

**AUDIT/BIDS/INSURANCE COMMITTEE MEETING
TUESDAY, MAY 16, 2019**

The Audit/Bids/Insurance Committee met on Tuesday, May 16, 2019 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. Judy Smith, 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, Deputy City Manager, for staff presentation. Mr. Carpenter presented the following items:

1) Health Insurance Broker

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 has been reviewing the City's employee benefit insurances and making recommendations for improvements as needed. Mark III has agreed to extend this agreement for FY 2020 with an annual cost of \$25,500. In FY 2019, Mark III negotiated a more transparent contract with Blue Cross Blue Shield of NC which saved the City approximately 166,500. This year, Mark III negotiated a lower administrative fee with Blue Cross which will save the City approximately \$122,000 for FY 2020.

Staff recommends renewing the agreement with Mark III.

Committee Recommendation: The Committee voted unanimously (2-0) to recommend renewing the agreement with Mark III.

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

2) 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 \$29.80 per policy per

month which equates to an annual premium of approximately \$360,000. The fee for administrative services will decrease from \$29.80 per employee per month to \$19.65 per employee per month. This is an expected savings of approximately \$122,000.

For FY 2019, the health insurance claims were projected to be approximately \$7,772,480. To date we have paid \$6,627,521 for health insurance claims. Staff is recommending the budget for claims for FY 2020 be increased to \$8,906,929.

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.

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.

3) Wellness Program

In February 2017 the City entered into a two 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 annual cost for the Wellness Program is \$135,695. Caromont has agreed to extend this contract for FY 2020 with an annual cost of \$135,846.

Staff recommends renewing the wellness agreement with Caromont.

Committee Recommendation: The Committee voted unanimously (2-0) to recommend renewing the wellness agreement with Caromont.

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

4) Diabetes Program

In reviewing the City of Gastonia's health insurance claims, diabetes was identified as being a high cost driver. Staff looked at options to help employees who have diabetes improve their health. Staff has recommended partnering with Piedmont Pharmaceutical Care Network (PPCN) to provide the HealthMapRx Program. This is a voluntary program that will allow participants to meet with a pharmacist face to face 4-6 times per year. Participants will be able to receive certain diabetic medications and supplies at no cost. The anticipated cost of the program for FY 2020 is \$52,987.

Staff recommends the City enter into a contract with PPCN to provide the Health MapRx Program for FY 2020.

Committee Recommendation: The Committee voted unanimously (2-0) to recommend entering into a contract with PPCN as recommended.

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

5) Waist Circumference Program

In reviewing the City of Gastonia's health insurance claims, obesity was identified as a high cost driver that also causes many other health conditions. Mark III recommended the City implement an incentive program for employees and retirees. If employees/retirees meet the recommended waist measurement (35 inches for women, 40 inches for men) or improves their weight or waist measurement 5% from the baseline measurement taken during the biometric screenings, he/she would receive a \$250 contribution into his/her HSA account in July 2020.

There will be no cost for FY 2020. The baseline measurements were included in the biometric screenings taken during the Spring of 2019.

Committee Recommendation: The Committee accepted the presentation for information purposes only.

Necessary Council Action: No action needed.

6) Stop Loss Coverage for Health Insurance

The City's stop loss insurance is currently with Blue Cross Blue Shield of NC. The current deductible is \$210,000. The current premium is \$22.00 per month for each policy which equates to approximately \$264,000 annually. The renewal is \$26.24 per policy per month which equates to approximately \$315,000 annually. This is an increase of 19.27%, equating to an annual increase of approximately \$51,000. This is due to an increase in the number of high cost claimants.

Staff recommends renewing the contract for the stop loss coverage with Blue Cross Blue Shield of NC.

Committee Recommendation: The Committee voted unanimously (2-0) to recommend renewing the contract for the stop loss coverage with Blue Cross Blue Shield of NC.

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

7) Health Savings Account

In July 2018 the City provided a \$750 payment into the Health Savings Accounts of all 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 2019 was \$700,000 plus \$3,500 respectively. The projected cost for FY 2020 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 2019. Employees not eligible for a federally designated HSA would get the same dollar amount in their check.

The Committee agreed to eliminate contributions to employees who were not eligible for an HSA.

Committee Recommendation: The Committee voted unanimously (2-0) to recommend giving eligible employees and retirees a \$750 contribution into their HSA account during the first pay period in July 2019. Employees and retirees who are not eligible for the HSA would not receive a benefit in FY2020.

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

8) 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 2020 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 2019 and January 2020.

Committee Recommendation: The Committee voted unanimously (2-0) to recommend approval of the stipend for employees / retirees who waive coverage as presented.

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

9) 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 current administrative fee is \$2.99 per policy per month. This equates to an annual cost of \$29,000. Delta Dental of North Carolina has proposed a three year agreement with an administrative fee of \$2.99 per policy per month.

Staff recommends entering into another three year agreement with Delta Dental of North Carolina.

Committee Recommendation: The Committee voted unanimously (2-0) to recommend entering into another three year agreement with Delta Dental of North Carolina.

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

10) Employee Health Clinic

The Employee Health Clinic is currently operated by Carolinas HealthCare System and is available to all City employees and all retirees who currently have the City's health insurance. The City signed a three 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 approximate cost for FY 2020 will be \$167,000 for the provider and \$37,714 supplies and labs.

Staff is not recommending a change to our clinic provider.

Committee Recommendation: The Committee voted unanimously (2-0) to recommend continuing the Employee Health Clinic with Carolinas HealthCare System.

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

11) Employee Assistance Program (EAP)

The current EAP is provided through McLaughlin Young. The current premium is based on utilization. Their renewal reflects a 5% increase in utilization bands 1-4 (2-5% utilization). The fifth tier (6% or higher utilization) will not have an increase in premium. We anticipate the total cost to be \$22,000 for FY 2020.

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

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

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

12) Life Insurance

The City provides life insurance for all employees at a level of one times their annual salary, with a limit of \$250,000 for regular employees and \$20,000 for retirees. Life insurance is currently with UNUM through Employee Benefit Advisors. The current premium is .48/\$1,000 for life insurance and .03/\$1,000 for AD&D coverage. This equates to approximately \$299,901 per year. UNUM has agreed to renew the contract for FY 2020 with no change in premium.

Staff is recommending renewing the contract with EBA/UNUM.

Committee Recommendation: The Committee voted unanimously (2-0) to recommend renewing the contract with EBA/UNUM.

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

13) Supplemental Insurance

On July 1, 2017, the City signed a three year contract for supplemental benefits with Pierce Group Benefits. These benefit are voluntary and paid by employees who select the coverage. There will be no rate changes for FY 2020.

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

Committee Recommendation: The Committee voted unanimously (2-0) to recommend making no changes to the supplemental benefits.

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

14) Property and Liability Insurance

The City's property and liability insurance is currently with the North Carolina League of Municipalities. 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 \$510,429. The North League of Municipalities' proposed renewal is \$528,097 which reflects an increase of \$17,668 which is due to increased property values.

Staff recommends renewing the property and liability coverage with the NC League of Municipalities.

Committee Recommendation: The Committee voted unanimously (2-0) to recommend renewing the property and liability coverage with NC League of Municipalities.

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

15) 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 \$145,408. AJ Gallagher renewal reflects an annual premium of \$161,575, which is an increase of \$16,167 or 11.12%. Midwest Employers Casualty and Hartford Financial Group declined to provide proposals.

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

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

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

16) Airport Liability

The City's airport insurance is currently with Phoenix Aviation through USI. The premium for FY 2019 is \$6,444. The renewal from USI reflects a rate of \$7,410. This is an increase of \$966 or 15%.

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

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

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

ITEM 3: OTHER BUSINESS:

Staff asked for direction from the Committee for staff to look at different options related to employee benefits.

Chairman Kirlin recommended staff look at what other municipalities are doing, weigh the options and what we want to communicate, then report options back to the Committee.

With no other items to discuss, the meeting was adjourned at 6:45 p.m.