

**INSURANCE ADVISORY BOARD
100 NORTH ANDREWS AVENUE
8TH FLOOR CONFERENCE ROOM
FORT LAUDERDALE, FL 33301
WEDNESDAY, DECEMBER 7, 2011, 2011 – 8:00 a.m.**

MEMBERS	ATTENDANCE	CUMULATIVE	
		PRESENT	ABSENT
Joseph Cobo, Chair	A	9	2
Mark Schwartz, Vice Chair	P	11	0
Joe Piechura, Sr.	A	8	3
Jim Drake	P	11	0
Charles Grimsley	P	10	1
Steve Botkin	P	9	2
Jonathan Macy	A	9	2

Staff

Guy Hine, Risk Manager
Matthew Cobb, Risk Management Coordinator
Dennis Stone, Employee Benefits Coordinator
Lloyd Rhodes, Benefits Consultant
Mike Walker, Procurement & Contracts Manager
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.

Vice Chair Schwartz called the meeting to order at 8:05 a.m. Roll was called and it was determined a quorum was present.

2. Approve Minutes of November 2, 2011

Motion by Mr. Grimsley, seconded by Mr. Botkin, to approve the minutes of the November 2, 2011, meeting. In a voice vote, the motion passed unanimously.

3. Communications to City Commission

None.

4. Unfinished Business

- **Update on open enrollment and wellness activities**

Mr. Stone directed the Board's attention to charts showing that approximately 950 employees used the new self-service electronic enrollment system, which is about half of the total number of employees. Since the Benefit Open Enrollment was voluntary, this was a good utilization of the system.

Mr. Stone reported that 29 new domestic partners will be added to the insurance rolls this year. Approximately 750-800 dependents were verified with 2/3rds of the employee dependents now backed up with paperwork. This week the City is distributing statements to all employees confirming the choices they made during open enrollment. The notice will also remind them that they have to re-verify dependents with birth certificates or marriage licenses in the next 60 days.

Mr. Stone was happy that employees did read the materials and saw that in-patient potential hospitalization liability went up to \$2500 from \$900. Approximately 117 employees concerned about their hospital liability bought GAP policies from Allstate.

Mr. Stone said that U.S. Legal was another popular voluntary product. He said they have approximately \$1.4M in employee premiums collected annually for voluntary products with U.S. Legal, Aflac, Allstate, and Colonial.

Mr. Stone said they will be going out to bid for term life insurance in the spring, and the City did not have guaranteed issue for coverages this year. He said that management employees get \$10,000 of term life insurance free of charge. Teamsters, firefighters and management employees spend approximately \$240K in annual voluntary premiums for group term life.

Mr. Stone said that employees contribute approximately \$560,000 to the Section 125 Spending Accounts, and that has been increasing dramatically every year. However, an early retirement window was just passed by the City Commission, and there will be a drop-off in participation in Section 125 from those participating in this early retirement window.

Mr. Stone commented that approximately 900 wellness screenings were done by lab technicians from CIGNA, Florida Heart and Concentra. After their biometric testing, employees attended one-on-one counseling sessions. Beginning January 1, there will be cooking and nutrition classes to help promote healthier eating. Mr. Stone also mentioned that the vending machines will be stocking healthier food beginning in January.

- **Update on the negotiation/marketing of the property policy**

Mr. Hine reported that he had spoken to the City's contracted agent on the status of the property policy. The City's agent and the wholesale agent have found the underwriters have not been receptive to an early renewal, possibly due to lack of time or interest. Mr. Florez (City's agent) and Mr. Pearson (wholesale agent) are both recommending that the City does not renew on the 2/1 date this year. If the City goes with the 4/1, it will give them more time to look into a separate policy for the garages and stadium. Mr. Hine said he heard of a separate program through a Bermuda based insurer that handles the high exposure type of properties, and forwarded that information to Mr. Florez and Mr. Pearson.

Mr. Hine said the agents recommend going with the ten-month policy this coming year so that the City can renew on the 2/1 date for next year. He explained that there are a lot of companies that renew on 4/1, and this would give the underwriters more time to review the City's exposures. He therefore proposed that the Board recommend going back to the 4/1 renewal and going with the ten-month policy. He said the premium for 4/1 would come to the first City Commission meeting in March.

Motion by Mr. Grimsley, seconded by Mr. Botkin, that in terms of the negotiation of the property policy, that the City goes to a 4/1 renewal, pursue in terms of a ten-month policy, and explore thereafter moving into a 2/1 renewal date. In a voice vote, the motion passed unanimously.

- **Update on PBM and transition from ESI to CIGNA**

Mr. Stone said that at the evaluation meeting which was held following the October Board meeting, CIGNA came in first place. He said one of the reasons CIGNA won the RFP process was because they had a more complete network of pharmacies, including Walgreen's. Express Scripts came in second. The recommendation was taken to the City Commission and passed, with the current Express Scripts contract being terminated as of December 31, 2011. He noted that Express Scripts has still not settled their contract with Walgreen's.

Mr. Stone reported that the City is re-verifying with employees what is going to happen in December regarding moving their prescriptions from one carrier to another. Mr. Rhodes has been helping smooth that transition. Employee questions relate to how they can transfer over, where they can get prescriptions, how and with whom they get mail orders, and the cost of prescriptions.

Mr. Stone mentioned that one of the issues that came up with CIGNA is that their formulary/brand name drugs are not as close to the formulary drugs/brand name drugs at ESI (Express Scripts). He noted that CIGNA will keep the rates the same for 60 days, and will send letters to all employees with their brand name drug information so that they can talk to their doctors about their prescriptions. He said about 1,800 people now are paying \$45 for a drug but will soon pay \$30, and about 2,300 who are now

paying \$30 for a drug will move to non-formulary and pay \$45. Mr. Rhodes said that a good example of a currently preferred brand is Crestor, and the favored alternative is Lipitor. People who are on Crestor will be grandfathered in to give them time to change drugs to minimize the cost. He said that getting people into the new formulary is one of their biggest challenges.

Mr. Stone remarked that they foresee about 2/3rds of the employees who are being forced to move to new drugs will actually move to a lower co-pay. He said that was the only downside to CIGNA, and it was mentioned in the CAR (Commission Agenda Report) that went to the City Commission.

5. New Business

- None.

6. Open Discussion – Old/New Business

Mr. Hine said they have some of the figures in for FY2011, and mentioned that overall Health (including money contributed to Police) was down from FY2010 (\$26M) to this year (\$24.8M). The P&C side went up somewhat; some of that was due to the GL claims (Palazzo litigation was settled at \$475K). In addition, the statutory cap on claims went up from \$100K per person/\$200K per occurrence to \$200K per person/\$300K per occurrence.

Mr. Hine continued that Workers' Comp was down. He said the total incurred is up, not substantially over the past year - but the previous year was up significantly over the year before. He was concerned that, unless they reduced the total incurred, next year there would be increased claim charges from the actuary. As far as the actuary goes, getting the cases off the books would be a good thing, even though paying the money out will "hit the numbers." He said the claims portion was at \$3.35M, the lowest in many years. He projected the next year to be at least \$4M to \$5M.

Mr. Hine expected Liability to do better next year. He brought up the old incinerator claims that had been in litigation for a number of years. The expense money on some of the claims was previously being paid out of Public Works, and is now transferred to Risk. He said that the previous year, they paid \$438K in General Liability and this year was \$2.3M. They believe that particular claim is a major reason for the increase, because the actuary had asked a number of questions about it. However, they did well with the Police Liability, where they actually saved money from the actuary's results.

Overall, Mr. Hine said Workers' Comp did better than expected, but Liability not as well compared to last year. He thought next year they would be in the same "general vicinity" as the last two years. He referred to a chart which showed that FY2006, FY2007, and FY2008 were about \$15M each; FY2009 was \$11M; FY2010 was \$8.8M; and the last year (FY2011), \$9.5M.

Mr. Hine addressed operational expenses, noting that two years ago (FY2010) was \$1.9M, and had been steadily increasing. Part of the reason was the Riskmaster system upgrade (which was \$60K for installation plus \$20K per year for maintenance) in P&C, and there were also system enhancements on the Health side. He noted that FY2011 operating expenses were down to \$1.6M.

Mr. Hine expressed concern about pending staff cuts, because he thought that would cause their claims expenses to go back up.

Mr. Rhodes recalled that in 2000, when the self-funded plan was started, it was started with a bare bones staff and a Risk Manager who did not have any Health plan experience in design or administration. The City quickly learned that experienced staff is imperative with self-funding. The recent RFP process asking for quotes on fully insured plans validated the City's decision to self-fund, and the process works well now. He advised the City to remember those lessons and to continue in the direction they are now going.

Mr. Hine explained that the pass-through figures for the voluntary benefits were not included in the overall health cost (\$24.8M). He said it was not included because it was money spent by employees, not by the City. Historically, these voluntary benefits have increased from \$305K in annual premiums in FY2006 to more than \$1.9M in FY2011. This indicates the interest that employees have in these coverages, like GAP insurance and disability, and demonstrates that the employees understand how important it is to protect (insure) themselves. He said they may be bringing in the Florida Pre-Paid Tuition program next year, adding that having the proper staff is critical in administering these types of programs.

Mr. Grimsley noted it is good to have an overall stable cost, but Health expenditures have gone up 38% (7.7% per year). If it were not for the Property and Casualty decline of 40%, the overall costs would have gone up. He thought that the Health costs needed to be monitored on an ongoing basis to avoid a repetition of those increases for the next five years.

Mr. Hine suggested that Health costs were at the national average, or maybe under, and mentioned that some of the features they put in place during the past year, to help curb these increases, were with the support of the Board.

Mr. Stone said he had a conversation with the actuary and discussed projections for the next three years. He said projections nationally are at 10.6%, and the City is projecting about 7.9%. Mr. Rhodes commented that the actual change from the previous year to this fiscal year was about 5%. He suggested that the 38% is definitely in the "average" range, and that is why consumer-driven plans are being adopted by employers. He said that the new plans being offered by the City are helping to mitigate the trend, noting it could have been "far worse."

Mr. Stone acknowledged that the City has a “very rich plan,” and they are looking at higher co-pays, deductibles, and co-insurance as they go forward.

Mr. Hine remarked that many employers now are considering wellness plans and looking at employee habits. He said that he and Mr. Stone have formed a task force to discuss employee bonuses/incentives to help curb Health costs.

Mr. Rhodes reminded the Board that the City’s arrangement on this particular plan is based on a defined contribution from bargaining groups, who contribute a certain amount per month per employee. Based on this philosophy, he noted that the impact of the trend in claims is not really hitting the City per se, it is hitting the employees.

Mr. Stone said that he had read an article about Baptist Memorial, a “driving force” in South Florida for wellness, noting they had a 7% trend. He thought 7% was a good number for the City.

Mr. Hine said they will go over the numbers in more detail next month.

Mr. Stone mentioned that when some wellness factors are added, such as free mammograms and colonoscopies, that there is an increase in costs.

Mr. Botkin was curious if any additional benefits were driven by the federal government. Mr. Rhodes said yes, and cited unfunded mandates including preventive measures such as cost sharing for colonoscopies and preventive screenings, waivers of pre-existing conditions on children up to age 19, and a change in the definition of dependents up to age 26. The State of Florida expanded dependent coverage for ages 26-30. Mr. Stone said they have 75-80 new dependents due to these mandates.

7. Schedule Next Meeting – January 4, 2012

8. Adjourn

Motion by Mr. Botkin, seconded by Mr. Grimsley, to adjourn the meeting at 8.47 a.m. Hearing no objection, the meeting was adjourned by Vice Chair Schwartz.

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