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DeKalb County Government
Sycamore, Illinois

**Finance Committee Minutes
April 1, 2015**

The Finance Committee of the DeKalb County Board met on Wednesday, April 1, 2015, at 7:00 p.m. in the Legislative Center's Gathertorium. Chairman Stoddard called the meeting to order. Those members present were Mr. Gudmunson, Mr. Jones, Mr. Luebke, Mr. Reid, and Mrs. Tobias. Mr. Cribben was absent.

Also present was Gary Hanson, Pete Stefan, Christine Johnson, Paul Miller, Tim Kearns, Dianne Leifheit, Jim Scheffers, Greg Millburg, and John Frieders.

APPROVAL OF THE MINUTES

It was moved by Mr. Gudmunson, seconded by Mrs. Tobias, and it was carried unanimously to approve the minutes of the March 4, 2015 Finance Committee Meeting.

APPROVAL OF THE AGENDA

It was moved by Mr. Jones, seconded by Mr. Luebke and it was carried unanimously by voice vote to approve the agenda as presented.

PUBLIC COMMENTS

There were no public comments made.

HEALTH INSURANCE PLAN UPDATE

Mr. Tim Kearns, the County's employee benefits consultant, joined the Committee to give the Committee a recap of 2014 plan year results, an update on the Affordable Care Act/Healthcare Reform including the excise tax on high cost ("Cadillac") plans becoming effective in 2018, and a recommendation for what the County should consider going out to bid for in 2015 for the 2016 plan year.

Mr. Kearns reviewed a packet of information with the Committee and highlighted the key points that he wanted everyone to be most aware of regarding the 2014 plan year. Mr. Kearns explained based on the census the County's projected YTD Factor of claims for 2014 was projected to be \$5,401,941. But taking the County's actual Medical Claims amounts plus RX Claims, the actual amount of net claims the County incurred was \$3,970,662. This gives the County a loss ratio of 74.4%. The County was projected to hit 80%. Mr. Kearns did noted to the Committee though that there was a very large amount of Large Claimants (exceeding \$95,000). There was a total of 15 Large Claimants by the end of 2014 and for a group the size of the County, they would only expect about 5. Because the County purchased reinsurance though, these excess Specific Claims were covered.

Mr. Stefan added that for 2014, they budgeted adding about \$200,000 to the Medical Insurance Fund reserves and the actual number will end up being about \$400,000. However, there were some large stop loss claims which will undoubtedly put upward pressure on next year's reinsurance/stop loss premiums so this might be a good candidate to test the market on for next year's renewal.

Mr. Kearns also reviewed some key statistics with the Committee. He spent some additional time discussing the Specialty RX because this is the highest growing numbers in any health plan right now that they see. The average cost of a 30 day supply of these specialty drugs are costing \$2,725. He reiterated that these type of prescriptions are the largest cost driver and is not decreasing by any stretch of the imagination.

Mr. Kearns and the Committee also took some additional time to discuss the low percentage (78.1%) of generic prescriptions that are being utilized by employees and how they can educate and drive them to choose generic prescriptions as opposed to brand named ones when acceptable.

The Committee also reviewed the breakdown of costs between the County's PPO Plan the HDHP (High Deductible) Plan. Chairman Stoddard noted that he would like to review the employer compensation portion of the HDHP Plans in the near future. Mr. Hanson added that they will need to visit that later this year because there was a three year phase-in for the employer compensation portion of the HDHP Plan and a decision will need to be made on how to proceed forward.

Mr. Kearns shared that if he could, he would really like the opportunity to revisit the Committee next month and bring the first quarter numbers for 2015 along with some additional information.

The next topic Mr. Kearns wanted to review with the Committee was Healthcare Reform and changes affecting employers and group health plans in 2015 and beyond. Mr. Kearns noted that what he would like to do and reiterated that his reasoning for returning next month would be to walk the Committee through what impact the 2018 ("Cadillac") tax may have on the County. The ("Cadillac") tax is 40% excise tax on benefits that exceed a general threshold of \$10,200 for single coverage and \$27,500 for coverage of more than one person. As of right now the PPO Plan would be over the general threshold but not quite for the HDHP plan yet. Mr. Hanson asked if Mr. Kearns thinks the County will be subject to the tax come 2018. Mr. Kearns noted that yes, as of right now, the County is looking to be subject to the tax and that is why he wanted to revisit the Committee next month to be able to give everyone a projection of what is to come and how to prepare for it now.

Lastly, Mr. Kearns noted that him and Mr. Stefan have been talking about what the County should be looking at as for as Request for Proposals (RFP). Mr. Kearns shared that at this time he doesn't feel like now would be a good time to do an RFP for an Administrator because Blue Cross has provided a good network and the County is receiving a good return on their investments. He added that he does believe that if the County can get their large claims to begin to subside, the reinsurance market is very competitive right now, so shopping that next year may be to the County's benefit.

The Committee thanked Mr. Kearns for joining them and everyone agreed to invite him to return to next month's meeting to continue their discussion of the 2018 ("Cadillac") tax.

DELINQUENT PROPERTY TAX SALE RESOLUTIONS

Ms. Christine Johnson joined the Committee to review two resolutions, the Treasurer's Office is requesting approval to assign the County's interests in two parcels with delinquent property taxes to the City of DeKalb, similar to the process we use for selling delinquent properties. They are two adjoining parcels on South Forth Street in DeKalb (08-27-279-027 and 08-27-279-029), also known as the Protano parcels.

Ms. Johnson explained that the County was contacted by the City of DeKalb in May of 2013 about their interest in acquiring those parcels as part of their Community Redevelopment Program. The City wished to be the owner of the properties in order to apply for Federal and State Grants in order to clean up the EPA issues on the properties. Normally the County would take deed to the properties and then sell them, but after speaking with the State's Attorney's Office, it was recommended that it would be prudent on the County's part to not have the County in the chain of title of the properties. The County worked with the Trustee and it was advised that the County can assign their interest of the properties to the City of DeKalb without taking ownership of them through the proposed resolutions.

It was moved by Mrs. Tobias, seconded by Mr. Jones and it was moved unanimously by voice vote to forward both resolutions to the full County Board recommending approval.

CAFETERIA PLAN DOCUMENT AMENDING RESOLUTION

Mr. Stefan shared that based on guidance and notices by the Internal Revenue Service, this resolution amends the County's Cafeteria Plan by removing the Individual Insurance Policy language so that participants may not seek reimbursement for individual policies through the premium conversion plan with tax advantaged funds. He also noted that this amendment is retroactive to January 1, 2014 and will supersede all the provisions of the previous Plan.

It was clarified that no employees will be effected by this amendment.

It was moved by Mr. Luebke, seconded by Mr. Jones and it was moved unanimously by voice vote to forward the resolution to the full County Board recommending approval.

JAIL EXPANSION PROJECT

Financing Expansion Project:

Mr. Stefan shared that at its March meeting, the Jail Solutions Committee was presented with a financing plan for moving forward with the Jail Expansion Project. The plan outlines a strategy to construct a 163-bed jail, provide shell space for an additional 56 beds in the future, but to initially only operate the jail at a 133-bed level. A combination of landfill host benefit fee revenue, County Farm sales tax revenue, and internal financing would fund the construction and operating costs.

Financial Advisor Services:

Mr. Stefan continued that in conjunction with the financing plan for the Jail Expansion Project, a bond team would need to be assembled to prepare for an eventual bond issue. He shared this was an informational item to the Committee and they will be beginning the process to bring a new Financial Advisor on board as the firm the County used for Financial Advisor services for the 2010 bond issue is now part of a different firm.

Mrs. Tobias asked if they were going to wait to move forward pending the outcome of the Airline Fuel Sales Tax case. Mr. Hanson noted that it was presented to the Jail Solutions Committee to not wait because the outcome could take years. That issue is proposed to be set aside and move forward with the Jail Expansion Project and if it all goes south with the Airline Fuel the County will have to incorporate a solution to the operating funds. It is a little bit of risk but if they were going to wait for the Airline Fuel Sales Tax outcome, they might as well not talk about the jail again for a long while. He also added that part of what is driving this right now is inflation on construction costs and also the bond market is very good right now.

Mr. Hanson also added they are going to reassemble the construction team, the architect, the jail planner, and the construction management firm to make sure they all have a good definition on the project so they can start running the costs again to get a good estimate. They are also going to tell the architect to go ahead and start doing the drawings they the County can go out to bid hopefully in January 2016. He assured that the County Board can still pull the plug on the project but there aren't huge costs incurred with what the architect is going to be doing this summer and fall. Mr. Jones added that the Jail Solutions Committee gave their consensus for Mr. Hanson to move ahead with the initial parts of the project and to use the money available that was allocated by the previous County Board for such doings associated with the Jail Expansion Project.

Mr. Jones also noted that the full County Board should be notified soon of the progress of the Jail Expansion Project. Mr. Hanson shared that he would be happy to give a presentation to Executive or full County Board, whatever the Jail Solutions Committee would like him to do.

Mr. Reid shared that he would really like to see a referendum for the Jail Expansion Project to help raise the awareness to the public. He also added that if the Airline Fuel Sales Tax outcome goes south he feels that they will need a referendum. The Committee continued to discuss referendum ideas but a majority of the Members did not agree with the idea of having a referendum at this time.

COUNTY FINANCIAL PLANNING

Major Service Areas:

Mr. Stefan shared a sample Inventory of Major Service Areas form submitted as part of the FY 2015 budget process. Samples were provided from the Highway Department as well as Sheriff's Department and Sheriff's Corrections Department.

Chairman Stoddard noted that the inventory sheets were very useful information and it is good to see.

Mr. Miller noted that he thinks that it is important for County Board Members to have a comprehensive understanding of the full range of services that the County provides in order to have an informed discussion about cut, should it come to that. Chairman Stoddard agreed.

Miscellaneous:

There were no additional items identified regarding County Financial Planning at this time.

NEW BUSINESS

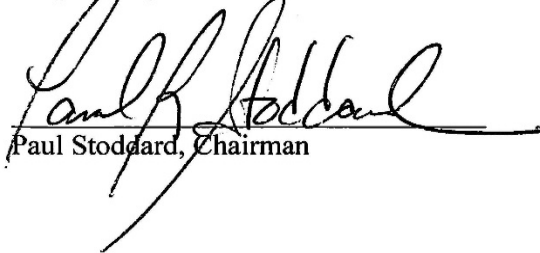
Mrs. Tobias shared that she serves of the DeKalb County Board of Health and at one of their recent meetings it was discussed that Health Facility and Nursing Home building bond payment debt is being retired at the end of 2016. The Public Building Commission purchased bonds to pay the remaining debt on the health facility buildings. There was a property tax levy for this purpose. The County could hold a public health tax levy referendum in 2016 whereby the building levy would be replaced by an operations levy with no additional impact on property taxes. The BOH feels this could be a plan for long-term sustainability of the Health Department and current services. Mrs. Tobias continued that should the BOH decide to pursue this option, they would need to vote to make a recommendation to the County Board to place a referendum on the ballot in one of the 2016 elections. Mrs. Tobias just wanted the Finance Committee to be aware that this topic will be coming forward in the coming months.

ADJOURNMENT

It was moved by Mr. Gudmunson, seconded by Mr. Luebke, and it was carried unanimously to adjourn the meeting.


Tasha Stogsdill, Recording Secretary

Respectfully submitted,


Paul Stoddard, Chairman

DeKalb County Government

Finance Committee

April 1, 2015

Aggregate Report 2014

[illegible]

Plan Data and Statistics

		2012	2013	2014
A	Medical Paid	\$ 5,269,064	\$ 3,891,236	\$ 4,653,111
B	RX Paid	\$ 783,790	\$ 797,013	\$ 892,901
	Dental Paid	\$ 178,508	\$ 163,288	\$ 145,369
	Total Claim Expense	\$ 6,231,362	\$ 4,851,537	\$ 5,691,381
	Avg Number of Subscribers	334	310	299
	Avg Number of Dependents	402	369	349
	Average Members	736	679	648
	Medical \$/Member	\$ 7,159	\$ 5,731	\$ 7,181
	RX \$/Member	\$ 1,065	\$ 1,174	\$ 1,378
	Dental \$/Member	\$ 243	\$ 240	\$ 224
	Total/Member	\$ 8,467	\$ 7,145	\$ 8,783
	Annualized Total \$/Member			
C	Premium Paid Medical & RX only	\$ 4,662,545	\$ 5,159,902	\$ 5,579,492
(A+B)/C	Loss Ratio Medical & RX only	129.8%	90.9%	99.4%
	Specialty RX	2012	2013	2014
	# Members Utilizing	13	14	13
	# Prescriptions	110	125	120
	\$ Paid	\$ 256,189	\$ 298,040	\$ 327,056
	Avg Plan Costs/RX	\$ 2,329	\$ 2,384	\$ 2,725
	High Cost Claimants Medical Only	2012	2013	2014
	Total Claimants	663	688	648
	# > \$50K	20	15	15
	Total Dollars Paid	\$ 6,052,854	\$ 4,688,249	\$ 5,546,012
	Total \$ Paid for Large Claimants	\$ 2,921,585	\$ 1,840,733	\$ 2,232,843
		48%	39%	40%
	* January 2014 Rx charged to Fully Insured Plan=\$85,000			

Plan Data and Statistics

Utilization Statistics	2012	2013	2014
Admissions/1000 members	106.1	73.1	100.3
Days/1000 members	151.5	330.5	526.2
Outpatient Visits/1000 members	1785.8	1611.7	1918.2
Professional Visits/member	11.5	10.9	10.8
Professional Services/member	26.1	26.1	25.2
Prescription per Member/Year	12.6	12.9	11.9
Generic Dispensing Rate	74.7%	78.4%	78.1%
Paid per Prescription	\$ 84	\$ 90	\$ 117
Total Medical Paid PMIPM	\$ 592	\$ 472	\$ 713
PPO Plan	2012	2013	2014
Medical	\$ 5,269,064	\$ 3,767,982	\$ 4,493,577
RX	\$ 783,790	\$ 777,929	\$ 885,367
Dental	\$ 178,508	\$ 141,934	\$ 124,267
Totals	\$ 6,231,362	\$ 4,689,858	\$ 5,505,225
Average # Employees	334.0	281.3	268.4
Claim Cost/EE	\$ 18,657	\$ 16,672	\$ 20,511
HDHP			
Medical	\$ -	\$ 123,254	\$ 159,534
RX	\$ -	\$ 19,083	\$ 7,534
Dental	\$ -	\$ 21,354	\$ 21,102
Totals	\$ -	\$ 163,691	\$ 188,170
Average # Employees	-	28.8	30.9
Claim Cost/EE	\$ -	\$ 5,684	\$ 6,090
Total			
Medical	\$ 5,269,064	\$ 3,891,236	\$ 4,653,111
RX	\$ 783,791	\$ 797,013	\$ 892,901
Dental	\$ 178,508	\$ 163,288	\$ 145,369
Totals	\$ 6,231,363	\$ 4,851,537	\$ 5,691,381
Average # Employees	334	310.1	299.3
Claim Cost/EE	\$ 18,657	\$ 15,645	\$ 19,016



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What Employers Need to Know Right Now About Health Care Reform

Changes Affecting Employers and Group Health Plans 2015 and Beyond

2015

Shared responsibility (“play or pay”) requirements (large employers)

- Employers with 100 or more full-time employees (or full-time employee equivalents) who fail to provide minimum, affordable coverage to full-time employees are subject to penalties

Employer reporting and notice requirements (due in early 2016 based on 2015 activity)

- Plan sponsor (if self-funded) or insurer reporting if providing minimum essential coverage
- Employer reporting if 50 or more full-time (or full-time employee equivalents) about furnishing of minimum value and affordable coverage

2016

Shared responsibility (“play or pay”) requirements (mid-size employers)

- Employers with 50 or more full-time employees (or full-time employee equivalents) who fail to provide minimum, affordable coverage to full-time employees and their dependents are subject to penalties.

Small group market size

- “Small group” is redefined as 1 - 100 employees for purposes of the insurance market for non-grandfathered plans (including SHOP)
 - Essential health benefits required at “metal” levels of coverage – platinum (90%), gold (80%), silver (70%), and bronze (60%)
 - Guaranteed issue and renewability
 - Modified community-rating (“fair health insurance premium”) requirements
 - Common insurance risk pools
 - Premium stabilization programs and health insurance provider fee



2017

SHOP coverage

- States have the option to expand SHOP coverage to employers with more than 100 employees.

2018

Excise tax on high cost ("Cadillac") plans

- 40% excise tax on benefits that exceed a general threshold of \$10,200 for single coverage and \$27,500 for coverage of more than one person

Effective Date Not Established

Nondiscrimination requirements

- Currently applies to self-funded plans
- Effective date for fully insured plans indefinitely delayed
- Will likely impact ability to provide different eligibility, benefits, and contributions to different groups

Automatic enrollment

- Applies to employers with more than 200 employees
- Effective date delayed indefinitely

1/28/2015

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