

**TOWN OF MOUNT PLEASANT, SOUTH CAROLINA
HUMAN RESOURCES COMMITTEE
Monday, April 2, 2018
Municipal Complex, Committee Meeting Room, 3rd Floor
100 Ann Edwards Lane, Mount Pleasant, SC 29464**

MINUTES

PRESENT: Kathy Landing, Chair and Bob Brimmer
ABSENT: Guang Ming Whitley
STAFF PRESENT: Eric DeMoura, Town Administrator and Meghan Kelly, Human Resource Director

Ms. Landing called the meeting to order at 10:00 a.m.

1. Approval of Minutes from the January 2, 2018 meeting

Mr. Brimmer moved for approval; seconded by Ms. Landing. All present voted in favor.

2. Public Comments

[None]

3. Budget Review FY 2019

a. Health insurance plan recommendations

Ms. Kelly discussed some changes for Committee's consideration in the plan design of the Town's Health Insurance (Health, Dental and Prescription). She stated that there are approximately 1,300 members on the plan and one of the biggest costs have been prescriptions. She said one of the things the Town has learned using a transparent Pharmacy Benefit Manager starting several years ago, is that the Town sees the actual costs of those prescriptions and the Town pays those costs. She stated that two particular pharmacies cost significantly more than others, which are CVS and Walgreens.

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Staff recommends the following changes to the Town's self-insured health insurance program effective July 1, 2018:

1. Move to a "high-performing" pharmacy network which includes all pharmacies except the most expensive ones: CVS and Walgreens.

Participants will pay \$10 additional per script at these two pharmacies.
Estimated annual savings: \$104,000.

2. Increase the copay for specialty drugs from \$125 to \$250 per month.

Estimated savings: TBD
Most employers have a \$250 copay.
Town's cost of specialty drugs typically ranges from \$10,000 to \$30,000 per month.
The annual prescription out-of-pocket maximum is \$3,850.

She said staff recommends moving to a high-performing network with regard to pharmacies, in order to have members think twice before they use the most expensive pharmacies in Town. She stated that if they choose to have prescriptions filled by those two places, they will pay \$10 extra per prescription. She added that every pharmacy is included in the network at this time, so you are able to go to Target, Wal-Mart, Publix and any small drug stores for your prescription needs. She said they also learned that the most inexpensive places to purchase prescriptions is in the grocery store. She stated that the second item is with regards to specialty drugs. She said the Town has seen a significant increase in specialty drugs, which are costly, and range from \$10,000 to \$30,000 and some of them are up to \$80,000. She said most companies charge a \$250 co-pay per month and the Town has been averaging half this amount. She said it is time to catch up with the industry and charge \$250 per month per prescription. She said the good news is that Town employees and their dependents have protection, because there is an out-of-pocket maximum each calendar year, so the most they would spend on those prescription medications or any prescription medications, which are all included together, is \$3,850.

Mr. Brimmer asked if there has been any discussion with CVS and Walgreens about the possibility of excluding them.

Ms. Kelly stated that the Town works with a few consultants; one is a benefit consultant and one is a pharmacy consultant. She said they recommended the proposed changes, and they look at this from a national perspective; however, there have been no discussions with a local CVS or Walgreens. She said the difference is significant.

Ms. Landing asked if it was safe to say that the specialty drugs are what creates the large increase.

Ms. Kelly responded in the affirmative and said this is what puts them in this category.

Ms. Landing stated that most people likely do not know what their medications typically cost, so those that do take this type of medication are likely not going to be affected by this.

Ms. Kelly responded in the affirmative. She said very few people will be affected by this.

Ms. Landing asked if the Town has an estimate of individuals that are going to be impacted.

Ms. Kelly said very few, a handful.

Mr. Brimmer stated that in item #1, the individual pays the co-pay, but the Town absorbs the balance of that cost. He asked if this was also the case for item #2.

Ms. Kelly responded in the affirmative. She said the Town is spending hundreds of thousands of dollars for a handful of individuals every year.

Mr. Brimmer asked if there are any other models that handle this differently, because this is a great deal of money for a small group of individuals. He asked if there are any other insurances or other ways that this cost can be reduced to the Town.

Ms. Kelly said one of the things that helps the Town is insurance once we surpass a large deductible. She said there are circumstances when medical and prescription claims fall into this category and the Town is buffered by any of those large claims once they arrive at a certain stage.

Ms. Landing stated that the Town has a self-insured plan, but we have re-insurance on anything beyond a certain point.

Ms. Kelly responded in the affirmative.

Ms. Landing stated that in #1, staff advises the Committee of the estimated annual savings to the Town's budget. She asked about savings for item #2.

Ms. Kelly stated that if there are just a handful of people and the Town is doubling the co-pay, this saves the Town \$125 a month, times 12 months, times the handful of individuals. She said they are not aware of those who will come on or go off the plan, therefore, it will still be a lower number. She said it is important for the Town to stay with the industry.

Mr. Brimmer asked that, with all the savings, are they being budgeted somehow.

Mr. DeMoura said not on the pharmacy side. He said if you look at the department budgets, it is a flat amount.

Ms. Kelly stated that one of the things Ms. Cotov accomplished was to make a Health Insurance Budget, so you are able to see what is going in and out of that budget only for these costs. Ms. Kelly stated that moving to item #3, she will address the main tier structure that most companies are utilizing, which is four tiers of levels of coverage. She said currently there are only two tiers; single and family. She said staff is proposing to move to four tiers as shown.

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3. Offer four tiers of health insurance premiums instead of two tiers.
 Estimated savings: \$86,000.
 This change is to align with the industry's main tier structure.

	Current	Proposed(Biweekly)
Single	\$33	\$33
Employee + Child/ren		\$100
Employee + Spouse		\$110
Family	\$100	\$115

4. By eliminating MASC's broker for long-term disability (LTD), vision, and voluntary life insurance by working directly with the vendors, commissions can be discontinued and the savings can be passed on to employees who pay 100% of the premium for these benefits.

Estimated savings to employees: \$15,000-\$20,000

5. Increase the value of life insurance provided by the Town from \$20,000 to \$50,000.
 Estimated cost: \$25,000

Ms. Kelly stated that typically, children cost less than adults. She said that they do not have the more significant diseases. She said this structure is moving the Town in line with industry standard and keeping things the same for most of the employees. She said they estimate this will save \$86,000.

Mr. DeMoura stated that spouses drive the costs up, with one spouse equaling three children.

Ms. Kelly concurred and added that spouses cost double what employees cost.

Ms. Landing asked when the year begins for the healthcare plan.

Ms. Kelly stated that they make their design and plan changes effective July 1st with the fiscal year, but employees have an annual deductible as a patient and family, which is based on a calendar year.

Ms. Landing asked if the changes are made and approved, will they go into effect July 1st.

Ms. Kelly responded in the affirmative. She said the next item will allow them to alleviate the "middle" person. She said years ago, the Town partnered with the Municipal Association of South Carolina (MASC), and they have voluntary programs for cancer, short term

disability, extra life insurance. Brad Walbeck and Lindi Cosenza are willing to assume those responsibilities, eliminating the broker that the Town has been utilizing. She stated that this will eliminate the commissions. She said the employees pay 100% of that premium and it is the only benefit the Town has that has a commission that is built into it. She stated that this will allow them to pass on the savings directly to the employees of approximately \$15,000 to \$20,000. She said that the employees will see the same product, but their costs will decrease effective July 1st. She said products and vendors all stay the same.

Ms. Kelly said item #5 is a benefit increase on the life insurance that the Town provides to the employees at no cost. He said employees receive a \$20,000 life insurance policy and staff is proposing it be increased to \$50,000 which includes dependent life insurance as well.

Mr. Brimmer stated that having worked in the Public Sector for 28 years, neither the State, County or any other municipality he is familiar with comes close to these costs and staff has done a tremendous job keeping this affordable for the Town employees and their families. He stated that these are great recommendations for the Town. He stated that in previous Committees, there was discussion of retention of employees and believes this is all part of how to make it attractive to work for the Town.

Ms. Landing said she commends the Town for increasing the Life Insurance, as it is a much bigger benefit than people realize. She said that \$20,000 nowadays may only cover burial and having a larger amount will provide some additional money to pay off debts.

Mr. Brimmer stated that there is always an option for employees to go above and beyond the \$50,000 life insurance policy and asked if those premiums have changed.

Ms. Kelly stated that it only changes by age band for term life; however, those premiums have not changed. She said now that commissions will not be included, the premiums will go down.

Mr. Brimmer made a motion to recommend the recommendations as presented by staff in Committee; seconded by Ms. Landing. All present voted in favor.

Mr. DeMoura thanked Committee members for the health insurance recommendations as it is the single largest item in the budget every year.

b. Wage recommendation

Mr. DeMoura stated that what Committee members will see programmed into every salary line item for every department is a wage recommendation which on average is 4%. He said that annual employee appraisals are conducted for employees that perform and they will receive a 3%, 4% or 5% increase next year. He said for those that do not perform, the Town imposes a performance improvement plan which they must achieve or find alternative employment. He said those who have not met the requirements for next year and successfully pass their appraisals, do not receive a wage recommendation. He stated that it is based on merit and is \$1.3 million dollars for next year which is spread throughout the budget. He said a similar item came up in the Fire Committee this morning. He stated that there is a strategic plan goal to have a wage and classification study every four to five years. A wage and classification study is initiated which not only reviews the public agencies surrounding the Town of Mount Pleasant, but also public agencies that the Town compares themselves with throughout the state to ensure that wages are competitive. He stated that what typically happens at the conclusion of this study is a recommendation for an adjustment to Council to catch up and is anywhere from \$600,000 or \$700,000 to over \$1 million dollars. He said that past Councils have been gracious enough to approve this to ensure that the Town stays as competitive as possible. He stated that the wage recommendation amounts to \$1.3 million currently for consideration.

Ms. Landing stated that this is not only a reasonable number but will allow employees to know that they are highly valued and will continue

to do what is necessary to increase incomes. She said that she is very much in favor of associating the increases with the merit, which sends the right signal.

Mr. Brimmer asked if this is for all levels within the Town, and for full time employees.

Mr. DeMoura responded in the affirmative.

Ms. Landing stated that this does not include Town Council.

Mr. Brimmer stated that if an individual does not qualify for a merit increase, their next opportunity is the following year.

Mr. DeMoura responded in the affirmative.

Mr. Brimmer made a motion to recommend approval to full Council for the wage recommendation as presented today; seconded by Ms. Landing. All present voted in favor.

4. Adjourn

There being no further business, meeting adjourned at 10:18 a.m.

Respectfully submitted,
Barbara Ashe
April 2, 2018