

HEALTH & SAFETY COMMITTEE MINUTES
OF FEBRUARY 5, 2018

Municipal Council of the City of Vermilion
Municipal Complex, 685 Decatur Street, Vermilion, Ohio 44089

In Attendance: **Vermilion City Council:**
Steve Herron, President of Council; Monica Stark, Council at Large; John Gabriel, Ward One; Frank Loucka, Ward Two; Steve Holovacs, Ward Three; Barb Brady, Ward Four; Brian Holmes, Ward Five.

Administration:
Jim Forthofer, Mayor; Amy Hendricks, Finance Director; Tony Valerius, Service Director; Chris Howard, City Engineer; Chris Hartung, Police Chief; Chris Stempowski, Fire Chief.

Call to Order: B. Brady, Chairperson, RESOLVED THAT this Health & Safety Committee comprised of the committee of the whole does now come to order.

TOPIC ONE: BAC (Health Care)

Tom Forrester, Vice President of BAC was present to explain they are a third-party administrator that works for the city. The city has been self-insured since 1980 and with BAC for about 15-20 years. A third-party administrator's role is to pay all of the City's major medical, dental, and prescription claims, and they write the City's benefits to make sure they are in compliance with ACA and the Department of Insurance. They monitor the health claims and turn the financial data into clinical data because at BAC they have a medical staff that oversees the claims that are being paid. They make sure the employees are in compliance based on the drugs they are taking. They have the ability to reach out to employees to notify them what the plan pays for so the employee follows through.

Overall, what they determine that is considered renewals is based on the age of the employee population, which is getting older. They look at the negotiated benefits to see exactly what type of benefits are being offered, and the claims is the third thing that plays an importance in renewals and the costs to the City. Vermilion is unique as they have a good benefits structure, as well as a wellness program which allows the employees to buy down their deductible by passing certain health care requirements. It creates a good health plan and they hope by monitoring and having employees go through a health process like this, that in the long run they save some money.

He said the program has been successful but in the last couple years the major hurdles is some serious claim dollars. There are six individuals in the City that make up almost 85% of all the claims, and there are 106 participants and approximately 52 employees on it now. If they look at the overall structure of the City it's the old 80/20 rule; that 20 percent is making up close to 85% of all the claims. He said they paid one claim up through September 25, 2017, of \$114,375, and by the end of the year that claim had increased almost \$91,000. They are seeing other communities in Northern Ohio that are being killed with cancer claims and their drug expenses are due to the high drug costs. The ACA Plan was implemented about 7 years ago and they took the caps off

the healthcare. Now these plans are unlimited, so what the City is offering is an absolutely unlimited plan, and dollars mean nothing. In the last two years they have seen their multi-million dollar claims double and triple; mostly from hospitals. He noted that BAC has 61 employees and about 25 employees work strictly on claims. Nothing will change in 2018, but the Federal government has made some progress. They don't think they will see any change in the health care delivery system until 2019.

The City's overall rate increase was a little over 12 percent, and in the 51+ groups the rate increases are from 35 percent to 45 percent on the fully insured side.

John Gabriel struggled over the employee overall number in health care as the rate increase for a family or individual has increased more than 12 percent. T. Forrester said as a self-insured they budget numbers based on expected claims and worst case scenario claims. The city's finance department makes that decision and they keep money in what you would consider a silo and companies like BAC pull out the fixed expenses, which includes the insurance and the claims. The administration in the past has funded for the worst case scenario and because they have kept the balance very high this is the city's money; it doesn't go to an insurance company as it stays within the city's account. He said they can budget for expected or fixed and pay as claims go, but this is the way the administration has set it up. Most municipalities fund for worst case, so there is a reserve for unexpected higher claims. J. Gabriel asked what the amount is for the worst case scenario and T. Forrester said he didn't have those numbers with him as they get them on a weekly basis. Because they are a managing general underwriter and they have a medical staff, they are feeling as though they are about done with these major claims as it could be bad news on one end and good news on the other. They are reviewing all the treatment procedures and there isn't a lot more that can be done on certain individuals. There are a lot of things they can look at and change when they negotiate the next plan.

B. Brady said the most an individual could cost the city is the major medical deductible which is about \$50,000. T. Forrester said they have a spec on \$50,000, but then it's capped so they can't take \$50,000 by everybody that is on the plan; it's capped at a certain amount. If they have one claim that is over \$50,000 they would pay the first \$50,000 and then the insurance comes after, but then there is an aggregate amount that it's protected in there.

J. Gabriel said from the outside looking in this is one thing he struggles with because in the private sector this is a lot of money per family; they are able to get coverages very similar to the coverages they are offering to the employees in the city for much less. Why is self-insuring the path for the city? Can they provide the same benefits in a way that would cost the city much less because every dollar the city puts into this account he doesn't believe they can pull it out and use it on streets or salary increases because once they put the money in this account it goes. T. Forrester said it depends on what the city wants to do with it from this standpoint. He said the city probably won't be able to duplicate a fully insured plan like a self-insured and you have to really look at the financials and the dollars that come back for prescription rebates they negotiate on behalf of the city. He recently did a comparison with a fully insured and a self-insured plan and they couldn't make a fully insured even come close. Again, they still are under some contracts they need to honor and normally at the first of the year would be the time they would be talking about these things, but they can't here. At BAC, they have access to the fully insured market, but the biggest problem they had a year ago since the city is 51 lives and over, the city is now in an area where a fully insured market can decline because they have to give them the claims data, and once they had the claims data they received letters that said, "Thank you very much, but we will pass this year". There are too many nuances but he thinks it will get better all the way around. One of the things BAC is looking at in April is going out and bidding

for carriers; they carry the bulk of the insurance. One company will introduce in April a captive that will be made up of municipalities and school systems. They're an international company and most of their work is done in the United States. This would allow municipalities the size of Vermilion; instead of having 51 or 52, they may go out and bid with a 5,000 or 10,000 employee base. Since it's the stop loss carrier that is putting this together for the city, they have already taken the data to them for Vermilion. So between now and April it wouldn't change the basic plan, but it would give them an opportunity to buy some of the big costs at a much less dollar. He isn't sure how it will all play out.

B. Brady said when she receives a bill from the clinic say for \$1,000; her insurance through Medicare will pay \$300. Is BAC able to negotiate those kinds of rates for the city? T. Forrester said BAC does as they use Cigna as their network because they have a lot of companies that have multiple employees in multiple states, and Cigna is one of the best savings. Cigna's savings to the city last year was \$498,732.95; this is the amount discounted off of bills. B. Brady asked if this is on the major med side and self-insured side. T. Forrester said this is a network, so BAC makes sure the city has a strong network in the area which allows the employees to go to the hospitals. They have a big block with Cigna and this was just the savings they gave off of network, so when an employee went to Cleveland Clinic; if that was \$800,000 of bills, they would have negotiated \$498,000 off of it. So the network savings is a big part of the self-insured. In Medicare this is contractual and it's limited, so they don't have those kinds of savings.

B. Brady asked T. Forrester to explain the wellness plan the city has in place for the employees and how it affects their deductibles. T. Forrester asked the Mayor who the city goes to in getting this done. Mayor Forthofer said they are conducted in the conference room at the court. T. Forrester asked who administers the wellness program and Mayor Forthofer responded Anne Maiden, Administrative Assistant. Gwen Fisher clarified that it's administered by the Erie County Health Department. T. Forrester said the Erie County Health Department is set up with parameters and if they are achieved then the employees can buy down their \$2,000 deductible. The experience has been pretty good that the employees have been able to buy that down. The cost to administer this still runs inside the plan about \$117,000 - \$120,000 which is money the city is picking up to replace the deductible. Mayor Forthofer believed this was a voluntary program for the employees, but also believed it had a high percentage of participation. T. Forrester was uncertain as they only administer the dollars. Sometimes he has seen where the program is mandatory; you either pay your deductible or you go through this. B. Brady asked if the wellness program is during the work day. Mayor Forthofer said often it's not during the work day. Steve Holovacs said it usually begins at 6 am and G. Fisher said it does go into the work day. T. Forrester said the program is early detection and it will save some money, but there is still a cost that the city has in reimbursing the \$2,000 deductible for someone who has passed all of the exams. B. Brady asked if the \$100,000 cost is part of picking up the deductible and T. Forrester said it is built into the numbers Council is seeing. J. Gabriel said his guess is that employees who take advantage of this program are now amongst the six people who are costing a fortune. He isn't trying to sway anyone from being healthy as good benefits are how you have good employees. His conversation is how they can provide the same benefits for much less. In the private market, he has very similar and identical benefits that cost much less. How does the city move them into a position where they can save some money? T. Forrester asked him how many employees he has and J. Gabriel said seven. T. Forrester said this is a whole different ball game and J. Gabriel noted he understood this but questioned how the city comprehensively can provide health care for less.

Chris Hartung explained they have the Ohio Police and Fire Pension Fund and they are going to a stipend system; they are no longer providing health care coverage, but with a stipend where they will pay an x amount of dollars for them to get their own healthcare. He asked if this is where they are going to because when he does his budget he has to budget \$40,000 per family for health care. He understands they are self-funded and a portion of this goes into the fund that pays the claims, but what is that percentage. T. Forrester was stuck on the \$40,000 budget. J. Gabriel explained they had asked their former Finance Director to summarize costs per individual and family for the city's health insurance because as they budget they need to be aware of these numbers. The number they were provided with for a family coverage was \$39,991 and the employee contribution would have been around \$2,279.94 leaving the total at \$37,711.38. C. Hartung said he budgeted \$600,000 in his department for 2018 to cover health care. He asked what portion stays in the city within that fund that pays out the claims and how this is broken down. T. Forrester said he couldn't answer this as he doesn't get the number, so he doesn't have any idea what the contribution is to the city's health care plan. He heard the employee pays \$60 a month towards health care. C. Hartung said he isn't in the union but is in the administration, so they pay a different amount. The \$60 is union negotiated. J. Gabriel said an individual is paying \$67.91 per pay. T. Forrester said he would come back with the numbers because he doesn't know them off the top of his head because he doesn't see the breakdown of the departments. The bill that the city pays to themselves in their trust fund is for everybody and it's the worst case scenario. He will break these amounts down per department.

S. Holovacs asked when they look at the insurance renewal because the city reviews and adopts the budget by March 31. T. Forrester said for January they try somewhere between September and October. S. Holovacs said by March they could go up another 12 percent. He remembers the insurance costs a couple years ago were around \$24,000 and was surprised when he saw the latest number at \$39,991. T. Forrester said he would like to see how the numbers were calculated and he will discuss this with the Mayor and Finance Director.

S. Herron asked T. Forrester if he could come back to council with this information at their meeting of March 12. T. Forrester said he should have this information by Friday. He said the finance director gets full financials every month. He can meet with the city as much as needed. His gut feeling is they may have been taking too much money out. J. Gabriel said the issue they are having from a budget side is how this money is spent. He would like to see what they spend for various expenses from the city's fund for the employees or the administrative fees. T. Forrester explained that anything that goes through BAC they budget to the penny on a monthly basis, so as long as they are administering some cash flow going out.

B. Brady asked if he could provide council with a year-end summary for 2017 showing administrative costs, the cost of major medical, and claims costs. T. Forrester said the city is paying fixed expenses and claims. The bulk of fixed expenses run about \$370,000 for all the insurance portions (major medical) and then everything else. He wasn't certain on the costs for dental and prescription. In addition, they have administrative costs, so collectively the fixed is around \$460,000. If the city has no claims that's what the plan would cost the city. B. Brady asked him to provide council with how many individuals and families the city has on the plan. She also noted the former finance director had concerns about penalties due to an employee who ended up having more than 30 hours and asked if BAC keeps track of this or would that be an internal human resources issue. T. Forrester said this would be the responsibility of the HR department as BAC works on the medical portion of the claims.

TOPIC TWO: Fire Chief's Report

Chief Chris Stempowski reported the fire department responded to 14 incidents in January of 2018, bringing the department's total to 14 for the year. They responded to 251 incidents in 2017.

He reported on the following:

- Currently compiling stats and data on the department's year-end summary.
- Replaced one battery in Truck 95.
- The new trailer and boats have arrived and are in service; hope to get in water for training soon.
- Ice rescue training was conducted on January 16; thanked Romp's Marina. New equipment was incorporated for hands on training.
- Department participated in ice rescue at Mill Hollow for Winter Fest Days.
- Four gas monitors are back in service.
- On January 12 during ice and snow storms he put people on standby at the stations for 12 hours.
- Command vehicle was in budget last year, but due to other expenses they didn't get it. However, they are looking into this again and had the opportunity to talk with other chief's on what is out there. They are looking at something bigger than an Explorer.
- Received information from law department on Station #1 Design Build steps to follow; need to advertise for Request for Qualifications (RFQ). Mayor Forthofer said the law department notified the administration that state laws changed in 2017, which are more tightly supervising of a municipality that attempts a design build project. Every turn they take on this project has to be approved by the law department. He said the city is ready for a request for qualifications but this even has to be written in a certain way so it's in compliance with new laws. He asked the clerk if they had to bring a RFQ before council. G. Fisher said it requires a motion by council to authorize the administration to request qualifications. Mayor Forthofer said this will be a big investment of taxpayer money for a project that will last decades. S. Holovacs said you either have the option of design build or getting an architect and getting it designed. C. Stempowski said his understanding is that this a beneficial way to go and he talked with the Chief of North Ridgeville and the architectural design for their station was three quarters of a million dollars for an \$8,000,000 project. He is talking with other chief's, and noted Wellington is considering a design build and they are keeping in touch with the procedures. S. Holovacs thought there were a lot of design build contractors in the area that they could get a good idea on and who do a good job. B. Brady asked if a location had been chosen. Chief Stempowski said they had not and Mayor Forthofer said they have to choose carefully and consider a lot of factors because this will be the location they have for a long time.

TOPIC THREE: Police Chief's Report

Chief Hartung reported he sent the 2017 Annual Report to council for review. He focused on his concerns with upcoming retirements from 2019 – 2021.

They are continuing their required First Aid Training. He reported on vehicle entries over the weekend and advised residents to lock their vehicles.

B. Brady adjourned the meeting after no further discussion came before the committee.

*Next Meeting: March 12, 2018 at 7:00 pm
Gwen Fisher, Certified Municipal Clerk*