

AGENDA

Joint Administrative Services Board
October 29, 2012 1:00 p.m.
Joint Government Center

1. **Call to Order.**
2. **Approval of Minutes. (September 24 Minutes Attached, pg. 2).**
3. **Update.** Circuit Court payroll. Internal Control Recommendations.
4. **Joint Technology Plan (pg. 8).** The JAS Board should evaluate this draft for further refinement, and make recommendations where needed, especially with regards to timing and priority, because the strongest plan that can be presented to the Boards will be one that will be both technically and financially feasible. The plan can be proposed for adoption at this meeting, and sources of funding for the ERP System can be discussed in advance of the FY 14 budget process.
5. **Fraud Prevention Program.** Last month's discussion of this topic ended with concerns regarding whether hotline tips and subsequent investigations were subject to disclosure under the Freedom of Information Act. Correspondence from the relevant state agency is attached (pg. 16). It appears that such information can be kept confidential, but legal opinion from the County Attorney is recommended.
6. **Budget Calendar.** The Board may wish to discuss the budget calendar, especially with respect to the constraints on the process, and the timing of the School Board's request.
7. **Benefit Waivers.** Attached is information concerning benefit waivers (pg. 18), whereby an employee is paid some amount that encourages them to enroll in health coverage with a spouse, thereby reducing the total cost to the employer. This is presented for information only. If the board wishes to pursue the matter, more information can be obtained.
8. **Director Evaluation.** The Board may wish to convene a closed session for personnel matters in order to consider the evaluation of the director.
9. **Next Meeting will be November 26 if Needed (Technology Plan, Budget Calendar).**

2. Approval of Minutes

David Ash, seconded by Sharon Keeler, moved to approve the May 21, 2012 meeting minutes as presented. The motion carried as follows:

David Ash	- Aye
J. Michael Hobert	- Absent
Sharon Keeler	- Aye
Michael Murphy	- Aye
Charles "Chip" Schutte	- Aye

3. Update

Tom Judge provided the following update:

- Director evaluation is in process and will be discussed at the October meeting.
- Dependent verification resulted in two plans dropping dependents that were either ineligible, or which the policy holder didn't intend to cover.
- The auditor presented internal control recommendations, the efficacy of which has been challenged by staff, and which will be discussed with the auditor in October.
- Emily Johnson of Boyce will replace Cathy Pope at the Accounts Payable position starting October 1.
- Redefinition of retiree health insurance group to confirm with Local Choice policy resulted in one coverage being dropped.

4. Joint Technology Plan.

The broad view plan developed by the JAS Director and Technology Directors was approved by the School Board and Board of Supervisors in June. An interim draft of a more detailed "Joint Technology Plan" is provided. The goal is to complete this plan by November, for presentation to the boards in December.

Although the plan includes primarily capital expenditures, it is intended to include shared projects which may be funded from the operating budgets: (ex. ongoing training, joint software subscriptions, etc.). The JAS Board should evaluate this draft for further refinement, and make recommendations where needed, especially with regards to timing and priority, because the strongest plan that can be presented to the Boards will be one that will be both technically and financially feasible.

Tom Judge provided an overview. Highlights of Board discussion include:

- o Fiber optic network:
 - Currently negotiating lease extension with ComCast.

- Inclusion of Boyce Elementary is part of the negotiations.
- Gordon Russell is exploring the purchase of fiber optic lines.
- Where feasible, the County should consider ownership of fiber/data lines and underground installation.
- Energy Management Systems:
 - Mike Murphy provided:
 - Snyder would like to provide a presentation at the next Schools Facility meeting.
 - His is arranging a meeting with Joe from Snyder.
 - He has discussed with RRMM the lack of compatibility between programs.
 - Cost savings could be realized if maintenance added an HVAC person.
 - Tom Judge put forth that Maintenance was hoping to standardize the County systems.
 - David Ash provided:
 - The BCCGC is wired to accommodate an energy management system.
 - The Court buildings should be able to accommodate remote energy management.
- Telephone Systems Extensions:
 - Extension of the Avaya system should be complete by 2014 in all remaining County locations.
 - Mike Murphy commented that more phone lines would be necessary to meet 911 requirements.
- Building Security Systems:
 - Systems are very expensive.
 - Not all systems require the same level of sophistication.
 - It has not yet been determined how many of the security cameras used in the old high school will be used after conversion. Some of these cameras will be relocated at Johnson Williams Middle School.
- Video Conferencing: This feature might prove useful in future.
- Network Switches: Upgrades were included in the schedule.
- Enterprise Resource Planning and Document Management Systems:
 - Estimate is \$550,000 with a \$50,000 contingency for hardware needs. The estimate was sought to addresses concerns raised about the cost range used in the GFOA study.
 - A three-year phase in is recommended.
 - Software maintenance is estimated at \$62,000 per year.
 - The Board discussed establishing ERP implementation as a priority.

- David Weiss suggested that Mr. Judge be specific on what the costs will be to the County when presenting the ERP request to the respective bodies.
- Shared Data Storage: Select data is backed up to a facility in California.
- Information Security: Various factors must be considered. At this time, IT does not favor using the "cloud."
- Employee Training: An annual budget is recommended to provide existing and new hire training on system basics.
- Tom Judge stated that he hoped to present the Joint Technology Plan to the respective governing bodies in November for inclusion in the 2014 budget.
- Mike Murphy, noting ever changing and increasing storage needs, requested revising Shared Data Storage:
 - Removing the reference to five years. *"This additional capacity should be adequate for five years, after which it will be necessary to purchase a fourth unit."*
 - Adding reference to email archiving, storage, sorting and retrieval.
- David Ash requested the addition of software replacement to ensure that the costs of software upgrades, maintenance and component replacement is considered.

5. Fraud Prevention Program.

A request by the County Administrator and Superintendent for additional attention to fraud led to the following chain of events:

- a. Discussion with our auditor who stated that their work is focused entirely on whether financial transactions reflect financial statements, and although they could spot check for financial fraud for a cost, this may be too narrow a mechanism.
- b. Auditor provides refinements to internal controls in response to fraud inquiry.
- c. JAS joins Association of Certified Fraud Examiners to research best practices.
- d. "Report to the Nations on Occupational Fraud and Abuse" shared with JAS Board detailing prevalence of fraud by type and technique, and lists the most effective fraud prevention and detection techniques. Anonymous fraud tipline, and efforts to raise employee awareness regarding fraud; emerge as the most practical course of action.
- e. Information Technology Directors opine that both voice and web tiplines would be feasible, but the web would probably better guarantee anonymity.

The following course of action is therefore recommended: *"Be it resolved that internet-based fraud tipline(s) be devised on the websites of Clarke County Government and Schools to permit citizens and employees to anonymously report suspected instances of fraud, waste, and abuse, and be it further resolved that short, intermittent communications be distributed to assist citizens and employees in recognizing fraud, waste, and abuse should it occur, and be it further resolved that the Director of Joint Administrative Services, or designee, monitor the tipline(s) and work with the respective executives of affected organizations to investigate and resolve alleged or suspected instances of fraud, waste, and abuse."*

Tom Judge briefly reviewed his research and recommendation.

Following discussion, the Board directed Tom Judge to further research the matter.

6. Software Application Sharing.

The following software applications have been recently purchased, and can be considered for sharing: Code Red (Sheriff). AESOP (Schools). Veritime (Schools).

Tom Judge summarized this item.

Mike Murphy commented that the company owning both AESOP and Veritime was willing to work with the County. He added that he had discussed use of Veritime for Parks and Recreation part-time, hourly employees with Lisa Cooke, Parks and Recreation Director.

7. Economic Development Fiscal Agency.

The Board of Supervisors recently approved an agreement among the Commonwealth, IDA, Government, Town, and Berryville Graphics to provide government funding for improvements and expansion at Berryville Graphics contingent upon that company achieving specific improvement thresholds including targets for the acquisition of machinery and tools as well as new employment. Responsibility for monitoring Berryville Graphics achievement of these thresholds was assigned to Joint Administrative Services. Though earlier consideration by the JAS Board might have been preferred, the duration of the responsibility will be limited to three years; and though the time burden of fulfilling the responsibility is unknown at this time, it is believed to be modest and capable of fulfillment by staff given that the primary burden for supplying documentation rests with Berryville Graphics.

Tom Judge briefed the Board on the assignment of fiscal agent responsibility for economic development funds for Berryville Graphics to Joint Administrative Services.

8. Next Meeting

The next regularly scheduled meeting is set for Monday, October 29, 2012 at 1:00 p.m. in Meeting Room AB at the Berryville Clarke County Government Center.

Adjournment

At 2:57 pm, Mike Murphy, seconded by David Ash, moved to adjourn the meeting. The motion carried by the following vote:

David Ash	- Aye
J. Michael Hobert	- Absent

Sharon Keeler - Aye
Michael Murphy - Aye
Charles "Chip" Schutte - Aye

Minutes Recorded and Prepared by: Lora B. Walburn

Draft Joint Technology Plan Expenditure Plan

10/18/12

Source: Joint Administrative Services

<u>EVENT</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>Notes</u>
Purchase Franchise fiber infrastructure			165,000								Quote from Vendor
Energy Management System Extensions		100,000	100,000	100,000	100,000	100,000					Requires reengineering to obtain budget estimate*
Telephone System Extensions	50,000							60,000			
Building Security System Extensions		70,000									No plan on County side for security cameras.
Video Conferencing							25,000				Need and cost not defined
Network Switch Upgrades			100,000	100,000	100,000	100,000	100,000				
Enterprise Resource Planning System (ERP)	600,000										Includes Document Management System
Information Security	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	Disaster Recovery System
Shared Data Storage					35,000				35,000		
System-Wide Training				10,000	10,000	10,000	10,000	10,000	10,000	10,000	ERP training included above in initial three years
TOTAL	675,000	195,000	390,000	235,000	270,000	235,000	160,000	95,000	70,000	35,000	

*AERO proposal assumed compatibility of existing controls, which turned out not to be true, so total cost is likely more than shown.

DRAFT

JOINT TECHNOLOGY PLAN

Fiber Optic Network

The Schools and Government utilizes a network of fiber optic lines to connect all buildings, with the exception of Boyce Elementary School. This network carries voice, video, and data packets for a variety of computer applications. Some of these lines are owned, and some are leased through the Cable Television Franchise agreement with Comcast (previously Adelphia). This lease agreement expires December 19, 2015. The attached schematic shows the network of fiber optic lines and distinguishes the leased lines.

The high cost of leasing fiber optic lines, and the relatively short distances between the buildings, has made County ownership of the complete fiber optic network a longstanding goal. The County will need to procure a solution to the replacement of the leased lines within 24 months to permit a period of testing prior to expiration of the lease. The following three options have been identified:

- A. **Extension of Comcast Lease.** Negotiation on the extension of the lease with Comcast is underway and expected to be complete prior to the outset of the FY 14 budget process. The terms of the lease should be compared to the cost of purchase.
- B. **Purchase of Comcast Fiber Optic Lines.** It is unclear whether Comcast would sell the lines that have been leased to the County of Clarke. The terms of purchase should, once again, be compared to other options, along with the cost of maintenance.
- C. **Installation of new, County-owned fiber optic lines to replace Comcast lines.** Government IT is seeking a budgetary estimate on the cost of installing new, County-owned lines. The IT directors recommend that this be all done at once, not phased. The maintenance of these lines would be an ongoing cost.

The best long-term solution to serving Boyce Elementary School and the Sanitation Authority has not been determined. Microwave service was ruled out as lacking in reliability. Boyce Elementary is currently served by agreement with Comcast.

Documents:

1. Dark Fiber Lease Agreement.
2. Fiber Optic Network Schematic.

Energy Management System Extensions

An energy management system would tie together a network of sensors and control devices installed over the County's major buildings (schools, recreation center, courthouses, Joint Government Center) to a central software application. This software application could be managed by the Joint Maintenance department to optimize the energy consumption of buildings though an additional HVAC technician position with extensive training would probably be more practical than a maintenance contract to keep it running. Such a system was installed by TAC Americas (later Schneider) for the Clarke County Public Schools in 2005. The current status of this system is described by the Bobby Levi, Maintenance Director:

"Cooley is called a red wire system by TAC. That means only capable of monitoring system temperature and schedule occupied and unoccupied times.

F & M Building is a red wire system. Gives capability to monitor temperature and to schedule occupied and unoccupied times.

Old CCHS has pneumatic thermostats that our TAC system cannot control. Room temperatures are monitored through sensors. Night unoccupied settings only turn off large roof air handling units, individual room units are still controlled by room thermostats. We do have the availability to control large air handler units, fans, water valve positions, dampers etc. There is no controls or monitoring on circulating pumps, air compressor, cooling tower etc.

At JWMS we have full capability of heating and cooling, night setbacks, temperature settings within 5 degrees, all pumps monitoring and control, control valve positioning and monitoring, etc.

Boyce old part of school has more capability than new addition. Old part we can control temperature settings within 5 degrees, night setbacks, review boiler settings no control, no review of pumps or cooling tower only water temperature, etc. New part of Boyce is a red wire system. It Gives capability to monitor temperature and to schedule occupied and unoccupied times.

As you can see we have different levels of controls in each building. It is a mess!!"

The TAC system has never operated correctly despite good faith efforts on the part of Schneider and the Joint Maintenance department. However the system is expensive to replace wholesale if the current system of sensors and controls cannot be used. A procurement effort in May 2011 sought to engage a vendor that would tie the current system of sensors and controllers to a new software system, in hopes of finally making the system fully operable, but in the end proprietary elements in these devices made them incompatible with AERO Integrated Solutions' software. The need remains to fully engineer a long-term solution.

New High School. The system installed at the new high school in 2012 is manufactured by Siemens, but includes its own software system for its management. It is not clear whether the Siemens software application can be made compatible with the original TAC equipment. However, it will be important to quickly evaluate the effectiveness of the Siemens system before major HVAC upgrades are undertaken. With the renovation of Cooley Elementary, the old High School, and possibly the primary school, there may be opportunities to build toward an integrated system, but away from the TAC equipment. Further research is needed to determine whether there is a truly open standard for sensor and controller signals, and whether the Siemens software application will accept these signals without expensive adaptation. If so, the Siemens software would be the logical candidate for a single software application to integrate the County's buildings, as these buildings are renovated, or HVAC systems refurbished.

Energy Management Systems are often justified on the cost savings from energy usage, but these savings are difficult to prove. The School system has twice signed "energy performance contracts" whereby the vendor must prove that the energy savings paid for the cost of the equipment, the financing, and the maintenance over a term of 10-15 years. In neither case was the proof considered convincing, leaving open the question of just how much expenditure can be justified by implementation of these systems, though it is recognized that reduced energy consumption satisfies environmental goals as well.

AERO Energy Management Proposal	
Former HS	23,600
JW	31,125
Boyce	24,000
Cooley	16,900
JGC	74,000
Circuit Court	105,600
GD Court	59,000
TOTAL	334,225

Documents:

1. AERO Integrated Solutions proposal to RFP 11-0517.

Telephone System Extensions and Upgrades

The telephone system originally purchased from Avaya for certain government buildings has since been extended to include most school buildings and the Town of Berryville. Extension to the following buildings will complete the system:

Building	Timeline	Cost	Notes
Boyce Elementary	Summer 2013	Already budgeted	
Old High School	During renovation	40,000	From construction budget
Johnson-Williams MS	2014	50,000	

In addition, it will be necessary to replace the central switch (aka PBX) in 6 to 8 years.

Building Security Systems

The federal *Secure Our Schools* grant of \$328,235 obtained in 2007, along with a local match of the same amount, led to an expenditure of \$656,470 to provide security systems in the schools. The consultant, Kimball, reviewed the security needs of the schools and various configurations of door access systems, video surveillance systems, and weapon detection systems at each of the five buildings. The final decision implemented extended video surveillance systems at JWMS and (old) CCHS consisting of cameras, switches, recorders, and monitors. This was considered the most effective use of the funds. Most of the local match went toward upgrading the network infrastructure to accommodate video signals.

The long term plan remains extending security systems to other buildings, and connecting them to the Sheriff's dispatch office to permit monitoring during emergency events (the "head-end" of the system). A security design for the Joint Government Center and the Circuit Courthouse were developed but not implemented due to budget limitations in those capital budgets. The new high school is equipped with an extended video system, leaving the old high school system available for the elementary school renovation.

The estimated cost of the "head-end" at the Sheriff's Office is \$70,000. However, this would connect only JWMS, new CCHS, and Old CCHS, all of which are currently monitored by the School Resource Officer. The Sheriff is seeking grant funding for this head-end. The Board should reconsider the security needs of the various buildings, and the cost/benefit of further extending the system.

Video Conferencing

The Board should consider the costs and benefits of video conferencing among school and government employees to reduce time and cost of travel between buildings. The need is not imminent, though the technology exists in wide variety of options. Two important considerations are: 1) the quality of the video signal should be very high; 2) our local intranet should be utilized; and connection to the internet avoided, to prevent hogging the bandwidth utilized by other users.

Network Switches

The network switches consist of 12 "core" switches, but 100s of switches total. These switches route internet traffic, data application communications, telephone communications, and energy management system communications. Many of these switches were replaced or added four years ago, but should start receiving scheduled replacement in 3 years. This replacement can be phased in over 5 years at a cost of \$100,000 per year. The replacement is recommended because the maintenance contracts on the older switches are likely to make that the more costly option in the long run. It will be practical to coordinate the replacement of network switches with any changes to the fiber optic network.

Enterprise Resource Planning and Document Management Systems

A study completed in 2010 by the Government Finance Officers Association recommended implementation of an Enterprise Resource Planning System and Document Management System to replace many of the disparate and duplicative government and school software applications. The two systems are discussed as a single unit because they would be used in close conjunction: the ERP system could attach documents to database records (such as an employment application to a personnel record, or an invoice to a financial transaction) but could also have the ability to index documents not related to database records (board minutes, agendas, recordings, & photographs).

The cost estimate for this system is \$550,000 for implementation of components recommended in the GFOA report, conversion, and training. An additional \$50,000 would be budgeted as a contingency for hardware needs. Annual recurring costs for software maintenance is estimated to be \$62,000. If approved, this budget would be expended over a three year period, with a large expenditure upfront to implement primary financial and human

resource applications, and then regular recurring expenditures for additional modules. One scenario might be:

Year 1	Year 2	Year 3
General Ledger	Fixed Assets	GIS Integration
Accounts Payable	Building Permits	Work Orders Fleet, and Facilities
Revenue Collection	Document Management	Vendor Self Service
Payroll	Human Resources Management	Citizen Self Service
Purchasing	Employee Self Service	Project and Grant Accounting
Utility Billing	Student Activity Funds	
Personal Property Assessment	Permits and Code Enforcement	
Real Estate Assessment	Central Store (Inventory)	
Leave Management	Applicant Tracking	

In time, the Board will need to consider a Project Manager for the implementation because it will involve nearly a full-time devotion to ensure the adoption of best practices, the optimal allocation of local resources, and continuing communication among all parties.

Document:

1. GFOA Study.
2. FY 13 Budget Request

Shared Data Storage

Both the School Division and the Government have each had a 6.5 terabyte data storage unit. Each unit housed the organizations data, and backed up that data to the other's unit each night in a configuration known as a Storage Area Network (SAN). Recently, the Schools and Government jointly purchased a 15 terabyte unit housed at the Joint Government Center at a cost of \$35,000, and shared this cost equally. This new unit will free the two 6.5 T units to back up to a third unit, rather than each other. This additional capacity should be adequate for several years, after which it will be necessary to purchase a fourth unit

Information Security

The School Division and the Government each have separate connections to the internet, so security elements such as firewalls, spam filters, and antivirus are funded through each organization's IT budget. Maintaining separate internet connections is a security feature in itself because it permits redundancy. The Government utilizes an off-site backup service in California for certain data, and the School Division is considering the same.

The budget includes funding for a disaster recovery system. This would provide a mechanism for putting government and school computer systems back into operation within a short period of time after a disaster such as theft, fire, weather events, etc.

Employee Training

The ERP system cost estimate includes training for that system. Beyond that it is critically important that end users of the ERP system receive continuing training to take advantage of upgrades, and that new employees receive basic training. In addition, IT and HVAC technicians will require training to keep abreast of system upgrades. Much of this training can be delivered across the internet to groups or individuals from the County's various organizations, adding an economy of scale, and saving on travel costs.

Software Adoption and Replacement

There are currently only a few shared software applications (Xpert, schooldude) However, there may be advantages to sharing software systems such as:

1. Email, calendaring, address book.
2. Facility scheduling.
3. Citizen alert.
4. Web development tools.
5. Productivity software licensing (word processing, spreadsheets, etc.)
6. Project Management.

No budget estimates are provided for this category, other than the ERP system, as software system charges do not currently span organizations budgets. However, the Joint Administrative Services Board will continue to seek opportunities for sharing software and seeking volume pricing where practical.

Clarke County

tjudge@clarkecounty.gov

Re: Anonymous Fraud and Abuse Hotline

From : FOIA Council <foiacouncil@dls.virginia.gov>

Tue, Oct 02, 2012 06:00 PM

Sender : agernhardt@dls.virginia.gov**Subject :** Re: Anonymous Fraud and Abuse Hotline**To :** Tom Judge <tjudge@clarkecounty.gov>

Dear Mr. Judge:

A record of such a tip would be a public record subject to the Virginia Freedom of Information Act (FOIA), as it would be in the possession of the public body in the transaction of public business. However, depending on the exact facts involved, the records might be exempt from disclosure. For example, subdivision 7 of § 2.2-3705.3 (copied in full below for your reference), exempts certain records of local auditors:

The following records are excluded from the provisions of this chapter but may be disclosed by the custodian in his discretion, except where such disclosure is prohibited by law:

7. Investigative notes, correspondence and information furnished in confidence, and records otherwise exempted by this chapter or any Virginia statute, provided to or produced by or for (i) the Auditor of Public Accounts; (ii) the Joint Legislative Audit and Review Commission; (iii) an appropriate authority as defined in § 2.2-3010 with respect to an allegation of wrongdoing or abuse under the Fraud and Abuse Whistle Blower Protection Act (§ 2.2-3009 et seq.); (iv) the Office of the State Inspector General with respect to an investigation initiated through the State Employee Fraud, Waste and Abuse Hotline or an investigation initiated pursuant to Chapter 3.2 (§ 2.2-307 et seq.); (v) the committee or the auditor with respect to an investigation or audit conducted pursuant to § 15.2-825; or (vi) the auditors, appointed by the local governing body of any county, city or town or a school board, who by charter, ordinance, or statute have responsibility for conducting an investigation of any officer, department or program of such body. Records of completed investigations shall be disclosed in a form that does not reveal the identity of the complainants or persons supplying information to investigators. Unless disclosure is prohibited by this section, the records disclosed shall include, but not be limited to, the agency involved, the identity of the person who is the subject of the complaint, the nature of the

complaint, and the actions taken to resolve the complaint. If an investigation does not lead to corrective action, the identity of the person who is the subject of the complaint may be released only with the consent of the subject person. Local governing bodies shall adopt guidelines to govern the disclosure required by this subdivision.

If a tip involved a criminal matter, exemptions in § 2.2-3706 for criminal investigations and other law enforcement records might also apply. Please do not hesitate to call if you have any questions or would like to discuss this matter in more detail.

- Alan

On Mon, Oct 1, 2012 at 2:14 PM, Tom Judge <tjudge@clarkecounty.gov> wrote:

To deter fraud and abuse we wish to create a place on our County website where fraud can be anonymously reported. Staff would investigate fraud based on these tips.

Would these tips be subject to FOIA? Would the resulting investigation documents be subject to FOIA?

Thomas J. Judge, Director of Joint Administrative Services, Clarke County, [540-955-6172](tel:540-955-6172)


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Thank you for contacting this office. I hope I have been of assistance.

Maria J.K. Everett, Executive Director and Senior Attorney
Alan Gernhardt, Staff Attorney
Virginia Freedom of Information Advisory Council
910 Capitol Street
Richmond, Virginia 23219
(804) 225-3056 or 1-866-448-4100 (toll free)
Website - <http://foiacouncil.dls.virginia.gov/>

The staff of the Freedom of Information Advisory Council is authorized to issue advisory opinions. Please be advised that

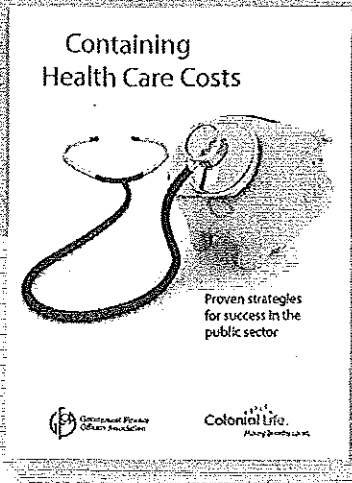
Containing Health Care Cost Fact Sheets

GFOA and Colonial Life, which funded this research, are releasing a series of short informational sheets about the primary cost containment techniques described in the report. The sheets in this series are: 

- Spotlight on Benefit Waivers
- Spotlight on Benefits Enrollment
- Spotlight on Dependent Verification
- Spotlight on Health Plan Changes
- Spotlight on Increasing Co Pays
- Spotlight on Increasing Deductibles
- Spotlight on Preventative Treatment
- Spotlight on Section 125 Plans
- Spotlight on Self Funding
- Spotlight on Voluntary Benefits
- Spotlight on Wellness

Connect with GFOA Consulting





Strategic Spotlight: Containing Healthcare Costs

Proven Strategies for Success in the Public Sector

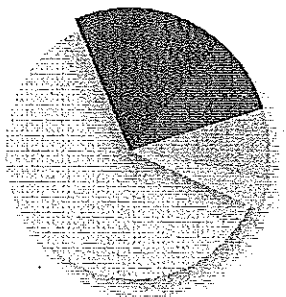
Strategy: Benefit Waiver

What is a Benefit Waiver?

A benefit waiver or “opt-out” program allows an employee to waive their health insurance benefit in return for a cash payment. Typically the employee must demonstrate and attest to having other employer-sponsored health insurance to be eligible to participate in the opt-out program and receive the cash payment.

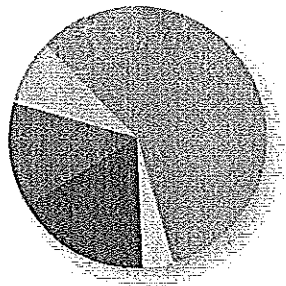
Use of Benefit Waivers

38% of Respondents Use Benefit Waivers



Of those using benefit waivers, how many would recommend it to others?

- 53% Very likely
- 23% Somewhat likely
- 19% Neutral
- 5% Unlikely



Of those using benefit waivers, how important is this technique to their overall cost management efforts?

- 4% Essential
- 17% Very Important
- 13% Important
- 8% Somewhat
- 58% Not Important

Comments on Using Benefit Waivers

It Works “Our savings range from about \$4,000 for a single to \$10,000 for a family not taking coverage”

Mutual Beneficial “It’s a win-win. It’s optional to the employee and financially better to the City”

Good Participation “This is a huge budget saving strategy and we have about 25-30% of our full time employees participating”

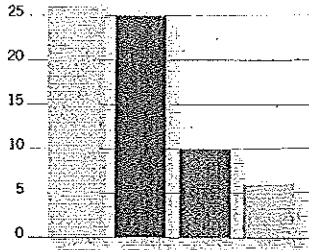
Measurable Results “This program saves the town about 12% per year on health care costs.”

Strategic Spotlight: Containing Healthcare Costs

Strategy: Benefit Waiver

Of those Not Using Benefit Waivers, Why have you Not Used this Technique?

62% Not Using this Technique



Some top reasons why not using:

- 26% Benefits do not outweigh the costs
- 25% Not enough information to determine benefits
- 10% Not familiar with this technique
- 6% Not enough staff and/or time to implement

Comments on Not Using Benefit Waivers

Staffing "It was time consuming, and only a handful of employees participated"

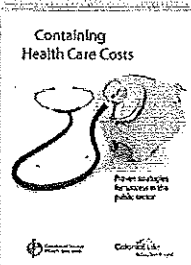
Adverse Impact "Self insured — likely healthy users will opt out with net increase to plan"

Employee Assurances "My only concern with this is verifying that the employee and his or her family have insurance"

Lacks Buy-in "Not politically popular" "Not desirable."

Summary & Key Points

- Benefit waiver programs are used selectively by government organizations, but for those who have used such programs significant cost savings have been achieved.
- Those using benefit waivers require employees show proof of alternative coverage to be eligible for the program.
- Be mindful of adverse impacts to your health plan if large number of employees suddenly opt-out of your plan. In particular in terms of diminishing the risk pool for smaller self funded plans, and missing participation requirements for fully insured plans.
- You may wish to consult a tax specialist to determine any implications of issuing cash payments in lieu of benefits.
- Employee education is a cornerstone of a benefit waiver program to ensure employees fully grasp all implications of their decision.



To learn more about this study and to download the full report visit:

www.gfoaconsulting.org/researchreports

Other Strategic Spotlight Topics Available

Dependent Verification | Increase Deductibles | Increase Co-pays | Self-Funded Benefits | Promote Wellness | Voluntary Benefits | Right-Sourcing Enrollment | Shift Benefits Communication Expense | Promote Section 125 Plans | Benefit Waiver Program | Preventive Treatment | Health Plan Redesign | Cooperative Purchasing |