

October 29, 2015

Minutes of the special meeting of the Board of Trustees of the Skokie Public Library held in the Skokie Public Library Board Room, Wednesday, October 29, 2015.

CALL TO ORDER

Mark Prosperi, President, called the meeting to order at 7:02 p.m.

Members present: Mark Prosperi, President; Diana Hunter, Vice President/President Emerita; Karen Parrilli, Secretary; Susan Greer; Jonathan H. Maks, MD; Zelda Rich; and Carolyn A. Anthony, Director.

Member absent: Eugene F. Griffin.

Staff present: Richard Kong, Deputy Director; and Beth Dostert, Human Resources Manager.

VILLAGE OF SKOKIE BENEFIT EVALUATION

Ms. Dostert distributed the Village of Skokie's benefit plan summary. She spoke with Christa Ballowe from the personnel department at the Village and the summary of their conversation answering the board's questions about the plan follows.

Answers to the library's questions:

- The third party administrator is Blue Cross Blue Shield.
- The Village does not have an aggregate stop loss insurance policy. They have an individual stop loss policy of \$250,000 per participant.
- Christa was not sure if they were protected from lasering but she thought they were.
- The Village has not agreed to take the library back into the Village's insurance plan. This would need to be voted on by the Village board.
- The Village will not accept the library in to the plan on a premium basis. The library would need to agree to pay any claims that are incurred by library staff.

The Board thanked Ms. Dostert for her report. No action was taken.

APPROVAL OF INTERGOVERNMENTAL AGREEMENT FOR LIMRiCC

LIMRiCC group health plan is set to renew with Blue Cross/Blue Shield of Illinois for Medical, Delta Dental for dental, Unicare for life, and VSP for vision service. The quote for fully insured renewal came in at 6% over current. However, because of small group requirements of the Affordable Care Act and the number of small groups within the

cooperative, this is not an option for LIMRiCC. Fully insured small groups would be in violation of ACA requirements that mandate specific plan designs and age-rated tiers.

Therefore LIMRiCC is in process of becoming a self-insured entity, requiring amendments to the LIMRiCC by-laws and the Intergovernmental Agreement under which LIMRiCC operates.

The Board needs to pass a resolution in agreement with these proposals, with the Board President signing p. 4 of the summary letter and p. 35 and 37 of the new Intergovernmental Agreement. Pages 36 and 37 are a separate resolution that authorizes the President and Secretary to sign the Intergovernmental Agreement.

This action may be carried over to the November Board meeting, but must be completed at that time as the Agreement needs to be finalized by December 1, 2015.

The Board reviewed the response from Robbins, Schwartz, Nicholas, Lifton & Taylor, Ltd. regarding the Intergovernmental Agreement for LIMRiCC as well as the counter response from LIMRiCC's legal counsel. Since LIMRiCC's legal counsel agreed to Skokie's recommended change clarifying that "30 hours per week" means "an average of 30 hours per week", a motion was made by Mrs. Parrilli, seconded by Mrs. Rich:

MOTION: THAT THE SKOKIE PUBLIC LIBRARY BOARD OF TRUSTEES APPROVE THE RESOLUTION IN AGREEMENT WITH THE CHANGES IN LIMRiCC'S BYLAWS AND ALSO APPROVE THE EXECUTION OF AN INTERGOVERNMENTAL AGREEMENT WITH THE LIBRARY INSURANCE MANAGEMENT AND RISK CONTROL COMBINATION (LIMRiCC) AUTHORIZING THE SKOKIE PUBLIC LIBRARY BOARD PRESIDENT AND SECRETARY TO SIGN THE INTERGOVERNMENTAL AGREEMENT.

The roll was called: there were 6 ayes and 0 nays. The motion passed unanimously.

APPROVAL OF EMPLOYEE HEALTH INSURANCE

Some significant changes are occurring in the library's health insurance, provided through the joint LIMRiCC pool. Changes will be effective in calendar year 2016.

One of the changes is that the pool must become self-insured and will, in fact, become two pools with one for the PPO (Preferred Provider Organization) and one for the HMO (Health Maintenance Organization). In order to have a larger reserve and help keep premiums down, the renewal is calling for one month's premium in advance, meaning that January and February contributions from the employer will be paid in January.

Currently, the library offers three choices of health plans: HMO Illinois, a high deductible PPO, and a low deductible PPO. Current offerings, with the number of enrollees and cost to the library. Mrs. Anthony distributed Attachment A. The most popular option now is HMO Illinois which covers 45 staff members. The PPO options each cover 14 staff members. A total of 73 staff members are covered by current insurance. The library pays 90% of the premium for single HMO coverage and 70% of the premium for dependents. For the high deductible PPO, the library pays 80% for employees and for the low deductible PPO, the library pays 70%. For dependent and family coverage, the library pays 70% in the high deductible PPO and 60% in the low deductible PPO. The strategy behind the differing percentage coverage was for the library to somewhat equalize its dollar contribution to each plan option. However, there was a deliberate strategy to make the HMO more affordable for single coverage so that lower compensated employees would have an affordable option. Note that the employee monthly share of premiums for HMO Illinois is just \$54.80.

Costs for all plans are going up effective January, 2016. The high deductible PPO will increase 3%, low deductible PPO 5%, and the HMO 13%. The HMO increase is greatest because within LIMRiCC it is a smaller pool and has been significantly impacted by the rising cost of some pharmaceutical drugs in the past year. If we make no change in the insurance offerings and employees elect to stay in the same plans, the library's cost will increase 11.4% to \$654,133.20. Mrs. Anthony distributed Attachment B.

In order to make health insurance options more cost effective for staff and the library, LIMRiCC is introducing a Health Savings Account or HSA option beginning in 2016. The HSA has both an insurance and a savings component. The insurance component is a high deductible PPO like what is currently offered. The savings component enables a staff member to open a personal Health Savings Account, to which they can contribute pre-tax earnings which may be used for medical expense, prescription drugs, and other expenses such as for vision or hearing, etc. The accounts are actually handled by a bank or credit union which issues checks or a debit card when requested by the employee (if funds are adequate to cover the expense). Unlike the Plan 125 offered currently in which staff can contribute tax deferred earnings, revenue in the HSA account can carry over from year to year and can even pass to a spouse in the event of death.

The concept behind the HSA is that in the typical PPO insurance scenario, an employee may not use health services equal to the amount of contributions made personally or by the library on their behalf each year. In return for accepting a higher deductible, the employee agrees to pay a greater amount for their health care annually, with the payment

to come from pre-tax earnings. However, if a major medical event should occur, expenses in excess of the deductible would still be covered according to the PPO guidelines.

Rather than leaving money on the table in unused insurance premiums, the money may remain in a dedicated savings account funded by untaxed contributions, earning untaxed interest, until such time as the funds are withdrawn (still untaxed) for healthcare needs.

Currently, with the HMO there is no deductible and a maximum in copays of \$1,500 for an individual or \$3,000 for a family. The low deductible PPO has deductions of \$500 for an individual and \$1,500 for a family, with maximum out-of-pocket of \$1,500 (in-network), \$3,500 (out-of-network) for an individual and maximum of \$4,500 (in-network), \$9,000 (out-of-network) for a family. The current high deductible PPO has a \$1,500 deductible for individuals and \$4,500 for family, with maximum out of pocket of \$2,500 (in-network) or \$4,500 (out-of-network) for individual and \$7,500 (in-network) or \$12,000 (out-of-network) per family.

The PPO with an HSA would have an individual deductible of \$2,600 (in-network) or \$5,200 (out-of-network) and a family deductible of \$5,200 (in-network) or \$10,400 (out-of-network). The maximum out of pocket cost for an individual would be \$2,600 (in-network) or \$10,400 (out-of-network) and the maximum out of pocket cost for a family would be \$5,200 (in-network) or \$20,800 (out-of-network). Once the deductible was met, expenses would be 100% covered if in-network, with no co-pay. Currently, PPOs have a \$20 co-pay for physician services and a \$30 co-pay for specialists.

The new monthly rate for the individual PPO with an HSA would be \$523 for an individual and \$1,634 for a family, less than the current monthly rate for any plan, including the HMO. However, the employee would be accepting a greater liability for out-of-pocket payment for health expenses. While there are considerable potential savings to the employer and the employee with the PPO/HSA offering, the potential of greater out-of-pocket expense for medical care could be a deterrent to employee participation. To counter this, the employer has options to contribute not only to the premium cost, but to contribute toward the deductible by making a direct contribution to the employee's HSA.

If the library were to retain the HMO offering and the high deductible PPO, but offer the PPO/HSA in place of the low deductible PPO, contributing \$750 to each individual HSA and \$1,500 for a family to help offset the higher deductible, the library would save \$5,068.80 over keeping current plans in 2016 for a net increase in health insurance cost to the library of \$62,064.04. This assumes that only those employees currently in the low

deductible PPO would move to the PPO/HSA while all other employees would stay with their current plan. (Attachment C was distributed.) There will be an open enrollment period for staff in November and the library will need to hold information sessions to inform staff about their options with the new offering of a PPO/HSA.

With the open enrollment, some staff currently in the low deductible PPO plan may choose to move to the high deductible PPO plan. Other staff may choose to move from the HMO to the PPO/HSA since it will now be the least expensive option. Should all staff choose to move to the HSA, the library would realize a savings of \$16,408.80 over 2016 costs without plan changes for a net increase of \$50,724.04 over 2015 costs. (Attachment D was distributed.)

We have been advised that there is a good chance the HMO option may not last more than one additional year because it is expected that within the pool, employees will switch from the HMO to the PPO/HSA, shrinking the HMO pool further and driving up those rates. Should the Board choose to accelerate the move from the HMO to the PPO/HSA, it could make the PPO/HSA more attractive (since it is the overall lowest cost option in terms of total monthly premiums) by reducing the library's share of contribution to the HMO from 90% to 85%. If the library continues to pay 90% of the HMO monthly premium, it will be paying 4% more for each employee in the HMO, even with the contribution to the HSA in addition to the premium for each PPO/HSA participant. Should the library continue the high deductible PPO and continue to pay 90% of the HMO individual premium, the library would be paying 14% more for each participant in the HMO over the payment for each participant in the high deductible PPO.

Mrs. Anthony's recommendation is that the library offer the PPO/HSA, discontinue the low deductible PPO, continue the high deductible PPO, and change the percentage of coverage for the HMO from 90% per individual and 70% per family to 85% per individual and 65% per family. Retaining the high deductible PPO will provide a PPO option for those employees who choose not to open an HSA or who, because they are already 65 or older, are not eligible to do so. I also recommend that the library make contributions to the individual HSA of \$750. and \$1,500. to the HSA of employees choosing dependent or family coverage. These contributions could be made quarterly so that the library is not extending an expense early in the year to an employee who may leave before the end of the year.

Attachment E shows the savings and expense to the library with the above recommendations if all employees choose to stay with their current plan (except for

current participants in the low deductible PPO who would be forced to move). Should some employees choose to move from the HMO or the high deductible PPO to the PPO/HSA, the potential savings to the library would only increase since the PPO/HSA is the least expensive option for the library, even with the contribution to the employees' HSA.

Mrs. Anthony stated that Board action on this item is requested so that we may prepare and disseminate information to employees in time for them to make a choice about their health insurance during the November open enrollment period.

Lengthy discussion followed.

Mr. Prosperi called for a motion to approve spreadsheet B on page 76 which makes no changes except in terms of the rate increase. No motion was made.

Mr. Prosperi called for a motion in which the library would pay a flat rate instead of a percentage of costs towards an employee's health insurance. No motion was made.

A motion was made by Mrs. Parrilli, seconded by Mrs. Greer:

MOTION: THAT THE SKOKIE PUBLIC LIBRARY BOARD OF TRUSTEES APPROVE THE DIRECTOR'S RECOMMENDATION THAT THE LIBRARY OFFER THE PPO/HSA, DISCONTINUE THE LOW DEDUCTIBLE PPO, CONTINUE THE HIGH DEDUCTIBLE PPO, AND CHANGE THE PERCENTAGE OF COVERAGE FOR THE HMO FROM 90% PER INDIVIDUAL AND 70% PER FAMILY TO 85% PER INDIVIDUAL AND 65% PER FAMILY AS SHOWN IN SPEADSHEET E (AS ATTACHED) AND THAT THE LIBRARY MAKE QUARTERLY CONTRIBUTIONS TO THE INDIVIDUAL HSA OF \$750. AND \$1,500. TO THE HSA OF EMPLOYEES CHOOSING DEPENDENT OR FAMILY COVERAGE.

The roll was called: there were 6 ayes and 0 nays. The motion passed unanimously.

At 7:36 p.m., Mr. Kong and Ms. Dostert left the meeting.

DIRECTOR SEARCH STATUS REPORT

Mr. Prosperi updated the Board on the status of the Request for Proposals (RFP) for search firms.

Mrs. Parrilli congratulated Amita Lonial, Learning Experiences Manager, on her recent article in the *ILA Reporter*.

ADJOURNMENT

At 7:41 p.m. a motion was made by Mrs. Parrilli, seconded by Mrs. Hunter to adjourn the special meeting. The motion passed unanimously.



Karen Parrilli, Secretary