

# **Indiana Advisory Commission on Intergovernmental Relations**

**Monday, November 16, 2009**

**1:30 - 3:30 P.M.**

*Indiana State Teachers Association Conference Center*

*150 W. Market St., Second Floor*

*Indianapolis, Indiana*

## **MINUTES**

### **CALL TO ORDER/WELCOME**

Chair Beverly Gard called the meeting to order at approximately 1:35 P.M. She welcomed the group (see Attachment A) and asked the members in attendance to introduce themselves. She also had the presenters and other interested parties introduce themselves.

### **MEETING AGENDA**

- Call to Order Chair Beverly Gard
- Welcome and Introductions Chair Beverly Gard  
John L. Krauss
- Approval of Minutes of June 24, 2009 Chair Beverly Gard
- Work Plan for 2009/10 Chair Beverly Gard  
John L. Krauss
- Update: Water Infrastructure Jamie L. Palmer
- Presentation: Inventory of Special Districts Jamie L. Palmer
- Presentations: Insurance Pooling for Local Governments Christy Tittle, State Personnel Department  
Jim Hamilton, Bose McKinney & Evans  
David Bottorff, AIC  
Ann Cottongim, IACT  
Linda Williams, ITA
- Discussion: Insurance Pooling for Local Governments Chair Beverly Gard  
Commission Membership
- Update: 2010 Survey of Local Elected Officials Jamie L. Palmer
- Next Meeting Chair Beverly Gard
- Adjournment Chair Beverly Gard

### **APPROVAL OF MINUTES OF JUNE 24, 2009**

Senator Gard asked the commission to review the minutes from the previous meeting.

Senator Phil Boots made the initial motion to approve the minutes. The motion was seconded by Mark Lawrance. The motion carried by unanimous vote.

#### **UPDATE: WORK PLAN FOR 2009/10**

John Krauss provided an update on the work plan for the current fiscal year. Work will include research on water infrastructure and special districts, and the administration of the bi-annual survey of local governments. The first two meetings also will focus on a number of hot topics: local government insurance pools (November), federal stimulus funding (December), and local government reorganization (December). Commission staff will invite experts to address each of these topics.

#### **UPDATE: WATER INFRASTRUCTURE**

Ms. Palmer provided an update on a number of efforts regarding water infrastructure.

- For several years, there has been proposed legislation to constrain the activities of regional sewer districts. The ensuing discussions show that the public does not understand the serious problems that we have with failing septic systems and the health and environmental hazards they pose. We need of some good public education on water quality and water infrastructure issues.

To that end, the Indiana Regional Sewer District Association and the Alliance for Rural Water are funding an educational video about rural water and wastewater issues. It is modeled after a video produced by Penn State Public Broadcasting, *Liquid Assets: the Story of Our Water Infrastructure*. They have contracted with WFYI, the local public television station, to produce the piece. The Indiana Rural Wastewater Task Force did the initial brainstorming for the effort, including identifying critical issues, illustrative communities (problems and successes), and experts to interview. WFYI has been out catching footage this fall and will continue through next spring. The video is expected to be complete by next fall.

- The IACIR staff is beginning work to update the 2003 study of water and wastewater needs. One component will be to work with the Rural Community Action Program to update their database of unsewered communities. These are incorporated and unincorporated communities that likely have failing septic systems. While some failing septic systems can be replaced, often these communities require some collective solution because they have small lots that will not allow the replacement of the septic system.
- The stimulus and disaster monies have been good for making progress in providing and updating our existing water and wastewater infrastructure through the State Revolving Fund, the Office of Community and Rural Affairs, and USDA Rural Development. We will talk more specifically about how much progress at the December meeting. This opportunity has highlighted that we also need good ongoing technical assistance for small communities with water and wastewater problems, whether from Rural Community Action Program or the Indiana Department of Environmental Management. Larger communities have the leg up in the process set up for access stimulus monies; they have more base capacity. A number of small communities were able to access the stimulus money because they were able to hurry up and become shovel ready, but many more could have benefitted.

#### **PRESENTATION: INVENTORY OF SPECIAL DISTRICTS**

Ms. Palmer gave a brief summary of Indiana special districts identified by the U.S. Census Bureau (see Attachments B and C) as “independent,” including inventory and growth by type of district, the purpose

of various types of districts, revenue and bonding authority, and governance structures. She explained that work is continuing. The next step will be to collect similar information about districts that the Census terms, "substantially related." A law student is helping with that research.

Cris Johnston asked if the state should look into these issues.

Ms. Palmer suggested that they wait for more information.

Mr. Lawrence asked about the financial reporting requirements of special districts.

Mr. Johnson replied that they are subject to state audits by the State Board of Accounts

Representative Nancy Michael asked about the transparency requirements for special districts.

Ms. Palmer indicated that in many cases districts are subject to regular open door laws.

Senator Boots offered that in his experience the general public does not know special districts exist. He inquired specifically about how funds flow into school building corporations.

Mr. Johnson stated that there is typically a public meeting about lease payments, and as nonprofit organizations they must report to the IRS.

#### **PRESENTATIONS AND DISCUSSION: INSURANCE POOLING FOR LOCAL GOVERNMENTS**

Ms. Palmer provided a brief presentation from the 2008 IACIR survey of local elected officials about rising health insurance costs and the actions that local governments have taken to manage those costs (Attachment D). She explained that rising health insurance costs has been an issue that has been raised by local elected officials and commission members consistently over time.

Senator Gard inquired about the cost saving potential wellness programs. She suggested that she would like more information at a subsequent meeting.

Mr. Lawrence stated that a local Indianapolis corporation has been able to effectively manage costs through their wellness program.

Larry Hesson suggested asked about whether the survey included information about whether local governments are self-insured and suggested that addition to make survey results more useful.

Christy Tittle of the State Personnel Department gave a brief summary of the state health insurance pool that is available to local governments (Attachment E). Local units of government are eligible to participate in a separate state pool. State employees participate in a separate pool. Local governments have the option to choose to participate on an annual basis. The number of local government units is decreasing each year due to the high costs. Eighteen (18) local government units with 38 employees participated in 2009. The state plan often serves as insurance of last resort for many communities. Adverse selection has resulted in the insurance rates being about twice those of the state employee pool.

Senator Boots indicated that schools are allowed to participate directly in the state employee pool.

Jim Hamilton of Bose, McKinney & Evans spoke about health insurance trusts and consortiums (Attachment F).

One member asked if there was a minimum size to make trusts work.

Mr. Hamilton indicated that approximately 500 employees were needed to fulfill the requirements of a trust.

One member asked about why some local governments do not join trusts or other collaborative arrangements.

Mr. Hamilton indicated that local governments have built up trust with local brokers.

One member asked about whether trusts continue to take new members over time.

Mr. Hamilton indicated that most current trusts are closed. A few remain open.

One member inquired about how rates are set.

Mr. Hamilton indicated that the cost to member organizations in the trust vary based on risk. If historic claims data indicates that a member organization brings more cost and risk, that organization pays more into the trust to cover those costs.

One member asked about how trusts are managed.

Mr. Hamilton indicated that the trust has a board made up of two representatives of each participating unit.

Senator Gard asked about whether wellness programs were common within trust arrangements.

Mr. Hamilton indicated that wellness programs can be used to proactively affect cost, but can be difficult to get started. To be successful, there often has to be a financial incentive to the employee. Wellness programs often involve establishing a wellness coordinator for each building.

One member asked about how Mr. Hamilton thought health care reform would affect trusts and other arrangements.

Mr. Hamilton responded that while the details of the proposals within Congress were rather fluid, he expected to see a number of provisions, including a universal requirement for health insurance, increased Medicaid eligibility, a consortium to help the uninsured by insurance, cut backs on Medicare reimbursements, and an excise tax on the most generous plans. He expected the resulting reform to increase the state's liability. The House version currently includes an opt out provision for states.

One member asked about whether trusts are usually grouped by geography.

Mr. Hamilton indicated that they typically are organized around shared geography, but that he expected that this would change over time.

David Bottorff of the Association of Indiana Counties indicated the association's leadership has investigated forming a MEWA (multiple employer welfare association), but has opted not to due to concerns about the additional personnel needed to manage such a program as well as concerns about

possibility that additional members may be excluded after the initial formation. He further spoke about solutions used by counties to address the growing cost of health insurance. AIC has retained an insurance broker to evaluate member counties' insurance arrangements and provide advice about how to hold costs down. He suggested that they could invite the broker to a subsequent meeting to provide more information about what the cost-benefit analyses yielded. One increasingly popular action is to host an onsite medical clinic. In Hamilton County, an onsite nurse practitioner analyzes the health of employees and makes recommendations. The county leadership selected this option to increase employee productivity and reduce costs.

Mr. Bottorff also suggested that the state pool might work better if the commitment made by local governments was for 3-5 years rather than just annually. The longer commitment would help to stabilize the rates available to the participating local governments.

Senator Boots asked about why schools adopted medical trusts and consortiums when counties had not.

Mr. Bottorff suggested that superintendents, as longer term professional staff, have the administrative capacity to manage those arrangements.

Senator Boots asked about whether insurance costs could be known 3-5 years out.

Mr. Bottorff indicated that Delaware County purchased insurance for multiple years to be able to predict their costs.

Mr. Krauss asked if the National Association of Counties (NACO) or other state county associations have trusts.

Mr. Bottorff indicated that NACO does not have a national program but that many other state associations have adopted trust arrangements.

Mayor Norm Yoder asked about the benefits of an onsite clinic. He indicated that there seemed to be clear costs, but that the benefits weren't as clear. He would be interested in some more information on that issue.

Mr. Bottorff indicated that Allen and Hamilton counties have adopted. He confirmed that there can be a big initial cost.

Mayor Yoder confirmed that in Allen County some health screening was done by the county health department.

Mr. Hesson reported that Hendricks County is moving to the clinic model by partnering with Hendricks Regional Health, a local hospital. Initially in Hendricks County, individuals will be seen by a physician and they will become a patient of the clinic. Their families will also be covered. It is seen as a great benefit to employee morale and he will be happy to share their experience as they progress.

He continued by saying that Hendricks County is self insured. They had seen their costs almost double in 9 years. They have 432 employees who will be covered by the program. They expect to see some cost benefits.

Mr. Krauss asked if the county had adopted a "cafeteria plan."

Mr. Hesson indicated that they had not. He added that the clinic would be open about 12 hours a week initially. The Brownsburg School Corporation staffs a clinic for 18 hours a week and serves more employees.

Ann Cottongim from Indiana Association of Cities and Towns spoke about the IACT Medical Trust which will begin operations in January 2010. Thirty-nine other state leagues have insurance pools. The IACT Medical Trust will focus only on health insurance, not workman's compensation or casualty coverage. To begin the process, the IACT Executive Committee established an oversight committee, hired an actuary, and declared their intent to the state Department of Insurance. With input from the Department of Insurance, they began to educate their members on the benefit of pooling. IACT held regional meetings to define a trust, explain benefits, and collect information. They then solicited proposals. They received twelve submissions and four were selected as finalists by the oversight committee, including Anthem, Cigna, SIHO, and United Healthcare. United Healthcare was chosen and IACT gathered information from member local governments for an initial quotes. The trust has six plans. Six cities, with 1,500 insured individuals, committed to a three-year agreement. A twelve member board will manage the trust. The trust will be fully compliant with MEWA regulations and will provide the required reporting as the trust progresses. One hurdle they faced was the loyalty of member cities to local vendors/brokers. Senator Boots queried rhetorically about why IACT could accomplish an affordable arrangement, but that the state could not.

Ms. Cottongim responded that their system is modeled on successful programs in Michigan, Kentucky, and Ohio. IACT leadership visited a growing county trust in Ohio.

Linda Williams asked why only six cities chose to participate.

Ms. Cottongim replied that many of the cities were loyal to their own local brokers and were hesitant to be part of a start-up entity. IACT and the managing committee of the trust plans to grow the program, and they anticipate covering 25,000 individuals ultimately. She indicated that rates are competitive.

Mayor Yoder asked about what tests would be used for entrance into the pool.

Ms. Cottongim replied that all IACT municipalities were eligible for the initial offering. Going forward, municipalities will have to provide claims data for a quote. It is possible that some groups may be declined or charged a higher rate.

Mr. Hamilton clarified that the initial group of participating entities sets the terms for the rest of the group.

Mayor Yoder further inquired how an entity could deny insurance to members if it is a benefit of membership of IACT.

Ms. Cottongim reported that the IACT Medical Trust is a separate entity. While all IACT members were eligible for participation initially, it is not a direct benefit of membership. Applicants are actuarially rated for risk as they request entry into the program. No one will be removed from the pool if their health deteriorates, however.

Ms. Williams spoke as a representative of Indiana Township Association. She indicated that their perspective was similar to that of the AIC. They have investigated forming a MEWA and determined that it is too costly and would require additional association capacity. They also support solutions to make the state pool cheaper. She explained that trustees and township board members often do not receive health

insurance benefits. Local fiscal resources often will not support those benefits. In some cases, county governments allow townships to buy into their insurance plans. When trustees have insurance, it often is through local brokers.

**UPDATE: 2010 SURVEY OF ELECTED OFFICIALS**

Ms. Palmer explained that the commission has conducted the survey every 1-2 year since 1997. As a result, there are data about the status of a many community conditions over the last 11 years. She indicated that the next iteration of the survey would be conducted in the summer of 2010. She asked for help from the membership in identifying survey questions. She referred the members to the questionnaire from the 2008 survey as reference (Attachment G). She indicated that questions would be needed by March or April of 2010.

**NEXT MEETING**

Ms. Palmer indicated that the next meeting would be Wednesday, December 16, 2009, 1:30 – 3:30 p.m.

*The meeting was changed subsequently to 9:00 – 11:30 a.m. on that date.*

**ADJOURNMENT**

Senator Gard closed the meeting at approximately 3:30 P.M.

**APPROVAL**

These minutes were approved on December 16, 2009