

MARCH 16, 2015

A SPECIAL JOINT MEETING BETWEEN THE CITY OF KINGSVILLE, TEXAS CITY COMMISSION AND THE KLEBERG COUNTY COMMISSIONERS' COURT ON MONDAY, MARCH 16, 2015 AT THE COURTHOUSE ANNEX, LAW ENFORCEMENT CENTER, 1500 E. KING, KINGSVILLE, TEXAS.

CITY COMMISSION PRESENT:

Sam Fugate, Mayor
Dianne Leubert, Commissioner
Al Garcia, Commissioner
Arturo Pecos, Commissioner

CITY COMMISSION ABSENT:

Noel Pena, Commissioner

CITY STAFF PRESENT:

Courtney Alvarez, Interim City Manager/City Attorney
Mary Valenzuela, City Secretary
Deborah Balli, Finance Director
Emilio Garcia, Health Director
Diana Gonzales, Human Resources Director

I. Preliminary Proceedings.

OPEN MEETING

Mayor Sam Fugate opened the meeting at 3:14 P.M. and announced quorum with four Commission members present. Commissioner Pena not in attendance.

INVOCATION / PLEDGE OF ALLEGIANCE – (Mayor Fugate)

The invocation was delivered by Kleberg County Commissioner David Rossi, followed by the Pledge of Allegiance and the Texas Pledge by Kleberg County Commissioner Joe Hinojosa.

MINUTES OF PREVIOUS MEETING(S) – Required by Law

II. Public Comment on Agenda Items³

1. Comments on all agenda and non-agenda items.

Mayor Fugate called for comments on all agenda and non-agenda items.

No comments made at this time.

Mayor Fugate recessed the meeting at 3:15 P.M. to allow the set up for the workshop.

Mayor Fugate reconvened the meeting into open session at 3:20 P.M.

III. Items for consideration by Commissioners.⁴

2. Discuss in joint session with the Kleberg County Commissioners' Court proposal for possible merger of the two employee pools for health insurance purposes, while retaining separate plans. (Interim City Manager).

The above matter coming on for consideration, members of both entities discussed proposals for possible merger of their self-funded health insurance plans in an effort to lower costs. Below is a brief summary of the discussion that took place.

Kleberg County Judge Madrid stated that after taking office in January, 2015, he began his research regarding Health Insurance Plans for both the City of Kingsville and Kleberg County. He further stated that he would like for both entities to work together as one, since both entities work for the same community. Judge Madrid stated that both entities have a self-funded insurance program to which both entities have suffered some loss in the past. Madrid announced that in attendance at this meeting are Entrust Representative David Jacobson and Kleberg County Health Insurance Agent Filemon Esquivel. Judge Madrid commented that after doing his research regarding health insurance provided for both entities, he thought it would be good for both entities to merge together into a health insurance plan. Madrid further commented that he would like to have both entities working together as it would be good for the community. By merging health insurance plans together with both entities it would bring savings to both entities as well as the taxpayers.

Mr. David Jacobson, Entrust Representative reported that there are two fixed components, that being the administrative expense and the premium expense. Jacobson further explained to both entities the cost between both expenses. Jacobson also explained the pros and cons between merging both entities insurance. He stated that it would depend on whether both entities plan on taking similar actions or steps to control cost. The City of Kingsville runs a significant amount per head on prescriptions at this time than Kleberg County by about 35%. The City has taken more steps to push generic medications and

offers the Wellness Health Fairs to its employees. Taking a list of brand name drugs, educating the employees on the value of generics verses brand name drugs could bring the cost down significantly. The City of Kingsville has begun educating their employees on the value of these drugs more aggressively than Kleberg County.

Mr. Filemon Esquivel commented that due to the County's past experiences, the County has run in to some problems with claims going to high. This prompted the County to begin making some changes and placing caps on places that employees can go to seek medical attention.

Mr. Jacobson stated that there is room for improvements to be made but the thing to keep in mind is that the employees have faced higher deductibles in the past, which is not an option. Both the City and County have around \$200 to \$300 deductibles that each employee must meet. Jacobson stated that deductibles need to remain low, so that employees can afford it. A focus on education is most needed. After doing a 16 year analysis on the City of Kingsville, from 16 years ago, the average spent on medical claims in the greater Corpus Christi area was about \$800,000 on medical, which has grown to about \$1.1 million on City of Kingsville. Mr. Jacobson stated that his guess would be that it was the same in Kleberg County. Not a lot of growth was seen in Kleberg County in local medical claims when the evaluation was being done. When employees seek medical attention outside of Corpus Christi to Houston, San Antonio or down in the Valley, claims have been seen where if here they could cost from \$15,000 to \$20,000 be \$140,000 to \$180,000 claims. He further commented that employees can go to San Antonio or Dallas to get the referral-out care at a lower cost. There are things that both entities can do either independently or together, that is to negotiate rates with the hospitals. He further stated that 83% is primarily claims filed. Jacobson stated that encouraging doctors to participate in Health Fairs to represent themselves would be beneficial to both the City and County. He continued to say that the City of Kingsville cut \$150,000 out of the prescription expense in the last two years. Kleberg County can probably do the same thing by providing education to their employees regarding prescriptions.

Mr. Jacobson commented that it could be difficult in doing a cooperative agreement between both entities. Both entities have to agree and understand that when a cooperative is in place, one has the potential to save verses the other. This could be an issue as the other entity would have to help out the other, and that's when the entity helping the other pulls out of the agreement. Jacobson further stated that the smallest savings will be in administration fees as they are 5% of the cost. The premium stop loss insurance side there is a little leverage for example the City of Kingsville has a 0% stop loss ratio on their premiums, Kleberg County doesn't because of a large claim. When you take two sets of \$400,000 premium and put those together as \$800,000, a \$300,000 claim will look better on a \$800,000 premium than it does on one standalone \$400,000. Programs have been done where they pull the risk to try and get the insurance margin down.

Mayor Fugate asked if there were any other entities merging their self-funded insurance plans in the State of Texas.

Mr. Jacobson responded that there are a lot of school districts that are doing this, but they are mandated programs. So everyone has to have the same program. Cities and Counties that go into mergers, usually last about four years. It is easier to do a merger when everyone is mandated to have the same benefit. Jacobson stated that the cost outside the area on emergency room and prescription drugs for both entities is what has driven cost up over the years. If control is gained over these items, both entities will have their reserves back which is what the city has been experiencing lately.

Judge Madrid asked the City how the City is educating their employees. Commissioner Garcia responded that the City has Health Fairs for the employees.

Mayor Fugate commented that he has no expertise in this and a lot of this discussion is quite confusing. He stated that the real issue is that both entities are a unique situation as they represent the same people. Fugate further commented that if both entities can save the taxpayers some money by merging the self-funded health insurance, it would be a good thing.

Commissioner Leubert commented that both entities need to educate their employees on the use of emergency rooms, generic prescription drugs and to use primary physicians within our region.

Mr. Jacobson stated that both entities need to understand that if both entities are going to merge into one policy, this means one policy. One entity may hit a high claim that may


affect the other. Jacobson will be providing both entities with numbers for both merging the health plan and standalone numbers if each entity decides to stay on their own.

Mayor Fugate thanked the County Commissioners' Court for hosting this meeting and further commented that the City of Kingsville is willing to participate if it means saving taxpayers' dollars.

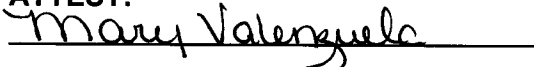
No action was taken, although both the City of Kingsville City Commission and Kleberg County Commissioners agreed to revisit the proposal at a future meeting.

VII. Adjournment.

There being no further business to come before the City Commission, the meeting was adjourned at 4:12 P.M.


Sam R. Fugate, Mayor

ATTEST:


Mary Valenzuela, City Secretary