACA states that the employee cannot be greater than nine-point-five-percent (9.5%) of someone ones pay for single coverage only. The law does not require us to cover spouses or dependents. Attorney Tucker asked about the school board had asked to budget a little less than what was required. It has been done from time to time. Mr. Cassman stated that it was to burn off excess funds. Attorney Tucker asked if during the crisis, was it uncommon to budget less towards the health care and use the money elsewhere. Mr. Cassman stated that was correct. We are in a similar situation to the school corporation. Councilman Lentz stated that going forward he feels it is confusing. He hopes that Mr. Cassman can be involved in the decisions and scenarios going forward from here. Judge Heimann wanted to clarify the question of Attorney Grant Tucker

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regarding the money the employees pay in has not gone into the trust. He believes that money was spent for other operations outside of the insurance. In regards to the school corporation, they were taking money from the employees at a low rate and there were additional employees being covered that shouldn't have been, meaning it was all within the health funds. Mr. Cassman stated that the school corporation was about the health plan while still doing the things they need to do at the school. They had employees not covered by the health plan. They increased their costs but they then had a dog in the fight. They pay twenty-two-percent (22%) for the top plan or twelve-percent (12%) for the other option. Auditor Hackman spoke regarding the funding. The plan wants a set amount of five-point-seven (\$5.7) million dollars. This had been paid out of the County General employees and then the Grant people. The Grant people are budgeted to pay back the County General based on Cobra rates from Cathy Dunn. Some of those departments have budgeted based on everyone having family while others budget for actual. This year it was determined that they needed five-point-seven (\$5.7) million. In the past it had been paid from County General but those numbers can fluctuate. To get a set amount, it was determined it was best to get it from the CAGIT money. It had been going to County General as a reimbursement. That takes the variables out of the equation making certain that the plan gets what they need. Cathy Dunn stated that she understands that CAGIT is paying it, but does the employee portion payback the Trust. Auditor Hackman stated no, it does not because it was changed this year just as an internal

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funding issue. Chairman Kleinhenz stated that they were going to wrap things up. He hopes the meeting was beneficial. Hearing nothing else, the meeting was adjourned.

BARTHOLOMEW COUNTY COUNCIL

By: _____
Evelyn Strietelmeier Pence, President

By: _____
Bill Lentz, Pro-Tem

By: _____
Chris Ogle, Member

By: _____
Laura DeDomenic, Member

By: _____
Jorge Morales, Member

By: _____
Mark E. Gorbett, Member

By: _____
Jim Reed, Member

ATTEST: _____
Barbara J. Hackman, Auditor
Bartholomew County