

**Official Minutes of
MARION COUNTY
BOARD OF COUNTY COMMISSIONERS**

May 13, 2019

CALL TO ORDER:

The Marion County Board of County Commissioners met in a workshop session in Commission Chambers at 3:29 p.m. on Monday, May 13, 2019 at the Marion County Governmental Complex located in Ocala, Florida.

INTRODUCTION OF WORKSHOP BY CHAIRMAN KATHY BRYANT

Chairman Stone advised that the workshop was scheduled this afternoon to discuss Self Insurance.

PLEDGE OF ALLEGIANCE

The meeting opened with the Pledge of Allegiance to the Flag of our Country.

ROLL CALL

Upon roll call the following members were present: Chairman Michelle Stone, District 5; Vice Chairman David Moore, District 1; Commissioner Kathy Bryant, District 2; Commissioner Jeff Gold, District 3; and Commissioner Carl Zalak, District 4. Also present were County Attorney Matthew G. Minter and County Administrator Mounir Bouyounes.

STAFF PRESENTATION

Sheri Wiley, Risk and Benefits Manager

Risk and Benefits Manager Sheri Wiley presented a 1 page Agenda outline and a 9 page document containing 17 slides to follow along with the PowerPoint presentation. Ms. Wiley advised that in an effort to thoroughly evaluate the current costs and all options for future proposed health insurance costs a Request For Proposal (RFP) was issued to obtain both fully-insured and self-insured quotes; an actuarial feasibility study was conducted by Wakely Consulting Group; and an RFP was issued to obtain quotes for an on-site employee clinic.

Ms. Wiley stated the intention of the onsite clinic is not to replace a primary care physician, but to enhance the relationship with the primary care doctor and to provide services at a lower cost at the clinic than through the health plan. She advised that Marion County received a response from 3 companies as a result of the RFP; CareHere, Healthstat and Marathon Health, noting Healthstat was selected as the top responder. The estimated cost for the first year is approximately \$1,000,000 and the estimated return on investment (ROI) is 1:1 within 18 months.

Chairman Stone addressed the 1:1 guarantee within 18 months as noted on Slide 3 of the presentation and questioned if Healthstat would pay the deficit if it was not reached. Ms. Wiley advised that is something that can be addressed during negotiations if the Board decided to move forward with Healthstat.

In response to Commissioner Bryant, Ms. Wiley stated the costs after the first year are dependent on the services provided, but will probably increase. The RFP included basic type services that are needed to open a clinic rather than starting out large in the event that it is not utilized; therefore, the quotes requested are for basic services. She advised that part of the first year cost would be the facility, which was not included in the

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\$1,000,000 figure. Staff is recommending renovating an existing County owned building to save on the cost of a facility.

Commissioner Bryant questioned what basic services will be provided at the facility. Ms. Wiley stated the proposal includes one nurse practitioner for 40 hours and 1 medical assistant for 40 hours, as well as Healthstat would utilize a doctor to oversee the clinic along with other Healthstat clinics. She provided a brief overview of the basic primary care services that will be provided at the location.

In response to Commissioner Bryant, Ms. Wiley advised that services will be negotiated once the Board determines exactly what will take place at the clinic. She stated the response summary shows that x-rays would be an included service in year 2 unless negotiated otherwise.

Ms. Wiley stated the services that will be offered are very basic and will provide some of the wellness programs offered through Florida Blue. She advised that Healthstat does offer a wellness platform, which the County will have to expend funds on in the future.

In response to Commissioner Gold, Ms. Wiley advised that the County will provide the facility and equipment, as well as the maintenance of the facility and utilities. The supply quote included operational supplies and the top 30 generic drugs. She stated pre-employment exams are not included in the quote because it is already included in the current occupational contract with Jet Medical, noting the Physician's Assistant at the clinic today provides pre-employment physicals and drug screening.

Commissioner Gold questioned if stress tests would be provided at this location. Ms. Wiley advised that stress tests are completed by a separate provider and would not be available at the clinic.

In response to Commissioner Bryant, Ms. Wiley stated currently the employee health clinic provides primarily occupational services, which includes pre-employment physicals, pre-employment testing, random drug testing, and worker's compensation services. She advised that the proposed facility would offer personal services for employees and their families, noting the Board has the option to negotiate combined occupational and personal services going forward.

Ms. Wiley provided a brief overview of the responses received in regard to the RFP for both fully-insured and self-insured options. She advised that Florida Blue provided all of the same services included in the current plan and guaranteed a \$1,000,000 refund from the current pro-share agreement. The premium rate does not change with the fully-insured plan and the pro-share agreement will continue. Ms. Wiley stated If the County decides to move forward with self-insurance, the pro-share agreement will end, Florida Blue has agreed to honor the pro-share agreement through September, as well guarantee the \$1,000,000 refund.

Ms. Wiley advised that the Board will have to consider the amount of funds needed in Reserves for both plans, noting based on the current plan's experience the amount of Reserves required is approximately \$3,900,000.

Ms. Wiley addressed the cost comparison of a fully-insured plan versus a self-insured plan (slide 5).

In response to Commissioner Bryant, Ms. Wiley advised that the cost for the employee health clinic is not included in the self-insurance proposed costs.

William Taylor, Combined Insurance Service, Inc.

William Taylor, Combined Insurance Services, Inc. addressed the positives to switching to self-insurance, such as 2 percent (%) State premium tax savings; 3% to 10% carrier

margin savings; interest income off reserves held by the County; 80% of drug rebates passed on to the County; greater plan design flexibility; and the ability to incorporate innovative health promotion, disease management and care delivery models; as well as recognize immediate financial impact.

Commissioner Zalak questioned why the County was not realizing at least a minimum of 10% ROI on the self-insurance administrative cost. Mr. Taylor stated the County is setting projections of where the claims may be with the idea that the claims will come in lower and result in savings, noting the numbers are on the conservative side. He advised that if the Board considered actual and projected claims at the end of the process there will be a lower cost to the self-insurance.

Chairman Stone advised that some of the costs are unknown because there is not transparency between the insurance company and the County.

Mr. Taylor opined that based on numbers from the City of Ocala and comparing the group size the County will experience between \$800,000 and \$1,000,000 in savings from the rebates.

In response to Commissioner Bryant, Mr. Taylor advised that the drugs that Publix and other locations provide to customers for free are generally low cost or generic and would not qualify for a rebate.

Commissioner Bryant commented on current Legislation being discussed on the Federal level regarding prescription drugs and the affects it will have on rebates.

General discussion ensued.

Commissioner Gold questioned if the employees would receive any of the medication rebates or if it would come directly back to the County. Mr. Taylor advised that the drugs at the clinic are all generic in nature and would not be the types of drugs that will qualify for a rebate.

Mr. Taylor addressed reinsurance and how it will benefit the County regarding high individual claims.

In response to Commissioner Zalak, Mr. Taylor advised that the reinsurance cost breaks down to roughly \$73 per member per month, noting he will have to provide the over all numbers at a later time.

Mr. Taylor recommended creating a Claims Review Committee to provide an appeal process firewall and avoid the Commissioner's from approving or denying claims. The Committee would operate similar to the Insurance Committee currently in place.

Commissioner Bryant questioned if the Appeals Committee would be made up of County employees. Mr. Taylor advised that the Board would determine the make up of the committee.

In response to Commissioner Moore, Mr. Taylor stated a Health Insurance Portability and Accountability Act of 1996 (HIPAA) agreement would have to be signed by each member of the Committee and a policy would be put in place to address staff privacy.

Mr. Minter stated the insurance company's Appeals Committee contains people who are used to dealing with these types of claims day in and day out. He questioned if anyone from the County has comparable experience to deal with these issues. Mr. Taylor advised that the County will receive feedback from the carrier as to what is standard, why the claim is being denied and additional feedback and support.

In response to Mr. Minter, Mr. Taylor stated there are people on staff that have medical skills and could address the technical issues.

Ms. Wiley advised that from a Risk Management standpoint staff recommends following the insurance policy and not deviating from the that policy similar to what is done with the

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current self-insurance plans for Workers' Compensation, general liability and auto liability policies. The County has policies that determine what is and is not covered. She stated the Board would have the option to override the policy, but it is staff's recommendation to follow the policy.

Commissioner Gold out at 4:07 p.m.

Mr. Bouyounes questioned how the City of Ocala is addressing this issue. Mr. Taylor advised that the City of Ocala has a Review Committee for appeals and from there it goes before the insurance representative (himself). Mr. Taylor stated there is a process and policies in place that are followed, noting it does not always keep people from going before the City Council.

General discussion ensued.

Mr. Taylor advised that the Board will need to consider the long term commitment of all of the individual employers under the umbrella of the County's plan.

Chairman Stone advised that the Constitutional Officers are present today and were positive in moving the process forward.

Mr. Taylor stated if the County moves forward with self-insurance it is imperative that it also moves forward with an Employee Clinic. He opined that if something big is not done to bend the cost curve in a way greater than what Florida Blue can provide than the County should remain fully-insured.

Commissioner Gold returned at 4:10 p.m.

Mr. Taylor advised that self-funding is a change that takes place on the back end, noting the insurance card will still say Florida Blue, but instead of paying a premium to Florida Blue the County will pay an administrative service fee. He stated the agreement will be an administrative services only (ASO) contract. Florida Blue will perform the same administrative tasks as they do now. Self-funding is something that will be mainly handled between Risk Management and the Finance Department and is funding mechanism on the back end.

Mr. Taylor addressed the claims cost. He advised that self-funded is a long term approach to save the most amount of money in the most transparent way, noting there will be good and bad claim years.

Chairman Stone questioned if the Board could receive a list of denied claims in the past 3 years with the reason for denial included, as well as any claims that won on an appeal.

Mr. Taylor advised that he can provide those numbers at a later date.

Commissioner Bryant stated the proposed cost is a little misleading because it does not include the Employee Health Clinic. Mr. Taylor concurred. He advised that whether the County is self-insured or fully-insured there will be claim years that are really good and years that are not good. When they County is fully-insurance and there is a bad claim year it is dealt with at the end of the year when the carrier is considering the renewal rate. If the County becomes self-insured instead of issuing an RFP to the carriers to negotiate the premium staff would consult the Actuary and they will advised based on claims what funding is required.

In response to Commissioner Bryant, Mr. Taylor advised that the pro-share funds are not considered in the number provided.

Chairman Stone stated the County only receives pro-share funds every 3 years.

Commissioner Gold questioned if under today's plan would an employee be aware of a claim denial or would the doctor handle the appeals process. Mr. Taylor advised that as soon as the doctor is made aware the claim was denied they alert the patient. The appeals process depends on what is required by the carrier.

Alison Poole, Wakely Actuarial Consulting Group

Alison Poole, Wakely Actuarial Consulting Group, addressed Florida Statute (FS) 112.08, which allows government entities to self-fund certain employee benefits. She stated if the County was to begin a self-funded plan October 1, 2019, it would run 12 months and then Wakely Actuarial Consulting Group would reevaluate the plan. She advised that part of the actual filing requirements are to project 3 years and provided a brief overview of the 3 Reserve funding scenarios (slides 11 through 13).

Ms. Poole stated the stop loss insurance is approximately \$2,000,000 and the administrative costs are roughly \$1,500,000 for the first year of the plan.

In response to Commissioner Moore, Ms. Poole advised that claims are paid out at the same speed regardless of whether it is self-funded or fully-insured.

Ms. Poole continued providing an overview of the Reserve funding scenarios.

Commissioner Zalak questioned what the percentage increase will be for employees based on the current plan. Ms. Poole advised it will be approximately 4%, unless the Board decides to pick up the difference and not increase the cost to employees.

Ms. Poole advised that a Reserve of 60-days of claims in addition to a funded liability has been deemed a safe harbor surplus by Office of Insurance Regulations (OIR), but the 60-day claims surplus is not required to be accepted by the OIR as being in compliance with FS 112.08. or for an Actuary to certify the plan. The County does have to fund the liability amount. She stated as long as the County has a positive balance in the surplus the OIR will require a letter stating there is funds available that can be transferred if needed.

In response to Chairman Stone, Ms. Poole stated at the end of the 3 year period the County would need approximately \$4,700,000 and a separate Reserve for the claim liability in the amount of \$3,600,000.

Commissioner Zalak questioned if the liability funds are generated by the fees. Ms. Poole advised that the liability funds are generated by the income.

Ms. Wiley referred to slide 14 of the PowerPoint presentation which depicts the costs and revenue if the claims were lower by 20% or higher by 20% than predicted.

In response to Chairman Stone, Ms. Poole advised that an Actuary roughly 20 years ago decided 60 days' worth of claims was the amount needed and it never changed. She stated based on premium levels and the amount of time it will take for claims to be paid the County would bring in the surplus needed in the first couple of months, but eventually the funds would be utilized. The funds not utilized each month to pay expenses will be what is moved into the surplus.

Mr. Taylor provided a brief overview of how the County can build the Reserve over a 4 year period (slide 15).

Commissioner Bryant stated to move forward with self-insurance the County will have to have a \$27,500,000 premium, \$4,000,000 in Reserves, and \$1,000,000 for a Health Clinic. Mr. Taylor concurred, noting the County will have time to build up the Reserve amount.

Commissioner Moore questioned what are the long term savings with self-insurance. Mr. Taylor advised that he is unable to provide an estimated ROI on the Employee Health Clinic due to the many different scenarios that could take place.

Ms. Wiley stated staff recommends the transition to self-insurance once sufficient Reserves are accumulated over 4 years using a compounded 2% increase per year, with the caveat that every year the staff reviews the Actuarial claims experience and the insurance fund Reserve to determine the level of Reserve funding required. Also, staff recommends implementing the clinic as soon as feasibly possible to mitigate claims cost

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on the health insurance plan with the estimated cost of \$1,000,000 for the first year and set aside the \$1,000,000 pro-share refund for the health insurance Reserves.

BOARD DISCUSSION:

Chairman Stone advised that a meeting took place between today's presenters, staff, and Constitutional Officers, which resulted in the staff recommendation, noting this is a 4 year process to build towards self-insurance.

In response to Chairman Stone, Commissioner Bryant advised that there is no guarantee that self-insurance will be a cost savings to the County. She commented on the affect claims will have on premiums.

General discussion ensued.

Commissioner Gold questioned if the Constitutional Officers were in agreement with staff's recommendation. Chairman Stone advised they were in support of moving forward. Mr. Bouyounes advised that there is a lot of anxiety and concern about the Reserve, noting Clerk Ellspermann will not support anything unless there is a plan to fund the Reserve. He stated if the Board wants to move forward with self-insured than staff will need to begin planning to accommodate that decision. The Board will have to approve an annual budget for self-insurance.

Mr. Bouyounes advised that there are a lot of details the Board will have to consider when making their decision.

Commissioner Zalak questioned what the impact is the General Fund over the next 3 to 4 years. Mr. Bouyounes stated the \$3,900,000 previously discussed encompasses all funds and is not broken down to see exactly what is General Fund dollars, noting the proposed budget will include the 2%.

Commissioner Bryant commented on the challenges the Board is facing regarding the upcoming budget. She stated if the Board moved forward with self-insurance it will be a \$32,000,000 line item in the budget for the first year, which is for the premium, clinic and Reserves versus \$28,000,000 for the current fully-insured plan.

General discussion resumed.

Ms. Wiley advised that this item will need to be addressed on the June 4, 2019 Agenda for Board decision on whether to go fully-insured with a 2% increase or fully-insured without the increase. The increase would begin funding Reserves for self-insurance.

In response to Chairman Stone, Mr. Tomich advised that there is only 1 proposed budget, therefore the 2% increase will either be included or left out of the proposed budget. He stated staff can provide a report showing how much the line item will decrease by fund if it is included in the budget or how much the line item will increase each fund if not included.

Commissioner Zalak stated he is unable to see the overwhelming value of self-insurance and questioned if the County should be in the insurance business. He commented on the possibility of the County contracting with private sector to offer an Employee Clinic.

Commissioner Moore expressed concern with the uncertain long-term savings and benefits of self-insurance.

Commissioner Bryant stated claims will always be cyclical and in order to move forward with self-insurance the County will have to take on the added expense of the employee health clinic, as well as maintain \$4,000,000 in Reserves. She expressed concern with the increased costs associated with self-insurance, but expressed interest in discussions taking place regarding an Employee Clinic in the future.

Commissioner Gold opined that this is a hard decision and he would like to see it included in the budget.

Commissioner Moore questioned if the County could move forward with the Health Clinic if it stays fully-insured.

Ms. Wiley advised that there is nothing that stops the County from implementing an Employee Clinic, but there are additional costs associated with finding a facility and performing renovations. She noted without being self-insured the County will not have the transparency and ability to reap the true savings.

Chairman Stone advised that the Board could make the decision to place the \$1,000,000 pro-share refund in Reserves and not increase cost to employees this year.

Mr. Bouyounes staff's recommendation is for the \$1,000,000 to be placed in Reserves. General discussion resumed.

Mr. Tomich advised the County has separate categories of Reserve in the self-insurance fund. The health insurance portion of the net fund balance is a negative number by nearly \$1,000,000 and the pro-share refund replace those funds. He stated the \$1,000,000 will add to the total insurance fund balance. The restoration of that fund should accrue to other insurance categories but is not required.

In response to Chairman Stone, Ms. Wiley advised that the County currently self-insures the Workers' Compensation, Auto and General Liability Insurance, noting the County has self-insured those plans since roughly 1992.

Mr. Minter advised that for liability self-insurance there is a limited waiver of sovereign immunity, which is capped at \$200,000 and \$300,000. The County then purchases excess insurance to cover anything beyond those amounts. Ms. Wiley stated the County has \$1,000,000 policy on the excess and \$500,000 on Workers' Compensation.

It was the general consensus of the Board to place the \$1,000,000 pro-share refund into the Insurance Reserve Fund.

Mr. Tomich advised that the Insurance Reserve Fund was just shy of \$2,000,000 the previous year and will be approximately \$2,000,000 again this year, including the restoration of the \$1,000,000 from the pro-share refund. He stated the County is experiencing increases in all of the other insurance categories due to claims history and anticipation of higher cost in the coming years, as well as for the last several years the County has been able to charge less than what the expected cost because it was utilizing Reserves.

In response to Chairman Stone, Mr. Tomich advised that the County is not living off of Reserves in any other fund, but it is unclear what funds will be in Solid Waste Fund until it is known what will be returned to the County from FEMA. The County utilized \$30,000,000 for clean up and it has not received reimbursement. He stated the proposed rates for the upcoming year will put this on an even keel.

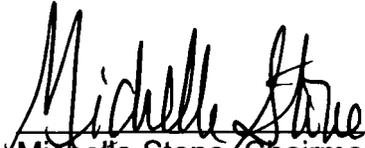
Mr. Bouyounes advised that the Board will decide during the June 4, 2019 meeting whether or not to go fully-insured with a 2% increase or fully-insured without the increase. It was the general consensus of the Board to move forward with the fully-insured option without a rate increase.

CLOSING COMMENTS:

Chairman Stone advised that the workshop has concluded.

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There being no further business to come before the Board, the meeting thereupon adjourned at 5:16 p.m.


Michelle Stone, Chairman

Attest:


David R. Ellspermann, Clerk