

MONDAY

JULY 10, 2023

The Governing Body of the City of Pratt met in Recessed Session in the Commission Room located at City Hall.

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| PRESENT: | Zach Deeds | Mayor |
| | Gary Schmidt | Commissioner |
| | Jeanette Siemens | Commissioner |
| | Kyle Farmer | Commissioner |
| | Doug Meyer | Commissioner |

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| ALSO PRESENT: | Bruce Pinkall | City Manager |
| | LuAnn Kramer | City Clerk |
| | Regina Goff | City Attorney |

CALL TO ORDER:

The recessed meeting was called to order by Mayor Deeds. The Mayor instructed the Clerk to note that all Commissioners were present.

BUSINESS:

CONTINUED DISCUSSION CONCERNING INSURANCE:

Mayor Deeds stated that he had visited with Ms. Brenda Johnston about the savings amount and if the basis was on the current years savings as opposed to what we saved the previous year. Mayor Deeds questioned how they established what it would be. Commissioner Meyer stated that it talked about them receiving a commission from the carrier and that being their payment, which was in 4.01 of the Gallagher agreement. Commissioner Meyer questioned if we would be out the \$25,000 if we did not want to take their advice to take another insurance company and stay with Blue Cross Blue Shield. Mayor Deeds stated that he thought that was what they were saying and it would make their task a little harder with Blue Cross.

Mayor Deeds stated that Ms. Johnston had texted him back and stated that it was the saving based on the renewal numbers. Mayor Deeds clarified that their numbers were based off the numbers that were brought to the City by the Blue Cross representative as our renewal. Commissioner Farmer questioned that they were going to try to negotiate a better deal with Blue Cross. Mayor Deeds stated that they had to do \$25,000 less than this. Commissioner Meyer asked if we had an agreement with Blue Cross that was in the packet. City Manager Pinkall clarified that those agreements were with Midwest Benefit and Gallagher. Commissioner Meyer showed that sheet that had Blue Cross at the top. Mr. Pinkall explained that that gave Gallagher the right to deal with Blue Cross Blue Shield on our behalf. Mr. Pinkall commented that he had talked with Mr. Minton and they were concerned to shop this insurance and not provide us with other insurance options. Commissioner Meyer commented that he would like to hear from Blue Cross why they could not get the same benefits for the same amount of money and do the same type of open enrollment. City Clerk Kramer stated that the Blue Cross representative would be more than happy to do the same thing that Ms. Johnston was willing to do, but we had never asked her to do it.

After having the benefit package explained by City Clerk Kramer, Mayor Deeds stated that this was a tremendous asset that the City can offer this package as long as everyone understands the significance of it. Mayor Deeds added that it was important for the employees to know the value of these things and he was

not inconvenienced that they did know. Mayor Deeds stated that we needed to be a little bit more proactive in coaching them and have orientation and something to hand them to show what the benefits were worth. Mayor Deeds stated that we were changing dynamically and we had talked about a human resource person for years. Mayor Deeds commented that he liked the objectivity of having someone like Ms. Johnston making those decisions; however, he did not want to get too much information from the people selling insurance. Mayor Deeds added that there was an advantage to having an advocate from someone who did not have any skin in the game and there was value in having someone who was objective while shopping. Mayor Deeds stated that there were no down sides to this. Commissioner Schmidt stated that he was surprised with the fact that they would give us back the \$25,000 if they could not save us that much. Commissioner Schmidt commented that, with the input from the employees, if they tweak it by increasing deductibles, we should get that \$25,000 back. Mayor Deeds stated that nothing changes without our approval. Commissioner Meyer stated that he agreed that we needed to sub-contract out part of the HR position; however, he wanted to be real certain that we were not shooting ourselves in the foot with Blue Cross Blue Shield. Commissioner Meyer commented that he understood that we keep saying that we were going to lock in the Blue Cross and they were going to negotiate and save that \$25,000, but the deductible could go up to \$1,000 instead of \$500. Commissioner Meyer stated that that would not be acceptable to him. Commissioner Meyer commented that he wanted to call some other clients of Gallagher, but he did not get time and they did have an A rating. Commissioner Meyer stated that their biggest complaints were cancelations, rate increases, and difficulties getting claims processed. Commissioner Meyer added that 61% of their reviews gave them a 5-star rating, but he wanted to talk to some City that had dropped them and find out why. Mayor Deeds stated that there were some big businesses that had lasted a long time and were quite satisfied.

Mayor Deeds called Ms. Johnston and asked her how they take on the guarantee knowing that the City did not want to make a lot of changes to Blue Cross if we sign the agreements with Mr. Minton and Ms. Johnston. Ms. Johnston stated that Gallagher would still have some negotiation power with Blue Cross, so they would go out and work on getting bids from other insurance carriers and give those to Blue Cross and tell them to get to work to come closer to what the market was doing. Mayor Deeds asked if they would be willing to continue to go down this path if it looked like there was not going to be a lot of savings and that any change in deductible would have to be approved by the Governing Body. Ms. Johnston stated that they would and added that they would not push anything that had not been approved by the Commission and we would respect that. Ms. Johnston stated that their goal was to show those savings, but the City would make the ultimate decisions whether you follow our recommendations or do something completely different. Commissioner Schmidt questioned what happened to the \$25,000 if there were no changes and we went with the same contract with Blue Cross but through Gallagher. Mayor Deeds stated that this would not work if Blue Cross got tipped off that we wanted to stay with them with no changes. Ms. Johnston agreed. Mayor Deeds explained that Gallagher would go out for bids and then go to Blue Cross with them and tell them that they needed to get competitive.

City Attorney Goff stated that she understands that this Governing Body did not want to change insurance companies, but the next Body may not see it the same way. Mayor Deeds stated that this was a healthy exercise and it was not healthy to put blinders on. Ms. Johnston commented that they recommend looking at plans every three to four years, because it was a competitive market out there and they are every bit as good as Blue Cross. Ms. Johnston added that Blue Cross knows that. Mayor Deeds questioned if she had told him that she had never written a Blue Cross policy. Ms. Johnston stated that she had never personally had a Blue Cross policy ever. Ms. Johnston explained that she has dealt with other carriers and they have had excellent coverage and claims have been processed well. Mayor Deeds stated that they have some pretty high-profile clients in Pratt and he asked how many of them had Blue Cross. Ms. Johnston stated that none of them. Ms. Johnston commented that she found out Friday that another large employer would be going to move from Blue Cross due to the high costs and she would be saving them 39% on premiums. Ms. Johnston stated that she also has self-funded groups and they were not able to self-fund with Blue

Cross. Ms. Johnston commented that all her small groups had moved and were happy. Mayor Deeds stated that he sees tremendous benefit with self-funding, but that would be something that the City would ease into. Mayor Deeds and Ms. Johnston discussed self-funding and the advantages.

Commissioner Meyer stated that, after the conversation with Ms. Johnston, he felt that Blue Cross was off the table with them. Mayor Deeds disagreed. Commissioner Meyers commented that she had no clients with Blue Cross and self-funding was a good deal for the organization but a bad deal for the employee. Ms. Goff stated that she felt that Blue Cross should be able to present to the Commission. Ms. Kramer stated that we were running short of time. Ms. Kramer commented that the Blue Cross Representative would be here around 2:30 this afternoon. There was quite a bit of discussion concerning self-funding. Mayor Deeds wanted to go back to Commissioner Meyer's comment about Blue Cross being off the table. Commissioner Meyer stated that that was what she said. Mayor Deeds stated that she also said that they would not change if we did not want to. Commissioner Meyer explained that their track record was that, out of 100 clients, no one was with Blue Cross, so he doubted that they were going to recommend Blue Cross. Mayor Deeds stated that they could recommend all they wanted, but that did not mean we would go that direction. Commissioner Meyer agreed.

Mayor Deeds stated that he wanted to take a position on this and take a consensus. Ms. Goff stated that it would be good to talk to Blue Cross to get some of the questions answered. Commissioner Meyer commented that if they bring us a policy from Aetna that saves us \$25,000 and we still chose Blue Cross, then we negate that \$25,000 because it was by our own choice. Mayor Deeds stated that \$25,000 was a low hurdle to find in \$1.4 million, which was what we pay a year for health in insurance. Commissioner Farmer stated that saving 20% would be around \$280,000 and a 39% savings would be \$546,000. Mayor Deeds stated that some entities take that gamble and put that saving into an account for next year and that pays peoples claims.

Mayor Deeds commented that Gallagher was just going to be our advocate and we would be able to tell them we wanted to stay with Blue Cross. Commissioner Siemens stated that was what she heard and hoped that it happened. Commissioner Meyer stated that they could come back and tell us that they could save us 10% with another company and that would be \$140,000 of the \$1.4 million, which was enough to hire two employees, so why would we not switch. Mayor Deeds asked the Commissioners what would give the City the most money, asking Blue Cross to find more savings or asking Gallagher to use their history and power to find other options. Commissioner Siemens stated that we would not be eliminating Blue Cross if we went with Gallagher, but just asking them to bring us a better deal. Commissioner Farmer commented that his concern was trying to go back to Blue Cross after a year if we went with another company and it being much higher. Mr. Pinkall stated, if we were going to engage Gallagher, we would engage them to maintain the Blue Cross plan. Mr. Pinkall explained that we had a 3.4% decrease and we would like to see it decreased more than that. Mr. Pinkall commented that a \$500 deductible was a very valuable piece. Commissioner Meyer stated that he would be comfortable if they kept the benefits as they were and helped the employees with claims even if we did not save the \$25,000. Commissioner Meyer added that he was also comfortable with them helping with open enrollments and being an advocate at looking at other plans.

With little more discussion, Mayor Deeds made a motion to approve the agreement with Midwest Benefit Resources LLC and the Consulting Agreement with Gallagher Benefit Services contingent the changes were made that City Attorney Goff had proposed on July 5, 2023. The motion was seconded by Commissioner Siemens and it carried with four approved votes and one abstained vote by Commissioner Meyer.

ADJOURN:

4 – July 10, 2023 (Recessed Commission meeting)

Commissioner Farmer made a motion to adjourn. The motion was seconded by Commissioner Siemens and it carried unanimously.

ZACH DEEDS, Mayor

(SEAL)

ATTEST:

LUANN KRAMER, City Clerk