

**BOARD OF SUPERVISORS**  
**GILA COUNTY, ARIZONA**

Date: March 22, 2005

**JOSÉ M. SANCHEZ**  
Chairman

**JOHN F. NELSON**  
Clerk of the Board

**TOMMIE C. MARTIN**  
Vice-Chairman

By: Marilyn Brewer  
Deputy Clerk

**SHIRLEY L. DAWSON**  
Member

Gila County Courthouse  
Globe, Arizona

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PRESENT: José M. Sanchez, Chairman; Tommie C. Martin, Vice-Chairman; Shirley L. Dawson, Member; John F. Nelson, County Manager/Clerk; and, Bryan Chambers, 2<sup>nd</sup> Chief Deputy County Attorney.

The Gila County Board of Supervisors met in Work Session at 10:00 a.m. this date. Vice-Chairman Martin led the Pledge of Allegiance and Dixie Mundy delivered the Invocation.

John Nelson presented an update on the Arizona Local Government Employee Benefit Trust (AZLGEBT) Board of Trustee's annual meeting which he and Jacque Griffin, Assistant County Manager/County Librarian, attended approximately a month ago in San Diego, California. As information to the audience, he advised that AZLGEBT was formed in order to provide health and welfare benefits to counties that participate in AZLGEBT. At present, AZLGEBT is comprised of six counties: Apache, Gila, Greenlee, Graham, La Paz, and Santa Cruz. AZLGEBT is administered by Erin P. Collins and Associates, Inc. and currently provides health insurance to approximately 4,000 eligible members. Mr. Nelson advised the Board of Supervisors that Mr. Collins will be making a presentation at the April 2005 Arizona Small Counties Forum and he encouraged the Board's attendance. He provided the Board with a written packet of information containing charts and graphs pertaining to

membership, employee age bands, claims dollar analysis, medical and prescription drug claim experience analysis, premium comparisons between the six participating counties, plan cost per eligible member, top ten drugs by cost, specialty pharmacy, and AZLGEBT change in surplus dollars since June 30, 2004. **(A copy of the packet of information is permanently on file in the Board of Supervisors' office.)** Highlights of Mr. Nelson's presentation are as follows: Gila County and Apache County equally represent 24% of AZLGEBT eligible members and the remaining four counties represent 52% of the eligible members. AZLGEBT has a very stable eligible membership with an increase of .2% from 2003 to 2004. This insurance pool continues to be an "old" pool with the average member's age being 46.7 years. Within the entire pool of total eligible employees, 51% are males and 49% are females. Last year, over 500 claims were submitted in the amount of \$5,000 and over, amounting to 1.3% of the total claims and 45% of the dollars spent. Claims submitted in the \$0 to \$500 range amounted to 86% of the total claims and 24% of the dollars spent. The AZLGEBT Wellness Program is addressing high dollar claims by providing testing and screenings to eligible members for certain health risks. A medical handbook was given to all employees to help address minor illnesses. As outlined in the Medical and Prescription Drug Claim Experience Analysis chart shows the cost per member per month is \$230 beginning January 2005. In reviewing the monthly minimum trend, monthly maximum trend and monthly recommended trend on this chart, AZLGEBT is doing better than the national average on claims and controlling costs; however, costs continue to rise with no anticipated change. Vice-Chairman Martin inquired whether the trend is due to the older population, more employees, or a combination of the two. Mr. Nelson stated that the trend lines are per employee so if whether there are 100 or 300 employees, the trend lines will remain the same. He stated, *"Trend lines are going up because medical costs are increasing, prescriptions are higher each year, the nature of health care is changing, and the way health care is handled has changed considerably. New*

*research techniques are curing things that couldn't be cured before which is adding to the life span, but are very expensive. The current trend in costs is going up and not changing, so we have to deal with it.*" As follow-up to the annual meeting, Mr. Nelson stated that he received a notice today that AZLGEBT will not be decreasing any benefits this year. For this year the "employee only" monthly cost for medical, dental, vision and disability coverage will increase from \$336.04 to \$349.92, an increase of 4.13%. Family monthly costs will increase from \$781.80 to \$820.19, an increase of 4.9%. With the two plans combined, there will be a 4.6% increase in overall health insurance costs. Mr. Nelson stated that it is hoped these increases will keep the plan solvent and not lose money. Chairman Sanchez inquired if the Board of Trustees recommended these increases and if they have the final say. Mr. Nelson replied that the Board of Trustees approved these increases as they are charged with the responsibility of meeting the needs of the employees and remaining financially viable. He advised that the decision then comes back to the individual county's Board of Supervisors to decide what percentage of the increase will be funded by the county and/or passed along to employees. Chairman Sanchez inquired how the Board of Trustees is getting input from Gila County when contemplating these decisions. Mr. Nelson advised there are six members on the Board of Trustees, one from each County. He is a voting member on the Board of Trustees, and in his absence Ms. Griffin is an alternate Trustee. In continuing with his report on the Plan Cost Per Eligible Member PMPM (per member per month), Mr. Nelson stated that prescription drugs have been driving up the costs. He advised that the report only shows a 4% increase; however, that figure is misleading. He stated, *"Last year the proton pump inhibitor (also known as the purple pill) was moved as a prescription drug to an over-the-counter drug and was dropped from the prescription plan, so the first six months costs showed a \$74,000 savings because of that one prescription being dropped from the plan. However, when that savings is removed, the prescription costs reflect a 9-10% increase. Prescription costs*

*continue to increase at a much faster rate than medical costs. In total, the PMPM cost per prescription is \$38.65, with the plan paying \$28.82, or 75%, and the employee paying \$9.83, or 25%, which has been in effect for three to four years."*

The next page of the report showed the Top 10 Drugs by Cost with lipitor being the most expensive drug. Two of the listed drugs, oxycontin and morphine sulfate, have caused concern because they are addictive pain killers. Last year AZLGEBT directed Walgreens Health Initiatives, AZLGEBT's prescription plan provider, to research and identify prescriptions filled for these types of drugs and then notify an employee's doctor(s) to determine whether the employee is possibly addicted to these drugs. Mr. Nelson advised that AZLGEBT has not yet received Walgreen's report. He assured the Board of Supervisors and employees that the Board of Trustees would not have access to any detailed information from Walgreens such as employee names or information by county. He advised this effort is being made to identify an employee in this situation and to provide help to that employee. Walgreens has found in the past that some employees had three different doctors and three different druggists, and the Trustees are also checking on sales to the open market. The Specialty Pharmacy chart identifies newly engineered drugs given in the doctor's office by an injection. These drugs are very expensive at \$1,000 per injection, and for the 2003 year there were \$9,000 in costs for these specialty drugs, and for 2004 the cost was \$24,000. Mr. Nelson advised there are currently 100-200 specialty drugs awaiting approval by the FDA, and when doctors begin prescribing these drugs, the costs will soar. He advised that this is something the Trustees are looking at and as these drugs are being identified, co-payments are being changed. The next item Mr. Nelson reported on was the Change in Surplus chart which is a visual picture of the plan results for the last six months of 2004. In July 2004, the surplus increased \$195,000, decreased to \$161,000, decreased again to \$1,625, and then ultimately decreased to a loss. Mr. Nelson advised that he began to panic expecting a 10-15% increase in costs for the upcoming year. In October there had been two

high-dollar cases of over \$150,000. In those cases, AZLGEBT paid for all costs up to \$150,000 and the remainder was paid by an “over-insurer”. In December there was a \$232,000 addition to the surplus. Mr. Nelson pointed out that by the time medical claims are paid, there has been a 30- to 60-day delay from the time the employee goes to the doctor or hospital to when the costs are actually paid. Winter is the highest cost period, and after December the surplus starts coming down again. Mr. Nelson reported that as of June 30, 2004, the gross surplus was \$6,448,277 for the combined six counties. The recommended surplus to be maintained is \$3,125,000, with the current amount being \$3,300,000. Gila County currently has a surplus in the amount of \$688,000, with a recommended figure of \$894,000. Vice-Chairman Martin questioned the time frame for the Board’s decision to determine how much the County and/or employees will pay for the 4-5% cost increase. Mr. Nelson replied that the Board must make these decisions during the budget process or at the latest by July 1<sup>st</sup>. She also inquired whether the Wellness Program is having a monetary effect and whether it’s affecting big claims. Mr. Nelson replied that the Wellness Program has positively affected costs. He advised that all costs are being carefully scrutinized and as particular costs are spiking, they are being targeted and are coming down. Mr. Nelson advised that large hospital claims are also being targeted. At one point in time, Gila County’s claims were amongst the highest in AZLGEBT. As a result, Gila County made concerted efforts to promote the Wellness Program by offering to test employees for high cholesterol, blood pressure, etc. The test results were presented to the employees and those employees receiving test results not in the accepted or normal range were encouraged to consult their doctors. Many medical problems were identified and treated which significantly reduced Gila County’s claims costs. Vice-Chairman Martin recommended rewarding those employees that participate in the Wellness Program. Mr. Nelson advised that a reward system is in place for employee participation in the Wellness Program such as accumulating Wellness points that can be exchanged for extra vacation time,

as well as drawings for cash awards. Mr. Nelson then called on Ms. Griffin to present more information on the Wellness Program. Ms. Griffin presented the Board with a chart entitled AZLGEBT Medical Claims Cost Comparison for 2000-2004. **(A copy of the chart is permanently on file in the Board of Supervisors' Office.)** She stated that Erin P. Collins and Associates, Inc. track various medical conditions for which claims are paid. In looking at the category of "other screening," she stated that employees from all six counties are participating in wellness screenings which is paying off pool-wide. The category entitled "symptoms, signs, and ill-defined conditions," represents visits where the doctor isn't able to diagnose a particular illness. The Wellness Program Director for AZLGEBT attempts to design the Wellness Program to address each of the conditions listed. Neoplasms was the second highest cost category in 2001 and dropped to the ninth highest cost category in 2004. Ms. Griffin advised that the Wellness Program played a part in this because it began addressing detection. Mr. Nelson advised that there hasn't been a breast cancer claim submitted in the past year and a half and he attributes much of that success to employees' participation in mammogram screenings. The highest cost is "diseases of the circulatory system" which reached \$1 million in claims. This area has been specifically targeted through the Wellness Program by conducting blood draws to identify people who might have a risk of future heart disease. Ms. Griffin gave the Board a flyer which shows that in April there will be a Team Walking Challenge to get people up and moving, which has a positive affect on circulatory disease. There is nothing scheduled for May, but in June the emphasis will be men's health exams which will include doctors coming to both Globe and Payson to deal with men's issues. Ms. Griffin showed a trophy which states that this traveling trophy will be awarded to the Arizona local team with the greatest average number of steps walked and the most improved percentage of steps walked. This contest started in November 2004, and Gila County won for the greatest number of steps walked. At this time she called on the Hart Hat Team consisting of the

following members: Randy Burkhalter, Mike Golden, Fletcher Petty, Tony Lopez and Jonathan Ortega and awarded them the trophy. In April another trophy will be awarded, and everyone participating will have their name included in a drawing for a \$50 gift certificate for new walking shoes. Chairman Sanchez congratulated the winners. He stated that next week employees may sign up to participate in the Wellness Team Challenge consisting of 5-10 employees per team. He thanked Mr. Nelson and Ms. Griffin for their presentations.

Mr. Nelson presented an update on the State budget and legislative activities. He stated that the Legislature passed a budget; however, it was vetoed by the Governor. Mr. Nelson stated, *“With the Legislature set on a 100-day session, this means the budget must be done within 65 days and it is 68 days right now so the budget should be out very soon. The key issues are not out of our hands as it is not just a battle between the Legislators and the Governor, but everyone can have a significant input because the Legislators are looking for votes to pass the budget.”* Mr. Nelson updated the Board on issues that will have an impact on Gila County. The Arizona State Retirement System is recommending a 2.7% increase on entire contributions which would be funded by the employees, and the counties would have to match the cost which would be \$600,000, a significant issue for Gila County. The Legislature, in passing the State budget, advised that State employees would be held harmless for increases in health costs and State retirement. The State funded retirement at 1.7%; however, the State Retirement Board said the increase would be 2.7%. So far there has been no action taken to reduce the amount from 2.7% to 1.7%, so this will be watched closely as it could have a significant impact on Gila County’s budget. Another item occurring that is not getting out to the public is an attempt by the Legislature this year to shift property taxes from businesses to homeowners. What the Legislature is planning to do over the next 5-10 years is to decrease the assessment ratio on Class One businesses from 25% to 20% and proposing to make it look like it’s not a shift by increasing homeowner

rebates. Mr. Nelson stated: *“It’s a nice touch, but when you’ve given a rebate to somebody and continue to pass costs onto the county because you don’t have the money to fund it, it is a direct shift to the homeowner. This has a lot of people concerned because agriculture, multi-home dwellings, and vacant land are going to get a direct tax increase. In doing an analysis for each county, the affect on Gila County will be a tax rate increase of 29 cents.”* Mr. Nelson stated that he will keep the Board updated and because the State budget should be out soon the Board will be able to spend more time looking at how to fold these costs into Gila County’s budget process. Chairman Sanchez thanked Mr. Nelson for this information. He stated that Senator Jake Flake was concerned about four items in the State budget that would affect small rural counties, as follows: 1) restoration to competency [Some of these categories will be addressed during AZLGEBT’s presentation at the Arizona Small Counties Forum in April.]; 2) Highway User Revenue Funds; 3) duck pool; and 4) rural health, as the rural counties pay 53% of the costs of AHCCCS/ALTCS (Arizona Health Care Cost Containment System/Arizona Long Term Care System). He stated the smaller size counties of the Rural Transportation Council are going to try to prepare for the next budget cycle by holding a retreat to discuss the issues they would like to see on the next Legislative agenda, specifically items like junk ordinances, ethics, Open Meeting Law and land use issues. Vice-Chairman Martin stated that with regard to the State passing taxes from businesses to the homeowners, the Board needs to develop information for Gila County taxpayers and clearly point out that this is the State’s initiative, not Gila County’s initiative. She stated few people understand these types of issues, so it appears that the State is cutting taxes and the County is increasing taxes. Mr. Nelson stated that Gila County has resisted implementing secondary taxes, such as flood control, etc. He advised that there is no homeowner’s rebate for those counties which have implemented secondary taxes, so there will be a significant increase in the tax rate as there is no other alternative. Supervisor Dawson stated that as a newcomer to these processes, she was very impressed

with Representative Bill Konopnicki and Senators Jake Flake and Jack Brown. She advised that Representative Konopnicki has put forth a lot of effort trying to save Gila County's Provisional Community College District. Supervisor Dawson stated: "*Maybe during County Government Week, we should show our appreciation for these people that represent and stand for small counties.*" She also stated that the Arizona County Supervisors Association (CSA) has greatly impressed her because of its close watch on legislative issues and lobbying to protect all of the counties, and she appreciates Gila County's membership in this Association and for the work being done.

Supervisor Sanchez called on Supervisor Dawson in reference to the establishment of a strategic economic development steering committee. Supervisor Dawson stated that during the course of campaigning for office last year, economic development was a topic of continual discussion and each Board member pledged their support to this effort. She stated that there is a well-intentioned group from the Globe-Miami area present at the meeting today; however, she believes it has been fragmented, compartmentalized and often ineffective so when an economic advantage is presented to our community, no one is prepared. She proposed to establish a steering committee to set priorities in economic development. She also recommended conducting a county-wide economic development forum to bring energy and limited resources together and to develop a Gila County strategic plan. Supervisor Dawson stated that she appreciates those efforts that have previously been made, but feels it was not a coordinated effort. She passed out a copy of a proposed plan to the Board and stated that she and Jay Spehar worked on this proposal for months. She advised that the steering committee should be comprised of individuals representing the cities and towns, and various Indian tribes from the Tonto, San Carlos and Whiteriver areas. She suggested the possibilities of the Seneca area becoming an asset to Gila County, as well as fossil digging in Winkelman. Chairman Sanchez referred to Alfredo Gutierrez's and Athia Hardt's recent presentation to the Board to

develop a regional marketing strategy for Southern Gila County. Supervisor Dawson stated that their presentation addressed only the southern part of Gila County and was based on tourism, and the focus of this steering committee would be to develop anywhere in Gila County. She added that in order to “sell” Gila County, there is a need to address the economic development for the County. She used the Hayden-Winkelman area as an example because of the lack of businesses in that area and serious secondary tax issues. Supervisor Dawson advised that the focus should not be on tourism. Some of the questions being asked of Supervisor Dawson are: 1) Do we want to stay a small county? 2) What do we want to sell? 3) What is Gila County about? 4) If another proposal came to us like the proposed detention holding facility for illegal immigrants, where would we house an additional 350 employees? 5) Does this County have any vacant unused land? and 6) Does Gila County have something more attractive than other counties? Vice-Chairman Martin agreed this would be a worthy effort, but instead of taking on the whole County, the focus should be on Southern Gila County first. She stated that a vision and a direction are lacking for this effort and she emphasized the need to involve as many individuals that show an interest. Vice-Chairman Martin stated that what she has done in the past is to put large groups of people together to look for vision and direction, and believes that is what is needed instead of another committee or development group. She advised that the group should be brought together for a couple of days to “brainstorm and plan” and once that has been done, another step in the process would follow. She reiterated that all interested citizens would be invited to a meeting for this effort. She stated that in this way the group would not buy off of any other group, but generates the direction or next steps. She stated, “...and this needs to come from within that group, not from outside that group, as there is always someone who is convinced they know the way. The Board could then help facilitate the vision and direction for the southern part of the County.” She agreed with Chairman Sanchez’s statement that the Board of Supervisors also needs to develop its own long-

range plan. Chairman Sanchez stated that during the campaign, it surprised him that people were looking too much to the County to be the economic developers. He advised that the past Board provided funding to and relied on the Globe-Miami Regional Chamber of Commerce and Economic Development Corporation and the Payson Regional Economic Development Committee to “do the work”. He also stated in reviewing other county books and looking at smaller rural communities, they did not have any economic development groups. Chairman Sanchez stated that his vision for Gila County is the development of a stockcar race track at the County Fairgrounds, which he believes is a wonderful way to start the economic development with a sport that is popular throughout the nation. He stated, *“When the six-figure costs were presented, it scared everyone off the project.”* There was also the project with the detention center, and a presentation was made for affordable housing in the area, both of which came and went. Chairman Sanchez believes there are a lot of possibilities, and this type of discussion is good. He then called on Ellen Kretsch, President of the Globe-Miami Regional Chamber of Commerce and Economic Development Corporation. Ms. Kretsch stated she believes this is an excellent idea and the Chamber would be more than happy to work with this group. Chairman Sanchez called on Mickey Nye, who stated that there are many people in the community who have great ideas but no means to express them, and he hopes this steering committee can make this happen with a massive group. Vice-Chairman Martin stated that once you have a large group and do the visioning and planning, then a true-action plan can be developed. She stated people from the large group can be self-selected to smaller groups to work on projects to completion. Chairman Sanchez called on Ingo Radicke, who offered support of a group meeting over a period of a couple days. He also expressed a concern about the source of funding and stated that nothing would change if there is a lack of funding. Supervisor Dawson thanked all the business people present for taking time out of their day to attend this meeting. Chairman Sanchez stated that the comments sounded very positive and he will

proceed to give direction to County staff to determine the next step. On behalf of the Board, Chairman Sanchez thanked everyone for attending and for their input.

At this time each Board member presented a brief summary of current events as allowed by A.R.S. §38-431.02(K). No action was taken on any items that were presented.

There being no further business to come before the Board of Supervisors, Chairman Sanchez adjourned the meeting at 11:49 a.m.

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José M. Sanchez, Chairman

ATTEST:

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John F. Nelson, County Manager/Clerk