

**AUDIT/BIDS/INSURANCE COMMITTEE MEETING
TUESDAY, MAY 1, 2018**

The Audit/Bids/Insurance Committee met on Tuesday, May 1, 2018 at 5:45 p.m. in the Council Conference Room, 2nd Floor City Hall, Gastonia, North Carolina.

PRESENT: Chairman Dave Kirlin
Councilman Robert Kellogg

ABSENT: Councilman Jim Gallagher

GUESTS: None

STAFF: Mr. Todd Carpenter, Deputy City Manager
Ms. Melody Braddy, Assistant City Manager
Ms. Crystal Certain, Director of Financial Services
Ms. Judy Smith, Assistant Director of Human Resources

Chairman Kirlin opened the meeting and thanked everyone for coming.

ITEM 2.A: CITY INSURANCE RENEWALS:

Chairman Kirlin recognized Mr. Todd Carpenter, Assistant City Manager, for staff presentation. Mr. Carpenter presented the following items:

1) Health Insurance Claims Administration

The City's health insurance is currently self-funded, with Blue Cross Blue Shield of North Carolina serving as the Plan Administrator. The current administration rate is \$25.40 per policy per month which equates to an annual premium of approximately \$295,000. On February 1, 2018, the City of Gastonia entered into a seventeen month service agreement with Mark III at a cost of \$25,500. Mark III is an insurance broker and works with many municipalities in North Carolina as their advocate for better pricing and services for health related insurances. Mark III is reviewing the City's employee benefit insurances and making recommendations for improvements as needed.

In reviewing the Blue Cross Administrative Services Agreement, Mark III is recommending a move away from our current 'performance based pricing model' and entering into a more 'transparent model', whereby the majority of the costs are reflected in the administrative rate.

A 'performance based pricing model' provides for a lower administrative cost per employee while allowing Blue Cross to retain 4% of the network savings on each claim.

The 'transparent model' will increase the administrative services rate from \$25.40 per employee per month to \$29.80 per employee per month. This will increase the administrative

services line item and eliminate the 4% performance based charge that was being paid on each claim. The expected savings will be \$166,500.

For FY 2018, the health insurance claims were projected to be approximately \$7,264,000. To date we have paid \$6,255,274 for health insurance claims. Staff is recommending a 7 percent increase in our claims budget for FY 2019. This equates to a total of \$7,772,480 and is a difference of \$508,480 over our current budget. The market trend for claims is an increase of approximately 8%.

Staff recommends renewing the health insurance claims administration with Blue Cross Blue Shield of NC this year. Staff also recommends increasing the City's portion of the premiums to fund the increase in claims. Staff does not recommend any changes to the premiums employees pay for dependent coverage.

Mayor Pro Tem Kirlin suggested that staff keep a conversation going on the variable insurance premium options for future to help defray the overall cost.

Committee Recommendation: The Committee voted unanimously (2-0) to renew the health insurance claims administration with Blue Cross Blue Shield of NC and to increase the City's portion of the premiums to fund the increase in claims.

Necessary Council Action: Accept or reject the Committee's recommendation.

2) Wellness Program

In February 2017, the City entered into a 2 year agreement with Caromont to oversee the City's wellness program. The program includes biometric screenings, lunch and learns, incentives, and a full-time Wellness Coordinator. The program kicked off in July 2017. The annual cost for the Wellness Program is \$135,695.

Funds were added in the FY 2019 budget to cover the wellness program.

Committee Recommendation: This item was presented for informational purposes at this time.

Necessary Council Action: No action required.

3) Stop Loss Coverage for Health Insurance

The City's stop loss insurance is currently with Gerber through SA Benefit Services. The current deductible is \$175,000 with a \$20,000 aggregated specific deductible. The current premium is \$14.05 per month for each individual policy and \$35.48 per month for each policy with dependent coverage which equates to approximately \$246,000 annually. Staff solicits proposals for Stop Loss Coverage annually. SA Benefits/Gerber submitted the lowest proposal.

The proposed premiums are \$14.37 per month for each individual policy and \$36.19 per month for each policy with dependent coverage. This equates to approximately \$251,500 annually. This is a 2.13% increase in the renewal rates, equating to an annual increase of approximately \$5,500.

Staff recommends renewing the contract for the stop loss coverage with SA Benefit Services/Gerber.

Committee Recommendation: The Committee voted unanimously (2-0) to approve as recommended.

Necessary Council Action: Accept or reject the Committee's recommendation.

4) Health Savings Account

In July 2017 the City provided a \$750 payment into the Health Savings Accounts of all eligible employees and retirees covered by the City's health insurance program. Employees not eligible for a federally designated HSA also received the same dollar amount. The projected cost of this program for FY 2018 was \$700,000 plus \$3,500 respectively. The projected cost for FY 2019 remains the same.

Staff is not recommending any changes to this benefit. Eligible employees and retirees will receive a \$750 contribution to their HSA the first pay period in July 2018. Employees not eligible for a federally designated HSA would get the same dollar amount in their check.

Committee Recommendation: The Committee voted unanimously (2-0) to give eligible employees and retirees a \$750 contribution into their HSA account during the first pay period in July 2018. Employees not eligible for a federally designated HSA would get the same dollar amount.

Necessary Council Action: Accept or reject the Committee's recommendation.

5) Stipend for Employees/Retirees who Waive Coverage

Eligible employees and retirees who waive the City's health insurance coverage receive a stipend of \$1,000. The projected cost for FY 2019 is \$35,000.

Staff does not recommend any changes to this benefit. Staff recommends the payment be broken into two payments of \$500 and issued in July 2018 and January 2019.

Committee Recommendation: The Committee voted unanimously (2-0) for eligible employees and retirees, that waive the health insurance program offered by the City, to receive a \$1,000 stipend again in FY 2019. Staff recommends the payment be broken into two payments of \$500 and issued in July 2018 and January 2019.

Necessary Council Action: Accept or reject the Committee's recommendation.

6) Dental Insurance Claims Administration

The City's dental insurance is currently self-funded, with Delta Dental of North Carolina serving as the Plan Administrator. In July 2016, the City entered into a three year contract with Delta Dental of North Carolina. The administrative fee is \$2.99 per policy per month. The total annual premium is approximately \$28,560.50. In previous years claims have exceeded the budget. We have been able to cover the additional expense with the account's reserves. We have exhausted the reserves in the dental account.

Staff recommends continuing the self-funded dental plan and continuing to utilize Delta Dental of North Carolina as the Plan Administrator. Staff recommends raising the City's cost per employee from \$9.91 per month to \$11.80 per month. This would increase the dental account by \$20,000 and would cover the increase cost of dental claims.

Committee Recommendation: The Committee voted unanimously (2-0) to continue the self-funded dental plan and continue to utilize Delta Dental of North Carolina as the Plan Administrator and to increase the City's cost per employee from \$9.91 per month to \$11.80 per month.

Necessary Council Action: Accept or reject the Committee's recommendation.

7) Employee Health Clinic

The Employee Health Clinic is currently operated by Carolinas HealthCare System. The City signed a 3 year contract with Carolinas Healthcare on July 1, 2017. The contract includes an annual increase of 3 percent for the Physician Assistant's salary. There is no increase in the charges for the labs or supplies. The cost for FY 2019 will be \$168,000 clinic and \$38,914 supplies and labs.

Retirees are not currently eligible to visit our clinic. We have approximately 206 retirees that could take advantage of this benefit. Staff capacity exists and the additional costs needed for supplies would be nominal. Cost to expand the clinic for retirees is estimated to be between \$1,500 and \$2,000.

Staff is not recommending a change to our clinic provider. Staff is recommending expansion of the clinic to include retirees who are covered by the City's health insurance.

Committee Recommendation: The Committee voted unanimously (2-0) to continue the contract for the Employee Health Clinic with Carolinas HealthCare System and to expand the clinic to include retirees covered by the City's health insurance.

Necessary Council Action: Accept or reject the Committee's recommendation.

8) Employee Assistance Program (EAP)

The current EAP is provided through McLaughlin Young. Their renewal reflects no change in premiums. The current premium is based on utilization. We anticipate the total cost to be \$20,000 for FY 2019.

Staff recommends renewing the contract for the Employee Assistance Program with McLaughlin Young.

The Committee suggested that this benefit be promoted using posters, employee newsletter, etc.

Committee Recommendation: The Committee voted unanimously (2-0) to renew the contract for the Employee Assistance Program with McLaughlin Young.

Necessary Council Action: Accept or reject the Committee's recommendation.

9) Life Insurance

The City provides life insurance for all employees at a level of one times their annual salary, with a limit of \$150,000 for full-time employees and \$20,000 for retirees. Life insurance is currently with UNUM through Employee Benefit Advisors. We have one year left on the current contract. The premium remains the same for FY 2019 and is .48/\$1,000 for life insurance and .03/\$1,000 for AD&D coverage. This equates to approximately \$299,901 per year.

Staff is recommending no changes to our current contract.

Committee Recommendation: The Committee voted unanimously (2-0) with staff's recommendation to make no changes to our current contract with UNUM.

Necessary Council Action: Accept or reject the Committee's recommendation.

10) Supplemental Insurance

On July 1, 2017, the City signed a three year contract for supplemental benefits with Pierce Group Benefits. This benefit is voluntary and paid by employees who select the coverage. There will be no rate changes for FY 2019.

Staff does not recommend making any changes to the supplemental benefits at this time.

Committee Recommendation: The Committee voted unanimously (2-0) with the recommendation by staff to make no changes to the supplemental benefits and continue our program with Pierce Group Benefits.

Necessary Council Action: Accept or reject the Committee's recommendation.

11) Property and Liability Insurance

The City's property and liability insurance is currently with Lloyds of London and Lexington Insurance through Watson Insurance. The deductibles for the property and liability coverages are: \$50,000 on the Property, Inland Marine, Employee Benefits, Comp/Collision and Crime Coverage and \$100,000 on the General Liability, Auto Liability, Law Enforcement, and Public Officials. The current premium is \$526,707. Staff received a proposal of \$510,429 from the NC League of Municipalities. The NC League proposal is 3% (\$16,278) less than our current policy. The League's proposal includes claims administration and eliminates the need for a separate \$30,000 contract for this service. Watson Insurance's proposal came in at \$538,000.

Staff's recommendation is to use NC League of Municipalities for property and liability insurance.

Committee Recommendation: The Committee voted unanimously (2-0) to place the coverage with NC League of Municipalities.

Necessary Council Action: Accept or reject the Committee's recommendation.

12) Workers Compensation Excess Liability Insurance

The City's workers compensation excess liability insurance is currently with Safety National through AJ Gallagher. The current self-insurance retention is \$600,000 per claim. The current premium is \$140,293. AJ Gallagher's renewal reflects an annual premium of \$145,408, which is an increase of \$5,115 or 3.6%.

Staff recommends using AJ Gallagher to renew workers compensation coverage with Safety National.

Committee Recommendation: The Committee voted unanimously (2-0) to use AJ Gallagher to renew workers compensation coverage with Safety National.

Necessary Council Action: Accept or reject the Committee's recommendation.

13) Claims Administration

The City currently has an agreement with the NC League of Municipalities to handle the City of Gastonia's property and liability claims and the workers compensation claims.

The current cost of claims administration for the property and liability claims is approximately \$30,000 annually. The cost per claim varies from \$78 for notification only to \$870 for large sewer back up claims. The NC League of Municipalities' renewal reflects a 0% increase.

The current cost of claims administration for the workers compensation claims is approximately \$25,000. The cost per claim is \$190 for a medical only claim and \$1,195 per lost time claim, with a minimum annual premium of \$25,000. The NC League of Municipalities' renewal reflects an increase in cost per claim that varies from \$198 for a medical only claim to a \$1,200 per lost time claim, with a minimum annual premium of \$25,000. Although the price per claim increased slightly, we do not expect to exceed the minimum premium of \$25,000 and therefore expect no change in premiums for FY 2019.

Staff recommends renewing the contract for the claims administration for workers compensation with the NC League of Municipalities.

Committee Recommendation: The Committee voted unanimously (2-0) to renew the contract for the claims administration for workers compensation with the NC League of Municipalities and to not renew the property and liability claims administration contract because it is included in the League's P&L insurance proposal.

Necessary Council Action: Accept or reject the Committee's recommendation.

14) Airport Liability

The City's airport insurance is currently with Phoenix Aviation through USI. The premium for FY 2018 is \$6,100. The renewal from USI reflects a rate of \$6,444. This is an increase of \$344 or 5.6%. There has been no increase in premiums since 2013.

Staff recommends using USI to renew the airport liability insurance with Phoenix Aviation.

Committee Recommendation: The Committee voted unanimously (2-0) to use USI to renew the airport liability insurance with Phoenix Aviation.

Necessary Council Action: Accept or reject the Committee's recommendation.

ITEM 2.B: BUDGET AMENDMENT AND FUND BALANCE APPROPRIATION TO THE HEALTH SELF-INSURANCE FUND

Chairman Kirlin recognized Mr. Todd Carpenter, Assistant City Manager, for staff presentation. Mr. Carpenter presented a budget amendment to transfer an additional \$1,780,557 to the Health Self-Insurance Fund to cover anticipated health claims for the remainder of the fiscal

year. \$1,000,000 is transferred from the following funds: General Fund (\$683,648), Water/Sewer (\$143,365), Electric Fund (\$50,948), Transit Fund (\$23,697), Solid Waste Fund (\$46,209), Stormwater Fund (\$8,294), Community Development Block Grant Fund (\$2,370), Home Investment Trust Fund (\$1,185), and the Technology Services Internal Services Fund (\$40,284). The remaining \$780,557 is being appropriated from the Health Self-Insurance Fund balance.

Committee Recommendation: The Committee voted unanimously (2-0) to recommend approval of the budget amendment and fund balance appropriation as presented.

Necessary Council Action: Accept or reject the Committee's recommendation.

With no other items to discuss, the meeting was adjourned at 7:05 p.m.