

DRAFT
Finance Committee
Minutes
August 3, 2011

The DeKalb County Finance Committee met on Wednesday, August 3, 2011 @ 7:00p.m., in the Administration Building's Conference Room East. Chairman Scott Newport called the meeting to order. Members present were Larry Anderson, Julia Fullerton, John Gudmunson, John Hulseberg, Stephen Reid, Paul Stoddard and Ruth Anne Tobias. Mr. Foster and Mr. Hulseberg were absent. There was a quorum present. Others present were Ray Bockman, Gary Hanson, Kathy Aichele, Deb Beazley, Cathy Anderson, Tim Kearns, John Acardo, Jane Lux, Jim Scheffers, Sheriff Roger Scott, Clay Campbell, Joan Hanson, Margi Gilmour, Robin Brunschon and Donna Moulton.

APPROVAL OF THE MINUTES

Moved by Mr. Anderson, seconded by Ms. Tobias, and it was carried unanimously to approve the minutes from June 2011.

APPROVAL OF THE AGENDA

State's Attorney Clay Campbell asked to speak about the cost of the high profile cases in his office. Chairman Newport placed this item under #3b.

Moved by Mr. Gudmunson, seconded by Mr. Anderson, and it was carried unanimously to approve the amended agenda.

MR. CLAY CAMPBELL, DEKALB COUNTY STATE'S ATTORNEY

Mr. Clay Campbell approached the committee regarding the costs of the newer high profile cases. With the Maria Ridulph case, there has been substantial resources needed for this case. There have been several plane tickets that they needed to buy for experts, and the use of some experts that they needed in order to get things done. This case has been using a lot of resources and he may need to add personnel, he doesn't know right now though. He needed DNA experts for the Keller/Curl case and he has 25 people working on the Maria Ridulph case. We have a heroin problem that is creeping in here in DeKalb County, too. He just wanted to make this committee and the board aware of what is happening in his office.

Mr. Stoddard asked if Mr. Campbell could give the committee an estimate of how bad the costs are.

Mr. Campbell said that he thinks it may be a personnel issue and he is working on the numbers right now. He personally is working on the Curl case, he has three attorneys working on the Ridulph case and he only has 12 attorneys in his entire office. He has a murder trial coming up next week that will take

up 2 more attorneys' time in his office. The unforeseen things are: if the trial takes a month, security issues, flying in expert witnesses, etc. He has a responsibility on every case to identify the "bad" people and get them off of the street.

Mr. Campbell said that he is a fiscal conservative and he has criticized the board in the past, which is easier to do from the outside and say slash the budget by 10%, he said. But in reality these are real responsibilities and we all share them.

Mr. Hanson said that being on the receiving end of Mr. Campbell's complaints last year during the budget process would you change your position on taxes?

Mr. Campbell said that he would personally go public and make a personal appeal. The one thing that will sink our county faster and NIU faster is rampant crime. If you want to keep your streets safe, we need to get these people off of the street. He said that he would publicly say that if the county board needs additional revenue and they need to add another investigator for the Sheriff's Department, another prosecutor or public defender, he feels that we seriously need to think about it. To answer Mr. Hanson's question then, Mr. Campbell said, that he was wrong, it looks a lot different from the inside.

What we are seeing is unique, that in the City of DeKalb, crime is not going up, but what we are seeing is that the crime is different. Crime against children, more weapons, drugs that are more dangerous and murder.

ASSIGNMENT OF TAX DEED

Mr. Gary Hanson, Deputy County Administrator, said that the Treasurer's Department has approached the committee regarding two tax deed conveyance resolutions. He explained that each resolution involves a piece of "orphaned" property that has been sold and the property will be put back on the tax rolls. Each of these involves mobile homes. He said that they usually have one of these resolutions each year and they involve county board action.

Moved by Mr. Stoddard, seconded by Mr. Gudmunson, and it was carried unanimously to forward this resolution to the full board for approved.

PRESENTATION ON THE HEALTH INSURANCE ALTERNATIVE – MR. TIM KEARNS

Mr. Gary Hanson, introduced Mr. Tim Kearns, DeKalb County's health insurance consultant. Mr. Hanson explained that last year during the budget we discussed whether or not we should look at Health Savings Accounts and we decided to bring it back now to discuss it. Mr. Kearns is here tonight to give us a good overview of this plan.

Mr. Kearns, handed out a summary of the Health Savings Plan (on file in the Finance Department). He started off with an explanation of what claims have looked like in the past and the County's loss ratio. He said that in 2008 overall claims were totaling \$3.5 million and the loss ratio was 89.9% which is a high ratio. In 2009 the total was at \$3.5 million with a loss ratio at 82.1%, which is more at the level we would want to be at. We want the loss ratio to be between 80% - 82%. In 2010 the claims amount was \$3.5 million which is consistent, but what is different in 2010 is prescription drugs, where we are seeing more bio-medication. The loss ratio for 2010 was 83.3%. In the first few months of 2011 the total claims amount is already at almost \$2.5 million with a loss ratio of 107.3%, which is because of large medical claims. As we get to renewal time, this loss ratio, he said, is a concern.

We are looking at an alternative plan, like the Health Savings Account. It helps to make the employee an advocate of where they want their account to look like. He said that the consumer driven health plan goals heightens the employee sensitivity to healthcare costs by creating a knowledgeable and assertive employee/patient. It also helps to modify the patient's behavior and decreases the rate of increase in costs.

The medical trends that they are seeing, said Mr. Kearns, is that they expect to see an increase of 8%-9%, but employers expected to implement benefit changes to offset this. The factors impacting the medical inflation in 2012 are: provider consolidation, costs shifting from Medicare and Medicaid, and post recession stress on workers. The factors that will deflate costs in 2012 are: cost sharing from employer to employees; blockbuster brand name drugs to go off patent – i.e. Lipitor; and tiering on out of network providers and selective networks.

Employers are looking at high deductible health plans. The plan could be an insured or self-insured plan that satisfies certain requirements with respect to deductibles and out-of-pocket expenses. The Annual Deductible minimum level for 2012 is \$1200 for an individual and \$2400 for a family. The out-of-pocket maximum levels for 2012 are \$6,050 for an individual and

\$12,100 for a family. Family coverage is any coverage other than individual only coverage.

The HSA is an individual tax-favored account established for paying current medical expenses and to save for use on a tax-favored basis for future medical expenses. The employee must be covered by a Health Deductible Health Plan (HDHP); participating individuals (account beneficiaries) cannot be covered by another health plan. The contributions can be made by the employee and the employer. Contributions have statutory limits and distributions must be for qualified medical expenses or taxes and penalties assessed.

With the Health Savings Account the employer involvement and responsibilities are minimal. We need to establish a banking arrangement if employer is to make contributions and the account is owned by the employee. The account owner is responsible for substantiation of expenses (213d). COBRA does not apply to the Health Savings Account. It can offer a limited purpose flexible spending account (dental and vision only).

The contribution limits is as follows: in 2011 it is \$3,050 for Single and \$6,150 for Family. In 2012 it is \$3,100 for single and \$6,250 for Family. Under the Health Care Reform Legislation effective January 1, 2011 over-the-counter medications are not eligible for reimbursement for either HAS or FSA reimbursement without a prescription.

Mr. Kearns summarized by saying that the impact estimate from Blue Cross is: The Health Savings Plan will show an 18% reduction; current plan with a dual option with a 4% increase. He said that the next step for the County would be to evaluate change to a different type of health plan which meets your benefit strategy. Evaluate budget considerations of the Health Savings Plan and the High Deductible Health Plans (HDHP). If change is made to the HDHP, allow yourselves 3 to 4 months for education and transition. Obtain or develop communication pieces and provide a transition activity checklist which details transaction events timeline and responsibilities.

Mr. Kearns said that difference between your current plan and this alternative plan is that the new plan is a mechanism to pre-pay the employees' medical costs. They can take the time to build up the account. It is also pre-taxed. Mr. Kearns said that usually the employer sets up all of the employees' accounts at one bank. Funds unused at the end of the year are rolled over. The employees really have to save all of their paperwork and keep tabs on their accounts. There are 374 employees on the current plan.

Chairman Newport asked if the County could modify the plan and include 2 high deductible plans.

Mr. Kearns said yes, as long as you treat everyone equal. The County needs to ask itself if it needs to self insure or do the alternative. It is a difficult decision and a number of employers are moving into self-insurance. He said to remember that you should give yourselves six months of leading up to this plan.

ADJOURNMENT

It was moved by moved by Ms. Tobias, seconded by Ms. Fullerton, to adjourn. Motion carried by unanimous voice vote.

Respectfully submitted,

Scott Newport, Chairman