

Indiana Advisory Commission on Intergovernmental Relations
Tuesday, August 23, 2012
9:00 A.M. to 12:00 P.M.
Indiana Statehouse, Room 130
Indianapolis, Indiana

MINUTES

CALL TO ORDER/WELCOME

Chair Mike Karickhoff called the meeting to order at approximately 9:05 A.M. He welcomed the group and thanked them for being there. Attendance is shown in Attachment A.

John Krauss gave a brief history of IACIR and its connection to the IU Public Policy Institute for the new commission members.

MEETING AGENDA

- Call to Order/Welcome/Introductions Chair Mike Karickhoff
John L. Krauss
- Approval of Minutes of June 5, 2012 Chair Mike Karickhoff
- Policy for Electronic Participation in Commission Meetings Chair Mike Karickhoff
Jamie Palmer
Commission Membership
- Plan to Study Public Safety Answering Points Chair Mike Karickhoff
John L. Krauss
- Update on IACIR Survey Jamie Palmer
- Presentations on Managing Employee Health Care Costs Ann Cottingim, IACT
Richard Sutton, R.E. Sutton & Associates
Jim Hamilton, Bose, McKinney, and Evans
Michael Graham, Hendricks County
Jeffrey D. Fox, H.J. Spier Co.
Mike Campbell, Neace Luckens
- Presentation on Fiscal Benchmarking Project John L. Krauss
Matt Nagle
Justin Ross
- Next Meetings Chair Mike Karickhoff
September 19, 2012, 1:00-4:00 pm
October 9, 2012, 1:00-4:00 pm
- Adjournment Chair Mike Karickhoff

APPROVAL OF MINUTES OF JUNE 5, 2012

Representative Karickhoff asked the Commission to review the minutes from the previous meeting. Michael Schopmeyer made the motion to approve the minutes. Mayor Yoder seconded the motion. The minutes were approved unanimously.

POLICY FOR ELECTRONIC PARTICIPATION IN COMMISSION MEETINGS

Representative Karickhoff explained to the commission that there is a new statute that will allow electronic participation in state commission meetings starting in January 2013.

Jamie Palmer explained the minimum requirements for using this new tool (Attachment B). At least one-third of the commission (8) must participate in the meeting in person. The means of electronic communication must allow communication amongst the member, members at the physical meeting site, and members of the public at the physical site. At meetings that have electronic participation, all votes must be by roll call. Members must have appeared at a meeting once per year before they could participate electronically. The commission must adopt a policy before using the tool. The policy must be posted to the commission's website.

Ms. Palmer explained that the statute allows a number of optional provisions that can be included in these policies.

Ms. Palmer presented a straw man policy for discussion (Attachment C). She explained that most of the provisions in the straw man were those required by the statute. One exception was that she has increased the number of members who must participate in person to 10. She explained that electronic participation presents some challenges and that maintaining sufficient participation at the physical meeting site was important to effective meetings. She also recommended no more than three on the phone because of the limitations of these tools. She explained that the policy would create the option to have electronic participation; it would not necessarily be available for all, or even most, meetings. Availability would depend heavily on what was available at particular meeting sites.

Mr. Krauss sees the communication value in physical presence but recognizes that time and technology moves ahead.

Representative Karickhoff added that it is not required but it is simply a "may" option.

Mr. Schopmeyer asked if his appearance at this meeting would count as the meeting when he was physically present.

Ms. Palmer indicated that statute would not be in effect until January 2013.

Mark Lawrance indicated that he would like allow more than three commission members to participate by electronic means.

A member asked about how the three participating electronically would be selected.

Another member suggested that members could be selected on a first come, first serve basis.

Discussion followed about the pros and cons of allowing more members to participate electronically. There was consensus that having more than three was acceptable. That particular statement in the draft policy will be removed.

Mayor Terry Seitz asked for a definition of *one meeting* as required before permission is granted to participate electronically.

Ms. Palmer explained that the policy established the year as July 1 – June 30.

Representative Karickhoff said there would be no action on the policy. The commission will discuss again at subsequent meeting this fall.

PLAN TO STUDY PUBLIC SAFETY ANSWERING POINTS

Mr. Krauss explained to the group that the General Assembly has asked, via 2012 SEA 345, for recommendations on responsibilities for public safety answering points (PSAPs).

Representative Karickhoff gave a brief summary of the law. He also mentioned a previous law that required counties to consolidate to no more than two PSAPs for counties. He mentioned that the authors of that bill really intended for there to be no more than one PSAP per county with a back-up communications system.

Ms. Palmer said the plan is to have three meetings to address the 911 issue. The first and second meetings will be dedicated to taking testimony. The third meeting will be spent on the recommendations. The staff will be conducting a survey of PSAPs. There is a new requirement that PSAPs are to report data to the state, but that requirement will not fit with our deadline for recommendations.

Representative Karickhoff explained that the new funding arrangements established in SEA 345 sunset in two years. The commission's task is how to fund PSAPs fairly across the state.

Senator Lonnie Randolph indicated that Lake County faces some unique issues with regard to consolidation. They have been working on the mandate but have not yet consolidated. He said that telephone surcharges are not enough to pay for a consolidated system. It is difficult to find a formula that is fair. Municipalities are resisting paying.

Representative Karickhoff suggested some flexibility may be necessary.

Barry Ritter of the Statewide 911 Board indicated that the transition from the old system to the new funding system has occurred. Anecdotal data suggest that a number of counties are receiving more funds than under the old system.

Meredith Carter said that his county has used interlocal agreements to establish a consolidated system. The county has the primary system and Carmel has the secondary system. Some of the included communities are making payments to fund their shares.

Mayor Norman Yoder said that the commission's study will need to determine the scope of how to fund PSAPs and then how to distribute the monies.

Mr. Lawrance said that the idea is to have a more effective system. Perhaps Legislative Services Agency could provide information to get everyone on the same page.

Mr. Krauss said the commission will provide recommendations regarding how to proceed.

UPDATE ON IACIR SURVEY

Ms. Palmer told the group that the questionnaires went out by mail that day. There are 42 questions (Attachment D). The next six weeks will be spent administrating the survey. The plan is to do a number of follow-ups with respondents to get responses.

Mr. Krauss told the group that we have gotten 30-50 percent return in the past, a very good response.

PRESENTATIONS ON MANAGING EMPLOYEE HEALTH CARE COSTS

Representative Karickhoff introduced the next topic, managing public employee health care costs.

IACTs MEDICAL TRUST

Representative Karickhoff recognized Ann Cottingim from the Indiana Association of Cities and Towns (IACT).

Ms. Cottingim provided an update on IACTs Medical Trust (see Attachment E). The mission of the IACT Medical Trust is to improve the well-being and quality of life of municipal employees. The Trust offers financially secure, stable and cost-effective medical coverage with service of the highest quality. The goal is to lower the medical cost trend and provide stability and predictability for employees. The Trust is owned by participating members and is governed by a Board of Trustees. Joining the trust requires a three-year commitment.

Mayor Yoder asked if the trustees of the trust could raise the cost and, if so, whether there is a cap.

Ms. Cottingim said that the cost is based on past claims history. Annual renewal is based on an “all pool” cost, and then they figure the trend and project.

Mr. Lawrance asked what employees were eligible, part-time and/or full-time.

Ms. Cottingim said that Senator Holdman had sponsored legislation that requires that local governments provide a timesheet. She couldn't comment on the practices of cities and towns.

Senator Richard Young said that elected officials are elected to do a job and not based on a specific number of hours worked.

Representative Karickhoff said that decision should be determined at the local level.

Senator Young asked if there were restrictions on participants, i.e. a pre-existing condition.

Ms. Cottingim said the Affordable Care Act prohibits such exclusion.

Representative Karickhoff asked if this program was offered to schools and counties.

Ms. Cottingim said that IACT has chosen to focus on municipalities, but that it was possible to expand it to other public entities. A number of school districts participate in regional pools and have for some time.

Therese Brown asked about the providers included in the plans.

Ms. Cottingim indicated that United Health has a very large network of providers.

ON-SITE CLINICS

Representative Karickhoff recognized Richard Sutton of R.E. Sutton & Associates. Mr. Sutton was joined by Jim Hamilton of Bose, McKinney, and Evans.

Mr. Sutton presented information about on-site clinics (ATTACHMENT F). Clinics typically are used by local governments that are self-insured. The clinics typically provide a 20-minute consultation with a physician that has no out-of-pocket cost for the employee. They save money by reducing medical and prescription drug claims, increasing productivity, and improve employee health. They provide primary care, preventive care, pharmaceuticals, fast and easy access, and occupational health services. Clinic costs include staffing, lab tests, replacement supplies, generic drugs, and clinic management fees. The goals are to save money and improve employee health. Mr. Sutton is an advocate of pooling funds.

Senator Randolph asked about how it works.

Mr. Sutton said that the local government has to find space. The clinic typically has 1-2 exam rooms with one physician and one nurse or nurse-practitioner.

Senator Randolph asked about how these systems attract doctors.

Mr. Sutton indicated that many doctors like this arrangement because they get to practice medicine without all the administrative duties.

Mr. Lawrance asked about the minimum number of employees needed to justify a clinic.

Mr. Sutton said 300 to 500 employees. He suggests that smaller organizations could collaborate.

Senator James Smith asked about cost of clinic start up.

Mr. Sutton said first you need the space then staff and laboratory and prescription purchases.

Senator Smith asked about the investment of \$1 million in Brownsburg.

Mr. Sutton said that in the first year you receive 1.7 percent return, and 2 percent in the second year.

Mayor Yoder asked which program was more effective, self-insured or fully insured.

Mr. Sutton said that it works well with self-funded arrangement. Using it in fully insured situations can look like double-payment, though it is not.

Representative Klinker indicated that one Lafayette area school was participating in a trust with a clinic. That system has 2,500 employees and is working well.

Senator Young asked if patients from the outside were permitted to access the facilities.

Mr. Sutton said that they were not currently. That question is asked particularly in schools regarding students. In the future, there may be more community-based clinics.

Senator Randolph asked about how school corporations fund these operations.

Mr. Sutton indicated that school corporations usually use reserve funds to start up. Savings begin to accrue immediately.

Mayor Yoder asked if clinics are public and private.

Mr. Sutton said they are all public. There has been a lot of interest in a hybrid clinic. He believes that the Monroe County Community School Corporation may have an arrangement with downtown businesses.

Representative Karickhoff asked if any clinics have closed.

Mr. Sutton said no.

THE HENDRICKS COUNTY EXPERIENCE

Representative Karickhoff recognized Jeffrey D. Fox of H.J. Spier Company.

Mr. Fox spoke to the group about managing employee health care costs with health savings accounts and on-site medical clinics in Hendricks County (ATTACHMENT G). He was joined by Michael Graham, County Administrator for Hendricks County.

Benefits of an onsite clinic include reduced plan costs and provision of a different model for accessing healthcare. They encourage patient-to-physician interaction, introduce “consumerism,” provide free services to patients with little or no waiting for an appointment, provide at least 20 minutes for eye-to-eye visit with the physician, and web-based scheduling.

Health savings accounts (HSAs) are a high deductible health plan (HDHP) combined with a tax free bank account. They promote consumerism. HSAs encourage saving for future medical expenses, and provide a true annual maximum out of pocket limit. Success depends on employee education, a good design and a local bank. The future of health insurance will be higher deductibles, higher out-of-pocket maximums, and the elimination of traditional plans.

Mayor Seitz asked if there has been any tracking of chronic health conditions to see if there has been improvement.

Mr. Fox said yes, over two years.

Representative Klinker asked about “doc shopping.”

Mr. Fox said that consumers generally are not ready for medical tourism but he knows of examples of communication between doctors and pharmacies located domestically and abroad.

Representative Klinker and Ms. Brown expressed concerns about safety with the use of foreign medical facilities and pharmacies.

Mr. Fox said that as these practices change, special care would be needed to address safety.

Mayor Yoder asked if there were a minimum number of employees required to have a clinic.

Mr. Fox said there was a minimum requirement, but combining organizations within facilities can meet that requirement. In Bloomington, the “community-based” system includes the ability for non-employees to access the clinic for a fee.

Senator Randolph asked about how the interest from HSAs.

Mr. Fox explained that the HSA is a real bank account. The interest accrues to the participant. He also explained that they were working on a CD option that would allow employees to earn additional interest.

Mr. Fox also explained that participants can access the monies for purposes other than health. If under 65, the participant has to pay a 20% excise tax and income taxes on the monies. If over 65, the participant only has to pay the income taxes. He also explained that participants over 65 and on Medicare can no longer contribute but can continue to use the funds.

WELLNESS

Representative Karickhoff recognized Mike Campbell of Neace Luckens, a wellness consultant.

Mr. Campbell said that by 2020 healthcare will be at 30 percent of the GDP. Efforts such as those described by previous speakers will flatten the ascent of the cost curve but will not reduce costs. To reduce costs, we must change the paradigm to be about the proactive avoidance of unhealthy behaviors. The system must move from reducing the cost of care to how to keep from needing to access care.

John Krauss said that the costs of providing services are increasing while funds are decreasing. We need to find ways to cut costs and still provide for employees.

Representative Klinker said that the experience of large employers such as Purdue show that costs are being associated with negative health behaviors. Smokers often have to pay higher premiums.

MEMBER DISCUSSION

Mr. Lawrance asked what the commission will do with this information. He would like the commission to make recommendations to the General Assembly.

John Krauss suggested developing an information piece, perhaps an issue brief.

Chair Karickhoff that the commission return to this topic later in the year after studying 911.

PRESENTATION ON FISCAL BENCHMARKING PROJECT

Chair Karickhoff recognized Matt Nagle from the IU Public Policy Institute (IU PPI).

Mr. Krauss gave some brief information about the impetus of the Fiscal Benchmarking project.

Mr. Nagle explained the project (ATTACHMENT H). IU PPI will use government-reported data on revenues, spending, debt, and investments to construct a series of fiscal indicators that will show the level of fiscal health for local governments. The work will incorporate rigorous academic thought with practical analysis to produce user-friendly information for local government officials. These outputs will improve the data and analysis available to decision makers at both the local and state levels. The project team will produce the following each year: 1) Annual compendium of indicators for each unit of government analyzed, and 2) Three to four issue briefs that discuss particular topics of interest (e.g., circuit breakers, debt service, economic conditions, etc.).

Mr. Krauss indicated that the team has already been engaging Dr. Larry DeBoer and John Ketzenberger of the Fiscal Policy Institute.

Mr. Nagle also indicated that the team would talk to Crowe Horwath and Umbaugh.

Mr. Schopmeyer suggested the exploration of dedicated tax funds (i.e., food and beverage) for economic development. Texas currently dedicates some sales tax to economic development.

Mayor Yoder asked about whether the study would include or exclude utilities. The metrics for local units could vary based on whether they are included or not. Auburn has 4 utilities; other communities have only one.

Mr. Nagle indicated that Michael Griffin, clerk-treasurer in Highland and an advisory board member, had raised that issue.

Senator Smith asked how they would group local governments. Communities can be very different. He'd like to know the overall health of the community.

Mr. Nagle said they are still learning. The process is organic and they are still finding information to acquire. The project is fiscally oriented, supplemented by the U.S. Bureau of Labor and Census.

Mr. Carter asked about infrastructure.

Mr. Nagle responded that there would be some treatment of infrastructure. The project team will have to rely on data collected by other entities in the beginning.

Ken Paust asked about which types of units would be included.

Mr. Nagle indicated that counties, cities and towns, and townships would be covered in the first year.

Mr. Paust cautioned that site selection firms look at metrics like these. In a previous effort, Wayne County was ranked low on infrastructure because the relative number of bridges, road miles, etc. was not considered.

Senator Randolph asked if the project team would follow up with the IACIR as the work progresses.

Mr. Nagle indicated that they would.

Representative Klinker added that providing property tax caps has left local governments and schools with less revenue. We'll need to replace some of that funding. She suggested that the project consider additional sources of revenue.

Representative Saunders indicated that the amount of tax exempt property was an important issue. We need to work toward requiring non-profits such as nursing homes and skating rinks to pay property tax or payments in lieu of taxes.

Mr. Paust indicated that as hospital in the state consolidate into a few large non-profit hospitals that many facilities are moving off the tax rolls.

Mayor Seitz said that 40 percent of properties in cities paid \$100 or less due to exemptions. He suggested that there be a cap on exemption percentage.

Chair Karickhoff offered time with Mr. Nagle after the meeting for more questions.

NEXT MEETINGS

The next two meetings are set for September 19, 2012 from 1:00-4:00 p.m. and October 9, 2012 from 1:00 - 4:00 p.m.

Chair Karickhoff adjourned the meeting at 12:00 P.M.

APPROVAL

These minutes were approved unanimously on September 19, 2012.