

April 18, 2017

At a special meeting of the Board of Supervisors of Prince Edward County, held at the Court House, thereof, on Tuesday, the 18th day of April 2017; at 5:30 p.m., there were present:

Pattie Cooper-Jones

Calvin L. Gray

Robert M. Jones

Odessa H. Pride

Howard F. Simpson

C. Robert Timmons, Jr.

Jim R. Wilck

Absent: Jerry R. Townsend

Also present: Wade Bartlett, County Administrator.

Chairman Jones called the meeting to order as a reconvened meeting from April 11, 2017, for a work session.

In Re: Budget Work Session

Mr. Wade Bartlett, County Administrator, stated the Finance Committee met to compile information set forth in a spreadsheet regarding the health insurance premiums and claims data from calendar years 2011 through 2016. He stated from 2012 to 2015, the total premiums were between \$800,000-\$900,000 and they are going up this year at about \$900,000. Mr. Bartlett said in 2011 and 2012, there were higher claims than the premiums, costing over \$500,000 higher than the premiums both years. From 2013 to 2016, the premiums were approximately \$3.4 million and claims were about \$1.9 million.

Mr. Bartlett advised the Board the County saw an increase in premiums every year except two; one year the County had a 16.1% increase in premiums and the following year there was no increase. He said in 2014, the premiums went down because the claims were not continuing at the higher rate. He stated the County has seen increases of 5.5% and 5% over the past two years even though the claims have been slightly greater than 50% of our premium. That is the main reason we are looking at self-funded.

Mr. Bartlett stated the Board has considered self-funded insurance for several years. When the cost of health insurance rises, the premium rises; when the County is in a pool, that can help or hurt. If the cost of health care is greater, the loss is spread out over the entire pool of insured. He said the rates are approximately \$100 more per month, per employee.

Supervisor Timmons said even with the bad years, if the County had been self-funded, the County would have saved money.

Mr. Bartlett said under self-funded, claims are paid by the County; the amount that would come out of pocket for any employees that want to buy up would be \$49 if the County stays with Local Choice; the cost would be \$48 if the County chooses to change to self-funded insurance. He said 70% of employees buy up.

Mr. Bartlett briefly reviewed the different plans. He said there is a maximum claim liability that the consultant would use to proceed with the Plan. He stated the County would contribute more to pay for dual and family plans. He added the costs for dual and family plans are a bit greater with Local Choice. He said the Board has been researching self-insurance for at least six years.

Nancy Grasso, Consultant, said the intent of self-funded program is purely a financial arrangement between Anthem and the County and a different way of paying the premium. Anthem will continue to do the same as they have, they will continue to process the claims, negotiate with the networks, continue to print their cards. All of the employees will be able to continue to go to the same doctors and hospitals.

Supervisor Timmons said the money saved would go to offset the bad years in the future.

Ms. Grasso stated the County would hold the surplus in the account so if there is a bad year, the claims that are paid out don't necessarily have to go up and it is used to offset rate increases; she said several other localities use self-funded program.

Supervisor Gray expressed his concerns regarding the impact it will have on the insured, and questioned the residual that comes from the total package, the County can hold it in an account.

Supervisor Timmons stated the funds are contained in reserve and is used to manage the insurance and make premiums and the quality of the policies level without cutting services.

Ms. Grasso stated that when the County goes for renewal every year and the rates go up, the Board has to figure if the budget can continue to support the increases, and if not, either the increases are passed to the employees or the plans are changed so that their benefits become less and less rich.

Supervisor Timmons said the Board has the ability to protect the residual funds with catastrophic insurance over and above what the plan provides. He said the Board could allow the County to purchase catastrophic insurance to manage and secure the residual funds.

Ms. Grasso stated the County could buy re-insurance which allows any claims over \$100,000 to not use the “pot of money,” which is the highest amount of risk that this plan would have for a group of your size.

Supervisor Gray asked who is responsible for financially supporting this; he said he knows Anthem will be the custodian of the whole process, and Ms. Grasso’s organization is responsible for managing the self-fund. He asked who will then pay Ms. Grasso’s organization.

Ms. Grasso stated currently she is not receiving any compensation; she said once the County is doing well, possibly by the second year she would discuss compensation.

Supervisor Simpson asked what would happen if the Board decides to self-fund and then several large claims come in and use all the money in reserve. Ms. Grasso said the plan is built with a maximum amount of money to spend, so if claims come above that, Anthem pays all of those claims. Chances are the rates would go up if you spend all the money in your fund and overshoot the claims that are expected. The Board could choose to go back to Local Choice; she said there is no risk and claims will be reviewed quarterly or monthly. Discussion followed.

Supervisor Simpson asked where the money goes if the County has several good years. Ms. Grasso stated if there is a large surplus, the County could use the funds to reduce the cost of premiums. The cost is based on the rate. She said the purpose of the surplus is not to use the money elsewhere but to help the County manage the insurance costs. Discussion followed.

Mr. Bartlett stated Local Choice is not an insurance company; it is a plan embedded in the *Code of Virginia* that dictates what can and cannot happen, such as who can leave, how often you can send termination letters, etc., and they have to take you back if you want to return. He said Local Choice is managed by State

Employees; Anthem has always been the insurance company that they have reached a contract with, and then Anthem manages the claims. He said the payments go to Local Choice.

Ms. Grasso said the same people at Anthem will manage the self-funded plan; the County would be getting Anthem directly instead of paying Local Choice to work with Anthem. Discussion followed.

Supervisor Simpson expressed concern that if the Board decides to take surplus funds from the account, they must be used to benefit the employees who have paid the premiums. Mr. Bartlett stated that if the County would ever take any money out of the fund, the County would have to set up an account and it would have to benefit the employees in some way; it could be a direct payment or reducing premiums.

Supervisor Timmons stated that when the fund gets to a sufficient level to cover claims, then the County can reduce premiums for the County and the employees.

Ms. Grasso stated when a few hundred thousand dollars are in the fund, you will know you have money to offset any bad years so that increase won't have to be passed to the employees. She said the County will probably not amass \$1 million.

Supervisor Timmons stated the goal is to levelize the premiums, and sustain coverage for employees.

Supervisor Simpson questioned why Ms. Grasso had recommended the Board remain with Local Choice last year and asked what has changed. Ms. Grasso stated this year would be a good time to switch due to the reduced amount of claims over the past few years. She said she reviewed the payments and found that the County paid in over \$3 million but spent \$1.8 million and the difference would have been savings to the County.

Ms. Grasso gave a detailed review of benefits available, comparing the different plans offered by Local Choice and the plans available from Anthem. She pointed out similarities between several options; she said the way prescription drugs are treated is largely the same. Ms. Grasso stated the County has the option to add a network benefit. She then reviewed the dental and vision plans, and said the preventive care is covered by all plans. Discussion followed.

Supervisor Simpson stated some of the department heads present for the meeting may have questions and asked if they may present questions to Ms. Grasso. Chairman Jones allowed questions from

the audience. Questions were raised regarding costs for spouses and families, maternity coverage, and special procedures and tests.

Mr. Bartlett said the Board wanted to only look at plans with Anthem, and wanted to make sure that the self-funded would be as close to the current plan, and with the same network, as possible. He then asked if the enrollment would be similar. Ms. Grasso said the enrollment would use the same process.

Supervisor Timmons stated the Board has submitted termination to Local Choice; Mr. Bartlett stated the deadline to pull that termination is May 31. Discussion followed on a timetable necessary to make the necessary changes if the Board decides to change to self-funded.

Supervisor Timmons requested a Finance Committee meeting be scheduled for April 25, 2017 at 6:30 p.m. The Board concurred.

Chairman Jones declared a 10-minute break until the 7:30 p.m. Public Hearing on the FY18 County Budget.