

**SPECIAL CITY COMMISSION MEETING - WORK SESSION MINUTES
CITY HALL – CITY COMMISSION CHAMBERS
MONDAY, AUGUST 9, 2010, 4:00 P.M.**

ATTENDANCE: City Commissioners: Ron Boyce, John Campbell, Judy Preston, Mike Lies, Elsa Duford, Fred Funke. Mayor Pat DeVries Presiding. City Manager Todd Crossett present. James Raymond absent.

Mayor Pat DeVries called the meeting to order.

APPROVAL OF PROPOSED AGENDA: Motion made by Commissioner Funke, seconded by Commissioner Campbell, to approve the proposed agenda. Motion carried unanimously.

EMPLOYEES' MEDICAL INSURANCE BENEFIT INFORMATION*TODD CROSSETT & ARDRENE SARRACINO: City Manager Crossett said he understood the purpose of this meeting was to explain the changes to the City employees' health insurance policy. He explained that the overall enrollment in the health plan provided by MMIA was low and the questionnaire filled out by employees indicated that they wanted better coverage. They did extensive research to find an agent who would work with them to get the best plan for the lowest cost. The rates are determined taking into consideration the employees' personal health history information and demographics and makes it a tough topic to have discussion on in a public forum. The City does not pay high wages and providing good health insurance coverage is an important benefit for employees to have and a healthy workforce benefits the City as an employer. It is not clear what changes will take place in the future related to health care coverage as a result of federal legislation that was passed recently. He and Ardrene Sarracino started the process to evaluate the City's current health plan through MMIA, which was going to increase by 11%. They asked the employees to complete a questionnaire on what they valued most out of their health coverage, considering that a larger number of employees were opting out of the coverage and taking a payback in lieu of medical coverage. In some cases the employee was covered by their spouses group plan but some employees were buying individual policies or not using the payback for medical insurance. He feels that people come to work to support their family and were using the cash to support their family, augmenting their wage, which averages \$12/hour. One third of the employees were not covered under the City's health plan. The overall health of the employee has a tremendous cost effect if adequate health care coverage is not provided. In his previous employment at Exxon they estimated a \$25 million dollar cost for lost time due to family health issues. Drastic cuts were made to the expenditure budget, which is already lean and makes providing this insurance package doable. One of the more significant budget cuts is not to hire another person when Kala Parker takes Aggi Loeser's position as City Clerk, when she retires the end of August. The Street Department has also not filled one position when Rod Hanson and Tim Dolphin retired in June. One downfall of having such a lean workforce is not having back up when employees are sick. The current health insurance plan offers employees family coverage including dental and vision and a life insurance plan and they can opt up for more coverage and as a result has increased participation. Opting out of the plan and getting a payback is only legal when the employee is enrolled in their spouses' group coverage. MMIA informed the City that there would be an 11% increase in premiums. There are no across the board or COLA increases in the budget. There are some wage changes for employees whose wages are off the chart and those that have had job description changes. They felt that MMIA did not have a broker nor did they cater to the City's individual needs, but rather caters to the larger cities. Working directly with a local broker works better in providing the City's

work force the best plan for the least cost. City Manager Crossett noted that he informed them during last year's budget discussion that they would be looking into other options for health coverage. They contacted and met with a number of agents who provided quotes and held information meetings with employees and compiled information from their poll sheets. The insurance coverage offered by MMIA was through Allegiance and offered three plans 80/20, 70/30 and HSA and buying up was more expensive which was not affordable. The BC/BS plan allows the City to join a larger group and provide dental coverage with cleaning twice a year and option to buy up for \$75/month. It also provides basic vision covering one exam per year with a discount on frames and also has a buy up option. A \$20,000 life insurance policy is also provided with a buy up option offered. Mayor Clavadetscher in 2006 had implemented a payback option to employees for \$430, which resulted in \$536 cost for the City with taxes and the employee received \$380 after taxes. The sign up process took longer to complete before the actual costs were known but the employees were informed that there might not be a payback and if there was it would be less than the \$430. Some employees had already signed up on their spouses plan during their enrollment date, which is not the same month as the City's enrollment period and are understandably concerned at losing their payback. Todd Crossett felt they can't look at individual needs but should look at overall goal to provide the best coverage for a fair cost, which he feels they have achieved with this plan. He noted that there are about five employees who have either opted out or would opt out of the plan and a \$250 payback would result in a \$288 cost to the city with taxes. There was a 66% increase in enrollment, with an enrollment of 38 currently and 25 before. He noted that the handout information shows the difference in cost between the first half and second half of the budget year, with and without the Library. Mayor DeVries said she understood that there were more people covered with a better health plan. Ardrene Saracino explained that the employee pays \$37 for the 80/20 plan and has a \$1,500 deductible, the Health Savings Account has a \$3,000 and the City puts in \$50 which is tax free and can be used to pay toward the deductible. It was clarified that the City is paying the premium for the family plan. Mayor DeVries said she received complaints and understood that there are no medical paybacks. City Manager Crossett explained that they looked at the overall cost, contacted brokers who informed us that the employees who are enrolled in a group plan through their spouses could opt out of the plan and as a transition they could continue the payback. The process was done on the staff level after he consulted with City Attorney James Raymond about the proper procedure, since it deals with the employees' personal and confidential information. Commissioner Campbell asked if they had considered incentives for lifestyle changes like quitting smoking and reducing cholesterol through change of diet. City Manager Crossett replied he would look into initiating a wellness program. Fire Chief John Fairchild noted that they now have a weight room, which was made available through donations. Commissioner Preston noted that she took out a Health Savings Account Policy through BC/BS and received a 25% increase in premiums the following year. City Manager Crossett replied that he can't predict the future but they would evaluate the policy next year and make changes if it was warranted. Having a local agent allows the option to get bids through a larger group, which is usually less expensive. It was noted that MMIA only had a 5% increase in their insurance premiums. City Manager Crossett explained that the City was informed in January that the increase was 11% and they might have received pressure from other cities about the increase and later decided to reduce it. Commissioner Lies said the average cost per individual was \$350. City Clerk Aggi Loeser noted that the City paid \$430 per employee last year and at one time covered up to \$475 which at that time included employee and children. Ardrene Sarracino explained that 34 employees signed up for the Health Savings Account and 3 employees signed up for the 80/20 plan. Some of them are covering their family. Mayor DeVries clarified that there are 38 employees covered at an average cost of \$599.26 per month, which includes dental and vision and a \$50 payback to those enrolled in the Health Savings Account plan. She noted that the main thing to decide is what to do with the medical payback. City Manager Crossett noted that after meeting with the employees who were getting the payback and listening to their concerns they are reviewing the numbers to determine the amount. Mayor DeVries

noted that it would be better to phase in period if there is a change since they were getting the payback since 2006. It was clarified that those who opt out and get a payback have to show proof that they are covered under their spouses group plan. City Manager Crossett noted that the \$430 payback with taxes is a cost of \$588 and there were twenty-five employees who received the payment by opting out of medical coverage. Now there are between three and 5 who either opted out or will opt out of the plan and would have to prove they are covered by their spouses group plan. City Manager Crossett noted that another option is to not provide health insurance and pay employees the cash in lieu of the premium, but he believes that would translate into a bigger cost and would not provide a healthier work force. Commissioner Duford asked and it was clarified that the payback is part of the permissive levy and is allowed by the MCA and clarified so by the Department of Administration. Mayor DeVries expressed her concerns that the employees who were getting a payback last year did not get sufficient notice about the change. City Manager Crossett replied that they were told at several meetings that there was no guarantee but they would try to give some payback and just recently found out they could opt out. Commissioner Duford noted that the employees found out on July 1st that they weren't getting paybacks. Commissioner Boyce asked to get figures on the difference in cost between a 2% raise and the increased cost of the current medical insurance. Mayor DeVries said she spoke with City Attorney James Raymond about who should make the decision about insurance issues and at that time he stated that the City Manager did ask him who is the decision maker. City Manager Todd Crossett clarified that the increase is part of the permissive levy when using the formula provided by the Department of Administration. Commissioner Lies suggested pulling out vision and dental coverage. Commissioner Duford stated that the Manager makes decisions upon approval of the council. Other contracts are brought to them for approval and he should have discussed the increased cost with them prior to signing the contract. Commissioner Lies noted that he should have come before council in June. Mayor DeVries said she was aware of the meetings that were held but did not realize they were taking action and should have been more involved in the process. City Manager Crossett replied that they received the final numbers in June and started the process in January. It was a long and arduous process and the final decision requiring analyzing information that was highly confidential and questioned how it could be done in a public meeting.

PUBLIC COMMENT ON MATTERS OF SIGNIFICANT INTEREST TO THE PUBLIC NOT ON THE AGENDA: Brian Kunz thanked the commission for the health coverage for his family and said for him personally it is a life changing experience. He now has coverage for his wife and child, which was not affordable with his current wage and his life is more secure. Ron Melvin complained that while Brian Kunz and his family's medical premiums are being paid at a cost of more than \$1000 per month, he has lost his \$430 payback and he and his wife are not able to opt out of her group plan at this time. Previously he and his wife were on the City's plan and he paid \$392 out of his pocket in addition for her coverage. He does not think this new policy is fair and equitable to all employees. Karen Sargeant said she realizes some people are benefiting more from this new policy but they will have to pay the deductible first which is \$6,000. John Fairchild expressed his appreciation for the additional coverage of vision and dental and is great with not getting a raise in lieu of better health coverage. Karen Sargeant said she appreciates the increased health coverage of dental and vision, which gives basic annual exams and the choice to opt up for more coverage. She noted that the importance of vision health providing quality of life and dental health which has been proven to be linked to heart attack and blood pressure. She felt that having these benefits will keep the City's workforce healthier. Joyce Weaver complimented City Manager Todd Crossett, Administrative Assistant Ardrene Sarracino, and City Clerk Aggi Loeser and acknowledged that this is a difficult and complicated process and although she disagrees with the numbers she gives a high five to the new plan. She now has a hardship in not getting the payback that she worked so hard to implement with Mayor Jules Clavadetscher. If she had known there was no payback she would have signed up for one of the plans. She is glad for the employees who are benefiting but not to her detriment when some

employees premiums are a lot more than the payback. This new policy is benefiting the younger employees and the benefit is not equal for every employee, older employees are not benefiting equally. It is making it easier for the family and more difficult for the older employees in her opinion and asked for further consideration to get payback. Tony Porrazzo said he is on the single Health Savings Account Plan and said it is a good plan for him although in most years he wouldn't use up his \$3,000 deductible but with his recent injury and his diabetes he will use up his deductible this year. It is a good insurance and the employees need it. It was clarified that the enrollment is once a year but can opt out at any time. City Manager Crossett said he realizes that there has been a hardship created but very few organizations have a payback policy. There are five or six individuals who would qualify for the payback and they will look at the numbers again. Ron Melvin noted that he cannot opt out of his wife's group plan until December or January. Mayor DeVries noted that the payback is less cost than if an employee takes a family benefit. Bonnie Manicke said she realizes this is a sensitive issue but feels there was no consideration given to employees who will be 65 or older who cannot contribute to a Health Savings Account although they can use the funds for medical expenses and her retirement age is 66. She opted for the Health Savings Account Plan for herself but could have opted to cover her spouse, which would have cost the City more than the medical payback. She feels this BC/BS is a Cadillac plan and expensive and she would prefer a larger payback. Chris Wright asked if there would be an effect on the policy cost if a number of employees opted out. Ardrene Sarracino replied that the City is locked into the rate per individual depending on the plan they chose. Terry Gembala said he appreciates the new policy because it provides more coverage for himself and his wife although the deductible is more up front. City Manager Crossett said he appreciates the City Commission's interest in this issue and the employees' comments, and he wants them to know that he cares about each individual and will continue to look into the payback issue. Mayor DeVries clarified that there will be further discussion about the Health Insurance and the Permissive Levy at the public hearing on Monday, August 16, 2010, at 6:00 p.m. and to ask Todd Crossett or Ardrene Sarracino any questions they might have prior to the meeting so they can get the answers.

Meeting adjourned at 5:27 p.m.

Pat DeVries, Mayor

ATTEST: _____
Aggi G. Loeser, City Clerk