SPECIAL CITY COUNCIL MEETING – HEALTH PLAN WORKSHOP
WEDNESDAY, APRIL 29, 2015 – 6:00 PM
COUNCIL CHAMBERS, CITY HALL

Mayor Connors called the meeting to order at 6:00 pm.

The Pledge of Allegiance was led by City Attorney Dan Draper.

Roll Call. Present: Mayor Connors, Aldermen Wall, Chappell, Kordus, Hill, Gelting, Kupsik, Hedlund, and Howell. Absent: Alderman Kupsik. Also present: City Administrator Jordan, City Attorney Draper, Comptroller Peg Pollitt and City Clerk Waswo.

Discussion and Review of City's Health Plan.
Matthew Chadwick from Cottingham and Butler presented options for the City's health plan. Mr. Chadwick explained three different health plan examples and compared the City of Lake Geneva's plan to these plans. He explained the difference between a flexible spending account, a health savings account and a health reimbursement arrangement. Mr. Chadwick stated the City has a higher than average family ratio than most. He said 79 employees were taking coverage, of which, 59 were taking family coverage. The more heavily an organization has for family plans versus single plans, the higher per year per average cost will be. Generally there is a 50/50 split between families and singles on enrollment. The City is around 75% family, which would be lower if looking at a per person basis.

Mayor Connors asked if the chart shows what the employee is reimbursed for columns A and B. Mr. Chadwick stated the HSA is an individual health savings account where the employer or employee can contribute money pre-tax to any qualified medical/dental/vision expense. If it is not used, it can roll over year after year. An employee can choose to put as much as $3,300 away pre-tax or $6,600 away for a family pre-tax. Municipalities give upwards of $500 a year for single and $1,000 a year for families. Municipality B makes the employer contribution contingent on successful health/risk assessment participation. Mayor Connors stated Municipality A's deductible would be lower as it would be offset by the employer contribution.

Alderman Hill questioned if in order to establish an HSA, does there have to be a minimum deductible and would that $1,500. Mr. Chadwick stated that for an HSA plan, the minimum deductible changes every year with the IRS regulations. He believes the minimum deductible this year is $1,500 for single and $3,000 for family.

Alderman Hill asked what the max contributions are for employees and employers to make on an HSA. Mr. Chadwick stated that for contributions anyone under the age of 55 can contribute up to $3,300 for an individual and $6,600 for a family; and anyone over 65 has provisions where they can deposit an additional $1,000 into an HSA account. Mr. Chadwick pointed out that part of the reason the IRS allows certain plans to be married with a tax deferred account is that the IRS requires that plan, not only be of a minimum deductible, but also not have first dollar coverage. The IRS allows people to put money away tax free, but everything underneath the deductible is going to be paid 100% by the City until the deductible is reached and then co-insurance will kick in. That is one of the differences between HSA versus a traditional PPO or HMO plan.

Alderman Kordus asked if any of these plans start out with a higher per employee premium that is lowered based on wellness programs. Mr. Chadwick stated yes, and that it was shown on Plan C and Plan A in the packet. Mr. Kordus asked if the asterisked amount is the high end amount or the supplemented dollar amount. Mr. Chadwick explained that it is the supplemented amount. Employees who successfully meet their wellness goal pay that amount.

Alderman Gelting asked if municipality B exceeds the high deductible pretax limits. Mr. Chadwick explained that the deductible is at the absolute limit as to what an individual can spend and those have gone up via index. The current limit is $6,350 per year.

Alderman Chappell asked Mr. Chadwick to re-explain copay and deductibles. Mr. Chadwick explained that any expense on any health plan will fall into one of three categories: deductible expense where the employee pays 100% of the cost, coinsurance where the employee and the City split the cost by a certain percentage, or copay which is a flat dollar payment regardless of what the cost is and the remainder is picked up by the insurance. Copays and coinsurances are first dollar coverages. They have the possibility to be below the deductible. The IRS has said that putting money into a tax sheltered account is an HSA qualified account, and the employee has to meet a minimum deductible.

Mr. Chadwick further explained that a Health FSA allows an individual to put aside tax free money to use for any known expenditures for a short period. This falls under the term, "use it or lose it". An FSA is not an employee owned account. The money is available on day one, and throughout the course of the year, the employee pays it back through payroll deductions, which saves them money on taxes. Any leftover money at year end gets forfeited. These forfeited funds go back to the employer. Likewise, if an employee elects and uses $1,000 on day one and then leaves employment, the employer is on the hook for the shorted amount. There is a cap of $2,500 per employee per year as to how much they can put away on a pretax basis through an FSA plan.

Mr. Chadwick continued by explaining that an HSA is a health care individual retirement account. The money is truly owned by the employee regardless of where they go or how long they live. That money rolls over every year and has the ability to earn interest. An HSA must be paired with a qualified HSA health plan. There are limits as to how much an employee can put into an HSA account. There are no limits on how much an employer can put into the account. Alderman Chappell asked if this money can be used in any way such as vision, dental, etc. Mr. Chadwick answered yes; however, employees can only contribute money into an HSA account if they are enrolled in an HSA qualified health plan. Once in there, employees can use that money on any eligible medical, dental or vision expense regardless of what plan they are on. After a person reaches 62½ years old, the money is open to any expense and is not limited to a health expense only. Any money used to purchase a boat for example, would be taxed.

Alderman Hill asked if the deductible must be met first before contributions can be made into an HSA account. Mr. Chadwick stated contributions cannot be made into an HSA unless enrolled in an HSA plan. The issue with the deductible and HSA eligible plan is that there is no insurance coverage underneath that deductible. If the deductible is $1,500, then there are no copays allowed or coinsurance allowed until you hit that point. Once you hit that point, then coinsurance and copays can exist. Until you hit that point, you can use money that is in the HSA account.

Alderman Chappell stated that PPOs are not inherently qualifying programs. Mr. Chadwick answered that they are not. Alderman Gelting stated that a PPO plan can be a high deductible plan. Mr. Chadwick said yes, the insurance industry is geared towards the network rather than the plan design. A PPO is a more traditional plan that has an in-network benefit with a list of preferred providers and also provides coverage for out-of-network benefits. An HMO is only an in-network benefit, with zero out-of-network benefit. A high deductible plan can fit in both of those.

Alderman Gelting asked if there is any preventative maintenance for annual checkups before deductible. Mr. Chadwick clarified yes. The Affordable Care Act states regardless of plan design, any preventive visits can be paid at 100% by the plan with no requirement of the deductible first.

Mayor Connors inquired as to who would hold the HSA funds and does the accounting. Mr. Chadwick stated that it is an individually held account. It is the employee's responsibility to open an account at a financial institution and direct savings into the account. Employers may choose a business banking relationship and offer an HSA account to be a preferred carrier of the HSA account. Mayor Connors asked who would manage the expenses. Mr. Chadwick stated that the individual with the claim would handle that by themselves. Oftentimes, an employee will reimburse themselves with their HSA dollars. Many HSAs come with a debit card for convenience.

Alderman Kordus asked if most organizations have preferred banks when matching or incentives. Mr. Chadwick stated if that is the route an employer wants to go, then more times than not there is a preferred relationship. It is not all the time though. It is not overly common for employers to link wellness outcomes or incentives with HSA contributions. It is more common to link premiums with the incentives through a wellness program.

Mr. Chadwick continued by explaining a health reimbursement arrangement (HRA). He stated that it looks similar to an HSA account where funds can be used to offset a higher deductible. The major difference is the ownership of the funds. With an HSA, the employer or employee can contribute to an HSA account, but once the money is in the account, it is the property of the employee. An HRA is an agreement between the employer and the employee to pay a certain percentage of the deductible to offset an increase of the deductible. The money is considered the employer's money even though each employee is eligible to receive funds. The costs are shared, however the employer sets it up and any dollar amount left over is up to the employer's discretion. Once an employee leaves, they don't have ownership of the money. HRA plans can have copays and first dollar coverages. Alderman Gelting asked if HRAs and HSAs can be used together. Mr. Chadwick explained that it is very tricky to put together an HRA and HSA. He stated that he rarely sees it done. Generally it is one or the other.

Alderman Hill asked what the theory is behind the employer paying the employee's deductible, and commented that the employer might as well lower the deductible. Mr. Chadwick explained that the difference is in how the plan is underwritten. If an Underwriter looks at the plan and says that after a specific dollar amount, everything will be covered at 100%, they rate that higher in terms of average cost than what a higher deductible is. Essentially raising the deductible will lower the fixed costs. If an employer has a $2,000 deductible, the employee will pay the first $1,000 themselves, and split the remaining $1,000 50/50, making the true out of pocket $1,500. Alderman Hill asked if HRAs are pretax dollars. Mr. Chadwick clarified that they have no bearing on the individual's taxes, but is tax deductible to an employer.

Mayor Connors asked if the high deductible and HRA would apply more to fully insured plans. Mr. Chadwick stated that it is easier to account for a fully insured plan but it is not to say that there are not self funded plans with HRAs. Employees cannot contribute to an HRA plan.

Mayor Connors stated a single plan, including health care and dental is roughly $1,100 per month. Over 12 months that comes to $13,180.20. That figure divided by 2,080 hours per year is $6.34 per hour. Family is $2,493.56 per month and $29,922.72 annually. That figure divided by 2,080 is $14.39 per hour. Mayor Connors asked what percentage of the budget is health care. City Administrator Jordan stated the total amount with the amounts put aside for claims, administration and reinsurance is around $1.7 million per year out of an $8 million dollar budget. Mayor Connors stated that the $1.7 million equals out to 21.25% of the budget.

Mayor Connors stated that the next point is looking at some ways to reduce the cost without gutting the benefit plan. Alderman Chappell asked how the Affordable Care Act plans are matching up to the example plans shown. If the City employees had to go to the Affordable Care Act market place, what would the cost be? Mr. Chadwick stated that the plan would be seen as a platinum level plan and the cost would be similar.

Mayor Connors stated he would like to reduce costs and bring consumerism into the mix. Mr. Chadwick said PatientCare, a company based in Milwaukee, does pricing transparency. They look at the average cost of the procedure with a specific doctor and location, in-network. Higher price does not necessarily mean higher quality. Companies can incent the use of PatientCare by stating one of these procedures will be a copay amount. If the employee goes to the low cost provider or does a cost and quality report, the copay is waived. The health/risk assessment program that was implemented offers positive interception of potential high cost claims before they blow up into large dollar amount claims. Mr. Chadwick stated after reviewing the City's claims data, he saw higher than average outpatient muscular skeletal claims. Moving forward through the biometric wellness as well as Health Core, non-compliance in whether the biometrics, or what are considered American Medical Association best practices, a status of non-compliance is going to lead to the employee paying 10% of the cobra rate in terms of employee premiums on a monthly basis. That comes to roughly $100 per month for single and $240 per month for family if they are seen as non-compliant. This does extend to spouses who are on the plan as well. The intention is to get the plan down to a non-Cadillac tax dollar amount. The City needs to get to that by 2018.

Alderman Chappell asked if the City can do something as simple as raising the deductible, or doing some kind of matching. Mr. Chadwick said this would essentially be cost shifting and would do nothing to the overall consumerism or how to reduce potential risks and exposures.

Alderman Hill asked why something would have to be done by 2018. Mr. Chadwick stated that part of the Affordable Care Act requirement, there is a provision called Cadillac tax. The Cadillac tax is done on an individual single and then on a family basis. The expectation is that those numbers are going to move because they have not been moved since the passage of the bill in 2010. The current amount for Cadillac coverage is $13,000 for a single and $25,000 or $26,000 for family. The average annual cost per employee needs to roughly be these amounts by 2018. Mr. Chadwick stated that the PatientCare program costs $2.50-$5.00 per employee per month. Alderman Hill asked when the service would be engaged, with every trip to the doctor or every procedure. Mr. Chadwick explained that it is up to the employer. He stated that it would not engage for just an annual physical. Ms. Hill also asked since the City is self insured, can they deny claims. Mr. Chadwick stated yes, the plan document is the bible of what procedures the plan will cover and how it is covered as well as exclusions. The Stop/Loss company picks up claims that are over and above the plan document. PatientCare incents the employees by offering savings share, if they choose the lowest cost, they can save up to a certain amount. The employee can earn money for choosing the lowest cost option. This is predetermined and there is a cap. Mayor Connors asked if this is paid in cash or put toward a deductible. Mr. Chadwick answered that it is paid in cash and is taxable. Alderman Gelting asked if it can be redirected into an HSA or HRA contribution. Mr. Chadwick stated that it is not as the administration on that would be pretty hairy. Alderman Kordus asked if the City chooses a high deductible plan, will the costs be pre or post deductible or in lieu of the deductible. He clarified by stating if the employee goes to a low cost provider and has not met the deductible, would it be out-of-pocket or is there an incentive even though the deductible has not been met. Mr. Chadwick stated that if the deductible has not been met, there is even more incentive to choose the lower cost. Sharing the savings is done regardless of where an employee is on the deductible plan.

Alderman Gelting questioned if the health care advocacy program is typically part of the benefit no matter what the range of cost is. Mr. Chadwick stated that it is.

Alderman Kordus shared that as an employee goes through a screening with Health360, there are different rates charged for smokers vs. non-smokers or healthy lifestyles. Mr. Chadwick stated that as long as the employee participates in the plan, they will receive the lowest rates possible. When the program becomes outcome based, the standard rate is 10% of the funding rate for noncompliance. It is roughly $100 for single and $240 for family. Alderman Hill asked how many people participated. Mr. Chadwick stated that 99% participated, one person did not.

Mayor Connors asked how the City can leverage these ideas to make it a win-win so that they can continue to provide a good benefit. Mr. Chadwick stated he will be going through this tomorrow with the City Administrator and Comptroller.

Alderman Kordus asked if the City is not below the Cadillac tax threshold, will employees have to pay a portion of that tax. Mr. Chadwick clarified that yes, a 40% excise tax. Annual premiums in excess of $10,200 for single and $27,500 for family will be considered Cadillac plans regardless of what the plan looks like.

City Administrator Jordan stated we understand there is a cost shift, some savings to the city and the employees take it on. The only way to really save money is to get employees healthy and get claims down. He stated he has tried to lobby with health care providers to unbundle and fought against being double charged.

Alderman Hill asked what are the fixed costs from the $1.7 million per year. Mr. Chadwick stated it is about $600,000 and the vast majority of that is the reinsurance.

Comments from the public as allowed by Wis. Stats. §19.84(2), limited to items on this agenda, except for public hearing items. Comments will to be limited to 5 minutes.

Jeff Nethery, President of the Police Union, asked if based on the amount of the participation, what would the cost of the plan be had the employees not participated in HealthCheck360. Mr. Chadwick stated that the first year is small because it is setting a baseline and foundation. The reduction is seen as the years continue to go on and as the incentives are there for the employee. Mr. Nethery asked what the cost savings generally are. Mr. Chadwick stated the plan is divided into 5 categories. As this is migrated across, there is roughly a $200 claim savings per employee. Over a 4 year period, HealthCheck360 sees an increase in the highest two or best two risk categories. Mr. Nethery asked if an employee can have both FSA and HSA accounts. Mr. Chadwick stated that the Federal government says no, that is too much tax savings. The IRS considers an FSA as insurance since the funds are available on day one. Mr. Nethery asked if an HRA and FSA can be combined. Mr. Chadwick answered yes. Mr. Nethery asked for clarification on what the maximum employer and employee contributions can be into an HSA account. Mr. Chadwick stated it is $3,300 for a single and $6,600 for a family for anyone under 55. There are catch up provisions for people over 55.

Holly Povish questioned the outcome based plan. She wondered what is done if a person has nothing to improve. Mr. Chadwick answered that there are 2 classifications for the City. The first year is participation only regardless of what the employee's health score is. The goal is to maintain a score in your range or improve your score by 5 points based on where you fall in the range. Ms. Povish also spoke out against FSA accounts due to her personal experiences.

Joanne Wollaeger asked about the 2014 Benchmarking sheets with regard to Municipality A, does that municipality put money into an HSA for employees? Mr. Chadwick stated it does but it is based on a contingency of participation in the wellness program. It is a bit of a rarity. Ms. Wollaeger then questioned what the difference was between an FSA and an HSA. Mr. Chadwick explained the difference between the options. Ms. Wollaeger asked if the City could incent employees if claims are under $10,000 for example. Mr. Chadwick stated no, not on an individual basis as it would run afoul of discrimination in a large way. The City could potentially do something on the aggregate. Ms. Wollaeger also asked if Mr. Chadwick could state who would need to pay the 10%. Mr. Chadwick stated that it would not be known until the next round of wellness examinations in October, with premiums starting in January.

Peg Pollitt asked under an FSA plan that pays premiums, can money from the FSA account be used to pay premiums; and is there a way to pay premiums with pretax dollars. Mr. Chadwick stated FSA plans fall under section 125 of the IRS code. A Premium Only Plan (POP) is a way to insure compliance and have premiums come out pre-taxed for employees. The POP plan is essentially a pass through. Ms. Pollitt asked if they would have to be in the FSA plan to do it. Mr. Chadwick stated that generally if you have one, you have them all. Most employers have a POP plan.

Mayor Connors asked how pre-tax affects everyone. Mr. Chadwick stated that people generally save 15-20%.

Jeff Nethery commented that since the HSA is the employees' money, it would be an incentive to spend it wisely as the employee has to administer it on their own.

Alderman Hill stated that without an HR department, what would be the best option to administer. Mr. Chadwick stated that the HRA is generally administered by another party and any of these plans will normally be accruals on the Finance Department.

Alderman Gelting asked if PatientCare would aid in administering the program. Mr. Chadwick explained that PatientCare would not administer the account, but it would allow an additional tool and information to those people who are looking to spend those dollars and how and where to best spend it.

City Administrator Jordan stated he wanted to educate everyone on a rather deep subject. Mr. Jordan stated that he and Comptroller Pollitt are meeting with associates from the company tomorrow to discuss this matter further.

Alderman Chappell asked if the employees can state what they would prefer.

Alderman Wall asked if the Council will be provided information from the meeting between Administrator Jordan, Comptroller Pollitt and the associates from Cottingham and Butler prior to the meeting that the plan is voted on. It was determined that there would be time for review rather than voting.

Alderman Kordus stated that he would be in favor of a plan with an HSA component and high deductible.

Alderman Hill stated she is also in favor of an HSA component. She would be inclined to ask the employees what they would want and allow them to provide feedback. Ms. Hill is entertaining a high deductible and HSA, and is in favor of soliciting PatientCare services with a matching contribution to an HSA.

Alderman Chappell does like the larger deductible. Ms. Chappell questioned if there is something that can be built into the plan to pad everyone making the transition and back off at stages. Mr. Chadwick stated that it would depend on the size of the deductible. Mr. Chadwick stated that changes can be made to plan design on a yearly basis as long as the plan meets the IRS requirements.

Alderman Hedlund feels the HSA is the best deal. He is inclined to let everyone at tomorrow's meeting do their job and will talk about it when there are actual options.

Mayor Connors stated he would be in favor of an HSA plan that is employee funded. He wants to look at the component with the cost sharing for savings. He values the employees and wants to retain them. He wants to make this a win-win and not punitive.

Joanne Wollaeger asked if the City will be doing the HealthCheck360. Mr. Chadwick stated that it is intended to stay in place. The wellness program is designed to partner and marry with the overall insurance program. Ms. Wollaeger asked if employees would have to contribute to an HSA account and also pay 10% of the premium if wellness targets are not met. Mr. Chadwick said potentially that is one of the options.

Adjournment
Kordus/Wall motion to adjourn at 8:27 pm. Unanimously carried.

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/s/ Sabrina Waswo, City Clerk

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