



Mayor – Sandy Sanders

Acting City Administrator – Jeff Dingman

City Clerk – Sherri Gard

**Board of Directors**

Ward 1 – Keith D. Lau

Ward 2 – Andre' Good

Ward 3 – Mike Lorenz

Ward 4 – George Catsavis

At Large Position 5 – Tracy Pennartz

At Large Position 6 – Kevin Settle

At Large Position 7 – Don Hutchings

**AGENDA**  
**Fort Smith Board of Directors**  
**STUDY SESSION**  
**October 27, 2015 ~ 12:00 Noon**  
**Fort Smith Public Library Community Room**  
**3201 Rogers Avenue**

**CALL TO ORDER**

1. Update on Year 2016 Budget
2. Review City of Fort Smith employee health coverage ~ *Deferred from the August 11, 2015 study session / Continued from the August 25, 2015 study session ~*
3. Review preliminary agenda for the November 2, 2015 regular meeting

**ADJOURN**



## MEMORANDUM

October 23, 2015

**TO:** Jeff Dingman, Acting City Administrator

**FROM:** Jennifer Walker, Deputy Finance Director

**SUBJECT:** Update on 2016 Budget

A handwritten signature in black ink that reads "Jennifer Walker".

Update on the 2016 budget process will be in the form of an oral presentation.

As a reminder, the following dates are important in the budget process:

**November**

Tuesday

**3<sup>rd</sup> Presentation of 2016 Budget**

*~6pm Regular Meeting FSPSS*

Thursday

**12<sup>th</sup> Budget Hearing #1**

*~6pm FS Police Department  
Bartlett Community Room*

Tuesday

**16<sup>th</sup> Budget Hearing #2**

*~6pm FS Police Department  
Bartlett Community Room*

# Memo



To: Honorable Mayor & Members of the Board of Directors  
From: Jeff Dingman, Acting City Administrator  
Date: 10/23/2015  
Re: Employee Health Insurance Program for 2016

---

City staff has been working with our benefit consultant, Gallagher Benefit Services, Inc., to evaluate our employee health coverage for 2016. Specific goals through this process have been to achieve a cost savings for the city in 2016 and devise a strategy for future years.

Gallagher provided Requests for Proposals (RFPs) to the four main private insurers, including Blue Cross/Blue Shield, Cigna, Aetna, and United Healthcare specifically for comparison to the city's current self-insured plan (Aetna network managed by Third Party Administrator Meritain) and the municipal insurance trust plan operated by the Arkansas Municipal League (AML). Citing limitations in part due to the abbreviated timeframe, three of the four private insurers declined to participate at this time. Only Arkansas Blue Cross/Blue Shield quoted a plan, but the proposed cost was considerably more than either the city's current plan or the AML plan and was not considered further.

The city's current plan is crafted specifically to encourage participation in the wellness program with the goal of identifying health risks as early as possible. However, it is projected to cost \$7.34 million in 2016, and the Board has indicated that it would like to see options that are less expensive. Gallagher Benefit Services has evaluated options for altering the deductible/premium arrangement of the current plan while providing similar benefits to the current plan. Gallagher has also compared the projected cost of that arrangement to the plan proposed by AML. Don Zimmerman of the AML will be in attendance at Tuesday's meeting.

One important element to note is that we are currently in the second year of a three-year contract with Meritain to serve as our Third Party Administrator (TPA). If we terminate with Meritain for 2016, we will still owe them an estimated \$384,000 for the third year by terms of the TPA contract.

Upon evaluation of the options, staff and Gallagher have compared the AML's plan, with an estimated cost of about \$6.5 million to the city, to a revised version of our current plan that has an estimated cost of about \$6.9 million. However, the TPA fee of \$384,000 should also be considered as a cost of moving to the AML plan for 2016. Revising our current program would stabilize the city's Per Employee Per Month (PEPM) costs, shifting variable premium costs to the employees based on their wellness program participation. The projected PEPM cost to the city for using a revised version of our current Meritain/Aetna program is \$411.10. The projected PEPM cost to the city for moving to the AML plan in 2016 is estimated at \$423.23. This reflects the 70/30 split adopted by the Board by resolution last spring. Staff recommends utilizing the revisions to the current plan for 2016 and comprehensively evaluating all options, specifically including AML, for 2017.

Our representatives from Gallagher Benefit Services will be on hand at the meeting on Tuesday to review the details of these numbers and the specifics of the plan coverage comparisons. I have attached an executive summary of this comparison provided by Gallagher, which includes a recommendation that we do a full scale RFP process beginning first quarter of 2016 to allow sufficient time for a proper analysis of a program to be effective in 2017.

IMWell Health has also provided some statistical information on the city's use of their services, which I have attached. Dan Parker, CEO of IMWell Health will be present at Tuesday's meeting. A large number of city employees use IMWell Health clinics as their primary care facility and to facilitate their biometrics testing for wellness program incentives. IMWell Health has indicated that it would be difficult, or even unlikely, that we could continue our arrangement with them if we were under the AML plan.



Arthur J. Gallagher & Co.  
BUSINESS WITHOUT BARRIERS™

## Report to the Board of Directors

### The City of Fort Smith

#### Executive Summary

##### Background

The City of Fort Smith is nearing completion of the second year of its three-year strategic plan for the partially self-insured medical benefit plan. Contracts entered into with various vendors are due to expire at the conclusion of the 2016 plan year. The strategic plan already in place calls for a formal Request for Proposal (RFP) process to be conducted during 2016 with implementation of selected vendors to take effect on 1-1-2017.

There are initiatives that are to be included in the RFP process as follows:

- RFP to include all available potential vendors, and allow sufficient time for necessary vetting.
- Re-assessing funding methodology options (fully insured vs self-insured).
- Simplifying the current wellness plan (convert incentives solely to employee contribution).
- Strengthening the wellness plan (add cancer screenings and pharmacy compliance).
- Adding a price and quality transparency component (a “consumer report” for healthcare providers).
- Making plan design adjustments to position the City to avoid “Cadillac Tax” exposure (eliminate deductible “buy down” and adjust out-of-pocket maximum to the new limit).

We understand that there is interest on the part of the Board of Directors to evaluate a medical plan offered by the Arkansas Municipal League (AML) for a 1-1-2016 effective date. The Arkansas Municipal League has provided limited information about this alternative program along with a one page “rate” sheet. We have engaged our actuaries to help us develop accurate assessments and cost projections for the city to evaluate based on the information provided, but It is not possible to comprehensively vet this option with such limited information.

Under the terms of the three-year agreement between the City and the incumbent third party administrator (Meritain) approved by the Board of Directors in September, 2013 (Resolution No. R-131-13), Meritain, will be owed the full amount of their 2016 projected fees if the contract is cancelled without cause at the end of the second year. We estimate that amount to be \$384,000.

## Review of Medical Plan Performance and Benchmarking

The current medical plan for the City of Fort Smith represents an average benefit value. For 2015, the average deductible for individual coverage is \$1,200. (Kaiser/HRET Survey of Employer Sponsored Health Benefits, 2015). The City's plan provides individual coverage deductibles that range from \$500 to \$2,000 determined by attainment of wellness plan goals in a variety of biometric categories. There is nothing in the current plan design that places it above benchmark. The out-of-pocket maximum benefit is the highest allowed by the IRS, and is adjusted to each new maximum announced by the IRS annually.

The cost of benefits is well below benchmarking data. The cost for individual medical coverage is 72% below benchmark for employers with more than 200 employees, located in the south central USA, and in the government sector. The cost for family medical coverage is 87% of benchmark. It is unusual to see such strong performance within a municipality. The demographic for government entities typically places them in a higher than average risk profile category due to a high average age and relatively low turnover rates.

This significant achievement is the product of substantial financial participation on the part of the City, best in class vendor selection, an emphasis on primary care and preventive/wellness initiatives, and broadly based employee engagement in improving their own health risk factor circumstances.

The City's contribution to the cost of medical benefits compares favorably to benchmarking data, even after a recent change to a 70%-30% allocation (for 2016) of cost between the City and employees.

Among regional public sector employers with 200 or more employees, only 7% paid 100% of medical plan cost for individual coverage. 70% required some contribution for individual coverage but no more than 25% of medical plan cost. 21% required employee contribution for individual coverage of more than 25% but no more than 50%. Only 2% of large employers required employee contribution for individual coverage of more than 50% of medical plan cost.

Among regional public sector employers with 200 or more employees, only 1% paid 100% of medical plan cost for individual coverage. 52% required some contribution for individual coverage but no more than 25% of medical plan cost. 39% required employee contribution for individual coverage of more than 25% but no more than 50%. Only 8% of large employers required employee contribution for individual coverage of more than 50% of medical plan cost.

### Recommendation – RFP – 2017 Effective Date

In order for the Board of Directors to be able to make an informed decision about plan funding, administration and benefit design issues, we recommend allowing us to continue with the current strategic plan and conduct a full RFP process in 2016 so that we can thoroughly evaluate all options

available to the City to include the major insurers (on a fully insured and self-insured proposal basis), independent third party administrators, and the AML plan.

A thorough RFP process is a strategic imperative given limited knowledge about the AML option. The AML is a self-insured multiple employer trust that operates outside of state insurance regulations. It is comprised primarily of small municipalities, most of whom do not aggressively manage their medical plan in the manner the City of Fort Smith does, including its very effective wellness program. By conducting a thorough RFP process we would seek to learn the following from the AML:

- The effectiveness of all administrative resources proposed;
- The discounts and access offered by all PPO networks proposed;
- How the AML pool works in order to measure the extent to which the City might have to subsidize smaller, less successful municipalities;
- The degree to which the AML trust could accommodate plan design alternatives;
- The degree to which the trust intends to include wellness initiatives for all of its participating municipalities.
- Definitive response as to the possibility of continuing use of the IMWell Health Clinic as a part of the city's health initiatives.

The AML plan was created during the pre-Affordable Care Act period at a time when small cities found it difficult, if not impossible, to maintain affordable medical benefits. They were far too small to self-insure on their own, and insurance companies annually set their premium based on the recent claim history and current health status of their employees. This practice produced extreme premium volatility for many smaller cities. The Affordable Care Act has changed the landscape, introducing community rating for the smallest cities, and it may eventually eliminate the need for small employer pools altogether.

In recent years some larger cities have joined the AML plan. We suggest discussing their experience as participants in the AML plan. Checking references is a normal part of a formal RFP process. We typically ask for contact information for current participating employers, as well as employers who have recently left their plan.

An actuarial valuation of the medical plan benefits proposed by the AML found it to be 22.1% below the value of the City's current plan. A key component of this factor is that the AML medical plan benefit differentials are primarily aimed at limiting the Trust's liability for the most acute of illnesses and accidents. Plan participants are exposed to significant, even unmanageable, financial risk by these limitations. In our opinion, City of Fort Smith participants would be better served by achieving plan cost reductions through higher deductibles than risk such exposure, such as:

- Limit of 30 days in-hospital benefit
- No out-patient substance abuse coverage
- Limit of 1 in-patient treatment per lifetime
- Limit of 2 elective surgeries annually
- Home healthcare limited to 20 visits annually

- Rehabilitation services limited to 20 visits annually
- Habilitation services limited to 30 visits annually
- Skilled nursing care limited to 15 visits annually
- Hospice care 90 days per lifetime
- No out of state network providers
- No centers of excellence for transplants and other acute admissions
- Does not encourage primary care as it makes lab tests, EKG's etc. subject to the calendar year deductible
- Subrogated claims are not administered on a "pay and chase" basis
- IM Well is not in their intra-state PPO network
- Two tiered rate schedule actually increases by increasing the number of dependents covered by the plan

Insurance companies are unable to duplicate the AML proposed plan design because of state regulations, which do not apply to AML. Insurance companies would not be permitted to support such a plan design with their proprietary PPO networks because the limitations would violate agreements with providers.

Adopting the AML plan design would create a "single source" circumstance, thus eliminating all other options in the future. In our opinion, the AML needs to make significant changes to its plan design options, rate-tier structure and PPO network composition in order to be a viable alternative for larger cities.

#### Regulatory Uncertainty

This is a time of uncertainty regarding federal regulation of employer-sponsored medical benefit plans. There are current efforts in Congress to modify some provisions of the Affordable Care Act, such as:

- Small employer definition – Community rating will impact the need for AML Trust (strengthen it or eliminate it).
- "Cadillac Plan" regulations – Does it ultimately tax plan cost or strength of benefits?
- Clarification of "Essential Medical Benefits" – Can limited medical plans survive?

These regulatory uncertainties should be substantially determined prior to the 2017 Plan Year, and factor into the city's decision going into 2017. Once final regulations are published for the "Cadillac Plan" tax, we will be able to alter plan design to make certain it does not impact the City or its employees. The City is presently operating the plan at a level well below the tax threshold.

#### Recommendation – Accelerate Initiatives

For a 1-1-2016 effective date we can accomplish some significant elements of the strategic plan while staying on the timeline for an RFP process. We can make plan design alterations that reduce the funding requirements of the medical plan to meet the parameters set forth by the City by adopting a \$2,000 calendar year deductible that eliminates the deductible buy-down. This represents an 11.4% reduction in medical plan projected cost to the city for 2016.

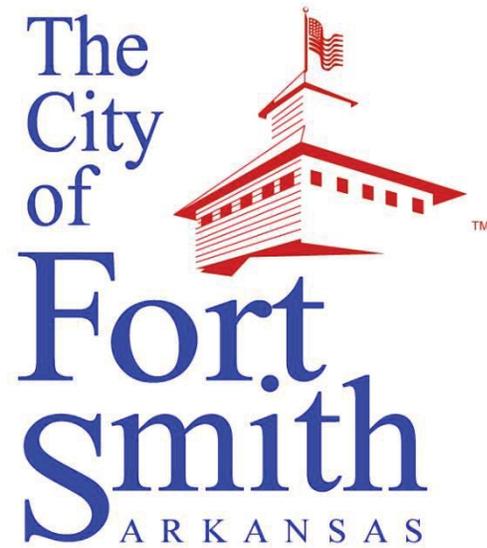
- Simplify and strengthen the wellness plan.
- Implement price and quality transparency resource.
- Reduce out-of-network benefits to 50%.
- Implement the 70%-30% medical plan contribution split that we understand has already been approved by the Board of Directors. By converting the wellness incentives to a “contribution” basis rather than a “benefit” basis, the effective cost sharing ratio will produce the lowest City appropriation requirement of any of the options under consideration.

By continuing with a modified version of our current plan in 2016, we would utilize 2016 as the most appropriate time for a through RFP process. Changes made for the 2016 plan year would simplify the current plan and increase the number of competitors participating in the RFP process. The City would avoid the early termination penalty from our incumbent third party administrator. The full RFP process would begin in the first quarter of 2016 and be complete by the end of the second quarter, so that the program and associated numbers can be included in the very beginning of our FY2017 budget process.

Gallagher and the City would use the time to work with the AML to see if they can make accommodations to better meet the needs of their large city membership regarding plan design, risk pool subsidies, and creating a protected risk pool for larger employers who sponsor wellness initiatives. Assuming that they are willing to work with us in the interim, we could help position the AML to be able to become more effectively involved with larger municipalities as a viable health plan provider.



## 2014 IMWell Health Select Statistics



# IMWell Health Company Overview

## Executive Summary

Founded in 2004 by Dr. Catherine Womack, IMWell Health (IMWH) began with a focus on providing on-site services for patients with chronic diseases such as diabetes and hypertension. Two years later, these same clients desired more comprehensive primary care services to include wellness and prevention as well as acute care diagnosis and treatment. By improving access to high quality primary care and minimizing any financial barriers, IMWH has continued to implement customized healthcare solutions for self-funded employers. Employers want assurances that they will have access to quality primary care services. IMWH is well positioned to continue offering and expanding these services despite the ongoing shortage of primary care providers. Utilizing the patient-centered medical home (PCMH) concept as the foundation of our approach, our clinics strive for optimal outcomes that are driven by a compassionate partnership between our medical teams and the patient/family. IMWH provides timely access to acute care with a primary focus on the effective treatment and management of chronic diseases, patient outreach, employee productivity, and employee retention to reduce healthcare costs.

## Major Benefits of IMWell Health's Primary Care Clinics

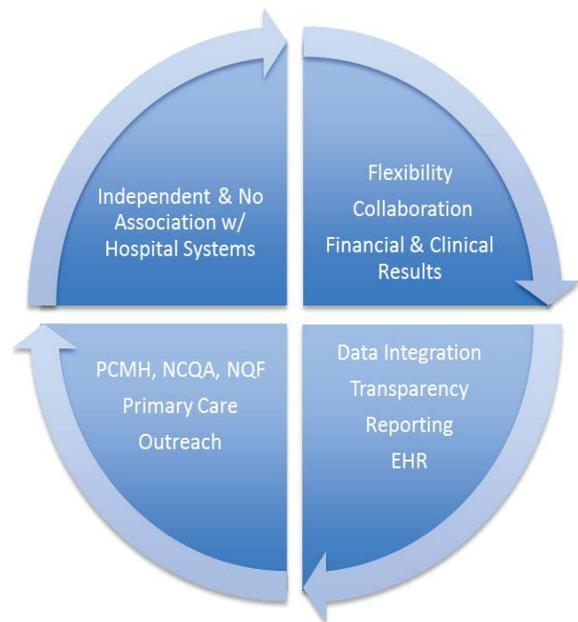
- **Provide a unique ability to reduce and manage overall healthcare costs** by removing accessibility barriers to a quality primary care health center focused on improving the health of your workforce
- **Decrease the frequency of high cost claimants** by properly managing chronic conditions and avoiding ER visits with our same day/next day appointment guarantee.
- **Save your members money and provide other perks** that enhance the value of your health benefits while still allowing your members the freedom to access any in-network provider.
- Full cooperation with existing vendors to reduce duplication, ensure compliance with pharmacy formulary, qualify eligible members and to **work synergistically to transform behavior and the overall health and wellness of patients.**

## Our Clinics also

- Increase generic drug utilization
- Improve steerage/referral for specialty care with a reduction in unnecessary specialty visits
- Supplement your existing health related programs and healthcare delivery system allowing the Company to maintain the core components of the existing plan design
- Are exclusively dedicated to our client's covered populations, IMWell Health sees no insurance or private pay business outside of these relationships

## Key Differentiators

- Primary Care is our core competency
- Flexibility and customization
- Documented results
- **Independent & no association with hospital systems or insurance groups**
- Cooperation & synergy with existing vendors
- EHR, PCMH, NCQA
- Evidence based medicine
- Patient outreach



## Our clinics are the best models to provide high value healthcare

Quite simply, IMWell Health is paid to treat illnesses and actively monitor and improve health conditions. In these efforts we have become a leader at producing great results through our outstanding employer-sponsored clinics. You have probably discovered that controlling health care costs is extremely difficult and access is often limited. IMWell Health offers a unique solution. By providing high quality and efficient primary care, IMWell Health seeks to augment the existing healthcare delivery system and improve the health of your workforce at a very competitive price. **IMWell Health directly impacts the cost of managing chronic diseases, reduces costly emergency room utilization and inpatient hospitalizations, enhances generic drug utilization and reduces unnecessary specialty visits resulting in healthcare cost avoidance, therefore savings.** Having an IMWell Health clinic substantially enhances your employee's ability to access and use the highest quality of medical care.

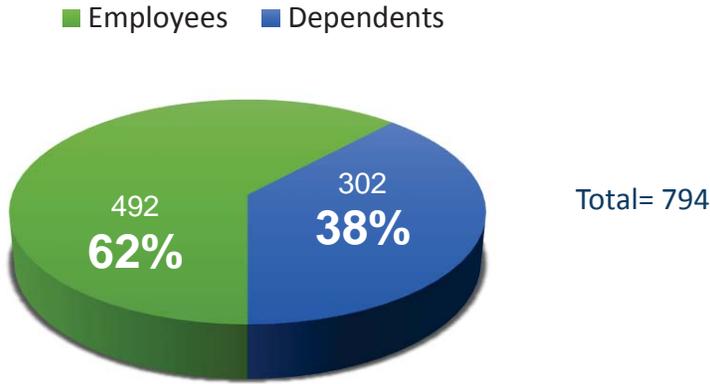
Additional Results Include:

- Increased productivity
- Healthier and happier employees
- Enhanced employee retention and recruiting
- Progressive reduction in catastrophic claims

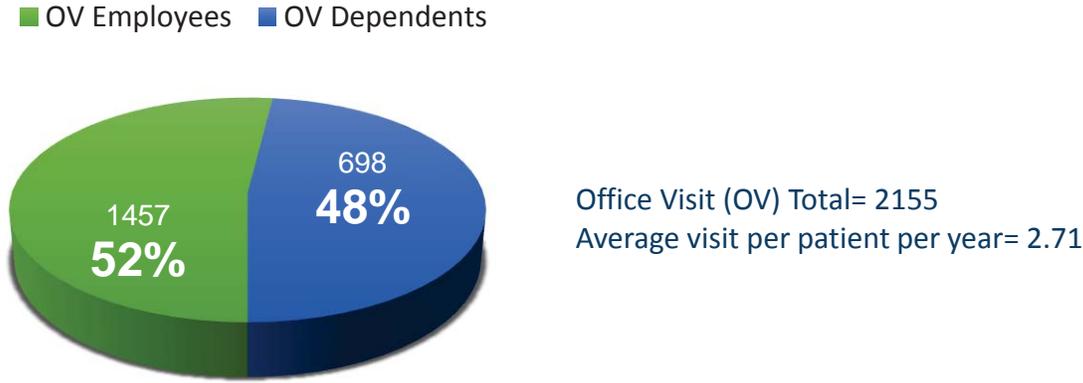
## Company Organization

IMWell Health (IMWH) is a privately held company and employs approximately 80 individuals. **IMWH has been providing on-site and near-site primary care clinic services for employers with self-funded health plans for over 10 years.** Currently with 49 clients, serving more than 60,000 covered lives, IMWH provides timely access to acute care with a primary focus on the effective treatment and management of chronic diseases, patient outreach, employee productivity, and employee retention to reduce healthcare costs. IMWH operates and manages 18 total clinics, 9 On-Site Clinics and 9 Multi-Employer Clinics, in Arkansas, Oklahoma and Texas.

# Unique Patients by Employee and Dependents 2014



# Number of Office Visits (OV) by Employee and Dependents 2014



Data from Vitera EHR

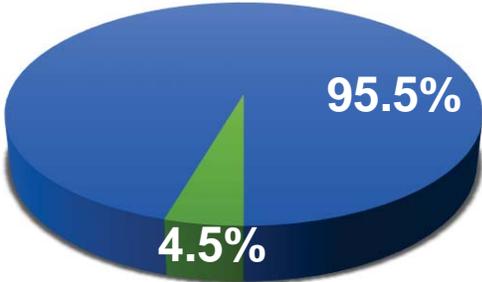
## Patients Seen with Chronic Disease

	<b>Current Patient Totals</b>
Diabetes	68
Hypertension	212
Hyperlipidemia	239
Respiratory Disease	42
Obesity	187
Tobacco	83

\* Total number of unique individuals seen by our providers for the most common chronic conditions (one individual could be listed in multiple categories if treated for more than one conditions)

# 2014 City of Fort Smith Healthcare Spend

- IMWell Health Expenditures
- All Other Healthcare Expenditures



IMWell Health Expenditures= \$287,766  
All Other Healthcare Expenditures= \$6,080,371

City of Ft. Smith Total Healthcare Spend=\$6,368,197

\* IMWell Health contracts with the City of Ft. Smith (and all other Ft. Smith area clients) on a fee-for-service basis, which means that the city only is charged for services provided to its employees and dependents. **We do not work with insurance or any PPO networks.**