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Board of Directors

March 28, 2013

5:30 p.m.

Scott Heyman Conference Room

Approved 5-23-2013

Municipal Representatives: 12

Don Barber, Chair; Charles Rankin, Village of Groton; Elizabeth Karns, Village of Cayuga Heights; Herb Masser, Town of Enfield (excused at 6:45 p.m.); Mary Ann Sumner, Town of Dryden (excused at 7:00 p.m.); Judith Drake, Town of Ithaca; Anita Fitzpatrick, Tompkins County; Rordan Hart, Village of Trumansburg; Svante Myrick, City of Ithaca (arrived at 5:36 p.m.); Laura Shawley, Town of Danby (arrived at 5:51 p.m.); Mack Cook, City of Cortland; Kathy Miller, Town of Lansing (arrived at 5:43 p.m.)

Voting Union Representatives: 2

Chantalise DeMarco, CSEA President, Joint Committee Chair; George Apgar II, Ithaca Professional Fire Fighters Association, President, 2nd Labor Representative (arrived at 5:36 p.m.)

Excused: 1

Lucia Tyler, Town of Ulysses

Absent: 2

Glenn Morey, Town of Groton; Charles Becker, Village of Dryden

Others in attendance:

Travis Turner, Cayuga Area Physicians; Steve Locey, Locey & Cahill; David Squires, Tompkins County Finance Director; Sharon Dovi, TC3; Beth Miller, Excellus; Stephanie Engster, Scott Futia, CSEA

Call to Order

The meeting was called to order at 5:30 p.m. by Mr. Barber, Chair.

Approval of Minutes – December 28, 2012

It was MOVED by Ms. Drake, seconded by Ms. DeMarco, and unanimously adopted by voice vote by members present, to approve the minutes of December 28, 2012, as submitted. MINUTES APPROVED.

Changes to the Agenda

There were no changes made to the agenda.

Financial Report from Locey and Cahill

Financial Update

Mr. Locey reviewed 2012 year-end results and stated the Consortium took in slightly over \$29 million and had approximately \$27 million in expenses, leaving a net income of \$2.5

million. In actual versus budgeted amounts the Consortium was 1.5% ahead of expectation on revenue and about 4% below expectation on expenses. With respect to claims, they were 2% below what was anticipated through the first two years of the Consortium's operation. In terms of the Capitalization investment Mr. Locey reviewed the initial investment, percent of ownership, and total investment value including interest earned through December 31, 2012 using a three percent annum. The total interest is \$74,500 and results in a total Capitalization Reserve balance of \$1,496,661. It was noted the City of Cortland and Town of Lansing were included in the spreadsheet, however, they did not generate any interest as they became members January 1, 2013. *Ms. Sumner asked that the information presented include the amount each participant was required to contribute as well as the total amount that was actually contributed. Mr. Locey said this can be provided.* He also clarified that percent of ownership is based on a percentage of what a participant actually paid into the Capitalization Reserve and not on number of contracts.

Mr. Myrick arrived at this time.

Mr. Barber said when the Consortium was being audited by the New York State Department of Financial Services a question was raised about the investments made by municipalities. The State wanted to call it a loan and the Consortium was very clear from the beginning that this was an assessment and not a loan and was not on a pro rata basis. The State was informed that the Consortium wants to pay these funds back to municipalities so that everything is based on a prorata basis moving forward. Since this is an assessment, the State has reconsidered its position and has indicated the Consortium may pay it back but would like to be informed when that happens.

Mr. Locey provided 2013 results through February and noted there is a sizable deficit being shown in the first two months. This is the result of a billing issue and the County and TC3's premium funds are not reflected in the income. They have been caught up through March and the Consortium has a good financial result after taking this into consideration.

Ms. Miller arrived at this time.

Mr. Locey pointed out that the Consortium's paid claims are lower than anticipated; however, there were two entities that joined which account for 13% of additional contracts and very little claims are seen in the first couple of months from them. Also included in the information presented was a claims development model through 2013 and accompanying graphs. Lastly, Mr. Locey presented claims development information from a claims trending perspective and covered lives information, noting the Consortium's paid claims trend for the first two years is approximately 3.2%.

Chair's Report

Update on NYS Department of Financial Services Audit

Mr. Barber provided an update on the New York State Financial Services Department Audit and said the auditor is no longer on-site. During their audit process an issue was raised relative to the Contingency Reserve. Some of the months of data they reviewed showed the number of members within the Consortium fell below 2,000 which would mean the Contingency Reserve must be 7% of the premium. The Consortium argued that although in some months the number fell below 2,000 there were 24,012 covered lives for the year which meets the 2,000 monthly requirement and the 5% Contingency Reserve; this was accepted by the State. Another issue that was raised related to the Capitalization Reserve which was accepted as Mr. Barber explained earlier.

Ms. Shawley arrived at this time.

M. Barber said the State will issue a draft report that the Consortium can offer feedback on. They will then post a final report that will be available for public viewing. Two recommendations that will be included in that report are risks the Consortium is exposed to using an Enterprise Risk Model which the Audit Committee will be coming familiar with. Mr. Barber said the State is very concerned over the lack of quorum at meetings of the Joint Committee on Plan Structure and Design. They initially said it was hindering the way the Board operates; however, Mr. Barber said this has not been the case because there have not been any benefit plan changes. He said the Committee has been made aware of this and will need to address this. He said it has always been the goal of the Consortium for labor to have a meaningful role and asked for members to think about ways to address this.

Affordable Care Act

Mr. Barber asked Ms. Miller to provide the Board with a presentation at the next meeting on the Affordable Care Act and its impacts on municipalities and the Consortium. Mr. Locey said he will provide a copy of a presentation to be included in the agenda that he recently gave that contains information on the employer requirement, various taxes, and other components that are of interest to municipalities. Mr. Cook spoke of a need to educate elected officials and suggested a seminar be held; Mr. Locey and Ms. Miller would be willing to be presenters at such a presentation.

2012 JURAT

Mr. Barber reported the Bonadio Group has been working very hard on the financial report and has established a good working relationship with the NYS Department of Financial Services. The Department has agreed to meet with the Bonadio Group and review a draft report prior to submission. That meeting will take place on April 5th. The Bonadio Group will meet with the Audit and Finance Committees on April 18th and all Board members are invited to attend.

Update on Clinical Integration

Mr. Barber reported he and Ms. Karns attended a meeting last month with Cayuga Area Physicians Alliance and Excellus to discuss Clinical Integration which is now being implemented gradually. The meeting was being held to discuss how the program is being funded. Mr. Barber learned there will be no increase in the per member per month fees from Excellus and no increases in the insurance cost codes. They believe there are pockets of revenue that can be redirected to pay for the program to be implemented. Mr. Barber said it is clear to him that this is an important program that is aimed at improving efficiency and decreasing cost. However, he doesn't believe the costs will decrease at nearly the rate costs are rising and if the Consortium wants to decrease costs it will need to come up with a culture to manage and decrease costs. Members and employers will need to become more involved in health care because the present increases cannot be sustained.

The following people said they would consider or were suggested to serve on this Committee:

Mary Ann Sumner
Paul Sandy
Anita Fitzpatrick/Brooke Jobin
Chantalise DeMarco
Beth Miller/Ken Foresti
Travis Turner

Mr. Barber asked members to inform others within their municipalities to consider participating in these efforts.

Discussion of Joint Committee Quorum

Ms. DeMarco suggested an orientation be held with prospective or new Consortium members be provided to inform them up with the expectations are of new members. Mr. Barber and Ms. DeMarco agreed to work on this.

RESOLUTION NO. 001-2013 – AUTHORIZING CONTRACT FOR ACTUARIAL SERVICES - AQUARIUS CAPITAL

MOVED by Ms. Sumner, seconded by Ms. Shawley, and unanimously adopted by voice vote by members present.

WHEREAS, the Board of Directors was informed on December 20, 2013 that a Request for Proposals (RFP) for actuarial services was being developed, and

WHEREAS, the Board of Directors was notified of responses to the RFP and through an e-mail poll, members directed the Chair of the Board to negotiate a contract with Aquarius Capital for actuarial services for 2013 with the option to extend the contract for 3 years with an annual renewal option, now therefore be it

RESOLVED, That the Board of Directors authorizes the Consortium to enter into a contract with Aquarius Capital effective retroactively for the period January 29, 2013 through December 31, 2013 with the option to renew for three additional one-year terms.

RESOLUTION NO. 002-2013 – AMENDMENT TO RESOLUTION NO. 15 OF 2012 - CREATION AND APPOINTMENTS TO THE FINANCE COMMITTEE

MOVED by Mr. Myrick, seconded by Ms. Sumner, and unanimously adopted by voice vote by members present.

WHEREAS, the Board of Directors established a “Finance Committee” to recommend a budget, recommend premium rates, review JURAT reports, recommend reinsurance and retention policies, and a reserving and payback plan for capitalization policies on December 20, 2012, and

WHEREAS, on December 20, 2012 the Board appointed Liz Karns and Charles Rankin to serve on this Committee, now therefore be it

RESOLVED, That the following additional appointments are made to the Finance Committee with initial terms to expire December 31, 2015 and for two-year terms thereafter:

Glen Morey
Don Barber
Jared Pittman

RESOLVED, further, That the terms for Liz Karns and Mack Cook shall be for two years with initial terms expiring December 31, 2014.

Process for Payment of Invoices

Mr. Barber said members have been provided with a copy of an invoice from the Bonadio Group; however, a process has not been developed to approve invoices that are other than those included under contracts. He asked for consideration of how these invoices can be approved without waiting to come to the Board's bi-monthly meetings. Ms. Karns said she would like to receive a copy of the invoices electronically; Ms. Sumner asked that she would like to have an initial approval made by a Consortium representative who is working with the vendor to say they concur with the expenses and then circulate the invoice electronically to the Board.

It was MOVED by Mr. Rankin, seconded by Mr. Myrick, and unanimously adopted by voice vote by members present, to approve payment in the amount of the \$13,335 to the Bonadio Group.

Discussion of Amending Municipal Cooperative Agreement if Number Goes Above 17

Mr. Barber said the Municipal Cooperative Agreement is set up for 17 participants with labor representation at 2 and increasing to 3 once there are 17 participants. Mr. Locey suggested establishing a formula that contained an automatic escalator for labor representatives based on the number of municipalities instead of revisiting the Municipal Cooperative Agreement. Ms. DeMarco distributed draft language from the CSEA legal department based on a recommendation from Marty Cahill that contains an automatic escalator.

Creation of Committee

An ad hoc committee with the following members was established to review this proposal: Mary Ann Sumner, Joe Mareane, and Chantalise DeMarco.

Report from the Audit Committee

Mr. Thayer reported the Audit Committee met on December 10th. During discussions Jerry Mickelson suggested that David Squires be an advisory member and not a voting member. It was also suggested that the Committee have two additional members. The overall mission of the Committee is to attain a general understanding of what is happening with both collections and expenses. The Committee will look at internal and external auditing and the financial reporting to the State. The Committee will meet monthly and eventually move to quarterly meetings.

Update on Prescription Drug Manager Transition

Mr. Barber said a meeting was held approximately six weeks ago with ProAct and some of the Consortium employers because there were benefits that labor and management didn't necessary agree to that were being implemented. He said it turned out that the County and the City had their own plans and moved to a different plan that was in the Consortium packet but what was not communicated to labor and management was all of the different innuendos of the plans they were moving to. There was some discussion that perhaps the Board would need to create a new plan to get to where the City and County are and where they want to be but there has been nothing brought forward at this time.

Ms. DeMaro asked where the parameters are of the "new plans" the City and County have moved to or where documentation exists that changes were going to be made. Mr. Barber said they did not move to new plans as the plans were already in existence under the Consortium. He said finding out the benefits of the plans would be between labor and the employer. Mr. Barber said the plan documents on file at the New York State Department of

Financial Services include the County and City's plans. Ms. DeMarco said there were differences in the 2012 and 2013 plans and asked where those changes are. Mr. Locey said the three tier formulary plans and rates that were developed that were filed with the State included all of the elements that the County and City have been having issues with. Mr. Barber said he has a copy of each plan document and members are welcome to review them.

Ms. DeMarco asked why problems have arisen when both the City and County have said they only agreed to a co-pay change. Mr. Locey said there are a number of three tier formulary programs; the City and the County moved from a particular plan that they had prior to the Consortium. All of the three-tier formulary models that were created by the Consortium included all of the elements except for a couple that the City and County had when they transitioned into the Consortium. Therefore, when they moved from those plans to a new plan within the Consortium the rate was set with those elements in place. Mr. Locey said the elements of the three-tier formulary plans were included on the rate sheet.

Mr. Barber said this is an issue between labor and management on what the understanding is on the benefits included in a plan. He further stated the Consortium offers plans and those plans have not changed.

Ms. DeMarco requested information in terms of the differences in formularies and a list of medications that are impacted; Mr. Locey will provide this once he receives information from ProAct. She also said the ProAct online resource information is not accurate and differs from information employees are receiving at a pharmacy. Mr. Barber said it is important to clearly articulate the issues the City and County.

Ms. Sumner reported they have also experienced problems with ProAct as some things that were previously covered with Medco are no longer covered with ProAct and there was no change in plans. Mr. Barber asked that she provide Mr. Locey or Judy Taber with information when issues arise. Ms. Sumner also reported she has experienced problems with the Life and Disability insurance. Mr. Barber said this is something the Consortium contracts for and these issues should be raised when that contract is up for renewal.

Mr. Masser was excused at this time.

Mr. Locey explained the process that would need to take place if a participant wanted to change plans and stated that all the variances in a plan design are accounted for in the premium equivalent rate and any new plan needs to be filed with the State. He also stated that creating new plans can cause further confusion and recommended against creating further new plan designs and rates. It was clarified that the County and City has a new plan, however, it already existed within the Consortium's approved plans but had differences that the County and City were not expecting.

Mr. Locey said the plan that the County has on December 31, 2012 still exists; however, it had old co-pays and higher premiums. The Plan as of January 1, 2013 without the co-pay level edits does not exist.

Mr. Apgar said there is specific language in the Firefighters contract about 90-day supplies and this has been a problem. Mr. Locey said this has been corrected and the City will be charged a higher premium.

Ms. Drake said she has encountered several issues that have resulted in her having to call Karen Sweetland at ProAct. Although the issues are being resolved she questioned why there are so many problems which seem to be occurring. She said when she speaks with Ms.

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Sweetland the problems are being resolved; however, they are not being resolved at the pharmacy or customer service level.

Mr. Barber suggested inviting ProAct back to discuss some of the issues that members have encountered.

Ms. Sumner was excused at 7:00 p.m.

Discussion of Process for Board to Decide on Policy for Private Advertising on Consortium Information

This item was deferred to the next meeting.

Report from the Joint Committee on Plan Structure and Design

Ms. DeMarco reported the Committee met on March 7th and received a presentation by Ms. Miller on the Affordable Care Act. Theresa Lyzcko from the County's Health Promotion Program also provided an overview of the County's wellness program activities.

Report from the Audit Committee

Ms. Shawley, Member, reported that the Committee has had three meetings and has approved a Mission Statement and Charter and is currently working on a policy on wrongful conduct. Members have also been educating themselves on the financial aspects of the Consortium and have heard from Steve Locey, Jerry Mickelson, and David Squires.

Report from the Finance Committee

Mr. Barber reported the Committee has met twice and will participate in a review of the JURAT with the Audit Committee on April 18th. The Committee began looking at the finances associated with a Medicare Supplement and will be continuing to look at that more. There will also be a review of Stop Loss insurance which is the largest non-claim expense in the budget. In May the Committee will begin looking at the budget and premium equivalent rates.

Adjournment

On motion the meeting adjourned at 7:05 p.m.

Respectfully submitted by Michelle Pottorff, Administrative Clerk