

## **Employee Health Advisory Committee meeting held on May 23, 2007.**

### **Present at the meeting:**

Butch Crawford, Fire/IAFF

Leroy Lukinbill, Fire/IAFF

Robert Post, Police/FOP

Stephen A. Lucas, Police/FOP

Henry Baskeyfield, Animal Welfare/AFSCME

Vondale Salem, Finance/AFSCME

Patrick Copeland, Non-Union

Wayne Stenis, Non-Union

### **Staff Members:**

Anthony Francisco, Facilitator

Kathryn Walker, Legal

Shirley Marshall, Human Resources

### **Consultants:**

**Via conference call** Jerry Guy and Darendia Ince – Gallagher Benefit Services

### **Discussion**

Anthony opened the meeting with a discussion on the trust fund. There were a couple of updated figures in Article 2, Section 2.I (b) (ii), which is the incurred but not reported claim figure which has an updated estimate. All of these numbers will change as we get closer to December 31<sup>st</sup> but there will be an effort to keep them updated. The figure in #1 will change basically with wherever we are with the current updated deficit, which is \$1,068,692.85. Pat asked if Jim Moore has reviewed the trust document and if the issues were being addressed. Butch stated he had forwarded everything to him but he had not heard anything. Pat thought at the last meeting that Steve had indicated he was ready to approve the recommendation of the consumer-driven plan but agreement was not reached about the trust document. Steve indicated there is one line in the document that is a big hang-up which basically says if the council decided not to fund it the trust is over. FOP cannot agree to something without funding and he is not in the position to say yes for the whole organization. It had been reported to Butch that Councilmember Cubberley had said everything will be negotiated so Butch was surprised the advisory committee was in another meeting. Butch also indicated there's no guarantee that putting these changes in place right now fixes anything in the plan other than we have to reallocate X amount from the City to the employee and hope that members change the way they use it which changes the plan. This plan could be adopted and be back in a precarious situation worse than we are right now without making changes. Pat interjected that there is no incentive for members to use good judgment in the decisions of their health care.

Steve asked how the change in benefit to 90/10 compared to the numbers before January. Jerry stated the change would only be a half percent to 1% without changing the out of pocket maximum on the co-insurance. Henry asked if there was a way to plug in numbers if the last six months we were on the consumer plan and predict what the savings would have been. Jerry's answer was there is no way to estimate the savings because it comes from the change in the way people purchase. He did say that several cities that have been on this plan for several years have a trend factor that has dramatically reduced itself immediately.

Anthony distributed spreadsheets from Jerry which included City of Norman trust funding model January, 2008; Exhibit 1, Accrual Rate Splits; Projected Revenue and Cost by Bargaining Unit; Exhibit 3, Plan Design Discount projected accrual rates and Exhibit 4, Comparison of Funding, Traditional and Consumer Directed. This shows the current contribution levels and the 07 City budget by column where the plan is under-funded. The fund balance deficit for '07 is projected at \$918,033.

Jerry's intent of redesigning the plan was to gain some participation and involvement on the part of the employees and their consumer choices for health care. The City and employees will benefit long-term by reducing this incredible trend factor that is being dealt with, plus allow more latitude in negotiating other aspects of the labor agreement. The surplus which would be put in would require the City to transfer some fairly significant amount of money into the fund, the claim fluctuation fund and the reserves and the City would continue to contribute for '08 and it would start out without a deficit. Jerry reiterated he did not know that there is anything more he can do to have the City financially involved to make this transition. The question is now for a decision to be made by the employees. The trust is not an economic issue. It has a value to the City in that it can know going forward it's got a formula to drive its' future contribution level. It would also remove the insurance benefit issue from the negotiating table.

Anthony asked if there was a recommendation or future direction the committee wants to take. Wayne stated he was hearing that the committee was willing to go forward with the plan design change but Pat remarked that he didn't think there was a consensus on that idea. Butch stated that the more he's listening, he is losing interest. He was excited about the consumer-driven plan for awhile but the IAFF contract is strong right now and we have good insurance. He stated his belief that the City is trying to reallocate the difference and using Gallagher consultants and the insurance committee as a negotiation tool to accomplish that. There is no trust right now from Fire that in the future, the City is going to hold their end of the bargain. The point has been reached that this should be at the negotiating table and at this point in time, Fire is not interested in the trust or the plan design change. He asked Pat again why he wants to change the insurance at all. Jerry answered that is no question that the need is there to change plans because the plan in place now is not beneficial to the membership. The great majority of employees are not getting the value from the plan. Also, the recommended plan change would make a difference when the costs per employee per month is 50% higher than the benchmark. It's not because the plan is rich, it's because the plan completely insulates the employees from the cost of their decision making and don't care what drugs they buy and what doctor services they receive. Jerry stated that the current insurance plan costs employees nothing, it's an entitlement.

Henry pointed out that all employees should be on the same plan and he would not offer two plans to AFSCME union. Pat agreed everyone should be on the same plan and acknowledged he had acquired a good education about insurance since the committee was formed.

Meeting adjourned