

INSURANCE ADVISORY BOARD MINUTES
City of Fort Lauderdale
100 North Andrews Avenue
8th Floor Conference Room
Wednesday, October 7, 2009– 8:00 a.m.

Board Members	Meeting Attendance	1/09 – 12/09	
		P	A
Joseph Cobo, Chair	P (arrived later)	8	2
Mark Schwartz, Vice Chair	P	9	1
Christopher Prestera	A	6	4
Joe Piechura, Sr.	P	7	3
Jim Drake	P (arrived later)	8	2
Charles Grimsley	P	8	2
Steve Botkin	P	5	1

Staff and Guest

Denny Stone, Employee Benefits Coordinator
Michael Walker, Procurement & Contracts Manager
Matthew Cobb, Risk Management Coordinator
Lloyd Rhodes, Benefit Consultant
Liza Morandi-Matricaria
Guy Hine, Risk Manager

As of this date, there are 7 members of this Board, and all 7 are appointed, which means that 4 would constitute a quorum.

Roll Call

The meeting was called to order by Vice Chair Mark Schwartz at approximately 8:00 a.m.

Communications to City Commission

Nothing to report.

Approval of Minutes – September 9, 2009

Motion made by Mr. Grimsley and seconded by Mr. Botkin to approve the minutes of the September 9, 2009 Board Meeting. Motion passed unanimously.

Unfinished Business

Mr. Stone stated there are two RFPs on the street at this time. One is for prescription drugs. In regard to the PBM, they are looking for a transparent and a traditional approach. They want to be able to audit and check the prices and discounts being provided.

A preliminary review of the prescription drug RFP would be provided to the Board for their input at the November meeting.

The second item is the RFP for voluntary benefits. There is a three-year contract with Aflac and Colonial Life. Since voluntary carriers currently provide organizations with benefit enrollment and Section 125 systems at a discounted rate, the City is going back into the marketplace to re-look at voluntary benefits.

Mr. Grimsley asked for a clarification of the systems. Mr. Stone explained they met with 1,000 employees during open enrollment last year and explained their benefits to them. Elections were available electronically although the resulting payroll changes had to be keyed manually. Section 125 refund transactions are currently entered as they are submitted by employees and total about 100 per month.

Guy Hine entered the meeting at this time.

Mr. Grimsley asked if this Board would be further involved in the process regarding the RFP since it goes to Commission before the Board's next meeting.

Mr. Stone stated a system needs to be put in place by November.

Mr. Hine stated it is up to the Board if they want to hold a special meeting.

Mr. Stone stated that a decision would be made by October 20, 2009. He asked if there had to be a public meeting or if a conference call could be scheduled. Mr. Hine stated he would check with the City Clerk's office regarding the issue.

Jim Drake entered the meeting at this time.

Mr. Hine summarized the discussion thus far for Mr. Drake.

Mr. Stone suggested Wednesday, October 21, 2009 for a special meeting. The Board agreed and further information would be provided to them.

New Business**Dental Plan Insurance Renewal**

MetLife purchased Safeguard one year ago, and has just come back to the City proposing a 31% increase for the City's PPO Dental Plan, and a 16% increase for the City's DHMO Dental Plan when their three-year contract expires (February 2010).. The City has decided to take this out for bid. Regarding the firefighters' dental plan, they are locked into a three-year contract with Guardian Life Insurance Company, and their contract will not be affected. The claims experience may warrant a slight increase. Miami

Dade recently replaced MetLife with Delta Dental, and had a 10% increase. MetLife stated that Safeguard under quoted the City's business. The new carrier needs to be in place by March 1, 2010.

Mr. Rhodes explained they recently did Miami Dade College, and it was a competitive process. He stated that the firefighters have a lesser benefit plan and are self-funded. These benefits would be richer.

Mr. Stone stated that MetLife has a huge South Florida network, but only 50% of the population in the PPO are using network dentists. About 70% of the firefighters are using Guardian. He stated they would re-look at this as they go out for bid. Networks would have to be looked at.

Mr. Grimsley asked about the cost comparison for employees between the two plans.

Mr. Rhodes stated the City plan has a higher premium due to the benefits.

Mr. Stone stated there could be a 25% to 30% difference in the financials since there are deductibles built into Levels I and II of the firefighters' plan.

Mr. Grimsley asked why there are two different plans. Mr. Rhodes explained it was due to bargaining. Mr. Stone stated the firefighters were part of a negotiated deal. Previously, the IAFF Trust Fund ran their own medical and dental plans. The same plans were kept, but they are saving \$2,000 to \$3,000 per year, per employee, on the medical premiums.

Mr. Botkin asked if there were penalties for not using the network. Mr. Rhodes explained it was a passive PPO meaning the dentists would file the claims and a discount would be provided. There is no benefit differential to incentivize participants to use network dentists other than discounted rates and no paperwork. Previously, he stated the City had no PPO, and it was a free-for-all indemnity plan.

Mr. Rhodes stated there are larger networks for the PPOs, and by offering a larger network they have more opportunity for dental services. Many of the services are for orthodontics which are not an ongoing lifetime thing.

Mr. Stone stated that dental is on the horizon, along with wellness. He stated that stop loss is also coming due, and they want to review that today. The other issue is AvMed. Their contract is ongoing and they were locked into a 5% increase for administrative charges for the past two years. A letter was just received from AvMed stating 2010 administrative rates would increase by 15%. Discussions have been ongoing with AvMed and AvMed has reduced the increase back to 5% for 2010.

Mr. Rhodes explained AvMed's logic for the 15% increase. He outlined a new program that was created by AvMed with Healthwise, an outside vendor, who reviewed all of the high-end diagnostic testing. They also wanted to charge for health risk assessments that are commonly included in fees from carriers. They now have included that at no extra charge.

Mr. Stone stated that 600 employees received biometric tests last year and got a health risk appraisal afterwards. Such charges would have been uncalled for.

Mr. Stone stated they want the Board's approval to move this forward to the Commission.

Mr. Grimsley asked what PEPM meant. Mr. Rhodes explained it meant per employee per month. There are 2,017 employees, and the gross cost currently is \$924,000 per year, including firefighters. Mr. Grimsley asked about the benefits derived from such an expense. Mr. Rhodes stated it was the claim discounts. When they started with the City in 2002, there was a \$13 million deficit. A recommendation was made for a managed care company so larger discounts could be obtained. AvMed responded to add an HMO option, and a subsequent RFP was done that added the POS option that basically took over the entire plan. AvMed's discounts have been significant. The savings adds up to the expenditure.

Mr. Stone stated that the City has experienced a trend of about 7% to 8%. This means the inflation of claims yearly, and is well below the industry rate of 10% to 11%. They attribute this to AvMed's discount program. AvMed is trying to improve on managed care.

Mr. Grimsley asked why there had to be an increase. Mr. Stone stated that 5% has been the increase for each of the past two years, and getting it back down to 5% from 15% was probably as good as they could get.

Motion made by Mr. Piechura and seconded by Mr. Botkin to recommend the 5% increase to the City Commission. Board unanimously approved.

Old/New Business

Stop Loss

Mr. Stone stated there is currently a cap of \$165,000 for stop loss. If an individual goes beyond that amount, there is an insurance carrier that takes care of the excess. The City averages about four big cases a year, and each claim could reach \$500,000. In 2009, the carrier is paying out more than what they are receiving from the City. The City pays the total claims and then receives reimbursements from the stop-loss carrier. They are presently at \$949,000 in reimbursements which is well above their premium. There have been five cases this year that went over the stop-loss cap. They are continuing, but slowing down, and there was one death.

Mr. Rhodes stated they have the renewals, but experience has to be updated through 10/31/09.

Mr. Stone stated they met with the underwriters at AvMed, and due to the five large claims they prepared for the worst scenario. Mr. Rhodes provided an overview of the analysis given to the Board. All proposals received are from A+ rated companies and have been checked out in regard to their financial status. The proposals include a laser of \$250,000. Currently, it is at \$225,000. Various scenarios were presented.

Mr. Rhodes stated they are suggesting a review of the history regarding the cap, and consider an increase in the stop loss level to \$200,000 for consideration with a proposal (Vista Companion #4 proposal) that calls for a slight increase in cost. If potential liability is include for the laser, it would increase by 4.67%.

Mr. Stone stated if they raise it from \$165,000 to \$200,000, each stop loss case would cost an additional \$35,000. Four to five cases are averaged a year, and that would cost roughly \$150,000. By increasing the stop-loss cap, they would be saving about \$190,000 in premiums.

Mr. Grimsley stated there are situations where costs could be lowered with the retention of additional risk. He agrees with the concept of retaining additional risk so money could be saved, but he feels this needs to be communicated to the Commission. This might not be the case, but is a dynamic of the insurance industry.

Motion made by Mr. Grimsley and seconded by Mr. Drake to increase the retention to \$200,000 pursuant to the Vista Companion #4 proposal, and for this recommendation to be forwarded to the City Commission. Board unanimously approved.

Mr. Rhodes stated if there are any changes made based on the disclosures through October 31st, the Board would be notified.

Mr. Cobo entered the meeting at this time.

Schedule Next Meeting

A special meeting of this Board would be held on October 21, 2009 at 8:00 a.m.

The regularly scheduled meeting would be on November 4, 2009 at 8:00 a.m.

Motion was made and seconded to adjourn the meeting. Board unanimously agreed.

There being no other business to come before the Board, the meeting was adjourned at approximately 8:50 a.m.

Respectfully submitted,

Margaret A. Muhl
Recording Secretary