An adjourned meeting of the Board of Supervisors of Albemarle County, Virginia, was held on February 29, 2016, at 3:00 p.m., Lane Auditorium, County Office Building, McIntire Road, Charlottesville, Virginia. The meeting was adjourned from February 25, 2016.

PRESENT: Mr. Norman G. Dill, Ms. Ann Mallek, Ms. Diantha H. McKeel, Ms. Liz A. Palmer, Mr. Rick Randolph, and Mr. Brad L. Sheffield.

ABSENT: None.

OFFICERS PRESENT: County Executive, Thomas C. Foley, County Attorney, Larry W. Davis, Clerk, Ella W. Jordan, and Senior Deputy Clerk, Travis O. Morris.

Agenda Item No. 1. The meeting was called to order at 3:02 p.m. by the Chair, Ms. Palmer. Ms. Palmer introduced County staff and the presiding security officer, noting that the meeting was being live video streamed.

Agenda Item No. 2. **Work Session:** FY 2016-2017 Operating and Capital Budgets.

Item No. 2a. Presentation of School Board Budget.

Albemarle County School Board Chair, Kate Acuff, convened the School Board meeting and stated the expectations facing students are higher than ever, with the workforce and economy changing at an increasingly faster rate. Ms. Acuff stated the skills they need to be competitive are fundamentally different than the skills of previous generations. She said that throughout the recession, the state significantly backed off of its funding commitment to public education, and in response the Board of Supervisors has taken on a larger role, for which the schools are grateful. Ms. Acuff said the school division and County exceeds expectations, a sentiment echoed in Mr. Foley's budget presentation a week earlier in which he also forecasted continued financial hardships and called for reimagining of how they budget. She stated that as elected officials, they have been entrusted with a great deal of responsibility, and moving forward and investing wisely in that work will be paramount to Albemarle's continued vitality.

Mr. Steve Koleszar addressed the Board, stating what the School Board is presenting is a lean, need-based funding request, a straightforward story driven by numbers. He stated the funding request is $174.2 million, including $7.1 million or 4.25% in new money, with 71% of the increase being directed or mandated, 12% due to growth, and the remaining 17% for a restoration of essential resources necessary for the success of County students. Mr. Koleszar presented a chart of mandated items, and said that 32% of the total increase is health insurance, which is more than double the amount of the funding gap. He stated that growth is another big driver at 12%, due primarily to special education costs as well as the need to provide temporary modular classrooms at Albemarle High School to cope with overcrowding there. Mr. Koleszar said the budget gap presented in the schools' funding request was $1.9 million, but with the proposed 4/10 of a cent tax increase going to schools as Mr. Foley presented, that gap has been reduced to $1 million. He noted their funding request is based on the Governor's budget, and the state revenues will not be finalized until the legislative session is finalized. Mr. Koleszar commented that the recession has been hard on everyone and the schools have made a concerted effort over the years to be as efficient as possible. He stated that since 2008-09 per-pupil spending has remained almost flat, and with inflation considered, the County is actually spending less per student than it did seven years ago. He noted the City of Charlottesville spent about $16,000 per student in the current year.

Ms. Acuff stated the budget discussion is not only about meeting financial needs in the next fiscal year, there must be a broader focus, and in agreement with the County Executive this is a chance to talk about how to meet needs in years to come. She said that a strong public school system is essential to a community's economic vitality and quality of life, but they share common challenges that threaten their vitality. Ms. Acuff stated that first and foremost is the underfunded CIP, and the community and schools are experiencing significant growth and a shift in demographics, and there are also significant challenges in the areas of compensation and benefits. She said there is a direct line of sight from the CIP to every child's classroom, and the schools are asking teachers to deliver instruction in fundamentally different ways, and that is challenging the overcrowded and out of date learning spaces built to address the needs of a different century.

Ms. Acuff referenced a list of all of the projects recommended by the CIP Oversight Committee and sent to the County, and of that list only a three-year phase-in of security improvements and the Red Hill project phase one were included. She stated that while the schools are grateful that the budget includes the Red Hill project, but the absence of other critical high priority projects is concerning and fails to meet long-term needs. Ms. Acuff said the Woodbrook addition would help alleviate capacity issues at Greer and provide space for continued growth in the urban ring schools, so the School Board urges the Board of Supervisors to add back into the budget the money to plan for that addition. She stated the County is growing, and 33% of students today are in schools that are over capacity, which is expected to grow to 43% in three years and 50% within five years. Ms. Acuff said there have been modest additions made to some schools, such as Greer in 2012 and Agnor-Hurt in 2015, Greer is already overcrowded because the recommended addition did not get built and Agnor-Hurt is expected to be overcrowded within three years. She stated they cannot redistrict themselves out of this problem, as the Citizens Advisory Redistricting Committee had concluded, and there is no redistricting solution for Greer without building capacity. Ms. Acuff stated that without the environmental studies academy addition, the schools cannot continue to grow that program, which is now in its second year and needs more space for years three and four. She said that existing learning spaces are out of date, and funds necessary to implement future modernizations remain to be seen.

Ms. Acuff reported that modernizing learning spaces includes everything from providing natural light in classrooms, with about 100 classrooms currently having no natural light, to offering a sufficient number of outlets for students to recharge their computers, to creating engaging environments that are conducive to project-based learning. She stated that smaller class sizes have consistently ranked #1 in community surveys as a school priority, and without additional space they have little choice but to consider increasing class sizes, and by not addressing capacity issues directly, they are doing that de-facto or having to move trailers onto school sites. Ms. Acuff stated that pre-K programs are invaluable to a significant number of families, but without space, serving all of the community's learners is a challenge. She said it is noteworthy that the schools experiencing the most enrollment growth and the largest increases in academically at-risk students are those with the greatest needs for pre-K, those in the urban ring, including Greer, Agnor-Hurt, Cale and Woodbrook. Ms. Acuff stated there is a direct correlation between the CIP and providing high-quality instruction, and modernization of space is not an insignificant thing, it is essential to try to continue to engage students. She said that the modernization of Monticello High School's library and award-winning learning commons has skyrocketed annual student visits from 400 to over 70,000 in a school year.

Ms. Acuff reported the County is also experiencing significant demographic changes, with enrollment continuing to increase, and in the last seven years student population has grown by more than 800 students with another 100 anticipated next year. She stated that 450 students are anticipated to be added in the next five years, making the total 1250 students, which is greater than the enrollment at Monticello High School, with no new school built since 2002. Ms. Acuff said that in addition to the actual growth, there is an increase in diversity with a shift to more academically at-risk students, and students were born in more than 96 different countries representing 70 languages spoken at home. She stated the population of free and reduced lunch recipients in three of the County's elementary schools has more than doubled in the past 10 years, with two of the three schools, Greer and Agnor-Hurt, located in the urban ring.

Ms. Acuff said the schools are anticipating an increase of 40 special education students this year, but instead got 80, and there was an increase in the severity of disability as well as just numbers. She referenced a chart of required staffing levels needed for these students, and the group that experienced the largest growth from last year is the population requiring the most intensive services, those with autism or multiple disabilities who receive special ed services from 50-100% of the time, with that group increasing 11% from last year. Ms. Acuff reported that almost 70% of the County's 1,200 English as a Second Language (ESL) students are at lower levels of English proficiency and require greater levels of services, with their success depending on teachers who are prepared to support linguistically diverse students.

Ms. Acuff stated there is a direct link between the increasing numbers of academically at-risk students and school capacity, because they need breakout rooms, resource rooms, and smaller ratios of students to teachers. She noted it also requires greater investment in professional development for teachers and other staff, and they are challenged with maximizing meaningful engagement for every learner, and that happens by addressing the essential competencies required by teachers, administrators and classified staff. Ms. Acuff presented a table showing investment in professional development since the recession hit, and while there has been significant growth in at-risk student population, one of the most immediate and significant cuts made to the school budget to keep it in line with what the County can afford was to slash professional development. She stated that typically, professional development comprises about 3% of private sector budgets, and in high performance companies it is closer to 6%. Ms. Acuff said the schools' investment in professional development has decreased from 2.4% to 1.7% since 2008-09, assuming their budget will be fully funded, and this has meant shortchanging staff by almost $8 million. She emphasized that beyond any other school factors, teachers are what matter most and have the biggest impact on student success, and the best hope for continuing to propel students to success lies in developing the talents of their most valuable resources, their employees.

Mr. Koleszar stated the third and common challenge is the rising cost of healthcare, and moving into next year, the schools are projecting a 14.5% increase from their Board contribution for each participating employee, and a total increase of $2.3 million. He said that employees are being asked to contribute more to healthcare, which is particularly challenging to bus drivers, cafeteria workers and teaching assistants, with a large number of people making low salaries, and any increase in healthcare costs hitting them particularly hard. He presented information on the schools' total compensation package over the past 10 years, stating that a new teacher hired in 2005 received a salary increase of 11% over that timeframe, but 5% of that was a mandated increase to VRS that was immediately withheld from their pay, making the actual salary increase just 6%. Mr. Koleszar stated the cost of benefits to the school division has gone up 39% during that time, for a total compensation increase of 18.25%. He said the schools have been able to meet their target of the 75th percentile for teacher salaries during this time, but when adjusted for inflation their take-home pay has decreased since 2009. Mr. Koleszar stated that schools of education across the country are not producing enough teachers to meet demand, with school systems facing a looming teacher shortage, and it will be difficult without compensation increases to staff Albemarle County schools with the kind of professionals that will significantly impact student learning.

Ms. Acuff stated the quality of life and economic vitality of the community are highly dependent on the quality of public schools, and people and employers choose to locate in Albemarle County based in large part on the quality of public schools regardless of whether they have students attending them. She said they share some real challenges that impact the quality of education in the County, and while the funding request is a modest step in the right direction, it does little to address capital needs and it is hoped they can reimagine how they invest in the future so the community can continue to exceed expectations. Ms. Acuff stated the School Board would like to invite the Board of Supervisors to come together to address their shared challenges, and offered to answer any questions.

Ms. Mallek asked about the budget line for professional development. Ms. Acuff responded the schools had $500,000 in the budget request, and last year they had put in $158,000.

Mr. Dill said he has heard various comments regarding new school facilities, including a K-12 campus in the northern part of the County and adding small amounts onto different schools, and it strikes him as incredible that they have not had a new school since 2002. He stated this seems like an obvious request to build a school, and asked how this might play out.

Ms. Acuff stated they have been careening from capacity crisis to capacity crisis, and one of the things they want to do in working with the Board of Supervisors is to start thinking proactively about where they want to go. She said that while they did not see a viable redistricting option for Albemarle High School, that is not the same thing as endorsing a three or four-thousand student high school. Ms. Acuff stated they are adding an eight-classroom mobile facility onto the campus, but they need ten and the site could not accommodate all of them. She said the schools have discussed the wisdom of building a new high school for the northern feeder pattern, but felt it was not prudent to include a $100 million cost since they could not even afford to add capacity to schools like Woodbrook. Ms. Acuff stated that Albemarle High School could be added onto, but the core of the structure had been built in 1956 and was built for 800 students, with some of the hallways, teacher spaces and cafeteria space not able to be fixed. She encouraged the Board to visit the school and mentioned there are utility closets being shared by three teachers, who time-share the space so they can grade papers, and the modular units are a short-term fix.

Ms. Acuff said that for Greer Elementary, the proposed solutions are unsatisfactory, and stated that in 2012 there was an addition made to the school at about half the size recommended by the long-range planning committee. She stated this may have been penny-wise and pound-foolish, because the addition is now 100 students over capacity and cannot have a second story added because of the way it was built. Ms. Acuff stated the schools are contemplating having the Head Start students being bussed to Greer and then shuttled from Greer to Broadus-Wood because there is not enough space. She said that last year in order to accommodate pre-K at Cale, they had to move classes around and bring in trailers, and while Greer is the biggest challenge, five other schools are at or above capacity. Ms. Acuff stated the addition at Woodbrook will add 16 classrooms and will alleviate much of the overcrowding in the urban ring schools for some time to come and provide several years of breathing room. She urged the Board of Supervisors to at least do the planning for that addition, and said the solution for Greer this year is to get rid of the stage space for resource rooms and bussing four-year-olds, which is not a great approach.

Ms. McKeel stated that it sounds as though the Woodbrook addition is the schools' top priority, and asked if that amount is $1 million for the planning and design of the addition. Ms. Acuff confirmed that the $1 million will cover the addition planning and design.

Mr. Dill asked if the Woodbrook addition will be able to be built on top of. Ms. Acuff responded that they have sketches, but have not done any design work yet, with a two-story, 16 classroom addition contemplated, and said the design will also include security improvements and other improvements to existing spaces. She stated they had recently held a community meeting but had not set the exact size and contours of the building, and they do not want to repeat what they had done at Greer with an addition built that would not last five years.

Ms. Palmer asked if they would address the overcrowding by having Greer students move over to Woodbrook. Ms. Acuff responded that they will definitely have to undergo some redistricting, but that would have to be studied by another redistricting committee.

Mr. Sheffield stated he had heard that the Brookhill development plans to proffer land for a new elementary school. Ms. Acuff responded the School Board had been hearing that for a long time and it is uncertain how that will end up, but pointed out that the construction costs of building a new school and associated operating costs, as opposed to building an addition to Woodbrook, would be greater because it would require hiring a new principal, library, cafeteria, building services, etc.

Ms. McKeel commented that the Superintendent had to put together her funding request early so that it could be folded into Mr. Foley's funding request, and asked if the funding request reflects the reduction in revenues that he has been talking to the Board about over the past several weeks. She said she wants to understand this year's budget better also, since they are having to make up funding in the current year. Mr. Koleszar responded that the $1.545 million gap had been in Dr. Moran's request, but that has been reduced in Mr. Foley's budget to $1.08 million, and they have not addressed any shortfall in the current fiscal year.

Mr. Foley stated the 0.4 cent dedicated to the schools had originally generated about $660,000 but with the projections accounted for in the downturn it is $462,000 with the gap at $1.08 million with those two adjustments.

Mr. Dill said that his understanding is that the Governor's budget may not include all of the funding that was initially assumed, and since Albemarle is considered a higher income area the County may not get its share of it.

Mr. Jackson Zimmerman, Executive Director of Fiscal Services, addressed the Board, stating that the information from the state has not yet been forthcoming regarding specific allocation of dollars, so they have no further information beyond what the Governor had presented in December.

Mr. Dill commented that the $1.08 million is probably the best they can hope for, given that the Governor's budget may end up at a lower amount. Mr. Zimmerman responded that the schools have not heard about anything less than the Governor's numbers, but it will ultimately depend on the individual requirements associated with each bill coming from the House and Senate, and where Conference will end up.

Mr. Foley noted the County's budget proposal was unable to address compression concerns, so the County Executive's budget does not include that, whereas the School Board budget does, so currently they are in different places, and getting in the same place will at least help to address the gap, although it will not address the important issue of compression.

Mr. Randolph asked why the schools are moving beyond "libraries" into "learning commons," as people may not understand the process of change taking place in schools and the justification for the space modernization. Ms. Acuff explained the learning commons at Monticello High School are a repurposing of storage rooms around the perimeter of the library, to include spaces such as a recording studio for recording of class material, a maker space, a poetry café, a genius bar for computers and programming, comfortable seating, and innovative quiet space if teachers want to hold their classes there. She stated the level of engagement cannot be questioned when considering the numbers going from 400 to 70,000, a number that could approach 100,000, and the students are fully engaged in what they are learning. Ms. Acuff said the schools are working toward collaboration and project-based learning that requires some flexibility in rooms, seating and materials available. She stated that whenever an add-on is done to a school, they are modernizing space, but they have only made a dent in the school system.

Mr. Randolph stated that one of his constituents when he was going door to door had asked him why there are so many IFC families here, and asked Ms. Acuff to follow up on her comment about school children representing 70 different home languages. Ms. Acuff explained that Charlottesville/Albemarle is one of 17 different International Rescue Committee relocation sites around the U.S., areas around the country sponsored by the State Department to bring in refugee families from around the world. She said that historically, 80% of those families had relocated into Charlottesville City Schools, but now that those numbers have increased, the County is experiencing 80%. She stated a lot of these students move in and out and it is unclear how many actually stay in the area, and some of them have limited proficiency in education from their home country as well as once they arrive here.

Ms. McKeel commented that the school presentation was very clear and straightforward.

Ms. Palmer agreed, adding that she would like for Ms. Acuff to send copies of her comments.

Ms. Mallek said that in 1967, there were 1,600 students at Albemarle High School before the additions were made, and in the 1980s, when the additions were brought onto Broadus-Wood, they immediately needed five trailers. She stated this is not a new phenomenon, but they need to try to find a way to avoid it.

Ms. Acuff agreed, stating that they need to figure out a way to not just put a finger in the dike, and get ahead of the curve. She said if they could only think about one thing, they should focus on the fact that in five years, 50% of students will be in overcrowded schools.

Ms. McKeel said she would also like the boards to figure out a way to be more nimble and flexible, as they could have built one school when the bids were coming in at about 30-35% less.

Mr. Randolph noted the old comp plan had a high school complex in the northern part of the County, but the new comp plan dropped it, which is indicative of thinking short term.

Ms. McKeel said it would be good for them to be more flexible in several ways including being able to respond to market changes.

Ms. Acuff stated that once they get through this budget cycle, they should take the time to figure out how to proactively address all of these challenges.

Recess. The Board recessed at 3:46 p.m., and reconvened at 4:00 p.m.

Agenda Item No. 3. Joint Meeting with School Board.

School Board Members Present: Ms. Kate Acuff, Mr. Jonathan Alcaro, Mr. Jason Buyaki, Mr. Stephen Koleszar, Mr. David Oberg and Mr. Graham Paige.

Absent: Ms. Pamela Moynihan.

School Staff Present: Dr. Pam Moran, Superintendent, Mr. Dean Tistadt, Chief Operating Officer, Mr. Jackson Zimmerman, Executive Director of Fiscal Services, Mr. John Blair, Senior Assistant County Attorney, and Mrs. Jennifer Johnston, Clerk.

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Item No. 3a. Discussion: County-wide Healthcare Program.

Ms. Palmer stated that Human Resources Director, Lorna Gerome, will make a presentation on the County's health insurance program.

Ms. Lorna Gerome addressed the Boards and stated that they typically lump their discussion of health insurance into the context of compensation so they do not get as much time. Ms. Gerome reported that she had recently seen a national survey in which employees indicated that health insurance is the most important benefit, far above leave, paid time off, and retirement. She stated that staff hopes the Board members will leave this meeting with an understanding of where the County is relative to the health insurance program and the assumed plan changes starting October 1. Ms. Gerome said that at the Boards' request, they will also spend some time going through some examples. She noted that they had spent some time in the fall going through details, and now staff has more of those details worked out.

Ms. Gerome said that Benefits Program Manager, Claudine Cloutier, will be going through some examples of plans next year, the traditional plan, which is a blend of the current basic and plus plans; and the high deductible plan with a health savings account. She stated that HR staff has shared this with several employee focus groups and have received positive feedback on the approach, with about 1/3 being enthusiastic, 1/3 being lukewarm about it, and 1/3 feeling that it is simply not for them. Ms. Gerome stated that the goals for health insurance are to provide a quality program, an affordable program, one that offers choice, one that meets the Board's goal of being slightly above market, and one that is compliant and sustainable into the future. She commented that the health insurance plan is currently demanding a lot of resources, and they do not want to continue having that level of demand.

Ms. Gerome reported the County has a self-funded plan, which means that employee premiums and employer contributions go into a reserve, and out of the reserve every claim is paid, x-rays, prescription costs beyond the copays, administrative costs, stop-loss insurance premiums, and administration of COBRA. She stated that with a self-funded plan, when the contributions are greater than the claims, the reserve can be built up, but when contributions are less than the claims, the reserve begins to get depleted. Ms. Gerome said that while self-funding assumes a higher risk and liability, there are huge cost advantages in terms of saving administration costs, and it allows greater choice and flexibility in designing plans. She presented a chart showing the County's reserve history, noting the target for reserves and the point at which claims start outpacing contributions.

Ms. Mallek commented that this was at the point when the County had reduced the rate, which shrank the reserves.

Ms. Gerome said the level was flat from about 2010 to 2013 and they had to use reserves, which were available to use. She stated that in 2015 the County was below its target, with a gap in where they should have been with reserve levels. Ms. Gerome said that staff watched this and tried to get ahead of it, and in recent years have set premiums to more accurately reflect claims, which will continue into the future. She noted the County had implemented deductibles in 2015, which was a big change; increased out-of-pocket maximums; and changed eligibility for spouses, with some reductions experienced over the last few months. Ms. Gerome stated the County had also implemented wellness programs such as "Lose Well," which is a fairly aggressive weight loss program in partnership with ACAC, and onsite screenings such as mobile mammography.

Ms. Gerome presented a chart showing the County's health insurance trends, and said that from 2009 to 2012 they had not made any changes in terms of employee premiums and employer contributions, which had actually decreased in 2013 because they recognized there was adequate reserve at that point. She stated that in 2012-2013, the County went from three plans to two plans, and since then they have made some significant changes in terms of implementing the deductible and spousal eligibility. Ms. Gerome noted the chart shows the impact to employees, as well as the employer contribution amounts and the plan design changes, because all three of those pieces fit together when designing plans.

Ms. Gerome presented comparative information on where the County is in relation to the market, and referenced a chart showing the total cost for individual coverage, what the employee pays and what the employer contribution is in comparison to the market. Per Mr. Sheffield's question, she clarified that these are all self-funded plans. Ms. Gerome stated the County's total cost for individuals is one of the higher ones, but the total cost for family plans is the lowest. She clarified for Ms. McKeel that the comparatives that said "schools" are just for schools and not local government, but the Albemarle example is for both.

Ms. Claudine Cloutier addressed the Boards, stating that benefits are continuing to change and the County is looking to make some changes again this year. She noted that the Affordable Care Act has changed the playing field in terms of the health insurance marketplace, taxes the County has to pay, and plan design changes that have to be made to meet ACA requirements. Ms. Cloutier stated that the County's health plan sustainability is very important, and claims have outpaced revenues since 2011, with 20-25% being the recommended level for reserve balance. She said that ACA excise taxes, referred to as the "Cadillac tax," will be implemented in 2018, so what that means to the County as an organization is that the value of the individual-only health insurance cannot exceed $10,200, and currently they are within about $700 of that. She noted if that value is exceeded, they will have to pay a 40% excise tax on the value of the plan beyond that, so staff has developed a strategy to avoid paying it. Ms. Cloutier stated the other piece is the affordability standard, and under the ACA the County has to offer at least one affordable coverage option to anyone working 30 hours per week on average, which means it cannot cost more than 9.5% of W-2 wages.

Ms. Cloutier reported the County had just begun a dependent eligibility review, a medical plan program evaluation to ensure that benefits offered are meeting organizational goals, development of a medical and dental vendor RFP including possibly using a standalone pharmacy, exploration of activity trackers or “Fit Bits” and possible use for staff, flu shots and mobile mammography, a 30 days of wellness program, and a new plan choice.

Mr. Randolph stated that he likes the idea of an activity tracker, and it will be great to have a more comprehensive “live well” program to enhance the “lose well” program. Ms. Cloutier said she likes that idea and will pass it along to Leanne Knox.

Ms. Cloutier reported that with medical options for 2016-17, the traditional plan is a blend of the basic and plus plans currently offered staff, with monthly premiums set at approximately $86 at the individual level up to $341 at the family level; deductibles will remain at $500 for individuals and $1,000 for a family; 80/20 coinsurance for anything outside of the copay structure; and 100% coverage for preventative services. She said the new plan option is a high-deductible healthcare plan with a health savings account, referred to as the “HDHSA model”, and monthly premiums will be $15 for individuals up to $179 for family, with an out-of-pocket maximum deductible of $4,000 for individuals and $8,000 for families. Ms. Cloutier stated there is 100% coinsurance after the deductible so the plan will kick in at 100% once people hit the deductible, which will help people know what their bottom level exposure will be. She noted this plan also has 100% coverage for preventative services, and includes a $1,104 employer contribution into the health services account. Ms. Cloutier said the high-deductible plan is the same insurance offered now, but is just a different way of structuring payments so an employee pays higher deductibles in order to pay lower monthly premiums. She stated that all covered expenses are paid out of pocket until the deductible is met, and the plan also features a negotiated network discount just as the traditional plan does, so the network has already negotiated the maximum allowable charge for any given procedure.

Ms. Cloutier explained the high-deductible plan includes a tax-favored health savings account that helps pay for the deductible itself and other expenses not covered by the plan. She stated this features both employee and employer contributions to the maximum allowed by the IRS, so an employee can also contribute to it and all funds belong to them and are completely portable, even for future uses such as Medicare premium supplements and long-term care insurance. She stated this plan has unlimited carryover and can continue to grow, and the contributions’ interest in earnings are never taxed if they are used for qualifying expenses. Ms. Cloutier presented a graphic that was created to illustrate a plan year, and explained that an individual starts out the plan year with an employer contribution into his HSA, and any expenses outside of those preventative expenses will be paid out of pocket until he reaches his deductible. She stated that if an employee hits the $3,000 or $6,000 deductible, for example, and there are costs after that, an employee will just pay copays at a maximum of $1,000. The maximum exposure will be the out-of-pocket maximum, so the plan pays at 100% and an employee can roll over any remaining HSA funds.

Ms. Mallek asked if the $1,000 is per person or per plan. Ms. Cloutier responded that it is per person to a maximum, so the deductible is $3,000 or $6,000, but the worst case scenario is $4,000 or $8,000, and if there are five people on the plan, only two out-of-pocket maximums have to be hit before the employee expense cut off.

Mr. Randolph asked how an employee can hedge against inflation and how the HSA will be invested. Ms. Cloutier responded that staff has not put all of the structure together yet, but there will be investment vehicles so that employees are investing their money.

Mr. Ober asked if the HSA will count against the Medicare qualification for retirees, because one of the big issues with seniors is that they have too much money in certain investments that cannot be accessed but counts against them as assets, such as owning a home or having a retirement account. Ms. Cloutier responded that she cannot answer that at this point, but will get the answer for him.

Ms. Palmer asked if an employee will be covered if they have exorbitant healthcare bills in the millions of dollars. Ms. Cloutier stated that once they hit their out-of-pocket maximum, they will be covered regardless of the amount of their expenses.

Mr. Dill commented that the County also has catastrophic insurance to help in those instances.

Ms. Cloutier confirmed that they do, and said that once expenses hit $200,000 stop loss insurance kicks in, and 11 people hit it last year, which is remarkable.

Mr. Dill stated that his business has a healthcare savings account in which he participates, and those who are on it like it. Ms. Cloutier said that this will take a lot of employee engagement, and HR has done three presentations on it in the last week and people are interested, with some saying it is not for them and some taking a thoughtful approach to it, so it will be staff’s job to ensure they understand the options.

Ms. Cloutier reported that with the traditional plan the set employer contribution is $815 a month for next year, and in the traditional model it all goes into the health insurance reserve, but with the high-deductible plan $92 of that will go into the employee's individual HSA, with the remainder going into the reserve. She presented information on how employees can fund their accounts, stating that the optimal approach is to take the difference between the traditional plan premiums and high-deductible premiums and put that amount into the HSA account so that it will grow.

Mr. Randolph asked if there is one employee working for the County and another family who is not, if one can participate in an HDHSA and the other in the traditional. Ms. Cloutier responded that she does not know all of the limits and it is challenging to understand, and sometimes employees cannot take the HDHSA option if the spouse is in an FSA for another employer.

Ms. Mallek asked if the $92 per month under the new plan is what the family will be using to cover expenses and to fund their health savings account, because that is a very small amount. Ms. Cloutier confirmed this is the case.

Ms. Mallek said the low amount was a concern raised by consultants over the years, and it seems this model has not evolved far enough to have the savings offset the risk. Ms. Cloutier responded that one of the keys to make this successful is the employer contribution so that people are less frightened about it.

Ms. Cloutier explained that up until now, the County has only offered shades of the same traditional plan, and the new structure allows for employees to have a choice. She stated the monthly premium savings can be used to build the HSA, and employees can keep their money and use it when necessary. Ms. Cloutier said there is significant tax advantage in building an HSA, which can help with future retiree costs, and the funds are portable.

Mr. Dill noted that the HSA funds also cover things like eye exams, chiropractic care, massage, and some alternative treatments.

Ms. Cloutier stated those are qualified expenses, and the County can also offer a limited FSA in addition to this to pick up expenses for which the HSA cannot be used.

Ms. Cloutier reported the disadvantages of an HSA plan are that illnesses can be unpredictable so it can be hard for an employee to budget; information about the cost and quality of medical care can be difficult to find, although employees can use the tools that HR is using in bidding out some services to research those costs; some may find it difficult to build their HSA plan value because of higher plan usage; some may not seek medical care or take prescription drugs as needed, in order to save money; and misuse of HSA funds will result in taxes and penalties. She stated the major disadvantage to this type of plan is its newness, but hopefully a year from now this will be a very successful rollout. Ms. Cloutier noted that high-deductible plans are consumer-driven, and when it is coming out of an employee's account they are more likely to shop around services to get the best price. She said that some employees have commented that they want to be rewarded for good health and behavior and not pay higher premium rates, and this will be a more attractive option for those who have funds to meet the deductibles as they arise.

Ms. Cloutier presented information on out-of-pocket costs for the major expenses incurred on a plan, and said that with the traditional plan there is a maximum $500 deductible for individuals and $1,000 for families, but with the high-deductible plan that is $3,000 for individuals and $6,000 for families. She stated the plan pays 80% on the traditional plan once the deductible is met, and the plan pays 100% unless there are further copays for pharmacy, so the max out-of-pocket plan is really similar to the high-deductible plan year deductible. She added that co-insurance will be 20% for the employee after meeting the deductible, but with the high-deductible plan there are no further out of pocket costs after the deductible is met as long as it is a covered service. Ms. Cloutier noted that under the traditional plan an employee will pay premiums for a PCP or specialist, but with the high-deductible plan an employee will pay out of pocket, with negotiated rates.

Ms. Cloutier presented information on a new teacher on an individual plan with no dependents, who only uses preventative services during the year, so she would pay $1,032 for the traditional plan premiums or $180 for the high-deductible plan. She said that with the $1,104 employer contribution, the employee would make out with $1,956 in her HSA and put all of her savings in that account. Ms. Cloutier stated the employee almost has enough to pay her deductible, and when the new year starts with a new contribution, she would have enough to fund the $3,000 providing she had no expenses.

Ms. Cloutier presented information on another employee, a social worker with no dependents who needs a moderate amount of medical services and prescription drugs throughout the year. She said this employee would pay the $1,032 traditional premium or $180 high-deductible premium, and had $1,855 out of pocket costs for the traditional plan and $3,911 for the high-deductible plan. Ms. Cloutier said that when factoring in the $1,104 employer contribution, the employee would have done better on the traditional plan with $100 saved.

Ms. Cloutier presented information on an employee with a spouse covered, stating that with the out-of-pocket maximum of $4,000 with the employer contribution, this employee would have $1,608 as a worst case scenario in addition to the out of pocket minus the contribution. She presented additional information on an employee whose family is in a car accident and hit the family out of pocket maximum, and said this employee would have fared better with the high-deductible HSA plan. Ms. Cloutier emphasized that there is such a spread in the premiums that it makes up for the out of pocket cost differences, and noted that the HSA contribution also helps.

Ms. Cloutier presented a comparison of premiums where they are now versus where they are projected to be next year for the traditional plan. She reported that the traditional premiums will be $86 for individual, $140 for employee plus child, $260 for employee plus children or spouse, and $341 for family. She noted that individual costs are the same, with $2 more for employee plus child, $13 less for employee plus children or spouse, and $10 less for family. Ms. Cloutier stated that under the new model, an employee wanting to stay on the traditional plan will pay $62 more per month for individual, $78 more for employee plus child, $95 more for employee plus children or spouse, and $120 more for family coverage. She said that HR staff asked people who are on the basic plan to come in to a focus group because this is a big impact, and those employees did not express a lot of concern about premium changes. Ms. Cloutier stated that she is not saying this will be an impact, and staff will be looking at ways to help offset the additional out of pocket costs.

Ms. Cloutier said that with the high-deductible plan, the costs will be $15 for individuals, $50 for employee plus child, $134 for employee plus spouse, and $179 for family, which is a savings over the traditional plan, and when factoring in the employer contribution the employee will keep $163, $182, $218, or $254 per month respectively.

Ms. Mallek commented that those are the amounts that can be put into the HSA.

Mr. Ober asked if there is a survivor benefit if an employee were to die and if the savings account money is inheritable. Ms. Cloutier confirmed that it definitely is, and can be looked at as the same as a 437 account.

Ms. Palmer asked how the payments are reimbursed with the high-deductible HSA plan. Ms. Cloutier responded that they are transacted by a debit card that will just be presented for payment.

Ms. Acuff asked if the employees in the focus groups were stratified by salary levels. Ms. Gerome responded that she thought it was a mix, but the third that seemed more reticent were those who did not feel they would be employed for much longer and are going to retire soon. She stated there is some concern from employees as to how they will afford costs up front, so staff is looking at whether they will put the money in up front so that people have access to it. Ms. Gerome emphasized there is still some plan design to be done on the program, but staff wanted to provide information on the two options, the traditional plan and the high-deductible HSA account, and what has been built into the budget is a 14.5% increase in costs. She stated that claims are not increasing at this level and have been an average of 7% higher for the past several years, but more money is needed beyond that to help replenish the reserve, which is why the contribution increase seems particularly high this year.

Ms. Acuff asked for clarification that this means 14% for the next three years. Ms. Gerome confirmed that at this point, it will be at that level.

Ms. Acuff stated that she is concerned about low-income employees opting for the high-deductible plan and then not having sufficient funds to pay their medical bills.

Mr. Randolph said the engagement with County employees is going to be very important so they understand the risks involved with taking this on, given the temptation of lower healthcare premiums under the HDHSA plan.

Ms. Mallek asked staff if their presentations include examples of specific procedures such as broken arms or rotator cuff surgery.

Ms. Gerome said they had not been including this, but thanked her for the good idea.

Ms. Mallek stated the other thing that had been pointed out to her was the separation between the medical office provider and the finance people for the big organizations, such as Northridge Medical Center, versus a smaller office where that information might be more accessible. She said there may be a bit of an illusion as to the shopability of medical care and the fact people need to trust the person they go to for their medical care, and commented that she feels better about this after seeing the presentation, but still has concerns.

Ms. Gerome stated that in looking at the market data, at least half of the market points are offering a high-deductible plan or considering it, and said the public sector has been a bit slower to implement these plans.

Ms. Acuff asked if they are considering implementing a high-deductible plan to realize some cost savings, but wonders what the data shows in terms of the actual savings, understanding that the County might have to provide more money into the HSAs for the first few years. Ms. Gerome responded that for the first year, staff is projecting that only 5% of the workforce will participate, which is hoped to grow over time, and the success of the program is predicated on participation.

Ms. Acuff commented that there is data available from other organizations that has offered HDHSA accounts.

Mr. Randolph stated that in following up to Ms. Mallek's comments, the healthcare field is among the least transparent, and for a procedure such as an MRI costs vary depending on insurance provider with practitioners charging based on what they feel they can get reimbursed.

Mr. Ober said he has been on two HSAs and has been very satisfied with them, and said that his neighbor is on an HSA with Anthem that has a $12,000 out-of-pocket maximum and also requires him to pay for prescriptions. Ms. Cloutier explained that once an employee hits their $3,000 deductible, any pharmacy expenses beyond that will be paid under a copay structure, and if they have sufficient copays to hit the out of pocket maximum $1,000 for the year, they will stop paying.

Ms. Acuff clarified that there is the $3,000 deductible for medical and prescriptions, then the additional $1,000 for prescriptions on the copay.

Mr. Ober asked how much has been saved with the introduction of deductibles over the years they have been in place. Ms. Cloutier explained they are relatively new, and the County has taken the deductible they know they are going to apply and cut it in half to start it at mid plan year, starting it at $250/$500 and beginning the next plan year at $500/$1000.

Mr. Ober commented that it might be helpful to have information as to how many people have hit their deductibles.

Mr. Koleszar said he would also like to see information on what the contribution will be for the current fiscal year and what the claims history is looking like, and where those two lines will be if 2016 is included. Ms. Gerome responded that staff can share that information, and it is part of the three-year plan to get the reserves back to the higher percentage, and they are not trying to get all of that back in one year.

Ms. Palmer asked if the 7.5% of the 14.5% is due to the reserve replenishment, and what this will look like next year. Ms. Gerome responded that staff had a five-year plan for it, but it is difficult to predict where expenses and claims will be. She stated that the County has made some significant changes, such as the $500 deductible in October, and claims for spouses because of changes in eligibility are starting to mitigate, but the impacts of those things take time to realize.

Ms. Acuff said they are basically talking about this year and the next two increasing 14.5% this year, with the difference between the actual claims going into reserves, and she recalled at an earlier meeting a number used of 10% going forward.

Ms. Gerome stated that 10% is the number used and built into the model.

Ms. Palmer said it is just a question of how much will be plugged into subsequent years.

Ms. Mallek asked if the 2016 year will already be going up fairly sharply because of the doubling of the deductible and the increased premium. Ms. Gerome said that is the case so far, but the plan starts again in October.

Ms. Acuff stated that the goal seems to be to tamp down consumer demand for medical services without putting people at a disadvantage health-wise or economically.

Ms. Mallek said there had already been a reduction in claims, so there has already been less demand over the past four months.

Mr. Paige asked if other localities are experiencing the same issues as Albemarle. Ms. Gerome responded that the City of Martinsville went to a model that only has the high-deductible plan, and it turned their reserve situation around in a year, whereas other localities are offering both options. She stated there is a growing trend to offer the HDHSA plan, and it is particularly appealing to millennials who may not be with an organization for many years because of the plan portability.

Agenda Item No. 4. From the Board: Matters Not Listed on the Agenda.

Ms. Palmer stated that she has one item that she wants to discuss before they adjourn, and explained that there is something scheduled for their March 9 meeting regarding stormwater funding, but since they are so busy with the budget she wants to know if the Board would agree to postpone that discussion until their second meeting in May.

Ms. Mallek asked if they will still be meeting at 3:00 on March 9, as they will need the time if they are not discussing it today.

Mr. Foley stated there is nothing else planned for that afternoon but the Board does have a budget worksession on March 8, which is the date they have to set the tax rate for advertisement, and carrying that conversation into March 9 would not really fit that schedule. He mentioned that because of the new permitting requirements, which recognizes the good work the County has been doing for years, the urgency for meeting stormwater mandates has lessened because of the credits they have received, and the rush during the budget season is not necessary.

Ms. McKeel said she is in agreement to postpone the discussion but would like to avoid summer vacation schedules, and said that she would also like to make sure the discussions are not separated by months so there can be some continuity.

Mr. Foley stated they can have the stormwater discussions in May and June, with a broader overview first and a review of committee recommendations, then a second meeting to receive Board input and direction.

Mr. Sheffield stated that it looks as though the CAC meetings for him and Mr. Dill will be scheduled for March 21 at the Jack Jouett Elementary cafeteria, and the public will be invited for a budget presentation from Mr. Foley and economic development discussion with Ms. McClintic. He noted the Pantops CAC is also invited to attend that meeting to make it more efficient, so there will basically be three CACs together.

Ms. McKeel said the Hydraulic CAC is also meeting on March 21 at Greer Elementary, but that is their regular meeting and they are not planning to do a budget or economic development overview at that time, and said they are trying to meet a timeline for Sue Albrecht's proposals.

Mr. Foley clarified that staff is trying to divide up the presentations among staff, and said that he will be doing the March 21 presentation at Jack Jouett and all of the high school presentations, but there is enough of a schedule now to get the word out to the public.

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Ms. Palmer stated the Board has already received information in their Dropbox for the joint City Council meeting on March 1, but more material will be coming from Ms. Jordan.

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Ms. Mallek reported that a number of environmental organizations are working together to support funding in the state budget for the stormwater local assistance fund, which is administered by DEQ and provides matching grants to localities for stormwater management projects. She said there is currently no money in the budget for this, but the budget amendment is for a $20 million increase for this particular category, which has been used for many years. Ms. Mallek stated it is a bit late to do an official resolution, but she had provided a draft letter to the Board and will also give them a list a conferees.

Mr. Dill asked who is subsidized through this program and whether it is for low income people, farmers, etc. Ms. Mallek explained these are County projects, and one example would be the Woodbrook lagoon that was built by the County to handle stormwater for the region on 29 that had significant runoff, so it shares funding with localities who in turn decide how to use it. She added there is also money used to achieve three times the leverage for the new wetland in Crozet to treat stormwater there.

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Agenda Item No. 5. From the County Executive: Report on Matters Not Listed on the Agenda.

Mr. Foley stated that he is waiting to receive finalized information from the City for their meeting on March 1, and as soon as he receives that he will forward it to the Board, which can be later that evening or the following morning. He stated that staff has done projections for the next three to five years and he does not think the 14.5% is projected every year for the next three years but staff can have that information, and this is one of the big cost centers discussed in the process. He said that staff is already monitoring claims experience monthly, and there will be more discussion about this and further projections for a model going forward.

Ms. Mallek stated that she recalled a discussion about transferring $2.5 million over to the reserves in one chunk, and asked if that is in addition to the 14.5% or instead of it.

Mr. Foley responded that staff referred to it as an infusion to the healthcare fund, and the Board will see those pieces as the budget discussions progress, adding that some of the money can be reallocated, but it is important to hold enough money in reserves.

Ms. Mallek commented that this is how the County ended up in its current situation, because there had been a very large reserve and all the consultants said there was too much money set aside so the amount was reduced, and the County was also trying to keep premiums low for employees at a time when they were not getting raises. She noted there were very good reasons why they made the change, but it got away from them.

Mr. Foley stated that it is hard to look at the graph and understand the full picture, explaining that the County is at about 50% and started bringing that level down, but as they got closer the flat line on premiums and claims starts to skyrocket up. He said the two years of significant claims are the primary factor, but there had been four years of claims going up leading up to that and they need to stay on top of it.

Ms. Mallek said she is glad to see that they are doing the monthly look.

Mr. Randolph stated they cannot do a trend analysis with just two time periods, but it will be helpful to know what the drivers were of the sudden jump two years ago and the nature of the medical claims so they could have a handle on it, especially since they are looking toward a more proactive approach. He added the more they know about what is driving claims, the easier it will be to tailor a County program for employees to manage those risks.

Mr. Foley said the consultants have already done that and have recommended that the County do some of those things, and the Board will be hearing more about that.

Ms. Mallek stated it would be good to have the County Office Building grounds smoke free.

Mr. Foley said that some organizations have actually required employees to pay higher premiums if they smoke, and those types of measures can be brought forward as this is the County's own program.

Ms. McKeel stated that UVA had enacted a model in which smokers paid $5 or $10 dollars more per month.

Mr. Dill commented that this is really common with big companies and asked about general drug testing for illicit drug use, noting that his son was tested for tobacco use as a Xerox employee.

Mr. Foley stated the County has specific policies in place, but in terms of random drug tests, only certain positions require those. He said that perhaps sharing some of the consultants' findings in terms of controlling healthcare costs and providing incentives can be shared with the Board, and the state has also offered the possibility of allowing localities to go on the state health plan.

Ms. Mallek asked what the timetable is for state participation. Mr. Foley said that it is still being considered by the General Assembly.

Mr. Davis noted that it had been turned down.

Mr. Foley said that there may be other programs besides self-insurance, and it is all part of the consideration of how they should move forward.

Mr. Dill stated it is not all bad that the costs are going up because the healthcare system is getting better and better, and the County is offering this benefit to employees, so it is not the same benefit that just keeps getting more expensive. He commented that some people would rather have better health insurance than a salary increase.

Ms. Mallek said she had been told by citizens many times that this benefit is much more important to them than a raise.

Ms. Mallek stated she had just forwarded an email to the Board regarding the Air B&B legislation, and said the House Bill was conformed to Senator Vogel's bill and referred back to Senate Finance, who are meeting on March 1 at 9:00 a.m., so Senator Hanger needs to hear from the Board. She said the issue at hand is the voluntary nature for participation by Air B&Bs to pay taxes or register, which means that existing Air B&Bs that have been operating for years would be at an instant 15% disadvantage.

Agenda Item. No. 6. Adjourn to March 1, 2016, 11:30 a.m., Lewis and Clark Center.

At 5:21 p.m., Ms. Mallek **moved** to adjourn the Board meeting to March 1, 2016 at 11:30 a.m. at the Lewis & Clark Exploratory Center. Mr. Dill **seconded** the motion.

Roll was called, and the motion passed by the following recorded vote:

AYES: Ms. Mallek, Ms. McKeel, Ms. Palmer, Mr. Randolph, Mr. Sheffield and Mr. Dill.
NAYS: None.

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Chairman

Approved by Board
Date: 05/04/2016
Initials: EWJ