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Board of Directors
August 25, 2011
7 p.m.

Approved 10-27-2011

Scott Heyman Conference Room

Municipal Representatives:

Don Barber, Chair, Town of Caroline; Carolyn Peterson, Steve Thayer, City of Ithaca; Anita Fitzpatrick, Tompkins County; Laura Shawley, Town of Danby; Judith Drake, Town of Ithaca; Herb Masser, Town of Enfield; Lucia Tyler, Town of Ulysses; Chuck Rankin, Village of Groton

Voting Union Representatives:

Chantalise DeMarco, CSEA President, Joint Committee Chair; George Apgar II, Ithaca Professional Fire Fighters Association; President, 2nd Labor Representative

Excused:

Charles Becker, Village of Dryden; Kate Supron, Village of Cayuga Heights; Mary Ann Sumner, Town of Dryden; Rordan Hart, Village of Trumansburg

Absent: Glenn Morey, Town of Groton

Others in attendance:

Steve Locey, Locey & Cahill; David Squires, Tompkins County Director of Finance; Sharon Dovi, TC3 Human Resources Manager; Scott Futia, CSEA Deputy Director

Call to Order

The meeting was called to order at 7 p.m. by Mr. Barber.

Approval of Minutes – June 23, 2011

It was MOVED by Ms. Shawley, seconded by Ms. Peterson, and unanimously adopted by voice vote by members present, to approve the minutes of June 23, 2011 as corrected. MINUTES APPROVED.

Financial Update

Mr. Locey distributed updated budget information through July 2011. With regard to year-to-date revenue it was anticipated the Consortium would have slightly under \$17 million in revenue; revenue is currently at \$16.6 million (2.6% below the expected level). Mr. Locey said the majority of that is in the medical plan premiums and could be related to census fluctuations, difference in benefit, and interest income. The good news is the Consortium is also down on expenses; medical claims were approximately 4.6% below the budgeted amount and those claims represent 70% of the total budget on medical expenses and prescription drug claims collectively. Just under 13.5 million was budgeted and \$13.2 million has been expended on claims, providing a net income of \$3.3 million which includes the capitalization investment. At this time liabilities and reserves are set at \$3.836 million, leaving an unencumbered balance of \$481,000. Mr. Locey noted there is a receivable in August for the Shared Services Incentive grant in the amount of \$119,000 that has not been included but will be reflected in the revised projections for the 2011 Fiscal Year.

Mr. Futia asked what the spike in administration fees for Medco is attributed to. Mr. Squires explained Medco bills every two weeks and sometimes it results in one billing in one month and two in another. Mr. Locey said going forward this will be much closer to budget as some items were estimates as contracts were not signed when the budget was produced.

Mr. Locey spoke of paid claims and said at the present time the Consortium is 1.13% below budget. During the month of July the Consortium incurred only \$1.79 million in claims and had budgeted \$2 million.

With regard to the Capitalization Reserve, Mr. Locey said they will be adding interest, including the 3% Consortium interest, to the year-end report on December 31st.

Mr. Barber announced the Strategic Planning Committee that involves some of the major employers, will meet within the next month; at that meeting there will be instruction given of analyzing claims data. He urged all Board members to attend and to hear about collaboration within the private sector and how they envision working together and creating a healthy community that can become the culture in Tompkins County.

2012 Budget Proposals

Mr. Locey presented budget projections going forward for 2012, noting premium revenue was increased by 9.5% and is still the level being recommended at this time. He noted Joe Mareane, County Administrator, had hoped for a lower increase. Mr. Locey cautioned the Board that the second year of operation is the most critical year as this is when claims will be fully mature and the Consortium will have to demonstrate to the Insurance Department that it is financially stable. It will have to show that reserves are met and the Consortium has a reasonable cash flow in the event there is a spike in claims. Mr. Mareane appreciated this information and was hopeful increases can be reduced to a more reasonable level in the future.

Mr. Locey explained the spreadsheet presented shows a big jump in claims in 2012; this is the result of moving from an immature year in claims to a mature year. At the end of 2012 with adjustments and reserves that need to be made they are projecting a fund balance of approximately \$950,000. This will need to be approved by the Board of Directors.

Mr. Masser questioned how the 9.5% compares to others across the industry. Mr. Locey said it depends on the type of program; however, he noted he met with Richard Driscoll, Town of Newfield Supervisor, because the Town is facing a 19.5% increase. Mr. Locey said the Consortium is still feeling the impact of building reserves as that has inflated the premium slightly. In looking at the industry as a whole he believes 9.5% is an average increase when there is a large number of indemnity plans and PPO plans inside the program with good prescription drug benefits with reasonable co-pays. Mr. Barber spoke of a meeting he attended today and said everyone there was facing nine to ten percent increases. This also assumes the same number of contracts with the same benefits. Mr. Locey reminded the Board that the Consortium met the 2,000-contract threshold on January 1; the Insurance Department cannot take the Certificate of Authority away if this number falls below 2,000 contracts.

Mr. Barber spoke of the IBNR reserve and asked if the Consortium will be fully reserved at the end of this year. Mr. Locey said based on projections the Consortium will be fully reserved and will have a \$300,000 cash flow balance. Mr. Locey said more will be built into cash flow and fund balance, noting the fund balance has to be built up enough so that municipalities can be paid back.

Mr. Futia questioned where monies will be reflected that are received from the ERRP (Early Retiree Reinsurance Program). Mr. Locey said funds received will be included as other income and placed into the

Reserves and any funds in excess of what is needed to pay back municipalities can be used to offset a future rate increase.

It was MOVED by Mr. Barber, seconded by Ms. DeMarco, and unanimously adopted by voice vote by members present, to approve the proposed 2012 budget as submitted with an increase in premium revenue of 9.5%.

Request for Proposals – Prescription Drug

The Request for Proposals for Prescription Drug Manager were circulated by e-mail prior to the meeting and paper copies distributed at the meeting. Mr. Locey reviewed the document and stated a committee will need to review the selection criteria outlined in the document:

1. Administrative Fees (including dispensing fees);
2. Administrative Support (e.g., report generation, membership, and client support);
3. Contract Terms and Conditions (Minimum Premium Insured Contract);
4. Compliance with State and Federal Laws and Regulations;
5. Customer Service Capabilities;
6. Transparent based and Prescription Drug Pricing and Rebate Arrangements;
7. Plan Design (Ability to provide equal to or better benefits);
8. Pharmacy Network Size and Location (Local and National);
9. References.

Proposals will be sent to Mr. Locey's office with responses due back by September 23rd with an award by November. Ms. Drake called attention to Eckerd Drugs being included on one page and not another; Mr. Locey said they would be pulled from the list as it is now Rite Aid. It was suggested Mr. Locey look into adding Palmer and Target pharmacies.

Ms. Peterson asked where the anti-discrimination clause within the document came from; Mr. Locey said it may be the County's and said he will look into this.

It was MOVED by Ms. Peterson, seconded by Ms. Drake, and unanimously adopted by voice vote by members present, to direct Mr. Locey to move forward with sending out the Request for Proposals for Prescription Drug Manager. MOTION APPROVED.

Establishing Committee to Review Responses to Request for Proposals

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 the Committee to Review Responses to the RFP:

Brooke Jobin
Jackie Kippola
Chantalise DeMarco
Judy Drake

Ms. Tyler questioned why the Consortium is putting the Prescription Benefit Manager out to bid. Mr. Locey explained it was the initial intention of the Consortium to put both the Prescription Benefit Manager and the Medical 3rd Party Administrator out to bid. This year the PBM is being put out to bid and the Medical 3rd Party Administrator will go out to bid next year. It will have to be made clear there will be an improvement in service and/or savings to warrant the change. It is likely the agreements moving forward will be multi-year.

Medicare Supplement

Mr. Barber said a question was raised previously about what the prescription portion costs and data from Blue Cross is now available so they were able to run a demographic analysis. They have found that for the over age 65 population, the average monthly expenditure for medical expense per covered life was about \$180. He said a rate for medical only that would provide similar benefits to what they currently have would be approximately \$200 per month. If this was done it would mean less revenue would be taken in for this population and there would need to be more revenue taken in from the active population to make up the difference. With regard to the drug portion, to carve this population out with its own rate the rate would be significantly higher than the active population.

Mr. Masser asked if these numbers take into consideration individuals who are on disability but younger than 65 and who have Medicare. Mr. Locey said at this time they are unable to identify those individuals; he would need to ask Excellus to run a report.

Mr. Barber asked what percent of the Consortium's covered lives are over 65. Mr. Locey said he has this information and will provide it to members within the next week. There was a brief discussion on a Medicare supplement. Mr. Locey said one option could be to have a rate for the Medicare supplement on the medical side and a rate for the Medicare age people on the drug side with the option to add the drug, noting the drug rate would be substantial. Ms. Drake said it would be helpful to weight this out versus what a Part D coverage would be for them. He said the Board of Directors has to give consideration to establishing what rules would be in place for people to sign up for coverage.

Report from the Joint Committee on Plan Structure and Design

Ms. DeMarco reported the Joint Committee on Plan Structure and Design met and was able to approve all past minutes since there was quorum for the first time. She has been talking with some of the collective bargaining representatives and is hopeful there will be better involvement moving forward. She reminded all members to use the proxy form if they are unable to attend. She reported the Committee received a very interesting presentation from Beth McKinney of the Cornell Wellness Program and suggested utilizing the Cornell Wellness website as a resource for information. The website link will be provided to members.

Adjournment

The meeting adjourned at 8:00 p.m.

Respectfully submitted by Michelle Pottorff, Administrative Clerk