A Special Meeting of the Albemarle County School Board was held on March 13, 2013 at 4:00 p.m., Room 241, Albemarle County Office Building, 401 McIntire Road, Charlottesville, Virginia 22902.

SCHOOL BOARD MEMBERS PRESENT: Mr. Stephen Koleszar, Mr. Jason Buyaki, Mrs. Diantha McKeel, Mr. Ned Gallaway, and Mrs. Barbara Massie Mouly (arrived at 4:20 p.m.).

SCHOOL BOARD MEMBER ABSENT: Mr. Eric Strucko and Mrs. Pamela Moynihan.

SCHOOL BOARD STAFF PRESENT: Dr. Pam Moran, Superintendent, Dr. Billy Haun, Assistant Superintendent for Student Learning, Dr. Matt Haas, Assistant Superintendent for Organizational and Human Resources Leadership, Mr. Josh Davis, Chief Operating Officer, Ms. Lorna Gerome, Director of Human Resources, Mr. Chris Brown, Senior Assistant County Attorney, and Ms. Jennifer Johnston, School Board Clerk.

BOARD OF SUPERVISORS PRESENT: Mr. Kenneth C. Boyd, Mr. Christopher J. Dumler, Ms. Ann Mallek, Mr. Dennis S. Rooker, Mr. Duane E. Snow and Mr. Rodney S. Thomas.

BOARD OF SUPERVISORS ABSENT: None.

OFFICERS PRESENT: County Executive, Thomas C. Foley, Assistant County Executive, Bill Letteri, County Attorney, Larry W. Davis, Clerk, Ella W. Jordan and Senior Deputy Clerk, Travis O. Morris.

Agenda Item No. 1.1. Call to Order.

At 4:01 p.m., Ms. Mallek called the Board of Supervisors back to order. Mr. Koleszar called the Albemarle County School Board to order.

Agenda Item No. 2.1. Discussion: Health and Dental Insurance Recommendation.

Ms. Gerome presented to the Boards the recommendations of the Healthcare Executive Committee. The HCEC develops recommendations for the County's medical and dental plans based on the following objectives:

- offer affordable options that meet varying needs of employees and their families;
- maintain reserves at approximately 25% of claims;
- ensure plans are in compliance with Health Care Reform regulations; and
- maintain our competitive position for benefits (slightly above market).

The report included information regarding the HCEC's benefits review process, the insurance plans' reserves, claims and market competitiveness, and the HCEC's recommendations for the 2013-2014 medical and dental programs to become effective on October 1, 2014.

The HCEC recommendations:

Medical Plan:

1. Continue to offer the Basic and Plus plans through Coventry.
    a. Both plans are Point-Of-Service Plans with the same benefit coverage.
    b. There are differences in cost sharing (co-pays, co-insurance, out-of-pocket maximums, deductibles) and employee premium requirements.
    c. The benefit summary is shown in Attachment C.
2. Increase the Board contribution by 7% for the new plan-year starting October 1, 2013.
3. Set full-time employee premiums (7% increase) at the rates shown in Attachment D.
4. Retain a self-insured medical plan with Specific-Claim-Stop-Loss insurance to limit the County's liability against any single large claim.

Dental Plan:

1. Continue the contract with United Concordia.
2. Continue to offer the Basic and High Options with no change in benefit design.
3. Retain the current rates for the new plan year starting October 1, 2013.
4. Approve the employee premiums as shown Attachment D.
5. Implement a dental rate holiday from March 2013 through September 2013 for all dental enrollees for this period, regardless of hire date.

Mr. Boyd said that the adopted market is about 95% government agencies, and noted that there is a big difference between those and the private sector. Ms. Gerome stated that the family total cost, which is employee premium and Board contribution, is $9,973 – which is significantly lower than the adopted market at $16,706. She said that the County is essentially providing "a low cost yet quality plan for employees," and other information such as premiums supports this as well. Ms. Gerome noted that the Board contribution is $6,745 for families while the market is $10,176. She said that they have 42% of employees in individual coverage, and the rest have some level of dependents.

Mr. Snow read a letter from a homeowner who is retired, age 67, with Social Security and Medicare premiums of $237 per month; in the 2005-06 budget, a County employee of the individual healthcare plan paid $37 per month; and in the proposed FY14 budget the same individual would pay $43 per month. He said that the letter continues to underscore salary increases and a "huge inequity" in what citizens' pay and what employees pay with their plan. Ms. Gerome responded that while the premiums may not have increased drastically over the past several years, there has been a great deal of cost-shifting as to what employees have to pay out of pocket. She also pointed out that the information may show a "$10,000 increase for the employee," but that might be attributed in part to the VRS contribution that employees take on.

Mr. Boyd noted that the private sector has 401k plans mostly, not the high-end defined benefit plans as the County does.

Mr. Koleszar said that over the last four years, including the proposed increase, the net increase to the County for the employee share of healthcare has gone up about 3.5% - with the other health insurance costs for employees rising 10-15% per year. He emphasized that employees have assumed much more of their benefits costs, and thus have prevented the County from increases in contribution costs. Ms. Mallek stated that some of that was offset by the drawdown in reserves. Mr. Boyd said there were three years of 3%.

Mr. Rooker stated that the County has picked an adopted market for policy reasons, but a telling statistic is the total contribution being made by employers – which is $1,000 high on the individual side and over $3,000 on the family side. "What that tells me is that our plan is doing a pretty good job of managing costs, because basically we have a plan that's self-funded, so we have to charge premiums sufficient to pay our claims and build up or continue whatever reserves we have." He said that his biggest concern at the end of the day is what the cost is to the County for providing benefits, and the cost has not gone up greatly over the last three or four years.

Mr. Rooker stated that compared to other employers in the market, they still pay less for their benefits. Mr. Snow commented that the market is government entities. Ms. Mallek said that has to be the comparison, for an apples-to-apples comparison. Mr. Rooker said that the people the County tries to hire against are generally other governments, adding that there have been pay increases in the private market in the 2-3% – which the County has not done over the last five years. "You have to compare it to like-kind employers, certainly of similar size." Ms. Mallek said that what's telling to her is the dramatic increase in what individuals pay as far as annual out-of-pocket, as $1,000 a year is significant. Mr. Rooker said that as a small employer, his cost per employee is higher than this and the premiums have gone up substantially over the last few years.

Mr. Gallaway asked why the individual pays a much smaller percentage of the individual cost than the family does. Ms. Gerome responded that many other organizations subsidize the dependent premiums so that it's affordable, but the County has kept the Board contribution the same for everyone – so in keeping the premiums affordable, that's created the disparity. She said that the committee has reviewed and discussed the possibility of

changing the contribution strategy, because most other organizations in the market provide an additional amount to families and dependents. Ms. Gerome emphasized that when they gathered employee feedback on that, "there was a pretty strong reaction to not changing it, and that it would be unfair to give people that chose to have a family a higher amount than singles."

Mr. Rooker said that there was a time traditionally when a lot of plans paid 100% for all employees, but there was a cost-sharing for dependents, and that was "a standard approach for a long time." He said that over time, the amounts that employees pay for individual coverage has increased somewhat, but they still don't come near the percentage that individuals pay because of that traditional starting point.

Mr. Boyd asked what the two 7% increases net out to be. Ms. Gerome responded that she would have to bring that back and said that they built the budget with the 7% to the Board contribution, assuming there would also be a similar increase on the employee premium side or plan design changes that would impact it.

Mr. Koleszar encouraged her to consider the impact on employees utilizing healthcare insurance when they're considering adding a deductible, so they don't create higher plan costs with people who put off going to the doctor. Ms. Gerome responded that that's a "very important point" and something they keep in mind when they look at the plan design changes in an effort to incent employees to go to the doctor for preventative care. She said that what they would look at for the deductible is not co-payments, not prescription co-pays, but some of the diagnostic testing.

Mr. Snow asked what implications the national healthcare reform might have. Mr. Tom Mackay responded that the County and the schools are in good shape as far as the "pay or play" mandate, which is the primary provision to be concerned about. He reported that his survey data from colleagues at one of the largest consulting organizations indicates that over 90% of them are going to "play" and continue their health insurance; for under 50 employees, where it is not mandated, the parameters are different and are where the exchanges would come in. Mr. Mackay said that the individual mandate says that as of January 1, 2014, every citizen in the country must have health insurance or will pay a tax, and that's a graduated scale going up until 2016. "That is a real unknown…because every health insurance plan now has what we call 'opt-outs'…a lot of employers have employees that go elsewhere or don't purchase health insurance," he said, so the effect of the individual mandate is that it would bring more people onto the plan. Mr. Mackay said that employers that allow employees to go to the exchange system may mean that spouses come back onto the County's plan. He stated that the Medicaid expansion in Virginia included passing a bill that states they will expand Medicaid it if the federal government completes the reforms they want under the system – so the federal government said they would do that, and if so the state of Virginia will expand it as of July 1, 2014. Mr. Mackay said that the big change there is that eligibility would go from 33% of the poverty level up to 133% of the federal poverty level. He stated that the exchanges are still an uncertain thing, but if you comply with the law your employees can't go to the exchange and get a subsidy – but if your plan does not comply or an individual is not eligible for a plan, they can get significant subsidy from the exchanges. Mr. Mackay said that the big question remaining is how the government would determine that subsidy, and the employer would somehow have to report that information – which would increase the administrative burden significantly as they would have to know salary and benefits information for each employee. Mr. Mackay reported that health insurance industry fees are also changing, with one fee already in place - $1 per member increasing to $2 per member – but in 2014 a re-insurance fee of $63 per member per year kicking in, or a total of around $70,000. He said that because they are self-insured, they avoid the other health insurance fee of 2-4%.

Ms. Mallek asked if they would still be hit with the $63 fee if they don't have a disruption of their plan. Mr. Mackay said that it's for both insured and self-insured plans, and the word "re-insurance" is a misnomer as it's really intended to cover the adverse effects in the individual marketplace because everybody who had preexisting conditions or couldn't get individual insurance is going to come onto the plan. "That fee is supposed to cover that added cost." Ms. Mallek commented that it's basically a payoff to insurance companies that denied coverage for these people before. Mr. Mackay responded that it's a complex formula and the whole rating structure is changing as to how insurance companies classify individuals – so for the adverse risk, the government is basically going to subsidize it. He said that with auto-enrollment, every employer over 200 would have to

automatically enroll their employees in the health plan, and their employees can then opt out – which is the reverse of how it's done today.

Mr. Boyd asked what percentage of County employees currently take advantage of the healthcare plan. Ms. Gerome responded that it's over 95%. Mr. Mackay said that the law also says that you must provide insurance for all employees who work 30 hours a week, and the issue is how to calculate employees that work a certain number of hours one week and less the following week. He stated that the government has come out with a really complex set of regulations for this, and they acknowledge that educational employees are different because of their schedules. Mr. Boyd indicated that universities have already said they would cut back on hours for adjunct professors, etc. Mr. Mackay stated that this was indeed the case, but some professors work for more than one institution. "It's a real challenge…this 30-hour look-back is probably the most challenging thing employers are dealing with in healthcare reform this year as they go forward."

Mr. Rooker asked about temporary employees. Mr. Mackay explained that temporary employees are excluded, and seasonal employees that work under 120 days per year – but over that, they would be considered a "variable employee."

Mr. Boyd asked if local bus drivers would be impacted by this. Ms. Gerome responded that the County does provide benefits for those employees, but there is a provision related to the cost of the health insurance for part-time employees.

Mr. Mackay said that they are more liberal in offering benefits than the law requires, and with part-time employees the question is whether they are better off going to the exchange and getting subsidies or getting it through the County as an employer. "I think it's a long-term strategy that you'll need to address."

Ms. Mallek asked if someone could come back after they left the plan. Ms. Gerome said they would be able to under an open enrollment. Mr. Mackay agreed that it would be an open enrollment decision.

Mr. Rooker stated that under these new rules, there would be part-time employees that would also qualify for Medicaid. Mr. Mackay said if they do qualify, then the employer is not responsible for providing health insurance and they could get insurance through the Medicaid provision. Mr. Koleszar asked if the County would be mandated to drop those who qualify for Medicaid from the group healthcare plan. Mr. Mackay said the County would not be mandated and could be more liberal in the provision, but most employers probably would drop them. Mr. Koleszar pointed out that as a recruitment and retention advantage, pushing people off onto Medicaid might mean the County loses them as employees.

Mr. Mackay added that the other question is what the perception of exchange coverage would be – really good coverage, or coverage as a last resort – and that's not known yet. Ms. Mallek asked if there was a timetable for this decision. Mr. Mackay responded that the implementation would be July 1, 2014, assuming there is a timetable – but a committee has to monitor it and make recommendations.

Mr. Boyd asked if the issue with Medicaid was that the federal government would only provide dollars for the first few years, then it would become the state's responsibility. Mr. Mackay replied that the feds would provide 100% funding for the first three years, and 90% thereafter. Mr. Boyd said that it's likely that the state will push that down to localities. Mr. Rooker said he hadn't seen them do that before. Mr. Mackay said that the Governor's argument has been that the 90% can change based on the federal deficit situation.

Mr. Koleszar noted that they have talked about adopting a cafeteria plan of benefits, so if lower income workers chose to go on Medicaid, they could still get some benefit from the County. Mr. Mackay commented that he thinks there will be more cafeteria defined contribution approaches going forward. He stated that one of the nice things about the regulations is the effective date delayed of non-calendar year plan, so they have until October 14 to comply with the law.

Mr. Mackay said that under the regulations there would also be higher differentials in wellness incentives – up to 50% for tobacco users and 30% for other wellness incentives.

Mr. Mackay reported that out in the future there's a "Cadillac tax" set for 2018, which would mean a 40% excise tax paid on the value of the total insurance over certain thresholds. He said that he didn't know how that would hold up, as a valuable plan would essentially be taxed.

Mr. Boyd asked if that had been defined yet. Mr. Mackay responded that it's about $27,000 for family coverage. He said that the pay or play mandate, or the Shared Employer Responsibility, is the major piece of legislation that kicks in next year, so any employer with over 50 employees will have to either offer health insurance that complies with the law or pay a penalty. He stated that if they don't offer insurance the penalty is $2,000 per employee, less the first 30, and that money goes to the federal government – and is not tax-deductible. Mr. Mackay stated that the first issue the County needs to address is that all employees over 30 hours are eligible, and if over 5% are not eligible they're still subject to the penalty. He noted that the employees only had to be offered the insurance, they did not have to take it, and assuming everyone qualifies there are two other tests to meet – the affordable premiums test that stipulates that employee contribution cannot exceed 9.5% of household income and the sufficient benefits test that provides that there is a 60% minimum value of benefits. Mr. Mackay said if they could not meet those tests and an employee purchased coverage from an exchange and received a subsidy, then the penalty would be $3,000 just for that employee.

Mr. Mackay said that the County is in "pretty good shape," and from a penalty standpoint would be fine – but they may have some work to do on the 30-hour definition to establish how it might affect the plan going forward.

Ms. Mallek asked if the employees who work for benefits created a problem for the County in the affordable formula. Mr. Mackay responded that the affordability issue is only on the 30-hour workforce, and they are not mandated to provide coverage for part-time employees. He said that since the County would meet all of those provisions, any of the employees who were eligible for the plan would not be eligible for a subsidy under the exchange.

Ms. Mallek offered **motion** to approve the following recommendations for the medical and dental plans.

Medical Plan:

- Continue to offer the Basic and Plus plans through Coventry.
- Increase the Board contribution by 7% for the new plan-year starting October 1, 2013.
- Set full-time employee premiums (7% increase)

Dental Plan:

- Continue the contract with United Concordia with no change in benefit design.
- Retain the current rates for the new plan year starting October 1, 2013.
- Implement a dental rate holiday from March 2013 through September 2013 for all dental enrollees for this period, regardless of hire date.

Mr. Rooker **seconded** the motion. **Roll was called and the motion carried by the following recorded vote:**

AYES: Ms. Mallek, Mr. Rooker, Mr. Snow, Mr. Thomas, Mr. Boyd and Mr. Dumler.
NAYS: None.

Mrs. McKeel then offered **motion** to approve the recommendations as approved by the Board of Supervisors. Ms. Mouly **seconded** the motion, **and the motion passed.**

Agenda Item No. 4.2. Other Matters Not Listed on the Agenda. None.

Agenda Item No. 4.1. Adjournment.

At 5:01 p.m., hearing no objections, Mr. Koleszar adjourned the meeting of the Albemarle County School Board. Ms. Mallek adjourned the meeting of the Albemarle County Board of Supervisors.

_____
Chairman

_____
Clerk