

MINUTES
TRANSYLVANIA COUNTY BOARD OF COMMISSIONERS
March 4, 2008- SPECIAL MEETING

The Transylvania County Board of Commissioners met in special session on Tuesday, March 4, 2008 at 7:00 p.m. in the Rogow Room of the Transylvania County Library. The purpose of the meeting was to hear a presentation by Mark Browder with Mark III Brokerage on the County's current health plan and healthcare options, such as Healthcare Savings Accounts (HSA's).

Commissioners present were Lynn Bullock, Chairman Jason Chappell, David Guice, Daryle Hogsed and Vice-Chairman Kelvin Phillips.

Other Staff members present were County Manager Artie Wilson, Human Resources Director Sheila Cozart and Clerk to the Board Trisha McLeod. There were approximately 30 people in the audience.

Chairman Chappell called the meeting to order at 7:20 p.m. and welcomed all those in attendance. He explained the purpose for the special meeting.

Human Resources Director Sheila Cozart explained that during the 2007 Budget Workshops, Commissioners directed Staff to gather more information about Healthcare Savings Accounts (HSA's) and bring the information back before the Board for their consideration. She worked with Mark Browder from Mark III Brokerage on this project and asked Mr. Browder to make a presentation to Commissioners.

Mr. Browder stated that he recently met with the Ad Hoc Health Committee to discuss whether Healthcare Savings Accounts could have a financial impact on the County. Based on his experience, he believes it can. An HSA allows an employer and the employee to contribute monies to an account to pay for unreimbursed medical expenses and it requires a high deductible healthcare plan with no co-pays. Mr. Browder stated that if Commissioners decide to implement the HSA option, it would require a significant amount of education. The HSA Plan forces users to become aware of the actual costs of services. Mr. Browder offered the pros and cons of HSA's.

Pros

- Positive Plan experience.
- Clients who have implemented HSA Plans have experienced positive plan performance.
- Members with low claim utilization will benefit from an HSA.
- Low users build up positive HSA balances and receive recognition that does not exist in traditional plan designs.
- The HSA Plan promotes efficient utilization of health plan resources.

Cons

- It is a significant change from the traditional co-pay plan design. This requires considerable member education.
- Members do not have the leverage to negotiate better arrangements than the payor had already made.
- There is not a good source of information to provide the performance of a physician or how cost effective the practice is. Where there is some hospital data available, it is very general at best.
- There are opportunities for member disappointment.
- A total replacement of the PPO would be reviewed as a negative by employees. Choice is still seen as important.

Mr. Browder showed a comparison of benefits for both the current PPO Plan and an HSA Plan and explained the differences.

	BCBSNC PPO 7/08 – 6/09	BCBSNC HAS 7/08 – 6/09
		\$700 HSA
	In-Network	In-Network
PCP/SCP Visits	\$20/\$40	80%
Well Baby Care	\$20/\$40	100%
Immunizations	\$20/\$40	100%
Physical Exams	\$20/\$40	100%
Pap Smears/Mammography	\$20/\$40	100%
Deductible	\$500	\$1,500
Deductible - Family Maximum	\$1,500	\$3,000
Coinsurance Maximum – Individual	\$2,000	\$2,000
Coinsurance Maximum – Family	\$6,000	\$2,000
Hospital Services	80%	80%
Urgent Care	\$30 co-pay	80%
Emergency Room	\$150 co-pay	80%
Pharmacy	\$10/\$35/\$50/25%	80%
Vision Exam	\$20 co-pay	80%

Mr. Browder said he would recommend that the County contribute \$700 per employee to an HSA. He believes this would motivate employees to consider the HSA Plan. He would also recommend that the \$700 be available for employees to use at the beginning of the plan year. Mr. Browder noted that any monies contributed to an HSA, whether from the County or the employee, belong solely to the employee.

Mr. Browder showed a diagram of a claim flow under the current the PPO Plan. For example, an employee pays a \$20 co-pay to a physician for an office visit. The total cost of the office visit is \$100. The remaining \$80 is negotiated behind the scenes between the doctor and insurance company.

Mr. Browder then showed the same claim flow with an HSA Plan. Instead of the \$20 co-pay, the physician can charge the employee a maximum of \$50 per encounter. The employee in this example pays the \$50. The \$1,500 deductible has not been satisfied. The physician submits the claim to the insurance company. The insurance company reports to the physician that the deductible has not been satisfied. The physician seeks the remaining \$50 from the employee. Mr. Browder noted that the employee can use the \$700 contribution from the County to cover the costs of the initial \$50 charge from the physician and the remaining \$50 not covered by the insurance company.

Mr. Browder explained some of the parameters of this type of plan.

- The employee owns the HSA.
- The employee and employer can both contribute.
- The dollars roll over into the next year if not used in the current year.
- The Plan includes minimums and maximums for deductibles and out-of-pocket expenses.
- Recommends \$1,500 minimum deductible for a single coverage policy.
- Recommends \$3,000 minimum deductible for a family coverage policy.
- The entire deductible must be satisfied before the coinsurance takes effect.

Commissioner Guice stated that the HSA claims process sounds simple when dealing with smaller claims but when an employee has a major medical event occur; it appears that the claim process becomes much more complicated. Mr. Browder described the process under a single coverage plan with a \$20,000 claim. The maximum the hospital can charge an employee per encounter is \$500. The employee must also satisfy the \$1,500 deductible and would then responsible for 20% of the claim up to a maximum of \$2,000.

Mr. Browder noted that under the current plan pharmacy co-pays do not apply to the deductible. Under the HSA Plan, they do. Mr. Browder explained a sample hospital cost comparison.

SAMPLE HOSPITALIZATION COST COMPARISON

	Current PPO Plan	HSA Plan
	\$20/\$40 Copays \$500 Deductible- Individual \$1,500 Deductible- Family 20% Coinsurance \$10/\$35/\$50 Pharmacy Out-of-Pocket Maximum \$2,000- Individual Out-of-Pocket Maximum \$6,000- Family	\$1,500 Deductible- Individual \$3,000 Deductible- Family 20% Coinsurance Pharmacy- Applies to Deductible and Coinsurance Out-of-Pocket Maximum \$2,000- Individual Out-of-Pocket Maximum \$2,000 Family
	What is the employee Out-of-Pocket, including the deductible?	What is the employee Out-of-Pocket, including the deductible?
Employee only goes to hospital, in-patient, three times during the plan year. Each bill is \$20,000 (Total bills- \$60,000)	\$500 Deductible + Out-of-Pocket Maximum \$2,000 = \$2,500	\$3,000 Deductible + Out-of-Pocket Maximum \$2,000 = \$5,000 Claim Assumes No Fund Availability
Within a plan year, an employees goes to the hospital, inpatient, once, a spouse goes to the hospital, in-patient, once, a child foes to the hospital, in-patient, once. Each bill is \$20,000 (Total bills \$60,000)	\$1,500 Deductible + Out-of-Pocket Maximum \$6,000 = \$7,500	\$3,000 Deductible + Out-of-Pocket Maximum \$2,000 = \$5,000 Claims Assumes No Fund Availability
Employee has average medical costs for the entire plan year, which is \$1,104.		\$1,104 - \$700 HSA = \$404 Claim Assumes \$700 Fund Availability

Mr. Browder stated that the decision to switch to an HSA Plan must be made by the employee. He is a proponent of providing choice so employees can make decisions based on what they feel is in their best interest.

Mr. Browder also showed a sample pharmacy cost comparison.

SAMPLE PHARMACY COST COMPARISON

	Current PPO Plan	HSA Plan
	\$20/\$40 Copays \$500 Deductible- Individual \$1,500 Deductible- Family 20% Coinsurance \$10/\$35/\$50 Pharmacy Out-of-Pocket Maximum \$2,000- Individual Out-of-Pocket Maximum \$6,000- Family	\$1,500 Deductible- Individual \$3,000 Deductible- Family 20% Coinsurance Pharmacy- Applies to Deductible and Coinsurance Out-of-Pocket Maximum \$2,000- Individual Out-of-Pocket Maximum \$2,000 Family
Employee only gets a prescription for Nexium 12 times during the plan year. Each bill is \$160.	What is the employee Out-of-Pocket, including the deductible?	What is the employee Out-of-Pocket, including the deductible?
Total Ingredient Cost	\$1,920	\$1,920
HSA- County Paid	N/A	\$700
Remaining Amount that Applies to the Deductible	None	\$800
Remainder to Apply to Coinsurance	None	\$420
Patient Coinsurance Responsibility	None	\$84
Total out-of-pocket costs	\$35 copay 12 times = \$420	\$884
Within the plan year, an employee and spouse gets a prescription filled for Nexium 12 times. Each bill is \$160.	What is the employee Out-of-Pocket, including deductible?	What is the employee Out-of-Pocket, including the deductible?
Total Ingredient Cost	\$1,920	\$3,840
HSA- County Paid	None	\$700
Amount that Applies to the Deductible	None	\$2,300
Remainder to Apply to Coinsurance	None	\$840
Patient Coinsurance Responsibility	None	\$168
Total out-of-pocket costs	\$35 copay 24 times = \$840	\$2,486

Mr. Browder described an HSA as a medical IRA. An HSA can be used for unreimbursed medical expenses, but at age 65, the HSA can be used for non-medical purposes. An HSA is extremely flexible; however it is extremely inflexible in that it requires a high-deductible plan with no co-pays. Mr. Browder stressed that this is a product that takes a tremendous amount of education. He also noted that an employee covered by an HSA can not be covered by another healthcare plan. Flexible Spending Accounts (FSA's) are considered "other" coverage; however, under the HSA Plan there would be no advantage to having an FSA because of the "use it or lose it rule". Monies accumulated in an HSA rolls over from year to year.

Commissioner Phillips said he understands HSA's to be a planning vehicle for healthcare costs and the County benefits from low utilization of the plan. He also stated that low utilization of the HSA's allows employees to save over time and have funds available to cover a catastrophic event if it occurs. Mr. Browder noted that the first years of the Plan are the most difficult because employees do not have the reserve funds in the HSA to covered unexpected events.

Commissioner Guice said one never knows what may happen with their health or if an accident occurs. He is concerned about the negative impact this would have on a family. Mr. Browder responded that this is good reason to offer employees a choice. He noted that employees can switch plans from year to year depending on what they feel would be in their best interest.

Commissioner Hogsed asked if an employee decides to switch back to the PPO Plan what happens to the monies in the HSA. Mr. Browder responded that those monies always belong to the employee and they can still be used for unreimbursed medical expenses. Chairman Chappell asked if pre-existing conditions are taken into account when switching back and forth between plans. Mr. Browder responded that coverage would be guaranteed between the two plans and pre-existing conditions would not be taken into account.

Ms. Cozart asked Mr. Browder to discuss the percentage of employees the County would have to encourage to participate in the plan to make it financially viable. Mr. Browder explained that it would take 20% of employees participating in the HSA plan for the County to see a savings. The Plan must be structured to motivate employees to participate which is why he suggested the \$700 HSA contribution from the County. The County will be able to maintain both the PPO Plan and the HSA Plan if there is reasonable participation.

Chairman Chappell asked how the County should go about educating its employees. Mr. Browder suggested holding an education session in mid to late April in order to motivate interested employees to do some financial planning. He also suggested holding an additional education session during the enrollment period.

Commissioner Guice commented that it is risky to assume that County employees have extra monies to contribute to a healthcare savings account. So he is hesitant to be

supportive of this type of plan although he has no problem giving employees an option. Mr. Browder responded that HSA's are not for everyone but the fact is change is here and will continue to occur. The County will be faced with the decision to further fund the current plan, pass the costs on to the employees, change the current benefits, or offer an HSA Plan that gives employees the choice to do something different.

Chairman Chappell said he supports giving employees a choice but understands the County will have to come up with the funds. Commissioner Phillips commented that there is a tremendous difference in the premiums with a high deductible plan. He believes the County will be able to see a significant savings. Commissioner Guice responded that Commissioners have to make decisions that impact County employees. He does not know if County employees would prefer an HSA Plan. Commissioner Guice said is concerned about the impact this plan would have on families and he does not want to send the wrong signal to employees that may not have additional funds to save for healthcare costs.

Mr. Browder said there are ways to encourage employee participation. Currently an employee pays nothing for a single coverage health plan. His recommendation to the Commissioners would be to require employees to contribute \$30 per month (\$360 per year) to remain in the PPO Plan. Employees would have a choice to pay \$360 per year by remaining in the PPO Plan or gaining \$700 by switching to the HSA Plan. Again, Mr. Browder acknowledged that the Board is going to have to make significant changes in the current health plan in order to not have an increase for FY 2008-2009.

Commissioner Guice said he liked the idea of being able to switch back and forth between plans. He asked what the best scenario for a family just starting out would be. Mr. Browder noted that most childhood interactions and preventative services are covered at 100%.

Mr. Browder said the County should budget for a 5% increase with no changes in the plan for FY 2008-2009. He did note that FY 2007-2008 was a good year for the County in that the claims were actually down from the previous year.

Commissioner Phillips commented that the part of what drives healthcare costs is high utilization. Mr. Browder disagreed and responded that when he refers to high or over utilization people think he is referring to misuse of the plan. He said the big costs are a result of catastrophic events.

Chairman Chappell called for comments and questions from the audience.

Ms. Lisa Sheffield: Ms. Sheffield's concern is that when the healthier pool of employees switches to an HSA Plan the insurance premiums will increase in the PPO Plan as a result. Mr. Browder believes the net effect will be positive for the whole plan. He said to make the plan work employees are going to have to pay more to remain in the PPO Plan. Ms. Sheffield also asked if physician costs are expected to increase. Mr. Browder stated

that BCBS has a contracted rate with local physicians and under the HSA Plan a physician is not allowed to charge a patient more than \$50 per encounter.

Mr. Eric Hudgins: Mr. Hudgins asked if the County contribution to the HSA would be \$700 per person. Mr. Browder responded that the contribution would be \$700 per employee.

Ms. Sara Champion: Ms. Champion asked if the premium an employee pays for their family goes towards the out-of-pocket expenses. Mr. Browder responded no.

Mr. David Reid: Mr. Reid is concerned that the Board of Commissioners will make the HSA option permanent and he is especially concerned about how that might impact families. Mr. Browder does not support total replacement because the HSA Plan does not work for all employees. Mr. Reid asked how the HSA Plan would affect retiree health insurance. Ms. Cozart said the County would continue to offer the PPO Plan to those employees that opted for retiree health insurance. She said the County could not contribute to HSA's for retirees. Mr. Browder added that a person over 65 can not contribute to an HSA Plan but the County can contribute to those retirees who are under the age of 65.

Commissioner Phillips asked what amount of increase the County should expect if the HSA Plan was offered in FY 2008-2009. Mr. Browder said there would be no increase.

Ms. Carson Griffin: Ms. Griffin asked for clarification on an earlier comment. Her understanding is that if the Board offers the HSA Plan as an option, then the PPO premium would increase by 5%. Mr. Browder responded that his recommendation to the Commissioners would be for employees to contribute \$30 each month for their PPO premium. The premium for a single coverage HSA Plan would be zero for the employee and the employee would receive the \$700 contribution to an account to cover unreimbursed medical expenses.

Chairman Chappell stressed that any figures presented at this meeting are only recommendations and Commissioners are just hearing them for the first time as well.

Commissioner Guice concluded by saying that Commissioners should take their time and give due diligence to this issue.

After further comments and there being no other business to before the Board, **Commissioner Guice moved to adjourn, seconded by Commissioner Phillips and unanimously carried.**

ATTEST:

Jason R. Chappell, Chairman
Board of County Commissioners

Trisha D. McLeod
Clerk to the Board