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COMMISSIONERS' COURT  
SPECIAL MEETING  
November 7, 2011

Notice is hereby given that the Titus County Commissioners' Court met in a special meeting on Friday, November 7, 2011 at 9:00 a.m. in the Titus County Courtroom, with the following members present:

Brian P. Lee	County Judge
Don Boggs	Commissioner Precinct 1
Mike Fields	Commissioner Precinct 2
Phillip Hinton	Commissioner Precinct 3
Thomas Hockaday	Commissioner Precinct 4
Dianne Norris	County Clerk
Carl Johnson	County Auditor
Sheryl Preddy	County Treasurer
Judy Cook	County Tax Assessor

Public Attending Meeting:

Demetra Bell-Runnels	Bremi Smith	Ted Aikman
Chief Larry McRae	Gerry Evenwell	David Norton
Al Riddle	Barbara Bruechner	William White
Gail Norris	Brody Clark	Mike Price
Judy Lee	Carolyn Norman	April Ridgeway
Kathleen Holloway		

Pledge of Allegiance led by:	Judge Lee
Invocation by:	Judge Lee

- 1) Pursuant to section 551.042, Texas Open Meeting Act, the Court is open to hear public comments and/or requests for information on non-agenda items. (Listen to audio track 1, 00:47:50).
- 2) Discuss and possibly approve selection of Consultant and/or Plan Administrator for 2012 County Health Insurance renewal. (Listen to audio track 1, 00:01:54 and/or see Attachments 1 and 2)
  - a. Judge Lee: I have been pondering how to orchestrate this meeting, what I think I will do is leave comments from our Commissioner's, if they will have a final comment later on, but at any time if you would like to ask a question, please jump in. I do not want to rush things by saying are you ready to take a vote, but I will try to get to that point quickly. I see that we have representatives back from Health First and even a new face, Brody who I just met, and Demetra, in the back who is here, again from Brinson. Would either of you care to make a statement today.
  - b. Gail Norris: Yes, I would.
  - c. Judge Lee: Come on up, Gail.

Presentation by First Health – Gail Norris

- d. Gail Norris: I just wanted to make a few statements to you, thank you Judge, thank you Commissioners. As we talked about the other day, thank you for your opportunity to have been your Third Party Administrator for these last several years and I just wanted clear up a couple, two or three points.

Number one is when we were talking about commission; our commission has 15% commission in the quote. If you will look at the Brinson information, they are talking about it should be only 5% not 15%. Well, I am your broker, I have always been your broker, I do everything that a broker does, I evaluate the plan, I do the same thing basically that Brinson Benefits does which is take it out to the market. Our commission is not on the high side, it is on the normal side, 15%, as is so stated in their information. They had said that we should have no more than 5%, but the broker's commission is in there as well as our 5% commission for our own company. I wanted to just clarify that for you and let you know.

I also wanted to re-clarify the situation concerning your present carrier. American Fidelity gave you a discount to start with, before we did anything else. If you remember, we had asked them to give us our very best quote because we were in a situation with the County where they needed to save as much money as possible. They want to keep your business, so to start with we had a lower rate from them. Brody will talk about what the savings are. We started out with a considerable savings for you, before we do anything else. You have tentatively made the decision to go from \$45,000.00 to \$55,000.00 individual stop-loss, so that gave you another savings. We had recommended that.

The other thing that we talked about was our prescription drug card. You remember me explaining to you that we had a type of drug card that was under your medical benefits. We recently re-negotiated our contract with our pharmacy company and came up with an entirely different contract with much savings, and again Brody will be happy to talk about that. It is a drug card that you may use anywhere that you may wish to go to in the United States. Here in town, it is certainly acceptable as it is with all of them. I do want to clarify, once more, that your information shows that you are using four drug stores in town. You are not using one. Clinic Pharmacy is one of the drug stores that is being used, but McKellar Drug is being used, Wal-Mart is being used, and Brookshire's Grocery Company which owns Super One. The information that I have been given, and I always err on the side of caution, by figuring up the information that I was given, I thought it was the complete year, it was not. I said that your savings would be \$10,043.00 under your drug card, it is much more than that and Brody will speak to that in a moment. That was my fault, I should have checked more thoroughly concerning what it was, but I thought that was your savings so that is what I quoted to you. It is much higher than that. All the other things that I talked about is the charges that you will be charged if you do change your Third Party Administrators that is the plan document, summary plan description, I.D. cards, all those things that you would have to do. The networks that we have in force, we are the only one that has the Access Direct Platinum Network, if you go to platinum, which you have in past years used platinum extensively and it has certainly saved you a lot of money. You have a new rep, which is PHCS you had Texas True Choice, but they have bought them out and that will cover you anywhere in the United States. You are getting very good discounts under that particular plan.

One other item I speak to again, which was mentioned last week was that we never passed out plan documents. I explained that to you, that was not us, we do bring those every year. If they are not passed out Judge, I think you are familiar with the situation on that. I just wanted to make sure that everybody understands we are doing exactly what we are supposed to do. At this time, I am going to turn

it over to Brody Clark, our Vice President of Marketing, and he can give you some actual figures.

- e. Brody Clark: Judge, Just to clarify do you want to finish with Item 1 before we kind of get into Item Number Two on the Agenda.
- f. Judge Lee: No, go ahead.
- g. Brody Clark: Thank you Ladies and Gentlemen of the Court for letting us come in and visit, I applaud you for doing such a thorough job of your plan evaluation. You Gentlemen and Ladies have an interesting job, as money gets tight we have to look for all kinds of ways to save taxpayer dollars. As we are here today on behalf of Health First, just to set the stage what we are going to plan out and show you here in the next couple of minutes are some savings that we are able to bring to the County with the proposal that we have.

Before I get into the numbers, I do want to explain a little bit because we have a situation here that can be somewhat confusing with network utilization. When I am talking about network, meaning not necessarily the doctors you go to or the hospitals that you go to, but the network and how you access that. Typically, when you go in, you are under an Aetna or Blue Cross or some big national network the discounts are negotiated on your behalf, so you get a bill charge from that facility or doctor, and then you get a discount associated with that network. The network that we are bringing you today is our own proprietary network it is Access Direct Platinum with our fiduciary wraps that we have. The discounts that you will see with that are deeper than any other network that will be presented to you; it is typically in the 72% range of billed charges. What does that mean to you as a County when you are paying the bills for your members that go to the hospitals that utilize the in-network providers? You are getting approximately 70% discount on those services. The reason why that is our Network, is that we set that up because we can pass those savings directly on to the County. Of course, we sell that network to you through access fees, and through administrative fees, that is how that all works. Keeping that in mind, when we go out and shop your stop-loss for the re-insurance, the stop-loss carrier see the network that we are using and see the discounts associates with that and so they reward you with giving you a deeper discount. They say it is going to be harder to reach your maximums because your discounts are there for the utilization. Many of our savings are built-in to the network; you do not actually see them on paper because it depends on how much your folks go to the doctor. Conservatively, we think if we did not use our network and we used somebody else's network, you are looking at about a \$40,000.00 increase in your annual bills that you write because you are utilizing a different network with not as deep discounts. To get to the point, which is what think you all want to hear, is how

much savings are we bringing to you this year? With our plan, this includes the Access Direct Platinum Network and our fees associated with that, and changing your specific from \$45,000.00 to \$55,000.00 that is going to give you a savings of right at \$25,000.00 rounding up from \$24,800.00. We have talked about a pharmacy benefit program that we are bringing to the counter. We are going to give you discounts associated with our PPM network that when we ran your numbers, the numbers showed a very high savings. Our numbers showed almost \$90,000.00 in savings a year. Now, I am not going to guarantee you 90 because we had a relatively small sampling that we looked at. We took a small sampling, extrapolated those numbers for 12 months and the numbers were almost \$90,000.00. We want to be very careful and err on the side of being conservative because we had a small sampling. We are going to back that off and guaranty you at least \$75,000.00 worth the savings if the utilization stays the same. It could be as much as \$90,000.00, but we are going to put a stake in the ground at \$75,000.00. An additional savings that we are going to bring to the table, because you have been clients with Health First for 25 years and a matter of fact Gail has been your Agent for 25 years, we want to reward that to you and we want to cut our commission structure from 15% to 10%, so we are going to give back 5% commissions and that is roughly \$12,000.00. When you add all that together, we are looking at \$112,000.00 with an asterisk that it could be as much as \$125,000.00 because of the variability with the PBM. That is what we are bringing to the table.

- h. Carl Johnson: When you are talking about the premium savings of \$25,000.00, had you netted in the fact that going from \$45,000.00 to \$55,000.00 we were going to have probably a \$30,000.00 more in expenses if we have three cases. So it is netted in.
- i. Brody Clark: Yes. We can certainly answer a lot of questions; I know that there was a lively, lengthy debate here on Friday. I was not here for that, but I assume a lot of your questions got answered. We will be here as long as we need to be, we can come back up and clarify whatever we need to. Now keep in mind, I do not include anything with the Access Direct Platinum to you guys, you already have that savings. You are accessing that network; you are already accessing those deep discounts that we offer, so that is already yours. Any other final questions for me before I turn it back over to you Judge.
- j. Judge Lee: Tell me a little more about this new drug card, and I have heard one time that we have had this card available in the past, but for whatever reason Titus County has opted not to take advantage of it. Is what you are describing the plan or the contract that we would be signing for prescription benefit management services, is this something new or is this something that we have had available to us.

- k. Brody Clark: It will be something new. All of your pharmacy charges have been rolled into your medical expenses. You have not actually had a Pharmacy Benefit Manager contract negotiated in this business. I will explain a little bit about how that works because it is different. Here is how we can perhaps follow the money, as you would say. We will use a \$100.00 example for easy math. One of your members goes to the local pharmacy and medication costs \$100.00. Right now, the deal that you have in place is a \$45.00 co-pay for a brand drug. They will pay the \$45.00 to the pharmacy, the pharmacy will send us a receipt for that and we will cut a check to that pharmacy for \$55.00, so you bear all of that additional expense. You are paying whatever pharmacy you go to, retail price minus \$45.00. The way that it works with a pharmacy benefit plan is we have already accessed through our PBM discounts associated with drugs and it is off that average wholesale price. To your members it will be the same, assuming you keep the same plan. They will go in and pay their co-pay. The pharmacy will take those charges and go to our pharmacy vendor and the pharmacy vendor will pay the pharmacy back at the negotiated rate. The PBM vendor will bill us once a week for all of your charges that they have billed out on your behalf and then we will turn around and bill that to you. What you get is a discount off of the retail price that is your responsibility, and that is where the at least \$75,000.00 worth the savings comes in. Your member will not see anything different, your pharmacies will route that a little different, you will not see anything different from our end except for cheaper bills.
- l. Commissioner Boggs: Are the drugs industry standards or are they just what the pharmaceutical company says.
- m. Brody Clark: That is the great question. I am going to answer and say yes it is an industry standard. However, I want to put an asterisk by it, you can go to different pharmacy vendors and different pharmacies in town and they can have different wholesale prices, they can have different retail prices. When we start talking about all of your big national pharmacy vendors, they are very close, if not the same. Traditionally, when people such as brokers or ourselves are coming out, Health First coming out, and we start quoting it is average wholesale price minus a discount. That is how that works, so they could be slightly off but the industry standard assumes that they are all the same.
- n. Judge Lee: That sounds like a great concept. It sounds basic, it sounds like something that has been around for a while. Why have we not been able to tap into this before now?
- o. Brody Clark: I asked our people the exact same question. Because you are right, this is not anything new. The reports back that I was given was that throughout

the years, I do not know how long back this goes, when we went into the workshops to talk about renewals and talk about stop-loss. When the pharmacy side was brought up, I will take responsibility, our company whoever it was that was there did not bring that level of “ladies and gentlemen you are looking at a big savings here.” It was mentioned, but from what I am being told it just was not important enough, they wanted to focus on the other parts of the renewal. That is our fault as Health First. We should have been more forthcoming saying, “Listen, it really is a big savings listen to us.”

- p. Gail Norris: One thing I might say Judge, is those rates have been greatly re-negotiated. They were not nearly as appealing back then as they are now.
- q. Judge Lee: Would there have been any reason, in the past Gail or Commissioners, why we might have said that does not sound like the right plan for us.
- r. Gail Norris: No sir, it was not. I am your rep; I am the person that has been at the meetings. We mentioned the group card before and I think Mike can verify that. Nobody ever said they wanted to change it; there was not a lot of money involved in it as there is now because we re-negotiated our rates. It was not a saving selling point to us before as it is now from a savings standpoint. But I will take full responsibility for that.
- s. Judge Lee: Well, I appreciate your honesty on that subject.
- t. Brody Clark: Well, thank you for your loyalty to us for 20 years. I would like to speak to one thing. Although we are your broker, we are your TPA, and we are providing our network, we feel strongly that as a package together it is the best package that can be put together on the County’s behalf. We work strongly behind the scenes looking at stop-loss quotes. We do not just take one, we take six or seven and we look at the dental and we look at all of that stuff, we are looking at sometimes ten different vendors and taking the best one on your behalf. So thank you for all of your loyalty over these past years, we will look forward to continuing our service.
- u. Judge Lee: I do have a couple of questions, and I did have the opportunity to speak with Brody last Friday. I made a call and he gave me a lot of good information and was very honest with me, I felt. Let’s talk specifically about the note that we left on Friday. If the County chooses to hire Brinson Benefits as our consultant, Gail said that Health First would not be interested in providing Third Party Administrator services. You did a good job explaining to me why that is the case, but I do want the Commissioners to have the benefit of hearing that. (1) Is that indeed your position? (2) Please explain why that is your position.



- v. Brody Clark: So everybody knows what we are talking about. The role that we understand and the Judge and discussed Brinson Benefit would act as your broker. That would assemble all of the quotations that come in and then bring to this Court, their best deal possible as far as a total package of savings, or total block of business for the benefits. At Health First, we do view that as competition, it is a company that does the exact same things that we do. If they are chosen to be the agent of record, what that means is that we can no longer go out on your behalf and actually do all the shopping for you because they would have to do that. We could go out and solicit quotes, but then we would have to give all of our information and submit it to a different company, in order for them to analyze the data, do what they want to, pick and choose which ones they want, and then come to you with the package. Where that hangs up in our concern is, we have a proprietary network, Heath First owns it and it is Access Direct Platinum. That is the network that we have negotiated such deep discounts for you, where you take about 72% off all of those charges as oppose to 50% or 52% with some other network. The way that our business model has traditionally been run, and we slowly are moving some of the buckets around, is that is by far the best network on the market, it is the cheapest network. If we allow all of our competitors to come in, they would all go to that network. What would happen is that we would find ourselves giving out our best proprietary network, but then we would be being shopped around for all of the places that we do have a profit for our business. We do make a profit, we are in business to make a profit, some of that is on the pharmacy benefits side, some of it is on the ancillary stuff that we do. If we allow ourselves to be cherry picked, we know what will go first is the one that provides the most savings, which is the network, but the least profitability. In fact, it is probably a loss leader for our business. Those rates that we have contracted with these facilities and doctors are extremely aggressive. We are always adding to that network. In fact, we just added Texas Spine and Joint Hospital in Tyler at that great discount. If we allow ourselves to be cherry picked, then our business model does not hold up. What we contend is when we bring our package to you, that includes our network and all of our services, we are a stand-alone the best deal that can be brought to a County.
- w. Judge Lee: Explain to me, and I understand why that is a good deal for you and I kind of understand why you think that is a good deal for us. Explain to me why this relationship or this scenario does not work for Titus County. An independent consultant who is paid a flat rate, who then makes, basically, three choices for us:
- i. Who is going to be your Third Party Administrator? We will be able to select from several options there.

- ii. Who is going to provide your re-insurance? They will make several selections there and bring us the best.
- iii. Who is going to be your prescriptions benefits manager?

We are able to choose all three of those, which may or may not, and probably, will not be the same company providing each one of those. So tell me why the scenario I just described to you is not best for Titus County.

- x. Brody Clark: What I would argue then, if you go to a true cafeteria-style approach, you lose the scale of one company having the ability to bring an entire package to you, volume, scale, and all the resources in one place. Just like when you go buy a Ford Truck, you can pay \$40,000.00 at the dealership, but go try to buy that truck part by part, you will spend \$100,000.00 doing that. When we take all of our services and put them together, because the scale and volume that we have all being under one company, we can pass all of our resources and discounts onto you for a good bottom line savings.
- y. Judge Lee: You brought up the analogy of a car dealer. Lets say that we are going to decide where we are going to buy our vehicles for the County, so I go talk to my friend Joe Sandlin, who says: “Brian, I can provide you with a great all-encompassing service that will be the best deal for the County. We will sell you the vehicles, we will service your vehicles and we will buy you extended warranties, and we are going to be able to do that better than anybody else can, so you should look no further than Sandlin Motors, forevermore to provide all the vehicles for your County.” I do not think that any of these guys would be interested in doing that, but what you say makes a little bit of sense. I still keep coming back to the basics of the relationship between the consultant and independent bids. However, your argument is well taken.

Does anybody else have a question for Brody? Gail, anything else? Demetra, do you have anything that you wanted to say?

#### Presentation by Brinson Benefits

- z. Demetra Bell-Runnels: Yes, and I agree this has been a long and arduous process; we appreciate the County’s patience. I would like to approach and distribute an overview that I would like to make a statement about today.

I will focus on making this as detailed as possible, but as brief as possible. I know that you are really seeking to understand this and make a decision today. If I can proceed with my statement, I have it pretty much written out; I want to make sure that I hit every single point.

To go back historically with Brinson and Titus County, a request was made for an independent evaluation of the Titus County Health Plan. The request initially stemmed from the awareness and concern that there is no independent consultant currently involved in the preparation and review of the renewal and plan design options. The Court really has two questions to ask today, (1) is it appropriate to renew with Health First TPA on the basis of their renewal proposal. (2) Is there any advantage to hiring a consultant in addition to the current benefit providers? These questions are not a combined or a competing decision, they are completely separate. You could make a decision not to renew with Health First.

Unfortunately, there has been no work done to explore other possibilities and there is currently no consultant in place to oversee a project of that magnitude. No one on the County's staff possesses the technical experience to engage in a project like this, nor would it be common to see that expertise within a County's staff. As we have previously stated, fees currently paid to Health First are above the market norms for services provided. The amount of your overpayment is at least \$36,617.00 per year, every single year.

What I think we learned last Friday is that no independent market evaluation of your health plan has taken place in this County for at least 25 years. That is not normal. It appears that the Court may decide not to conduct any evaluation in the foreseeable future, at least a decision to engage the services of a consultant, any consultant, would indicate that. Now, a consultant performs three tasks:

1. They evaluate and benchmark your benefit providers, their fees and quality, so you can make informed decisions.
2. They bring viable vendors and providers of services to the County so that even if you decide you want to stay with your current vendors; you can do so on the basis of knowing that their service offering and fees are reasonable.
3. They ensure that your selected vendors are performing the contractual obligations as promised. This includes reviewing your contracts, making recommendations for revision, and ensuring that the terms are reasonable and appropriate.

Performance of these three duties is critical, whether you like it or not the fact that you have not made a change in vendors since 1988, sends a very clear message to the benefits market that attempting to do business with the County is probably an exercise of futility. While it may seem that not having competitors at your doorstep is more peaceful, we all know that a lack of competition ultimately drives the prices above market norms; this is certainly the case here. There is no one working for the County who performs these three services now. It is one thing to make an informed decision to pay more for services, an informed

decision that you want to pay more. It is entirely another thing to choose to be un-informed.

In our brief time working with the County, we have taught you to ask better questions. Questions like “How much are we paying and is it reasonable?” It is our understanding that those answers from Health First keep changing. Initially, Health First’s response was that they are only paid \$16.50 per employee per month administration fee and nothing more. That was an annual total of \$24,948.00. When we later provided you with specific written questions, to send to that same sales representative, you received an entirely different answer and the response revealed significantly greater compensation to the East Texas Medical Center owned entities. Those announced being, \$47,680.00 in commissions paid to a subsidiary called RFA, Inc., that is in addition to the \$24,948.00 per year in admin fees paid to Health First TPA. RFA, by Health First’s own admission is an entity; they usually pay independent consultants and brokers out of. So, they work with brokers and consultants. In addition, page three of your contract with Health First also reveals seven (7) additional areas of compensation to ETMC owned entities, including Health First TPA, RFA, Inc., MM Solutions, and Access Direct Platinum Network. If you decide to implement the Health First prescription drug program, payments will also begin to Health First Rx Solutions, another ETMC owned entity. All of these amounts add up to compensation in excess of more than \$80,000.00 per year, significantly more than the initial \$16.50 per employee per month.

Now, if I can touch on the prescription savings opportunity. We continue to see conflicting information from Health First TPA in this area. In their memo of October 28, 2011, Health First states that switching to Health First Rx Solutions program, which they also own, will yield a savings to the County of \$10,043.01. To use a number so precise would indicate an exact formula based on your current utilization, which has not been disclosed to either you or us. That same promise was again made by your sales representative on Friday of the last week in this very room. Now today, it appears that there is a new promise of savings for the County and the amount is estimated to be almost \$90,000.00 but they are guarantying \$75,000.00 now. With that being said, we are curious to know what happened between Friday and Monday to make the savings promise increase so dramatically and the reason that these savings opportunities have not been brought to the County before now. I suspect that it is the presents of a consultant, at this time, that is bringing out the maximum value to the County as it relates to prescription drugs. Before you vote in favor of implementing this new pharmacy program being brought to you today, I would strongly encourage you to have someone read these contracts, review the data and savings projection, and ensure that the potential savings can be fulfilled contractually, not just verbally. We understand that this is the first presentation of this kind of savings potential on

prescriptions that this county has ever received from Health First. It would be good to ask the question “Why is that?”

Touching on compliance briefly, your TPA has indicated that you are fully compliant with Federal Laws and it makes sense that they would believe this, based on the work that they have done in this regard. However, our review revealed a deficiency in one of the two critical areas of compliance. The first area is documentation. Health First may be correct with the documentation that they provided you were in compliance. However, in the area of disseminating the documentation, you have not been in compliance.

Lastly, as I start to wind this thing down, you been issued an ultimatum by Health First. If you engage the services of Brinson Benefits as your consultant, Health First states, “they will terminate all services provided to the County.” That is certainly an unusual turn of events, and Health First cannot contractually preclude from hiring anyone of your choosing. One of the biggest advantages of self-funding is the ability to change out the pieces, to maximize the value to the County and its employees as warranted. Health First’s all-or-nothing approach takes one of the greatest advantages away from you. Why is it that they also want to take away your opportunity to receive unbiased, objective advice from a consultant. You deserve a better answer, a more precise reason for the ultimatum, not a vague statement that “Brinson does not fit our business model.” These are your dollars and someone coming to assist you and optimizing your dollars cannot and should not be a conflict with anyone’s business model.

With that being said, I think that is summary, the best that I know to touch on every point that we have discussed in working with you, over the time that we have been here. (See attachment #1)

- aa. Commissioner Boggs: How do you respond to Mr. Clark’s assertion that bringing a pool of County employees that are.... to the providers gives them extra muscle in the ...and give them an optimum policy or coverage to the County.
- bb. Demetra Bell-Runnels: I understand that, that can have some merit. Their deepest discounts are with ETMC and your highest utilization is through Titus Regional Medical Center. ETMC did not even make it in the top list of utilized providers.
- cc. Judge Lee: What does that mean?

- dd. Demetra Bell-Runnels: It means that the bulk of your employees are utilizing Titus Regional for the discounts and Titus Regional is not part of the Access Direct Platinum.
- ee. Judge Lee: Titus Regional is not part of the Access Direct platinum.
- ff. Demetra Bell-Runnels: No. Any other questions, or? I am trying to be very conservative in essence of the Court's...
- gg. Judge Lee: Here is a question. You have heard the argument that Brody eloquently stated that they provide a comprehensive plan, thereby are able to offer the deepest discounts. Perhaps that is why, perhaps by giving them all that business it helps them to keep administrative costs low and it does indeed yield the very best savings available. Can you argue with that?
- hh. Demetra Bell-Runnels: I would say that you do not know what you do not know.
- ii. Judge Lee: But in your experience do you typically deal with other entities that have multiple providers as opposed to one group.
- jj. Demetra Bell-Runnels: Yes sir, we make sure that our block of self-insured business is able to have the ability to look at every piece of their plan and look for every discount possible in every single area, not an all or nothing type approach. That is the beauty of be self-funded. If you want to do an all or nothing approach, take it or leave it, this is what it is, be fully insured. You are self-insured, you can make your own decisions, it is your plan, and you write the plan.
- kk. Carl Johnson: We asked the person the other day, in light of the comments made about they were not interested in being just the administrator. If they did vote to go ahead and hire you as a consultant and obviously then have a different administrator, are you in the position to ensure us that an administrator can be found by January 1 and that administrator can have basically, except for the Platinum deal, can have the same in network doctors. Our people are going to a doctor that is in network now and in the new plan that doctor is no longer network that could be a problem for the employees.
- ll. Demetra Bell-Runnels: I am in a position to tell you that in our business that we have in East Texas, we have not to this date experienced the huge disruption in changing any of the networks. We do not use just Third Party Administrators or PPL networks that do not serve a huge multitude. January 1, means we have to roll up our sleeves and we have got to get on this right now, we are certainly prepared to do so.

- mm. Commissioner Boggs: I think, Carl, Health First is committed contractually to a 90-day separation period.
- nn. Judge Lee: What is the realistic implication of that?
- oo. Commissioner Boggs: I would assume that it is, if we chose to separate the relationship that it would be from the receipt of the letter 90 days before they will cease processing our claims.
- pp. Judge Lee: Well that puts you in the middle of the year switchover from Third Party Administrator, I do not know if that sounds good to me.
- qq. Demetra Bell-Runnels: We have no argument, as we stated before, we really have been positioned as it is either or. Even going directly into this thing, for us it was never either or, we have business with Health First. We like them as a TPA; we have never drawn a line in the sand that said, "if you stay with Health First we do not want to work with you." However, if that is the line in the sand and that is the line that has to be crossed, we can certainly do it and prepare your employees that open enrollment on January 1 with Health First, should they do not want to do business with us that in 90 days we are going to do this again. We would look to work with Health First and we would look to put in a new PBM vendor in place to bring some deep discounts right now, we discussed that. We have been in this situation, I would say not to this extent, but to the extent that our client is displeased or dissatisfied with a vendor, we will make that change. If it is in the best interest of the County, we will make that change. That is work that we have to get on immediately, to make that decision, to look at all the cost savings, and see what is out there.
- rr. Carl Johnson: One other question that I have for you is, if I read my notes right, on Friday, you thought there was about \$111,000.00 in savings. Then there is also your \$43,000.00 fee that comes off of that number, is that correct. So the next savings would be \$60,000.00.
- ss. Commissioner Boggs: Can I address that? We talked about this the other day. We are paying through Health First a broker's fee.
- tt. Carl Johnson: I understand that, but if you are going to compare apples to apples the Health, and this is just one part of the argument, there are certainly other parts of the argument to make. If you are just going to look at that numbers, Health First is saying they are going to save you over last year's numbers \$112,000.00 that includes their fee. If you are looking at that alternative, your savings are going to be roughly \$60,000.00. I am not saying that the money alone should be what determines what you decide to do, there is obviously other questions, ethical

and whatever, that you need to consider. The point of the money alone is that one side is going to save you \$112,000.00 in this year; the other way is going to save you about \$65,000.00. They are both savings, so you are looking at a difference of maybe \$40,000.00 to \$50,000.00.

- uu. Commissioner Boggs: Explain to me the difference between the \$41,000.00 that we are paying RFA to the \$45,000.00 that we would pay Health First.
- vv. Carl Johnson: It is included in the numbers and they are saying even with that number you are going to pay \$112,000.00 less than you paid last year.
- ww. Judge Lee: We are not that far out. The pendulum has swung from Friday to Thursday, because we have changed \$10,000.00 in prescription savings to \$75,000.00...
- xx. Carl Johnson: ...and they have backed \$12,000.00 off their commissions. Again that is not the only thing you have to consider here, but that is a point that has to be included in your discussions.
- yy. Demetra Bell-Runnels: Right and we have been given very limited information from Health First.
- zz. Carl Johnson: I understand, so it could mean that your numbers are \$150,000.00...
- aaa. Demetra Bell-Runnels: That is exactly right, and we are not guaranteeing that, but we are saying based on what limited data that was provided to us, the savings that we found was significant and now it was \$10,000.00 Friday and \$75,000.00 guarantee today and may be \$90,000.00. We have not had the opportunity to look at that. So maybe it is 90 maybe it is 110, I do not know.
- bbb. Judge Lee: We have talked about one scenario where today we hire Brinson Benefits and our Third Party Administrator says "we do not want to work under that scenario" and that jams us up here, to December 31 pretty tight. Seems to me, a changeover this quickly could have some negative ramifications. Should we also, could we also consider the situation where we vote to hire you as our consultant for the plan year 2013 and leave things in place, as they are, for 2012. In other words, you would not start working for us until mid-2012 to help us determine 2013's plan. Health First functions exactly the way that they presented to us for the year 2012, so that we are not forced to make this decision with six or seven weeks left in the year.



- ccc. Demetra Bell-Runnels: Sure. That is always your option and as we said from the very beginning, we have never approached a County in any type of strong-arm position. We want to work in the best interest of the County. You have sat up there, you have heard everything, and I know you have really thought this over. If you are willing to pay your fees for this year and not know truly what you are getting, that is fine. We do not want to disrupt what you are doing. Like I said, it is one thing to overpay if you know you are overpaying, it is another thing to overpay and not be informed. An informed decision is always a good decision.
- ddd. Carl Johnson: Judge, the only other thing that I would say about that is you would probably need to make sure that.... If their position is that, they do not want to work with Brinson Benefits, period....
- eee. Judge Lee: I am going to give Brody an opportunity to address that question. I am just throwing out every conceivable way that I can give the Commissioners an option and myself on this deal. I am going to get a question from the audience.
- fff. Kathleen Holloway: I moved from Denver to Texas the first of the year, I am a new citizen here. I spent three years in health insurance as an employee benefits consultant. I am curious and interested in this process, having been in certified employee benefits for those years and working with self-funded mostly. I have some expertise in that area. I have three points to make.
- i. A well run self-funded plan does not necessarily need to change and can be steady for 20 years. We have had many of those cases.
  - ii. The other thing is the consultant indicated certain compensation that is actually part of the fixed administrative costs. She inflated a little bit the compensation is getting.
  - iii. If you isn't broke, why try to fix it. You know that if it is working fine, you already know the answer as to whether getting value or not. So if this consultant came to you because you wanted answers to some difficult questions, if you were unhappy, consider it. Again, if it is working do not fix it.
- ggg. Barbara Bruechner: I guess my question was, I do not know what was discussed when you had the workshop three or four weeks ago, the insurance workshop that was on a Friday that lasted several hours. My question is, if there is a \$75,000.00 savings that Health First has found now why didn't they dig a little deeper to save the County money three or four weeks ago. The way the insurance is set up is that the taxpayers pay for it and since our taxes were raised, of course, we want you to have the best deal possible because it saves the taxpayers money. So, why

didn't they dig a little deeper before, and is just now digging deeper because it looks like they may lose the contract, is my perception of the situation. I could be totally wrong, maybe this just came to light but it seems a little odd to me.

- hhh. David Norton: I wanted to take this opportunity to express my bewilderment, dismay and even disgust of what is occurring here now. These people had all of this time to dig up those savings, if they would have been doing their job. You should have been presented this information a long time ago. Now, Commissioner Boggs is requesting that we study the whole gamut of things, starting all over again. That will take a long time and why has that not been done. Commissioner Hockaday, last Friday said he did not feel comfortable voting on the "yes or no" right then. I do not see how he is any more prepared today than he was then.
- iii. Commission Hockaday: I changed my opinion before that meeting was over and said that I was ready to vote.
- jjj. David Horton: These people come in this morning and confuse the issue even further by presenting new facts, new savings, new discounts, new plans, why wasn't that presented to you before if they were doing their job. That is their job is it no, or am I confused. We, the taxpayers of Titus County, would like to see you guys try to save us some money. Now we are backed against the wall, well you are going to have to go with the same plan because we do not have time. I am hearing that coming from you Judge Lee. Consider that fact to postpone it until 2013, why? I do not understand it, hope you can come to a decision on something.
- kkk. Commissioner Boggs: Mr. Horton, it just happens that this issue has been my issue for the last two and a half years.
- lll. Judge Lee: That is true, Mr. Boggs mentioned his concern about this shortly after I got into office, so.
- mmm. Carl Johnson: He also hired the consultant back in May. In either scenario, the taxpayers are going to win because in either scenario there is going to be savings this year.
- nnn. Judge Lee: Anything else? Brody.
- ooo. Brody Clark: I suspect that you want me to talk about our relationship going forward.

- ppp. Judge Lee: You can talk about anything you want. I do need to hear about that, because that does way heavy on my personal decision. I do not want to do something that is going to cause so much disruption, even if I think that I am going to enjoy a better decision making and better benefits by switching to Brinson, I do not want to force it in to a seven-week period to where we end up having a problem.
- qqq. Brody Clark: As far as Health First's relationship with Brinson, we had a meeting with the owner of Brinson, Health First and I have a meeting with Brinson. I cannot remember if it is the end of this week or the end of next week.
- rrr. Demetra Bell-Runnels: It is Thursday.
- sss. Brody Clark: Thursday. Because we definitely need to work out some way, form or fashion to work together. We see value in consultants they do have value. Traditionally where Health First has had pressure though, is when we have our proprietary network in place and a consultant company or a competing brokerage house comes in and wants to split up that relationship, where the model is not built for that. We have buckets that we have, we have a pharmacy bucket and administrative bucket, a network, we have all of these buckets and they are balanced, when you take one away when you have a proprietary network with extremely deep discounts the model starts to get shaky. That is why we have a meeting with them, because they are in Dallas, they are in Houston, those are markets that we are not in. How can we work together in those markets? Quite frankly, I would imagine the conversations are going to come back and say, "how can we somehow work together in East Texas?" Health First is territorial there is no doubt. We are East Texas that is who we are. We built this network for East Texans and that is why we have so aggressively went out to facilities and doctors and got these discounts. Is there room play in the future going forward? Perhaps there is. I want to thank the Judge, we talked on Friday and that was one of his many things. I see value on both sides, can we somehow get to a point where we can all, we can be comfortable that we are making the decisions that best benefits taxpayers and if it is your deal then it is you deal. How can we get comfortable, and I think we will have those conversations.
- ttt. Judge Lee: Alright, any final questions by any Commissioner for anybody that spoke.

3) Consider and possibly approve renewal of medical insurance.

- a. Commissioner Boggs: What is the action that is called for now, is it to employ Health First or to employ Brinson Benefits.

- b. Judge Lee: I guess that is for you, the one that makes the motion to decide. Before we do that let me give these gentlemen and myself an opportunity to make any comments. Would you like to begin?
- c. Commissioner Boggs: Well, I would like to the motion on the table that we employ Brinson Benefits and I will make that motion.
- d. Judge Lee: Would you expound upon that, because as you heard me ask, we have a situation that requires you to better define this. If you hire them immediately are you implying that they take over full function as our agent of record immediately, in which case we are facing another big question. What do we do about our Third Party Administrator who has made it clear that they do not want to work, at this time, under that relationship, or do you postpone the hiring of Brinson Benefits as I suggested to another time.
- e. Commissioner Boggs: Well, in my motion, it would have an open date but I would request that those evaluations and those recommendations for the Prescription Benefit Manager, Re-Insures, and also TPA, we make time for Carl to get some figures for the budget in July. So, if that means they start on March 1, then they start on March 1.
- f. Carl Johnson: You want to hire them to work on next year's numbers.
- g. Commissioner Boggs: Exactly.
- h. Judge Lee: Do you want to leave that decision as to when they begin the service open-ended or again are you going to define that they begin the process working towards the...
- i. Commissioner Boggs: I tell you what, let me rescind that motion. In light of the fact that everyone knows my position and my intent, I would like to see some accommodation made between Health First and Brinson Benefits...But I would like it on the Agenda for Monday's Meeting.
- j. Judge Lee: I will second that motion, but at this time, I would like for anyone who so chooses, Commissioners, to make a statement if you like.
- k. Commissioner Fields: What I am understanding here, you made a motion to what now.
- l. Commissioner Boggs: I have sense rescinded the motion. The motion was to hire Brinson Benefits to develop a comprehensive plan from the bottom up regarding all potential savings and the coverage for Titus County with no significant

difference in benefits at this time. They would begin in time for Carl to get the date necessary for the budget next year.

- m. Judge Lee: Please further clarify, are you talking about no changes to the 2012 plan that we have here in our hands.
- n. Commissioner Boggs: As I understand it, it is going to depend on the meeting on Thursday if they work together. What I see is that if we hire Brinson Benefits the RFA is not necessary for 2012. They will be doing the work that RFA is going to be doing, they will be processing our claims.
- o. Judge Lee: Your motion seems to indicate that there has to be cooperation between the two.
- p. Commissioner Boggs: It does not have to be, that is how my motion displayed dependent on them working out a plan.
- q. Judge Lee: What if they cannot.
- r. Commissioner Boggs: Then my motion is to hire Brinson...my motion would be, it is not today.
- s. Judge Lee: I am thinking whether I want to second that motion or not.
- t. Commissioner Hockaday: you better not.
- u. Judge Lee: Again, I would like to see more flexibility in my options there and I am afraid that you are leaving too many things in the air right now. I could give you several different scenarios and I am not sure that your motion addresses each one of those. Let's say that, did that give Brinson the option to come up with a Third Party Administrator prior to year-end, as one option. It gives them the opportunity to figure out a way where they keep Health First as our Third Party Administrator during the 2012 year, or it means that they do not actually get started until mid-2012 and we leave the current proposal in place.
- v. Carl Johnson: Judge, I think you are misunderstanding. What he is saying is that is what he is leaning towards, he is not making a motion right now. Is that right Don? You're not making a motion...
- w. Judge Lee: You completely rescinded it....
- x. Carl Johnson: He wants to have it on the agenda Monday after they have their meeting on Thursday.

- y. Judge Lee: If you run into the situation where you need a tiebreaker, I am not here.
- z. Commissioner Boggs: Well, I need you here.
- aa. Commissioner Hockaday: I am going to make a motion that we go with Health First's whole plan, just as we are, this year. I make that motion.
- bb. Commissioner Fields: Second.

4) Closing Comments by County Judge and Commissioners, if any.

- a. Judge Lee: Before I call for a vote, anybody else want to make a statement here? I have some notes here that I put together. We use the bid process for a purpose, as long as people have been transacting business the bid process has been used to produce the best price, service and product. Our employee health insurance is one of the most complex issues that we deal with each year. Yet in the past, we have admittedly spent very little time discussing it relative to the total cost involved. I consider myself reasonably intelligent, but I can assure you that a self-funded insurance plan is not a topic that I trust myself to be well versed in and considering I am asking the taxpayers to spend over a million dollars a year for it, I want the best possible advice I can get. That advice comes with a price regardless of whom you use. We utilized the services of a consultant to guide us through the purchase of property insurance, liability insurance and now workers' comp insurance, but that consultant is not one of the companies that bids on that insurance. I want the most objective and honest advice that I can get in all facets of that decision. I do not ask Steve Capps to recommend the best insurance agent between Capps, Pirkey, Buford and Bomer, I trust him completely and he is a good agent, but I want somebody that can step outside of that circle and help me with that decision. I am certainly glad that we hired Brinson Benefits, however this goes they produced us an abundance of savings regardless of how the vote goes. I would be saddened to think that we would reward them by saying "thanking you for saving us six figures, but we do not need you." At the same time, I am hesitant to reward Health First by saying "just keep on going, you have done us a great job." I would look forward to working with Health First in the future, I believe that they have provided us with some excellent service, I just want to interject a consultant into the process and I would like it to be someone else. I would like it to be Brinson. Anyway, I have a motion and a second...
- b. Commissioner Boggs: I have a comment Judge. I have prepared statement as if the motion was on the table to hire Brinson Benefits, I wrote it down so I could

remember all of the factors that went into it. When I read this, assume that there has been a motion on the table to hire Brinson Benefits.

“When I consider the hiring of an independent agent of record, Brinson Benefits, I feel a no vote a case of denial. First, it is a denial of the financial position the County is in considering the Luminant Suit and the rather sluggish local economy. True, we have raised taxes as we should have done, but revenues are not the only way to address this problem. Carl has laid out the need to reduce our insurance costs, not by tens of thousands, but by hundreds of thousands. We need someone who will look at the entire insurance universe, think out of the box, and reduce our administrative costs as much as we can without cutting benefits until we have exhausted all of the other savings. Health First will only address two segments of the industry to seek savings. Brinson is aggressive and will work on our behalf as our “independent” agents. That brings up another denial. No vote indicates a denial that RFA, who are the commissioned sellers of our coverage is, by its business model, a conflict of interest. RFA is a part of our Third Party Administrator, thus, we cannot shop TPA’s. Health First is our TPA, RFA is part of Health First, and Health First is owned by East Texas Medical Center. Our agent in essence works for two of our providers. Our County Attorney, John Mark Cobern, has told us that he considers it a definite conflict of interest. Carl has indicated it is not a healthy arrangement. I feel that the person that is negotiating our health care contracts, our coverage, our rates and our benefits needs to be paid by a check that is signed by Carl and Sheryl, not by two of our providers. Health First, in 1988 through the end of the Century was a very appropriate. However, the health care industry in the last 11 years has morphed into a super profitable, bottom line oriented monster. I know it first-hand. We need a more aggressive protector of our ever-tightening tax dollars. As to the \$45,000.00 that Brinson would charge, let me remind the Court that we already pay \$41,000.00 for RFA, our present agent. That \$41,000.00 is only what we know about, and as we found out today, there is more there. That has taken me two and a half years to find out. It is probably a lot more the deeper we dig. So Brinson’s cost is, in effect, a wash. I intend to vote to hire Brinson Benefits, but will respect the decision made and the Court as a whole. But as we go forward, the financial pressure we face, by its nature, demands change in how the County does business. Change is inevitable and if it makes us more efficient, a good thing for our taxpayers and our employees. (See attachment #2)

- c. Carl Johnson: Judge, I would say one thing. If I am understanding right, there could be two different motions here. Thomas has made a motion to hire Healthcare First for the year 2012. That does not preclude somebody else making a motion like Don talked about yearly to hire Brinson to start working on 2013, assuming that they can work together.

- d. Commissioner Boggs: That is what I am going to wait until Monday to do, wait until they meet and I hear from Brinson or Gail as to whether there was an accommodation...
- e. Judge Lee: We have a motion by Commissioner Hockaday, second by Commissioner Fields to continue, restate that for me because I may have a question about that motion.
- f. Commissioner Hockaday: Continue with Health First as our provider of health insurance and our TPA.
- g. Judge Lee: Would you like to add on there with the savings that they have suggested here.
- h. Commissioner Hockaday: with the savings that they presented.

Motion made by Commissioner Hockaday and seconded by Commissioner Fields. Motion passed. (There were three Positive votes by Commissioner Hockaday, Commissioner Hinton, and Commissioner Fields and two Negative votes by Commissioner Boggs and Judge Lee.)

Adjournment. (Listen to audio track 1, 00:15:33)

Motion made by Commissioner Boggs and seconded by Commissioner Fields. Motion carried unanimously.