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**Board of Directors**

**May 23, 2013**

**5:30 p.m.**

**Scott Heyman Conference Room**

Approved 7-25-2013

***Municipal Representatives: 12***

Don Barber, Chair; Charles Rankin, Village of Groton; Elizabeth Karns, Village of Cayuga Heights; Lucia Tyler, Town of Ulysses (arrived at 5:32 p.m.); Mary Ann Sumner, Town of Dryden (arrived at 6:07 p.m.); Herb Engman, Town of Ithaca; Anita Fitzpatrick, Tompkins County; Rordan Hart, Village of Trumansburg; Steve Thayer City of Ithaca (arrived at 6:00 p.m.); Laura Shawley, Town of Danby; Mack Cook, City of Cortland; Kathy Miller, Town of Lansing

***Voting Union Representatives: 1***

Chantalise DeMarco, CSEA President, Joint Committee on Plan Structure and Design Chair

***Excused: 2***

Herb Masser, Town of Enfield; George Apgar II, Ithaca Professional Fire Fighters Association, President, 2nd Labor Representative

***Absent: 2***

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

***Others in attendance:***

Steve Locey, Locey & Cahill; Rick Snyder, Joe Mareane, Tompkins County Administrator; Tompkins County Finance Director; David Squires, Former Tompkins County Finance Director; Sharon Dovi, TC3; Beth Miller, Nora Putnam, Excellus

**Call to Order**

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

**Approval of Minutes – March 28, 2013**

It was MOVED by Ms. Karns, seconded by Ms. DeMarco, and unanimously adopted by voice vote by members present, to approve the minutes of March 28, 2013, as submitted. MINUTES APPROVED.

**Changes to the Agenda**

Approval of payment of an invoice to the Bonadio Group was added to the agenda.

**Financial Report from Locey and Cahill**

Financial Update

Mr. Locey said members were provided in advance of the meeting a financial report and an update on paid claims information. He reviewed the information contained within the Treasurer's report through April 30, 2013 and noted the Consortium is showing an ending

balance of \$9.4 million. When liabilities and reserves are accounted for based on the Article 47 requirements, the unencumbered balance is \$4 million.

Ms. Tyler arrived at 5:32 p.m.

Mr. Locey cautioned that it may be slightly overstated because more premium was collected than expected (some May premiums were collected in April) and it was anticipated that the Consortium would have more premium revenue than claims expense because new members' claims are not mature yet. He reviewed the adopted budget, year-to-date budget, and actual results and noted the Consortium is 17% above expectation in terms of income. Two factors for this are the medical plan premium is elevated by 7% (May premiums being paid in April) and Stop Loss claim reimbursements. The Consortium has received almost \$985,000 so far this fiscal year in Stop Loss payments. Most of that is related to claims from 2012. The Stop Loss policy covers claims incurred during the fiscal year and they can be paid during that fiscal year and up to three months after. They typically do not budget for Stop Loss as it is very hard to predict what claims there will be from year to year. Mr. Locey said large losses are typically reflected in the claims resulting in a higher claims budget. A large increase is expected in 2014 for the Stop Loss premium because of the experience of the group and because of higher overall costs on the market.

In reviewing paid claims Mr. Locey said they are down 4% below budget on the medical side and 16.5% below budget on the drug side. Overall expenses are down by 6.62% and there is a positive net income of \$2.8 million year-to-date and about a \$4 million unencumbered balance.

Mr. Locey reviewed expected claims versus actual in terms of budget and said claims have been projected very well for the first couple of years of the Consortium's operation. He noted cumulatively the Consortium had over \$50 million in paid claims for the first two and half years of operation. He noted that as requested columns have been added to the spreadsheet showing the percentage of estimated premium had the program started in 2010. This was the basis for the computation on what assessment each municipality would have paid in on the \$1.223 million. The next column showed that amount allocated by those percentages, and the next column showed the actual investment that was paid by each municipality.

Mr. Locey reviewed claims data from a financial planning perspective showing monthly paid claims in aggregate and what the trend has been for the life of the Consortium. He cautioned members that it is currently understated at 3.12% because of there were not a lot of claims associated with the new entities that came into the Consortium on January 1, 2013. He reviewed contract counts and claims costs on a monthly costs basis for prescription versus medical. He said based on the aggregate history of the group approximately 73% of the claims are medical related and 27% related to prescription drug and this is in the normal range. He reviewed average claim costs on a covered life basis for indemnity plans versus PPO and said the plans are pretty comparable from month to month.

### **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 information is being tracked and there are only a couple of outstanding items at this time. He said one thing that will come out of the audit is a need for the Consortium to create an appeals process. He asked the Appeals Committee to convene and make a recommendation on that process. Ms. Fitzpatrick agreed to call a meeting of this Committee.

Updated on Financial Filings

Mr. Barber reported on the 2012 JURAT; he said the Actuary Firm, Aquarius Capital, has completed its work and the IBNR (Incurred But Not Reported) number came in at 10.3%. This means all of the assumptions made with reserving have been adequate. The Bonadio Group put the JURAT together and then met with the Department of Financial Services on the draft report and as a result they filed the report on time. To date there have been no questions received from the State. The Bonadio Group is now working on the 2013 first quarter report.

Mr. Barber said the Executive Committee met and worked on four different items. The total direction of the Consortium which is a \$30 million dollar company comes from its consultants and a group of volunteers who are not health care professionals and who are also elected officials. He said there are a number of things that require an Executive Director or someone of the employee of the Consortium to handle. He said he cannot focus on this full-time and up to this point the Consortium has been lucky. The Executive Committee discussed providing an interface between the Board, Consultants, and providers through an Executive Director. Mr. Barber suggested creating a Committee to look at the interface that would also include the Consultant and how information would be communicated to the Board. A proposal with a job description and responsibilities would be brought back to the Board. If the person would just handle the day-to-day operations it would be a part-time position; however, if the duties include things such as efforts to reach out employees and getting them engaged in their own health it may be more than a part-time position.

The second item discussed by the Consortium is a performance evaluation for the Administrative Clerk. Mr. Barber suggested the Executive Committee perform this evaluation. Ms. DeMarco requested that as Chair of the Joint Committee on Plan Structure and Design that she be allowed to provide input. Mr. Locey asked that Locey and Cahill also be included in the process. Following a brief discussion it was agreed that the evaluation form will be sent to the full Board to allow for input.

The third item discussed was making communication with employees and people who are using the program as well as Board members a priority. This would be one of the functions of the Executive Director. He spoke of the issue relating the prescription drug services and said not all employees are feeling comfortable about that. He said as there are further discussions he would like to hear thoughts of all Board members if employees are going to feel like this is their Consortium and function as a family that is working together to reduce claim costs.

The last item discussed by the Executive Committee related to the transition the County and City went through with the Rx benefit change. Mr. Barber clarified that the Consortium has a number of plans that have been approved by the State and the understanding of the plan by labor and management that was negotiated was different than what exists. He said if a new plan was to be brought forward it would have to be approved by the Board and then submitted by the State for approval.

Mr. Thayer arrived at this time.

Ms. Fitzpatrick said the County has met with the regional CSEA representative and Ms. DeMarco. She and Mr. Mareane have had discussions about the pieces of the plan that are under question and came up with a suggestion to have a survey of impact and will perform this step. Ms. DeMarco said she doesn't think this necessarily brings the parties any closer to an agreement but have agreed to this step.

Mr. Thayer said the City is mainly working with the Fire unions on this issue and expects they will have to come back to the Board with a request for a different three tier plan based on what was negotiated with the union. Mr. Barber said if a special meeting is needed that can be accommodated.

### **Affordable Care Act**

Mr. Locey said he sent information out for review and that provides information on the Affordable Care Act, including employer requirements. He said there are a number of things relating to mandates and called attention to two particular items. In 2014 there will be a fee that will have to be paid for the Patient Center Outcomes Research Institute Fee and this will be \$2 per covered life per year. This fee covers the startup of a not-for-profit organization that is supposed to evaluate medical treatments and protocols to determine what is efficient and what is effective. This will be approximately a \$10,000 new cost to the Consortium.

The Consortium will not have to pay the Premium Tax because it is self-insured. It will, however, have to pay the Transitional Reinsurance Tax. This is a pool of money the federal government is establishing to help fund Health Insurance Exchanges for the bad risk they will be taking on. The estimated total impact of this tax is \$5.50 per contract per month beginning in 2014. This will have an impact of \$120,000-\$160,000 on the Consortium and will need to be built into the budget.

Mr. Locey reviewed a memorandum he prepared explaining the employer requirement to offer coverage. He said this will impact the County, Cities, and the Town of Ithaca. He said this is a stepped process and both of the following conditions must be satisfied:

1. The employer-sponsored health insurance plan provides coverage for at least 60% of a typical person's or populations health care expenses; and
2. The employee's share of the cost (contribution) for an individual health insurance plan is less than 9.5% of the employee's income.

Ms. Sumner arrived at this time.

Mr. Cook asked how income is defined. Mr. Locey said income is determined based on the w-2 wages for an employee. There is no way, however, for an employer to know what the family income is and when an employee receives a premium subsidy there will be a notification back to the employer that informs them that there is an employee who is in a health insurance exchange and who received a premium subsidy. At that point the employer would be subject to the tax. He suggested that the larger employers go through the rosters to see if there are any employees who are contributing more than 9.5% of their income towards their health insurance premium and highlight them. They will then figure out what the potential is in terms of exposure and penalty. Mr. Locey asked anyone with questions to send them to him or Ms. Miller.

Ms. Miller said in the Fall she will be pulling together insurance clerks to provide information and guidelines on what they need to be aware of. They are suggesting that they keep abreast of who has coverage, who is being offered coverage, and if anyone denies coverage that they sign off on a waiver form.

All of the information will be provided on the Consortium's website.

### **Excellus High Level Utilization Report**

Ms. Putnam distributed copies and reviewed the following high-level utilization report:

### **Financial Measures**

- Plan cost in 2012 - \$18,027,233 (increase of 7% compared to 2011);
- Plan cost per member per month was \$338 – 6% increase from 2011;
- Total Cost (plan cost + member cost) was \$21,796,867 (increase of 9%; compared to 2011);
- The Plan cost per member per year was 36% higher than the municipality comparison population;
- The member cost share was 3% with the annual average member cost per contract at \$315.

### **Plan Cost Distribution and High Cost Claimants**

- 88% of the membership accessed care in 2012;
- 39% of the plan cost was related to 2% of membership (members with claims greater than \$25K);
- Four members had claims over \$250K and are forecasted to have claims greater than \$50K over the next 12 months. One of these members had claims over \$1 million.

### **Utilization**

- The Inpatient arena had the largest increase in costs with 22% and accounted for 20% of overall costs;
- Neoplasms (Cancer) category was the cost-driver in the Inpatient setting. Five of the top ten high claimants most costly diagnosis was associated with this diagnostic category;
- Outpatient plan costs represented 41% of overall costs. Radiology, Emergency Room, Lab and Therapeutic Injections were the top Outpatient services in 2012;
- Overall utilization was higher than the municipality comparison;
- Inpatient admissions were 13% lower than the prior year;
- Urgent care visits were 906 in 2012 compared to 993 in 2011; and
- Physician office visits and emergency room visits rose in 2012 by 2% and 4%, respectively.

Mr. Hart asked if there is any type of analysis of municipal employers outside the Consortium in terms of what they pay per member for insurance versus what the Consortium members are paying (premium comparison). Mr. Locey said small groups would be a community-rated group and he can get this information based on the plan design. It is more complex with the experience-rated groups because their rate is derived from experience and that drives what the premium equivalent rate is going to be. He said regardless of what type of set-up an entity is in they will pay for the level of benefits they have and the premium equivalent rate is derived directly from claims. If the same level of benefit is being provided to the same people the claims expense will not be altered regardless of how they are receiving insurance.

Mr. Locey said the real benefit analysis is how much an entity is spending in other areas such as administrative overhead and whether it is more expensive than it would be in a traditionally insured environment. He said it is because of the ability to directly negotiate with the Blues as to the what the retention fee is, you are able to hold on to reserves and manage them and the interest from them, and in those years where more premium is paid than is spent the money stays in the Consortium. In an insured arrangement the insurance company would keep this money. He said from an efficiency standpoint there is no doubt that a Consortium set up such as this is more efficient to provide the same level of benefit to the same people than could be purchased on the open market. If you want to reduce claims costs there are a couple

of ways to do that: people could utilize their health insurance better, better discounts could be negotiated with hospitals and physicians to reduce expense, or benefits can be adjusted.

Mr. Hart said he understands why the Consortium was formed in the first place but as these statistics begin to come back in the next few years it will be helpful if there can be a comparison to non-consortium type of municipalities to see what municipalities are paying and what members are paying so he can demonstrate that savings to employees and taxpayers. Ms. Miller said she could provide data on what other municipalities are paying so there is something to compare it to. Mr. Locey said pulling this information together would be fairly easy for the small employers. It would be more complex for the large employers because they are able to do things the small employers cannot such as being self-funded on their own.

### **Private Advertising on Consortium Materials**

Mr. Barber said when the Consortium was working with ProAct as the new Prescription Drug Manager they ended up putting an advertisement for Kinney Drug on the back side of the prescription drug card and concerns were raised. He said the Consortium has not created a policy about this mixture of public/private advertising. Mr. Locey said the Consortium can easily create a policy that precludes any advertising on the Consortium's information. Ms. Karns said she believes the Consortium should take advantage of opportunities to brand the Consortium and can use extra space as a way to raise awareness and encourage employees to own their own health care.

*Ms. Sumner suggested that each Board member e-mail their opinion on this to Ms. Pottorff who will interpret and categorize their importance.*

### **Report from the Joint Committee on Plan Structure and Design**

Ms. DeMarco, Chair, reported the Committee received an in-depth presentation from Ms. Putnam on the Utilization Report. Mr. Locey updated the Committee on Medicare Supplement issues and that will continue to be explored by the Committee. She said she will be contacting Betty Conger from the Village of Groton about options for quorum and the Committee will be discussing those options at the next meeting on June 6<sup>th</sup>.

### **Report from the Audit Committee**

Mr. Thayer, Chair, reported the Committee has been working hard on becoming familiar with the accounting, auditing, and financial reporting documents and is gaining an important knowledge base. The Committee received a thorough review of the external audit at its last meeting and presented the Audit and the Policy for Disclosing Possible Wrongful Conduct (Whistleblower Policy) for consideration by the full Board.

**MOTION NO. 002-2013:** It was MOVED by Mr. Thayer, seconded by Mr. Rankin, and unanimously adopted by voice vote by members present, to approve the following Disclosing Possible Wrongful Conduct (Whistleblower Policy).

## **Greater Tompkins County Municipal Health Insurance Consortium Policy for Disclosing Possible Wrongful Conduct (Whistleblower Policy) Recommended by Audit Committee 5-16-2013**

### **Overview**

The Greater Tompkins County Municipal Health Insurance Consortium was established to provide cost effective health and other related insurance benefits for the employees and retirees of member municipalities and their dependents. The aggregate cost of the program affects the future benefits of all members. Ultimately, the true payers of these benefits are the taxpayers of the municipalities in which these employers are located. It is, therefore, incumbent upon everyone involved to ensure that any wrongful acts, such as theft, fraud, waste or abuse are properly reported.

### **Disclosure Policy**

It is the policy of the Consortium that all individuals involved in the administration of the plan, as well as all members who receive benefits provided by the plan abide by the plan documents and all applicable state and federal laws and regulations. Any expected acts of theft, fraud, waste or abuse should be reported to the Consortium's Audit Committee or directly to the Attorney-in-fact (John G. Powers of Hancock Estabrook LLP) for further investigation. Such investigation shall be commenced within 30 days. A written report of findings shall be submitted to the Board of Directors within 60 days.

### **Anti-Discrimination Policy**

Any employee who discloses an alleged act of theft, fraud, waste or abuse shall not be discriminated or retaliated against by his/her employer or by any representative of the Consortium. In fact, all disclosures or complaints shall be kept confidential to the maximum extent possible. Disclosures or complaints submitted anonymously shall receive the same treatment as those submitted with identification. Any acts of discrimination or retaliation due to an individual's disclosure of theft, fraud, waste or abuse shall be reported to the Consortium's Audit Committee or directly to the Attorney-in-fact. Reports of discrimination shall be investigated within 30 days. A written report of findings shall be submitted to the Board of Directors within 60 days.

### **Distribution**

This policy shall initially be distributed to each member municipality, each member of the Board of Directors, and the Joint Committee on Plan Structure and Design. A copy shall also be posted in a conspicuous location at each member municipality facility, and on the Consortium's website.

### **Review**

This policy shall be reviewed by the Board of Directors at least once every three (3) years.

### **External Audit**

Mr. Mickelson said they are very pleased with the progress that has been made based on their recommendations last year. They have an unqualified opinion that the Consortium's financial statements present fairly; there was a \$3,178,000 increase in the Plan's net position for the year (net revenues over expenditures) so the Contingency Reserve of 5% revenues is fully satisfied. The claims liability provision for 12% has also been satisfied. With respect to the return of the capitalization investment of members an unfinished item is to clarify the language on this and also to start the repayment process back to municipalities. He said a new comment for the year was added with regard to the establishment of a Claims Contingency Reserve. Mr. Mickelson said the Consortium has done a lot of great work and has made a lot of progress. All of the audit reports are consistent with what was contained in the JURAT. He said the Actuary

report is coming in at 10.6% which is much less than the 12% criteria. This provides the auditors comfort that the liability for incurred claims is adequate.

**MOTION NO. 003-2013:** It was MOVED by Mr. Thayer, seconded by Ms. DeMarco, and unanimously adopted by voice vote by members present, to accept the Independent Auditor's Report for the Years ending December 31, 2012 and 2011 by Ciaschi, Dietershagen, Little, and Mickelson.

### **Report from the Finance Committee**

Mr. Barber reported the Committee discussed a number of items, including ancillary benefits and setting up a meeting with the current municipalities that use the ancillary benefits with the current providers because there is room for improvement in the process. Mr. Locey said one thing the Committee discussed was how important those ancillary benefits were to the formation of the Consortium and it is extremely important to maintain some avenue for options for those benefits; there just needs to be a more coordinated way to provide those.

Ms. Sumner suggested that municipalities that are affected meet ahead of any meeting with the Teamsters. Those municipalities include the Town of Caroline, Village of Cayuga Heights, Town of Dryden, Town of Ithaca, and the Town of Lansing.

### **Recommendation of New Accounting Software**

Mr. Barber said the Committee unanimously recommended a billing protocol based on a recommendation from the Bonadio Group to provide QuickBooks and related services. The following services were recommended by the Committee: QuickBooks Set-up (\$1,000), Data Conversion (2-3 hours per month at a maximum cost of \$400 per month), and QuickBooks Training (one-time fee of \$200-\$400). The Committee did not recommend QuickBooks Web Hosting at this time. It was agreed that Web Hosting could be added at a later time if desired.

Ms. Sumner expressed concern relating to accountability. She specifically spoke of using QuickBooks and the ability to make changes without journal entries. Mr. Locey said Ms. Sumner's statement was correct; however, at the present time the information is being maintained on Excel spreadsheets. Mr. Mickelson said there are higher versions of QuickBooks available and for the nature of the transactions there are enough checks and balances in place to readily and easily detect any shortcomings.

**MOTION NO. 004-2013:** It was MOVED by Mr. Barber, seconded by Mr. Hart, and unanimously adopted by voice vote by members present, to approve the following services being provided by the Bonadio Group: QuickBooks Set-up (\$1,000), Data Conversion (2-3 hours per month at a maximum cost of \$400 per month), and QuickBooks Training (one-time fee of \$200-\$400).

Mr. Barber said the Bonadio Group is also recommending a billing protocol concerning late payments of premiums.

**MOTION NO. 005-2013:** It was MOVED by Mr. Barber, seconded by Mr. Hart, and unanimously adopted by voice vote by members present, to approve a billing practice for the Consortium for premiums: Municipalities will be billed by the 1<sup>st</sup> of the month for the succeeding month's premium and bills must be paid within 45 days or a penalty of 1% will be assessed effective July 1<sup>st</sup>.

### **Creation of Committee to Develop Organizational Structure for Executive Director**



**MOTION NO. 006-2013:** It was MOVED by Mr. Barber, seconded by Ms. Tyler, and unanimously adopted by voice vote by members present, to appoint the following members to this Committee:

Liz Karns  
Anita Fitzpatrick  
Steve Thayer  
Chantalise DeMarco  
Steve Locey, Consultant Resource

**Report from the Owing Your Own Health Committee**

Mr. Barber reported the Committee is trying to decide how to move forward as a community in trying to reduce claims. At the first meeting it was apparent that education of employers and employees is critical and there is a need to put together consistent information. The Committee will meet again on June 12<sup>th</sup> at 11 a.m.

**MOTION NO. 007-2013:** It was MOVED by Mr. Barber, seconded by Ms. Shawley, and unanimously adopted by voice vote by members present, to approve payment of an invoice to the Bonadio Group in the amount of \$8,691.44 for professional services rendered to the Consortium in April 2013.

**Adjournment**

On motion the meeting adjourned at 7:12 p.m.

Respectfully submitted by Michelle Pottorff, Administrative Clerk