

**INSURANCE ADVISORY BOARD
100 NORTH ANDREWS AVENUE
8TH FLOOR CONFERENCE ROOM
FORT LAUDERDALE, FL 33301
WEDNESDAY, AUGUST 3, 2011 – 8:00 a.m.**

MEMBERS	ATTENDANCE	CUMULATIVE 1/11 – 12/11	
		PRESENT	ABSENT
Joseph Cobo, Chair	P	6	1
Mark Schwartz, Vice Chair	P	7	0
Joe Piechura, Sr.	P	5	2
Jim Drake	P	7	0
Charles Grimsley	P	6	1
Steve Botkin (arr. 8:06 a.m.)	P	5	2
Jonathan Macy	P	6	1

Staff

Guy Hine, Risk Manager
Matthew Cobb, Risk Management Coordinator
Mike Walker, Procurement & Contracts Manager
Lloyd Rhodes, Benefits Consultant
Dennis Stone, Employee Benefits Coordinator
Amanda Lebofsky, Prototype, Inc., Recording Secretary

Communications to City Commission

None.

1. Roll Call (including number of appointed members and quorum)

As of this date there were 7 appointed members to the Board, which means that 4 would constitute a quorum.

Chair Cobo called the meeting to order at 8:00 a.m. Roll was called and it was determined a quorum was present.

2. Approve Minutes of June 1, 2011

Motion by Mr. Grimsley, seconded by Vice Chair Schwartz, to approve the minutes of the June 1, 2011, meeting. In a voice vote, the motion passed unanimously.

3. Communications to City Commission

None.

4. Unfinished Business

- **Review of and motion to approve workers' compensation claims administration contract recommendation.**

Mr. Hine remarked that the process went much smoother than it did the previous year. Mr. Walker thanked Mr. Grimsley for his service on the Evaluation Committee. He said there were six proposers initially, and that number was reduced to three after the first scoring round. Those top three gave oral presentations. He remarked that all three were highly qualified, and the final recommendation was for Gallagher Bassett because they had "just a little bit more" than the others. He asked this Board for a motion to approve the recommendation of Gallagher Bassett Services, Inc. for the third party workers' compensation administration contract. Mr. Walker added it is a three-year contract.

Mr. Grimsley commented that since all three were excellent contenders, one effect of this rating process will be to encourage Gallagher Bassett Services to "stay on their A-game," as there are other companies who could step in. He noted they had provided excellent service in the past.

Mr. Hine remarked the contract is slightly more expensive this year due to the addition of the two dedicated indemnity adjusters. He thought this would pay off in the long run, even though it is a little more costly upfront. Mr. Hine added that the two adjusters was a requirement for all the bidders.

Motion by Mr. Grimsley, seconded by Mr. Peichura, to approve the recommendation of Gallagher Bassett Services Incorporated for the third party workers' compensation contract. In a voice vote, the motion passed unanimously.

Mr. Botkin arrived at 8:06 a.m.

- **Review of and motion to approve Health plan administration contract recommendation.**

Mr. Stone reported that they brought the carriers in before the RFP went out, sent out the RFP, and then brought the six finalists back for review by the Evaluation Committee made up of John Sherman, head of the Teamsters; Marilyn Swank, Secretary-Treasurer of the Federation (AFL-CIO); Matt Adams, Secretary-Treasurer of the Firefighters (IAFF); Joe Piechura, of the Insurance Advisory Board; and Rachel Maldonado, of the Risk Management Benefits staff.

Mr. Stone said that both CIGNA and Blue Cross were the low bids and came in very aggressively, but CIGNA ranked #1.

He said that the RFP process asked for both insured and self-funded quotes. The insured quote was approximately \$2.4M more expensive than our current program, so the Committee opted for the self-insured approach.

He noted prescription drug claims were not part of this process – it is a separate healthcare component which is about \$3.5M annually.

Mr. Rhodes commented that another factor in selecting the self-funded approach was that they received a five-year rate guarantee for administration costs. The RFP had asked for at least a two-year rate guarantee for the fully insured option, either fixed or with a cap, but they only received a one-year rate guarantee.

Mr. Stone directed the Board's attention to the far left column on the second page of his handout. He noted that the \$16.4M was the projected cost for claims and administration for the coming year under the projected re-pricing for the health plan. He explained they will only have it for nine months, as it goes into place beginning January 1. Therefore, they will save about \$1.3M. This will allow the City to avoid a rate increase for the City employees this year.

Mr. Rhodes explained that the re-pricing exercise was based on the previous 12 months of experience. They cannot guarantee "the savings," but can assume that the re-pricing that occurred based on the provider utilization in the last year will continue during the coming year. He was confident that the actuary did a good job. He also pointed out that they received eight proposals to the RFP, which is a large number compared to some other entities, and he credited staff with providing a clear explanation of what they were seeking in the RFP. He also complimented the Evaluation Committee for their excellence in scoring the bids.

Mr. Piechura remarked that the key to the process was the way the proposal was written – the proposers knew exactly what they should respond to. CIGNA and Blue Cross were neck-to-neck throughout the ratings and were positive towards the wellness aspect of the plan. He added that in the interviews, the incumbent company did nothing to win the business, and were actually ranked last.

Mr. Rhodes said that CIGNA also committed to providing an on-site, full time person to assist the City with the health plan servicing for the members. In addition, they offered \$75,000 for the annual wellness allowance, while the RFP only asked for \$50,000.

Mr. Stone mentioned that the guarantees the City requested are intriguing. CIGNA guaranteed that if 65% of the City employees participate in the wellness program, they will guarantee they will move any high-risk down to medium-risk, and medium-risk down to low-risk. If they do not do that in the first year, they will give the City \$1,100 for every employee participating in the wellness program that does not meet this objective. Mr. Stone said that this guarantee totals the \$1M CIGNA is charging for the program.

Mr. Hine followed up on Mr. Stone's previous comment about the employee rates by saying one of the suggestions staff made to the City Manager was that while they do not have rate increases for the employees, certain deductibles and co-pays should rise slightly to try to offset the potential increase next year.

Mr. Stone commented that they are looking to dip into approximately \$900,000 of surplus in the next year.

Motion by Mr. Piechura, seconded by Mr. Botkin, to approve the recommendation of CIGNA for the Health Plan Administration Contract. In a voice vote, the motion passed unanimously.

- **Review of and motion to approve workers' compensation insurance premium quote.**

Mr. Hine recalled that at the last meeting, the Board had given their support to not market the workers' compensation policy. He noted it had been marketed the prior year. Star Insurance Company came in substantially less than the competitors, and they were able to reduce the self-insured retention level from \$2M to \$1.5M across the board. The City has been with Star for the last year at \$324,000 plus a 1% mandatory Florida Hurricane Cat (Catastrophe) fee. This year the premium came in flat at \$324,000. The only difference was that the Cat fee is now 1.3%. He added that staff hopes to take it to the City Commission on September 7, 2011, with the Board's support.

Vice Chair Schwartz asked if the claims were profitable, and Mr. Hine said they did not get "hit" with anything. Mr. Hine added that the claims did not go as well as he would have liked, and he thought the carriers were not "opening up the checkbook" to get settlements. They are working on a few of the settlements at this time, and hoped to get several of those claims off the books. The total incurred was up slightly from last year, and claims inventory was similar.

Mr. Piechura pointed out that the standard market for workers' compensation had its first rate increase in six years or so and it was in the range of 6-7%. He thought it was a positive that the proposed premium had not increased.

Motion by Vice Chair Schwartz, seconded by Mr. Drake, to approve the workers' compensation insurance premium quote. In a voice vote, the motion passed unanimously.

5. New Business

None.

6. Open Discussion – Old/New Business

None.

7. Schedule Next Meeting – September 7, 2011

Chair Cobo announced the next meeting would be at 8:00 a.m. at the same location on the date above.

8. Adjourn

Hearing no further business, Chair Cobo adjourned the meeting at 8:20 a.m.

[Minutes prepared by J. Rubin, Prototype, Inc.]