APPROVED

Regular Meeting Minutes
February 16, 2016 @ 9:00 am - City Hall 2nd Floor Conference Room

Rusty Whisenhunt called the meeting to order at 9:11 am.

I. Roll Call

Members Present: Rusty Whisenhunt, John Schwenk, Albert Ozuna, Bruce Kizarr, Jason Davis

Members Absent: Richard Rogalski, Bob Bigham, Alex Hadley, James Churchwell

Others Present: Krystal Urbanski (Accountant), Tiffani Burk (HR Generalist), April Bortmess (BCBS), Chase Massie (HR Director), Kelley Harmon (NFP), Kerri Cooke (BCBS), Rachel Kanady (NFP), Brady Ayala (NFP), Tim Wilson (City Attorney), Charlotte Brown (Planning Technician), Courteney Cacho (City Manager's Receptionist)

II. Minutes 1/19/16

Whisenhunt said on page (4) four, (4) four sentences up, he didn't said that, Kizarr did.

Schwenk said on page (2) two, in Old Business, he doesn't remember whether or not he asked that so Cacho agreed to take it out.

Motion to approve minutes after modification by Ozuna with second by Whisenhunt Ayes: Ozuna, Kizarr, Schwenk, Davis Nays: None **Motion carried**

III. Review Reports

Krystal Urbanski went over the financial information and included the following information for the Health Committee members:

Supplemental Bank Reconciliation	
Bank balance as of 1/31/16	$625,933.05
Transactions to date	$312,381.73
Cleared Checks	$44,867.53
Outstanding Claims	$1,829,364.78
Deposit(s) in Transit	$64,809.24
Adjusted Balance as of 2/12/16	$(871,108.29)*

***This balance does not reflect the actual amount of available funds in this account. It is only informational in nature and only for the use of the health committee. This is a compilation of all known outstanding debts and revenues for this account to date.**

Whisenhunt asked if that was basically the (59) fifty-nine, ($60,000) sixty thousand dollars we were talking about last month when we are looking at (12) twelve month income verses expenses. Whisenhunt asked if the deposit in transit is retirement.

Urbanski answered out of that (64,000) sixty-four thousand were (2) two or (3) three different amounts from fire and police retirement.

Whisenhunt said we are not improving. Based upon the projections, just keeping claims running through similar to what he have in past (12) twelve months we're consistently going down that (60) sixty, ($70,000) seventy thousand dollars a month. That's just under the catastrophic coverage.

Ozuna said we know what we'll have to do.

IV. Wellness Committee

Massie said the Wellness Committee met last month and will be meeting after this meeting. Right now we are working on building a (12) twelve month strategy which will be implemented July (1st) first to have (1) one or maybe multiple initiatives every quarter. In March, we are going to have a registered dietary nutritionist here. She is going to cook breakfast in the Banquet Hall and actually show people some alternative ingredients. March is Nutritionist Awareness month. We will be sending out an announcement because we will be doing a healthy cookbook with employee recipes. After kicking off that seminar then an email will go out to all of the employees asking for healthy recipes. Maybe a familiar recipe but substituted with healthier ingredients that people aren't aware of. After getting those together, we have a little bit of Wellness money left and will use it to take care of the printing cost. We will then sell those to both employees and nonemployees to help raise funds for the Wellness budget for the upcoming fiscal year.

Whisenhunt asked what the date was.

Massie answered he believes its March (18th) eighth.

Whisenhunt said during spring break and then the Blood Drive.

Massie said the Blood Drive will be on February (25th) twenty-fifth, he believes there are some appointment openings. If you know people who are willing to give blood have them contact HR and we'll get them an appointment slot. There should be some stuff coming down the road with the Wellness Committee.

V. Old Business

A) Review Cost Saving Measures (Premium Increase) & Make Recommendation

Whisenhunt said we all heard the financial report and was hoping to get some information today referencing the City's broker. This would be the point where we would need to discuss before we make a recommendation.

Massie said onw of the things asked was what would be contributed if we did go to a (10%) ten percent increase both on the employee and City's side. Basically from March through June it'll be ($82, 529.45) eighty-two thousand five hundred twenty-nine dollars and forty-five cents for the employees. On the City's side it'll be ($164,757.95) one hundred sixty-four thousand seven hundred fifty-seven dollars and ninety-five cents, so just under (250,000) two hundred fifty thousand out of those (4) four months. That would get us through the fiscal year.

Whisenhunt asked for a full year we would be looking at somewhere around ($750,000) seven hundred fifty thousand dollar increase in an income range.

Massie answered yes on the City's side it's around (550,000) five hundred fifty thousand.

Ayala said looking about ($62,000) sixty-two thousand dollars per month and it's not necessarily helping you go in the right direction but it stops the bleeding sort of speak. He believes that the City has implemented some things for July.

Whisenhunt said we are at the point where there's any option to stop the bleeding of the plan.

Ozuna said he had a meeting with his department and they are already prepared.

Whisenhunt said he met with (5) five different divisions and they understand where we are at.

Massie said as far as the general employees go, the EAC sent out last month saying its happening and we tabled it for this month and again they say its happening.

Whisenhunt asked Kizarr about the fire side.

Kizarr answered the contract already dictates it should have been raised.

Motion to recommend temporarily raising it to a (10%) ten percent increase by Ozuna with second by Kizarr Ayes: Ozuna, Kizarr, Schwenk, Davis Nays: None **Motion carried**

B) Compounding for 4 Tier Prescription on Generic Plus

Ayala said he put together a presentation with information about other cities. He passed out a Municipality Benchmark. He put this together as an overall highlight overview and he knows there are changes happening in July. He compared it to others and more larger municipalities across the state as well. First page, In Network Individual Deductible, the first (5) five at the bottom are actually the ones he received from the City which would include Moore, Norman and the City of Lawton is number (1) one.

Whisenhunt asked if that was the one we have addressed for July.

Ayala answered correct. If you notice number (4) four it has ($750) seven hundred fifty dollars and next to it has a (375) three hundred seventy-five is because that one has (2) two plans. We're currently looking at (500) five hundred and then you see it run all the way to (17) seventeen at (500) five hundred, (2,500) twenty five hundred and (6,600) sixty-six hundred. Right under that you'll see the average of the Individual Deductible around (1414) one thousand four hundred fourteen and that includes the City's (500) five hundred. In July it will go to a (1000) thousand and it'll adjust that number but even with that the City is still below average.

Whisenhunt asked if it still includes that (6,600) sixty-six hundred.

Ayala answered yes.

Whisenhunt asked if these were weighed in any form or fashion or is this a straight average.

Ayala answered yes.

Kizarr asked what the cities were.

Ayala answered he could get a list of them for him but he doesn't have it at the moment.

Whisenhunt said if you take that out it gets us close to a ($1000) thousand dollars.

Massie said but (150) one hundred fifty is kind of the outline too.

Whisenhunt said he agrees that the (150) one hundred fifty is the outline. He doesn't have a problem striking that high and low.

Kanady said the (6,600) sixty-six hundred is part of the exchange where there's (10) ten plan offerings be spread (3) three ways, below, medium and the high. The below plan for that City is (500) five hundred, medium being (2,500) twenty-five hundred, and the high (6,600) sixty-six hundred. With all of those being reflective in that benchmarking, she wouldn't strike it.

Kizarr asked if the total out-of-pocket now for Affordable Healthcare ($6,850) six thousand eight hundred fifty dollars, basically your whole out-of-pocket is your medical.

Kanady answered yes, it's a very unique plan design, very low premium with office visits and co-pays.

Kizarr asked if it was major hospitalization.

Kanady and Ayala answered no.

Kizarr asked if you were meeting your total out-of-pocket through your deductible.

Kanady answered yes, you've got office visits, co-pays, and that deductible but as you know most people don't reach their deductible.

Ayala said with some of the plans he would like to dig a little bit deeper because some of the deductibles might actually be higher, there could actually be some kind of credit tied into the Wellness Plan. He was looking at one where the deductibles were actually more of a (500) five hundred or a (1000) thousand. If you do certain things within the Wellness plan it brings that number down. The Out-of-Network Deductible he thinks we need to touch on that. In-Network Family Deductible the average is ($3189) three thousand one hundred eighty-nine dollars of all of those cities which is below average. The In-Network Individual Out-of-Pocket, the City is sitting at ($3250) three thousand two hundred fifty dollars currently. Ayala asked Massie what it was moving to in July.

Massie answered ($9750) nine thousand seven hundred fifty dollars.

Kizarr said Fire is going to (12,000) twelve thousand as far as deductible changes.

Ayala said the Office Visit Co-Pays; we didn't get the numbers on the cities that the Committee provided. Currently the City is at a ($20) twenty dollar co-pay with an average around ($25) twenty-five dollars for physician and (37) thirty-seven for specialist.

Massie said right now ($20) twenty dollars will be for the physician and ($40) forty dollars will be for specialist.

Ayala said pretty much in line with what most municipalities are doing across the state. Generic RX Co-Pays again didn't have any information on the cities that the Committee provided. The City is currently at ($4) four dollars with an average about (11) eleven. We are seeing more often where generic will be at a ($0) zero dollar co-pay that is maybe something we'll talk more about in the future. The Brand RX Co-Pays is an average of ($36) thirty-six dollars. Non-Brand RX Co-Pays, there's some pretty high ones. There's a lot of things happening with the pharmacies to try to drive people into generics and into cost savings. Specialty RX Co-Pays, the average is around ($138) one hundred thirty-eight dollars. Some of theses that are zeroed out have Specialty RX co-pay. The Employee Annual Premium, the City is looking at (1,125) eleven hundred twenty-five for the year. One of the things to notice is there are a lot of groups that'll have (0) zero for the Employee-Only Premium which bring the average down substantially to ($500) five hundred dollars for the year. If you look at those and compare those (0s) zeroes with the deductibles, most of those that are zeroed out, especially if there are multiple plans, are going to be a higher deductible plan. The goal would be if we wanted to provide a plan that's going to be less costly for the employees, that's when we get outside the box by offering multiple plans and look at higher deductible plans to drive down that cost.

Massie said he would be curious about the (2) two that have the lower to (0) zero, what their dependant coverage is because he knows of some municipalities that'll pay (100%) one hundred percent

of the employee and very little of anything towards the dependents. He would be surprised if the City is below average on the dependant coverage.

Whisenhunt said on the Employee/Employer, seeing how those numbers split on the Employee-Only and the Family Coverage. Is an interesting number from a percentage stand point.

Ayala said our goal is to put this together which has been a conversation that the Committee has been having for some time now. It further solidifies that we are moving in the right direction for the decisions made in July.

Schwenk said this Committee is still under the idea that police have agreed and they haven't agreed to the changes to start July (1) one.

Massie said they agreed for those changes starting June (30th) thirtieth at 11:59pm actually a minute before everybody else.

Schwenk asked when that happened.

Massie answered in the last contract.

Schwenk said he talked to the union and that wasn't part of the agreement.

Wilson said the contract says effective June (30th) thirtieth at 11:59pm these changes go into effect and it also says it's intent of the parties provision to carry over into the next fiscal year.

Ayala asked if there were any questions on anything that the Committee wanted to dig deeper into.

Whisenhunt answered is the Employee/Employer split would be an interesting number to look at.

Ayala asked from a percentage stand point.

Whisenhunt answered yes, to see how those numbers split.

Kizarr asked according to this chart, the City is below average in premiums and everything.

Kanady answered the City has a very rich plan by our standards.

Whisenhunt said the one thing that would be nice is to see the difference with number (17) seventeen being a fully insured plan.

Ayala answered no.

Massie said we are going to talk about that because that is one of the things we're looking at for July (1st) first is (17) seventeen, going into a private exchange is what we are currently working on with the offer to police for July (1) one. We wanted to get the Health Committee up to speed on that. We'll have NFP spend (15) fifteen to (20) twenty minutes detailing exactly what it is.

Whisenhunt said it would be interesting to know if (17) seventeen has a (3) three tiered plan and some of them have some differences.

Ayala asked for Whisenhunt to explain.

Whisenhunt answered (17) seventeen has a (3) three tiered plan and has (5) five on one and (1) one on the other.

Ayala said number (17) seventeen actually has (10) ten different plans but we didn't want to stack all (10) ten plans in there. If you take the low and high one it gives you the average of all (10) ten plans.

Whisenhunt said if you have that high plan, ($6,000) six thousand dollar plan, you could only have one person in that.

Kanady said they are equally distributed. Those are one of the private exchange cases that we are going to review later.

Whisenhunt said with these recommendations the Committee has already made, brings us more in line.

Massie said he does think with the (10%) ten percent, with the changes that go into effect in July. We'll start to ride the ship.

Ayala said with that being said, we want to have the best benefits for the people who work for the City. We've got to look at both sides, where we are financially, and where are those benefits. You have to weigh that. The goal isn't to raise the deductibles temporarily as we keep talking through changes. Kanady will start talking about some changes maybe that would start opening some doors for different benefits.

Kanady said she'll put something out there for the Committee to consider, cost measures maybe in addition to the City's (4th) fourth tier pharmacy deductible. We can see what your current utilization is and get with BlueCross on some projections. You can even make it where it wouldn't affect the generics that are utilized. The reason he would recommend it is because the pharmacy is quickly out pacing medical spend and a lot of the new pharmaceuticals out there are very costly especially if they don't have the right tier, like the specialty tier.

Whisenhunt asked with the (4th) fourth tier could it be specialty.

Massie answered correct.

Kanady said what she is suggesting is having the pharmacy deductible separate from medical. If you feel anything other than a generic you would need to meet a ($200) two hundred dollar deductible before your co-pay kicks in.

Massie said he thinks that's something we could do some research on and bring it back to the table to look at.

Kizarr said he thought we had that suggestion but decided not to do that.

Massie said that was the advice but he doesn't think it hurts to be sure.

Kizarr said there was a problem with it but couldn't remember what it was.

Whisenhunt said generic isn't always the cheapest anymore. When you're looking at name brand verses generic, you can buy the name brand cheaper than you can buy the generic not just to the individual but to the plan.

Ayala said they've gotten smarter now by putting out new generics. Since they are new, they started putting marketing dollars behind it. They charge more for the new.

Whisenhunt said what he thought was interesting was how they are selling old drugs to new companies, changing the appearance of the drug, and charging a high price.

Ayala said the way the pharmaceutical trend is in (3) three to (5) five years we'll start seeing changes on the pharmacy side of things. We'll start seeing more companies and more carriers putting in more limitations and not covering more and more drugs.

Whisenhunt said item 'B' is really discussing Compounding (4) fourth Tier Prescriptions on Generic Plus. Last month we had a discussion modifying that in some form or fashion and by looking at a deductible on compounding instead of just totally disallowing it as a yearly maximum benefit to control some of that compounding cost. We also discussed relating to compounding, if there's another option, and then the other options would be the appeal process to this Committee. This is one we haven't made a recommendation on.

Bortmess said as we talked last month about putting a certain amount in. She wants to remind the Committee that we are finding the compound pharmacies are getting creative as how they are putting them through, we could put a limit there.

Whisenhunt said not per prescription, yearly maximum.

Bortmess said we were talking per prescriptions at some point as well.

Whisenhunt said when he was talking about them he was referring to a yearly maximum that prevents them from running it through so many times.

Ayala said one of the new things that he's seen them do to one of his clients was actually sent the person (3) three separate drugs that they didn't mix together and had the customer mix them. So, they sent them (3) three separate drugs that were never flagged as compound, unfortunately they are getting creative.

Bortmess said that's why last time we talked about possibly doing exclusion and if someone wanted to appeal it they could bring it to this Committee which would be an option. Bortmess asked Massie if it was (27) twenty-seven.

Massie answered it's less than (30) thirty, very limited.

Bortmess said that's only going to continue to increase as doctors and compounds work together we will see that expense go up; something for the Committee to consider.

Kanady said she thinks the Committee is on the right track having a (4th) fourth tier rather than an exemption because you don't want to get into the habit of allowing exemption on your plan that'll get you in future risk.

Kizarr asked how the rest of the industry is handling it by living on averages.

Bortmess answered a lot of our groups originally started to put some caps out there to try and control it that way as the compound pharmacies have gotten more creative. A lot have been doing exclusions on their fully insured on the compound side just because we are trying to control it, which is a little trickier.

Kizarr said if we do the exclusion nothing will stop the pharmacy from figuring a way around it.

Ayala said it helps a little but there's still going to be drugs that are included in the formulary.

Whisenhunt asked within that formulary was that the price.

Kanady answered yes.

Ayala said the member didn't pay anything.

Kanady said that's really the magic is involving the member by moving to coinsurance, a lot of employers are doing that way. It's at the employee level because there are many (1000s) thousands that they don't know about. They are only seeing what that percentage is rather than a flat co-pay.

Ayala said we see a lot of different ways to do it along with excluding compound medications. So typically when we have that conversation, when the member knows that it's excluded or their going to have a cost share then they'll avoid going to that. Where if there's no conversation about it at all they won't hesitate to go to the doctor and won't be aware of the costs. Part of what we'll do during open enrollment is education and making people aware of it. If there is a barrier or limitation people will become more cautious of it.

Kanady said communication is the key. We did a lot of education by sending out letters because most of the drugs they are taking pharmaceuticals out there can get over the counter or prescribed. It's just having that general conversation with your physician and we sent out letters letting the members know that there was going to be a benefit change. There are some opportunities out there that we can partner on the communication side with the Committee.

Kizarr asked could you make the exclusion percentage and total out-of-pocket per year.

Whisenhunt answered like a ($100) hundred dollars per prescription max and ($1200) twelve hundred dollars per year max. That would put a control measure.

Kizarr said if you force them to pay a percentage of the compound, if it's outrageous, they are going to see that, and their part is going to be high enough they will start to ask questions.

Bortmess said your group has been very fortunate. That's why we said it was probably time to have this conversation because there aren't many utilizing it. The dollars are there like they have been with the other groups and that was the only reason why we even brought it up as a conversation piece.

Whisenhunt said he thinks the numbers on the compounds was only (4) four or (5,000) five thousand.

Massie said a little over (5,000) five thousand.

Bortmess said that's a preventative measure for future costs.

Whisenhunt said if we set the cap per prescription and then per year, that would prevent it from escalating. That would put stop measures for the escalation but it would still keep the availability.

Kizarr asked if it's not a covered benefit, does it still come out of your out-of-pocket medical expense.

Cook answered no, most people out-of-pocket don't change. A lot of compounds may charge us (2) two, ($3,000) three thousand dollars but if there's someone who doesn't have any insurance, that's the most frustrating thing about it. It's not always going to the case and they are not all like that. There are just some compound pharmacies out there that we see this happening.

Massie asked could the City treat compounds like we treat specialties the same; we are putting into the (4) Four Tier Plan July (1st) first.

Bortmess answered yes, we probably would have to check and see how they would set that up in the system. Bortmess asked Massie would he want to have that along with a yearly max.

Massie answered he thinks that would solve itself by putting the expense on the people who are using it which initiates the conversation with their doctor for anything cheaper.

Whisenhunt asked if it's a ($100) hundred dollar drug it's ($40) forty dollars.

Massie answered yes.

Harmon said she thinks they would have some type of maximum because if they reach their out-of-pocket maximum and they are in that compound drug it's going to get paid (100%) hundred percent. They won't even question that until come January (1st) first of next year when they have to meet their deductible coinsurance and then they'll be getting it for free. So we could potentially pay for some very large compounds if someone has met their out-of-pocket. If they've met their out-of-pocket they probably have a major medical condition or something major going on where they would need that compound because the pharmacy might not charge them that (40%) forty percent.

Ayala asked if we can see if there's a maximum benefit to that as well.

Cook answered yes, (4th) fourth Tier Annual max.

Whisenhunt said it actually addresses those who are using the compound because of what they are spending.

Burk said but if the pharmacy's not going to charge the percentage, they may or might not.

Ayala said the max benefit would kick in.

Bortmess said you would put it in and see what happens.

Ayala said again that's only if they're running it as a compound.

Kizarr said basically if this would work, we just need to have an asterisk on the specialty drug and have compound covered with 'x' amount of dollars per year. Kizarr asked if we need to look and make sure that it's even legal before we motion.

Massie answered let's get with legal first to make sure we can do it.

VI. New Business

A) Electing a Chairman

Motion to elect Whisenhunt as Chairman by Kizarr with second by Ozuna Ayes: Ozuna, Kizarr, Schwenk, Davis Nays: None **Motion carried**

B) Electing a Vice Chairman

Motion to elect Kizarr as Vice Chairman by Ozuna with second by Schwenk Ayes: Ozuna, Schwenk, Davis Abstain: Kizarr Nays: None **Motion carried**

C) Private Exchange Demo

Massie said as he explained earlier, private exchange is something that we are laying out for July (1) one (17) seventeen. It is something that other cities are using; City of Tulsa has been using it for a number of years. What he wanted was to have NFP talk about what it is and how it works.

Kanady passed out (2) two handouts. Kanady said the first is a case study for a Mid-Market Employer and Large-Market Employer with the large (1) one being the City of Tulsa. The City of Tulsa in transparency has their city employees as well as other advocated members. The larger ones are police and fire, and then there are smaller ones. She really just wanted to show the concept why you need the private exchange or why it could be a fit for the City. The (2nd) second handout is just a Liazon flyer which is one of the foremost exchange technology partners. We did market this to a variety benefit administration platform. Just following that overview case study there were a lot of needs at the City level. City of Tulsa had some antiquated technology in place for their benefit tracking and their online system was home-grown. Another challenge was to educate employees about the benefits for growing because the employees were asking for more which was a disaster in order to stay ahead of employee demands and what the City could physically do. Like the City of Lawton and other municipalities funding was always a challenge. A lot of time the renewal payment and the budget was not finalized yet. (4) four to (6) six weeks of really not knowing if they can afford the renewal. One thing that a Private Exchange does very successfully is take a plan from a defined benefit model to a fine contribution model. For those who aren't familiar with that, think about your 401k pension program where you have a defined benefit; this is how much you're going to get and this is how much it's going to cost. Historically that's been the case with medical plans. So, to renew your plan as is today how many percent more will it cost us. Where a defined contribution is set up where employees get a defined amount of money. You can determine that amount of money today if you wanted, before renewal even came. The nice thing about that is its finance friendly, if finance tells you that we can only afford a (5%) five percent increase, then a committee could make that recommendation and hold to it.

A defined contribution to employees could grow by (5%) five percent before BlueCross even initiated a renewal. How that works, City of Tulsa for example, gives their employees ($5090) five thousand ninety dollars a year to spend on their benefits and they also give them (10) ten plans to choose from. Going back to that benchmarking project that Ayala just reviewed, you all did see a ($6600) sixty-six hundred dollar deductible plan but employees got to pocket money from that plan. Younger males who may not have a family yet, they need the coverage to go to the doctor. They might only take one drug and they were able to save money on their premiums to not have anything taken out of their check. They'll purchase either accidental life insurance for themselves or maybe they just need a vision plan because they wear glasses. That's taking a consumerism mindset for employees and it's educating them in a way that they haven't been in the past. You hear that every year, where are the days when you could have a baby for ($10) ten dollars, that was a couple of decades ago. Now they are talking about the things that this Committee is addressing, specialty medications, and different ways to run benefits through so the employer or carrier pays the most for it. A lot of times employees purchase their medical decisions based off what the deductible is and rarely do people meet their deductibles. We found out where our employees spend their money; where's the City spending their money; where's the carrier spending their money; then we went out and did a lot of education so people weren't scared of a ($6600) sixty-six hundred dollar deductible. What becomes attractive is the premium savings and it also stabilized the financial stand point for the City. There are a lot of platform capabilities and HR would be able to have consolidated billing. They would have reports they could run for ACA which is becoming a large burden on HR staff just to be compliant and know what information has to be reported on a 1095 form. The Define Contribution Strategy made it apparent to employees really what the benefit was for their care and they became the decision makers. The marketing of the benefits takes place the same way as it does now. Your consulting partner, who is now us, would still market everything; you'd give us direction on what you are looking for whether you want a richer, less rich, or a variety benefit. The smaller mid-market client only has (4) four plans but they're wanting to move to an ACA, so, you don't necessarily have to do (10) ten you could do a little bit more and you might see some of the financial challenges take care of themselves especially when a good amount of it is voluntary. You can choose to earmark a lot of the defined contributions. They started out on what they currently spend, they decided what they could agree upon as an increase and they only increase their amount (3%) three percent, by the time that renewal came it was (11) eleven. There's an (8%) eight percent difference on what the employees were going to have to absorb. We were worried about it but by the time that open enrollment came around we educated the employees of the challenges the City was facing both financially and with technology but most of them were standing there with a Smartphone.

When open enrollment arrived they knew what the benefits were, they had choices that they never had before not only with medical but they had (3) three dental plans, (4) four vision plans, a lot of work site benefits. Not everybody needed cancer but the ones that were asking about it for the last (5) five years have the opportunity to purchase. They had pet insurance even though it didn't cost the City anything but it was something positive to talk about and it went over very well. Within the (2nd) second month after open enrollment closed, the City started to see administration efficiencies with the consolidated billing, the reports that were able to be run and their ACA project which shortly followed opened enrollment, started off with accurate data. It had been a challenge historically because I.T. and you have pockets of departments in any organization, not just cities where one person may be in charge of handling employee coverage, so it became an answer to a lot of questions. The biggest thing there really wasn't a loser. The old way of benefits, in her opinion, this is the (1st) first time that carriers were happy because transitions were smooth, employees were happy, they were able to spend their money on whatever benefits that they wanted. The City was happy because they got state of the art technology and they were cost neutral. So, the cost of the system, at least for the City, was roughly, ($6) six dollars ahead and they banked that into the defined contribution.

Massie said it's very simple in the fact that it's kind of like a shopping mall. Right now we have a refine benefit, one plan that the City and Committee tries to mold to (900) nine hundred employees. This would give us multiple plans on every level and allow the employee that choice to choose what best fits their needs. So, if you have family, kids, you go to the doctor a lot you may want a more richer plan. If you're a single male that's (22) twenty-two years old, never goes to the doctor, never gets sick you may want the high deductible plan. This gives our employees that choice. The part that he likes that we can tie it all together, so if I do take that high deductible plan now I can put money towards my life insurance and get additional life insurance. We can even tie our (457) four fifty-seven, our voluntary pension plans, into this and maybe I want ($50) fifty dollars of it going towards my retirement, start thinking about retirement now. Maybe get pet insurance; it gives our employees the options.

Schwenk said or you can save it if you have an accident, you would need it because of your deductible.

Massie said absolutely.

Kizarr asked is the City going to give the employee that money.

Kanady answered that was up to the Committee.

Ayala said ultimately that was the whole idea behind define contribution. We're not telling an employee want plan they'd want, we're just letting them know this is how much money you have go shop and find the plan that best suites them. He never met his deductible at a ($500) five hundred dollar or a ($1000) thousand dollar deductible, he's way over insured because he's never going to need it; that ($400) four hundred dollars, or whatever it may cost a month for that plan, is literally a waist of money.

Whisenhunt said there's an error there that your money is helping to balance the load out. That's the only reason for insurance is to balance the load out for everybody and then you start shrinking the group down in this plan from balancing that load out for that (1) one person who has an illness.

Kizarr said the fire department has been trying to leave the plan to do this exact same plan for years because we are a healthier group, we can go and get it cheaper somewhere else. We're not opposed to this, but he would want to know if he's getting the money or is the City going to make him take on one of their plans. Kizarr asked how he would be getting his contribution.

Kanady answered you can look at it different ways. The front end of this, you can rule any rule that you want. The City has (9) nine store fronts, so there could be a different store front for fire than the rest of the departments in the City or you all could be together. You could also earmark where you would want the money to go. So many times with medical they don't get the whole (5) five or

(6,000) six thousand, they might only get (500) five hundred or a (1000) thousand to spend.

Kizarr asked what they do with the rest of that money, does the City keep it or does the employee get it.

Kanady answered it's up to the Committee. The City of Tulsa doesn't provide money, if somebody waives medical, there's a waiver credit of less than ($500) five hundred dollars a year.

Massie said right now if someone waives medical we don't pay anything and he doesn't think that would change.

Kanady said that's just to protect the plan.

Kizarr said that you know of, we don't have a plan now. It's how much the City gives out and there's no liability for the City. So, if they give that money out anyway, still wouldn't be anymore liability if that person chose not to get insurance. Kizarr asked how the City is going to get out of someone not choosing insurance without the responsibility of having to provide it.

Massie answered they have to show proof of coverage, right now if we have an employee that comes in and says "Hey, I'm a new employee, I don't want health cover" we require them to show us proof of coverage before we allow them to waive it.

Ayala said a big part of this is it empowers individuals and it educates.

Kizarr said he understands that part too. There's a huge liability for the City right now and this takes all of the liability away from the City.

Massie said he doesn't know if it's necessarily cheaper because we are still going to back into this and everything the City is contributing now will still be contributing. It just gives us a set number in the fact that if we say that we are going to give every employee ($5500) fifty-five hundred dollars who's in this; then we could go to finance and say here's how much it's going to be for this many employees.

Kanady said in a way it's really no different, think of it as technology and there's misconceptions of what a private exchange is because it really can be different things to different organizations. It's using technology to build your benefit in a more flexible way; so almost any question that you ask the answer could be yes.

Kizarr said he understands the concept. For his group it would be a huge benefit because we are a health group, now for an elderly sick person doing this it could cost them a lot of money doing it this way; it depends on where they go to shop to get their insurance.

Ayala said we're not just giving you the money and you go anywhere to shop, we're building. So, what an exchange is basically an online store to purchase insurance. This would be the City of Lawton's online store; it would be all of the BlueCross plans, dental plans, the vision, the life, disability short term/long term, you can add pet insurance, you can add legal aid type insurance. As a City employee, let's say that you have ($5000) five thousand dollars, or whatever it may be, we would back into whatever you're currently getting. How much money you are currently getting you'll get that same amount of money and you'll be able to go out on its website. The goal would be that the same ($1000) thousand dollar deductible plan you have today if you want to use those dollars and get that same plan you were at the exact same place that you were in.

Whisenhunt said it only works if you're self insured. If you are fully insured which is what Ayala is describing, a fully insured plan.

Ayala said no, it's self insured.

Whisenhunt said if that fund is not adequate we're in the same financial situation that we are right here on a self insured. It depends on who gets sick during the year and how bad they get sick.

Kizarr asked he assumed we were going to shop for a fully insured plan but if it's still self insured.

Kanady said it could be either way.

Whisenhunt said then you're not moving that flexibility and a fully insured plan is not going to cost twice what we are paying now.

Schwenk said that was what we were told a couple of months ago that it would cost twice as much.

Massie said we are going to run those numbers.

Ayala said we are not suggesting moving into a fully insured plan because this could still be self funded. All this does is allow the employee the option to go into whatever plan that they want.

Kizarr said he understands that part, like we looked at this plan before. We're not even keeping our head above water; if you allow somebody to put less money into a plan and have a higher

deductible.

Ayala said so self funded you're still paying the claims, from a plan stand point, by individuals who are currently or maybe over insured are able to choose a different plan it does limit the risk of the plan. The City will still have the same dollars it had yesterday and from a budgeting stand point it makes it a lot easier because now instead of having to go through the waves of what that renewals going to come in at. It's very easy at a negotiating stand point to increase a certain amount going into your bucket than you had last year and it's not so much digging into the deductible, whether we have compound medications or not, specialty or what's our co-pay out-of-pocket. It makes those negotiations a lot easier. Again, we are talking through these ideas of things that people are doing national. A big part of what we move forward into open enrollment because people do not know their benefits. Historically people have ($150) one hundred fifty dollar deductible, ($10) ten dollar babies; the cost of it has been so low and now the cost is astronomical. Now the deductibles and premiums are increasing dramatically, we know the City itself is hurting because of the amount of dollars it's spending on the back end compared of what is being brought in. When someone hands you (6) six to ($800) eight hundred dollars and tells you to go and buy what you want then you'll start thinking more about your options. Stand point for the risk, you're still have the same risk. You'll still have to pay the claims on the back end if you're self funded, but if they're in a high deductible plan.

Whisenhunt said you're contributing less to the medical insurance part so there's less income coming into the medical side. Even if you hit your max, it hits our ($9400) ninety-four hundred dollars, you have a ($90,000) ninety thousand dollar hit and you only have a smaller premium you've paid in.

Kizarr said that's the part he doesn't understand about self funded; allowing all of the healthy employees to bank their money and then you have the sick employees that are costing the plan. Kizarr asked who's liable for the rest of that money.

Kanady answered this works exactly the same as it does currently. The only thing that we are talking about here is technology and putting all of the pieces together. She doesn't know where the confusion is.

Kizarr said his confusion is now all of our money goes into one pie, we pay all of the bills.

Kanady said it's still going to be that way.

Schwenk said no, because some of that money is going toward other pies, like individualized pan pizzas.

Kanady said one, it's not individual it's still going to be group products. It's still going to be group contracts, we wouldn't offer this to you if you were a (50) fifty person group and give you (5) five plan choices. You have (900) nine hundred employees

Schwenk asked what will happen to all (900) nine hundred when they do it with a high deductible.

Kanady answered then your plan would probably for the (1st) first time not be in the red. This is like year (5) five where we've clipped loss ratio from (3) three to (7%) seven percent better every year. We started with Wellness, Clinical Intervention Programs, we attacked plan designs and premium, and then we put all of those together. When we got to a point where the City didn't want to make the decisions any longer and their plan was at a ($2500) twenty-five hundred dollar deductible. They didn't want it to cost more and they didn't want it to be a higher deductible, so they put this in place. It is increasing consumerism to a point that people are making better decisions which is a better use of your money. Right now, it's a wonderful plan but it's unaffordable plan.

Whisenhunt said if the City would have done what this Committee recommended (5) five years ago we wouldn't be financially where we are today.

Kanady said part of the challenge that you all have is selling this to your tax payers, your employees, and that's why this is so slick. It's just as good for the employees as it is for all of you decision makers in this room. They are getting something and you are getting something too. You're getting a way to use technology to educate employees; you're helping them move to a more consumerism mindset; you're bank rolling on some of the administrative efficiencies that are crippling a lot of your professionals with the newly added response abilities but you're not changing the fundamentals of group insurance. Group insurance is still group products; you might have (4) four plans but your risk isn't going to be spread to a point that it's unaffordable. We are going to be doing actuarial support either on our own, in conjunction with BlueCross, or whoever you're partnered with to make sure your premium equivalents are set right. We are going to have something that's going to cost you too little or too much, plans are going to be appropriately priced. If they want to go to a high deductible plan the premiums are going to be less. If the sick ones want to go to a (100) one hundred, ($200) two hundred dollar deductible plan their premiums going to be more and that's ok because you're going to be reaping some of that, all of that's part of actuary alert.

Whisenhunt said if you actuarially adjusted with a small group as we have on that ($6000) six thousand dollar plan their premium isn't going to be reduced enough to put him there.

Kanady said she respectfully disagrees.

Whisenhunt said if theirs comes down that much on that current type plan it's going to be so expensive that they won't be able to do it. They are not making enough money to pay that kind of premium.

Ayala said the goal when we back into it you could still get into whatever the plan that folks are in now, they'll be able to do the same thing.

Whisenhunt said but the prices are going to be much than Labor/Trade employees cannot afford that.

Ayala said the price won't change.

Whisenhunt said if you're deducting money from over here for that higher tiered plan you would have to add it in here because you still have a balance sheet of incoming expenses.

Kanady said look at it as a seesaw where people can stay in the plan for the same price they are at now. So, if you did this next year then your current plan would be in the middle of that seesaw. If you wanted to buy down or buy up then rates would be set accordingly and that's where everybody's neutral. That concept is exactly what BlueCross and other insurance companies do for a living now. If you told them I want to go up on fully insured, which is a bigger deductible, then their price is going to go down. If you say I want (100%) one hundred percent HSA ($5000) five thousand dollar deductible plan they are going to give you those low rates.

Kizarr said we looked at doing something like this (5) five or maybe (8) eight years ago and the big problem was that it's only (1%) one percent of the people costing the plan money. If (90%) ninety percent of the people go towards this cheaper deal and pay less premiums then it's not going to work.

Whisenhunt said because of that (1%) one percent their total paycheck wouldn't pay that premium.

Ayala said their premiums won't change. So if he's that individual and he's paying ($40) forty dollars for this ($1000) thousand dollar deductible plan, he'll still be paying ($40) forty dollars for that ($1000) thousand dollar deductible plan.

Brown asked if she chose the ($500) five hundred dollar deductible, will her premiums increase (100) one hundred or ($200) two hundred dollars.

Massie answered if you choose a richer benefit you are going to pay more but its status quo.

Whisenhunt said if you take that current plan and coverage right here; make a change over here and if a large number goes to this plan, it's not sustainable. Whisenhunt asked is this plan enough.

Ayala answered in general actuarially that's why they costs less. It's less because there's less risk. Just think about every insurance carrier and what everyone does in the country in general, that is why a high deductible plan costs less money. Not just because there's a high deductible, it actuarially drives down the risk. Actuarially, mentally he thinks about it differently, like in that HSA, using him as an example. When he goes to the doctor and they prescribe him medication the first question he asks is how much it costs because he doesn't have a (10) ten or ($30) thirty dollar co-pay. He has a MasterCard with United Healthcare that has his money in his health saving account. He can keep it until he retires and can start using it for whatever he wants after that point, so he wants this to grow. When he goes to see that doctor he's going to ask how much it costs because without that card he wouldn't have, which drives the risk down. By moving over there it's not automatic less dollars, if you go to BlueCross, fully insured, which is a ($2500) twenty-five hundred dollar deductible, well they will be getting less premiums but they're still charging you less because the overall risk is less actuarially. He understands what the Committee is saying.

Kizarr said having less benefits and a high deductible would limit your risk but we're talking about the fact that we have actual expenses we are paying that have cost. He doesn't see this plan cutting into those costs.

Massie said the way it works is after looking at the numbers, we've done this with multiple cities. If he's on a current plan and he needs to go to the doctor, he'll go to the doctor and not think about it because the plan is going to pay for it. If he's in a HSA and he knows that's his money, he'll be a lot more conscious about the money being spent. There are enough scenarios to take care of the ones on the bottom. The limited risk on the healthy people who are now thinking about it aren't going to spend the money that they would have spent on the plan. An example, he's a healthy body and has a ($6,000) six thousand dollar deductible but now he's not ever going to meet it. On our current plan that was (500) five hundred, he was meeting that and now the plan is still paying for that. There's enough of that going on to cover that bottom for those sick people.

Kizarr said what he's talking about, he's got all his premiums and stuff in the bank, we're (800,000) eight hundred thousand in the hole. Kizarr asked does he really have any money.

Massie answered yes because that payment is being put into that account. It's not the City holding that money and saying we're going to pay it when you charge it. You will have your own account.

Kanady said HSA is owned by the individual which is another great thing and a benefit that employees don't have now. The employees who stay with an organization want it because it stays with them.

Kizarr asked he's still trying to understand, how a self insured fund has the money for every employee to have their own.

Ayala answered that specifically happens to do with the Health Savings Account (HSA). The way that works is he'll elect a health savings account; it's typically a high deductible health plan. When he does that, he has a ($6000) six thousand dollar deductible; he now opens a bank account in root of that plan. Through that plan opens an account, so every month, either from my paycheck and/or from the employer deposits into his account and becomes his money. If he decides to leave he'll still has that money. If he goes to a different HSA he'll still have it, it'll stay with him forever.

Kanady said it's like a FLEX only it's not use it or lose it.

Kizarr asked do you have insurance then or is that your insurance.

Ayala answered no, it's the exact same thing.

Whisenhunt asked its insurance until he hits that ($6000) six thousand dollars.

Ayala answered no, it's his insurance after he reaches that ($6000) six thousand dollars. Currently your insurance is after you've reached ($500) five hundred dollars or before. It's the exact same thing, the plan doesn't change. It's still a full comprehensive plan just the (1st) first dollars that are spent towards the deductible comes out of this account.

Kanady said an employee may not be there, they maybe at stages where they would want to increase.

Whisenhunt said he agrees that education is the real key.

Kanady said here too because you may say that this is too much for us right now. Right now, we just want to increase our deductibles and have people pay a little bit more and you may need to do that for a few years. She's just recommending the shortcuts so you don't have to go through paying on the City's and employees' side, plus get some of the technology behind you.

Kizarr said fire has known for a long time that fire could grab our guys and go somewhere else to get better and cheaper insurance. The City won't let us do it because we need to help support the fund. If fire left then the premiums for everybody else including the deductibles and liability would go up. Kizarr asked what he can't understand is if you're going to allow your healthy people to take their money somewhere else, how that would be beneficial to the older and unhealthy employees.

Massie answered we've spent a lot of time on this, so we are going to set up a demo and we'll have more discussion on this. We'll try, maybe, by the next meeting to have even a separate meeting and we could do an hour demo of how the plan works, what it looks like, and get more into the conversation with those numbers.

Whisenhunt said education is critical to becoming good well educated purchasers of their medical coverage. Whether it's doctor or prescription that absolutely has to occur, now the form in which we get to that is something that we need to make work.

Kanady said one of the main differences with this technology and everything else is it captures about (15) fifteen minutes of employee data at the front end. Depending on how many children, whether you are married, how old you are, how you utilize your benefits, if you're interested in a HSA, or how much money would be paying for all of these things, it puts forth a personalized recommendation. That's what sets this apart because it educates and it also doesn't allow employees to make a wrong decision. It's telling them out of all of these plans the City of Lawton put into their store, based on how you answer these questions about you and your family, this is what we recommend. She thinks that is what the Committee is going to see at the next meeting. Massie and she will schedule a webinar where you can see the employee, employer, and the visual side would help.

Kizarr said the part that he is trying to understand is if it's still a self funded plan. The City isn't going to be able to project their cost. Right now, they could have budgeted their cost at whatever premiums for the full year but we are (800,000) eight hundred thousand in the hole, so now it's not budgeted right. He doesn't see even moving to this being a self funded plan that the City could just say that this is all they are going to pay this year. If they're self funded that goes in the hole then they'd have to pay more.

Kanady said that is how it is now. What we would do is send the plans to the actuaries, give them a sense of what kind the employee should have, what plans you're offering, and they are going to tell us. Actuaries are usually pretty conservative and we would probably send the same information to BlueCross. Using both of those actuarial results we'll be able to choose the premiums for the plans and make a really sound decision there.

Ayala said the idea would be to fund appropriately so the City isn't in the hole. There's a reason why you have reinsurance, so that you're not in the hole. Unfortunately there have been some decisions good, bad, or different in the past that caused the City to somehow go substantially and dramatically into the negative because the fund hasn't been funded appropriately. So, those are things that we are going to look at. Again, this isn't something that we are talking about doing in July of this year, we're talking about July of (2017) two thousand seventeen. There's a lot of work that we have yet to do from now until then to get that fund in the positive and there are going to be a lot of decisions. At the end of the day once this plan is back running and on its feet it's going to be funded at such a point every year that the City can't be in the hole because you'll have reinsurance. Reinsurance will kick in and will pay for that. This is to give employees options, to help educate and to roll out the options to help negotiating. Not negotiating with the employees, fire and police, this is a benefit to the plan as far as funding but who this really benefits are the employees. It helps from the plan stand point and at a funding stand point.

Kizarr said that's part of it he can't is Ayala talking about changing the whole plan drastically or changing a lot of different things. We don't have the money to pay for life insurance.

Massie said we are paying for life insurance. We're paying ($10,000) ten thousand dollars worth of coverage and that wouldn't change.

Ayala said we'll put some numbers on paper and we'll show some case studies.

Kanady said define contribution worksheet she thinks the Committee would like. It's the way we derive define contribution based on current spent and that would be part of that webinar.

VII. Comments/Discussion

* Whisenhunt said March (15th) fifteenth is during Spring Break and he won't be here that week. Whisenhunt asked the Committee if they wanted to reschedule the meeting to give them more time to get all of this together.

Massie answered it's the Committees call, we could do March (22nd) twenty-second.

Whisenhunt said lets schedule it for March (22nd) twenty-second.

Ozuna asked when the premiums will go up next month.

Whisenhunt answered his understanding is the pay period in March is what projections are.

Massie said yes he expects March, as far as he knows, but has to get with the City Manager.

VIII. Adjournment

Rusty Whisenhunt announced the adjournment at 10:52 am.