DUBLIN CITY COUNCIL
FINANCE COMMITTEE MEETING OF THE WHOLE
Monday, April 25, 2016
Council Chambers

Minutes of Meeting

Mr. Keenan, Chair, Finance Committee, called the meeting to order at 5:30 p.m.

Council members present: Mr. Keenan, Mr. Lecklider, Ms. Alutto, Ms. Salay, Mayor Peterson, Ms. Amorose Groomes, and Vice Mayor Reiner.
Staff present: Mr. McDaniel, Ms. Mumma, Mr. Rogers, Mr. Nahvi, Ms. Kennedy, Ms. Goss, Ms. Crandall, Ms. Richison, Mr. Poland.

Mr. Keenan stated that the topic of tonight's agenda is Employee Benefits. He and Mr. McDaniel have met on this topic already. The committee discussion will be broken into two parts. Tonight's meeting will be a review/history of some of the mechanisms that have been in place for the last four-five year years. The next meeting will have more substantial discussion about details of the City's benefit plans.

Jason Nahvi, Benefits Administrator reiterated that the Employee Benefits Plan discussion will be addressed in two parts:

- Tonight will be: (1) a history of the City's health plan; (2) a brief overview of how the City's health insurance has progressed over the years; and (3) a review of the City's claims experience that demonstrates how well the plan is working.
- The second portion of the presentation will be provided at the June 13 Finance Committee of the Whole. At that meeting, a comparison of health plans from several local agencies and statistics from the private sector will be provided. Staff will also provide recommendations for revisions to the City's health plan for Council's consideration.

Self Insured

- The City of Dublin has been self-insured for over 13 years.
- Being self-insured has been vital to the success of the City's plan. It has allowed the City to be flexible with its plan design and to customize it based on the needs of the employees and the City.
- If the City had a fully insured health plan, the City would pay an insurance provider in advance to cover projected claims, in addition to the insurer's overhead and administrative costs. With a self-insured plan, the money collected by the City is only paid out when claims actually occur, and the funds remain in a reserve account until needed.
- Because the City is directly paying for health insurance claims, this makes wellness programs more relevant. With fully insured plans, wellness initiatives generally do not result in significantly lower health insurance costs. Because the City is self-insured, however, an overall improvement in employee health can lead to an immediate reduction in claims, which feeds back into the reserve fund. If those trends continue, it reduces the City's overall healthcare costs.
- As self-insured, the City was allowed to purchase stop-loss insurance. This provides protection against catastrophic claims and protects the City from taking on 100% of the liability with large claims.

Milestones

- In 2004, the City switched to United Healthcare as its third party administrator for the City health insurance plan for employees. The City has stayed with United Healthcare since that time and continues to have a productive partnership.
- In 2006, the wellness program “Healthy By Choice” was introduced. With the first year of HBC, biometric screenings and health risk assessments were implemented. Development of the wellness program has continued since its introduction.
- In 2007, the City added to its wellness program. Employees worked with a health coach via telephone to discuss how to improve their health and wellness; employees and spouses were required as part of the health plan to have a preventive care check-up and attend education classes on various healthy topics.
- By 2008, the health risk assessments reflected a reduction in medium risk status (which is 2 to 3 health factors and can include issues such as diabetes and heart disease) and high risk status (which is 4 or more health factors) for employees participating in the wellness program.
- In 2009, if an employee or spouse used tobacco they participated in a tobacco cessation program as part of Health by Choice. These classes continue to this day.
- During 2010, the City started preparing for the change from a traditional Preferred Provider Organization plan to a High Deductible Health Plan with a Health Savings Account
- At the beginning of 2011, a High Deductible Health Plan with a Health Savings Account was implemented. These remain in place today.
- In 2013, a Health Reimbursement Arrangement (HRA) was added to the plan for those employees eligible for Medicare.
- In 2015, the City partnered with OhioHealth to provide on-site health coaching sessions for employees. They also conducted the biometric screenings at the City.

Current Plan Design

- The City Plan has a $2,500 yearly deductible for employees with single coverage. Co-insurance begins once the deductible is met and provides an 85/15 split. The City’s yearly out-of-pocket maximum is $3,425 for single coverage.
- Employees can also earn money in their Health Savings Account (HSA) for participating in the City’s wellness program. Total contributions for participation and undergoing biometric screenings is $1,875 each year for single coverage.
- Employees with family coverage have a $5,000 yearly deductible; co-insurance begins once the deductible is met, which is the 85/15 split. The yearly out-of-pocket maximum is $6,850 for family coverage.
- Health Savings Account (HSA) contributions for participating in the wellness program and undergoing biometric screenings is $3,750 for family coverage.
- Employees have the opportunity to earn up to 75% of their yearly deductible through participation in the wellness program.
- The health plan's history demonstrates how far the plan has evolved since 2004. Efforts are constantly made to improve the plan.

Claims History since 2010

The table graphic shown indicates the actual net amount the City paid in total claim costs for each year compared to the costs that had been projected based on estimates from the claims experience. It shows the following:

- The first row of this table shows the average enrollment of employees in our plan for each year.
- The second row indicates the total paid claims for each year. After the high deductible health plan was implemented in 2011, the claims costs were significantly lower for 2011 and 2012. Even though the net paid claims went up in 2013, it was still lower than the total net paid claims in 2010 before the high deductible health plan was implemented. The 2014 claims were up slightly, but the total net paid claims for 2015 were almost identical to the 2010 numbers.
- With the rising cost of healthcare since 2010, this is a testament to how effective the plan is working by keeping costs down and absorbing catastrophic claims.
- The fourth row shows estimated total claims costs for each year. Actual claims costs for 2011 and 2012 were significantly lower than projected claims costs. Actual claims costs for 2013 and 2014 were higher than what was estimated. Our actual claims costs went back down further for 2015 than what was estimated, and that trend is expected to continue.

Average Claim Payments per Employee per Year.
This next table shows what was paid on average for claims per employee each year.

- The significance of this table shows that for every year except 2014 (which was only $251.78 higher than the estimate), the City was able to keep actual paid claims per employee costs significantly lower than what was estimated.
- This shows that the introduction of the high deductible health care plan and wellness program have kept costs lower year to year -- or at least kept them steady -- since 2010. This is the benefit of the programs in place.
- This can be attributed to the wellness program emphasis on employee health, and the high-deductible health care plan making employees wise consumers.

Stop-Loss Insurance

- Stop-loss insurance has played a major role in keeping the City's health care costs from rising to out-of-control levels.
- Because the City is self-insured, it has been able to purchase this insurance policy. Stop-loss is an insurance product that provides protection against catastrophic or unpredictable losses. It allows the City to not assume 100% of the liability for losses arising from the health plan. Under a stop-loss policy, the insurance company becomes liable for eligible losses that exceed certain limits.
- In 2010, the City's stop-loss was set at $125,000 and since 2011 it has been at $150,000. This means the City will only pay up to $150,000 on a claim for an employee.
- In recent years, there has been an increase in stop-loss claims. This is an anomaly and does not reflect on the City's health plan design. High claims occur no matter how effective the plan is, which is the reason the stop-loss policy was purchased.

Stop-Loss Insurance Savings
The table shown indicates the City's savings by having stop-loss insurance since 2010.

- The first row shows how much would have paid in total claims for each year if the City did not have stop-loss insurance.
- The second row shows what the City paid in total net claims paid with stop-loss insurance.
- The third row shows the savings year-to-year with the stop-loss insurance. The City experienced significant savings in 2014 and 2015.

- Since 2010, the City has saved over $4 million in paid claims because of its stop-loss insurance. That is a huge savings for the City.

Stop-loss Insurance Premiums since 2010

- The Stop loss premiums for each year are based on the group's claims experience and the manual stop loss rate of $150,000.
- The manual rating assesses factors such as age and gender of the group, nature of claims, plan design, and geographic area. The rate that the group is charged each year is based on a weighting of the experience and the manual rate, and it goes back and reviews the previous three years' experience with the City's claims. So for 2016, the premium rate will be set by 50% of the claims for 2015, 30% of the claims for 2014, and 20% of the claims for 2013.
- Based on projections, the City anticipates an increase in its premiums over the next few years, based on claims experience. The renewal rates will be set based on the three challenging years of 2013-2015.
- Although the City's premiums have increased over the years, because the claims are increasing, the policy has worked to save the City considerable money in high dollar claims.

Plan Cost Savings

The City's Plan has resulted in a cost savings over the years.

- The average healthcare cost per employee in 2015 was $10,717 which was up from $10,266 in 2014. The City is significantly below the industry trend compared to the national average. The City's 2015 healthcare cost per employee was $9,489.99 and the 2014 healthcare cost per employee was $9,066.00. As costs are rising, the average cost per City employee is still lower due to increased awareness with the consumer driven healthcare plan.
- The cost of healthcare is increasing for every employer, be that in the public or private sector. For the industry as a whole, the average increase of healthcare costs for each employee per year is 7.8%. The City only had a 6.2% increase in 2015, even with an increase of high-dollar claims over the past two years. This number is a positive reflection of the effectiveness of the wellness program and plan design.
- The stop-loss insurance policy has saved the City over $4 million since 2010 in potential claims costs. Having this policy in place has prevented high dollar claims from significantly increasing the cost of the healthcare plan.
- In 2010, medical utilization of office visits was at a high of 4,370 total visits, which equaled around 11.97 visits per employee. As of last year, 2015, there was only a total of 3,592 office visits and on average 10.47 visits per employee. (Office Visits 2010 – 4,370; 2011 – 3593; 2012 – 3,677; 2013 – 3538; 2014 – 3,760; 2015 – 3,592)
- This is a direct result of requiring preventive care visits at least once a year and the biometric screenings at the City. Employees are taking better care of their health and making wiser choices with healthy lifestyles.
- Employee use of generic prescriptions has continued to be a cost saver for the City's health plan. Over the past two years, generic prescription utilization has been at 88% for total paid drug claims. The benchmark for 2014 and 2015 was 73.6%, so that is excellent. The number of prescriptions per member per year has decreased by 2.6%.

Savings of Current High Deductible Health Plan.
(He displayed graph showing the savings that has resulted from the City's current high-deductible health care plan.) The City's cost per employee per year would have increased without the aggressive approach taken with the health plan. Per trends, the City's cost would have been at $16,000/employee for 2015. Instead, the City's cost per employee per year remained rather consistent (approximately $9,000), and was extremely below what the costs could have been without the cost-effective measures taken with the health benefits plan and wellness program.

Health Plan Funding
Ms. Mumma stated that when Council approves the operating budget each year, staff presents the funding level based on the number of employees both at a single level and a family level. Each pay, Finance charges back to the employee's department $392/single coverage or $888/family coverage. Over the course of 26 pays, that amount is accumulated and deposited into the City's Employee Benefit Self Insurance Fund. Throughout the course of the year, the City pays the claims – medical/dental/vision, stop loss insurance, contributions to the employees HBC program, any third party administrative fees, HBC programming, sponsors wellness fairs, funds the staff time for this.

During the operating budget discussion, staff had discussed the employee's rate for 2016 being $10,195 for single coverage and $23,080 for family coverage. Over the course of the past two years, because of those cost savings measures that have been put into place, and because the claims have been managed, the City's fund balance within that employee self-insurance fund has increased, particularly in 2011 and 2012. It plateaued in 2013. As that fund balance grew, the City did not need to fund for the anticipated expenditures for the upcoming year at 100%. That fund balance was used to "buy down" what was being charged back to the departments. In 2013, the City funded about 92% of what the expected costs for the year would be. In 2014, the City only had to fund about 86%. That is because of the very health fund balance. Back in 2015, this accomplished what was desired, because it did not make sense to have a high balance within the Employee Self Insurance Fund, while continuing to fully charge back the General fund, the Street Fund, the Police Fund, artificially increasing costs. In 2015-2016, the City is funding it at 100% of what is expected to be the total costs for the Fund itself. The health insurance costs, which Mr. Nahvi just shared, along with the additional costs just outlined are all charged back to the Employee Self Insurance Fund.

Mr. McDaniel stated that there is some pending Federal legislation that could impact the City.

Mr. Keenan stated that the expectation is that those rule changes would not be effective until next year, as they would be difficult to implement midyear.
Mr. Rogers responded that is his expectation. There are a couple of aspects of this. There is the EOC rule, which relates to how much a wellness plan can be incentivized. The initial proposal placed a 30% limitation on the overall cost of the plan at a single coverage level. There was no separate discussion about family coverage. That would have been approximately a limit of $1,300.

Mr. McDaniel stated the Federal Government was considering capping the amount that could be contributed to an HSA.
Mr. Rogers stated that since then, there have been some updates. The original limitation was based upon the Americans with Disabilities Act. If the plan was incentivized too much, it was felt that it

would no longer be voluntary, but mandatory, which would have been discriminatory to people with disabilities. Mr. Rogers stated that the other issue under review is the Cadillac tax, which was expected to be implemented in 2018. Because our costs per employee per year were very close to already being in line with that, not much of an increase in 2018 was anticipated, assuming that the City's claims rate remained consistent. The excise tax would be 40% above and beyond the required limit. If the City's plan paid more than the limit, approximately $12,500, then what was paid above that limit would be assessed a 40% excise tax. This rule change has been delayed to 2020. Whether that goes forward or not will likely be impacted by the results of this year's election.

Mr. Keenan stated that there is not much support in Congress for that Cadillac tax. He is fairly certain it will be discarded, because it is definitely punitive.

Mr. Rogers stated that the other concern with it was the threshold that was set the first year, though it was expected to increase incrementally thereafter. It would have been an ongoing concern, if implemented.
Mr. Keenan inquired what portion of the participant charge for the ACA is the City responsible. He believes it was per participant per month. It would have impacted self-funded insurance, as well as fully-funded.

Ms. Mumma responded that information is available and will be forwarded to Council.

Ms. Salay inquired about the tobacco cessation program. Is it effective? Are there employees who have ceased using tobacco?
Mr. Nahvi responded that it is effective. An increase in that number is seen annually. The program has been effective.

Mr. McDaniel stated that the City of Dublin was among the first to become smoke-free – in the early 1990s, and began to provide smoking cessation programs for employees.

Ms. Salay that the City's family coverage is $3,750. Is that the same if it is one parent and children versus two parents and children?
Mr. Nahvi responded that is still considered a family plan. A single parent with children on the plan receives the full contribution.
Mr. Keenan stated that many plans offer three options – single, single plus spouse, and single plus spouse and children.
Mr. Nahvi responded the City offers either single or family coverage.

Mr. Keenan stated that $3,750 is the maximum contribution, but of that there are four health/biometric factors to be met.
Mr. Nahvi responded that there are four biometric screenings, which if met, would earn $750 for the single plan or $1,500 for the family plan.

Mr. Keenan stated that the HSA contribution is $1125 for the single plan or $2250 for the family plan. How is $3,750 reached?
Mr. Nahvi stated that the amount received for meeting the biometric measures is $1,500 for the family plan. Screenings are provided and met for BMI/waist measure, tobacco free, blood pressure,

and cholesterol to earn that participation. The employee can also request an alternative standard and take classes for those health factors.

Mr. Keenan stated that there are many alternatives, such as the classes, to earn that incentive.
Mr. Nahvi responded that the City offered different approaches with those classes this year, which the employee could choose.

Mr. Rogers stated that the City of Dublin does very well in its offering of alternative standards. Ours are not punitive or discriminatory.

Mr. Keenan stated that he understands the City is on a regular schedule of gathering quotes for the Stop Loss to ensure the best coverage.
Mr. Nahvi responded the City just had an RFP last year for a Third Party Administrator for a three-year contract. Staff will begin the RFP process for health insurance coverage either the end of this year or in 2017.

Mr. Reiner inquired if the health insurance still provided free DCRC membership to the employees.
Mr. Nahvi responded that the City actually began assessing a tax for that membership this year, but the employee does still have the opportunity to have that membership.
Mr. Reiner inquired the percentage of employee participation at the DCRC from that membership.
Mr. Nahvi responded that he has that information and can forward it to Council.
Mr. Reiner stated that it is a real benefit for the employees.
Mr. Nahvi responded that included in that are a variety of classes. There is a second facility in another building that some employees take advantage of as well.

Mr. Salay stated that the program is sometimes referred to as “Healthy by Force”! Is the program well received by the employees?
Mr. Nahvi responded that he believes it is. Before his current position in HR, he was a Human Resources business partner and had the opportunity to work in many departments around the City. Employees see the value of the program, especially the health screenings offered by the City -- the assessment results often motivate them to go the doctor. Employees are more aware of their overall health due to the HBC program and health education provided by the City. The program has evolved from classes on healthy eating/well-being to class offerings, such as elder care and retirement. It now looks at the full spectrum.
Ms. Salay stated that she appreciates that the program is looking at employee health holistically, and the many things that can impact wellness.

Mr. Rogers stated that in the short time he has been in Dublin, a couple of employees have shared with him their appreciation. They weren’t aware of some health issues they were having until they had the health screenings. They believe those may have saved their lives.

Ms. Salay stated that we often talk about the richness of the City’s plan, and how the City is unique in that the employees do not pay a hefty fee for health insurance. She recalls a Council discussion, probably three years into the HBC program, about having the employees pay a premium or otherwise contribute to their health insurance. At that point, it was determined that the financial benefit to the City would not be that significant, but the emotional impact on employees would be negative. Employees would feel they had worked hard, saved the City money, and were becoming healthier, and the result would feel as if they were being punished. She wants to make sure that if Council considers plan changes that Council is cognizant of the impact on the employees and their families versus exactly what the City would achieve financially. Council had a long discussion on this a few years ago, and she believes the decision was right at that point. She recognizes there may be some different circumstances at this time.

Ms. Alutto inquired if the medical office visit statistics are based on employee only, or family, as well.
Mr. Nahvi responded that family medical visits are included.
Ms. Alutto inquired if step therapy is used with the prescription plan.
Mr. Nahvi responded affirmatively. It is reviewed twice a year. A review recently occurred, which will go into effect the beginning of July; another one will occur at the end of the year.
Ms. Alutto responded that she would like to have some more detail, and would like to have it ahead of the next review meeting.

Mr. McDaniel responded that the intent was to divide this discussion into two sessions. This meeting was intended to be a brief overview. As Council reviews this material, if more data is desired, he asked that they email Mr. Rogers and Mr. Nahvi the requests. Staff will be happy to provide the information. A staff report will be provided before the next meeting, which will be more data intensive and have comparative analysis. Staff can respond to any questions by email or can meet personally with members who have questions.

The meeting was adjourned at 6:40 p.m.

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Clerk of Council