

CHAMPAIGN COUNTY
Health Insurance Committee Minutes

Tuesday, August 6, 2013 – 3:00pm
Lyle Shields Meeting Room
1776 E. Washington St., Urbana, IL

MEMBERS PRESENT: Chris Alix, Doug Bluhm, Deb Busey, Josh Jones, Tea Jones, Angela Lusk, Debbie Mennenga, Brad Morris, Josh Reifsteck, Nora Stewart, Amanda Tucker

MEMBERS ABSENT: Donna Blumer, Stan Harper, Barb Doyle-Little, Michelle Mennenga, Elizabeth Murphy, Ed Sexton, Steve Ziegler

OTHERS PRESENT: John Malachowski, Astrid Berkson (County Board Member), Linda Lane

CALL TO ORDER

D. Busey called the meeting to order at 3:02 pm.

APPROVAL OF MINUTES

Motion by Stewart to approve the minutes of June 4, 2013, as presented; **seconded** by Lusk. **Motion carried unanimously.**

ELECTION OF CO-CHAIR REPRESENTING LABOR

Busey noted that a co-chair representing labor needed to be elected. She suggested waiting until all members were present before nominating and approving. Morris agreed. **Motion** by Stewart to defer election of co-chair until the next meeting; **seconded** by Morris. **Motion carried.**

OVERVIEW OF ACA & POTENTIAL IMPACT ON CHAMPAIGN COUNTY

Malachowski handed out a sheet with Health Alliance's renewal proposal and explained how they came to their numbers. He stated that they look at the experience period of the last ½ year and the two prior years (Dec. 2010-June 2013). He noted that the total claims are a combination of pharmacy, inpatient, outpatient, and physician claims. Malachowski said that the formula Health Alliance used is the same that all carriers use. He explained what the trend charge is and how it is applied. He also explained the pooling charge and how the claims were weighted. He stated that Health Alliance's administrative fee is as low as they can go; that many carriers charge over \$40. The next thing Malachowski talked about was the ACA Tax that is being implemented as part of health care reform. He noted that this is a \$16.05/member charge that the insurance carrier is passing on to members. Malachowski said that using this formula, Health Alliance stated they needed a 20.18% increase.

Malachowski pointed out that this group is currently running worse than Health Alliance's book of business. He noted a 3.73% increase is what Health Alliance needs just to get this group to their book of business. He commented that Health Alliance believed that 84% of this group's claims are credible. He stated that based on this information, the net proposed increase is 14.98%.

Malachowski stated that Gallagher has some issues with the formula and went back to Health Alliance with a few tweaks, noting that they weren't very large tweaks. He noted that to make this a 13-month plan, Health Alliance is adjusting by 1-½% for one extra month, which Malachowski noted was another problem Gallagher has. He said that Gallagher has asked for an explanation and has a meeting with Health Alliance next Tuesday morning. He pointed out that there aren't many other plan options available to make changes that will reduce the increase.

Alix asked Busey what the PTELL was. Busey answered 1.7%. Alix noted that earnings are going up by 1.7%, but that premiums are going up by 17%. He pointed out that means that the money will have to come out of existing programs to pay for the increase. Busey noted that based on a survey the County participated in, Champaign County is the only county that didn't have deductibles included in their plan. She also mentioned 80/20 and 70/30 plans as options.

Malachowski said they have a meeting with Health Alliance next Tuesday and agreed that adding out-of-pocket deductibles can cut costs and they will be talking about other options as well. Malachowski illustrated that with the increase premiums will total \$550,000, the ACA tax (a brand new expense) will add \$200,000 in expenses, which means that the County has to come up with \$750,000 to keep the plan exactly as it is now. He suggested that one way to decrease that amount is to increase co-pays and add deductibles. He believes another way is to go self-funded.

Malachowski reported that Humana declined to provide a proposal because they don't have a network in the community that has 85% of physicians. Alix asked if other companies would be able to meet the 85% and suggested they don't want to set goals so high that it eliminates other carriers. Malachowski stated he had not received the other reports yet.

Malachowski thinks the County has the preliminary numbers for becoming self-funded. He pointed out that the current plan is a hybrid, but with no stop-loss premium or administrative costs. He observed that the County added the HRA to take on some of the risk of claims. He commented that this committee has the final say in determining what plan is best. Alix asked if the HRA makes up the difference. D. Mennenga said that the plan has a \$3,000 out-of-pocket limit, but that the County reimbursed \$1,500 of that. Busey noted that the plan to employees hasn't changed since 2008, and that the County has taken on the added risks and expenses from increases. Alix asked if the same thing can be done with deductibles through the HRA. D. Mennenga stated that it can be set up through BPC. Malachowski suggested that if a certain percentage of employees use the County plan, a reimbursement amount can be set up. He noted that the key part is what percentage of employees will hit the mark. He said they don't have that information based on the current plan. He illustrated that the plan could have \$100,000 in claims but may have to reimburse 89% through the HRA.

Malachowski moved to explaining the self-funded concept. He said that the County will have to pay somebody to administer the plan. He explained that fee includes the amount paid to access discounts. He noted that Health Alliance discounts in Champaign County are better than any other carrier. He suggested that administrative expenses could be \$250,000, and that is before there are any claims. He commented that stop-loss insurance can be either individual or aggregate. He explained that insurance carriers figure the expected claims costs based on experience. He noted that the current plan, with fees and taxes, will amount to about \$6.1 million. He stated the ACA is not required on self-funded plans. Malachowski noted that if there is a bad claims year, the self-funded plan will cost more, but a good claims year will actually save money. He observed that many government entities tend to be fully insured rather than self-funded because they know exactly what the monthly expense will be. Alix noted that the private sector has more control over revenues, and that government revenues are pretty much determined by law. Malachowski noted that it has been talked about before with this committee that a group this size should consider becoming self-funded.

Malachowski stated that when purchasing under a self-funded plan, all carriers are a-la-carte, meaning that there is a price for the plan, a price for access to their web information, etc. He said that when all the administrative costs are added up, it could be closer to \$300,000 than \$250,000. He explained that an advantage to a self-funded plan is that it is fully transparent. He also stated that Health Alliance discounts can only come through Health Alliance; Blue Cross Blue Shield (BCBS) discounts can only come from BCBS, and so on. He also noted that most carriers will only work with certain re-insurers, and noted that because of this it works best if everything is kept to one carrier, which will speed up reimbursement.

Malachowski said that Gallagher should have Health Alliance's response next Tuesday and will hopefully have number from other carriers. He said that this committee needs to decide what they can live with as far as premium costs and out-of-pocket expenses. Lusk asked if they go self-funded, can they make it mandatory that all employees have to be part of the plan. Alix asked if the County plan was better than other companies in the area were. D. Mennenga said it is a combination of premiums and coverage.

Busey stated that it would help if they could eliminate the double-coverage issue. She noted that some companies will not cover a spouse if they have coverage available where they work. She suggested the committee look at that as an option. Malachowski commented that many people have double coverage because they are afraid of losing coverage if they lose their job. He stated that federal law prohibits that and noted that people have 30 days to go on a spouse's plan.

Lusk asked if they go self-funded, would any excess funds go to other programs. Busey said once money is in the health insurance pool it stays there. Alix noted that the current plan is basically a pre-payment for services rather than true insurance. He said that self-funded makes sense but asked where the initial pool would come from. Morris asked if labor contract were prohibitive to include language about double coverage. Busey said no. She stated this group was formed to decide which plan would be best and whatever it decides becomes part of the labor contracts.

Malachowski pointed out that when looking at self-funded plans, 5-years should be considered. He noted that out of those five years one will be good, one will be bad, and the others are unknown.

UPCOMING MEETING DATES

August 20, August 27, September 3, 2013. All meetings are at 3:00pm in the Lyle Shields Meeting Room at the Brookens Administrative Center.

OTHER BUSINESS

None

ADJOURNMENT

Meeting declared adjourned at 4:20 pm.

Respectfully submitted,

Linda Lane
Administrative Assistant