

Finance & Judiciary Committee Meeting

MINUTES

November 2nd, 2010

5:45 p.m.

Members: Ben Kessler, Chair, Richard Sharp, Rick Weber

Roll Call: All Present.

Others Present: Mayor Brennan, Lou Chodosh, Beecher Hale, Bill Harvey, Matt Lampke, Mark Masser, President McClelland, Jed Morison, Chief Rinehart and Gary Qualmann.

Presentation and/or Special Guests: None.

Discussion of the Employee Health Care Plan Options for 2011 –

Mr. Harvey distributed forms which reflected the amount paid to date for 2010 through September. He explained there was an additional line item to reflect possible claims through the end of the year. He said there was a \$36,000 difference based on the utilization. He said this number will continue to climb based on medical cost continuing to rise. He said the F.O.P. has asked for the H.S.A. health care plan. The rest of the employees remain unsure because they don't have the details as to what the City would contribute and what we would promise as a contribution for next year and the year after. He explained with the H.S.A. plan, the employees would actually receive a card with their funds on it to use for up front medical expenses. If they do not incur these expenses, they have the option to carry over those funds to the next year and into the future. Currently, if they max out on their deductible of \$6,000, they would receive \$3,000 on the card for next year. The benefit is you don't have to max out your deductible. Employees would receive first day coverage. Mr. Hale said it shifts the responsibility of "consumerism" to the employees.

Mr. Morison asked if an employee leaves, can they take these funds with them. Mr. Harvey answered yes. One major difference is with the current Flex Bank plan, if an employee contributes to this for medical costs and expenditures, what they don't use; they lose at the end of the year. Mr. Weber asked if the contributions received by the employees for the H.S.A. were applied to their income tax. Mr. Hale said no, it would be a tax free benefit and the employees would have the option to contribute to the H.S.A. plan as well. Mr. Weber asked what prevents the employees from asking us to donate an amount of money to equate the \$6,000. Mr. Harvey said he believes there are very few employees who actually max out their deductibles. If an employee is healthy and they don't use the coverage funds, they can keep it. Mr. Harvey suggested that Council provide some assurance that whatever the funding is on the part of the City, they will be distributing the same amount next year. Realistically, it is easy to track and ask for an increase in funding but he would like to emphasize an "expectation" amount to be fair.

Mr. Weber asked if it is not taxed as income then what would it be considered? Mr. Lampke said it would equate to a medical IRA plan. Mr. Qualmann said it would be set up as the employees' individual accounts with the bank. It is in the employee's name. It is not considered income unless it is more than \$5,900 a year. Mr. Harvey said without the risk of losing their contribution at the end of the year, the employees would be more likely to put more money into the account. Mr. Lampke asked if there is a scale or chart that we could use to discuss contributions for the 1st year through the 4th year. After four years, they should have enough saved up that we could stop our contributions. Mr. Harvey said that is not the case. The expectation is that the employee will use it for their health care expenses. Under the current plan, if you changed the split from 60/40 to 50/50 you would be talking about the City paying \$3,000 and the employee paying \$3,000.00. Mr. Kessler said you can't offer new employees a different coverage level than the current employees. An employer is not allowed to provide benefits at different levels. Mr. Lampke said the expectation we would be consistent each year as far as the contribution could pose a problem. Mr. Harvey said the administration needs to understand this program is for this amount and then we could always re-evaluate after a few years.

Mr. Qualmann said we don't have to "lock" in a contribution but he agrees that it should remain at the 1,500/3,000 level for contributions and Council certainly could provide some certainty for the employees. Currently the insurance companies do not take into consideration on increases the difference between the H.S.A. and other plans. He thinks the future trend will begin to start taking into consideration the differences between those types of plans for renewal rates. He said the H.S.A. puts the employees into more of a "saver mode" and makes them less likely to use the insurance plan.

Mr. Harvey said he wouldn't bank on flat premiums. Mr. Lampke said it was a fixed cost this year. President McClelland asked if the routine wellness checks are included under the H.S.A. plan as well. Mr. Harvey said they are included. The incentives are already available to employees who log on the web site and answer the short survey. You can receive a gift card and get some additional assistance for health reasons. Mr. Kessler said he believes we have a large enough base to keep it stable. Mr. Harvey said the \$130,000 figure will continue to grow in the next two years. Mr. Sharp said as long as employment is not increased, he does not see a problem. Mr. Weber said let's assume all you have left is ½ of the \$69,000 and cost was even – what would be the administration and Mr. Qualmann's argument for the likelihood of surprises? Mr. Qualmann said with the H.S.A. you have more stable costs and a better opportunity for the employees. Mr. Hale said the biggest benefit to the employee is if they need to pick up a prescription, they use their card without having to take money out of their pocket. Mr. Weber asked if someone has a difficult medical expense year, what would be the difference. Mr. Harvey said with the H.S.A. plan, an employee who hits their maximum would have to pay an additional \$600.00 per family coverage. Mr. Sharp said they are going to know if they have a necessary medical condition. Mr. Lampke said as the Council representatives, it is up to us to look at what is best for the City and the budget.

Mayor Brennan said he is neutral as far as the H.S.A./H.R.A. insurance coverage is concerned. He is willing to support whatever Council decides is the best option. Mr. Morison said he is hearing the employees are interested and it does allow them to carry over funds. For this reason, he would be in support of the H.S.A. President McClelland said adding \$100,000 to our insurance cost does not make sense to him when we just asked the Chief and other department heads to cut by 10%. It doesn't make sense to him to spend more on the insurance and add to the budget that we just paired down. He said it amounts to spending \$3,500 for security.

Mr. Harvey said Council also needs to increase the Opt Out amount in order to encourage more people to waive coverage. Mr. Morison said assuming we are looking at the number we have, it adds up to almost \$40,000. Mr. Qualmann said the difference will be between \$670,000 and \$706,000. One thing about the premium on the current plan is that it could increase. The \$3,600 amount could also shrink. He agrees it would be an easier decision to make next year after all final numbers are included. We could always stay with the same coverage and take a look at the new plan next year. Mr. Kessler said the City's portion will continue to go up based on history. Mr. Qualmann agreed and said part of that would be the inflation but there are other costs involved as well. Mr. Kessler said it would be a 24% increase to change to the H.S.A. and thinks we need the rest of the year's figures before making any changes. Mr. Masser said it is a fine line. Do we want to save the City money or offer the best working conditions possible? Mr. Kessler said it is a balance between not only saving money and the best way to save money. Mr. Morison said the administration is more in tune with the employees' interest and their wants. Mr. Harvey said he will get the October numbers and also find out how many employees are actually reaching their maximum deductible.

Chief Rinehart said he agrees with the Mayor. It is cheaper to stay the course. Mr. Qualmann said he agreed and thinks we need to stay the course and use next year as an educational year on the part of the employees. He said based on the list, he would not recommend going beyond the 2nd line down on the form. Most of the lower plans are not marketed today. Mr. Sharp pointed out the figures listed on the right as savings to the City are based on a 15+ increase, not what the City received. Mr. Weber asked if Council would have the negotiating ability to change the amount of contributions. If it is a cost savings, why not take the 60/40 and see what 50/50 would be as far as the number. Mr. Kessler said it would amount to \$1,500 in savings. Mr. Lampke said he was in favor of keeping the status quo versus absorbing the extra cost of \$100,000 or \$140,000 to change to an H.S.A. Mr. Harvey said if we increase the amount of the buy out, it might help to reduce employees on the health plan. Mr. Kessler said if we stay with the HRA for 2011, maybe we should take a look at reducing the 60/40 split to 50/50 because that would only amount to \$600 extra to the employees. He said they are going to be getting a 3% increase. Mr. Harvey said that may not sound like much to them but you have to remember you are talking about employees who for example make \$40,000. The 3% increase would be equal to \$1,200 a year before taxes are deducted – so in essence, they wouldn't get a raise.

Mr. Kessler said we will continue with the HRA and finish discussing at our next meeting the final numbers that will include October and the buy out figures. Mr. Harvey was asked about the current participation. Mr. Harvey said the City currently has 66 covered employees out of a total of 90.

Meeting adjourned 7:05 p.m.

New Business: None

Old Business: None

Adjourned 6:45 p.m.