



## KENAI PENINSULA BOROUGH

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**MIKE NAVARRE**  
BOROUGH MAYOR

### MEMORANDUM

**TO:** Gary Knopp, Assembly President  
Members, Kenai Peninsula Borough Assembly

**FROM:** Mike Navarre, Mayor *Mike Navarre*

**DATE:** December 22, 2012

**SUBJECT:** Ordinance 2011-19-65, appropriating \$200,000 to hire consultants to assist the borough in determining the course of action to pursue regarding curtailing health care costs

The cost of health care has risen dramatically within the last 11 years such that at this point in time the borough spends in excess of \$18,660 per employee for health care as compared to \$6,055 in 2000. The school district currently spends approximately of \$17,436 per employee on an annual basis for health care and these expenses are anticipated to continue increasing. Additionally, this rising cost of health care is increasing the borough and school district's liability for PERS and TRS due to the health care coverage. In June 2011 the borough administration began holding meetings with representatives from the school district, Central Peninsula Hospital, South Peninsula Hospital, and the cities of Kenai, Homer, Soldotna and Seward to consider what options may be available to reduce healthcare costs. Independent expertise is now needed to assist the group in identifying potential mechanisms for reducing health care costs.

Additionally, as the owner of two hospitals the borough needs independent expertise to assist it in identifying the direction the health care industry is taking and steps the borough may take to protect its interests. Some of the funds appropriated in this ordinance would be used to hire outside experts to accomplish this goal.

Your consideration of this ordinance would be appreciated.

FINANCE DEPARTMENT FUNDS VERIFIED	
Acct. No.	<u>100.00000.00000.21900</u>
Amount	<u>\$ 200,000.00</u>
By:	<u><i>C. Chapman</i></u> Date: <u>12/22/2011</u>