

**MINUTES
CITY OF ORMOND BEACH
CITY COMMISSION
HEALTH INSURANCE STRATEGIC PLAN WORKSHOP**

June 27, 2016

5:30 p.m.

City Commission Conference Room

I. CALL TO ORDER

Mayor Ed Kelley called the meeting to order at 5:31 p.m.

Present were Mayor Ed Kelley, Commissioners James Stowers, Troy Kent, Rick Boehm and Bill Partington, City Manager Joyce Shanahan, Assistant City Manager and Public Works Director Ted MacLeod, City Attorney Randy Hayes, Human Resources Director Claire Whitley, Brown & Brown Insurance Vice President Jessica Scott, and Brown & Brown Insurance Director of Risk Management Brandon Savage.

Ms. Joyce Shanahan, City Manager, stated that this was the second in a series of workshops that had been held with the City Commission regarding the city's health insurance plan issues and the insurance renewal process. She stated that staff had quarterly meetings with Brown & Brown Insurance and Florida Health Care. She noted that they were able to get their issues worked out through those meetings. She explained that staff was looking for general direction from the Commission regarding the renewal process that the city would enter into. She noted that the plans had switched from an October renewal date to a January renewal date.

II. PLAN UTILIZATION OVERVIEW

Ms. Jessica Scott, Vice President, Brown & Brown Insurance, stated that Brown & Brown Insurance Director of Risk Management Brandon Savage put together the claims reports and performed analytics. She noted that the Commission could request any additional information that they would like to see for future meetings. She displayed a chart on the city's combined monthly utilization overview for all of their plans. She noted that this chart also took into account the plan that the city had prior to January. She noted that the plan years displayed were broken up into the 2015 and 2016 plan years. She explained that the loss ratio was the comparison of premiums that were paid out to the carrier versus the claims that they paid out. She stated that the city's 2015 loss ratio was 100%. She noted that data for 2016 was available through May. She stated that the most recent 12 month loss ratio was 86% and that the 2016 year-to-date loss ratio was 75%. She noted that the more recent claims were trending better.

Ms. Scott displayed a pharmacy summary. She explained that they again compared the 2015 plan year to the year-to-date 2016 plan year. She noted that pharmacy claims were down about 77% in the last five months, compared to the same period during the 2015 plan year. She stated that part of that may be attributed to membership not yet having met the plan deductible for the HSA (health savings account) plan, as well as consumerism. She noted that many employees may still be paying out their deductible before they were eligible for pharmacy co-payments. She stated that one of the city's highest cost medications incurred was for a hepatitis C drug. She noted that that prescription was filled in April and May of 2015 and would account for some of the increase during that time period. She stated that that medication was about \$16,000.

Mayor Kelley noted that he received a monthly recap of his pharmacy usage. He asked if others received the same thing.

Ms. Shanahan stated that an explanation of benefits was distributed.

Mayor Kelley stated that that document provided cost awareness and wondered if that possibly contributed to the decreasing pharmacy claims as well.

Ms. Shanahan stated that the hepatitis C drug referenced was a six-week therapy that could be provided to cure the condition. She noted that it was interesting to her that some of the drugs advertised on television, such as Humera, were very expensive to take on a regular basis. She stated that there were other less expensive drugs that could be used prior to taking those. She stated that in large part employees had not yet met their deductibles and were therefore paying with the \$1,350 that the city provided in their HSAs.

Ms. Scott stated that when implementing an HSA plan a lot of education had to take place with the employees. She noted that employees used to paying a co-payment did not usually know what the costs of the drug actually were. She stated that once they were aware of the cost it would lead them to ask if there were cheaper alternatives. She stated that Florida Health Care had been very good, specifically their pharmacy department, with trying to find alternatives for employees.

Commissioner Stowers stated that his understanding of the HSA plan was that the employee would pay 100% of the costs until they met their deductible; whereby, Ms. Scott confirmed that was correct. Commissioner Stowers asked how there were any pharmacy paid claims in January, and wondered if some unfortunate individuals met their deductible within the first few weeks of 2016.

Ms. Shanahan stated that some employees had very expensive medications. She noted that some of them cost \$600 or \$700 a month.

Ms. Scott clarified that the figures shown were for all plans and not just those on the HSA plan. She displayed a list of high cost medications, noting that the hepatitis C medication was the most expensive. She noted that that medication was from 2015. She stated that a lot of the listed medications were more specialized and would not have alternatives. She noted that the number of prescriptions given was listed, as well as the cost of each prescription. She displayed a list of the most prescribed medications. She noted that there was a column showing whether that medication was on the discount medication list. She explained that those medications on the list cost either four dollars or 12 dollars. She stated that Florida Health Care had looked at the utilization and tried to make changes to their pharmacy to accommodate and give employees the option to pay those co-payment prices, even if the employee was still under their deductible in the HSA.

Ms. Shanahan noted that the employees had to go to Florida Health Care's pharmacy and not Walgreens. She stated that Publix and Wal-Mart also offered four dollar prescriptions.

Commissioner Partington stated that he knew someone who took Lisinopril and obtained it from Publix for free. He asked if the city's employees knew they could do that and not have to pay. He noted that amoxicillin was also free at Publix.

Ms. Scott stated that they were aware of some medications that were available for free elsewhere. She noted that Florida Health Care was also becoming aware of that and continuing to update their list.

Ms. Shanahan stated that it was a learning curve for everyone. She noted that the city's employees now had to be a consumer of their health care, where before they just had to present their insurance card. She stated that the employees would have a different mindset now. She explained that the medications on the discount medication list were a direct result of the meetings that the city had had with Florida Health Care, and telling them that employees could go to a different pharmacy and get medications for four dollars. She noted that they had pressured them to make changes to their medication list. She stated that she did not want employees to have to go to more than one pharmacy.

Ms. Scott noted that Florida Health Care also did not want employees to go to different pharmacies. She stated that it had been helpful for employees to let them know where they have been able to obtain cheaper medications so they could let Florida Health Care know.

Mayor Kelley stated that it would be difficult to reach the deductible if one was obtaining such low-cost medications. He stated that that was part of the education process.

Ms. Shanahan stated that the real issue was the family coverage. She explained that the city gave each employee \$1,350 in their HSA, and while that could be applied to family expenses, they only received that amount for the individual employee and not for their family members. She noted that family coverage had higher deductibles.

Ms. Scott stated that a large claim was any claim that exceeded \$50,000. She stated that from June 1, 2014 to May 31, 2015 the city had seven large claimants with a total paid out of \$1.6 million. She stated that from June 1, 2015 to May 31, 2016 the city had nine large claimants with a total paid of over \$1 million. She stated that for the current year-to-date, January 1, 2016 to May 31, 2016, the city had two large claimants with a total paid of \$338,214. She noted that the quantity of large claims and the amount paid out was improving.

Ms. Shanahan stated that that was most likely due to a resolution of those claims. She noted that some of those claims were cancer and unfortunately the resolution was someone passing away. She stated that one claim had been a very large onetime event.

Commissioner Stowers asked if the claims were counted when they were paid out or when they occurred; whereby, Ms. Shanahan replied that it was when they were paid out.

Commissioner Stowers noted that incidents could be from 2013 then and settled in 2015.

Ms. Scott explained that the information reflected what was paid during the specified months. She noted that it could have been an issue that occurred prior to that time period and then treatment costs were incurred after.

Mayor Kelley asked if the amount was reflective of what was actually paid or what was charged.

Ms. Scott replied that the figures were showing what was actually paid. She explained that there was a billed charge, prior to insurance, and that the paid amount, which was reflected in the numbers shown, was what the insurance company actually paid based on their contract.

Commissioner Boehm stated that the claims could overlap and not necessarily all be new claims.

Ms. Scott stated that they also tracked where employees were in the deductible stage and the out-of-pocket maximum. She displayed a slide with information on the H.S.A plan deductible and out-of-pocket information for individually enrolled employees with single coverage. She stated that 189 employees were enrolled in that coverage. She noted that just one employee so far had met their deductible due to medical costs, two had met it due to pharmacy costs, and sixteen had met the deductible due to combined medical and pharmacy costs. She stated that four employees had met their out-of-pocket maximum and that all had done so due to medical and pharmacy costs combined. She noted that the majority of employees were currently in the deductible stage at between one dollar to \$299, and at the out-of-pocket maximum stage at between one dollar to \$599.

Ms. Shanahan asked if these figures included those who had had wellness visits.

Ms. Scott stated that they were trying to get a better breakdown with that information from Florida Health Care. She noted that those taking wellness visits would not pay out-of-pocket or track towards their deductible. She stated that they wanted to see how many employees were doing that versus how many were not using the plan at all.

Commissioner Stowers asked if these figures were paid or charged amounts.

Ms. Scott explained that even if the cost was not yet paid, the insurance company would show it tracking towards so much of the deductible and out-of-pocket maximum.

Commissioner Boehm noted that over 50% of the individual plan employees would have over \$1,000 still in their HSA available to them to satisfy costs. He stated that the key point with the HSA was that that amount would rollover, assuming it was not used, and that the employee would get another \$1,350 contribution.

Mayor Kelley stated that that was one of the points made last year when it was decided to go in this direction. He noted that something like 20% of the employees last year had met the deductible.

Ms. Shanahan stated that it would be helpful if this information could be shown for prior years in order to compare. She noted that that would clarify whether this was reflective of a change in behavior or if this was historically the usage pattern they usually saw.

Ms. Scott stated that they had also asked for a breakdown of this data into active employees versus retirees. She noted that retirees did not receive the \$1,350 HSA contribution. She stated that this was a brand new report for Florida Health Care and that it had taken many revisions to get to it, noting that it was still a work in progress.

Mayor Kelley asked for clarification on if retirees were included; whereby, Ms. Scott stated that presently the data shown did include everyone on the plan, including retirees, but that she wanted to get a breakout that showed them separately.

Mayor Kelley stated that he thought that would be more accurate.

Commissioner Boehm noted that he bet the pharmaceutical costs slanted significantly towards the retirees.

Ms. Scott displayed a slide with information on the HSA plan deductible and out-of-pocket information for employees with dependents enrolled in family coverage. She noted that there were 82 employees enrolled in that plan. She stated that seven employees had met that deductible due to combined medical and pharmacy costs. She noted that none had yet met the out-of-pocket maximum. She stated that the majority of employees on the plan still currently fell into the lower phase of the deductible and out-of-pocket maximum.

Commissioner Boehm asked if retirees' families were eligible for coverage on this plan; whereby, Ms. Scott confirmed that they were. Commissioner Boehm noted that these numbers could also then be skewed due to the inclusion of retirees and their families.

Ms. Shanahan stated that retirees paid 100% of the cost to be on the city's health insurance plan. She explained that the city also received 100% of their experience.

Ms. Claire Whitley, Human Resources Director, stated that the city was able to clean up retiree enrollment that year. She noted that there were 46 retirees enrolled in the city's health insurance in 2015 and there were now 30 enrolled in 2016. She stated that the city was optimistic that would affect their claims. She stated that there were some retirees and dependents that were not eligible but still on the plan that were removed.

Ms. Scott displayed a breakdown of workforce wellness visits versus emergency room visits. She stated that emergency room visits had decreased quite a bit from the previous year, as had total visits. She noted that enrollment had also gone down.

Ms. Shanahan explained that that was due to people choosing other plans or those who were not eligible being removed.

Ms. Scott stated that the Doc on Demand feature was recently implemented. She noted that that could potentially skew these numbers and stated that they would begin to receive more regular reports on that service. She stated that so far only one person had used Doc on Demand. She noted that she expected that number to go up.

Commissioner Kent asked what Doc on Demand was.

Ms. Scott explained that Doc on Demand was a telemedicine service where employees had the ability to call or Facetime with a physician, who could also prescribe medication. She stated that the cost was \$40 for those on the HSA plan. She noted that employees had the ability to call rather than go into an urgent care or workforce wellness facility.

Commissioner Kent asked if this was a brand new service; whereby, Ms. Scott replied that Florida Health Care started it this year.

Commissioner Kent asked Ms. Shanahan if the city's employees received notice about this; whereby, Ms. Whitley replied that employees received regular emails about all of Florida Health Care's services, both existing and new.

Commissioner Kent noted that he did not receive an email; whereby, Ms. Whitley stated that she would ensure that the Commission was added to the distribution lists.

Ms. Shanahan clarified that the Doc on Demand service was not able to prescribe any painkillers or narcotics.

Ms. Scott stated that when employees were traveling they would have the ability to call-in and go to a local pharmacy. She noted that it was a great service.

III. 2017 PLAN YEAR RFP

Ms. Scott stated that the 2017 Request for Proposals (RFP) was being prepared to including the following options: renewal of the current HSA and POS (point of service) plans, solicitation of an alternative HSA plan to embed deductible, solicitation of an HMO (health maintenance organization) buy-up option, and review of self-funded and level funded options. She stated that the option of embedding the deductible in an alternative HSA plan was new this year. She explained that presently the plan had a non-embedded deductible, which meant that having any dependents on the plan caused there to be a \$3,200 deductible which had to be met as a family. She further explained that if the deductible was embedded it would become a per-head deductible. She stated that if two people were on a family plan with an embedded deductible once one person met the deductible it would move into the co-payment or co-insurance phase for pharmacy costs. She noted that it might be a benefit to those with dependents to be able to move into the co-payment and co-insurance phase quicker rather than meeting the full family deductible. She stated that they expected that the cost would be more for that plan but noted that they did not know exactly what that would be yet.

Ms. Scott stated that another option was looking at an HMO buy-up option. She explained that this would be a more traditional plan that provided first dollar prescription coverage and doctor co-payments so that the deductible did not have to be met before a lot of those services. She noted that that plan would not be eligible for HSA dollars due to Internal Revenue Service (IRS) regulations. She stated that they also wanted to review self-funded and level funded options. She noted that the large claims from the previous year had been an issue in getting a self-funded proposal that made financial sense but that the city was in a better place this year. She explained that level funded meant a fully insured product where the same premium was paid every month, but that if claims ran better than the insurance company predicted a dividend could be gotten back. She noted that it allowed sharing in the profits.

Commissioner Boehm asked what level self-insurance funding would run at.

Ms. Scott stated that the city would be rather conservative since they were smaller but noted that different levels would be looked into. She stated that usually they looked at between \$100,000 to \$150,000.

Commissioner Partington noted that with the HMO buy-up option the employee would not be eligible for HSA dollars. He asked whether the \$1,350 could be given to the employee to fund the buy-up.

Ms. Scott stated that technically the city could fund an FSA (flexible spending account) or bonus up, which would be taxable income for the employee. She stated that in that situation employers usually funded an FSA.

Ms. Shanahan noted that if the money in an FSA was not spent it would be lost.

Commissioner Partington inquired about using that to fund the buy-up; whereby, Ms. Scott explained that that money could not be used for premiums and could only be used for medical expenses. She noted that FSAs and HSAs had similar rules regarding what the money could be spent on.

Commissioner Boehm noted that the HSA was pre-tax and the funds remained in the account; whereby, Ms. Scott stated that an FSA was also pre-tax.

Ms. Shanahan asked if there were any catch-up provisions for HSA or FSA if the employee was a certain age.

Ms. Scott stated that there was for the HSA and explained that at age 55 an additional \$1,000 could be added. She stated that Ms. Shanahan spearheaded the idea of a clinic. She noted that they discussed doing the bid process this year to hire a physician to monitor and manage employees' chronic conditions on a monthly basis and provide free medications. She stated that the idea was to catch the large claims before they happened. She stated that the conditions that the clinic would treat would include diabetes, high blood pressure, and high cholesterol, as well as skin cancer screenings.

Ms. Shanahan stated that there were many options available. She noted that some sister cities had done similar programs and where they really saw the savings was in the doctor visits and medications not hitting their experience, since they were outside of the network. She explained that the city would still be paying for those things, just out of a different pocket. She stated that the City of Deland had indicated that they had saved several hundred thousand dollars with their clinic. She noted that Palm Coast also had a contracted clinic. She stated that the city went to bid for this service the previous year but did not get any responses that they felt were affordable options.

Commissioner Kent stated that the healthy part of this was the discussion that was presently taking place. He noted that last year when they were faced with having to change the plans he was ashamed and disgusted by what it did to the city's employees. He stated that hopefully they were working towards a solution that would be much better for Ormond Beach employees and their families.

Ms. Scott displayed a graph with national self-funded plan statistics. She explained that about half of employers with between 200 and 999 workers were going to self-funded plans. She noted that this was becoming more popular and that stop-loss carriers were going down to 100 enrolled now, which was not always the case.

Ms. Shanahan stated that Volusia County Schools was self-funded, as was Volusia County.

Ms. Scott displayed a list of the funding status of local governments, noting those that were self funded, fully insured, or had an on-site or near-site clinic.

Ms. Shanahan stated that she believed that Daytona Beach Shores was one of the only smaller cities that were self-funded. She noted that they had been self-funded for a long time.

Ms. Scott stated that the benefits of self-funding included the potential for retaining savings when claims were low, the ability to assess tolerance for risk based on affordability, and that self-funding was not subject to state health insurance premium taxes.

IV. RENEWAL TIMELINE AND NEXT STEPS

Ms. Scott stated that the RFP would be advertised in the month of August and be open for 30 days. She stated that when the bids returned Brown & Brown Insurance would review the responses with staff and identified employee representatives. She noted that hopefully by mid-September recommendations would be made to the City Commission.

Ms. Shanahan reiterated that the renewal date was January 1st.

Commissioner Partington stated that it was too early to tell how the plan switch was going but noted that there were some positive indications shown. He noted that he was encouraged by that and hopeful that progress could continue to be made during the RFP process. He stated that it was beneficial for employees to become more educated about how they could utilize their benefits and what was available to them. He noted that he appreciated the work that Brown & Brown Insurance had done.

Ms. Shanahan asked if the healthcare tax had been put in abeyance for another year; whereby, Ms. Scott replied that it had been pushed out to 2020.

Commissioner Partington stated that several months ago he had some questions for Ms. Whitley and had told her that she, Ms. Scott, and Mr. Savage were on the cutting edge of the nationwide changes in how health care occurred. He noted that he appreciated them staying knowledgeable and up to speed.

Commissioner Stowers stated that he was in favor of getting someone internally as a further safety net to going and spending time at the doctor's office. He noted that he appreciated Commissioner Kent mentioning that he did not receive an email about the Doc on Demand service. He stated that he did not either. He stated that he would rather be inundated with information that could save him, his family, or other employees' money. He stated that he was unaware of some of the cheaper options that were available.

Ms. Whitley stated that they would increase the communication. She noted that the employees had been receiving a lot more than the Commission.

Commissioner Kent stated that a good rule of thumb would be to provide the Commission with anything that the employees were getting. He noted that he was excited that the city might be able to get more benefits for their employees, noting that he would even be in favor of spending more money to make it happen. He stated that he would talk to the taxpayers who elected him and explain to them why he would be in favor of them. He noted that he loathed what they did before and wanted to ensure that they did the best they could for everyone.

Mayor Kelley stated that he did not know whether they had tracked whether employees were expressing concerns. He stated that many of the concerns were likely related to the family deductible and noted that potential solutions were discussed. He stated that it would be easier to address the concerns if they knew what specific hardships were affecting employees.

Commissioner Kent stated that it would be painful for employees to have to come up with a \$3,600 deductible on a \$30,000 to \$40,000 annual salary. He stated that he also wanted to know about special cases and see if there was something that they could do for them.

Ms. Whitley stated that ~~that they~~ would quantify that and noted that they would track those. She stated that a lot of those issues they had already begun working with Florida Health Care on and noted that Florida Health Care had been very responsive. She referenced Florida Health Care working with them on discounted medications. She noted that pharmacy costs were an issue for some employees and some spent their entire deductibles on them, particular those on the family plan. She stated that if an individual was burning through their deductible with pharmacy costs, they would largely be using the \$1,350 that the city provided them for their HSA.

Ms. Shanahan noted that they still did not know how the usage compared to last year. She stated that a real concern was whether people were not going to the doctor because of the changes in the plan, or if they did not go even before.

Commissioner Boehm referenced tracking the retirees. He noted that he felt that some of the pharmacy and combined costs would be attributable to older individuals taking more medications.

Ms. Shanahan noted that they had much more information available to them than before and that it was good to keep and track the available data.

V. ADJOURNMENT

The meeting was adjourned at 6:51 p.m.

Transcribed by: Colby Cilento