

DRAFT
Finance Committee
Minutes
May 2, 2012

The DeKalb County Finance Committee met on Wednesday, May 2, 2012, 7:00 p.m., in the Administrative Building's East Conference Room. Chairman Scott Newport called the meeting to order and let the record reflect all members are present. Members present were Larry Anderson, Charles Foster, Julia Fullerton, John Gudmunson, John Hulseberg, Stephen Reid, and Paul Stoddard. Ms. Tobias was absent. Others present were Gary Hanson, Joan Berkes Hanson, Sarah Lief, Jim Scheffers, Deb Beazley, Tim Kearns, Karen Cribben and Robin Brunschon.

APPROVAL OF THE MINUTES

Motion to approve the minutes was moved by Mr. Anderson, and seconded by Mr. Reid. Chairman Newport asked for any amendments or additions to the minutes?

Mr. Reid asked in the 3rd page, under Update on High Deductible Health Insurance Plan for 2013, 1st paragraph, last line, he does not understand and the next line down should read "HSA" not HAS. It was seconded by Mr. Stoddard, that this sentence should be stricken and the initials should read HAS. Mr. Foster mentioned that on top of page 2 the 1st sentence was not completed and should read compensation for non- union employees. Page one of the minutes, the word Routine Resolutions should be inserted. The motion was carried unanimously to approve the amended minutes from March, 2012.

APPROVAL OF THE AGENDA

Moved by Mr. Hulseberg, seconded by Ms. Fullerton, and the motion was carried unanimously to approve the agenda.

UPDATE ON THE HEALTH INSURANCE PROGRAM FOR 2012 – MR. TIM KEARNS

Mr. Hanson introduced Ms. Beazley who is the County's Benefits Coordinator. He then introduced Mr. Tim Kearns who is here this evening to give an update on our health insurance program. Mr. Hanson said that there are some new numbers since we first discussed this at the early part of the year. The hope is to get a good understanding of where we are at with our current health plan,

and then the plan that we want to propose for 2013. At the end of this presentation you will see some decisions that this committee will need to make but not until June 2012.

Mr. Tim Kearns passed out copies of his presentation to the committee (attached to these minutes). He said that they have asked Blue Cross/Blue Shield to move up the process to August for the renewal numbers given the nature of all the decisions that this Board needs to make. The first page looks at the last two years for the plan year that began on January 1 and ends December 31st of the same year. In 2010 plan year, the county's loss ratio, that is, the amount of claims compared to the total amount of premiums that were paid, was 85.2%. In 2011, the County's loss ratio was 134.3% which is a significant difference in terms of your claims experience vs. this past year. We will talk about what made the difference between the two years shortly. The combined ratio for the last two years then is 110%. Obviously, an insurance company does not want to see a loss ratio for the past two years at 110%, explained Mr. Kearns.

He continued by stating under the Healthcare reform, one fact is that the loss ratio percentage for large employers, (and the county would fall under this category), there is a requirement that the insurance companies overall must pay out .85cents of every dollar taken in for claims costs. So that number, that 85% number, is where they would like to be. It still covers their fixed costs and allows them to have a profit, that is, the insurance companies. When you go over that 85% you are "digging" into their pockets. What we will read about is that they will have to rebate back to policy holders because for the most part insurance companies fell under the 85%. So anything that falls under that 85% they have to rebate back. The numbers are not really that great. In the State of Illinois the average amount of rebate equals approximately \$14 per employee.

Mr. Kearns said that our Medical and Prescription Costs per month (PEPM) in 2010 was \$865.41 and in 2011 it was \$1,420.37. Your large claims are what are driving the rate increases in the County, but they are seeing it in their block of clients too. What they are seeing is significant in large claims, in this plan for example, they are categorizing anything over \$10,000 paid on any individual on the plan. On page 3 of his presentation he shows those various claims. Your pooling costs, which is built into your premium, for the County is re-insurance. It is a protection that you buy if you have any catastrophic cases. Blue Cross/Blue Shield feels that because of the size of the County that you should purchase pooling costs through them for \$100,000, and he agrees with them. In time that number will go up because of inflation. In 2011 you had 82 claimants that were over \$10,000 and you had 8 claimants that were over \$100,000. That is significant for a group of this size because what they typically would see is 1 to 2 claimants per year. In 2010 you had a typical year, in 2011 you had an "off-the-chart" year, said Mr. Kearns. Your total claimants over \$10,000 accounted in 2010 for \$1.9 million, and that rose to almost \$4 million in 2011. Your total claims costs are really driven by these large claim costs.

When Blue Cross looks at your rate they go through a series of steps and one of those is to look at and segregate those large claims out of the County's total claim dollars and it gives us a better idea of what is happening in terms of the

large claims vs. the more typical claims. The lost ratio and number of large claims will increase the 9% to a higher level most likely (page 5 of the presentation). He feels that our rate will be significantly higher, possibly 20% or 25%. You will need to look at changes to this plan to contain employer costs, Mr. Kearns said.

He further explained that the County's plan is a grandfathered plan. This came about because of the Healthcare Reform law. Plans that were into effect as of March 23, 2010 were considered at that point in time grandfathered. You can remain in the grandfather plan, but if you make significant changes to your plan – you lose your grandfather status. His firm's thought process is that of course you want to maintain your grandfathered status because we don't know if anything will happen with Healthcare Reform and we don't know how it will impact your plan.

In 2012, they know how to react and most plans need to know how to manage their plans. If you should lose your grandfathered status, it will not be the end of the world, Mr. Kearns further explained. They feel that 2013 and beyond, that with the Healthcare Reform, (if you should lose your grandfathered status), it will not be that important.

To maintain grandfathered status, some of the things that you can not do is you can't raise the co-insurance rate, you can't significantly raise deductibles or co-payments, can't significantly lower employer contributions, you can change the portion of what the employee and employer pays, but not more than 5%, etc.

What will happen if you lose Grandfathered status: preventive care with no cost share. Removal of deductibles, co-pays and coinsurance on preventive care plus expansion of services (see second handout, page 2). Expanded rules for internal and external review and appeals procedures, employers and plans will need to contract with 3 firms to do external audits. Coverage of adult children eligible for other employer-sponsored coverage will go away. If your children like your plan better than the one offered by their employer, they can choose your plan, Mr. Kearns further explained.

One of the plan designs to explore is the HSA Plan. You would look at dual options for 2013 - the PPO Plan and the HSA (high deductible health plan with a health savings account) plan, which would provide some deduction off of the high %. The County could provide a high-deductible plan to employees, would decrease the amount they would pay for monthly premium for family and single coverage, but there would be a significant rise for deductibles. Deductibles would increase from \$1,000 to \$5,000 for families and \$500 to \$2500 for single coverage in this proposed plan.

On page 8, middle column, is the grandfathered 2013 plan that Mr. Kearns is suggesting to the County. If you kept this plan for dual option the County will still be able to keep its grandfathered status. On page 9, last column, he is suggesting this column to the County for the non-grandfathered 2013 plan.

Impact of changes if the County moves to the high deductible plan: The County could realize a reduction of 18% off of next year's rate, which could make the 25% rate increase - a 7% increase, he continued.

After further discussion Mr. Kearns explained that the decisions that this committee and board would need to make would be to see if the County wants to maintain their grandfathered status; make a decision on the deductible, co-pay, out of pocket levels, change funding from 2 tier (single/family) funding to a 4 tier (employee, employee & spouse, employee & child, family); and to begin a value based medical plan (best quality provider and most economical methods of treatment).

The committee's timeline would be a real push on educating all employees from June until October 15, 2012. Work backwards from an Open Enrollment date of October 15, 2012 to November 2, 2012. Other highlights for the timetable are: verification of all enrollment information by the County by November 27, 2012; Identification cards delivered to employees during the period December 27 - 29, 2012; and the new plan begins January 1, 2013.

Mr. Foster asked Mr. Kearns if other providers may be interested?

Mr. Kearns said that you want to ask other providers when the times are good and when your numbers are better.

Mr. Hanson said that he will bring this issue back to the committee next month to decide the issues listed above.

IMO UPDATE - MS. JOAN HANSON

Ms. Joan Hanson, Director of DeKalb County Information Management Office (IMO), presented an update to the committee on her department. She said that there were 8 support staff and herself that supports 500 networked employee accounts. She has had some staffing issues for the past couple of months where two employees have been out ill.

Some of the major projects that her office has completed are as follows: the "CARL" program for the Clerk and Recorder's Office, the PARC program for the Planning & Zoning database, increased support for Elections, successful deployment of scanner in the Communications Division in the Sheriff's Department, moved the courthouse I.A.F., helped with the Circuit Clerk's deployment of PC's, worked on the fiber optic connection between the Legislative Center and the Highway Department, brought the Highway Department onto the IPT, replaced HF backup drive, upgraded the exchanger servers, maintained old databases. Under their task list under Outlook for the 1st four months of 2012 they had 1,000 tasks per month to take care of.

Issues that are facing IMO is that her people work 40 hours a week and they support some 24/7 departments and more remote users. Other issues are: department changes and lack of standardization among departments, (preference is *Office*).

There is an increased reliance on the Internet where more offices are dependent on the ability to transfer data like HomeCare, Rehab and Nursing Center and Medicare.) The users have high expectations, and her department may start asking requestors to prioritize their requests. They are short staffed so it would make a big difference.

All of IMO is accessible. With the budget cuts made to her department there has been a lack of continuing education which could negatively affect their ability to best serve their users.

They will be working on the courthouse expansion, help the health department with a restaurant database, design a new county website and video of board meetings.

Ms. Fullerton said that the video of board meeting issue will be brought up at the Executive Committee next week.

The committee suggested that maybe they could purchase 1 site license for the County which would save costs, and support would be easier.

The committee also briefly discussed the county board email addresses issue that was talked about a while ago. It was suggested to place this item on the Executive Committee's agenda for discussion next week.

The committee thanked Ms. Hanson for her very informative report.

FACILITY MANAGEMENT UPDATE – MR. JIM SCHEFFERS

Mr. Jim Scheffers, Director of the Facility Management Office (FMO) made a presentation to the committee regarding this office. He mentioned that his department had 10 staff members and himself. They have been trying over the past year to cut electrical and natural gas costs for the County. Electrical costs for all County buildings in 2011, on a daily average, went down by 13.1%. Natural Gas costs went down by 26.4%. The courthouse costs for daily average electrical costs went down by 14.1%; natural gas costs for the same building went up by 16.7%. The new courthouse construction contributed to this rise costs. The Administration building electrical costs went down 16.5% and for natural gas it went down by 18.1%. The Legislative Center's electrical costs went down by 16.8% and the natural gas costs for that building went down by 33.1%. Under the Public Safety Building the electrical costs went down by 17.6% and the natural gas cost went down by 29.9%. The Garage on the Sycamore Campus down by 51.8% for electrical costs and natural gas went up by 5.9% for the Garage due to a project dealing with painting and staining. The Health Department went down by 8.2% for electrical costs and the Community Outreach Building electrical costs went up .8% due to some problems in the summer time with humidity. Hopefully, a solution for this problem will be done this year.

Mr. Scheffers said that in 2010 when they retrofitted the parking lot lights, that expense paid for itself in 2011 from the savings that they realized. He also explained that the costs for lights and ballases are going up significantly.

CONTINUATION OF DISCUSSION OF BUDGET PROCESS

Mr. Hanson mentioned that the committee will hear from the Auditors next month (June) when they make their audit presentation. In addition, Mr. Fred Lantz will be at the May County Board Meeting to discuss an analysis the auditors did on our General Fund Balance.

Mr. Foster asked, do we know how many contracts we have out there among the different departments? That is, those that automatically renew without the county board's review. He was wondering if there is a list.

Mr. Hanson said that the departments could submit to his office their contracts and then his office could compile a list. Mr. Hanson said that he would review a few and get back to the committee.

ADJOURNMENT

It was moved by Mr. Anderson, seconded Mr. Stoddard to adjourn. Motion carried by unanimously.

Respectfully submitted,

Scott Newport, Chairman

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