

**THE BOARD OF COUNTY COMMISSIONERS
DURHAM, NORTH CAROLINA**

Monday, October 6, 2008

2:00 P.M. Worksession

MINUTES

Place: Commissioners' Room, second floor, Durham County Government Administrative Complex, 200 E. Main Street, Durham, NC

Present: Chairman Ellen W. Reckhow, Vice-Chairman Michael D. Page, and Commissioners Lewis A. Cheek, Philip R. Cousin Jr. and Becky M. Heron

Absent: None

Presider: Chairman Reckhow

Agenda Adjustments

Chairman Reckhow amended the agenda to add, "Term Sheet between Durham County, the Duke University Health System and the Durham County Hospital Corporation for the extension of the lease of Durham Regional Hospital".

Historic Landmarks, Fiscal Implications

Keith Luck, Assistant Planning Director, introduced this item stating that the City of Durham sent a memorandum to the County requesting comments on the fiscal impacts of designation of landmark buildings in the City. The authority to designate the landmarks is vested in the City. Upon designation, the buildings would be taxed at one-half the value for property tax purposes.

Mr. Luck discussed the following:

- The City and County have for years designated several Historic Landmarks.
- This is done in accordance with NC General Statutes and the provisions of the Unified Development Ordinance.
- Historic Landmarks are designated by the adoption of an ordinance by the governing board upon application from the property owner.
- If a property is designated as a Historic Landmark, then the property owner must seek approval of any change to the exterior appearance from the Durham Historic Preservation Commission. The Commission is made up of historic preservation experts appointed by the City Council and Board of Commissioners. They will issue a Certificate of Appropriateness if they find that the proposed change to the appearance is in keeping with the historic character of the structure.
- Historic Landmark designation has tax benefits, designed to offset the additional cost of maintaining a historic structure. Fifty percent of the tax assessment would be

indefinitely deferred. To date, the City has designated about 20 historic landmarks; the County has designated three, including Hardscabble Plantation and Massey Chapel.

- The table distributed at the meeting listed the 15 properties proposed for Historic Landmark designation by the City Council, ten for 2007 and five for 2008. The table also shows the tax assessment, the assessment as a historic landmark, and the tax impact for the City and County.

Mr. Luck responded to the Board's concerns regarding properties that may be considered as historic landmarks.

Commissioner Cheek stated that too much concentration is placed on the age of the properties as oppose to significance. He added that the Board must be extremely cautious in making sure these properties can be preserved.

Chairman Reckhow concurred with comments from fellow Commissioners. She stated that this is to ensure that the properties are exceptional in terms of the architectural significance and features.

Directive

The City to review the implications of the Historic Landmark.

Proposed Benefits for Fiscal Year 2009

County Manager Mike Ruffin introduced this item. He stated that the Human Resources Director requested that the Board of County Commissioners receive information and recommendations on employee benefits for the fiscal year beginning July 1, 2009. The proposed changes include a recommendation to move to a self-funded plan.

Diane Pearson, Benefits Manager, provided the following design plan:

FY 2009-2010

Proposed Benefits Plan Design

Current Flexchoice Plan

- Durham County currently provides each benefits eligible employee funds sufficient to cover the following employee benefits:
 - Employee-only health
 - Employee-only dental
 - 1x salary in life insurance
 - Short-term disability (STD)

Current Plan Shortcomings

- Flexchoice dollars are insufficient to defray the rising costs of dependent health and dental premiums

- Employees complain of inability to afford dependent of family coverage premiums

Unintended Consequences of Flexchoice Plan

- Employees who are covered by other health plans and employees with no dependents attempt to “spend down” all of their Flexchoice dollars, even when they do not need what they purchase.

How?

- Move from a fully-funded health plan to a self-funded health plan.
- Profits that currently accrue to BCBS will instead cover additional benefits for all employees
- Reallocate Flexchoice allotments to fund a lower cost and richer “core” benefit plan for all employees.
- Benefits will be better targeted to meet more employee needs.

What will it cost?

- The proposed self-funded health plan can be implemented for less than the cost of the County’s current plan.

	FY08-09 Current Fully-Funded Cost	FY09-10 Projected Self-Funded Cost
Actives/Retirees Under 65	\$12,379,711	\$12,219,480
Medicare Retiree (Based on current Membership)	\$ 368,873	\$ 381,890

Other Local Governments with Self-Funded Insurance Plans

- Town of Cary
- City of Sanford
- Harnett County
- Wake County
- Mecklenburg County

Self-Funded Health Insurance (Chart)

Self-Funded Health Insurance Details

- County pays full cost for employee only CORE coverage
- Return of two co-pays for a three-month mail order prescription
- County covers 50% of cost for dependent coverage

Hospital Gap Insurance Dropped

- Hospital Gap insurance encourages greater uses of outpatient and/or inpatient services by eliminating or reducing employees’ out-of-pocket costs.

- Eliminating Gap insurance encourages employees to become smarter healthcare consumers. For example, without Gap reimbursement, an employee will be more likely to have a colonoscopy done for a \$40 office visit co-pay, rather than as a \$1,250 outpatient procedure.

Vision Benefit – Separate from Healthcare Insurance

- County pays premium for employee and dependents
- Must use a network provider
 - Annual Exam \$15 co-pay
 - Lenses (annually) \$15 co-pay
 - Frames (annually) \$15 co-pay

Self-Funded Dental Insurance (Chart)

Self-Funded Dental Details

- County pays employee only cost
- Employee chooses service provider
- Employee chooses how to best utilize dental benefit for specific needs

Life & ADD Insurance

- Life insurance and accidental death & dismemberment insurance at 3x salary for all employees
- County pays entire cost

Long-term Disability Insurance

- County pays entire cost for 60% of salary LTD benefit for ALL employees with less than five years of service in LGERS
- Employees vested in LGERS (five years of service or more) would use medical retirement option

Flexible Reimbursement Accounts

- Continue offering medical and dependent care accounts
- New: Introduce transportation and parking account that allows employees to use pre-tax dollars for reimbursement of public transit and/or paid parking expenses (a very “green” option)

Summary of County-Paid Benefits

- 100% of Employee Only Core Medical Insurance
- 50% of Premium for Dependent Core Medical Insurance
- Employee Only Dental
- Employee + Dependent Vision
- Employee Life Insurance (3x salary)
- LTD Insurance at 60% benefit level (for employees not vested in LGERS)
- Monetary incentive for HRA participants

Employee Paid Options

- 50% of Dependent Medical Coverage
- Dependent Dental Coverage
- Short-term Disability (purchasable in \$100 increments at the same rate for all – not age-based)
- Sec. 125 FSA; Sec 132 Transportation & Parking
- Optional supplemental plans: life insurance; long-term care

The End Result

- Less waste of County monies spent on benefits that are not needed or used
- Lower out-of-pocket premium costs for ALL employees
- Money now accruing as profits for insurance vendors will instead go to enhanced County-paid coverage for employees and their dependents

Human Resources Director Marqueta Welton informed the Board that under the current benefits plan, nothing is contributed to dependent coverage. Therefore, many employees face a disadvantage because they cannot afford to cover their dependents.

Ms. Welton responded to Commissioner Heron's inquiry regarding the percentage of employees that use the Wellness Clinic.

The Board inquired about the following:

- What are the employee responses from other local governments that currently utilize the self-funded insurance plan?
- Clarify the mail order prescriptions.
- What are some of the changes that may occur with the National Healthcare Policy?
- Is it advantageous to consider a larger pool as it relates to self insurance?
- Would it be beneficial to consider a joint venture with another governmental entity?
- Are there other municipalities larger than Durham that has not considered self-insurance?
- Is it less feasible to move to this specific type of insurance?

The Board held a discussion regarding different aspects of the proposed benefits plan.

Directives

1. Bring to the Board additional information regarding the cost.
2. Consider ways to increase the participation regarding the Health Risk Assessment
3. County Manager to check to see if transportation dollars can be used for van pooling
4. Consider convening an employee focus group to receive feedback about the self-insurance plan.

Term Sheet between Durham County, the Duke University Health System and the Durham County Hospital Corporation for the extension of the lease of Durham Regional Hospital

Chairman Reckhow introduced this item. She stated that the Board is requested to review and discuss the terms and conditions between Durham County, the Duke University Health System, and the Durham County Hospital Corporation for the extension of the lease of Durham Regional Hospital.

County Manager Mike Ruffin discussed the following:

Goals for Lease Renegotiation

1. Protect the access and enhance sustainability of Durham Regional Hospital to the citizens of Durham County and the surrounding service area;
2. Remove structural obstacles to capital investment that would facilitate DUHS's commitment to continue modernization of the Durham Regional Hospital facilities to maintain competitive position; and
3. Enhance support for Lincoln Community Health Center and Emergency Medical Services.

Proposed Terms

- Immediately amend lease to extend for forty years from date of amendment; the 40-year lease period would be evergreen, so that at the end of the first year of the lease and each year thereafter, it would be extended automatically for an additional year, unless Duke or Durham County gives notice of termination. Any notice of termination, however, would constitute a notice that the notifying party desires to terminate the lease at the end of the forty-year lease period;
- Restructure (increase) payments to County, LCHC, and EMS immediately; and
- Increase payments to County by \$750,000 and \$700,000, respectively; index payments for inflation and commit into future.

Other Important Points

- Annual lease payment to Durham County increases from \$3.2 million to \$3.95 million for first 10 years of new lease period; in 2019, lease payment then decreases to \$1.25 million annually through 2031
- Annual payment for EMS increases from \$1.5 million to \$2.2 million for entire lease period
- Annual payment for Lincoln Community Health Center increase from \$2.1 million to \$2.85 million

County Manager continued to explain the conditions of the 40-year lease. He stated that the new lease would give an opportunity to plan appropriately for the capital improvements needs. He informed the Board that any party that desires to terminate the agreement may do so; however, the termination clause would mean that a 40-year notice would have to be provided.

Chairman Reckhow stated that the County recognizes that the best thing for the community is to have an incentive for Duke Health Systems to make major capital improvements at Durham Regional Hospital. She stated that this is the best situation to create the infrastructure investment that would allow a strong and viable community hospital.

Commissioner Cheek added that it is extremely important to have substantial renovations as well as state of the art equipment. He stated that it is important to the County to make certain that Lincoln Community Health Center (LCHC) receives additional funds. He stated that due to a lack of funds, LCHC has been under stress as a facility due to the number of patients that are indigent. There has not been a substantial increase from the Federal Government regarding funds for the center.

Commissioner Cheek commended County Manager Ruffin on doing a wonderful job with negotiating. However, he expressed the need to see this move toward fruition before his departure as a member of the Board of County Commissioners.

Commissioner Heron expressed concerns about the improvements that would be made to Durham Regional Hospital. She inquired about the length of time needed for finishing the improvements.

The consensus of the Board was to proceed with the deal points presented.

Directive

Consider amending the language; bring revision to the Board at a future regular session agenda.

Closed Session

Commissioner Cheek moved, seconded by Commissioner Cousin to adjourn to closed session pursuant to G.S. 143.318.11(a)(3) to consult with an attorney and to preserve the attorney-client privilege.

The motion carried unanimously.

Adjournment

There being no further business, Commissioner Reckhow adjourned the meeting at 4:30 p.m.

Respectfully submitted,

Angela McIver
Staff Specialist
Clerk to the Board's office