

April 1, 2005

CALLLED MEETING
FLOYD COUNTY BOARD OF COMMISSIONERS
April 1, 2005 **9:00 a.m.**

PRESENT: Chairman Chuck Hufstetler, Commissioners Tom Bennett, Garry Fricks, Jerry Jennings and John Mayes.

OTHERS

PRESENT: County Attorney Tom Manning, County Clerk Kathy Arp, and County Manager Kevin Poe.

CALL TO ORDER: Chairman Hufstetler called the meeting to order.

INVOCATION: Commissioner Mayes led the Invocation.

DISCUSS EMPLOYEE

HEALTH INSURANCE:

Chairman Hufstetler deferred to County Manager Kevin Poe. Mr. Poe stated a recommendation is being made to change from Principal to Blue Cross for Employee Health Insurance. Mr. Poe stated that everything would stay the same, with the exception that the recommendation includes increasing the deductible to \$1,000 a year. Mr. Poe stated that last year the deductible was raised to \$750 and the employee continued to pay \$250, as it was the previous year, and through a Health Reimbursement Account (HRA) the County picked up the \$500. Mr. Poe stated the proposal is that the employee pay \$100 more per year on the deductible (\$350) and the remaining \$650 be reimbursed through the HRA. Mr. Poe stated the recommendation is also that the employee share of the premium remain as it was last year. Mr. Poe stated with these recommendations we are looking at a 4% increase in premium over last year. Mr. Poe stated that Chuck Shaw, Garner & Glover Company, had been asked to review the information and get the best quotes he could get. Mr. Poe stated that that we are continuing to look at the Health Savings Account (HSA) and also at Self-funded, to see if that is an option.

Chuck Shaw, Garner & Glover Company, presented information regarding the review of the County Health Insurance that he had conducted. Mr. Shaw stated that they had looked at a number of different options, and requested quotes from a number of different carriers. Mr. Shaw stated that some of the carriers contacted provided quotes and some did not. Mr. Shaw pointed out that the original renewal received from Principal was a 62.60% increase over current, for 2005. Mr. Shaw stated that they had been able to get them to come down, with making no changes, to a 29.50% increase, basically because they wanted to keep the business, adding that Principal did want a long-term relationship if possible.

Chairman Hufstetler asked what our claims history was. Mr. Shaw stated that it was about 110% loss ratio. Mr. Shaw stated that the insurance companies shoot for an 80% loss ratio to break even as far as claims versus dollars. Mr. Shaw stated that Principal came in last year with very low numbers, and it made it a tough decision not to go with them because the numbers were so low, and they were looking at trying to help manage our claims to a certain degree and they weren't able to do it – the difference in the amount of claims and the dollars that came in was a pretty substantial amount. Mr. Shaw stated that Floyd County is a large group and the companies get competitive with the possibility of that type of membership to come on the books. Mr. Shaw stated that he had talked with Principal representative as late as last evening and the 29% was as low as they could go. Mr. Shaw stated that Blue Cross/Blue Shield (BCBS) has approximately 6.2 million members in the State of Georgia, which is the biggest insurer in the State of Georgia, and this is an advantage.

Commissioner Fricks stated that if our claims rate does not increase this year, and if it is factually true that BCBS has a better negotiated rate, and our rates stay the same and we begin a wellness program, then we should see our claims cost go down and that would be a good trend to start back with a company. Commissioner Fricks stated that we have beaten our premiums every year on claims, and that is why we have had the big increases.

Mr. Shaw reviewed the aspects of the proposal presented, and pointed out that proposed BCBS plan is basically the same plan as we currently have with Principal, except that the deductible will go from \$750 to \$1,000, the out-of-pocket maximum will go from \$2,500 to \$3,000, prescription drugs will remain as they currently are (\$15, \$35 & \$50) which is approximately 1.78% increase over current total costs combined. Mr. Shaw stated that this year the county has reimbursed approximately \$86,000 through the HRA, and the estimate used for tracking was 20% which was approximately \$100,000 for the plan year and that is on target.

Commissioner Fricks stated that when they were working on the numbers for the renewal, that he had suggested that we work to try to keep the employee contribution the same as last year, that he thinks the employees would rather see a \$100 increase in the deductible than an increase in their contribution. Commissioner Fricks pointed out that the proposed plan affects employees positively in a number of areas, stating that it keeps the co-pay at \$15. County Manager Poe stated that the BCBS mail order pharmacy plan is better than the Principal plan.

County Manager Poe stated that a recommendation is also being made that with the savings realized this year, that the County start a wellness program to try to find who the high risk employees are and try to do things that will get their risks down. Commissioner Fricks stated that this is one of the thoughts behind continuing to look at the HSA and self-insured area, is that with our increasing claims rate there is too much risk so we are trying to be proactive on things like the wellness program to attempt to identify problem areas and maybe by the benefit of a better negotiated rate in the

network, we can get to a point where we stabilize and then move into the self-insurance program.

Mr. Shaw pointed out that the proposed plan is approximately a 4% total increase for the county, at just over \$2.1 million, with the employee cost staying the same. Mr. Shaw stated this would also put the county in the ACCG program with BCBS. Mr. Shaw stated that this does not pool our claims, that he had questioned this specifically; what it does is pools the administrative costs which could help in the long run for renewals. Mr. Shaw also stated that this is a 17-month rate guarantee, which means the rates are good until October 1, 2006. Mr. Shaw invited everyone to participate in the Employee Health Fair to be held at The Forum on Tuesday, April 5th.

County Manager Poe recommended that the county pay for all blood work offered at the Health Fair. Mr. Poe also recommended that employees be reimbursed their co-pay if they get a mammogram and PSA test, through an office visit. Mr. Poe stated that employees could work with Garner & Glover to make sure that it will be done as an office visit. Mr. Poe also stated that if an employee gets a PSA test they should bring the receipt and will be reimbursed for their co-pay. It was the consensus of the Board to accept these recommendations.

County Manager Poe stated that Mr. Shaw has been working with several different vendors to set up a wellness program for the county. Mr. Poe stated that this would include a nurse and doctor on a part-time basis that would go to the different departments to follow-up and do blood pressure testing and encourage those who did not attend the health fair to get blood test, etc., and if an employee is a high risk they would be given recommendations on what to do to improve their health. Mr. Poe stated they have also discussed developing an incentive program that would encourage employees to take more steps to improve their health. Mr. Poe stated that the estimated cost would be \$20,000 - \$25,000 per year.

Commissioner Fricks made a MOTION to approve the BCBS Plan, \$1,000 deductible with \$650 paid by employer and \$350 paid by employee, keeping the employee contribution the same as last years plan. County Manager Poe stated this is listed as BCBS Plan 405M2, with \$1,000 deductible, with \$1,000 deductible, HRA Variation B on the proposal submitted by Garner & Glover. SECOND by Commissioner Jennings.

County Manager Poe requested that the recommendation regarding the blood test and the co-pay reimbursement be included. Commissioner Fricks amended his MOTION to include the recommendation which was seconded by Commissioner Jennings.. VOTING:

YES

NO

Commissioner Fricks

" Mayes

" Jennings

" Bennett
Chairman Hufstetler

Motion Carried

**DISCUSS PROPERTY &
LIABILITY INSURANCE:**

County Manager Poe stated that proposals had been sent out for renewal of Property & Liability Insurance, and presented a spreadsheet showing a comparison of the proposals received. Mr. Poe stated that the IRMA (ACCG), Option A, proposal is \$356,300 (assuming that no automobiles or buildings are added) and this premium would be effective until October 1, 2006. Mr. Poe stated that Brown & Brown proposal is \$458,000, and covers the period April 1, 2005 through March 31, 2006. Mr. Poe stated that if we accept the ACCG proposal there will be a one-time charge of \$27,922 for prior acts coverage. Mr. Poe stated that the proposals had been prepared by an independent insurance consultant, Insurance Consulting Company, LLC, and presented the Board with a copy of their review. Mr. Poe stated that the consultant had compared the impact of the different deductibles and reviewed the coverage side by side.

Chairman Hufstetler asked about the difference in Option A and Option B on the comparison sheet. Mr. Poe stated that IRMA had an option with a \$50,000 deductible; however, in evaluating the higher deductible it is felt that it would cost the county more money based on previous claims experience. Mr. Poe stated the recommendation is that we continue with the \$25,000 deductible. Chairman Hufstetler asked how long we have to stay in the plan. Mr. Poe responded that we have to stay 2 years, which would be the 17 months plus one more year. Chairman Hufstetler asked if we could get out after the initial 17 month period. Larry Johnson, Human Resources Director, responded that the county would be required to stay in the plan for 24 months. Chairman Hufstetler asked if there was a potential that they could come back and propose a large increase in premium for the second year – asking if they could take the past experience and use those figures to increase the premium, rather than taking into consideration what happens in the initial 17 month period. County Manager Poe stated it would only be the 17 months.

County Manager Poe stated there are some issues in the proposal regarding attorneys, and even though Smith, Shaw & Maddox is approved through Millennium-Argonaut, they have only received about 24% of the business this past year as far as handling claims. Mr. Poe stated that ACCG has their own people they retain, and Smith, Shaw could request to be included, but he does not see this as an issue because a lot of our claims right now we are having to deal with outside attorneys anyway.

Commissioner Fricks asked what the timeline is on the issue. Mr. Poe stated that our coverage was originally supposed to expire as of midnight last night, but Rhett Butler, Brown & Brown representative, got a 15-day extension. Mr. Poe stated that

he had talked with ACCG this morning and if a decision is made to go with them, they will have us picked up as of midnight last night.

Rhett Butler stated that he was here to review the ground rules of the 15-day extension, because they had just received them late yesterday afternoon. Mr. Butler stated that if there are no claims during the 15-day extension, there will be no charge from Trident because they will use the 04/01 date. Mr. Butler stated if a claim is picked up during this 15-day period, Trident will make a charge for those 15-days, and it will be a pro-rata charge – not of the expiring premium, but of the renewal premium. Mr. Butler stated this is because it is truly not an extension they are doing, they are actually binding the new policy and going forward because of the reinsurance and issues they have. Mr. Butler stated that loss experience will have an impact for the next couple of years, and what they did this year – insurance companies including ACCG – and again ACCG is not insurance it is a fund – they use a rolling number and it is 3 years, the current year as soon as that material is matured and they know what they have got, and that is why they wait a year – that will actually go into your loss data – the 4th year and back rolls out pretty much and that is how they do experience rating. Mr. Butler stated they have to go to the reinsurance market place and place the reinsurance so they are going to continue looking at your data.

Mr. Butler stated that you would actually be locking yourself into a 29-month period with ACCG. Mr. Butler stated that when you join the fund, you are joining a group, you do not have your individually about you – your losses are their losses, and their losses are your losses and it is funded that way and that is why it is called a fund. Mr. Butler stated you are joint and severally liable with that fund, it is a contract, it is not an insurance policy which you can walk away from. Mr. Butler stated if the fund develops problems during the 2+ year period that you are with them, this county is responsible for those obligations from this point forward – you do not walk away from it, it is in your financials, and there needs to be actually an entry in your books for a contingency funds for that situation – these funds have failed in the past – the Georgia fund has not, but North Carolina has, Florida has, and they have been dissolved. Mr. Butler stated the one issue he would bring up right now, is the market place is in a softening posture, it is being passed along through property, general liability, professional liability coverage, the medical community is kind of immune from it, but as long as the pressure is on the market place they are coming down. Mr. Butler stated that one thing that is getting ready to happen in the state of Georgia, and IRMA is aware of it, ACCG is aware of it, Trident is aware of it – there is a new product that is getting ready to be brought into the market place and it is probably going to be by June 1, as far as it is not a joint and several liability product – it is a trust. Mr. Butler stated Florida has it up and running, it is going to be a very competitive product, but it gives the county one more opportunity in a competitive situation to see what is going to actually happen in the market place. Mr. Butler stated you are not tied down, if you stay with the Trident situation this year, if you want to put it back out and get a number next year you will have a trust to look at, and you will also probably have one other guaranteed cost program come into play. Mr. Butler stated the trust program, if they want to come back to the table, they would be in to, which would give more options to take a look at. Mr. Butler

stated there are consultants in the state who are adamant about preaching against funds, and he could bring an expert in that will say do not join them, he talks on the circuits and has no insurance relationship to them or anybody else, and they have them on the other side of the street also. Mr. Butler stated when it comes down to it, is the \$80,000 savings worth the risk of joining a fund, and in his professional opinion he says it is not – not at this point and time. Mr. Butler stated they do not have the backing of the state guarantee fund, you are signing up for future liabilities that you do not even know what they may be, and on another county the statement was made go ahead and write one check for the premium, but leave another one blank for the future liabilities and explain to the constituents why we left a blank check in the folder, because that is basically what you are doing if you join a fund.

Commissioner Jennings stated to Mr. Butler that in his discussion he had mentioned that if there is a catastrophic situation in the state then whoever is in the pool is responsible for that. Mr. Butler stated that is correct. Commissioner Jennings pointed out that if the members of the pool experience a better than usual year, his understanding is that the counties experience a benefit from that – so there are two sides to it. Mr. Butler stated that is correct. Commissioner Jennings also pointed out that it seems to him that both plans have a buffer for major catastrophic events, they have additional insurance that would cover a major catastrophic event, that would protect themselves, both private and ACCG, from that kind of major event. Mr. Butler stated that the difference between the two is that with one you have a reinsured guaranteed cost program, as far as the Trident type situation, and if the insurance company fails to be able to meet their obligation you have the guarantee fund that drops down to meet their obligation and then you have the reinsurance carriers that are out there. Mr. Butler stated with the fund, yes there are some reinsurance carriers out there, but if the fund fails to meet their obligation there is nobody there to pick that gap up except the individual counties – up to the reinsurance level. Commissioner Fricks asked if the reinsurance kick in at \$2 million referenced in the review was for the total pool or for individual claims. Larry Johnson stated that is for the whole pool. Mr. Butler stated that they are insuring coastal properties, they are insuring municipalities that are in the metro area, and he is just saying that the guaranteed cost programs have not abandoned the county even with the losses that they have had.

Commissioner Jennings stated that one of the things we are doing in the Health Insurance area is establishing health fairs and we want to partner with the medical center as far as wellness, and we need to be doing the same thing as far as our liability – we need vehicle driving programs and safety programs, we need to be proactive with our employees. Mr. Poe stated that we can do that, and ACCG has a Risk Management arm with their program where they do a lot of that for member counties. Commissioner Jennings stated those resources need to be factored in.

Mr. Butler stated that as far as coverage for zoning issues goes, and as we continue to grow as a county those are going to be more prevalent, and ACCG does not offer coverage for zoning issues and the Trident program does, so that is a major coverage issue that is out there. Commissioner Jennings stated that issue has been

addressed last year. County Manager Poe stated that there have been some claims on that but they are usually not significant, it is mainly attorney fees.

Commissioner Mayes asked for instance if a catastrophe happens in Fulton County, how does it affect an individual county – does each county have to tally up a certain amount. County Manager Poe stated it would have an impact, but if we had a hurricane come into Georgia and it does a lot of damage throughout Georgia it would probably affect the insurance industry in general. Commissioner Bennett stated if it does happen in 2004, and we are a part of the pool in 2004 but it is not settled in 2004, a tremendous liability was created over a specific event, and we drop out in 2005, would that follow us on to the statute of limitations. Commissioner Mayes stated if we buy into the organization we have to support it so long. County Manager Poe stated just for the 2 years. County Attorney Tommy Manning stated that he had not seen the contract, but his understanding was that if you came out you would still have potential liability with regard to any claims during that period of time you were in the pool – whether you are now out or not. County Attorney Manning stated that he thought Mr. Butler's point was that one of the biggest exposures would be if the fund was not solvent enough to pay out all the claims up to the reinsurance then you would have the pool dunning everybody saying we've got to pay more claims before you get to the reinsurance, but he does not know how they do that in terms of saying how much the different counties would pay.

Mr. Butler stated that this has happened in North Carolina, the state of North Carolina's program failed and they went back and had to assess the individual counties tens of thousands of dollars on an individual basis. Commissioner Fricks stated that in that case, with the worse scenario, with reinsurance the pool would continue on the liability for less than \$2 million so the reinsurer would take care of anything. Mr. Butler stated that as he understands it, if it never reaches the reinsurance threshold, if you catch several claims underneath the threshold the reinsurer would never be involved. Commissioner Bennett asked if the trust, would be reinsured under an insurance pool. Mr. Butler stated it would. Commissioner Bennett stated this would sever our liability in case we dropped out and asked Mr. Butler if this was a product that he says will be available. Mr. Butler stated it is a product that is getting ready to roll out now. Mr. Butler stated the difference between the two products is that the only liability you have in that situation is the membership fee you would lose when you leave the trust program verses the ACCG program. Mr. Butler stated this would be an alternative for the Board at a later date, it has already been approved and is sitting on the Insurance Commissioner's desk right now, adding it is a first dollar reinsurance program.

Chairman Hufstetler stated there seems to be some question about how the liability passes on. Commissioner Mayes stated he is not ready to take action. Commissioner Bennett stated it bothers him that there is a history in North Carolina, and if there was a catastrophe in Atlanta there could be some pretty major liability, even though that is not likely. County Manager Poe stated there are 132 other counties who have chosen to go with the ACCG pool, and they have looked back at the 2003 quote, and if we had gone with them at that time we would have already saved a couple hundred thousand dollars, and we have an opportunity to save more now. County Manager Poe

stated it is his opinion that there are obviously some risk, but it is minimal and we have an opportunity to save a lot of money, and that is why he is putting it on the table, the final decision is with the Board.

Commissioner Bennett stated he felt everyone still had a few questions, and if they are willing to give us a 15-day extension, it might allow us to answer the questions. Commissioner Bennett stated we still may go with ACCG, he likes it from a savings standpoint, but the question of the exposure and what the reinsurance is has not been answered yet.

Mr. Butler stated he would like to get the other consultants review of funds, and supply each Commissioner with the synopsis of what the fund is, other than just this one consultant. Mr. Butler stated that this one consultant has, in the past, been a proponent...up until about three years ago he never recommended a fund and then something occurred. Mr. Butler stated that the reason he came down today was Trident was having a hard time about the extension situation, and when he was trying to get information about why we were trying to get an extension, Trident was asking him a lot of questions, and when he was first told that a consultant was going to be involved in this he was told it was going to be McNeary. Mr. Butler stated that McNeary is a very well respected consulting firm and they have dealt with them in the past on other type of risks rather than municipalities. They do a very thorough job and Trident was fairly comfortable with that situation. Mr. Butler stated that when the other consultant became involved they (*Trident*) became extremely agitated and began asking him a lot of questions, and he got a phone call at 5:45 yesterday afternoon finally ironing out these last details to get the extension in a favorable light for the Commission. Mr. Butler stated when he first got this, it was not a true extension. They wanted a short-rate cancellation after the 15 days, but they are going to pro-rate it. Mr. Butler stated he worked on that until about 8:15 this morning when he got in writing how they would handle it, so there was a lot of pressure on those type situations. Mr. Butler stated the consultant the Board has has the same destination he has, he is on another side of the street than he is because he is not in insurance "sales", but there are other consultants that have the same credentials that he does that are adamantly opposed to funds that the Board should at least see the verbiage they are putting out. Commissioner Fricks stated that he was involved in the process, and one of the things in the past we threw out the ACCG proposal, and his point has always been to make it a fair process. Commissioner Fricks stated that this year we set out a time line early on, and insisted that the claims history be provided at the right time, give them a deadline and stick with the distinct deadline on the proposal and last year that was an issue and they did not submit their proposal on time and we kicked them out. Commissioner Fricks stated they had looked at it, trying to make it a fair process, by doing a third party to look at it and give us an evaluation, and he knows that Rhett is going to do his job, but still he is an entity in there that is selling a product, so we felt the fair process would be the third party consultant. Commissioner Fricks stated he did not select the consultant. County Manager Poe stated that the consultant was not selected to support staff recommendations – he had no idea what the recommendation would be.

Chairman Hufstetler stated he was willing to gamble, he just needs to know what he is gambling on – is it a little bit? Commissioner Fricks stated this is the first time he has seen the proposal and the Board generally does not take action on anything unless they read the content, and he would not be willing to take action today. Commissioner Bennett stated he was just uncomfortable with the joint and several liability. Chairman Hufstetler stated we just need to know the extent of it – is it something that could cost us a quarter million dollars or is it something that could cost us a hundred million dollars. Commissioner Fricks stated that question of getting the answers at this point in time is how do we go about getting the answers. County Manager Poe stated another good comparison is the City of Rome, they are in the GMA pool, they have been through the same issues we have been through, and they went with GMA. Commissioner Fricks asked if we could get some rate histories on some of the counties that have been involved in it? Chairman Hufstetler stated what he is trying to figure out is not so much the history, they've either not paid back or they've paid \$750,000 and over 130+ counties that is five or six thousand dollars and that is not a big deal either way, but he questions what is the extent of the joint and several liability. County Attorney Manning stated that he would be glad to check into this and give the Commissioners information, but he thinks that means that anyone who has a claim, and where the fund is deficient - is insolvent, then they are going to be able to pick and choose the deep pocket. County Attorney Manning stated that if somebody has a claim, they have a claim toward the tort feaser, they do not have a claim against the insurance company, so somehow that has to be resolved, probably in the contractual language, but he thinks it is going to mean that the insurance is available from wherever it is collected but there has to be then contribution claims that can be filed – if Floyd County paid more than its share then we would have claims over other counties who did not - so he wants to see the contractual language in terms of the responsibility according to the amount of premium we paid versus what somebody else paid, because it will be unlikely that we would have the scenario where you would have totally insolvent counties all over the place. It is more likely you had an insolvent pool and counties were having to step in. Commissioner Jennings stated the whole idea of a private company providing insurance or going to a pool of counties in Georgia, is that you share the risk. Chairman Hufstetler added, the bigger the pool the less waves you are going to have in it.

County Attorney Manning stated that he thinks between the information that Mr. Butler wants to provide from consultants regarding the dangers of being a fund, to talking to the ACCG about the risks, to looking at the contract, and looking at what other literature and documentation that is out there. County Manager Poe asked everyone to look at the package from the consultant and read the report, and also look at the deductible and exposure issue Brown & Brown proposes.

Chairman Hufstetler summarized that Mr. Butler would like to present an alternative consultant, (Mr. Butler stated it is just an article) and County Attorney Manning will report back on what the exposure would be. Chairman Hufstetler asked that the information be provided prior to the Board meeting on April 12th.

ADJOURN:

There being no further business to come before the Board, Commissioner Bennett made a MOTION to adjourn. SECOND by Commissioner Mayes. VOTING:

YES

NO

Commissioner Fricks

" Mayes

" Jennings

" Bennett

Chairman Hufstetler

Motion Carried

COMMISSIONERS

FLOYD COUNTY BOARD OF

CHUCK HUFSTETLER, CHAIRMAN