

2 The Lindon City Council held a Work Session on **Tuesday, May 8, 2007**, beginning at
6:00 p.m. at the Lindon City Center, City Council Chambers, 100 North State Street,
Lindon, Utah.

4 Conducting: Jeff Acerson, Mayor

6 **PRESENT**

ABSENT

8 Jeff Acerson, Mayor

H. Toby Bath, Councilmember

10 Eric Anthony, Councilmember

Lindsey Bayless, Councilmember

12 Bruce Carpenter, Councilmember

Jerald I. Hatch, Councilmember

14 Ott H. Dameron, City Administrator/Recorder

Debra Cullimore, Deputy Recorder

16 The meeting began at 6:05 p.m.

18 **CURRENT BUSINESS** –

- 20
- 22 1. **Discussion** – *Health Benefits for City Employees.* The Mayor and City Council
will meet with representatives of First West Benefit Solutions to discuss options
for health insurance benefits for City employees for the 2007/2008 fiscal year.
24 First West Benefit Solutions has completed a study regarding health benefit
options available to the City through various providers.

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28 Dave Jackson and Don Garlitz of First West Benefit Solutions were present to
discuss health insurance options with the Council. Mr. Dameron explained that Mr.
Jackson and Mr. Garlitz met earlier in the day with City employees to present options
30 which are under consideration. Mr. Dameron commented that following the presentation,
City employees felt that coverage should be pursued through Aetna rather than with
32 PEHP. Mr. Dameron then turned the time over to Mr. Jackson to discuss options which
were presented to employees.

34 Mr. Jackson explained that First West is a benefit broker, and is paid on a
commission basis based on the benefit package chosen by the City. He stated that
36 extensive background studies were completed which compared benefits and premiums of
several providers.

38 Mr. Jackson went on to review options presented to employees. He stated that
PEHP has performed as they were mandated to do, but providers in the private sector
40 tend to be more progressive. He noted that private providers tend to focus on wellness
programs and disease management to control long term costs. He noted that PEHP pays
42 claims well, but that PEHP is approximately five years behind in disease case
management and wellness programs.

44 Mr. Jackson explained that Lindon City was put in a bidding pool with 12 cities,
and that costs and services of seven providers were studied. Mr. Jackson approached
46 insurance providers and informed the companies that numerous cities are interested in

entering the private market for insurance coverage. Based on the number of cities
2 interested in services, Mr. Jackson was able to negotiate concessions with some of the
providers.

4 Mr. Jackson observed that current unemployment rates in Utah County are
exceptionally low. He noted that there is some motivation of the part of cities to provide
6 a benefits package which will help the City compete with other employers to attract and
retain high quality employees.

8 Mr. Jackson turned the time over to Mr. Garlitz to present information on the
Aetna programs discussed with employees earlier in the day. He noted that a traditional
10 PPO program was presented, as well as a High Deductible Health Plan (HDHP) and
Health Savings Account (HSA) option. Mr. Garlitz clarified that HSA accounts are not
12 an insurance product, but a bank account set up in the name of each individual employee.
The account can be funded by the employee, the employer, or a combination of both.
14 The federal government sets limits on the amount of money which can be deposited in
HSA accounts annually.

16 Mr. Garlitz went on to explain benefits and costs of each option. He explained
that the current PEHP plan, as well as the Aetna PPO option, provide coverage based on
18 premium payment. Deductibles for both plans are \$500 for single coverage and \$1,000
for family coverage. Both plans require 20% co-insurance after deductibles are met, with
20 a maximum out of pocket expense of \$2,500 for single coverage, and \$5,000 for family
coverage. He noted that expenses for office visit and prescription co-pays continue to be
22 paid by the employee even after deductibles are met.

24 Mr. Garlitz explained that while benefits provided on both plans are similar, the
Aetna program allows use of either Mountainstar or IHC facilities, which gives
employees greater choice in care providers. The current PEHP plan allows access to only
26 Mountainstar facilities and care providers.

28 Mr. Garlitz then explained the HDHP/HSA option. He stated that insurance
coverage is not accessed until the high deductible on the HDHP is met. In this case, the
deductible has been set at \$3,000 for single coverage and \$6,000 for family coverage.
30 The high deductible results in significantly lower premiums. Preventative care, such as
annual physicals and immunizations are covered with only office co-pays prior to
32 reaching the deductible limit. Employees pay out of pocket for services until the
deductible is met. Funds are accumulated in the HSA to cover out of pocket expenses.

34 Mr. Garlitz and Mr. Jackson proposed a plan for the HDHP/HSA option in which
the City would pay the premium for the HDHP insurance coverage, and the difference
36 between the current premium payment and HDHP premium payment would be paid into
the HSA account owned by the employee to offset the cost of the high deductible.
38 Funding paid by the City into the employee's HSA account would be \$2,700 for single
coverage and \$5,400 for family coverage.

40 The total of the insurance premium and the contribution to the HSA account
would represent no increase in health care costs over the previous year. In comparison,
42 renewal of the PEHP plan would represent a 9.60%, or \$38,833.20 cost increase over last
year. The cost of out of pocket deductibles and office visit co-pays will also increase if
44 the PEHP plan is renewed. The Aetna PPO option represents a 10.46%, or \$42,318.00,
cost increase if 401k account funding in lieu of health benefits continues at the same rate

2 as health benefits. If 401k contributions are capped at the rate paid the previous year, the
Aetna PPO option represents a 4.88%, or \$19,748.40, increase to the City.

4 Mr. Garlitz explained that while the maximum out of pocket expense associated
with the HDHP appears to be significantly higher, \$5,250 for single coverage and
\$10,500 for family coverage, the liability for employees is actually less due to the
6 contribution made to the HSA account by the City. In addition, office co-pays and
prescription coverage are covered 100% on the HDHP plan once maximum out of pocket
8 expenses have been satisfied.

10 Mr. Jackson noted that the majority of insured employees will not meet the
deductible during the year, resulting in most of the out of pocket expenses being paid
with funds deposited in the HSA by the City. He explained that once funds are accrued
12 in the HSA account, the employee will realize no out of pocket expenses for routine
health care. Any funds not withdrawn for health care will remain in the account and serve
14 as an additional method to save for retirement or future medical expenses.

16 Mr. Jackson presented a video highlighting HDHP and HSA accounts. The video
pointed out that health care costs are increasing an average of 8% each year nationally.
The video also outlined qualifications for use of HSA accounts. Consumers must be
18 enrolled in a qualified HDHP to open an HSA, and can not be covered by other health
insurance. HSA accounts are “portable,” and can be taken with an employee to a new
20 job. HSA funds are pre-tax contributions, and no tax is paid on expenditures which are
used for medical expenses. Money which accrues in the HSA also collects interest, and
22 can be a source of savings for retirement or future medical expenses.

24 Councilmember Carpenter clarified that if the City chooses to leave the PEHP
plan and purchase health insurance from Aetna, employees will be able to choose either
the traditional PPO plan or the HDHP/HSA plan. He noted that the City would realize
26 the most savings if all employees chose the HDHP plan. Mr. Jackson stated that they do
not recommend requiring employees to go on the HDHP plan. He suggested that the
28 HDHP option be phased in over the next five years as employees become educated about
the product and are confident in the coverage an HDHP/HSA plan provides.

30 Councilmember Bayless expressed concern that healthcare needs may not be
addressed on the HDHP plan if out of pocket costs are excessively high. Mr. Jackson
32 noted that the \$5400 paid into the account by the City will cover the majority of routine
expenses for most families. He also explained that HDHP plans are consumer driven,
34 and that consumers will use the plan judiciously because the money in the HSA account
is their money.

36 Councilmember Carpenter inquired as to what research has been conducted as to
consumer satisfaction with the HDHP product. Mr. Jackson stated that he expects a high
38 level of satisfaction from City employees due to the level of funding provided by the
City. He observed that HDHP plans can be problematic for employees if there is not
40 employer participation, but that the proposed level of funding should address the
concerns of the majority of employees regarding high deductibles and out of pocket
42 expenses. Mr. Dameron noted that if employees are unhappy with the coverage they
select, they can choose to go back to a traditional PPO plan the next year.

44 Councilmember Anthony requested information regarding bids from other
insurance carriers. Mr. Garlitz showed a spreadsheet with figures from other carriers,
46 including Select Health. He noted that there was not a sufficient premium spread for the

2 HDHP plan to be a viable alternative. Mr. Jackson also noted that there may be a
3 disruption in service to employees if they are required to use IHC facilities due to the fact
4 that providers on the current City sponsored health plan are Mountainstar facilities. The
5 Aetna plan allows use of both IHC and Mountainstar providers.

6 Mr. Dameron stated that the general feeling of employees was that it would be
7 appropriate to change to Aetna, but that it would be an individual choice as to which
8 Aetna plan families will feel comfortable with. Health benefits will be addressed as an
9 agenda item at the next regular City Council meeting on May 15, 2007. An employee
10 meeting is also scheduled for May 22nd to discuss long range plans for employee
11 participation in cost controls for health benefits.

12 The meeting ended at 7:45

14 APPROVED – May 15, 2007

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Ott H. Dameron, City Administrator/Recorder

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Jeff Acerson, Mayor