

**AUDIT/BIDS/INSURANCE COMMITTEE MEETING
TUESDAY, MARCH 23, 2010 AT 3:00 P.M.
COUNCIL CONFERENCE ROOM—2ND FLOOR, CITY HALL**

PRESENT: **Chairman Dale Burkett**
 Councilwoman Brenda Craig
 Councilman John Howren

The Audit/Bids/Insurance Committee met on Tuesday, March 23, 2010, at 3:00 p.m. in the Council Conference Room, 2nd Floor, City Hall, Gastonia, North Carolina.

Chairman Burkett called the meeting to order and recognized Mr. Jim Palenick, City Manager, for staff's presentation.

Item 1: Employee Health Insurance Proposal

Mr. Palenick stated that due to rising employee health insurance costs and the need for cost containment, staff proposes an employee health insurance program that would alter individual behaviors and provide more certainty of the City's costs. A move to a Health Savings Account would be a fundamental change that would affect all employees.

The Health Savings Account is a program that would cost the City less in 2010/2011 than in 2009/2010. Additionally, this program would provide a fair and equitable approach to share the increased costs of health insurance with City employees.

Mr. Palenick recognized Ms. Judy Smith, Assistant Director of Human Resources, to explain the Health Savings Account proposal in further detail. Ms. Smith stated there are two separate entities within a Health Savings Account.

The first part of the Health Savings Account is a High Deductible Health Plan based on PPO network and design. There is a deductible of \$1,500 for individuals and \$3,000 for all other users. Every covered person's expenses goes towards one deductible. When an employee goes to a provider of any type or gets a prescription, he/she will be responsible for 100% of the contracted amount until the full deductible is met. After the deductible is met, the employee will be responsible for 10% of any services received until the maximum out-of-pocket is met. The maximum out-of-pocket is \$4,000 for individual and \$8,000 for all other tiers. After the maximum out-of-pocket has been met, all claims will be paid at 100%. Preventive care is covered at 100% and is not subject to the deductible.

The second part is the Health Savings Account for each employee/retiree. Each employee/retiree would be issued a debit card in the amount of \$750. This amount may be used for qualified medical expenses. Any contributions to the Health Savings Account belong to the employee immediately and are portable. Additionally, any unused funds would roll over from year to year. Employees would be able to contribute additional funds on their own to their HSA. These contributions would be pre-tax.

Mr. Palenick and Mr. Larry Wood, Assistant City Manager, stated that employees would need to be educated and informed. This program is significantly different than what people are accustomed to. Health Savings Accounts require more decision making and knowledge about their health plan and the quality/cost of care provided by their doctors or hospitals. Employees should be able to understand the relationship between their actual medical costs and out-of-pocket expenses.

Action Taken:

After much discussion, Councilwoman Craig made a motion to table the items under consideration by the Committee until staff had provided the Committee with copies of the current policy's language on abortion coverage. Councilman Howren seconded the motion. Chairman Burkett voted in the affirmative making the motion unanimous. The Committee will reconvene on Monday, March 29, 2010, at 10:00 a.m., 2nd Floor, City Hall.

Having no other business, the meeting was adjourned.