

Minutes of Meeting
Fiscal Year 2017 Budget Discussion
Health Insurance/ Risk Management
June 27, 2016
9:00 a.m.

The Kootenai County Board of Commissioners: Chairman Dan Green, Commissioner Marc Eberlein, and Commissioner David Stewart met to discuss the following agenda items. Also present were Clerk Jim Brannon, Chief Deputy Clerk Pat Raffee, Finance Director Dena Darrow, Senior Staff Accountants Keith Taylor and Kimberli Price, Assessor Mike McDowell, Prosecutor Barry McHugh, Human Resources (HR) Director Skye Reynolds, HR Generalist- Benefits & Compensation Dorothy Cross, HR Generalist- Compliance Cecilia Sweet, BOCC Administrative Supervisor Nancy Jones, and Deputy Clerks Alicia Lynch and Randi Davis. Also present were Mercer Health & Benefits representatives Craig Culbertson, Mary Grier, and Laurie Silva, Northwest Insurance representative John Goedde, and citizen Bob Bingham.

- A. Call to Order:** Chairman Dan Green called the meeting to order at 9:08 a.m.
- B. Introductions:** There were no introductions.
- C. Changes to the Agenda:** There were no changes to the agenda.
- D. Old Business:** There was no old business discussed.
- E. New Business:**

Undersheriff Dan Mattos entered the meeting at 9:13 a.m.

Fund 13 Budget and Idaho County Risk Management Program (ICRMP) Insurance Renewal

HR Director Skye Reynolds said in April 2016, HR had assumed the management of Fund 13. She stated that the primary use of Fund 13 was to pay the County's ICRMP liability insurance, which covered risk management training, buildings and grounds repairs over \$25,000, auto repairs over \$2,500, and General liability. Ms. Reynolds said that staff was still gathering information regarding the cost of the 2015 Windstorm. She explained that the premium would increase by 5% in FY2017.

Northwest Insurance representative John Goedde explained that the 5% premium increase was due to the County's payroll increasing 9%, and because the County's claim history over the last eight years was not favorable.

Chairman Green noted that the County received a \$35,000 discount from ICRMP due to employees participating in the ICRMP Discount Program.

BOCC Administrative Supervisor Nancy Jones and Mr. Goedde exited the meeting at 9:20 a.m.

Fund 14 Budget and Medical Claims Review

Ms. Reynolds and Mercer Health & Benefits representatives Craig Culbertson, Mary Grier, and Laurie Silva presented and discussed with the Board the remainder of FY2016 Health Insurance Fund 14 as well as the proposed FY2017 Health Insurance Budget. Ms. Reynolds reported that the County had expended 94% of the FY2016 health insurance budget as of June 10, 2016.

Commissioner David Stewart asked what factors contributed to the medical insurance increase. Ms. Reynolds replied that the Affordable Care Act, additional personnel, the new mix of benefit packages, and the increased volume of high dollar claims had contributed to the increase. Mr. Culbertson confirmed that medical insurance had increased approximately 12% nationwide, but he added that the County was 2-3% higher than similarly sized organizations. Mr. Culbertson noted that Mercer projected the County's budget based on plan year (November 1 – October 31), whereas the County budgets by fiscal year, and he said Mercer would provide both figures in the future.

Prosecutor Barry McHugh asked whether the Stop Loss threshold started over every year regardless of where the patient was in their treatment plan. Mr. Culbertson explained that the Stop Loss Insurance threshold needed to be met each year. Commissioner Marc Eberlein asked whether there was better Stop Loss insurance available. Mr. Culbertson replied that the County's policy was standard and the County could face a 20% increase for additional Stop Loss coverage.

Citizen Leslie Duncan entered the meeting at 10:08 a.m.

Health and Benefits Insurance Renewals

Mr. Culbertson presented a detailed analysis of independent Third Party Administrator (TPA) Plans and the merits of unbundling insurance services. He presented Mercer's recommendations and estimated the County's cost savings for each option.

Clerk Jim Brannon asked what the cost would be if the County designed its own plan and who would ensure the County was in compliance. Mr. Culbertson replied that Mercer would ensure compliance and there would be no additional cost to the County. The following were Mercer's recommendations:

- Go to market for an Independent TPA
- Renew the County's vision contract with VSP
- Renew the County's dental contract with Delta Dental
- Separately shop for pharmacy benefits, preferred provider organization network, and Stop Loss Coverage
- Eliminate the Health Assessment requirement through ComPsych
- Go to market for Life insurance and Accidental Death & Dismemberment Insurance next year
- Renew the County's flexible spending account contract with TASC

The attendees discussed Mercer's recommendations at length. Mr. Culbertson said he would discuss with ComPsych whether the County could eliminate the Health Assessment requirement in the current plan year or if it would be postponed to November 1, 2016.

Citizen Chris Fillios entered the meeting at 10:23 a.m.

Prosecutor McHugh exited the meeting at 10:33 a.m.

Chairman Green recessed the meeting at 10:34 a.m.

Chairman Green reconvened the meeting at 10:43 a.m.

Civil Deputy Prosecuting Attorney Darrin Murphey entered the meeting at 11:17 a.m.

Voluntary Insurance (Section 125) and Pre-Tax Deductions

Mr. Culbertson presented the rules and structure guiding the Section 125 Cafeteria Plan. He said the County currently had 433 separate contracts for voluntary insurance, many of which were old, and some of which were not legally the County's responsibility. He emphasized the risk of non-compliance due to Internal Revenue Services (IRS) rules changing regarding what was appropriately deducted pre-tax versus post-tax.

Civil Deputy Prosecuting Attorney Darrin Murphey inquired whether the IRS would give the County notice regarding non-compliance before action was taken. Mr. Culbertson replied that the IRS would not provide forewarning. He said if the County was found out of compliance the County's plans would be invalidated, and new W2s would need to be issued to every employee for a minimum of one year and a maximum of five years.

Mr. Culbertson said that group sponsored contracts would offer employees additional discounts of up to 15%, and offer the County consolidated billing and increased compliance assurance. He disclosed that Mercer would get a commission on this change, and that commissions were already being paid by employees on the 433 existing contracts.

Chairman Green asked whether changing to group sponsored contracts would eliminate the County's risk. Mr. Culbertson answered that as the administrator of the Cafeteria Plan the County would always be accountable, but by using group sponsored contracts the pre-tax compliance risk would be eliminated, with minimal impact to employees.

The Board directed HR and Mercer to go to market for group sponsored contracts for voluntary insurance.

Flexible Spending Account (FSA) Forfeited Funds

Mr. Culbertson stated that the County had approximately \$39,000 in forfeited FSA funds, which had accrued over several years under the administration of Magnuson McHugh. He recommended that the County use the forfeited funds to perform

discrimination testing on the medical and FSA plans. Chairman Green inquired if testing was required for an organization of the County's size. Mr. Culbertson replied that the IRS required regular testing regardless of the size of the organization. Senior Staff Accountant Keith Taylor explained that a liability fund could be set up to hold the \$39,000 until the Board chose how to use it.

The Board directed HR to use the forfeited funds to pay for discrimination testing for the medical and FSA plans, and to cover FSA administrative costs. Ms. Reynolds requested the Board also allow HR to pay the fees associated with changing FSA administrators from Magnuson McHugh to TASC with the forfeited funds. The Board agreed.

The attendees discussed offering dual medical plans and Health Savings Accounts (HSA). Chairman Green said that while he supported the concept of HSAs, he would not encourage implementing it in FY2017 because there were so many other planned insurance changes.

Chairman Green noted that the Board could add the HSA program mid-year instead of trying to accomplish all of the changes at the start of the new fiscal year. Mr. Culbertson confirmed that was an option the County could pursue.

The Board directed HR to renew the Delta Dental and VSP vision plans. The Board decided against going to market for new life insurance for FY2017. The Board directed HR to renew the Employee Assistance Program contract with Reliant Behavioral Health. Commissioner Eberlein and Commissioner Stewart said they supported renewing the County's COBRA plan. The Board approved HR and Mercer going to market for an independent TPA.

Commissioner Eberlein asked if the contract renewal dates would be changed to October 1, 2016 instead of November 1, 2016. The Board decided not to change the plan year dates.

- F. Public Comment:** This section is reserved for citizens wishing to address the Board regarding a County related issue. Idaho Law prohibits Board action on items brought under this section except in an emergency circumstance. Comments related to future public hearings should be held for that public hearing. There were no public comments.

Chairman Green adjourned the meeting at 12:02 p.m.

Respectfully submitted,

JIM BRANNON, CLERK

DANIEL H. GREEN, CHAIRMAN

BY: _____
Alicia Lynch, Deputy Clerk
