

## **INSURANCE ADVISORY BOARD MINUTES**

**City of Fort Lauderdale**

**100 North Andrews Avenue**

**8<sup>th</sup> Floor Conference Room**

**Wednesday, November 4, 2009– 8:00 a.m.**

**1/09 – 12/09**

<b>Board Members</b>	<b>Meeting Attendance</b>	<b>Cumulative Attendance</b>	
		<b>P</b>	<b>A</b>
Joseph Cobo, Chair	P	9	2
Mark Schwartz, Vice Chair	P	10	1
Christopher Prestera	A	6	5
Joe Piechura, Sr.	P	8	3
Jim Drake	P	9	2
Charles Grimsley	P	9	2
Steve Botkin	P	6	1

### **Staff and Guest**

Michael Kinneer, Finance Director  
Denny Stone, Employee Benefits Coordinator  
Michael Walker, Procurement & Contracts Manager  
Lloyd Rhodes, Benefit Consultant  
Guy Hine, Risk Manager  
Matthew Cobb, Risk Management Coordinator

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 Chair Joseph Cobo at approximately 8:05 a.m.

### **Communications to City Commission**

Nothing to report.

### **Approval of Minutes – October 7, 2009**

**Motion** made by Mr. Botkin and seconded by Mr. Grimsley to approve the minutes of the October 7, 2009 Board Meeting. Motion passed unanimously.

### **Unfinished Business**

#### **Approval of the PBM Vendor Selection**

Mr. Stone advised they went out for bid for PBMs (Pharmacy Benefit Manager), and there were four firms responding. Three proposed both traditional and transparent or pass-thru models. He stated that he served on the Selection Committee, along with Ron

Weintraub, former Benefits Manager at Broward Schools, and Matthew Cobb. He stated that staff is recommending the low bidder, Express Scripts.

Lloyd Rhodes, the City's Benefit Consultant who conducted the analysis of the PBM responses, stated they notified a number of PBMs for this RFP, including organizations such as the Florida Healthcare Coalition, Pro-Care, Restat, CVS CareMart, MedCo, and Walgreen's.

One of the requirements in the RFP was that the PBM should be a licensed TPA. State Statute 112.08 states that the local government has the ability to self-insure, but professional administrators must be used. The Department of Financial Regulations states that PBMs need to be licensed in the State as a TPA. He referred to documentation provided to the Board showing the status of TPA licenses for each of the proposers.

Mr. Rhodes stated Catalyst filed eight months ago, and are working through the details. Normally, the State advises that it takes 60-90 days to get this. Envision is licensed as an insurance company in the State of Florida, but they have also filed as a TPA, and expectations are that it should not be a problem due to the requirements they have already gone through in getting licensed as an insurance company. Express Scripts is the only one that is clearly licensed. US Scripts was a partnership response who teamed up with First Service Administrators, a TPA out of Lakeland.

Mr. Rhodes further stated that BMC had been a TPA for the health plan in the past, but they ran into TPA problems with the Department of Financial Regulations who came down on BMC due to the fact they were not up-to-date on their licensing. There was also a requirement that the SAS 70 report had to be provided, which is a detailed accounting statement for the organization.

Mr. Stone explained that many of the PBMs subcontract some of their services. The SAS 70 is a report that examines their subcontractors.

Mr. Rhodes stated the Catalyst Rx proposal was deemed non-responsive because they did not respond with the required information related to pricing. The form provided was not all-inclusive and was incorrect, and therefore, disqualified Catalyst Rx.

Envision provided a transparent pricing proposal only. It is a company that has taken off in regard to transparency and sharing information. Express Scripts provided a traditional plan providing certain percentage discounts and fees. The only transparent segment of their pricing was for retail claims, and not the manufacturers' contracts for mail order drugs. Express Scripts stated that the Department of Defense was a client, and such mail order information was not even released to them because they consider it proprietary and confidential.

Mr. Stone stated that Express Scripts did one-half billion prescriptions per year, and was one of the largest PBMs in the Country. Mr. Rhodes stated they have 50 million members for which they adjudicate pharmacy claims.

Mr. Rhodes proceeded to run through some of the RFP questions they had asked. The original format consisted of 22 pages.

Mr. Schwartz asked if any local vendor had been given additional points for being local. Mr. Rhodes stated they had not. Mr. Stone stated that except for US Scripts, the proposers all had local representatives in the area.

Mr. Rhodes stated that in order to get a sense of pricing, they received actual claims experience from Catalyst for the period of 5/1/08 thru 4/30/09. The claims information included AWP costs, dispensing fees, and rebates produced on claims adjudicated at that time. They asked the companies to re-price each claim. No one knows what the net plan costs will be for next year, but it is representative of the pricing in place at this time. This is a common process in trying to obtain the pricing for the pharmacy.

Mr. Rhodes stated it boils down to what price is it worth to be totally transparent. Express Scripts is consistent with the percentage discounts, and is a large reputable company. Reference checks were done. Local clients include Broward College and Memorial Healthcare System. Envision has the discount card program in the State of Florida, and are a player. US Scripts is a partnership and their component pricing was not as attractive. It comes down to Express Scripts and Envision with Envision providing the most transparent program.

Mr. Grimsley asked what the bid amount represents. Mr. Rhodes explained they took the actual claims for a period of time, and asked for them to be re-priced. Mr. Walker stated there are 36,000 line items for various drugs that were identified. There is also the pricing they received which included all rebates discounts, and negotiated numbers between the drug companies and the providers. That information cannot be disclosed due to being trade secrets, and only the final numbers could be provided. Mr. Stone stated that the rates mean nothing unless one takes the actual history of last year, and runs the rates to provide the costs if they had the plan last year. There is a trend for next year, but they are not sure what the rates or the negotiated fees will be. There will be more scripts next year due to having the firefighters in the plan for a full 12 months of the plan.

Mr. Grimsley asked if they compared generic versus brand names. Mr. Stone confirmed. Mr. Grimsley asked what was the percentage of generic versus brand names. Mr. Rhodes explained that 57% was generic. They would like to see this expand to 62%.

Mr. Botkin asked what the rationale was in not using generic. Mr. Rhodes stated it involved a co-pay differential. The co-pay is \$10 for generic, \$20 for preferred names, and \$35 for non-preferred brand names. Mr. Stone explained that they are considering raising all the co-pays by \$5.00 for next year. He further stated if a generic is not taken, they could consider charging the employee the difference between the generic price and the real cost. Mr. Rhodes stated that these features have nothing to do with the actual PBM analysis because that could be done with any of the carriers. They can, however, introduce step-therapy that is something the plan does not include at this time.

Mr. Stone stated this is an issue that needs to be addressed moving forward.

Mr. Rhodes stated that for every 1% you increase generic utilization, you save 1% of prescription claims.

**Motion** made by Mr. Grimsley and seconded by Mr. Schwartz to accept Express Scripts traditional model as the selected low bid. The Board unanimously approved.

It was asked out of the 36,000 how many users were there. Mr. Rhodes stated he did not know because there were probably multiple users. They need to make sure it is clear in the recommendation to the Commission that the numbers are illustrative of the pricing model.

Mr. Stone stated that originally they had more details included, but then removed them for confidentiality purposes.

Mr. Rhodes stated that all costs related to the PBM RFP are self-contained in the health plan.

Mr. Walker stated in moving forward they may run up against legal's position and what the Commission desires. They are going with the best plan with the lowest cost to the City, but it may not be the most transparent. The City might prefer a more transparent plan, and might not agree to move forward with Express Scripts, but could use Envision because of their transparent plan.

### **New Business**

#### **Workers' Compensation Program Report**

Mr. Hine stated progress was made in 2009. He proceeded to provide some history of the program. Their peak for total incurred was reached in 2007 at \$40.3 million, and this year they are down by almost \$3 million, as compared to last year. This is an indicator of where they are going, rather than what they are actually paying out. They are hoping for a further reduction next year.

Mr. Hine discussed the claims inventory and explained that the City is down to the lowest number for inventory in the past six years. He would like to see the indemnity number even lower.

Mr. Hine feels that it is very difficult to be successful with workers' compensation files in litigation. They have implemented in the service instructions that no petitions could go to defense counsel without his approval. He showed the fees associated with litigation and how they increased up to 2007. He stated that there was a decrease in 2008 and 2009. He found some claims that should not have gone to litigation. He added that the cost for defending the claims is decreasing, and such costs are for outside counsel.

Mr. Grimsley asked the employee count being used for the comparison, and had it been stable. Mr. Hine explained it was stable, and would attempt to get those numbers for the Board.

Mr. Hine proceeded to show slides regarding the State's assessment which is not a large expense, but still a few hundred thousand dollars and a number that has been going down the last three years. This year the mod rate is down to 1.22. They are working on the drug free workplace credit which totals 5%.

Mr. Piechura asked if that was an NCCI mod, and was it calculated in the same way. Mr. Hine confirmed. Mr. Piechura stated the rate was cut by 60% during the last six years. Every time the workers' compensation rates are changed, the mod calculation becomes more difficult.

Rate comparison by occupation was shown. He proceeded to explain the information on the chart. He also explained the claims paid on the chart provided.

Mr. Grimsley asked where \$7 million of IBNRs came from. Mr. Hine stated he did not have that information, and had come to the City in late 2007. He explained they had the same actuary for 10 years. Money was saved in regard to liabilities. Mr. Grimsley stated it did not translate into higher paid claims.

Mr. Hine stated that in 2004 they had a \$1 million self-insured retention, and he proceeded to show a chart with that information. He stated that Arch Insurance does not calculate overtime. It was not unheard of, but slightly uncommon. He feels in the future they need to consider this when calculating the cost of insurance.

Mr. Schwartz asked if they are counting it as straight wages without time and a half. Mr. Hine stated it did not include overtime at all. He did not think there would be any audit premium for this year.

Subrogation recovery amounts were shown. Mr. Hine stated they were going to research these further. He added there had been some improvement over the years.

Excess recovery amounts have increased slightly in 2009. He expects the number to be off the chart in 2010 because they will settle some cases. In fiscal year 2010, they would like to address loss control. There will be a new broker as of December, and collaborative efforts will be gone over with other departments.

He stated they would review the dedicated adjustors with the TPA, and will work on the specifications. He stated the cost is more with dedicated adjustors. The indemnity adjustors work part-time on the City's account, and he would prefer they work full time. He feels the claim counts are high for the existing adjusters. He would like the new contract to reflect two dedicated adjustors. He explained how files were closed by the adjustors.

Most of the recovery from excess insurance cases are older files. He explained some of the cases pending.

Recovery of subrogation is moving in the right direction, and they would like to continue with these efforts.

They have budgeted for an upgrade to the Risk-Master system in connection with revamping the location codes concerning liability issues. They are working with the broker in this regard.

Mr. Piechura asked if Risk was keeping track of the claims by day. Mr. Hine stated they are tracking them by days of the week, and no specific patterns were being reflected.

Mr. Grimsley asked if structured settlements were being used. Mr. Hine confirmed. Mr. Grimsley asked if Gallagher Bassett had an SIU. Mr. Cobb stated that Global Options is their SIU, but a special fee is charged to the clients. It is then up to the clients to decide if they want to pay for them to investigate. Mr. Grimsley asked if it is accessible by the City. Mr. Hine believes that is something they could look into on a case-by-case basis. He would think that could be another available tool.

Mr. Schwartz asked about the average hourly rate for outside counsel. He feels the amount shown was high. Mr. Hine explained how some of the cases reflected costs. He provided examples of the some of the cases and settlements made.

### **Old/New Business**

None.

### **Schedule Next Meeting**

The regularly scheduled meeting would be on December 2, 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 9:00 a.m.

Respectfully submitted,

Margaret A. Muhl  
Recording Secretary