

**MINUTES OF A
WORK SESSION
OF THE JACKSON COUNTY
BOARD OF COMMISSIONERS
HELD ON
MARCH 28, 2019**

The Jackson County Board of Commissioners met in a Special Meeting on March 28, 2019, 2:00 p.m., Justice and Administration Building, Room A227, 401 Grindstaff Cove Road, Sylva, North Carolina.

Present: Brian McMahan, Chairman
Boyce Deitz, Vice Chair
Mickey Luker, Commissioner
Ron Mau, Commissioner
Gayle Woody, Commissioner

Don Adams, County Manager
Heather C. Baker, County Attorney
Angela M. Winchester, Clerk to Board

Chairman McMahan called the meeting to order.

(1) HEALTH INSURANCE RENEWALS: Mark Browder, Vice President, Mark III; Tracy McCarty, Senior Consultant, Mark III; and Darlene Fox, Finance Director, were present for this item.

Mr. Adams stated that they had updated numbers from both Crescent and Blue Cross Blue Shield (BCBS). Since the decision had been made, they were only focusing on the self-funded portion. Presentations were made to the administrative group from Crescent and BCBS. He would be providing a recommendation and turn it back to the Board for discussions and/or questions.

Mr. Browder stated that several things had changed since they were last together. After negotiation conversations, they had a high claimant come off the plan, which helped. In the end, the renewal with Crescent reduced from a 49% down to 42.5% increase. The BCBS offering improved through a combination of network discounts and based on their contract as well. The renewal of the existing plan came down to a 37% increase. There was an approximate \$272,000 advantage now with BCBS.

One of the challenges with the tobacco strategy that the county had historically done, was that the way wellness was managed from the federal government had changed in the last couple of years. On any wellness program, they could provide incentives and have accountability strategies, but they had to give an opportunity to qualify by participatory methods. One of the tobacco solutions they had with other clients was the employee had to be given the opportunity to participate in a tobacco cessation program and whether they stopped using tobacco or not, once they completed the cessation classes, they were eligible for the richer benefit or discounted rate. If there were tobacco users that day, they would be in the standard plan, but going forward, if they kept a two tier strategy, they would only need to participate in the tobacco cessation class and they would qualify for the enhanced plan.

Given the changes in the rules, the recommendation would be to have a single plan design going forward. They could still do wellness initiatives, but there was also another question about the difference in the plan design and the gap of the value between the two plans, which could also come into question based on the wellness rules they were seeing from the federal government.

Mr. Adams stated there were two ways to approach this. One was the two plan system and the other was to have the tobacco user pay a portion of the premium. If the Board wanted to go with a separation for tobacco users, they were hard pressed to find a solution on how the two plan system would work because they had to give them an opportunity to take a class. They would come into the next plan year on May 1st, identify the tobacco users and give them until December, for example, to take the classes. At that time, it would be difficult to put them on the standard plan initially and then move them. If they tested positive for tobacco, they could not immediately be put on the standard and then moved to the enhanced plan after they took the class.

That was what they struggled with. If they wanted to go down that road, it would be easier to talk about a rate differential. During the four to five month period, everyone would be on the same plan, but if they did not complete the class, then they would have a cost share at that point.

Mr. Browder stated that by doing a rate differential, they were still emphasizing that tobacco use was not a positive, so they would be maintaining that communication of the challenge, but it was a much easier way to manage it.

Ms. McCarty stated that everyone qualified for the discounted rate if they were a non-user. If they went through the classes, they qualified for the discounted rate. If they did not go through the classes, they did not qualify for the discounted rate. If they were a user, they would have to go through the classes every year.

Mr. Adams stated that the Health Department did already have cessation classes.

Mr. Browder stated that from an economic perspective, they would find that the single option would be the best solution.

Commissioner Deitz stated that with the current plan, they had a nurse that employees could see. Where did that play into this? He thought that was a great service to a lot of people and he hoped that continued.

Ms. Fox stated that was a benefit that Crescent offered and they paid for that service per employee, per month. BCBS offered the same service but they did not have the nurse that came out.

Mr. Browder stated that could be contracted separately. The economics and changes that had occurred since the last time they were together, they were in the mid-thirty's and were now to about 23% with BCBS on standard.

Mr. Adams stated that they had gone from the renewal overall decreased from 49 to 42 because they lost the laser. The 28% increase through Crescent was because of the reduction in benefits. They went from 42% to 28%. When they first started to look at this, BCBS and Crescent were almost the same. Why now was BCBS at a 5% difference and between \$250,000-\$300,000 cost difference for the same plan?

Mr. Browder stated that during the presentation process, one thing that came out was the current financial arrangement with some of the hospitals. There was a difference in negotiated discounts between what they had that day. BCBS had a better financial arrangement with the Duke LifePoint than Crescent.

Mr. Adams stated that when they talked about Duke LifePoint and Mission, those were the two primary areas they dealt with. When they start talking about contracts, they were talking about what Crescent was able to contract with the hospital for certain services. BCBS did have better rates.

The difference in the 28 and 23 was they were trying to be conservative when Mr. Browder was putting in the cost difference of what they would pay through Crescent and what they would pay through BCBS. It also built in other costs so that it could match the existing plan, such as the dental service. They were coming from an enhanced plan with a deductible of \$1,250 and they were going to a deductible of \$2,250 and would eventually go from and 80/20 to a 70/30.

Mr. Browder stated that a better discount for the member would mean a slightly lower out-of-pocket cost on a facility claim and it would also be a savings to the county in the plan as well, so both parties would benefit.

Commissioner Luker stated that BCBS did not have the best history with the hospitals.

Mr. Browder stated that there was always tension between the hospital systems and the payors. Because there was negotiation going on between the two to drive the best deals, the hospitals and providers wanted to negotiate what was in their best interests and get the most out of the contracts they could. Conversely, the payors, including BCBS, wanted to drive the best deal. A lot of their clients were self-funded, like the county, so they were really negotiating on the county's behalf. The better deal the payor could drive, the better the county and employees were. Health care costs in Western North Carolina were substantially higher than the middle part of the state where there was more competition. Economically, both the county and employees would benefit from the negotiations that had occurred.

Also, with the current year the county was in, they had a higher deductible of \$300,000 that they would pay on an individual for stop loss. BCBS provided a guarantee that there would be no laser for the upcoming renewal season for next year and they would cap out the premium at an increase of no more than 50%.

Commissioner Luker stated that when they made some changes in the last few years, he heard complaints regarding changing medications. Would they see changes there?

Mr. Browder stated that any time a change was made to the pharmacy benefit manager, there would be a disruption. Access would not be the challenge, it would be that medications moved within tiers. With all of their clients, no matter who it was, the drug lists changed at least once per year. They would always be in flux with medications. In the two tier discussion, there was the near term and the long term. Some of the pain points of disruption would certainly be a part of that. There would also be a long term conversation and what would be the best solution for the county. Part of the recommendation was that in the long term, the county and the employees would be better economically, coverage wise. Based on size, BCBS had better leverage to negotiate contracts with providers and they were going to economically be a more competitive solution for them in the long haul.

Commissioner Mau asked if the incentives were there to encourage people to use generics.

Ms. McCarty stated that yes, but sometimes there better deals on the brand drugs.

Mr. Adams stated that this drug card would have a zero copay for preventative drugs.

Mr. Browder stated that preventative drugs included those for hypertension, cholesterol, etc.

Commissioner Mau stated that would go back to wellness.

Mr. Adams stated that there were pros and cons about Crescent and BCBS. BCBS did have healthy outcome programs where there was access to nurses, but it would be via phone. If that was a gap, if they went with BCBS the county could move forward to try and provide access to the nurse by other means.

Commissioner Mau asked if this was just about next year and did not address the \$1.2mil that year, right?

Mr. Browder stated they were just trying to get out of it and trying to get to zero. He wanted to set the right expectation for 2021. There was a natural upward cost bias in pharmacy spend and health care spend. It was unreasonable, although desired, to not anticipate some kind of increase in cost in health care spend. They had other things they wanted to talk to staff about on the wellness side, but they had to get past all of this. Their goal was to help get the county back in the financial position it was before. They would guide them with what they believed was the right solution and they were always on their side and trying to protect them.

Chairman McMahan stated that the national trend in the cost of health care was going up. They could not expect anything would change to cause it to go down. The only thing they could really have any control over was claims. That went back to the point about wellness and could they do things to affect incoming claims by doing upstream planning and work to try to get people healthier.

Mr. Browder stated that as an individual there were things they could control such as what they consumed, how they consumed it and the level of physical activity, to some extent. People were going to get sick, it would not be their fault because they did not create the problem. Most all needed guidance and assistance in helping to understand what would be in their best interest. It was a very bad economic decision on a personal level not to take care of oneself. The best cost savings would be to never end up in the health system or stay out of it as long as possible. They were believers in wellness and they thought they were leaders in wellness. They had done a lot of incentive based strategies for their clients. They thought there were opportunities to help lead them into a better place and that required incentives, education and a culture of wellness.

Mr. Adams stated there was a second part of that when they talked about expenses. First and foremost, was wellness to become healthier and spend less. The second part was the buying power for the cost for the service. Those were the two issues on that side when they started talking about what they actually would spend out.

Mr. Browder stated there would be some uncontrollable expenses, but the primary would be getting the best deals possible economically and then how, as a total population, they would take care of themselves. Through wellness, they had seen shifts from controllable to things that were not controllable.

Mr. Adams stated that included in the pricing with BCBS was a feature called Smart Shopper. This would create health care savings for the employee and the employer. If the employee shopped around and got a better price for services, they would get a financial reward from the county.

Mr. Browder stated that Smart Shopper was all about consumerism. It was designed to target services that people could be a good consumer on such as radiology. There was a difference between a facility based MRI unit and a non-facility based unit. Typically, they would be less expensive if they were not using a hospital system's radiology department. To use this, the member would go online to BCBS Smart Shopper tool and look up MRI where it would list an option to save money. If the member used that service, they would get rewarded with money on the backside as well for being a wise consumer.

Ms. Fox stated that, for example, a member could pay \$3,000 locally and \$500 in Asheville for an MRI.

Mr. Adams stated there would have to be a lot of education and support behind this, but it was a reward system to try and shop to get the services. That was included in the projected cost if they went with BCBS. Also, included in the BCBS quote, was an array of services regarding Healthy Outcomes. One item BCBS offered was MD Live. The county currently used Ally Health Telemedicine. Under this proposal, the county would stay with Ally Health service.

Highlights BCBS was offering:

- \$40,000 implementation fund
- No new laser and 50% rate cap
- Monthly aggregate
- Smart Shopper
- 16 month credit for the deductible paid from January
- Move deductible year to match plan year to April 2020 for the first year
- Run dental and vision as they had it with credit for deductibles
- Contract with the Health Department for the zero dollar contract
- No copay for certain preventative prescriptions
- Credit for deductibles
- Continue to use Ally Health

There were two issues about leaving Crescent. One was the disruption. He did not want to downplay the disruption as they had one month to transition to a new insurance carrier. Along with the disruption of the drug card, those were the negative aspects of switching over. Also, they would lose the personalized disease case management with the nurse on site. The post 65 did not change either way, they would still stay with Hartford and have a new drug card, so none of this would affect retirees. Crescent was still in dialogue with Duke LifePoint. That was the difference in buying power they discussed earlier. Currently, BCBS had a better contract than Crescent.

What he considered to be the other change was that they did annual reporting through ACA and BCBS would not do that. They were planning to do that in house anyway. Regarding the Health Risk Assessment and follow up Disease Management went back to the Wellness Program when they had the two plan system. Either way, they would have to redo how they did the blood work and Wellness Program. The Wellness Group would have to come up with plans of how to incentivize people. Also, there were currently 150 employees that worked with the nurse.

Commissioner Deitz stated that he had been seeing the nurse for two years and she was awesome. She really cared about people and called them to follow up. It was not the same as someone calling on the phone.

Ms. Fox stated they may be able to contract with Crescent to keep that service.

Ms. McCarty stated they could contact Crescent to see if they were willing and able to continue the service based on their setup. They did have other clients that had nurses on site, clinics or medical providers on site quarterly. That would be an additional cost they would contract to have the nurse on site. Some incentives they had offered included doing the biometrics, waist measurement and weight loss, etc.

Commissioner Woody stated that the deductible would go up \$1,000 for either plan. She thought that was a very important point that would have to be communicated to people, because they did not have a choice on that.

Mr. Adams stated that the pro for BCBS was that it was less expensive to the county and employees with dependent coverage. The con would be the higher deductible. Also, a pro for BCBS was that because of their buying power, they could get the service for less. Other benefits would include Smart Shopper and changing the deductible to meet the plan year.

Regarding Crescent, there was safety with no change as there would be no transition issues. As far as the plan itself, nothing would change with how employees moved forward. However, regardless of who they went with, they would have to redesign how they would deal with tobacco use and the blood draws. Currently, the Crescent nurse had access to the medical information and would then in turn follow up. Going forward, the nurse would no longer have access to the data. This would move toward a more voluntary participation. The transition to the new drug card and the new copay would be on the negative side of the transition. As far as rates, with Crescent they would see a 28% increase.

The BCBS 23.11% increase:

	Current Medical Rates		Rate After 23.11% Increase		Amount of Increase	
	Monthly	Bi-Weekly	Monthly	Bi-Weekly	Monthly	Bi-Weekly
Employee	\$860.00	\$396.92	\$1,059.00	\$488.65	\$198.75	\$91.73
Spouse	\$310.00	143.08	\$382.00	\$176.14	\$71.64	\$33.07
Child	\$210.00	\$96.92	\$259.00	\$119.32	\$48.53	\$22.40
Children	\$310.00	\$143.08	\$382.00	\$176.14	\$71.64	\$33.07
Family	\$420.00	\$193.85	\$517.00	\$238.65	\$97.06	\$44.80

	Current Dental Rates		Rate After 23.11% Increase		Amount of Increase	
	Monthly	Bi-Weekly	Monthly	Bi-Weekly	Monthly	Bi-Weekly
Employee	\$27.00	\$12.46	\$33.00	\$15.34	\$6.24	\$2.88
Spouse	\$34.00	\$15.69	\$42.00	\$19.32	\$7.86	\$3.63
Child	\$22.00	\$10.15	\$27.00	\$12.50	\$5.08	\$2.35
Children	\$34.00	\$15.69	\$42.00	\$19.32	\$7.86	\$3.63
Family	\$56.00	\$25.85	\$69.00	\$31.82	\$12.94	\$5.97

General discussions were held.

Commissioner Mau inquired how the new rates for a family compared to other counties.

Mr. Browder stated that the rate was competitive.

Commissioner Mau asked if the individual rate was too high and the family rate too low compared to other counties.

Mr. Browder stated that the \$517 was higher than what they charged in Henderson and Buncombe because the dependent rates were more heavily subsidized by Henderson and Buncombe. It was in line with what they would see in Transylvania.

Commissioner Mau asked about the individual rate of \$1,059 compared to other counties?

Mr. Browder stated that it was high. Jackson County costs were at the top of the client base as far as what they were spending on a per employee per month basis, but it was an expensive area.

Commissioner Mau stated that it became more complicated when they were looking at county costs. There were two ways to offset that. The employee number could be lower and the spouse and children could be higher. That would lower the amount for the county, even though he knew that would increase the employee contribution. If they had not been setting the rates right historically the last several years, then that all played into the decision they were making that day.

Mr. Browder stated that when they got into the politics of this, it was difficult once they would get a set of rates to make dramatic changes to employees because it was a negative. They wanted to be competitive with all of their peers. They tried to protect the employees as much as they could on the health plan side. Every dollar that they increased in their cost was a dollar that would eat into any kind of raise. What they charged their employees was competitive statewide.

Mr. Adams stated there were pros and cons to all of this, but when they looked at disruption issues and short transition times, they knew they would have issues if they went to BCBS. They knew the change in RX would be difficult and BCBS did not have a dedicated nurse. He based what he was recommending on long-term strategies, long-term payout and services were going to be better. There would be issues in the short-term transition. It could take three months to get the deductible transferred and changing the RX card would cause issues. They would have to redevelop the overall wellness program regardless. Because of the long-term benefit to the fund and operations, BCBS would be his recommendation.

Ms. Fox stated that BCBS would be her recommendation.

Chairman McMahan stated that staff had recommended BCBS. He asked if anyone was adversely opposed to that?

Commissioner Deitz stated that he felt strongly, but he did not know if he could justify it. He liked to think that the money they were saving would be worth all they would go through with. Could they go back to Crescent and asked for changes?

Mr. Browder stated the biggest thing was facility charges. Crescent had been talking to Duke LifePoint for years and had not made any progress. That was the big difference.

Chairman McMahan stated that the bottom line was that Crescent was \$267,854.98 more than BCBS. They had to decide if it was justified to spend that much more to stay with who they were with.

Commissioner Woody stated that the fact that Ms. Fox, who was an employee as well as the financial person thought this was good, that meant a lot to her in her decision.

Mr. Adams stated they would have to make a decision if they were going to offer everyone to qualify for a discounted rate, which was free. They would continue to test for tobacco users and if they came up positive, within the next certain amount of months they would offer cessation classes. As long as they took the cessation classes, they would continue to receive the discounted rate. If they chose not to take the cessation classes, they could use some type of premium.

Chairman McMahan stated that the staff recommendation was for BCBS. If the Board agreed, the BCBS recommendation would be placed on the next regular meeting agenda for consideration.

Commissioner Mau stated yes.

Commissioner Luker stated yes.

Commissioner Woody stated yes.

Commissioner Deitz stated he was undecided.

Chairman McMahan stated yes.

Chairman McMahan inquired if there were any other items to discuss regarding this item or the process.

Commissioner Mau stated that the process for that year, no. The process to make sure they did not get into the situation where they were running on \$1.2mil deficit this year, \$1.4mil last year and \$4.3mil over the last five years – they needed to figure that out. He was looking at the county's rates and for five years they did not raise them and at the same time they were running a deficit of \$800,000 to \$1mil. That came back to the conversation that in December they found out about the \$1.4mil and they had not been told about that until that night. The \$1.2mil they did not know about until February 12th and the first time he had seen the spreadsheet about historical data with the \$4.3mil over the last five years. It was a concern of his that as Commissioners they were not getting that information. He assumed they had been getting recommended rates from the consultant through the whole time period. Had they been applying those rates or not?

Mr. Adams stated he would give an example with the stop loss insurance. The spreadsheet was showing the recommended rate and what was applied. The information they were getting was from the reinsurance company. They gave a gap between expected and maximum.

Commissioner Mau stated he was looking at where the experts were saying the family premium should have been \$2,788.59 that year and they were at \$1,300. The experts said what the premium should have been and they picked something a lot less. Why did that happen because it got them into the hole over the last five years?

Mr. Adams stated that their rates subsidized the other rates. The way they were doing this was not how Jackson County had always done this. It would be basically be asking the employee to pay the same for spouse as the county paid for the employee. Jackson County had never done it like that. The second part was there was a big gap between the two and that was where they needed someone like Mr. Browder.

Commissioner Mau stated that last year they stated what the rates should be and someone made the decision not to do that and that had happened every year over the last five years and that was why they had a \$4.2mil deficit. The Commissioners did not find out about that before February 12th and that was a problem.

Commissioner Woody stated that from what she heard, some of that was catastrophic illness that no one knew was coming, so where did they figure that in – they could not.

Commissioner Mau stated that he understood that. They were relying on staff's recommendation that day to go forward with BCBS. The past few years they had an expert make recommendations and they decided to not follow them. He got that they had to balance out the employees what they were going to pay, but they had some bad decisions made and that was why they were in the \$4.3mil hole over the last five years and that was what they needed to fix.

Mr. Browder stated that the numbers were based on maximum cost. He had no client that funded at the maximum rates. They were usually funding between the maximum and minimum. These types of rates were produced by the stop loss carrier, but did not necessarily match up with how the client funded it. In the contract, the maximum cost of \$8.2mil was a maximum liability number and it applied to the aggregate stop loss. There were two pieces of stop loss. There were specific, which was to the individual and then there was a total, which was called aggregate for the total plan. This number was probably unattainable because there was a 25% difference between what was expected versus actually what the maximum liability was. There was a risk for not funding to that level, but almost no one ever did.

Commissioner Mau stated that the revenues were low, which went back to the rates not being set where they should have been.

Mr. Browder stated that some of the things that occurred were that they had reserves in place to absorb it. The guidance he would give them were the things they needed to hear and the staff needed to hear to keep them in the right spot. His numbers were not going to be perfect, but they were not going to be \$1.4mil under water because they were doing the things they had to do. Going forward, they were going to hear the things they needed to hear and they worked as a team.

Chairman McMahan stated they needed to talk about going forward and how they would look at this.

Mr. Adams stated that he and Ms. Fox had talked about this. There were a couple of things that needed to be done going into next year. Mr. Browder would be able to give them projections quarterly.

Mr. Browder stated that he would tell them quarterly based on the budget, how the plan was performing. Six months in advance of the renewal, he would give them a renewal estimate. Depending on what level they wanted the reporting, he would come before the Board on a quarterly basis.

Mr. Adams stated that they would have to come at the end of the year to clean up the \$1.2mil, meaning they would get a shore up at the end of this year so they could get the money moved into place. They would talk about internal funds so that when it got booked into next year, it would make these conversations occur at the end of the fiscal year every year. At the same time, they would get six month and nine month estimates from Mr. Browder.

Commissioner Mau inquired if they were going to split it out to the health reserve fund, so if they needed to make adjustments at the end of the year, it was not all being charged to public safety?

Mr. Adams stated that yes, it was either going to be an internal fund or a separate fund. Either way, it would do what he was asking so that if there were projections that they knew they were going to be short, it would be brought to the Board's attention. It was not going to be a June conversation, it was going to be a six month and nine month conversation and by the time they got to June, if they had any surprises, it should be relatively small. It may need to be a conversation they would have with the auditors also.

Chairman McMahan stated that he wanted to see them come back together in a work session environment in months down the road to follow up until they made sure they were on the right track.

There being no further business, Commissioner Mau moved to adjourn the meeting. Commissioner Woody seconded the Motion. Motion carried and the meeting adjourned at 4:15 p.m.

Attest:

Approved:

Angela M. Winchester, Clerk to Board

Brian Thomas McMahan, Chairman