

BUDGET AND FINANCE COMMITTEE

June 15, 1999

4:45 P.M.

The Budget and Finance Committee was called to order by Councilman Hakeem, Chairman, with Councilmen Franklin, Rutherford, and Lively present. Councilmen Pierce, Eaves, and Crockett joined the meeting later. City Attorneys Randall Nelson and Mike McMahan; Management Analyst Randy Burns; and Shirley Crowover, Assistant Clerk to the Council, were also present.

Others present included Adm. Marcellis, Daisy Madison, Don Bain, Fredia Kitchens, Chris Haley, Simone White, Adm. Boney, Tracy Clarke, and Adm. Traughber.

BUDGET 2000 DISCUSSION

Chairman Hakeem stated that this was the time for questions concerning the Budget and also time for any clarification needed.

Adm. Boney stated that there were about 12 technical changes in the Ordinance which were basically housekeeping matters. He stated that they proposed to make the changes in the Ordinance by next week; that they wanted to make sure they caught all of the changes before second reading.

Chairman Hakeem asked those present if they were prepared to wait until next week for Adm. Boney to provide additional information.

Adm. Boney reiterated that there would be 12-15 changes in the Personnel Section. He noted that step increases would become effective on July 1st; that anyone hired after February 28th would not get a step increase.

Attorney Nelson stated that this Ordinance would need to be substituted tonight before second and third readings.

Adm. Boney stated there might be one or two other changes between now and next Tuesday.

Councilman Lively stated that overall, he could not complain about the Budget.

INSURANCE FOR RETIREES

Chairman Hakeem asked Mrs. Leah Mahoney, who had asked that this meeting be held, to please introduce those present.

Mrs. Mahoney introduced Jim Gentry, Howard Shutters, Ms. Bobbi Jenkins, Betty Dill, and William Teppenpaw. She stated all of these people had the same concerns that she did; that they were with Blue Cross/Blue Shield until 1996 and then the City put them with Erlanger LifeForce and after Erlanger went bankrupt, they named Cariten as their carrier; that when they found out the City was going back to Blue Cross, they were glad and then they were told that Blue Cross would not take them. She stated as it was now, they had no security; that if they were out of town, they were out of luck; that they needed the security of being with an insurance company; that some doctors were refusing to take Cariten cards. She stated that she was just one person. She mentioned Mrs. Sully Batts who is in a bad condition, stating they would not take her card; that when her husband becomes 65, he won't be insured. She stated tales were going around, and she wanted to know why they were being treated differently.

Councilman Pierce stated he thought the difference was in the coverage of the two insurances.

Mrs. Mahoney stated she would like the security of knowing she is insured.

Councilman Pierce asked if there had been any real problems in Cariten paying off.

Mr. Jim Gentry spoke next. He stated that last June he had open heart surgery and most of his bills were paid. He stated recently he had not been paid a penny, and he had to go out there to try to find out why; that they had told him this was medical, and he needed to file workmens' compensation. He was told that he should not have shown his card, and he had to argue with them to take it. He stated this was his complaint; that he did not care what insurance they had as long as they would pay; that he did not like them saying they would turn his account over to a collection agency. He stated that he spent 35 years with the Police Dept.; that they were told that Blue Cross-Blue Shield did not want them; that he would like to know who refused them so he could enter a suit against them.

Adm. Traughber handed out a memo that outlines the general issue of the "Untouchables", and this memo is made a part of the minute material.

Councilwoman Rutherford asked why they could not be under Blue Cross.

Adm. Traughber responded that they were a Special Group established by the City Commission when we had full insurance; that they put this Group out to bid, and Blue Cross did not bid; the contract we have now is with Cariten because they are the only one who sent in a bid.

Councilwoman Rutherford asked if this could be bid again. Adm. Traugher responded that the contract is up in December, and it can be bid out at that time. He stated he was not sure that Cariten would bid again; that the insurance world has changed and set products and special arrangements have become difficult. He stated that the City could not force a company to take this business, and he was not sure Cariten would bid again. Councilwoman Rutherford asked what would happen if no one bids. Adm. Traugher responded that they would have to restructure this whole program to come into Blue Cross-Blue Shield. He stated that their coverage is no where near what we have; that these people could join Blue Cross right now, but they would not have the benefits they have under Cariten. He explained what coverage we have under our current plan.

Mrs. Mahoney stated that when they were with Blue Cross-Blue Shield they were called the "Untouchables" because Mr. Teppenpaw wanted to make sure his wife would be insured, and they were locked in in 1986. She stated that Blue Cross dumped them when the City put 3,000 people with Reeder at Erlanger because they got mad, and the City had to take them away from Blue Cross-Blue Shield. She stated she never knew she was one of the "Untouchables" until after her husband, Dennis, died.

Councilwoman Rutherford wanted to know the difference between the coverage this group has and what we have.

Adm. Traugher explained that if they go to the hospital, their plan pays 100% of in-patient pay for up to a 120-day confinement; that their Plan is with Cariten, and there is no deductible for this component coverage. He explained that the Major Medical, Pharmacy, and doctors' visits are on a separate side and the benefit is 80% of usual and customary charges up to \$25,000 within a given year. He stated that these were extremely "rich" benefits, and this is a "wide open" Plan. He stated that our Plan was better for the Pharmacy.

Councilman Lively asked if this Group wanted to, could they come under our present insurance just like all of the others. Councilwoman Rutherford asked if this could be done on an individual basis.

Attorney McMahan stated that they could.; that it is impractical to continue this coverage because it is not a product that insurance companies sell anymore. He explained that the City has always been self-insured, and the City pays every dime of their claims.

Mr. Bill Teppenpaw stated that he retired in 1982 and prior to that the City passed a Resolution that anyone who retired under that Resolution would have insurance coverage that would never be less favorable; that 100 or so people were called the “Untouchables”. He stated he had a problem with Cariten; that Blue Cross-Blue Shield would not take them as a group. He explained that Cariten is out of Knoxville, and he has to wait 4-5 weeks for drugs which presents a problem. He asked if there was not anyway the City could put enough pressure on Cariten to make them answer these claims; that he thought it should be handled in a reasonable amount of time.

Adm. Traugher stated that they had quickly responded to complaints of employees about Cariten, and he did not know of any major problems.

Mr. Teppenpaw stated that his problem was not with the City; that this business is in Knoxville, and they are not doing anything about it. He stated most of the “Untouchables” were old and paying Medicare; that if they go to the doctor Medicare pays 2/3rds of the cost and the City pays the other 1/3rd; that he has bills going back to November of 1998 and Cariten is not looking after this, and the bills are not being paid.

Mr. Clarke mentioned \$4,000, which is above the national level even with Medicare paying. He explained this was more convoluted and occasionally there are problems.

Chairman Hakeem asked if he was to understand that the City is working on this and asked if there was anything we could do to make Cariten more efficient.

Adm. Traugher stated that Cariten was processing claims, and it would not surprise him if Cariten did not bid the next time around.

Mr. Gentry asked why they were not notified when the City changed insurance. He stated he was not notified.

Mr. Clarke explained that they were going to allow anyone in the group the option; that people were calling them, and they planned to meet with each one individually; that meetings were being held for employees and some of this Group went to these meetings; that they had no assurance from Blue Cross that they would accept this Group; that they were not allowed to join up so there was no sense in notifying them; that they were not allowed to come into this Plan.

Mrs. Mahoney stated that when she found out, she was pleased the City was going back to Blue Cross-Blue Shield; that she wanted the security of being with an insurance company; that when she called everyone was on the defensive; that Councilwoman Hurley told her to get Medicaid—that she owned her own home and was not indigent. She stated she called George Morgan, and he “jumped down her throat” and said he would “cut her out in a minute”. She stated that he got worse and caused her to have to spend time in a hospital. She stated that she thought she and Mr. Morgan might have put each other in the hospital. She stated that they needed to be with an insurance company, and they did not need an HMO.

Mr. Teppenpaw stated he just wanted Cariten to expedite their claims; that he had called Knoxville several times, and they would say they did not have the claims, and he started sending them by Certified Mail; that it was taking from 4-5-6 weeks.

Chairman Hakeem stated that as he understood it from Staff, Blue Cross did not make a bid on this item. He stated that he had heard from Mrs. Mahoney that they were willing to take this Group, and he asked her to identify the person at Blue Cross that had told her this so that the City’s Staff could talk to them. Mrs. Mahoney refused to do this, prompting Councilman Hakeem to state that he was not going to have a heart attack.

Councilwoman Rutherford verified with Mr. Clarke that he is working with Blue Cross to bring this group on board.

Adm. Traugher stated that he felt it would be an advantage for individuals in this Group to be considered during open enrollment; however their benefits would change, explaining that they would have to come under the benefits that are set now. He stated in the meantime, they would go out for bids and Cariten might be the only entity, and they could reject this bid and go out again and end up with no bid.

Councilwoman Rutherford verified that open enrollment would be in October, and they would need to sign up then. Adm. Traugher stated this would be true if they don’t have any underwriting problems; that they were going to bid this at the end of the this month and get a preview of what we are facing in the market. Councilwoman Rutherford asked if Cariten was not paying quickly, would they push them. Chairman Hakeem asked her to restate what she was asking. Councilwoman Rutherford stated **that in the next few months the City would be working out any problems they would have with underwriting and this Group could make the decision of going under the same benefits that we have now and in the month of October they could enroll in the Blue Cross Plan.**

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Chairman Hakeem asked if everyone understood this.

Mrs. Mahoney reiterated that she just wanted to be with an insurance company and have this security.

The question was raised whether premiums would go up. Mr. Clarke responded that they would leave the premiums the same.

Mr. Teppenpaw stated that he would like to see a break-down of the Plan the City has now; that what they have now can't be beat; that they were promised the best policy anyone had.

Adm. Traughber stated that the underwriting issue would have to be addressed; then they would meet with these retirees to see what they wanted to do. He stated that we have a good Plan; that the insurance world has changed. He stated that no individual should be frustrated about the payment of claims; that this had been brought to Mr. Clarke's attention, and he would assure those present that Mr. Clarke would stay on top of this.

One of the people in the Group asked about the differences between the two policies.

Councilwoman Rutherford stated that the City's insurance department will put this on paper for all concerned. She stated that we have wonderful benefits, but she did not know how they would compare to what they have now.

Mrs. Mahoney stated that she had been maligned and threatened because she speaks out; that a person in high places had told her that they were going to cut their insurance out, and she would name this person if she was asked to.

Adm. Traughber stated this was serious comment if she was saying a person in "high places" said they were going to cut out their insurance.

Chairman Hakeem stated that they would be contacted to come in and look at the comparison, and if they so choose, they can go on our new policy. He questioned what would happen if they choose not to go on this Plan and no other carriers bid.

Attorney McMahan stated they might not have an option on whether to go on our Plan—that it might be that or nothing. Mr. Teppenpaw questioned this statement, stating that the City pays the claims. Attorney McMahan stated that the coverage had been the same since Day One.

Mr. Clarke pointed out that they are staying the same for ever and they have some people that are 52 years old in that group.

Chairman Hakeem asked if they had a tentative time when they might be able to sit down and look at the comparisons. Adm. Traugher again stated that they needed to work out the underwriting; that if they choose not to come into our current Plan and there are no bids, then we might have a legal issue. Attorney McMahan added that it would be a legal “nightmare”.

Chairman Hakeem told those present that a comparison would be done, and they would be informed to come in and maybe we could bring closure to this issue; that it would be some time after July, and they would be notified.

Before the meeting closed Mrs. Betty Dill told about her husband being in the hospital; that Cariten was giving them a hard time and Tracy Clarke stood by them the whole time, and she expressed her gratitude for this.

The meeting adjourned at 5:30 P.M.