

VIRGINIA:

At a recessed meeting of the Board of Supervisors of the County of Northampton, Virginia, held in conference room #2 of the former Northampton County Middle School, 7247 Young Street, Machipongo, Virginia, on the 8th day of June, 2011, at 5:30 p.m.

Present:

Willie C. Randall, Chairman

Samuel J. Long, Jr., Vice Chairman

Oliver H. Bennett

Laurence J. Trala

Richard Tankard

Absent:

H. Spencer Murray

1. The meeting was called to order by the Chairman. The Northampton County School Board was also present and in session.

2. (A) Capital Improvements Plan.

Ms. Brook Thomas, the School Division's Director of Finance, indicated that she would deliver finalized copies of the adopted Capital Improvements Plan.

Mr. Tankard said that he still had concerns with what he termed the "big bump" {\$13 million} outlined in the middle of the CIP, and indicated that funding of this large amount cannot be achieved without borrowing. He stressed the need for a dedicated funding source to be able to fund the CIP and suggested earmarking the existing \$630,000 used for debt service for the two new elementary schools as a potential source of funding. These funds will become available in 2013. This topic will again be discussed at the Board's June 14th meeting.

(B) Health Insurance Discussion

Ms. Katherine H. Nunez, County Administrator, discussed the following memorandum:

MEMORANDUM

TO: Board of Supervisors
FROM: Katie H. Nunez, County Administrator
DATE: June 6, 2011
RE: Health Insurance Discussion

During the deliberations of the FY11 budget last year, the Board of Supervisors and School Board agreed to study certain items for potential consolidation which included studying the possibility of combining health plans for the employees of both entities to establish a uniform benefit plan.

This charge was provided to our health insurance consultant, Marshall Miller, who provided pricing options to both entities that would allow us to retain existing plan coverage, modifications to existing plan coverage to offset rate increases, and a combined plan offering to cover school and county employees.

The County currently provides a three plan offering at a 5 tier approach, meaning we offer a PPO plan, a High HMO plan, and a Low HMO plan and we offer each plan with 5 tier depending upon your personal circumstances (employee only, employee & child, employee & children, employee & spouse, and family). Our current vendor is Sentara Optima. The school has a similar structure; however, their current vendor is Anthem.

One of the changes that the County will be making regardless of whether we offer a combined plan with the school or remain a standalone plan will be changing vendors from Sentara to Anthem. This is being done for several reasons: the uncertainty of affiliation with the Sentara network and Riverside Shore Memorial Hospital; the ability to obtain a more robust HMO plan from Anthem; and the cost differential between the Sentara and Anthem plans.

The County currently pays a fixed amount towards the health insurance premium (\$362.40) which has remained stagnant for the past two years. As part of the FY12 budget process, Finance Director Bradley and I worked to include an increase in this contribution as part of our budget recommendation to lessen the employee share. If the County remains in a standalone plan, the County contribution towards the health insurance premium, as of October 1, 2011, will be \$473.74.

The School currently pays a fixed amount towards the health insurance premium (\$300.00). If we move to a combined plan, the intention is to combine the budgeted amounts for health insurance and set a new employer contribution rate for both entities of \$370.62. If we do not move to a combined plan, then the school rate will remain at \$300.00

Enclosed are the following documents:

1. E-Mail correspondence from Marshall Miller, Health Insurance Consultant detailing the pros and cons of considering a combined school/county health plan.
2. Historical Claims Data for both entities.
3. Spreadsheet detailing the difference of benefits between current County, current School and proposed Combined Plan benefits for PPO, High HMO and Low HMO.
4. Spreadsheet for each of the plans showing the cost differential to the employee for each of the plans.

For each of the plan sheets, the top table highlighted in green is if the County remained as a standalone plan. The column highlighted in pink in the table shows that some of the tiers will benefit and others will see a price increase.

The second table on each plan sheet shows the combined plan and the columns highlighted in the varying shades of yellow show impact for the County employees from today's costs (light yellow is from current plan cost to the new combined plan cost & dark yellow is the more accurate comparison of the renewal of the current plan to the new combined plan cost). The columns highlighted in the gray shades show the impact for the School employees (light gray is from current plan cost to the new combined plan cost & dark gray is the more accurate comparison of the renewal of the current plan to the new combined plan cost). Again, you will note in all of these columns that some of the tiers benefit while others will see a price increase.

Points of consideration:

A majority of the school employees are enrolled in the PPO plan (149 out of 270 or 56%) with the rest falling between the High HMO plan (80 out of 270 or 30%) and the Low HMO plan (41 out of 270 or 16%)

A majority of the county employees are enrolled in the High HMO plan (81 out of 160 or 51%) with the rest falling primarily in the Low HMO plan (65 out of 160 or 41%) and a small portion in the PPO plan (14 out of 160 or 9%).

Based upon the usage information, the intent was to develop a High HMO that was comparable, if not equal or better, to the PPO plan that the school currently offered because the premiums for a High HMO generally are lesser than a PPO plan and that would allow the employee to retain more take-home pay. The intent was to also retain an attractive Low HMO as an alternative to employees who have different medical needs at this time as well as who may have financial constraints. Lastly, we wanted to provide a PPO at the next tier down. Please note that since these spreadsheets were produced, my office has had conversation with the school (via our health insurance consultant) to extend the ability to retain the school's current PPO plan offering to provide the potential buy-in from the school employees to this proposal of a merged school/county health plan.

By structuring the combined plan as presented, my office believes that many employees could move to the High HMO, especially within the school group, without any significant changes in benefits and at a better price than staying with the PPO plan. The plan benefits remove many of the “assumptions” of an HMO plan, meaning you do not have to have a referral from your primary physician to see a specialist or other physician – these HMO plans are structured as an Open Access plan. In addition, if you have a child attending college out of state, you traditionally had to have a PPO plan for their coverage out of state. This is no longer the case – this benefit is now provided through the HMO plans as well. The only time this will not be the case is if you are covering a dependent not in school but who resides out of state then the PPO plan is necessary for that coverage.

The intent of this study and examination was to determine if we could offer a unified benefits plan to both school and county employees that is financially reasonable and with strong benefit components that address the needs of our employees. This combined plan is not being considered to offset any medical losses by one group or another group but rather to remove any disparity between the two entities in how we provide health insurance and to equalize the level of financial compensation provided by the employer for this benefit.

I am in favor of the combined health insurance plan between the School and the County.

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Mr. Marshall’s e-mail correspondence, referenced above in the memorandum, is set out below:

Our firm has acted as the broker for the County and Schools since the spring of 1999, and we appreciate the confidence you have had in our services. Summarized below is a history of the group medical plan for the Schools and the County being separate or combined, along with the advantages and disadvantages of these approaches.

As a combined group you are 100% experience rated, meaning that premium is based solely on the claims experience of your group, with no blending for the overall claims experience of Anthem. There is a cap on the maximum amount of claims for one person that would be charged against your experience. The cap increases as the group size increases.

The County and Schools in 1999 split into two separate group plans and was able to provide substantial premium savings. The County was able to have approximately 35% of its rate based on the overall claims experience of Anthem, which provided a significant savings. By removing the County from the Schools’ plan, the Schools’ claims experience improved to lower their renewal premium. The topic of combining the groups has been raised several times in the past and at each time one group would have benefited and the other group would have suffered by making a change. We believe the current plan proposed to the Boards is a reasonable approach to make the financial risk of combining plans balanced over time.

The disadvantages and advantages of being combined are as follows:

Disadvantages

1. *If the County and the Schools want to split the group in the future, they must move the coverage from Anthem for the first twelve months per Anthem's rules.*
2. *If the County has bad claims experience, they will be unable to get the blending of their claims experience to help smooth out the rate increase.*
3. *The County and Schools must agree on any benefit changes in the future.*
4. *In most years, either the County or the Schools will have better claims experience and one group will subsidize the other group's poor claims experience. The historical record indicates that over the last thirteen years, the average loss ratio of the County was 89.4%, and the average loss ratio of the Schools was 83.5%. However, this is being addressed by the subsidy the County is providing.*

Advantages

1. *The County and Schools are able to provide the same benefits to all their employees with the same contribution.*
2. *When either the County or the Schools has worse experience, it provides the ability to average the rate increases between them.*
3. *The combined benefits can encourage better employee morale and camaraderie between the County and the Schools.*
4. *Cost savings can be achieved after the groups have been combined.*

Best regards,

W. Marshall Miller, II, CLU, ChFC, AEP®
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Newport News, VA 23606
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The medical claims history and spreadsheets referenced in the memorandum are on file in the Office of the County Administrator.

Members of the School Board indicated that they were interested in merging the two groups but that a final decision will not be made until its June 15th meeting.

It was envisioned that a joint benefits committee would be established to oversee the program. Staff from both the County and the School System indicated that they would like to see a new insurance consultant brought on board in the future.

Ms. Ann Terry of the School Board indicated that she had two main reservations with the proposed merger:

1. management of the system, and
2. if the groups decide to split in the future, Anthem cannot be used for coverage for the next twelve months per Anthem's regulations.

Motion was made by Mr. Long, seconded by Mr. Tankard, that the Board endorse the joint plan concept as recommended by the County Administrator with the assurance that a joint management committee's recommendations shall be honored by the Board of Supervisors. All members were present with the exception of Mr. Murray and voted "yes." The motion was unanimously passed.

Adjourn:

Motion was made by Mr. Long, seconded by Mr. Bennett, that the meeting be adjourned. All members were present and voted "yes." The motion was unanimously passed.

The meeting was adjourned.

_____ CHAIRMAN

_____ COUNTY ADMINISTRATOR