

# MINUTES OF THE CITY COUNCIL OF LAUREL

February 23, 2010

A special meeting of the City Council of the City of Laurel, Montana, was held in the Council Chambers and called to order by Mayor Ken Olson at 6:00 p.m. on February 23, 2010.

COUNCIL MEMBERS PRESENT:           Emelie Eaton           Doug Poehls  
  Kate Hart               Mark Mace  
  Chuck Rodgers (6:08) Chuck Dickerson  
  Alex Wilkins           Norm Stamper (6:15)

COUNCIL MEMBERS ABSENT:           None

OTHER STAFF PRESENT:           Mary Embleton       Bill Sheridan  
  Sam Painter           Rick Musson  
  Kurt Markegard

**PUBLIC INPUT:** None.

## **SCHEDULED MATTER:**

- Approve/Disapprove of Health Insurance Committee Recommendation

Bill Sheridan stated that the city has been grappling for a number of weeks as to what health insurance coverage should be provided for the city's employees. An expert has helped with determining if the existing health insurance is in the best interest of the city or if the city should go outside and look for other purveyors. As of today, there are two considerations. One is with MMIA and the other is with Blue Cross Blue Shield. The Insurance Committee has spent substantial time but is not quite ready to make a decision or recommendation as to which insurance coverage should be provided. The recommendation should be determined soon and will be brought to the council's attention. Bill asked Mick DiFronzo, the consultant, to answer questions about the proposals and to state which of the two operations would be in the best interests of the City of Laurel.

Mick stated that he would sound like a politician because he would not give an answer either way because both proposals have plusses and minuses. Mick stated that this is not comparing apples to apples, as one is a self-funded plan and one is a fully-insured plan by an insurance company. Right now, most employees are on a custom plan, which is a plan this group has been on for many years. When the city went into the MMIA pool, which is a self-funded trust, MMIA basically just copied the benefits. The bid specifications went out to try to have the same benefits. When the bids came back, the only one that came close was Blue Cross Blue Shield. Mick recommended that the city look at the bid because of the high quality of benefits offered, plus the rates were six or seven percent lower than the current plan. The city needed to take the rate increase with the current carrier into account. Unfortunately, the firm rate will not be available until May 15<sup>th</sup>, but the city must inform MMIA of its intentions by March 1<sup>st</sup> or it must stay in for another year. Blue Cross offered rates on January 27<sup>th</sup> that are firm until July 1<sup>st</sup> for the next fiscal year. Mick stated that the city's custom plan is probably a Cadillac plus plan. It has a tremendous amount of preventative care, low co-pays and minimum out-of-pocket costs. Blue Cross pulled that product off the market so they no longer sell it. Insurance companies must file their plans with the Department of Insurance. Blue Cross has a substitute plan they were able to propose. Mick stated that the Blue Cross plan is not as good as the custom plan, but, in his opinion, it is slightly better than MMIA's 80/20/Bridger Plan. The premium for the Bridger plan is about 5.98% lower than the custom plan. The Madison Plan (70/30) is about 9.27% lower and the Mission Plan (60/40 plan) is 16.6% lower. MMIA's projected rate increase is somewhere between 8 and 11 percent. The committee and employees have crunched the numbers and are saying that the current plan's premiums will cost more even though the benefits are better. The choice is to move down to the 70/30 plan or the 60/40 plan. The Blue Cross plan is also there to be considered. An employee recently had a sizeable claim, for which he only paid \$750 out-of-pocket with the current plan. Under Blue Cross, the employee would have paid \$2,000 out-of-pocket. Mick stated that employees have said that the family rate would be about \$144/month less with the Blue Cross plan, and that is their dilemma. They do not want to pay \$144 more out of their pocket, but some employees want the better coverage. Unfortunately, they cannot have both. That is why Mick cannot give a firm recommendation one way or the other. When he works with



employers, the employer or the human resources person decides which benefits to cut and how much to increase the amount coming out of the employee's check without discussion from employees. With the City of Laurel, a committee representing all the employees has put a ton of time into this. The committee asked tough questions of the Blue Cross Blue Shield representatives and the MMIA representative when they attended committee meetings. Mick met with employees and many questions were asked and addressed. He stated that the employees understand what is going on, so from that point, it is good because of the democratic process. The downside is the possibility of a tie vote. Mick stated that either option is a good one. MMIA is a powerful, well-managed organization with a good history and reserves. Blue Cross Blue Shield is the largest carrier in the state and has a lot of local people to help service it. With the MMIA, once a city is with them, it has to stay for five years. If the city decides to leave, it must notify MMIA by March 1<sup>st</sup>, which is before they provide the firm rates on May 15<sup>th</sup>. That is causing the dilemma. If the city goes with Blue Cross Blue Shield, it will be in a fully-insured product. For the following year, Blue Cross would provide the rate increase several months prior to the renewal date. If the city decided to leave them the day before it ends, it could do so and would not have that dilemma. The down side is that, if the city leaves the MMIA association, it cannot get back in for three years and would then have another five-year commitment. Mick stated that the benefits are outstanding on the current plan, but he would also put the Blue Cross Blue Shield plan in the Cadillac range. The contribution is still way above average, which he has pointed out to the employees. A lot of employers are paying the single rate and there is no contribution to the family rates. On the employee side of the fence, he does not think there has been any increase in contribution for eight years, which was the message he got from employees. Mick stated that Blue Cross and MMIA would probably give an increase next year. MMIA did not give an increase last year. For them to say there might not be an increase, he does not see that happening very often with health care anymore because medical inflation runs 14 to 16 percent a year in this area. Mick stated that normally a committee's votes are taken to a president, a CEO or the management to decide the outcome. The city has gone beyond that and actually taken votes from everybody. He suggested looking at the vote from the committee members since they spent 25 to 30 hours on this issue. The other thing is to look at the total vote. No matter which way is chosen, some people will probably be upset. He stated that both plans are good, and neither one would be a bad decision.

Emelie Eaton asked if a particular union could leave the MMIA plan if it is done in a timely fashion.

Mick stated that one of the problems is that if a group of 15 or 20 want to depart from the group, then that group will probably have more freedom to choose what they want, but they could end up with a higher rate. The carrier will then say that it is not the same group and it could impact the remaining majority of the group. If 20 leave and there are 50 left, then the rate could change. Usually employers with unions have large unions of 1,500 to 2,000 people.

Mark Mace thanked Mick for the good explanation and stated that he served on the committee when Mick first consulted for the city several years ago. Since he works for the City of Billings, Mark is in familiar territory with the city workers, although the City of Billings does not allow employees as much opportunity for input. Mark stated that he has always been partial to MMIA because of the size and that the people in MMIA are all doing the same sort of business, which to him stands for a larger group. He asked if Blue Cross Blue Shield would be more apt to go a different direction a year to two years down the road and not the five-year increment that MMIA is looking at.

Mick stated that in past years beyond four and five years, Blue Cross Blue Shield merit rated the 60, 80 or 100-life groups. If there were gains, everybody jumped up and down. But if there were losses, it was not good. Blue Cross Blue Shield is now pooling groups between 50 and 99 and they currently have 4,600 people in that pool, which is actually even larger than MMIA and probably twice the size. Every individual group in the pool has its own plan. But when they are pooled, all of the groups end up with the same rate increase for the year. Their average for the last four years was around 10 or 10.5 percent, and the second quarter for all those groups is about 13.7 percent. From the MMIA standpoint, the advantage is that they have a lot in common and can work together for a common goal. A disadvantage is being pooled in with groups that could possibly be higher risk just because of things like State law. For example, under State law, all municipalities, cities, counties, and school districts, are required by law to keep retirees on. People over 65 mostly go on Medicare and get their prescription drug card. Younger retirees with health problems normally will stay on the group. Blue Cross would say that sometimes it can be an advantage if there is a cross-section of groups of different types of industries. For example, Mick would not want to be insured with a group of insurance people, because they are a very unhealthy group. Another advantage is that in a 50 to 100-life group, Blue Cross would let the city design its own plan. The trust would only offer its standard plans.

Mick stated one last point. When he works with a group, it can be really hard work, but he really likes this group because this is a very family-oriented community. The more input he got from employees, that really impresses him when they ask him unbelievable questions and the person asking is under age 30 or 25. Mick stated that he was very impressed by the way the whole thing has been done and he thanked the city for having him.

Mayor Olson thanked Mick.

Mayor Olson asked if anyone from the audience would like to address the council on the subject at hand.

Bob Mann, 320 Second Avenue: "My understanding is the committee was set up to make recommendation to the council because the council is the one that can contract for an insurance policy for the group. Initially, I was with the union when this was kind of set up a long time ago. Since then we have incorporated the police as a separate city employees' union and the non-union plus the retirees. I guess my suggestion would be, some of the elections were not as well organized as they should have been, and I would ask that possibly you could go to each person on the current insurance policy, ask them their 'yea' or 'nay' and then use that as some kind of benchmark for where you want to go. Either policy is pretty good. Personally, I have been very happy with MMIA. I guess that's about all I can tell you. Thanks a lot."

Dave Waggoner, 419 Maple Avenue: "I just want to thank the city for all their efforts they have done in the past. MMIA is an excellent insurance and I just think that for a little bit of money, we are going to lose some quality insurance going down to an 80/20 because I don't think it was comparable. They should have compared the 80/20 Bridger to the 80/20 Blue Cross if they wanted to compare something, because our insurance is so much better than what they are comparing it to. Thank you."

Robert Johnson, 210 6<sup>th</sup> Avenue: "I would kind of like to, I was one that did not get to vote on the insurance and the way the shop had voted, mine would have tied the vote and there were at least four others that did not get to vote. So I guess I'm here to ask that there be a revote taken but citywide and ballot and everyone allowed to vote. The other thing is, most of you already know, I had major surgery in October. My bills were a grand total of \$750 and absolutely no problems whatsoever with MMIA on paying the bills and transactions, nothing. Everything was smooth. Just you couldn't ask for anything better, so thank you."

Robert Volmer, 312 East 6<sup>th</sup> Street: "I guess I'm just calling, like there's no clear cut choice between Blue Cross and MMIA for most. I'm just calling for maybe a reform in how these decisions are being made as far as how many people get to vote, when they get to vote, retirees. It's the same benefit shared by everyone. Everyone should have equal opportunity and access to this information. Maybe a change in how the Insurance Committee votes reflecting their group because they are actually just representing a whole group and if a whole group votes one way, I think the committee members need to go that way. And that I also believe that the way that the committee works, I don't know if they need to represent us because there is a lot of false information out there that maybe chances for the committee members to lobby for their own personal opinions on what insurance they want. I think the whole process needs to be looked at and some reform made to it. That's it."

Bob Volmer, 507 Badger Square: "I don't live in the city, but I work for the city and I'm on the plan. I'm a single person so you know the good Cadillac plan is an advantage to me. It affects my livelihood. What I do like about the MMIA plan is they have four choices. I guess Blue Cross did throw a 70/30 in there for a choice, but 70/30 is pretty scarce. With the MMIA plan, those who want to gamble have the opportunity by dropping down. But those that are looking at heavy bills have the opportunity to keep the Cadillac plan and save money. This is everybody's livelihood and insurance is a big thing these days and it affects the . . . when you can see what the big argument in this whole country is about. And I never got an opportunity to vote because I was kind of misled about when they were going to vote, but I agree we need to look over this system of how we vote, make it a little bit more fair rather than representatives but every man gets his own vote and it's out of his pocket. Thank you."

Mayor Olson asked if anyone else wanted an opportunity to speak and no one responded.

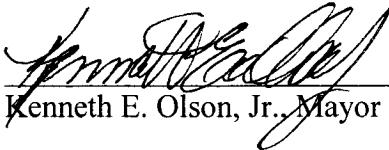
Mayor Olson noted that all comments are taken under advisement. He stated that it is a little bit presumptuous to think that the city could react quickly on restructuring any type of method to go forward from this point. Certainly as the city goes forward into the next opportunity for negotiations and to set up something that would be more representative, the council will certainly be looking at the opportunity to address the issues that were brought forward.

**ADJOURNMENT:**

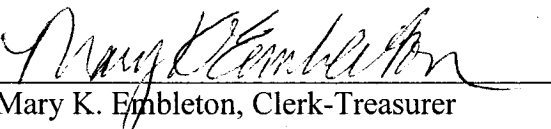
There being no further business to come before the council at this time, the mayor adjourned the meeting at 6:38 p.m.

  
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Cindy Allen, Council Secretary

Approved by the Mayor and passed by the City Council of the City of Laurel, Montana, this 2<sup>nd</sup> day of March, 2010.

  
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Kenneth E. Olson, Jr., Mayor

Attest:

  
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Mary K. Embleton, Clerk-Treasurer