

The Mayor and Council of the City of Abbeville met in special session on May 24, 2018 at 5:00 P.M., at the regular meeting place, the Council Meeting Room located at 101 North State Street, with the Honorable Mark Piazza, Mayor, presiding.

Members Present: Council Members, Francis Plaisance, Mayor Pro-Tem, Brady Broussard, Jr., Joe Hardy and Francis Touchet, Jr.

Members Absent: Councilman Wayne Landry

Also Present: Jude Mire, Fire Chief
Terry Broussard, Councilwoman-Elect, District D
Lloyd Campisi, Insurance Agent

Mayor Piazza stated there is only one item on the agenda ant that is to approve the health insurance proposal for the renewal on 7/1/18. He asked if there were any comments from the public for any agenda item prior to action. There were none. He turned the floor over to Mr. Lloyd Campisi.

Mr. Campisi stated our renewal is on 7/1/18. We have been with our current reinsurer, Tokio Marine HCC, for the past 10 years. They are one of the largest reinsurers in the world. Over the past 10 years we had an excellent record with them. We have had great renewals because our claims were where we thought they should be. This year, however, for the first time in 10 years, we have an exceptional number of high claims. These are claims over \$60,000.00. This has driven up the costs for the reinsurer to the point that their projected losses, subtracting the premium we paid them and the \$60,000.00 that we paid for each claimant, are somewhere around \$500,000.00 to \$600,000.00. We still have three months left to go on the contract. Obviously, they will have to adjust the rate factors and premiums we have to pay to them. We have a proposal option 1. This proposal keeps the specific loss at \$60,000.00 and the reinsurer pays those claims above that. This option would raise our premiums, for a 12-month period, \$106,076.88 if you choose to lock it in. If you don't then the premium will increase by \$142,000.00. The second proposal is option 2. This option will increase the special loss threshold to \$75,000.00. This will only increase our premiums by \$21,883.20. The issue before you is whether you would like to choose option 1 or 2. Option 2 is offered to you with a lock in provision only. They will lock in these rates without having the data of the last three months. With Option 1, if the losses are greater, they could raise that projected premium. The next proposal is from UMR. They are the third part administrator. They adjudicate our claims and pay our claims for us. We have been with them for over 10 years. Their rates were guaranteed for three years last year so there is no increase to their premium. Councilman Plaisance asked if the specific loss can be lowered later. Mr. Campisi stated you can always look at that at the next renewal. If we can put together a few more good years, like we had in the past, we would get some rate relief. Councilman Touchet asked if our people are using us as primary or secondary. Do we have any control over that? He is especially concerned with our retirees over a certain age. Mr. Campisi stated UMR is responsible for managing that. We have to make sure every employee who retires applies for Medicare part A & B. We submit that to UMR. UMR will flag everyone 65 years of age and find out if they are actively employed are not. UMR will not pay their claims until they receive this information from our employees. Medicare is primary when they retire. Mr. Campisi stated an employee who is actively employed with us, UMR is primary. These large claimants were under

the age of 65 and were either employees or spouses of our employees. They were not retirees. Mr. Campisi stated we track everyone's claim once it hits ½ of the specific loss. HCC believes the 5 large claimants we have will drive the claims an additional \$200,000.00. We also have 4 others that may be large claimants in the future. It looks like large claims may continue. This becomes a budget issue and how much liability you want. It is a gamble and we hope we only one more year of this blip and it will not be the trend forever. No one can tell us what will happen in the future. Councilman Broussard stated the only reason we have this opportunity is because Lloyd has spoken on our behalf and emphasized our decade relationship where they did make money. The reason we are getting this quote is because of what Lloyd has done for us in his negotiations. We should renew now because this is in the best interest of the City. Councilman Touchet asked Lloyd if this will change the benefits to our employees. Mr. Campisi stated this will not change the benefits to our employees or the plan design. Mayor Piazza recommended that we renew now utilizing option 2. This is a gamble and there are no guarantees. A \$100,000.00 increase would be tough for this budget to absorb. \$21,000.00 will be hard enough. He asked Kathy to explain what happened at the end of the last year. Kathy stated that we pay claims weekly so we are paying these large claims prior to receiving payment from our specific loss carrier. It might take a while to receive the reimbursements so our cash balance gets low. At the end of the year, Steve Moosa, suggested that we do an additional transfer because when the auditors come to audit, they convert our books from a cash basis to accrual basis. That being, that claims paid in 2018 but were actually incurred in 2017, will be moved to 2017. This lowers our fund balance in the fund. If we don't have enough in cash, there will be a negative variance on our fund balance. It will appear as if we were paying claims without benefit of a positive balance. Our cash balance right now is healthy because of the additional transfer at the end of the year and we have received several specific loss reimbursements for the large claimants. Mayor Piazza stated we have caught up now but we were short at the end of the year. If we have to cough up another \$100,000.00, we are already short. He does not recommend any changes to the plan design at this point but he cannot guarantee that in the future.

-01 introduced by Mr. Brady Broussard, Jr. and seconded by Mr. Francis Touchet, Jr. to approve Option 2 from Tokio Marine HCC for specific loss coverage and the renewal from UMR both effective 7/1/18. The motion carried unanimously.

Mayor Piazza stated we are very fortunate and our employees do realize the benefit of having this premium health insurance plan. There is no cost to the employee and their dependent coverage is very affordable. He is not sure we will be able to continue to absorb these increases in the future. The new administration coming in will be faced with some real challenges and some real tough decisions to make. He plans on putting together a special committee probably towards the end of the year to make a complete analysis and study of our plan designs. He is not recommending that we make changes at this time or what those changes would be. We need to look at every aspect of this plan whether it be premiums, benefits, deductibles, co-pays, prescription coverage, or employee or dependent contributions. We need to look at the whole spectrum because health insurance will not go down. It will continue to increase and we are pretty maxed out. Councilman Broussard stated our employee dependent coverage is only \$73.00 per check. That is unheard of. Mayor Piazza stated years ago we reallocated a portion of sales tax for employee benefits, that money has been absorbed. Every nickel of that goes to health insurance and retirement and it is not enough. It's a juggling act. Our employees want raises. How can we continue to give raises if we have increases that we can't afford in our health insurance? Health insurance comes right out of the general fund. There is no utility bill or taxes that pay for health insurance. General fund is what funds payroll. If you can't pay for health insurance you can't give raises. Ms. Terry Broussard asked if the \$73.00 is per month. Councilman Broussard stated no it is per check. Mayor Piazza stated he does not know of any other form of

government in Vermilion Parish or anywhere else or any business that has the benefits that we get. We have low deductibles, low co-pays and low employee rates. No one has a package as generous as us. Mr. Campisi agreed. Councilman Touchet stated he struggles with charging our employees. We can talk about the school board and other employers, but when you compare what our employees get paid compared to them it is much lower. He has a hard time telling someone who is making \$9.00 per hour cutting grass that they will have to pay for coverage for themselves. Our guys don't make money. Mayor Piazza agreed. We will all struggle with it and that is why we have never changed it. There are other ways and he and Lloyd have discussed those options. It doesn't have to be necessarily in the contribution, it can be in the deductibles, co-pays or co-insurance. That way, if you raise those things, the people who are paying more are those that are sick. If you aren't sick, you won't pay more. Those are the things that he recommends in the future. Mr. Campisi stated he has seen in his career, many companies raise the premiums to a point where singles and families can no longer afford it and drop out. What happens when your healthier ones leave the pool and the plan, your plan shrinks and it continues to shrink until you end up with only the sick ones on your plan. This causes the premiums to skyrocket. There is delicate balance that you have to deal with. Councilman Touchet stated under our plan, every employee has to enroll since the City is paying their premium. What would happen if they were charged and given the option not to enroll? They would choose to get coverage elsewhere and their claims would not hit our plan.

There being no further business to discuss, Mayor Piazza declared this meeting adjourned.

ATTEST:

APPROVE:

*Kathleen S. Faulk
Secretary-Treasurer*

*Mark Piazza
Mayor*