

**FINANCE MEETING – DISCUSSION ON BENEFITS
RE: PFM RECOMMENDATIONS
(REPRESENTATIVES FROM HUMAN RESOURCES/USI)**

January 29, 2014

The Cumberland County Finance Meeting took place on Wednesday, January 29, 2014 at 1:30 p.m., Commissioners' Hearing Room, Courthouse, Carlisle, PA. Present were Commissioners Barbara Cross, Jim Hertzler and Gary Eichelberger; Larry Thomas, Chief Clerk; Joanne Burkhart, Deputy Chief Clerk; Heather Ilgenfritz, Jen Crum, Commissioners' Office; Dennis Lebo, Clerk of Court; Dana Best, Finance; Bob Dagrosa, Controller's Office; John Lopp, Beth Shenk, Facilities Management; Mark Adams, IMTO; Beth Chornak, ERP; Mick Burkett, Brandon Ryan, Human Resources; Megan Silverstrim, Public Safety; Brian Barrick, Sheriff's Office; Chris Sechrist, Administrative Services/Commissioners' Office; Justin Smith, GIS; Roger Quigley, Patriot News; Christen Smith, The Sentinel.

Mick Burkett and Marty Miracle presented a presentation regarding the Benefits Plan for Cumberland County with regard to the recent PFM recommendations. The slide show presentation consisted of the following items:

- **Medical/Rx Plan Overview**
- **Historical Utilization**
- **Premium Trends**
- **Historical Premium Cost Sharing**
- **Program Accomplishments**
- **Health Care Reform and Compliance Challenges**
- **Employer Responses**
- **Next steps**

(see attached).

The biggest cost driver for the County is health care. The County spends about \$12 million a year for employees' health care. By moving to Capital Blue-Cross in 2012, a projected savings of over \$950,000 for one year alone has been achieved. A 2014 option discussed was regarding coverage for spouses who have coverage available through their employer. The change required that an employee who opted to keep their spouse on the County Plan, would be required to pay \$250 a month for that coverage.

There have been 28 insurance claims filed in the past year. Mr. Miracle spoke about "shock claims." These are claims that exceed \$50,000 in any given year. In 2013 the shock claims totaled \$4,229,490. The total non-shock claims were \$6,057,609. The Loss Ratio without shock claims was 54%.

There was a brief discussion about annual deductibles - \$300 HRA and \$650 HSA, Copayments and Coinsurance. Both of the HRA and HSA Plans offered by the County have no coinsurance provision (100% coverage) after the deductible has been met. Commissioner Hertzler asked about the Private Sector rates. There will be comparisons conducted with local employers to ensure the County is offering a competitive plan.

The Medical Loss Ratio (MLR) was lower in 2013 than previous years at (91.8%), yet higher than desired for risk base.

Cumberland County has not been without a rate cap for the medical/rx program since 2003. Cumberland County's premium increases averaged 3.75% on a pm-pm basis from 2008 through CY 2013. The County is attractive to insurance carriers and this area is very fortunate to have two competitive "Blues" plans.

The Health Care Reform Challenges:

- Elimination of lifetime/annual limits (essential benefits)
- No pre-existing condition limitations/exclusions
- Dependents Covered to Age 26
- Preventive care covered at 100%
- Women's preventive care benefit coverage (very expensive)
- Minimum essential coverage requirements

Under the new federal mandates the County's annual costs will increase by approximately \$300,000. An additional \$300,000 cost increase will result from new fees and levies under Health Care Reform.

What are employers' Options:

- Pay a penalty of \$2,000 per employee per year and no longer provide medical coverage which is considered the least expensive.

Opting to continue medical benefits but evaluating and implementing:

- New Coverage Rules
- Decreasing benefits
- Adopting Consumer Driven Plan Designs that require employees to be more cost conscious in their health care purchasing decision (HRA's and HSA's)
- Adopting Plan Designs that place more financial responsibility on individuals who utilize more services

Employers are opting to adopt more aggressive Population Health Management Programs (Wellness Programs) to incentivize employees to take more responsibility for their own lifestyle choices:

- Tobacco Use
- Preventive Care
- Weight/BMI/Diet
- Cholesterol
- Triglycerides
- Blood Pressure
- Glucose
- Exercise

The County is making every attempt to keep Part-time employees' hours under 30 hours a week to avoid medical insurance funding.

Employers are evaluating all potential outsourcing opportunities for cost reductions and efficiencies and they are considering all medical program providers for their employee population.

The next step is to look at the cost/benefit analysis, a comprehensive review of total employee compensation (pay and benefits), develop recommendations and timeframe and to establish multi-year strategy to deal with increasing employee benefits' costs while continuing to provide a competitive benefit and salary package. The County also provides life insurance, vision and dental plans.

There was a brief discussion regarding self-funding pharmacy costs and the following items:

- Raising Deductibles
- No Spouse Coverage
- Opt Out

It was noted during the discussion that steps can be taken to “step up” the Wellness Programs. The most important step is smoking cessation. In 2013 there were 60 employees who quit smoking out of 200 that enrolled in the smoking cessation classes. Commissioner Eichelberger would like a smoke free campus. Mr. Miracle said that non-profits are going smoke free. Most hospitals have gone smoke free. Drug testing for tobacco use was also discussed. Another option discussed was to not hire smokers as County employees. These lifestyle-related habits as well as alcohol use and injuries while under the influence was another topic discussed.

Commissioner Cross mentioned that NACO offers a prescription plan.

The Finance Meeting scheduled for Wednesday, February 5, 2014 will focus on discussion regarding Agriculture and PFM Recommendations.

An Executive Session was held at 2:35 p.m.

Respectfully submitted,

Laurie J. Mazarella
Administrative Coordinator