VILLAGE OF CHAGRIN FALLS
COMMITTEE OF THE WHOLE COUNCIL
November 10, 2014

Members present: Patton, Evans, Lutz, Herdman, Muscenti, Subel
Also present: Bloom, Himes, Allan Schinagle

The meeting was called to order at 7:30 p.m. by Chairman Steven Patton.

EMPLOYEE HEALTH CARE

Mr. Himes said in the Mayor's absence he asked me to pass on his recommendation. He is recommending the plan that is in the legislation, Option #3, the Health Savings Account. He felt it was a good deal for the village and the employees with a net savings to the village of a little over $100,000 even after the village funds the Health Saving Account for the employees. It is with the same providers and the same network for the employees, the Super Med Plus Network, which is always a big consideration for the employees. The employee contribution does go up percentage wise although, because the premium is coming down, the dollar amount that the employees contribute to the premium will go from about 8% to about 11% but the dollar amount that they contribute to the premium remains the same. In comparison to the surrounding communities our current plan, family with two children, cost $1,895 per month and with the new plan, family with two children, drops that premium down to $1,596 so it is a considerable drop in the premium there. That is the premium and the contribution to the HSA and that compares favorably to the surrounding communities, which are at $1,863. I am sorry, the annual is $18, 630.

Mrs. Evans asked, you had a meeting with the employees? Mr. Himes said we did, Allan came in and met with the employees to educate them on the Health Savings Account and how it differs from the current plan. Our current plan has no deductible, it is a co-insurance plan so the employee pays a percentage up to the deductible; they are not paying the full amount up to the deductible from the start so this will be new to them. They will have a deductible plan and then they will have this Health Savings Account, which they will have to set up and then use the Health Saving Account to pay for the first dollars before the insurance kicks in.

Mr. Patton asked, what was the response of the employees? Mr. Himes said it was positive, although there were a lot of questions because it is new to them. They felt it was a good plan for them particularly with the village funding the Health Saving Account on their behalf. It seems like one of those rare win-win situations.

Mr. Herdman asked, in terms of tracking data on the usage of the Health Savings Accounts, is that something that we would have access to? If we were at this point next year and we have to talk about the usage of the Health Savings Accounts and whether or not an employee, some percentage of our employees, have used the maximum amount of the HSA that is available to them is that something we will have access to? Mr. Schinagle said not really because that is the employee's account so unless the employee was willing to share that data you wouldn't really have it. Mr. Subel asked, would it be protected by HIPAA? Mr. Schinagle said yes.

Mr. Muscenti asked, do we have any employees who have waived coverage? Mr. Bloom said we've had one and effective this year she won't be waiving it any more; she will be joining the plan. She has waived for a few years. Mr. Muscenti said so of the employees, would that include the dispatch as well? Mr. Bloom said yes. Mr. Muscenti said let me talk about somebody that might migrate from a single, which would be a $1,500 out of pocket max, to a family with a $3,000 out of pocket max, are we then going to contribute if in fact they change family status? Mr. Bloom said based on what we have done in the past I would say yes. Mr. Schinagle asked, are you saying if someone gets married? Mr. Muscenti said or if they decide that their spouse has coverage elsewhere are we required to, or has it been contemplated, that we would then fund the balance or another $1,500? If you have an employee that gets married and adds a spouse his out of pocket maximum goes from $1,500, which we have given him, to $3,000. Would we then pay the balance? Would we then give him another $1,500? Mr. Bloom said I would think we would prorate it. Mr. Muscenti said I don't know that you could prorate it because according to the legislation it looks like we are going to fund it regardless. Mr. Bloom said if they got married mid year I would think we would fund half of it. Mr. Muscenti said shouldn't we consider putting that in the legislation? Mr. Bloom said I think that would be more administrative to be honest with you. In the past if somebody has gotten married yes, we have brought the spouse on and if they had children we would add them also. Mr. Muscenti said this goes back to dispatch, and I am sorry for my ignorance, but let me ask you this question, part of their health insurance is funded by the other members in the dispatch community, right? Mr. Bloom said 80% is funded by the other communities. Mr. Muscenti asked, will they continue to fund the HSA as well? Mr. Bloom said yes, it will be the same way. The village would pay everything up front and then we bill the other communities and get reimbursed. Mr. Muscenti asked, and we are allowed to bill them for the health insurance premium and the HSA contribution? Mr. Bloom said yes. The way they set it up now the village establishes its own budget each year and then we bill it out to the group. That includes everything; healthcare is just one component.

Mr. Subel said the way I understand this, and I see this still as a very expensive plan, an employee let's take a single person, pays $51.00 a month to the contribution of the premium there is a $3,000 deductible of which the village pays through the HSA so the village pays the first $3,000 and then the policy itself once they've hit the $3,000 there are no other co pays or any other expenses. Three thousand dollars is the maximum that they would have to pay, which the village is going to pay. The way I am reading this for $51.00 a month an employee gets 100% of their medical costs covered. Is that right Al? Mr. Schinagle said for a single it would be $1,500 maxed out of the pocket. Mr. Subel said but the employee contributes $51.00 a month and then the $1,500 the village is paying for. Then, if I look at a family of five, $160.00 a month is the contribution so each person is contributing $32.00 a month and then every medical expense is paid for, a broken leg, new hip, co pays, drugs, everything. And I still see that as really outside the norm by a whole bunch. This also, in terms of design plan, would encourage an employee for $32.00 a month if they have a spouse or a child that could get insurance at another employer they would be crazy to get their employer's insurance when they can get it for us 100% of their medical expenses paid for, for $32.00 a month. I see this as a very expensive plan still. Mr. Bloom asked, how many people would fall into that category? Mr. Subel said there are nine people where there would be $1,500. Mr. Bloom asked, so how many of those nine people have a child that is elsewhere right now just waiting to jump to our plan, or a spouse that is not covered? Mr. Subel said I don't know, I'm just saying there are a lot of employees with children. We have employee, spouse, with children there are four of them and employee, spouse, two children there are nine of them. You could be, in this state, 28 years old working someplace else. Mr. Schinagle said I don't believe we have other spouses. Mr. Subel said I am not saying we do. I am just saying this plan's design and I don't know maybe we should look into that. Mr. Bloom said I don't think there is much to look at there. The variable you are looking at really doesn't exist. There is no downside to the village there. Mr. Subel said I know there is no down side, I was looking at this fact that is I think still a very expensive plan for $32.00 a month I could have everything paid for.

Mr. Patton said there is still a savings to the village. Mr. Subel said the savings is much bigger, we are just giving back a lot of that savings. Mr. Patton said this is a more advantageous plan than our existing plan. Mr. Subel said yes, I agree with that. It is still roughly $100,000 less. Mr. Patton asked, can we do any better than this? Mr. Subel said I think so. That is what I am saying in terms of the plan without the village funding the HSA would save the village about $220,000. That would give the employees the ability to use tax deductible dollars to fund the first $3,000 of the deductible or $1,500 in the case of a single person.

Mrs. Evans said Rick, I believe this is the plan that you brought forward through at the last committee meeting and this is what you recommended. That is my understanding from sitting in the audience. Mr. Subel said no it wasn't, we didn't finish our last meeting. In fact, two meetings ago I suggested we look at Option #3. Mrs. Evans said which is what this is. Mr. Subel said well, actually, it was a little different than this but no, I didn't recommend it. We didn't have a recommendation from our committee. The meeting ended and we were going to wait for more information. In fact, my friend next to me said Rick you keep on coming back to this issue, which I believe is still an issue. No, I didn't recommend this. Actually, the first plan that was brought in was the same plan that we have today. It was me that took us to Option #3 and then we didn't finish discussing that.

Mr. Herdman asked, Rick, do you have another point that you want to make on the HSA plan? Mr. Subel said no. Mr. Herdman said so one of the things that we discussed as a committee at the Administration and Compensation Committee was the fact that this decision is being made in the middle of November and that what the employees would be facing in six weeks is a significant expense on either an individual or a family level. I will agree with you, you didn't actually recommend anything so I don't know exactly what our committee can take credit for at this point in time other than bringing Option #3 to the forefront. But, I thought it was very well understood that this was a hardship for the employees and on a very short fuse. It was the same conversation that we had last October and I am not saying I disagree with you on the ability for there to be further cost savings. Where I strongly disagree with you is making those savings in a six-week window before we have to start 2015 and I think that that is very unfair to the individual employee and I think it is also unfair because our committee didn't consider any of this over the course of the past year. Now if you want to meet January 1st and start talking about how we are going to have the employees contribute on an individual level and give people more time to plan for that, I am all in favor of that but I am not in favor of doing it in the middle of November. I just think that this is not only unfair, it is actually irresponsible for our committee to propose something like that at this point in time.

Mr. Patton said, so Rick, you would like to see the employees pay a greater percentage of the cost obviously. So at least with this plan they are still going from 8% to 11% so we are moving in the right direction with that. Mr. Subel said actually we are moving in the right direction and so is the employee in this. This is a better plan I believe for the employees than the last one was, the one that they are currently on. There is no cost sharing other than you pay $51.00 a month or $32.00. It doesn't, in my mind, fall under what you would think insurance would be protecting somebody against a large bill. Let me ask Allan this to follow up on this, if we were to, can we in mid year change? Mr. Schinagle said you have to make your mind up for this by November 15th for what plan you want and then you renew again next year; you can't do a midyear change. Mr. Subel asked, can we change the HSA contribution midyear? Mr. Schinagle said it is strictly up to the group; I am sure you could. Mr. Subel said we couldn't change the plan but how much the village contributes we could. So we could still have that $3,000 deductible, which is in the plan instead of the village paying for it we could say it would be something less. Mr. Schinagle said the insurance company doesn't care anything about that. The liability is on the village's shoulders how they handle that.

Mr. Muscenti said the affordable care act of 2010, post 2010, we had a plan change which changed the plan from a grandfather status to a grandmother status; is that accurate? Mr. Schinagle said at that time they didn't use the word grandmother but it was still pre Obama, yes. Mr. Muscenti said so where the truly grandfathered plans exist in today's environment can't be messed with. If you like your plan you can keep your plan if you don't, change your plan. Mr. Schinagle said if you don't tweak it too much. Mr. Muscenti said so somewhere after post 2010 the plan was changed, it lost its grandfathered status. Mr. Schinagle said yes. Mr. Muscenti said so now we are in the grandmothered status. Mr. Schinagle said right. Mr. Muscenti said somewhere along the line we lost our grandfathered status which means now we are subject to the whims of the insurance company and the affordable care act; we are more exposed. Mr. Schinagle said we are not fully exposed to the affordable care act yet because we are in the grandmother status. Mr. Muscenti said but we may be and most likely. Mr. Schinagle said right. Mr. Muscenti said my fear is and excuse me I am looking forward outside of this year because this problem is not going away. We can deal with it now or we can wait a year and chose to deal with it but because we've lost our grandfathered status Medical Mutual can't come to us and say you are moving from a grandmothered plan to an affordable care act compliant plan, which is most likely going to happen. Mr. Schinagle said as of right now they say you can have these plans up until 2016. Mr. Muscenti said that is highly probable and you have no control over that and we don't either. Getting outside of this, and the choices that we have this year, I just did a little bit of work. There are 23 plans in the State of Ohio that are distributed by 6 insurance carriers. We are all aware that there are silver, they identify the level of reimbursement based on a precious metal platinum being the best. I went back to Medical Mutual's site and if this was in 2016 or 2015 whenever they decide that we are migrating to an ACA Plan in today's world their platinum plan has a $2,000 individual and a $4,000 out of pocket max. That premium is $437.00 higher than our current plan. My point being that I am cautious about creating an unrealistic view for our employees of a fully funded, no out of pocket cost, reimbursable insurance plan. In fact, we are going to indemnify, there is a chance that we could indemnify some employees that don't incur medical expenses and that is why I start to get real uncomfortable. Mr. Schinagle said I don't think it was cast in stone that they are going to fully fund this thing every year. Mr. Muscenti said we are fully funding it to the extent that the employee may have a liability. Mr. Schinagle said for their share. Mr. Muscenti said so we go from a cost sharing environment to a plan that an employee has no exposure. Although we are saving $100,000 there are two things I have a problem with. One, is that it is going to create an unrealistic picture of today's environment because the affordable care act wants, and insurance companies want, an employer or an insured to pay all of the up front costs. My goal is, whether this legislation passes tonight or not I don't know, but my concern is going forward because what is going to happen is that the deductible out of pocket maximum is going to continue to grow, our premiums are going to continue to grow, and we are going to have to address this at one time or another.

Mr. Schinagle said I have been doing this for the village for about 15-20 years and every year we have to tweak the plan if we got beyond our ability to what we feel is a good bang for your buck. There is no doubt about it that these low deductible plans like you had are going to be going away, not necessarily from the standpoint that the government says it is going away but because the cost is going to be so costly that you cant afford to do that anymore. So that is why we tweaked it as we've gone. We've gone now, based on this proposal, we are going from a no deductible to an up front deductible of $1,500 and $3,000. So you are more than two thirds of the way there of what you are talking about. Mr. Muscenti said yeah, but we are fully funding the employees reimbursement regardless irrespective of expense. Mr. Schinagle said but you are saving $178,000. If you want to go to a $2,000/$4,000 deductible right now you may save a little bit more but as Justin says you have a short window here to make that change. I am not saying you can't do that, I am just saying you are going to run into a lot of ruffled feathers with employees if you try to do that right now. Mr. Muscenti said we are going to ruffle them now or we are going to ruffle them a year from today. There is going to come a time where we are not going to be the ones making the decision because Medical Mutual is going to come back to you next year or the year after. Mr. Schinagle said the ACA Plan is part of the original. Mr. Muscenti asked, and how much more expensive is it? It is ridiculous, it's much more expensive. Mr. Schinagle said it comes in at, I didn't fund this one, this was the gold $2,000/$4,000 HSA because then you were looking at another HSA comparable and it came in at about, this is premium, $62,000 a month or $58,000 a month without funding the HSA versus $42,000 without funding the HSA. Mr. Muscenti said, and my point being that if Medical Mutual were to tell you we are eliminating all plans and all plans are going to be compliant much like Anthem, which could happen. Mr. Schinagle said I definitely don't recommend going to ACA plan right now. Mr. Muscenti said well, no, that's my point. Eventually we are going to because we are grandmothered not grandfathered. When we start talking about funding for irrespective of medical costs, I think I get concerned and would much rather look at something that would involve medical reimbursement rather than an unfunded liability. Mr. Schinagle said you are not unfunded.

Mr. Muscenti said we are funded but we are not taking into consideration an employee who has good fortune, a family of four that has good fortune is going to get a check for $3,000 put in their HSA account. Mr. Schinagle said but you would agree that if you have an up front deductible and once that employee understands the fact that those are his dollars and he is going to pay those dollars out of his account he may think twice about going in. Do you see that as potential? Mr. Muscenti said I don't know if that is the case. Mr. Schinagle said I could be hearing the fact that maybe these plans are going to change in a year. Mr. Muscenti said I could argue that, no I am not making an argument with you. If an employee had $3,000 in his HSA account and doesn't use it, it is his. Mr. Schinagle said so would you think that then if he is sick one day, he's got the flu or something, do you think if he had a $10 co pay would you think he is more likely to go in to use that or if he's got those dollars and those dollars are his? Mr. Muscenti said I don't know the answer to that question. I am more likely not to go to the doc and save the money. Mr. Schinagle said if you talk to the insurance companies that is pretty much their rational and that is why they shift the risk up front because they think that the person is not going to use it as much as he would on the back end. Mr. Muscenti said right, agreed, and that is why the difference is a savings of $220,000 when a family has exactly the same exposure. The difference between the two plans from a maximum out of pocket is exactly the same so in a catastrophic event both plans the employee ends up in exactly the same spot. True? Mr. Schinagle said absolutely. Mr. Muscenti said the difference is how you get there. Insurance companies are penalizing those people that want coinsurance. Mr. Schinagle asked, are we having this discussion because we want to change the funding arrangement right now? Mr. Muscenti said no, I just want to make sure that I understand completely and the direction, the philosophical direction that we are headed down I think it is a dangerous one. Mr. Schinagle said I think you did an apples to oranges on a plan going from no deductible to $1,500. Mr. Muscenti said well no, those are definitely apples and oranges. Mr. Schinagle said exactly. So you just made a big step in the direction that you are about.

Mr. Patton asked, so Tom, do you feel that we are moving in the right direction under the present circumstances right now with this? Mr. Muscenti said no. I think that funding an HSA account without an offsetting medical expense is unrealistic and I would of much rather seen a medical reimbursement plan or at least looked at because it would transition and it wouldn't absolutely fund an employee's HSA account without an offsetting medical expense; a health reimbursement arrangement. They are called a number of different things. Mr. Schinagle said there is a lot of administrative work. Mr. Muscenti said you can get it done for $200.00 a month. Somebody can administrate a health reimbursement plan for $200 a month. Mr. Schinagle said the person here has to be accountable for everything. Mr. Muscenti said there are third party administrators. Mr. Schinagle said I understand but you still have to go through and account for those checks. Mr. Muscenti said I don't want to argue the point I am just saying that when you look to fund or transition if you are funding for the medical expense itself the employee is going to be in exactly the same spot. But, those employees that don't have medical expenses the village saves the difference. So, for example, we are going to write a check to each family for $3,000 and if those families have unpaid for medical claims of $1,000 they get the difference. I would prefer that we would have looked at, and I know that we don't have time, but a third party administrator that would fund. Mr. Schinagle asked, partially self funded or fully insured? Mr. Muscenti said if we fully self funded it we would be no worse off if every family matched. Mr. Schinagle said we don't want to do that with fifty employees.

Mr. Herdman said I understand where you are coming from and I am not saying I disagree with you. Is there a better way we could have done this? Maybe there is but here is my point. These HSA accounts, whether that is a benefit that continues into 2016 or not, are still going to be there for the individual employee to use and I think I view them as an ability to further transition if we need to next year. That is it might soften the blow depending on what it is that we decide and I am serious about what I said to Rick. I'll start New Years Day on this. This is not something that we can let go until October again and we have to get out in front of it. I get your point and I think that there are better ways that we can set this up but I don't think that it is a sunk cost on the HSA accounts. I think that that money will still be available to the individual employee. It will still be available to help cushion the blow on whatever those medical expenses might be in the future depending on what it is we elect to do. I realize that it was arrived mostly by convenience in terms of the timing that we have but I think it is an arrangement that it is not necessarily just a short-term bang for your buck. It does have the potential to continue into 2016 and continue to be an investment for the village, for these individual employee's accounts. That is kind of the way I see it and I am not saying I disagree with your point about reimbursing the costs. I still think that we are doing that, it is just maybe we are extending the time frame for employees that don't incur the liabilities in 2015.

Mr. Schinagle said I think you are right. It is going to have to be funded more by the employee in the future; there is no doubt about that. I don't think you are going to be able to fund this thing continuously in the next four to five years.

Mr. Muscenti said my concern is not only for today and making sure that we are fiscally responsible but also that we are competitive with our benefit program for employees because in today's environment there is not an employee out there that doesn't have exposure to medical claims and we have just provided a health care plan that has no cost sharing. Mr. Schinagle said government entities are a little bit different than small businesses. It is a concern and you can see the government entities moving more and more to the private market place in that direction but I am saying if you are talking about changing the funding arrangement that they have decided on right now you are going to cause a lot of flack. We've got five days to make this decision. We had this discussion last year. If someone wanted to bring it up sometime like Justin said in January of last year to start talking about funding arrangements you probably should have done it then.

Mr. Himes said I think the Mayor's approach has always been to control the village cost so we try to contain the inflation and have done so successfully over the years by whittling the plan back. This year that $100,000 savings he felt was a good deal and the ability to provide the employee with that HSA account reimbursement would probably be weighed into the total compensation package.

Mr. Patton said so what happens if this legislation doesn't pass? Mr. Himes said you have to pass something.

Mr. Muscenti said the legislation and my preference would have been maybe the HSA be a separate issue but right now it is not and the language is irrespective of deductible so I've got to make a decision and Council has to make a decision tonight because I am all in favor of the migration away to Option #3. I don't think there is anybody here that is not. But the question is for me whether or not funding an HSA account when the village could save $220,000 as opposed to $100,000 is significant and that is the problem that I have. Unfortunately the way the legislation is written, we don't have a choice. Is that right? Mr. Patton said yes. Mr. Muscenti said we can vote on it and we will vote on it.

Mr. Patton asked, do you have a comfort level with this particular plan for the here and now with the idea of January we will start to talk. Mr. Muscenti said I am completely comfortable with the plan design, not the HSA portion. I'm not. Mr. Patton asked, is that a deal breaker for you? Mr. Muscenti said yeah, absolutely.

Mr. Patton said we will have further discussion at the Council meeting.

The meeting adjourned at 8:10 p.m.

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Steven Patton, Chairman
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