



## **Minutes from the GASB 45 Taskforce November 21, 2008**

*The tenth meeting of the GASB 45 Taskforce was convened November 21, 2008 at 5:36pm.*

### **Attendance:**

*Members of the Task Force:* Mark Whalen (Legislature), Alan Hertel (United Way).

*Internal Members of Task Force:* Michael Hanbury (Legislature), Jerome Knebel (Finance Dept.), Alex McLaughlin (Audit), Grant Newton (BCC), Aaron Marcus (Law), Brian Derry (Legislature), Jennifer Royer (Legislature).

*Union Representatives:* Chris McAuliffe (AFSCME 1912).

*Others Present:* Ron Jones (Public).

Michael Hanbury introduced Mr. Ron Jones who came to make a presentation about single-payer plans. Michael Hanbury also stated that after the presentation, we would have a discussion about ideas to send to the actuaries.

### **Presentation on Single Payer Plans**

*Ron Jones*-Stated that he is a former Johnson City Village Trustee and he is currently employed as a Caseworker in the Adult Protective Unit of the Broome County Department of Social Services. He is a strong advocate for single payer coverage. Healthcare is broken in this country – the cost of premiums and the cost to business is sky high. 47 million people are without any insurance. Another 50 million are underinsured and more people are opting out of coverage every day because of the rising cost of deductibles, premiums and co-pays. Many businesses have to reduce or shed their health care coverage for their employees because it is too expensive. The United States is ranked 27<sup>th</sup> in the world for healthcare and yet we spend nearly double per person than the next closest country, Switzerland - \$7,200 to \$3,700.

Why is there such a mess? Currently, our country has a for profit system; every other industrialized nation has a not-for-profit system. Some services are fully covered, some partially and some not at all. Presently, in the United States medical bills are a leading cause of bankruptcy. This is a complex subject not without political hot points.

The main issue to focus on today is the dramatic impact that health care costs have on our local municipal budgets, specifically New York county budgets. We need to look at how we might be able to work together to reduce our budget expenditures while improving healthcare for our residents.

The problem with the for-profit system is that it is an unsustainable business plan. In order to make money, the price to buy has to go up and therefore many have to opt out of plans. Also, in order to make a profit you need to deny claims and the Doctor's advocate for coverage. It takes a lot of paperwork and lots of time. There is presently a bill in the NYS Senate and Assembly, as well as at the national level.

HR676 will lower costs.

Broome County could join in endorsing the plan. Already, 9 counties and 80 municipalities have passed resolutions endorsing this bill. 59% of physicians and 73% of Americans want a change in healthcare but politicians have a problem with getting the political will to pass it.

The costs under a single payer plan for employees would go from 1.3% to 4.5% and be about 7% from the employer. A benefit is that Medicaid would be gone. Medicaid costs Broome County \$35 million a year. There would be no co-pays and no deductibles and the plans would cover overall health, doctor visits, vision, dental, and long-term care. Those displaced from the insurance industry would be retrained or placed in other similar fields.

## **Discussion about Presentation**

*Chairman Whalen*-Stated that whether or not we sign on to endorse these bills – we will continue working on this issue because if we don't we'll fall behind. It's imperative that we find a way to pay up annually so we don't pass the costs of our benefits on to our children.

*Ron Jones*- Stated that endorsing the bill wouldn't commit the county to using the plan. It would just say that we endorse it.

## **Discussion Involving Report from Taskforce**

*Chairman Whalen*-Stated that Michael Hanbury had compiled a list of options to send to the actuaries for their evaluation of cost savings. We've been gathering facts – about the details of current plans, how much we pay, retiree information, whether there are spouses

on the plan, etc. The Budget Department has pulled out retiree health costs from each department which will help the Legislature look at this issue.

Further, the Chairman stated that he and Michael Hanbury went to Niagara Falls for the NYSAC convention. The Chairman spoke with Howard Weitzman, Nassau County's Comptroller. He mentioned that they had done an analysis which shows how much each employee costs when they become eligible for coverage. The number turned out to be about \$650,000 because they pay 100% of retiree benefits. Broome County pays between 85% and 100%, depending on poverty level. We are going to check our costs – it will probably be in the \$400,000 range.

At the office, we have sat down and put together some ideas to send to the actuaries. We aren't pushing these ideas – this is still a fact finding mission to see what the benefit and consequences for each option are. We still want to encourage ideas from people. We will not attach people's names to any idea proposed, so people feel free to provide options.

The net present value of \$340 million is from early '07. We need to find out how that will be affected in the next 5-10 years if we adopt some of these options. We need more ideas than what we presently have on paper.

*Allan Hertel*- Stated that unless we know the financial impact, we can't make a decision. The information from the actuaries will help us get there.

*Chairman Whalen*- Agreed and urged people to call him at the Legislature and let him or Michael Hanbury know of any ideas that people did not want to say tonight in front of the Task Force. We will send everything to the actuaries and have them test it.

*Ron Jones*- Asked if someone could explain how a defined contribution plan would work.

*Chairman Whalen*- Said that such plans would consist of a VEBA and HSA's and that we would need to work with unions. Employees would set aside money every year and the county would match. What's good about that is that it forces government to set aside money when benefits are earned to cover OPEB other than pension.

*Allan Hertel*- Asked if there is any cost in making that change.

*Chairman Whalen*- Stated that it would also be nice to be able to make such a plan portable between municipal governments and county governments. Further, it would be useful to have a set account to use to pay for health care.

*Committee Member* -Stated that changes in percent or a cap on spending would have to be negotiated with unions.

*Ron Jones*- Stated that from his experience at the village level he saw that when the percentage employee's are expected to pay changes – there is a lot of grumbling.

*Chairman Whalen-* Stated that the county used to pay 100%. Then 95% was accepted but when it was moved to 10% people just went crazy. Presently, only new retirees are required to pay 15%.

*Allan Hertel-* Stated that the question is 2 fold:

1. How do we continue to pay for Healthcare for employees and retirees?
2. How do we not burden the taxpayers too much?

*Chairman Whalen-* Said that is exactly the problem and why he is focusing on this issue. He can see a point where government can get to where costs could crowd out benefits and services that are provided by government. Very similar to General Motors situation where they paid for healthcare and made some cars.

*Michael Hanbury-* Stated that he is working with NYSAC to create a database where other counties fill in their information – so we can compare ourselves with other NYS counties. We are trying to get other counties to see this issue as well as compare and contrast. It's important to see how other benefit structures work and he tried to make the questions as general as possible. The database will allow counties to compare/contrast with other counties based on similar budget range, similar set up of requirements, similar structure of government and whether they have a community college or not. It's not easy to get this information. You have to ask various people. The more work between municipalities and counties – the better the results will be for everybody. We believe we will get positive feedback.

*Chairman Whalen-* Said that the GASB process isn't a bad thing – it's just looked at unhappily. But it provides a picture of where the money is going and how money can be saved. It's caught our attention even though many think it's not even on the radar screen yet. We recognize that there are future implications on our business environment and living. It's my goal to get more information and get options to our actuaries to find out what provides the best savings. We'll get the numbers and bring it before this panel. Then we will make a report to the Legislature. I don't know what will happen next year, but if I'm Chairman – I want a standing Legislative Committee on this issue. I often receive calls about Medicare Part C. A lot of companies claim that they can save us money. We need studies and proof.

*Grant Newton-* Asked whether Broome Community College would be included.

*Chairman Whalen-* Stated that they would be and they would receive a separate report. Further, he said that we need to put Broome County in a better financial situation, not just for today – but for years into the future – 20-30 years.

*Chairman Whalen -* Asked if there were any final statements.

*Ron Jones-* Stated that Assemblywoman Lupardo is a sponsor on the Single Payer State Bill and that Congressman Hinchey is a sponsor of a similar bill that is in Congress.

*The Chairman-* Stated that he worries that the state will pass the bill and it would add cost to the county and he would not make any decisions until he looked at it.

*Ron Jones-* Stated that this bill would not pass costs and that he would show the Chairman the numbers.

The meeting was adjourned at 7 PM.