

**Report on issues discussed at the weekly
Management Update meeting on June 23, 2014**

Commissioners present: Commissioners Sam Brentano, Janet Carlson and Kevin Cameron.

Others present: John Lattimer, Rod Calkins, Justine Flora, Caron Galvin-Price, Camber Schlag, Peggy Mitchell, Bruce Armstrong, Cynthia Granatir, Laurie Steele, Mina Hanssen, and Kim Hulett as recorder.

Guests: Barbara Freeman, Brown & Brown Northwest.

INFORMATIONAL

Marion County Health Department Woodburn Services

Health Department Administrator Rod Calkins discussed leasing additional space for the Health Department's Woodburn clinic. He explained that demand for services in the North Marion County area has grown and that the vacated justice court building adjacent to the clinic would provide the additional space needed. Mr. Calkins said rent would be \$1.15 per square foot per month, the same amount the clinic currently pays, with a three percent escalator built in. He said tenant improvements are estimated to cost \$40,000 and the landlord has agreed to pay any cost over that amount. He added that the landlord is providing new flooring, paint and minor damage repair. Mr. Calkins said the Health Department is looking to have a letter of intent signed with the landlord to move ahead. Commissioner Carlson asked what services would be added. Mr. Calkins explained that the clinic's Prevention Team would move into the new space and then the team's old space would be used as a large group treatment room for Alcohol and Drug Prevention services which is one of the areas where there has been an increase in demand. Commissioner Carlson requested specifics on funding sources for the tenant improvements and additional rent. Mr. Calkins explained that the \$40,000 would come from department savings and the additional \$2,300 in rent would be paid through client fees. Commissioner Carlson said she wants to ensure that the tenant improvements and additional rent are not paid out of the general fund so that the county can continue to realize savings from the consolidation of the justice courts. Commissioner Cameron confirmed the clinic would be adding an additional 2,000 square feet and said on a commercial lease a landlord typically contributes quite a bit to the tenant improvements expense. Property Specialist Caron Galvin-Price said the county pays some of the tenant improvements to make the space workable and the landlord is paying a portion by providing new carpeting, painting and performing minor repairs. Mr. Calkins said the Health Department has shared expenses in the past with various landlords, but it usually does not cover the entire cost. Commissioner Carlson asked what the justice court landlord agreed to pay for tenant improvements. Ms. Galvin-Price said in that case the landlord paid \$85,000 and the county paid approximately \$200,000. Contracts and Procurement Manager Peggy Mitchell said many times landlords will either pay the tenant improvements up front or fold it into the lease.

Petty Cash and Change Fund Policy Review

County Treasurer Laurie Steele discussed whether the Board of Commissioners need to approve the closure of an existing petty cash or change fund. Ms. Steele said she has been working with the Finance Department to revise the petty cash and change fund policy and procedures and that the current policy only states board approval must be obtained to "establish or modify" funds. Commissioner Carlson suggested that the words "or close" be added to section 2.0(b) of the policy. The board determined that the Treasurer's Office would continue to present all petty cash and change fund resolutions to the board so that a formal record is created. Commissioner Cameron asked how often petty cash and change funds are audited. Ms. Steele said the Treasurer's Office and Finance will be auditing every department in the next few months and then develop a system to audit once or twice a year. She added that some departments conduct their own surprise audits and she receives that paperwork. Commissioner Cameron suggested prioritizing audits based on the fund's dollar amount and gave the Fresh Start Market as an example of a fund with a high dollar amount. Ms. Steele said petty cash accounts are kept low with the average amount being \$50. She added that as the procurement card (P-Card) program has been implemented some petty cash accounts have become obsolete and will be eliminated. Commissioner Cameron asked for total dollar amount of all the petty cash funds. Chief Accountant Cynthia Granatir said approximately \$10,000 and that includes the change funds which are larger. Chief Administrative Officer John Lattimer said that controls have been put in place to monitor the funds and P-Cards. He added that because of the multiple levels of monitoring, a P-Card is the most secure way to purchase. There was discussion about the difference between a petty cash fund and change fund and Ms. Steele said she would like to separate the two in the revised policy. Commissioner Cameron suggested that the policy reflect that change funds, which are the larger funds, be audited more frequently.

Benefits Cost Update

Benefits and Risk Manager Justine Flora explained that the Oregon Savings Growth Deferred Compensation Plan (IRS Code 457) is being consolidated into the ING Deferred Compensation Plan to improve services, lower fees, and provide financial consulting services. She added that ING is in the process of changing their name to Voya Financial. Ms. Flora presented an Executive Summary (Attachment A) that compares the actual annual costs of the benefit plans sponsored by Marion County for the 2012 and 2013 plan years. It also compares actual costs to projected costs for 2014. Mina Hanssen said one of the biggest challenges is getting the Health Insurance Study Committee (HISC) to rethink their position that all three plans need to be kept under the cap because the plans have become indistinguishable. Commissioner Cameron thanked the benefits team for offering a health savings account (HSA) and said it is a great option for Marion County employees. Ms. Hanssen said the HSA helps to balance out the Moda PPO plan and that the county would not get the rates it does on the PPO if they did not rate both plans as a single. Commissioner Cameron asked if the Kaiser HMO plan is the county's richest plan. Ms. Flora answered yes. Ms. Flora presented the Major Cost Drivers (Attachment B) and noted that with Kaiser increasing their urgent care hours at their current locations and opening a new clinic at Keizer Station

emergency room utilization should be reduced. Brown & Brown Northwest Representative Barbara Freeman said reducing the co-pay to go to an urgent care rather than an emergency room was also an improvement. Ms. Flora presented a Healthcare Reform 2014 and Beyond update (Attachment C) and said all the departments are monitoring part-time and temporary employee work hours to ensure the county stays under the 1,500 hours. Ms. Hanssen added that if the county were to violate that law the fine could be \$2 million. Commissioner Cameron asked if that would be the fine for one individual. Ms. Hanssen said staff consulted the county's benefits attorney and the way the law is currently written an entity is fined an amount and then that amount is multiplied by the total number of employees. Senior Legal Assistant Bruce Armstrong added that \$2 million is the maximum fine. Ms. Flora continued with the Healthcare Reform 2014 and Beyond update (Attachment C) and said in 2018 the high-cost plan excise tax or "Cadillac" tax comes into play and staff is doing some modeling and strategies to avoid that tax. She said staff may come to the board in the next couple of years suggesting a tiered rate rather than composite rate. Ms. Flora reviewed the Wellness information (Attachment D) provided by Brown & Brown Northwest. Commissioner Carlson requested that a copy of the Marion County 2012-2013 Annual Wellness Report be sent to Commissioner Cameron.

Sale of Tax ID #R108488, 799 N 2nd St., Woodburn, OR

Caron Galvin-Price discussed a property Marion County took possession of through a writ of assistance. She said the prior owner is now requesting that he be allowed to purchase the property back from the county and if the board is agreeable she will present a deed at the next board session. Commissioner Brentano asked if the prior owner has the capacity to pay. Ms. Galvin-Price said the owner's sisters are assisting with the purchase. John Lattimer asked if the prior owner has a plan to avoid getting in arrears. Ms. Galvin-Price said the prior owner has new employment and the mortgage is nearly paid; however, the mortgage company was unaware the county took the property. The board agreed to the sale.

Marion County Housing Authority Loan Agreement

John Lattimer said the board is aware the county is doing a loan agreement with the Marion County Housing Authority for \$120,000 and the item will be on Wednesday's board agenda. Commissioner Carlson asked if the contract could be extended if the Housing Authority is not able to pay within the five years. Bruce Armstrong said the county could amend the agreement to extend it. Chief Accountant Cynthia Granatir said since the Housing Authority is not a separate fund and is a distinct entity they are not subject to the interfund loan regulations so the county has a little more flexibility.

ACTION

Commissioner Brentano convened the Contract Review Board.

Discretionary Action

Wipper Road: Perrin Irrigation Canal Bridge (Turner) Grading, Structures and Paving

Contracts and Procurement Manager Camber Schlag said the county's public contracting rules section 10-0110 identify the Marion County Board of Commissioners as the Contract Review Board for the County. The board has retained the discretionary action to permit a waiver, correction or withdrawal of offers for certain mistakes on all formal competitive processes covered under Sections 40 (Public Contracts for Construction). She said Public Works issued an invitation to bid for Whipper Road: Perrin Irrigation Canal Bridge (Turner) Grading, Structures and Paving on May 20, 2014. Nine bids were received and one was found non-responsive. She said in preliminary review by the department contract specialist, it was discovered that the lowest responsible bidder had three clerical errors on their subtotal lines, which affected two per unit prices and the total project price. She said item 50.100 bears a unit price of \$16.67 and a line item extension of \$5,001.00; however, if you multiply the unit price by the quantity of 330 hours, the sum should be \$5,501.10. Item 641.100 bears a unit price of \$14.30 and a line item extension of \$36,310.43; however, if the unit price is multiplied by the 2,540 quantity, the sum should be \$36,322.00. The project total as written is \$1,141,661.58; however, the correct addition of all the line item extensions sums up to \$1,142,173.27. She said the bidder was notified of the clerical error via email and was asked to review and verify the correctness of their original bid. The bidder concurred with Marion County on the corrected totals and the bidder requested that the Contract Review Board waive their minor clerical errors and accept their corrected bid. If the county permits this bidder to correct its clerical errors on a corrected bid form, the lowest bidder becomes eligible for the contracts. The corrected bid of \$1,142,173.27 is still the lowest bid received. The second lowest bid is \$1,226,710.59. If the county does not permit the lowest bidder to correct the clerical errors, this bidder would be declared non-responsive and the award would move to the second lowest bidder. Ms. Schlag said pursuant to Marion County Public Contract Rules Section 20-0470, 30-0275, and 40-0350 the County may consider waiving a minor informality, a matter of form rather than substance that is evident on the face of the offer, or an insignificant mistake that can be waived or corrected without prejudice to other offers. Commissioner Cameron asked if the bidder provided a reason for the errors. Ms. Schlag said they were mathematical errors. Commissioner Carlson asked if any of the other bids contained mathematical errors. Ms. Schlag said two of the other bids had mathematical errors. Commissioner Cameron confirmed that the errors did not change the bid order. Commissioner Carlson asked if all the errors had been corrected and the bid totals being presented reflect those corrections. Ms. Schlag said no and added that she does not have the corrected amount for the two that were incorrect. Commissioner Carlson confirmed that Babb Construction Company's bid had been corrected. John Lattimer said the corrections would not have brought the other bids down enough to be competitive.

MOTION: Commissioner Cameron moved that the Contract Review Board waive the minor clerical errors of the Perrin Irrigation Canal Bridge bid. Seconded by Commissioner Carlson; motion carried. A voice vote was unanimous.

Commissioner Cameron asked when work would begin on the bridge. Ms. Mitchell said as soon as the contract is awarded. Mr. Lattimer asked if county has communication with the bidders about what it means to submit a correct bid. Ms. Mitchell explained that bids are typically submitted at the last minute and that Finance will work with Public Works on training the contractors on the bid process. Commissioner Carlson confirmed that the second lowest bid did not have any errors. Ms. Mitchell said that next time the bid sheet would be included to help clarify the bid totals.

Commissioner Brentano adjourned the Contract Review Board and reconvened the Management Update meeting.

COMMITTEE ASSIGNMENT UPDATE

Commissioner Carlson said she attended a Willamette Valley Community Health (WVCH) meeting last week and will forward the meeting agenda and pertinent information to the commissioners. She said WVCH is currently in negotiations for a new chief executive officer (CEO). The candidate is Bill Guest who is the CEO of Cascade Comprehensive Care, a coordinated care organization (CCO) in Klamath Falls. Commissioner Carlson said she forwarded a financial report from Senior Administrative Services Manager Ryan Matthews who represents Marion County on WVCH's finance committee. Commissioner Cameron referred to the report and asked who had input regarding the decision that Mid-Valley Physicians purchase the building and lease it back to the CCO. Commissioner Carlson said the WVCH Board of Directors has been contracting with WVP Health Authority to provide all of the staff support up until now for the CCO. She explained how incentive money from the state was used for many purposes including the purchase of the building. She also provided background on the CEO hiring process and explained that WVCH's clinical committee is examining how to integrate mental health and primary care. Commissioner Carlson said one of the most concerning items discussed at the meeting was that WVCH, as a non-profit, is subject to the Affordable Care Act tax. She said she received an email with the Internal Revenue Service's letter that states WVCH owes approximately \$2.2 million. She said they are estimating that next year's bill will be \$4 million. She said that Dean Andretta, WVCH's interim director, has said the tax would go into the rates, but it means overall that WVCH has lost \$2.2 million. She said she offered to send the information to our congressional delegation. Commissioner Brentano asked if the organization can change back to a non-profit and not be subject to the tax. Commissioner Carlson said that opens up the operating agreement which was a delicate situation. Commissioner Cameron said it would be easier to have the LLC own the non-profit versus changing it and then everything is administered through the non-profit.

Commissioner Cameron said he attended an Oregon State Fair Council meeting where a contract was approved with the Oregon Parks and Recreation Department through 2015. Commissioner Cameron said he received an email regarding him replacing Commissioner Carlson on council and he will submit an application. Commissioner Carlson said she will submit a letter of resignation.

Commissioner Cameron said he attended a SEDCOR Executive Council meeting and the council is currently working on a three-year contract with Yamhill County to produce goods.

Commissioner Brentano said he attended a Mid-Willamette Valley Council of Governments (MWVCOG) meeting where the budget was approved and Executive Director Nancy Boyer will be job sharing with Jennie Messmer. He added that he would bring in a salary comparison he received. Commissioner Brentano said there was a presentation given by an intern with the City of Independence, who highlighted diversity and increasing Latino participation. During the presentation the intern mentioned that there are 20 different non-profit entities in Independence and the discussion became the uncoordinated and surplus amount of non-profits working the area.

COMMISSIONERS' UPDATE

Commissioner Cameron said he attended a Corban University Leadership and Political Engagement Advisory Board meeting where the topic was mentorship. He said the 15 people in attendance were each assigned a student to mentor.

Commissioner Cameron said he and Commissioner Brentano attended a Portland General Electric (PGE) dinner. PGE is developing their 10-year strategic plan and wanted input from elected officials and community leaders.

- Attachments: (A) Executive Summary – Health Benefits
(B) Major Cost Drivers – Health Benefits
(C) Healthcare Reform 2014 and Beyond
(D) Wellness information

Executive Summary

Introduction

This report summarizes and compares the actual annual costs of the benefit plans sponsored by Marion County for the 2012 and 2013 plan years. It also compares actual costs to costs projected for 2014.

The County's health plan costs for 2013 have also been benchmarked against national and regional survey norms.

Gross Total Benefit Plans Cost Comparisons

Gross total costs include all premiums paid to all vendors for health benefit plans for all employee classes.

Gross Cost Comparison	Actual 2012	Actual 2013	Projected 2014
Grand Total All Plans	\$21,119,337	\$20,812,051	\$20,925,519
\$ Cost Change		(\$307,286)	\$113,468
% Cost Change		-1.5%	0.5%
Per Employee Annual Total	\$15,879	\$15,960	\$16,146
\$ Cost Change		\$81	\$186
% Cost Change		0.5%	1.2%

- Gross total benefit plan costs for the County's health and welfare employee benefit plans decreased approximately \$307,286 or 1.5% from 2012 to 2013. This is significantly less than the prior year's 5.4% increase.
- On an average per employee per year basis, gross benefit plan costs grew 0.5% from 2012 to 2013. This is much lower than the prior year's PEPY increase of 8.5%.
- Projected gross benefit plan costs for 2014 will increase approximately \$113,468 or 0.5% compared to 2013, due to favorable claims experience, minor plan changes and aggressive negotiation with the County's carriers, resulting in lower medical and dental premiums.

Employee Health Plan Contributions

Employee Contribution Comparison	Actual 2012	Actual 2013	Projected 2014
Grand Total All Plans	(\$1,284,949)	(\$1,104,729)	(\$897,600)
\$ Cost Change		\$180,220	\$207,129
% Cost Change		-14.0%	-18.7%
Per Employee Annual Total	(\$966)	(\$847)	(\$693)
\$ Cost Change		\$119	\$155
% Cost Change		-12.3%	-18.2%

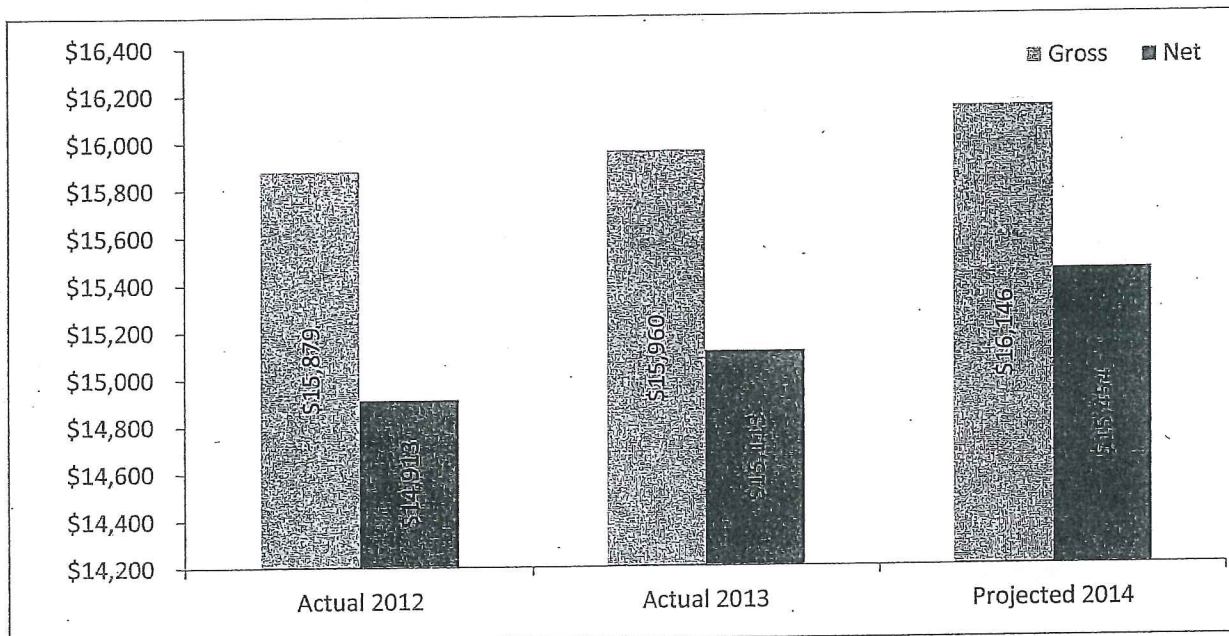
- In 2012 Non-MCLEA plan choices required a contribution that wasn't required in previous years. This was primarily due to rate increases in Non-MCLEA plans.
- Non-MCLEA employee contributions decreased significantly in 2013, with only one plan choice requiring contributions while the MCLEA plan required a 5% contribution.

Net Total Benefit Plans Cost Comparisons

The net cost of plans reflects premiums paid less employee contributions.

Net Cost After Contributions	Actual 2012	Actual 2013	Projected 2014
Grand Total All Plans	\$19,834,388	\$19,707,322	\$20,027,919
\$ Cost Change		(\$127,066)	\$320,597
% Cost Change		-0.6%	1.6%
Per Employee Annual Total	\$14,913	\$15,113	\$15,454
\$ Cost Change		\$200	\$341
% Cost Change		1.3%	2.3%

- Net total benefit plan costs for the County's health and welfare employee benefit plans decreased approximately \$127,066 or 0.6%. This is a swing of 3.8% from the prior year's increase of 4.4%
- On an average per employee per year basis, net benefit plan costs grew 1.3% from 2012 to 2013. This is an improvement from the prior year's 7.5% increase.
- Projected net benefit plan costs for 2014 will *increase* approximately \$320,597 or 1.6% compared to 2013, for an average 2.3% PEPY projected net cost increase.



Benefit Plan Changes

Because changes in benefits and insurance carriers can affect costs, following is a recap of the changes to the County's benefit plans in the 2013 and 2014 plan years.

2014: Non-MCLEA

- Moda Dental: Increased annual maximum to \$2,000.
- Kaiser Medical: Added \$150 Deductible/Member, \$450 Deductible/Family.
- Increased H.S.A contribution to \$625/Individual, \$1,250/Family.

2013: Non-MCLEA

- Moda Medical CDHP: Deductible from \$1,200 to \$1,250 per federal mandates.
- Kaiser Medical: Urgent Care copay from \$35 to \$25.

Major Cost Drivers

On the Moda plan:

Hospital Inpatient – typically driven by large claimants.
Physician Outpatient (regular doctor visits) – increased 18% over the prior year.
Lab & X-Ray – increased 12% over the prior year.

On the Kaiser plan:

Hospital Inpatient – typically driven by large claimants
Physician Inpatient – typically driven by large claimants

- ER claim on the Kaiser plan are more than three times the cost on the Moda plan.
- On all plans, RX utilization increased at a rate less than expected trends.
- There were twice as many large claimants over \$100K in 2013 as in 2012, and they represented a larger portion of overall claims.
 - The most common large claims were for conditions relating to
 - Back
 - Heart
 - Cancer
 - Pregnancy

Focusing wellness efforts in these areas may assist in reducing costs related to these conditions.

Healthcare Reform 2014 and Beyond

2014

For the 2014 renewal, there were additional taxes and fees added to the medical insurance premiums due to health care reform. The following fees were included:

- 1) PCORI or Comparative Effectiveness fee. For 2013 this was \$1 per member per year. For 2014 this increases to \$2 per member per year.
- 2) HB 3458 – Reinsurance (State). This bill was passed last July. It phases out OMIP, the high-risk pool and repurposes the OMIP assessment to fund the new reinsurance plan. This should help stabilize rates in the individual market. The cost is \$4 per member per month, and paid by the fully insured carriers.

The following plan changes were made:

- Deductible and copays now apply to the Annual Out-of-pocket maximum
- Family deductible cannot exceed three times the employee deductible
- No pre-existing conditions for adults

2015

Pay-or-Play. Applicable large employers with 100 or more full-time employees must offer coverage to FT employees (that is affordable and provides minimum value) or pay a penalty.

2018

High-cost plan excise tax established in 2018

Prior to 2018, we will want to be proactive and possibly move the current composite premium to a tiered structure in order to avoid taxation of “Cadillac” benefits.

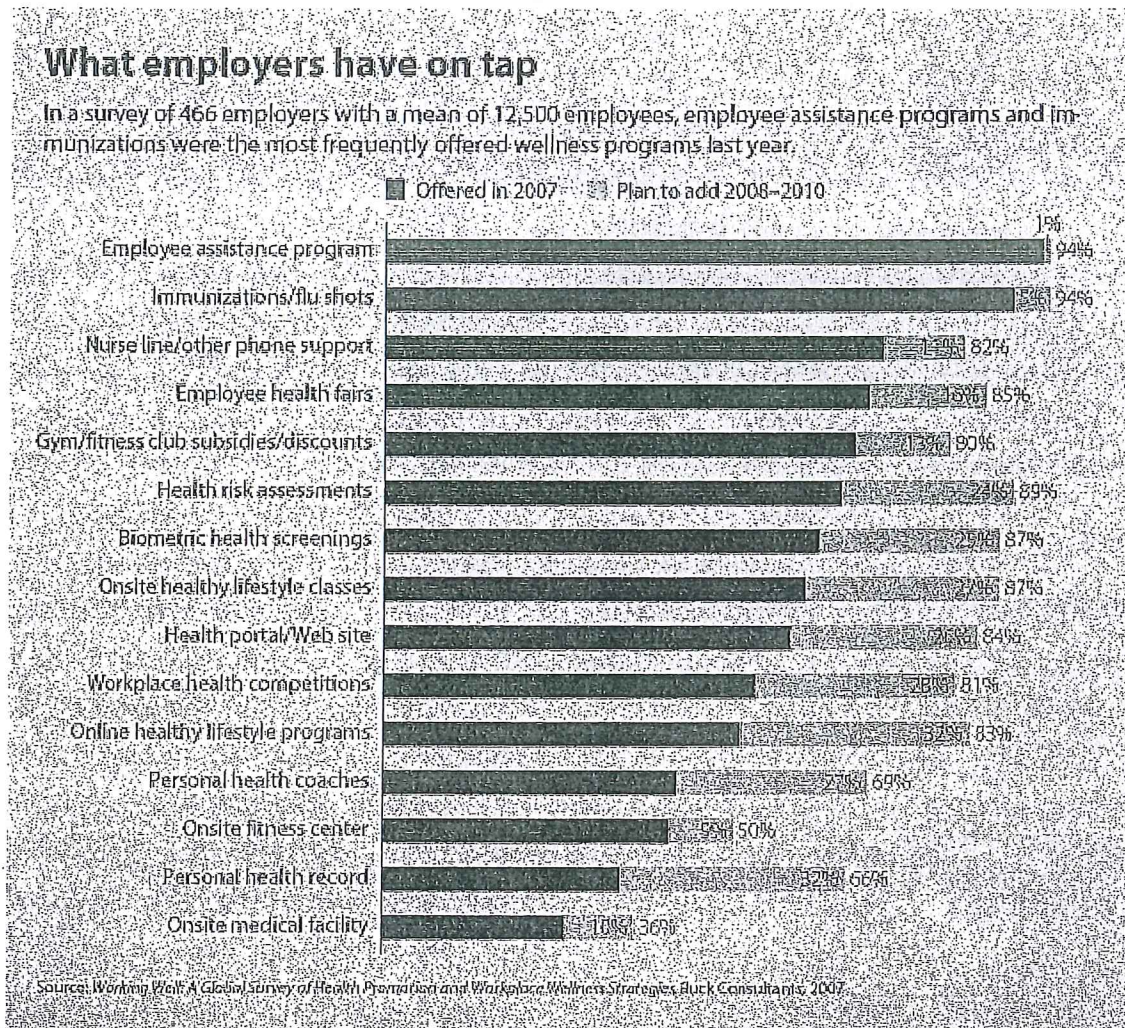
Future

Automatic enrollment rules for employers with more than 200 FT employees

Wellness

America's health plans have heard the message: Employers want wellness services, and the plans are delivering with gusto. The nation's biggest plans are rolling out slick programs that are designed to improve the health status of a client's workforce by picking off the incubating health problems of each worker — one at a time if that's what it takes.

If a health threat can be remediated (obesity, smoking, poor nutrition, inactivity, stress overload) or managed (pregnancy, asthma, depression) there is a program tailored to do so.

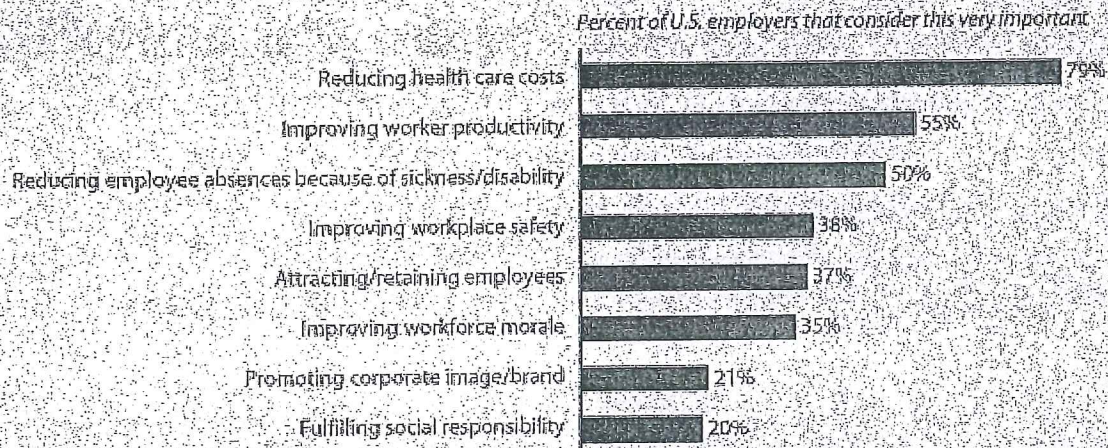


"We see this as a huge opportunity," says Christine Paige, senior vice president of Kaiser Permanente in Oakland, Calif. "Our program goes from wellness, prevention, and early detection all the way to chronic disease management. All of that makes people not only healthier, but also more functional, even while they are managing a disease."

Employers see link between wellness & productivity

No wonder employers are pushing wellness: They can expect a quick return on their investment. An employee who starts working out, for example, may curtail sick days and exhibit more energy after just a short time.

Relative importance of wellness program objectives



Source: Working Well: A Global Survey of Health Promotion and Workplace Wellness Strategies, Birk Consulting, 2007. Although 466 employers of all sizes participated, the average respondent employed 12,500 employees.

The Marion County Wellness Program is in its fifth year of operation. The program employs a full time Safety and Wellness Coordinator and a network of wellness council members representing twenty six departments. The program has developed integrated systems related to employee benefits, worker's compensation and total health data aimed at decreasing health risk behaviors and supporting a culture of healthy lifestyles.

The program consists includes a number of targeted health interventions and activities such as:

- Smoking Cessation
- Weight Watchers
- Wellness Challenges
- Biometric Testing
- Total Health Assessment
- Healthy Lifestyle Reports
- Ergonomic Program
- Flu Clinics
- Fitness Classes
- Fresh to You Produce