

ACHRM

City of Marion Case Study

December 10, 2020

December 10, 2020, Haddonfield, NJ – During the Association for Corporate Health Risk Management's CEO-CFO-CHRO National Virtual Roundtable on December 9, 2020, the attendees requested we offer a smaller municipality's successful implementation of the healthcare cost containment strategies reflected in our recent City of Chicago case study. Wayne Seybold, former three term Mayor of the City of Marion (Indiana), highlighted the strategy implementation process and results of his healthcare cost containment efforts during our virtual Roundtable.

As a result of high healthcare costs in 2013, Standard & Poor's (S&P) downgraded the City of Marion's long-term rating to BBB- or more commonly known as junk bond status. Mayor Seybold and his team devised a multi-layered plan, which entailed several changes to the City's healthcare plan. The first impediment, however, was the City's health insurance broker, who was compensated by a major insurance carrier and did not support the proposed changes, needed to be replaced.

Ensure you have a strong advisory team! Wayne recommends, "make sure your Broker is not trying to scare you out of being a strong fiduciary of the taxpayers' money."

Mayor Seybold worked the City's workers, including five unions, to gain their support. The new plan entailed separating from the major insurance carrier and engaging an independent (non-insurance carrier)-based third party administrator (TPA), an independent pharmacy benefit manager (PBM), a market leading referenced based pricing solution provider, and a couple other modifications. As a result of the City's new strategy, healthcare costs fell \$2.7 Million or 45%, and in 2015, S&P increased the City's long-term rating to A+ or five levels above its junk bond status.

While the aforementioned plan requires skilled and knowledgeable professionals and innovative vendors, Mayor Seybold and his team also had to negotiate with five unions and the other city workers. The 360-person workforce benefited from salary increases during a real estate crisis as other Indiana-based municipal workers suffered wage freezes. Needless to say, the Mayor was fighting tremendous headwinds when proposing changes to the workers' healthcare plan.

Understanding the union's four hot buttons, wage increases, training, equipment, and healthcare, Mayor Seybold worked closely with the unions to illustrate the long list of benefits of the proposed healthcare plan. Despite concerns of the prospective healthcare savings translating into reduced care, Mayor Seybold offered multiple improvements as well as applying a portion of the savings to wages, training and equipment. The City's workforce accepted the new plan, and many realized improvements in their care.

Wayne sees a heightened need for public entities to approach their healthcare cost management similar to their other expense management, citing "I encourage every size City, County, and School system to start buying Health Care like you do everything else. All Governmental agencies need to have Cost containment measures when purchasing health care."

This case study was prepared in conjunction with the video comments of Wayne Seybold, former Mayor, City of Marion, Eric Schnurer, Public Works, LLC, and Bill Lacy, CEO, ACHRM captured on December 9, 2020 during ACHRM's CEO-CFO-CHRO Virtual National Roundtable.