



TLG and LMC 2016 Case Study Application
Future Ready Communities



DUE: September 4, 2015

Email to: Ryan Spillers at rspillers@transformgov.org

COVER PAGE

1. Case Study Title: The City of Palm Coast Did What? Healthcare Costs BELOW 2010
Figures: Fixed Costs and Local Partnerships

2. Case Study Category (Select only one, selection identified by highlighting your choice):

Planning for Your Future

Creating an Inclusive Community

Reinventing Local Government

Community Networks

Blinders

3. Jurisdiction Name: The City of Palm Coast, Florida

4. Jurisdiction Population (US Census): 80,600

5. Would you like the application to be considered for our Rapid Fire Session? (Rapid Fire presentations are fast-paced, entertaining, interactive presentations. Each jurisdiction will have five minutes to make their presentations using 15 PPT slides set on auto-forward primarily containing photos/graphics. Participants will be seated at round tables to facilitate an energetic idea exchange. A cash bar will be available.)

YES

NO

6. Project Leader (Primary Contact for case study notification):

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List additional presenters contact information below:

Jim Landon, City Manager

City of Palm Coast

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Julie Freidus, Senior Vice President & Benefits Sales Leader

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1. Presentation title and description of the innovation. *100 word maximum.*

Title: The City of Palm Coast Did What? Healthcare Costs BELOW 2010 Figures: Fixed Costs and Local Partnerships. Description: The City of Palm Coast, tired of double-digit increases to their health insurance premiums, re-engineered, re-vamped and re-imagined the program. Using a multidisciplinary team approach with representatives from Human Resources, Finance, Purchasing & Contracts, Fire, Utility, the City's EMS Medical Director and the City Manager, the entire program was tossed out and rebuilt. By fixing ALL costs and partnering with a local urgent care center, the City has maintained a competitive benefit offering to employees while holding costs constant.

2. When and how was the program, policy or initiative originally conceived in your jurisdiction? *100 word maximum.*

The seeds were planted in 2009, came to fruition in 2011, and produces fruit still today. The City knew that continuing with double-digit increases in program costs was unacceptable. Creativity was key in our discussions; so much so that the team called it the, "throw the spaghetti against the wall to see what sticks," process. Each team member had an equal voice and no idea was too silly to consider. Each question and potential answer, like a ripple in a pond, led to another question and other potential answers. As we assembled the various pieces, the entire picture became clear.

3. How exactly is the program or policy innovative? How has your innovation changed previous processes, products or services? *100 word maximum.*

Each piece of the program is not particularly innovative, but put together we have seen amazing results. We have fixed costs, switched to self-insured, introduced a high-deductible program with health savings account (City funds the individual deductible) and collaborated with a local medical center rather than incur the costs of our own clinic. Employees can have almost free healthcare, think more about their care, and we have changed our premium structure not to cover costs, but to change employee behavior. We have instituted flat fees for almost every component of the program, so now we drive the costs/changes, rather than them driving us.

4. Explain how the program or initiative substantially stretched or improved the boundaries of ordinary governmental operations. *200 word maximum.*

By fixing costs, as well as introducing consumerism into our plan, we now know the maximum liability the City will incur annually for the health insurance program (all-in costs). This is a fixed amount, subject to only small fluctuations based upon enrollment. When we began the process, clinics were the "in" thing; promising to improve health by providing care to employees at no cost, but at great expense to the employer.

The only way to financially make a clinic work was to move to self-insurance (SCARY!) so the City, not the insurance company, realized the savings in reduced claims. Fixing broker and other fees was a logical progression. When those services are commission based, as costs rise, so does their compensation. To further control costs, we introduced and incentivized the high-deductible plan, making our employees more educated consumers.

Utilizing a local provider for our clinic, a community partner known to employees, allowed us to avoid capital costs, management fees and pass-through billing. Previously, we had only heard of clinics managed by an outsider.

While no component of our program is in itself extraordinary, the combination of components is extraordinary, has improved our operations, and met our goal of controlling costs.

5. What individuals or groups are considered the primary initiators of your program? How does the innovation engage stakeholders or demonstrate high performance teaming? Were strategic partnerships and/or community networks developed as a result of the innovation? *200 word maximum.*

Primary initiators of the program was cost containment. Double-digit increases year over year was unsustainable. The burden on both employees and tax-payers as costs rose with no end in sight required action, and a long-term solution. Even assuming moderate annual increases, we realized that our healthcare outlook was not positive and would result in either increased costs or benefit reductions. We had to take control of the process.

The Team allowed us to receive organizational understanding and buy-in before changes were implemented. The solution was developed together, with the interests of the City and employees at the forefront. Consumerism allowed staff to take ownership of their care. Our staff is now some of the most educated healthcare consumers in the country, utilizing the tools provided to them to shop for services because they understand that what saves them money, saves the City money. Making healthcare dollars theirs instead of the "City's" has taught them to be better consumers; they know they have treatment options and they comparison shop very, very well.

6. If a private consultant was used please describe their involvement, identify the consultant and/or firm and provide contact information. *100 word maximum.*

We did not hire a consultant for this process. We had a long and established relationship with our broker, Julie Freidus, who is an equal member of the team we established and was part of the exploration and implementation process. She also served as advisor/educator, services that were included in our newly negotiated, flat-fee, non-commissioned basis Broker Services agreement and therefore, provided at no additional cost. From our initial starting point of despair to our unexpected, but sunny destination, Julie provided encouragement, support, and never once said that what we wanted to do could not be done.

jfreidus@BBDAYTONA.com, (386) 239-8820.

7. To what extent do you believe your program or policy initiative is potentially replicable within other jurisdictions and why? To your knowledge, have any other jurisdictions or organizations established programs or implemented policies modeled specifically on this project? Please provide verification of the replication. *200 word maximum.*

We are confident that our initiative is 100% replicable. Flagler County Public Schools implemented our program in September 2013. They also struggled for years with significant cost increases and the premiums they were required to charge their staff rose with their increases. The City of Palm Coast presented our model of success at one of their Board meetings. Shortly thereafter, they invited us to meet with proposed clinic providers to define scope of services and hourly cost, as they wanted to mirror our results as closely as possible.

Based upon those meetings, they have a clinic utilizing another local provider. They have also made the switch to a self-insured program and flat fee broker service. They have enjoyed the same level of success as we have (with a much larger group size). In fact, after two short years, their reserves are fully funded and for the first time in years, premiums charged to staff remained constant.

We presented our program at the Florida City and County Managers' Association Conference and three communities have reached out to us for information on our program and at least one of those is in the process of implementing some or all of our components.

8. What were the costs? What were the savings? *100 word maximum.*

The cost, technically, was nothing with almost immediate realized savings. The City's all-in cost final year fully insured (2010) was \$3,174,000. The City has not matched or exceeded that level of all-in expenses since then. Over four (4) years, the City saved \$847,982.00 compared to the 2010 base year. Applying the national average increase for health insurance plan expenses, as reported by the Aon Hewitt Health Value Initiative 2015, our program has saved the City a whopping \$2,219,476.00. This does not include savings enjoyed by employees due to no-cost clinic visits and the more educated treatment choices being made daily.

9. Please describe the most significant obstacle(s) encountered thus far by your program. How have they been dealt with? Which ones remain? *200 word maximum.*

Our number one obstacle was fear. Could we do it? Did it make sense to pay for claims out of our own pocket? We accepted the challenge and faced the fear and it paid off in a big way; especially facing the alternative of out-of-our-control rising costs. The only other obstacle was the education of staff. The introduction of a high-deductible health plan (HDHP) was scary for them as well, since it moved away from traditional co-pays. Education was the key and continues to be. We had group and individual sessions with staff and used their personal information (from their explanation of benefits) to illustrate what their premium and out-of-pocket costs would be with the HDHP/HSA plan versus the PPO plan, assuming that they experienced similar medical needs year after year. This helped them to make the proper choice for their family. Education of staff is, and continues to be, an on-going effort.

10. What outcomes did this program or policy have? What baseline data did you collect? How did you measure the change based on the intervention, and why do you believe in the credibility of this assessment? *200 word maximum.*

The outcome was holding our costs constant. The financials speak for themselves and we are 100% confident that the revitalization of our program resulted in significant savings for our organization both now, and in the future.

11. Has the program received any press or other media coverage to date? If yes, please list the sources and briefly describe relevant coverage. *100 word maximum.*

The program has not received any major media coverage, but the City of Palm Coast presented our program at the Florida City and County Managers' Association annual conference and we were well-received.

12. Please provide web links where the innovation can be seen/tested (in the case of something that is web-based) *100 word maximum.*

N/A

13. Please provide any key references and their contact information who can be interviewed/called to discuss the innovation and its impact. *100 word maximum.*

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14. You've been to a lot of conferences. TLG should be a unique experience for everyone. Describe how your case study presentation will be different than other conference presentations. *200 word maximum.*
- How will you make the session creative and unique?
 - How do you plan to be both entertaining and educational?
 - Include a description of how your session will facilitate group activities and/or interaction.

To be honest, I'm a bit of a ham (my City Manager's words, not mine). What our presentation will NOT be is a group of two or three people sitting at a table or raised platform talking. Our PowerPoint presentation does not have many words, and has a lot of pictures. To be honest, the Rapid Fire Session sounds like something I'd have a ball with, but I can't contain myself to only five minutes.

The City presented this same topic at the Florida City and County Managers' Association annual conference in May. One of the evaluation comments was, "I thought the Healthcare session in the morning was the best of the conference probably because it was particularly relevant to my organization."

The tone of this application is pretty much my tone in person. At the presentation in May, I provided all attendees with hand-clappers. In the presentation itself, I ask questions and I require that they clap if they agree and/or disagree. I'll wait if there is no noise. If someone has a question, they need to clap for it. I walk around and maintain eye contact with all of the attendees (especially the ones who look down at their lap a lot). I can promise that if nothing else, I will be entertaining.

15. Anything else you would like to add? *200 word maximum.*

It is understood that the call for presentations requests that the program have been implemented within the past two years. However, two years after full implementation would not have demonstrated that the savings we, and others, have experienced were sustainable over time. We sought a long-term solution to a concern facing every community. Originally, we wanted to keep plan increases to a minimum – not really believing it was possible to hold ALL costs constant. The fact that we have remained BELOW our 2010 costs was a surprise even to us, and to have done it consistently year after year borders on the unimaginable.

We are extremely proud of our success, we would like nothing more than to share with others how they can do it as well.