

Employee Health Advisory Committee meeting held on June 11, 2008.

Present at the meeting:

Committee Members

Vondale Salem, Finance/AFSCME
Robert Post, Police/FOP
Patrick Copeland, Non-Union
Wayne Stenis, Non-Union
John Bowman, Police/FOP
Leroy Lukinbill, Fire/IAFF
Henry Baskeyfield, Animal Welfare/AFSCME

Staff Members: Anthony Francisco, Facilitator
Debbie Whitaker, Finance
Judi Price, Human Resources
Jim Keesee, Police/FOP

Consultants: Jerry Guy and Darendia Ince, Gallagher Benefit Services

Discussion

Jerry Guy opened the meeting with a report on the Stop/Loss renewal. The original proposal was a 15% increase but after the negotiating process with Ms. Ince, the final renewal was with no increase which saves the City thousands of dollars.

Gallagher has been monitoring a change in ownership on the part of Fiserv Health, our Third Party Administrator, which was purchased by United Health Care as of January, 2008. United Health Care is one of the big four insurance companies. UHC bought Fiserv Health for the very reason we are self-insured and are not part of an insurance company. The big insurance companies like Blue Cross, Aetna and Signa are not flexible in being able to administer plan designs that people have developed themselves. They are geared towards adjudication and automation and they do not want to have to manually deal with customized claims. If the City goes to an insurance company, there are substantial fees added to the employees immediately. With a TPA (Third Party Administrator), the City would pay lower fees and have greater flexibility. The one advantage that United Health Care has is network discounts. With the advent of this new ownership, they have made their network available. GBS requested UHC to do a study of our utilization for historical data to see what would have happened had we had used their network which is Options PPO. The outcome was an average discount of 35.5% to 52.7% which would have been about \$1.1 million savings.

A handout of our most utilized providers (over \$10,000 in claims) was distributed which compared their participation in our current network and the Options PPO network. There was about a 15% difference in the number of providers which are in our network and not in the Options PPO network.

The cash report shows that originally the revenue budgeted was to be \$9,000,000 but because of an increase in number of employees, the actual projected revenue will be \$9.3 million. The projected plan costs for the current year for medical, dental and Rx is almost \$8.8 million which means about a \$500,000 favorable gap between revenue and expense projections.

According to the June 10th memorandum from GBS to the committee members, the current 12 months for prior year's accounting period is almost flat which is excellent. The City is about ½ million above the revenue appropriation so, hopefully, we will decrease the "deficit" in the cash reserve.

GBS strongly recommends that the committee consider building a wellness and disease management feature into the plan that currently exists. Norman Regional Hospital was contacted last year to try to get more discounts from them. The hospital representative wanted us to modify our plan design and steer people to them which obviously turned into a negotiating point at the bargaining table since it was a required change in plan design to achieve a greater discount from Norman Regional.

Anthony suggested meeting in four weeks to discuss changing networks. GBS will provide the committee with a complete list of providers participating in the Options PPO network before the next meeting.

Meeting adjourned.



**THE CITY OF NORMAN
EMPLOYEE BENEFIT COMMITTEE
07-11-08**

1. The final accounting of FY 2007-08 is now in and here is the relevant data:

	<u>FY 2007-08</u>	<u>FY 2006-07</u>
Dental Trend	101.4%	111.11%
Medical Trend	102.25%	101.09%

2. Ending Fund Balance (\$607,210)

Target Fund Balance \$2,250,415

* Based on current plan design and network configuration

3. Based on 0% trend, current plan design, current network configuration and current City appropriation and employee contribution level the net operating gain for FY2008/09 is projected at \$393,457.

4. Disruption issues are being addressed by United Health Care. We have measured the impact of the UHC network discounts on past claims and have found that the net savings, after increased network access fees, would approximate \$1,000,000 annually.

5. If plan utilization patterns observed during the past two years continue, or only slightly increase to a 5% trend, and if the UHC network is adopted, and if there is a 5% increase in City appropriation and employee contribution, the combination of these factors, without any change in plan design, is projected to restore the fund balance to a satisfactory level within 24 months of implementation.

6. That period could be shortened by modifying the prescription drug card plan as we have previously discussed.

7. For long term plan cost stability improvement, consideration should be given to an aggressive and pro-active wellness and disease management program.

8. Finally, offering a Consumer Directed medical plan design as an option to the current medical plan could also slow the rate of trend in the long term.