



MINUTES
THE TOWN OF INDIAN RIVER SHORES
6001 North Highway A1A, Indian River Shores, FL 32963
SPECIAL CALL HEALTH INSURANCE WORKSHOP
MEETING
Monday, March 18, 2013
10:00 a.m.

PRESENT: Brian M. Barefoot, Mayor
Gerard A. Weick, Vice Mayor
Thomas W. Cadden, Councilman
Richard M. Haverland, Councilman
Thomas F. Slater, Councilman

STAFF PRESENT: Richard Jefferson, Town Manager Laura Aldrich, Town Clerk
Chester Clem, Town Attorney Robert Stabe, Public Safety Director
Mike Jacobs, PSD Lieutenant Shawn Hoyt, PSD Sergeant
Darlene Wiltzius & Heather Christmas, Finance Department

OTHERS PRESENT: Mike Ochsner, Finance Committee Chairman
Bill Beardslee, PZV Chairman
Danielle McClintock & Kim Hooker, Brown & Brown Insurance
Retirees Virginia Gilbert, Judy Lewis, Joe Richter, Lou Puchala
Resident Brenda Allen

1. **Call to Order**

- a. Pledge of Allegiance
- b. Invocation
- c. Roll Call

Mayor Barefoot called the meeting to order at 10:00 a.m. with the Pledge of Allegiance and Invocation, followed by the roll call by the Town Clerk as reflected above.

2. **Review of Health Care Reform from Brown and Brown Insurance (Danielle McClintock)**

Mayor Barefoot said he has been involved with this and the Affordable Care Act in the State of Massachusetts for some time, and introduced Danielle McClintock. He had heard a presentation by her a few weeks ago, noting she had done an outstanding job of making something very complicated understandable.

Danielle handed out materials and introduced Kimberly Hooker from the Vero Beach Brown & Brown Agency. Danielle said she is with the Public Risk Insurance Agency subsidiary, and has been working with the Town since 2010 on health, life and dental insurance.

Changes Resulting from Health Care Reform

She said when the Health Care Reform passed in 2010, there were immediate changes. Preventative care now is free and has no co-pay. The pre-existing condition consideration for children through age 19 was removed, lifetime benefits were eliminated for essential care, and dependents can be covered unconditionally through age 26. In 2011, one change was adding a medical loss ratio requirement, which requires insurers with under 50 employees to spend 20% on insurance plans. Councilman Slater discussed this with Danielle, who explained the insurer must spend 85% on claims, and the small groups in Central Florida would be averaged. In a healthy year, the excess of 85% in profits is issued to

Please Note: The Town of Indian River Shores does not routinely keep verbatim minutes. Any party interested in such an appeal relating to any decision made by the Council with respect to any matter considered at this meeting is responsible to record the meeting and include the testimony and evidence upon which the appeal is to be based.

the customers in a refund check, which in 2011 the Town received \$12,130. Other 2011 changes that did not impact the Town were also explained. The Vice Mayor and Danielle discussed how it impacted retirees and Medicare part D.

In 2012, due to the national elections, they left the plan as it is. Florida is gearing up for the health insurance changes, and Medicaid/Medicare expansion is not yet settled in Tallahassee. They have heard that Florida is waiting to see which model works best in other states. She said that they believe the premiums will be going up, likely driven by opening up insurance for the preexisting conditions exclusion being eliminated in 2014. Councilman Haverland asked about favorable rates for someone who is healthy in the future, and she said it may not be as dramatic of a gap. Most Floridians will have some sort of federal assistance based on household income, with even those who make between 135% and 140% of poverty level (roughly \$60,000 - \$70,000) having a subsidy available.

In 2013, she reviewed the summaries of benefits and coverage, which applies to new hires beginning on or after September 23, 2012. It is a four-page document that shows out of pocket costs for three plans. They were mailed out to current town employees, and under this, women's preventive care has been expanded to include covering certain contraceptives. W-2 reporting is only required for groups with 250 or more employees and do not affect the Town at this time. Built into our renewal is Patient Centered Outcomes Research Institute (PCORI), which requires money to be deposited, not as a fee for service, but for performance measures. This year it is one dollar per covered life on the medical plan, and later years is \$2 per covered life. The requirement for notification to employees of availability of exchanges by March 1, 2013 has been delayed for this year, at least. As soon as it is released, maybe late summer or early fall, PRIA will send it to the Town.

For 2014, the pre-existing condition limitation is removed, and a waiting period to be insured may not exceed 90 days (the Town has a 30-day wait). Individuals will be taxed if they do not have health insurance, beginning with \$95 in 2014 and up to \$695 in 2016. They expect it to be even higher in 2016 than \$695, because that is so much less than purchasing health insurance. However, once people realize that subsidies are available and they may be able to afford insurance, it may not be an issue. Mayor Barefoot asked if someone would have access to buy insurance at a point in time if they have chosen to pay the fine rather than a premium and is later has an accident. Danielle said they don't know for sure, but as it stands, they could "jump on and off the policy." Also in 2014, she continued, there is a Play or Pay penalty for companies with more than 50 full-time employees for not offering "valuable and affordable" insurance of \$2,000 per employee per year. Affordable was defined as the lowest paid employee could not contribute more than 9.5% of their regular wages. Higher paid employees can't have different premiums due to non-discrimination rules. Councilman Haverland said we almost have to plan around some of these being applicable in our future. Per Diem employees were discussed briefly. The 2013/14 renewals are not affected by us for this, Danielle said.

Mr. Slater discussed a subsidy which would not apply to the Town's contributions, only to employees who purchase it on the exchanges. Councilman Haverland said it's possible a company is better off to not buy the insurance and then pay the fine. Mr. Slater said it may be better to get the employees to go out in the exchange and buy their own insurance. It is an accounting nightmare, they agreed. Vice Mayor Weick noted that the fines are still applicable for self-insured companies. This has been changing as they discover what is in the bill, and hopefully regulations are being written like crazy in Washington, Danielle said.

Also in 2014 is the IRS Transitional Reinsurance Program, which calls for contributions by health insurers and self-insured group health plans with a goal to reach \$25 billion, \$2.7 billion for BC/BS with approval by the Florida State Insurance Board, and is built-in (to our quoted rates). The age factor that is now 5:1 will be 3:1, so the elderly will benefit.

In 2015, auto enrollment is instated, but does not apply to the Town, only for more than 200 employees.

In 2018, the "Cadillac Tax," or rich executive benefit, comes into play. They are trying to get people to understand the cost of actual medical expenses, as they may have had a plan with no

deductible, no copays, and only \$25 per day hospitalization. If it exceeds \$850 per month for employee only, the insurer is charged an excise tax for offering this plan. Councilman Haverland noted our employees may be in this boat in 2018 if there are no changes, and now the Town pays \$6,340 per employee versus \$10,200 max in 2018.

2013 Renewal

There is a Health Insurer Fee placed on carriers like BC/BS, United, Cigna and other large agencies which increases the fee to the Town costs by 2-3%, (this is in addition to the dollar per person fee), a health insurance fee, and a transitional reinsurance fee of 1-3%. In addition, there will be an increase based on trend (medical inflation, costs go up 11% each year) and demographic changes (e.g. age-related, our group went up 2.5% in 2012). In 2011 the Town had a decrease in renewal rates, and in 2012 we got just the trend renewal of 11% increase. This year, worst case scenario, is a potential 17% increase. Mr. Slater asked if we currently offer more than one plan, and she said we have two. Other clients offer three plans, paying for one and have the employee pay the difference for either of the others.

Councilman Haverland asked about wellness plans, non-smokers, morbidly obese plans. Danielle said many renew based on smokers or non-smokers, and target plans whereby employees and physicians work together. You can't charge for being overweight, but can incentivize employees with a gym membership. She encourages wellness, and an employer can require something from the physician about blood pressure score or diabetes, cholesterol, or managing chronic conditions. Mr. Slater spoke about his experience with a wellness program, with actual costs reduced by 35%. She said these are great ideas, but may not actually reduce the Town's costs. The Town has offered \$25 gift cards a couple of years ago for getting a health screening from Blue Cross. Councilman Haverland said they hired a nurse for a day or two at a company who took blood pressures and cholesterol, and an aggregate result was returned with a low cost input from the company. Danielle offered to organize something like this for us, but will not be able to get any funds for such a small company.

Danielle said she can come back with quotes from Health First, BCBS and provider analysis, and dental options next week or early in April.

3. **Council Discussion**

Councilman Slater said we are looking at maybe a 17-18% increase, which is a significant, out of pocket expense to the Town and the employees. Mr. Slater said choices may be the best idea.

Mayor Barefoot asked how we can decide before the sign-up period and if an extension is possible. Danielle said Blue Cross would make us sign up for another year, but can not extend the rates.

The Town Clerk suggested in order to get the quotes, and allow Vice Mayor Weick to return, another workshop during the week of 8-12 April could be set to review rates, then the employees could sign up before 1 May. It was decided to meet on 10 April, either 10 a.m. or 2 p.m. Mr. Haverland will check his schedule and confirm. Laura will email the information when Danielle sends it to the Council, and they can stop by and talk to Richard in the meantime if there are any questions.

4. **Audience Discussion**

Retiree Lou Puchala asked if the letter they received that was supposed to be returned by March 20th is now postponed. Mr. Jefferson clarified that this was the offer to receive a \$2,000 annual subsidy in lieu of the Town paying up to 51% towards the employee insurance. The Council agreed with Councilman Haverland's suggestion to move that out a month until after the rates are received.

Retiree Judy Lewis asked if the Council has rescinded the policy that offers the retirees a portion of their payment on insurance, and they said no, not yet. Councilman Haverland said that is why they just agreed to move it back a month to give everyone a chance to review it. Mayor Barefoot said they need to do what is fair, as soon as possible. Town Manager Jefferson added the deadline is moved back, and Councilman Haverland said it could be placed on the agenda for the meeting this Thursday and notify the retirees that action has been delayed.

Resident Bill Beardslee said there was just an article in the Wall Street Journal that companies had set up exchanges within their company, like cafeteria plans, and they had a set amount budgeted with a series of plans available. People had a more active interest and involvement in their selection, with most people inclined to opt for a higher deductible plan with lower premiums. Vice Mayor Weick explained the typical cafeteria plan, with a set amount of money to buy health insurance, dental insurance, glasses, life insurance, etc.

Councilman Slater asked Danielle how many plans are best to offer in our Town, and she replied three is best, although Blue Cross will allow them to offer us five plans. Mayor Barefoot said with a \$2,000 deductible per person, maybe the Town could provide employees the first \$1,000 based on receipts showing expenses. Some do it for a year, some companies offer this continually. It insures against the catastrophic, not day to day costs. Councilman Haverland suggested to offer something more like where we are to something with 70% of what we have.

Retiree Joey Richter asked Danielle about the difference between a high deductible and a catastrophic plan. She said a catastrophic plan has deductibles as low as \$1,000 and as high as \$20,000. Councilman Haverland said he didn't think they were considering a \$10,000 deductible plan right now.

Mr. Slater said maybe they could consider a cash subsidy to the employee, then the person can choose (their plan) and use the subsidy towards the deductible, or keep the money if they are healthy and don't have to use it. Councilman Haverland said Sebastian lays out a certain amount and uses it as needed, and if not used, it carries forward.

Chief Stabe asked if there would be a possibility of any penalties for the Town if the Town has a high deductible and also offers a subsidy. Danielle said a \$2,000 deductible is the highest the government will allow.

Vice Mayor Weick said if they were to offer the employees \$1,000 it could be put in their Health Savings Account, which is pre-taxed, and remains their money. Danielle added it could be dual-funded by the Town and the employee, and it rolls over year to year. A flexible spending account is use it or lose it, and a health reimbursement account is the property of the employer.

Mayor Barefoot asked if Danielle would hold a workshop with the employees, maybe towards the end of April. She said that is a good idea, and did so when we changed from FMIT.

Joe Richter asked how this affects retirees who are on COBRA, and she said whatever the employee plan is, they stay with it up to 18 months. Chief Stabe and Mayor Barefoot agreed the retirees should also have input. Present employees and retirees should come to the workshop.

5. **Adjournment**

They thanked Danielle for the very informative meeting, and adjourned at 11:19 a.m.

Respectfully submitted,

/s _____
Laura Aldrich, Town Clerk

(Approved by the Town Council at the April 25, 2013 meeting)