

**WORK SESSION OF THE
BRIGHAM CITY COUNCIL
TO DISCUSS EMPLOYEE HEALTH BENEFITS
NOVEMBER 17, 2011, 5:30 PM**

PRESENT:	Bob Marabella Bruce Christensen Scott Ericson Ruth Jensen Tyler Vincent	Mayor Pro Tem Councilmember Councilmember Councilmember Councilmember
ALSO PRESENT:	Dave Burnett Mary Kate Christensen Blake Foncesbeck Jimmie Jones Bruce Leonard Mike Nelsen Brian Rex Greg Schmidt Mark Thompson	Public Power Director City Recorder Public Works Director Insurance Representative City Administrator Police Lieutenant Councilmember Elect Insurance Representative Councilmember Elect
EXCUSED:	Dennis Fife	Mayor
BENEFITS COMMITTEE MEMBERS:	Rick Bosworth Andrea Clark Bruce Leonard Jason Roberts Derek Oyler Tom Peterson Kevin Rees Tyler Vincent	

Mr. Jones explained that one of the purposes of having employee benefits is to hire good employees and then keep them. The Benefits Committee is always very concerned about making sure that the City offers good benefits.

Mr. Jones presented the attached information.

To keep the current medical plan, the rates would increase 9.6%. This year Altius presented two different plans to let the employees have a choice. Both plans save the City money.

The first plan is the Peak Advantage Plan, a consumer driven plan. There are four different levels of benefits. Every doctor in Brigham City is a Level 1 or Level 2. Level 1 is a better benefit than the current plan and Level 2 is the same. Level 3 is a lower benefit but it is only for specialists, none of which are currently highly utilized by City employees.

Another option is a high deductible health plan in conjunction with a Health Savings Account (HSA). This plan has no co-pays, the employee would pay the entire amount for office calls and medications. There is no GAP plan.

Mr. Jones explained the different levels of the Peak Advantage Plan (see slide 9 of the attached presentation). With Level One there is a \$10 copay for primary doctor visits, \$20 copay for specialists, and a \$25 copay for eye exams. This Plan would be a decrease of 1.7% compared to renewal on the current plan.

Mayor Pro Tem Marabella said his experience has been that the lower the copay, the higher the cost, because there is more utilization. He suggested making the copay \$50, which would drive medical costs down. Mr. Schmidt explained that because of the contracting Altius has done, the City is actually saving

money if employees are willing to go to a doctor that has signed up with Altius at a Level One. Mayor Pro Tem Marabella felt that people will go to the doctor more if the copay is low. Mr. Schmidt stated that Altius has determined through their plan design that if a person has a sore throat, determining whether or not to go to the doctor for \$10 copay plus the cost of a prescription is enough to make people think about which doctor to go to – Level One or Level Two. This program provides the incentive to go to a lower cost doctor.

Councilmember Jensen said her husband's copay went up from \$40 to \$55 for specialists and up to \$25 for a regular doctor. Since then, she doesn't go to the doctor. She waits until she knows for sure she needs a doctor.

Councilmember Ericson said it wasn't the City that said they wanted a lower copay, Altius has presented this to the City. It is less expensive for them to use the Level One doctors they have contracted with. Mayor Pro Tem Marabella said ultimately, if the City were to reduce the overall cost, future rates would potentially be less. Councilmember Ericson said it could work just the opposite. If a child continues to have earaches and he doesn't take him to the doctor because it costs \$50, eventually it will be bad enough that the child has to have tubes and it will cost \$1,000.

Mayor Pro Tem Marabella said at his previous place of employment their statistics indicated that 10% of their employees use 90% of their cost. Mr. Schmidt said it is the same for the City as well, but it is because of major life catastrophic incidents, not because of colds. These people are not going to be influenced by a \$10 or \$50 copay because there is a cancer or a heart attack.

Councilmember Christensen asked if the premium would decrease if the copay was \$20. Mr. Schmidt replied that providing the different levels to providers saves Altius money, which makes it possible to pass on almost a 2% decrease to the City by creating a lower copay. In the same scenario, if Peak Advantage was provided with different levels and increased the copays it would provide additional savings, probably 1-3%.

Mr. Jones explained the HSA Plan. This plan has a \$2,000 deductible per individual or \$4,000 deductible for family. After these deductibles are met, the copays are covered at 100%. The premium savings for this plan is 4.3% lower. The purpose of the HSA is to offset the high deductible. It is an account which the City will contribute to for employees. This becomes the employees' money to reimburse them for their medical expenses up to the deductible. When an employee is reimbursed for medical expenses, it comes out of the HSA to the employee tax free. The \$250 per employee per month the City would contribute to the HSA would come from the cost savings of the HSA and not having to pay for the GAP plan. Employees can also contribute to their HSA with would be before tax. If the money in the HSA is not used, it rolls over to the next year.

Councilmember Jensen suggested lowering the amount the City contributes. Councilmember Ericson said the \$250 is a savings from what the City is paying now. Mr. Schmidt added that if every employee enrolled in the Peak Advantage, the total cost, City and employee, is \$158,000. The Peak HSA is \$154,000. He felt that if the City lowers their contribution to the HSA, fewer employees will enroll in it. Mr. Jones added that the \$250 City contribution is the incentive to get employees enrolled into the lower cost plan.

Councilmember Christensen said there is a risk with the HSA Plan if someone has a catastrophic illness at the beginning of the year and has not built up their HSA account. Mr. Leonard said the City would have the money in the account, so if this happens to an employee, the City could contribute their portion to that employee in a one lump sum. This would only happen the first year. Ms. Schmidt said it is also possible to roll over money from an IRA to this account tax free.

Mr. Roberts explained that the biggest financial advantage to the City for an HSA is that as increases occur, which has been 10-15% the last five years, it will be 10% of the \$138,000 instead of the current City cost of \$141,000. This would compound every year.

Mr. Jones continued that this is the first year the Benefits Committee has provided two options. The employees have a choice; they can either sign up for the conventional plan with copays or the HSA. During the annual renewal time, they can change and try the different plan if desired. He felt more employees will switch to the HSA each year.

Mr. Schmidt stated that it is predicted there will be a shortage of primary care physicians in the next ten years with a shift to nurse practitioners. Statistics show that 70-80% of office visits, urgent care and even emergency room issues can be handled over the phone with a doctor. HealthNowMD is a company that the Committee recommended the City use for this service. Employees would call this company and describe their symptoms and get a prescription called into their pharmacy. With 250,000 members, HealthNowMD has been able to help 92% of their customers with their first call.

Mayor Pro Tem Marabella said Mayor Fife suggested getting an outside committee to evaluate the City's benefits. He agreed. He said if he buys medical insurance for his family, he can get a plan for about \$800 per month. Yet the City is paying \$1,548 for a family plan. Mr. Schmidt said this is accurate, depending on age. The older a person is the more it will cost. However, the biggest contributor to that is any company with 2-50 employees that provides insurance, has to insure all of their employees; the insurance company has to take them. This makes the entire band of rates higher. If a company hires an employee with Lupus, Crones, an ongoing cancer, etc., the insurance company cannot deny them insurance. If an individual takes out their own insurance, they can be denied for any of these health issues. That is the primary reason it is less expensive for an individual.

Councilmember Vincent said it is more than insurance, it is what is being supplied to employees as a City. It is part of their benefit. He continues to hear from employees that insurance rates go up and their benefits are declining.

Councilmember Jensen said the money that is being paid to the insurance companies does not come from our own pockets; it comes from Brigham City citizens. There are a lot of citizens that do not have jobs so they do not have benefits. It would be nice for employees to have a \$10 copay and an HSA, but is it realistic at this time? Mr. Leonard replied that an HSA will save the City, and thus the taxpayers, money.

Mr. Leonard did not agree with creating an outside committee. Members of the Benefits Committee are very intelligent people. It is their money as well as the taxpayers. They fight really hard to reduce the cost of insurance. When MetLife, who is a very good dental provider, increased their rates, the Committee told them the City was not going to pay it and went with another provider. He added that the premium increases affect the City, but it also affects the employee's portion that comes out of their checks. The Committee understands what they are doing. Most of the City boards and commissions rely on City staff to provide them information.

Mayor Pro Tem Marabella said City benefits are always compared to other cities. He felt they should be compared to the two largest employers in Brigham City. Mr. Leonard said private and public are two different businesses. In the private sector, they can set their own pay scale, give an employee a bonus, they have a lot more flexibility on who they fire, etc. Mayor Pro Tem Marabella said the City has a very rich benefits program. If this was compared to other companies in Brigham City, such as ABC, Autoliv, Whitakers, Wal-Mart, or ATK, and most of their company/employee contribution was 70-30, then the City should do the same. Mr. Leonard said he knows a lot of people that work for those companies, and they get profit sharing. Councilmember Christensen said the comparison should be done on the overall package, not just health insurance benefits.

Mr. Leonard explained that the current insurance only has two premium levels – single and family. The Committee recommends going to a 3-tier level to include a 2-party premium. This does not change the premium amount for the City.

Councilmember Christensen said it appears that what has been presented looks really good, based on what the City has had and what health plans are doing across the nation. There is a better benefit for less money than what would have been with the current plan. He would like to see what the reduction in premium would be if the copay was increased to \$20 or \$25.

Councilmember Vincent stated that the Committee has presented numbers that are lower than projected, but if the rest of the Council wants them to look at the copay, they can do that. However, if the Council's concern is looking out for the citizens, he feels the Committee has done that.

Mayor Pro Tem Marabella said he respectfully defers to the Committee. They have spent a lot of time on this and reviewed all the options. He supported what was presented; however, he would like to see this continually looked at and earlier in the year.

Councilmember Ericson said the City gets committees together, both citizen and employee committees, and ask them to spend hours of work. Then they come to the Council and the Council tears apart everything they have been working on. He felt it was good for the Council to give input, but he struggles when the Council disregards what is brought to them. The Committee has done exactly what was asked of them.

Councilmember Jensen agreed with Councilmember Vincent and Councilmember Christensen. She disagreed with questioning committees' recommendations. She would like the committee to look at other options.

Mayor Pro Tem Marabella asked the Council to give questions to Mr. Leonard by Friday and then schedule a thirty minute work session on December 1, 2011, with a vote during the Council meeting. The Council asked that the information be provided to them before the work session. *(The work session was later changed to Monday, November 28 at 11:30 AM).*

Mr. Oyler stated that if the Council votes to reduce the amount the City contributes to an HSA, he, as a committee member, may vote differently on the HSA. Councilmember Ericson asked if the contribution was reduced from \$250 to \$200 per month, or \$2,400 a year, how that would change. Employees do not have to be on the HSA, but it still provides options. Mr. Oyler said lowering it to \$200 per month would change his vote. The possibility of savings in the future by incentivizing employees to choose the HSA is why the Committee recommends this option. The less the amount the City contributes, the fewer employees will choose that option. Mayor Pro Tem Marabella said the money employees puts in the HSA is tax free, which is a significant savings for them. Councilmember Ericson said another option is to contribute more the first year to build it up, then lower the amount for the following years. Mr. Schmidt said another possibility is to keep the HSA contribution the same, then lower the benefits within the HSA plan design to lower the premium.

The meeting adjourned at 6:47 PM.