

TOWN OF FAYAL
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SPECIAL MEETING OF THE FAYAL TOWN BOARD

SEPTEMBER 30, 2009

Chairman Kniefel called the Special Meeting of the Fayal Board of Supervisors to order at 9:00 AM. Attending were: Chairman Kniefel, Supervisor Erjavec, Supervisor Branville, Supervisor Pernu, Supervisor Tamaro and Clerk Sersha. Audience members in attendance were: Steven Verkovich, Dale Dickson, Diane Stewart, Albert Jurenic and AFSCME Representative Joe Pershern.

The purpose of the Special Meeting was to discuss and possibly act upon employee medical insurance. Notice of the Special Meeting was posted at all the usual posting places on September 23, 2009.

Chairman Kniefel asked Clerk Sersha to explain the proposal. Clerk Sersha stated that she has met with insurance agent Jamie Lindseth, the employees and union representation several times. All employees filled out health questionnaires and they were submitted to Medica and Health Partners. The quote from Health Partners was preferred because it included coverage to the Mayo health system, whereas Medica required a referral process. Health Partners also had no lifetime limit on coverage. Clerk Sersha presented a comparison of costs for the current BCBS health plan through the Northeast Service Cooperative and an equivalent plan from Health Partners. A cost comparison was also done for both plans on a high deductible plan with a health savings account. The report is as follows:

Cost Comparison of Health Plans Co-op vs Health Partners

Cost for Current Plan 2010

<u>Co-op</u>			<u>Health Partners</u>		
4 Family	\$ 8,122.00		4 Family	\$ 5,028.30	
1 Single	\$ 918.50		1 Single	\$ 698.60	
monthly	\$ 9,040.50		monthly	\$ 5,726.90	
annually	<u>\$108,486.00</u>		**	<u>\$68,722.80</u>	
				Savings to twp.	
				<u>\$39,763.20</u>	
 High Deductible Health Plans					
<u>Co-op</u>			<u>Health Partners</u>		
2250 deductible			2500 deductible		
4 Family	\$ 6,112.00		4 Family	\$ 3,093.50	
1 Single	\$ 691.00		1 Single	\$ 429.80	
monthly	\$ 6,803.00		monthly	\$ 3,523.30	
annually	<u>\$ 81,636.00</u>		annually	<u>\$42,279.60</u>	
Annual Deductable					
4 Family	\$ 18,000.00	(2250 x 2 x 4)	4 Family	\$20,000.00	(2500 x 2 x 4)
1single	\$ 2,250.00		1 Single	\$ 2,500.00	
annually	<u>\$ 20,250.00</u>		annually	<u>\$22,500.00</u>	
Total	<u>\$101,886.00</u>		Total **	<u>\$64,779.60</u>	
				Savings to twp.	
				<u>\$37,106.40</u>	

Savings to twp. Current 2010 Co-op Plan
versus the 2010 Health Partners High Deductible

\$43,706.40

** Plan is paid 100% by township with no employee contribution.

Clerk Sersha explained the proposal is for a high deductible health plan with a \$2,500 deductible for single and \$5,000 for family. The deductible would be placed into a Health Savings Account for each employee. Each employee would then be responsible to pay their medical costs from this fund, until they reach the deductible and then the insurance pays at 100 percent. There is incentive for the employees to be responsible for shopping around to reduce their medical and prescription costs because the funds belong to the employee and can accumulate. When the employee reaches age 65, they may withdraw the funds without penalty, but must pay income tax on the fund.

The rate for this plan is based on age, and premium costs will increase in increments as the employee grows older. However, savings for the township, compared to the current health plan through Northeast Service Co-op would be \$43,706.40 for the first year. This would include the township paying the entire premium and deductible for each employee. A cost comparison was also done for the same type of insurance coverage we currently are receiving from the co-op and Health Partners. If we stay with the same type of plan, the cost savings by going to Health Partners would be \$39,763.20.

Clerk Sersha explained the Health Savings Account that would be created would be irrevocable funds to each employee. A savings account would be opened for each employee, usually at the bank the township uses for business. The employee could put the money wherever they wanted, however, but it could only be used for their medical costs. Funds not used in one year will roll over and the employee keeps those funds. Clerk Sersha stated that she believes it is an opportunity for the township to help the employees with their retirement, and still save a lot of money for the town.

Clerk Sersha gave examples of other businesses and the City of Ely that recently changed their medical plans to the high deductible Health Partners plan. All have saved significant amounts of money and their employees are happy with the plan. The City of Ely was also in the cooperative and in July of this year, Ely requested to be released from their plan due to the significant savings offered by Health Partners.

Supervisor Branville questioned if any of these businesses etc. have any track record of what the rates will be after the first year. Clerk Sersha stated they do not. Supervisor Tammaro questioned if there are large increases in the next couple of years, could we get back into the co-op? Clerk Sersha stated we could, after two years, go back into the co-op. Clerk Sersha stated she is not representing this plan as the be-all end-all, and after discussions with the employees, if this plan increased dramatically we will drop this plan and go with the best deal—we want what is best for the township and the employees. The employees have decided they do not care if they have to change insurance every year, as long as the coverage is equal.

Clerk Sersha explained that this plan quote is good until December 1 of this year, if we go past that date, new health applications will have to be filled out. We will then be subject to the January 1 rate increase. By doing this now, we will have 13 months of the same rate and the next time it comes due, we will be subject to the last quarterly rate increase instead of the upcoming January 1 rate increase. Also, if done by December 1, we will save an additional \$5,000 in premium to the co-op. Clerk Sersha also explained the flex plan system currently in place, and changes that will have to be made. Costs to Superior USA for those changes will be either \$250 or \$450, depending upon the what changes are made.

Supervisor Branville voiced his concerns regarding the lack of rate history on Health Partners from any other entity or business. Branville stated that on the rate sheet for the co-op there are a lot of very small rate increases and they also offer the \$75,000 stop loss provision. Clerk Sersha stated the insurance companies are regulated on how much they can increase your rate per year and we are saving so much money with this plan it would take years to get to the amount we are currently paying.

Much discussion and comparisons on the health savings account plans offered by the cooperative. Supervisor Tammaro stated that the employees must have discussed this plan in length and are in favor of it, but questioned how the union felt? AFSCME Rep. Joe Pershern stated that it is not the union's concern as to what plan the employees want, it is to negotiate what the employees want with the employer. Chairman Kniefel stated it appears the employees are comfortable with this plan, but questioned how this swap would occur prior to the expiration of the contract? Mr. Pershern stated it can all be negotiated, put into a letter of understanding, and the quicker it is done we will immediately save money. Discussion on when to start the new plan.

Chairman Kniefel clarified with Mr. Pershern the issue of incentives offered by the co-op on their medical plans. Mr. Pershern answered that he checked on it and the incentives are only offered to

school districts.

Chairman Kniefel asked the employees for any input they may have on the issue. Dale Dickson stated that this proposal is for the township to pay 100% of the premium and deductible. The township will realize a big savings and the employees, for their part, will be doing all their own paperwork paying the bills with the deductible. That is the reason the employees are asking for 100% funding of this plan, rather than the 90/10 split that is in the current contract. Mr. Dickson stated the employees would like to put this into the new contract, and then back it up for the months in 2009, and not negotiate this issue again in the new contract.

Discussion on implementation of the plan this year. Supervisor Branville stated the numbers seem almost too good to be true. Supervisor Tamaro stated that at least we will be locked in for 13 months. Mr. Dickson stated we can go anywhere for insurance if there is a high increase in price. Chairman Kniefel stated that the amount the township puts into the health savings account can also be negotiated. Mr. Pershern stated he would suggest we go to a two year contract this time instead of the three year contract until it is known how this insurance will work out. Mr. Pershern suggested we start the insurance in November to realize an even bigger savings.

Chairman Kniefel stated the board could make a decision today that we implement this and the funding level could be at 100% pending the renegotiation of the contract. Discussion on forming a negotiating committee.

Motion to appoint Supervisors Branville and Erjavec as the board representation to negotiate the essential unit and public works union contracts, made by Chairman Kniefel, support from Supervisor Tamaro. Motion carried unanimously.

Mr. Pershern will prepare a memorandum of understanding and will meet with the negotiating committee as soon as possible.

Clerk Sersha stated she has requested an extension for membership in the cooperative plan to November 1, via certified letter to Mick Giblin and Mike Grahek.

Supervisor Branville stated he is still not comfortable with the numbers presented, and stated he would like to sit down with our existing agent and have him go over the plans and numbers and have him say if this is apples to apples. Branville stated he cannot understand how going from a big group like the co-op that has purchasing power in big numbers, why they cannot offer something close to that? Supervisor Branville stated it does not feel right to him that another company can come in and offer the same coverage for that low of a price. Clerk Sersha stated the employees are comfortable with the numbers, and if Supervisor Branville wants to take all of the numbers and coverages to Mick Giblin, he should do that.

Chairman Kniefel stated we can wait until the next board meeting to take formal action on the insurance plan, so there will be time for Supervisor Branville to go over all the plans.

Clerk Sersha explained that all the plan proposals from the cooperative and the rates are included in the packets distributed to everyone and the price is much higher from the co-op. The rate structures for Health Partners have also been included for each of their plans.

Supervisor Erjavec stated the impact will be huge on the water and sewer companies. Mr. Dickson stated this will be good for the employees and good for the township.

Chairman Kniefel asked if there were any other comments. There being none, Chairman Kniefel adjourned the meeting.

Special Meeting adjourned at 9:55 AM.

Respectfully submitted,

Judy M. Sersha
Clerk of Fayal

Approved: _____

Date: _____

Attest: _____