

MINUTES
PERSONNEL COMMITTEE
AUGUST 22, 2007 3:00 P.M.
SCOTT HEYMAN CONFERENCE ROOM

Approved 10/10/07

Present: J. Dennis, Chair; D. Kiefer; G. Stevenson; M. Sigler

Excused: L. McBean-Clairborne

Staff: C. Covert, Clerk of the Legislature; S. Whicher, County Administrator; B. Kominos, Benefits Manager; A. Fitzpatrick, Personnel Commissioner; D. Squires, Finance Director; M. Lynch, Public Information; O. Boden, Health Insurance Consultant

Legislators: F. Proto, M. Robertson, K. Luz Herrera, T. Joseph, M. Koplinka-Loehr

Guests: Attendance sheet on file with original minutes on file with Clerk of the Legislature

Call to Order

The meeting was called to order at 3:00 p.m.

Health Insurance for Retirees

Mr. Dennis explained the purpose of the meeting and said discussions concerning health insurance for retirees began in January 2007. Following the Request for Proposals, three responses were received and a team was established to review the proposals for possible options for the County and the Medicare-Eligible Retiree group. He believes in offering retirees the opportunity to have options for continuing with the County's Health Insurance, but at the same time contain the costs for the County and its taxpayers in the future.

At this time, Mr. Dennis requested introductions be made.

Ms. Fitzpatrick stated the material distributed will be referenced in many of the presentations being made at this meeting. She specifically reviewed the questions and answers document. Tompkins County is an umbrella for a large pool of health insurance subscribers. Currently there are 1,200 contracts for health insurance. The pool includes both active employees and retirees from Tompkins County, Library, and TC3. Major medical and prescription drugs are the two components of the plan offered.

The four plans currently available through Blue Cross Blue Shield are:

- Tradition Indemnity Plan
- Preferred Provider Option (PPO)
- HMO (five total subscribers)
- Comprehensive Value Plan (offered on a pilot basis last year)

The County contributes 85 percent of the premium for active employees. Active employees (CSEA White and Blue Collar) hired after January 1, 2001, with less than five years of service and all Corrections Unit staff hired after January 1, 2001, pay 20 percent of the premium (no Voluntary Employee Benefit Account).

Other questions in the document relate to questions raised by Legislators or members of the public as to the history of both types of benefits and requests to divide the pool. The premium history for the Traditional/Indemnity Health Insurance was provided. From 1984 to present, there is an average increase of 9.67 percent in a blended rate per year. The blended rate represents prescription drugs and major medical as the two components of the plan. In 1984, a Family plan premium was \$159.95 per month; in 2007, the cost for a Family plan in a Traditional plan is \$1,114.88 per month.

Mr. Boden spoke about Medicare-Eligible rates for Medicare Part B and Medicare Part D and briefly reviewed the history for Medicare Part B reimbursement rates. Prior to 1995 there were no pharmacy benefits. With Medicare Part D, Tompkins County said it pay secondary to Medicare. The Part D introduction was not smooth. Tompkins County never used it, and Tompkins County established

“TompkinsRx”. Therefore Tompkins County receives a subsidy from the Federal government – approximately \$100,000 the first year. However, Tompkins County does not get credit for this under GASB 45 (under which a county must show it has a process to cover future employee medical insurance costs).

Mr. Squires reported on Government Accounting Standards Board Statement 45 (GASB 45) and said it is a new reporting requirement imposed on the County. In the past, the County has reported annually in its financial statements information on the cost of health insurance paid to both active and retired employees. Under GASB45, the County is required to report with respect to expenses. We must now include in the financial reports a value for this post-employment retiree benefit, similar to what is done for a pension benefit, as a “disclosable liability”. An analysis of the current workforce will be done and assumptions made about how many current employees are going to be eligible for the benefit when they retire and how long they will live. Following the analysis, that cost will be disclosed. The outcome is every government will be disclosing what is considered a liability for the benefit of current employees when they retire. New York State has just completed its actuarial analysis for retirees, and the dollar figure is two times the cost of the active employees. The problem is it will create a tremendous unfunded liability for the County. If the information is not disclosed it has the impact of diminishing the County’s reputation within the financial market. Currently, the County is paying in excess of \$7,000,000 per year for health insurance for active and retired employees.

Ms. Robertson asked if we will have that dollar amount in the bank; Mr. Squires said no but we have to describe how we will meet the obligation.

Mr. Whicher continued with the presentation and gave a brief overview of the “Payroll Fringe Projections through 2010” document. He said Administration will be encouraging the Legislature to approve and maintain a fringe rate at 37 percent. One of the steps the County will be taking is discussing health insurance during negotiations. In addition, Tompkins County, on behalf of the Tompkins County Council of Governments, has received a grant from the Governor’s office called an SMIS grant to encourage localities to look collectively at how they can affect their change in their overall costs of their health insurance program. The amount of the grant was \$250,000, and this will be a two-to-three-year project. Phase I has just been initiated and responses to an RFP have come in this week and over the next three weeks a decision on how to move ahead will be made. He also provided a review of the process steps as outlined below:

Health Insurance Process Steps

- I. Current State:
 - a. Health Insurance premiums are rising two to four times the faster than salaries. The increase in health insurance premiums is the primary driver for the increase in the fringe rate.
 - b. Recent administrative and plan design changes have resulted in a short-term plateau in the premiums. At the end of this plateau period we expect premiums to increase at a rate of somewhere between 6 and 10 percent per annum.
 - c. The anticipated increase in health insurance costs over the next three years will exceed \$1,000,000 in local share costs.
 - d. Currently anyone who elects to subscribe to the County’s health insurance is a member of a single pool – pool includes active employees, retirees, Library and TC3 staff.
 - e. Medicare eligible retirees currently subsidize the cost of health insurance for all others in the pool.
 - i. With Part D the single pool rates for Medicare eligible retirees is difficult to justify.
- II. Actions:
 - a. A broad-based committee was formed, including retirees and local health care experts, to explore the potential for establishing a plan for Medicare eligible retirees that would provide as close to the same coverage as currently enjoyed but to examine establishing a rate based

on actual expenses. More details of this process were included in the information distributed.

- i. Outcome:
 1. Carve out rather than supplemental coverage
 2. Recommended premium of \$300 per contract
 - a. Higher than the rate that would be derived based on actual Medicare eligible retiree experience. (i.e., creating separate Medicare eligible pool).
 - b. Impact analysis of creating separate pool for Medicare eligible indicated that this would result in a loss to the pool of \$487,000 in year one and \$196,000 in year two.
 - ii. Next:
 1. Moved the discussion to internal team.
 - a. The team felt the exposure to the pool and to the County was too great.
 - b. The possibility of creating two pools was reviewed: Retirees and Active employees.
 - c. A resolution to create a Medicare eligible retiree pool was withdrawn from Personnel Committee agenda.
- III. Recommendation: (comparative coverage summarized on handout)
- a.
 - i. Create two pools: Actives and Retirees
 - ii. Move all retirees to comprehensive plan
 - b. Outcome:
 - i. Net Savings to the pool of \$100,000 year
 - ii. Reduced Retiree Premiums (see rate sheet)
 1. Retirees would pay:
 - a. 50% for individual coverage and
 - b. 65% of the difference between individual and family coverage
 - iii. Increased exposure to all retirees
 - iv. Medicare Eligible retirees pay more than if they were in a separate pool.
 - c. Still to consider:
 1. Limit Pharmaceutical exposure to somewhere between \$1,000 and \$2,000
 2. Grandfather existing retirees

Ms. Kominos continued with explaining the four options for retiree health insurance and the financial impact.

1. Leave the current health insurance plan, structure and cost sharing in place.
 - \$0 impact for both Retirees and Tompkins County.
2. Create a separate experience rated group for all Medicare Primary retirees.
 - \$26,645 increase in Tompkins County Monthly Premium Share equals \$319,739 per year.
 - \$19,037 decrease in Medicare Primary Retiree Monthly Premium Share equals \$228,441 per year.
3. Move all retirees, both Medicare Primary and non-Medicare Primary to the Comprehensive Value Plan.
 - \$10,032 decrease in Tompkins County Monthly Premium Share equals \$120,382 per year.
 - \$12,021 decrease in All Retirees' Monthly Premium Share equals \$144,257 per year.
4. Offer the Comprehensive Value Plan to all current retirees. If current retiree chooses not to enroll in the Comprehensive Value Plan, they will be grand-fathered in the Traditional Indemnity

Plan or PPO Plan in which they are currently enrolled. Effective January 1, 2008, all new retirees will be enrolled in the Comprehensive Value Plan.

- No immediate impact. Future results depend on enrollment.

Mr. Sigler said his main concern is the 40 percent non-preferred drug coverage under the Traditional/Indemnity plan for the retirees. Mr. Whicher commented that one option could be a cap on prescription drugs.

Ms. Kominos concluded her remarks by stating option three above is the Team's recommendation to the Personnel Committee and the full Legislature.

Ms. Kiefer asked if the County could consider taking what the County pays now for existing retirees and giving that equivalent amount to the retirees as an option that would help let them choose their own health insurance. Mr. Whicher said Ms. Kiefer posed that question to him recently and said the exploration of legal ramifications and an analysis has not been done.

Mr. Sigler spoke about the healthcare consortium with other municipalities and asked what impact that may have. Mr. Whicher said that process will be lengthy and said the County cannot afford to wait two or three years for a change in the healthcare system.

At this time, Mr. Dennis entertained questions and comments from the retirees and other interested individuals present.

Ms. Fitzpatrick briefly reviewed the document distributed outlining the current information by contract for retiree and survivor health insurance rates for 2007 in the Traditional Plan and the PPO plan.

In response to a question raised by Ms. Holmes, Mr. Whicher explained how the decision to recommend option three was made. The Comprehensive Value Plan was a pilot plan and it is believed the plan is reasonable and provides good quality protection and is a plan the County can afford in the long-term.

Ms. McEwen spoke about the Comprehensive Value Plan, noting it was reminiscent of the old Medical Value Plan where we sent our bills in and hoped we would get something back. For retirees, Medicare pays 80 percent of the bill and Tompkins County pays 80 percent of the remaining 20 percent. Medicare primaries (retirees for whom Medicare is the primary insurance) will still be subsidizing the rest. She asked where the plan and the rates came from. Mr. Boden spoke briefly about the Plan and said the illustrative rates were provided by Excellus on July 1, 2007.

Mr. Chase spoke about the health insurance pools and asked what the impact would be on the active employees remaining in the Traditional Plan if the retirees are moved into the Comprehensive Value Plan.

Mr. Joseph understands there have been discussions and would support putting a cap on prescription drugs in the Comprehensive Value Plan; this would enable persons to calculate their maximum exposure.

Mr. Long reiterated his comments made at the August 8th Personnel Committee concerning the Comprehensive Value Plan as presented to Library employees.

Mr. Dennis commented that staff is compiling the questions in order to provide answers at a later time.

Mr. Murphy spoke about the benefits of Medicare Part B. Blue Cross Blue Shield pays 16 percent (80 percent of the remaining 20 percent). Medicare's value is five times greater. One option not presented

today is the option as presented at the last Committee meeting: retirees over 65 years of age (Medicare retirees) remain in the current Traditional Plan (carve-out the retirees separately as a subgroup). As a subgroup, the Medicare retirees would have their own numbers and own costs and a sufficient premium would then be paid by the subgroup to cover that cost. He said he does not understand the difference between options 2 and 3 and asked if he could be provided with information on how those numbers were calculated.

In response to a question concerning projections, Mr. Whicher said based on the number of retirees and anticipated retirements, the Team felt a total retiree population of 300 was a stabilized figure to use.

Mr. Whicher and Ms. Fitzpatrick addressed briefly the question concerning the annual deductible being more than double for a family of two as opposed to a family of three or four. Mr. Whicher commented there are many ways to carve up a pool. Other corporations have developed a third tier. Ms. Fitzpatrick said there are many arguments for carving up a pool and that this has come up in negotiating discussions in past years. Some arguments have included groups claiming to be healthier than others and therefore they do not cost the plan as much as other people.

Ms. Robertson asked if a pool of smokers versus non-smokers was considered as it could have some influence for changing behaviors to have a healthier lifestyle. Mr. Whicher commented that this is similar to a healthy-living component that could be introduced as a possible area of negotiation.

Ms. Herrera asked if some of the information, as appropriate, could be in a format of a graph similar to the graphs presented at the Legislature meeting concerning the sales tax intercept prepared by Administration. She also clarified the following questions and asked that information be provided:

- potential caps for prescription drugs and out-of-pockets expenses
- the recommendation to separate out the over-65-year-old group as a pool
- healthy living component
- having a separate pool for two-member families

Mr. Chase asked if the decision on health insurance could be postponed to have a parallel study done for a 12-month period by taking volunteers out of a plan and moving them into a different plan to see what the costs would be.

Mr. Weatherby of TC3 spoke about the ongoing increases in health-care costs and again asked if the County was going to look into the CANARx program; Mr. Whicher stated that TC3 was a pilot program and the County is now moving forward with implementing the program.

Ms. DeMarco asked if she could be provided with the provider fee schedules. Mr. Boden believed the information is administered by Excellus and is proprietary information.

Mr. Proto commented that many retirees were hired when salaries were not very high with the understanding that benefits would be to their benefit and that this has more of an impact on them than current employees. He said he also has a concern with the deductible.

Mr. Sigler agreed with the comments made earlier by Legislator Joseph and would like to look into capping the prescription drugs and percentages.

Mr. VanOrman said he would like to see the process slowed down. He spoke about the last contract negotiations where problems and concerns were raised and the union agreed if invited to help and discuss different options. He expressed concern that those discussions and input were not sought until very recently.

Minutes
Personnel Committee
August 22, 2007

He questioned why a large pool of people would be offered a program (Comprehensive Value Plan) on a one-year basis at no cost to them and asked how many active employees enrolled. Ms. Fitzpatrick stated that one blue-collar employee signed up.

Mr. Dennis concluded the meeting stating that the questions raised will be addressed and announced that another meeting to discuss this subject further will be scheduled. Mr. Proto requested that any information be distributed prior to the meeting.

Adjournment

The meeting adjourned at 5:06 p.m.