

JOINT FINANCE AND AUDIT AND  
HUMAN RESOURCES COMMITTEE  
McHenry County Administration Building  
667 Ware Road, Woodstock, IL 60098

MINUTES OF TUESDAY, APRIL 12, 2011

Finance and Audit Chairman Breeden called the Joint Committee meeting to order at 9:00 a.m. The following members were present: Finance and Audit Committee: Scott Breeden, Chairman; John Hammerand, Bob Bless and Mary Donner. Human Resources Committee: Marc Munaretto, Vice Chairman; Scott Breeden; Sue Draffkorn; Diane Evertsen; Barb Wheeler and Paula Yensen. Mary McCann arrived at 9:02 a.m. Tina Hill arrived at 9:04a.m. Jim Heisler arrived at 9:20a.m. Also in attendance: County Board Chairman, Ken Koehler; Pete Austin, County Administrator; Ralph Sarbaugh, Associate County Administrator-Finance; John Labaj, Deputy County Administrator; Bob Ivetic, Human Resources; Pat McNulty, Health Department; Tom Annarella, Valley Hi; Pam Palmer and Shannon Teresi, Auditor; and Cindy Kozlowski, Financial Analyst.

<u>Finance and Audit Committee</u>		<u>Human Resources Committee</u>	
Scott Breeden, Chairman		John Jung, Chairman	
Bob Bless	Mary L. Donner	Scott Breeden	Sue Draffkorn
John Hammerand	James Heisler	Diane Evertsen	Marc Munaretto
Tina Hill	Mary McCann	Barb Wheeler	Paula Yensen

PUBLIC COMMENT: None.

PRESENTATION

*Group Health Insurance:* Mr. Jim Cornelius, Principal and John Rowlette, Senior Consultant from Corporate Benefit Consultants, Inc. (CBC) joined committee members to provide a Plan Performance Update on the County's employee health benefits plan. Committee members reviewed the Plan Performance of 7-1-08 to 7-1-09, 7-1-09 to 7-1-10 and 7-1-10 to the current date. They will also review how the Affordable Care Act (ACA) will affect the County. Since CBC took over the County Accounts the County changed their funding arrangement from a "Fully Insured" Non-Refund Contract with Blue Cross/Blue Shield to a "Cost Plus Contract" effective July 1, 2007. This change has saved the County over \$1.5 million dollars. This savings has allowed the County to establish a "Reserve" for future claim obligations. Since CBC's involvement, Blue Cross/Blue Shield of Illinois has refunded McHenry County \$2,741,826 for claims that exceeded the Individual Stop Loss (ISL) level. The cost for this protection has been \$2,128,940 which resulted in a net gain of \$612,886. In addition, the County has received prescription rebates of approximately \$141,121 annually for the past four years. (the rebates are not available under Fully Insured contracts) CBC implemented a "Blind PPO Dental Network" on July 1, 2009 which will save the County over \$30,000 for the plan period through reduced administration fees. The County's plan year begins July 1<sup>st</sup>. Committee members were informed they would like adoption of the new rates during the evening meeting in May in order to get this pushed out to the employees in a timely manner. The County has been moved to a cost plus basis. They are still fully insured but now pay a fixed cost to pay the claims. These claims are paid from the bank account created. If you compared the premium cost minus what Blue Cross pays out the County would have a net gain of \$612,886. Mr. Cornelius stated they continue to work with Mr. Ivetic to adjust the prescription program. Education of the prescription program made people buy smarter. This resulted in decreased generic costs. The County continues to encourage generic utilization, which has done well for the County. Brand costs are three times the amount of generic. They continue to try to get employees to consider generic usage. They have taken small steps to lower costs for both the employee and employer. Increases to the prescription program have been done in small increments. These changes are done in small increments because of the union contracts. Committee members stated there should be a prescription decrease program for those prescriptions that do not offer a generic alternative. Committee members were informed that any part of the program can be changed, these are just the recommendations. HMO costs have increased since 2008. In the past PPO costs escalated up, now these rates are flat when compared to last year. This could result in a larger increase in the coming year. Committee members were informed that prescription costs range from 17-30% of the total medical claims. Committee members were informed that if the County had remained on a "Fully Insured" basis, the renewal increases would have averaged about 4.6% higher per year for the last four years. This has produced an annual savings of \$500,000 - 700,000 per year. McHenry County's experience has been generally good despite an aging workforce and the overall challenges from the recession. The County is well positioned to maintain a quality benefits program which will significantly benefit the employees of the County. Mr. Cornelius stated they will continue to make modest plan changes to mitigate renewal increases. They will offer Blue Advantage HMO (BA HMO) as an additional option to HMO Illinois, given Advocate's inclusion in BA HMO. They would like the County to consider a High/Low PPO by adding for example a \$750 deductible with an 80%/60% option as a cost savings alternative. They will further develop cost saving methods such as prior authorization and step care therapy to continue to manage the increases in the prescription program. They will also budget increased projected costs and update reserve requirements to roughly \$1.6 - \$1.7 million dollars. Mr. Cornelius reviewed some of the changes expected because of the Affordable Care Act (ACA). There have been eliminations to lifetime limits and restrictions on annual limits. There can no longer be limitations for pre-existing conditions on children. Rescission of health care coverage has been prohibited. They have extended coverage for children, on their parent's policy for up to age 26. They must report the value of the health insurance plans on the W2's beginning in 2012. Provide preventive care benefits, new plan disclosure with benefit

summaries and there will an excise tax charged on Cadillac plans. The ACA will also impact taxation of DME's, Pharma, Insurance Companies among others on cost of care. Committee members thanked Mr. Cornelius and Mr. Rowlette for their presentation.

Human Resources Committee members were reminded that a Resolution will be brought forward for consideration at their meeting in May. If there are additional questions, please let Mr. Ivetic know.

ADJOURNMENT:

Mr. Hammerand made a motion, seconded by Ms. Yensen, to adjourn the meeting at 9:49 a.m. The motion carried with all members present voting aye on a voice vote.

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**RECOMMENDED FOR BOARD ACTION:**

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