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Board of Directors

October 27, 2011

7 p.m.

Scott Heyman Conference Room

Approved 12-15-2011

Municipal Representatives:

Don Barber, Chair, Town of Caroline; Carolyn Peterson, Steve Thayer, City of Ithaca; Anita Fitzpatrick, Tompkins County (arrived at 5:45 p.m.); Laura Shawley, Town of Danby; Judith Drake, Town of Ithaca; Herb Masser, Town of Enfield; Betty Conger, Village of Groton; Rordan Hart, Village of Trumansburg; Kate Supron, Village of Cayuga Heights; Mary Ann Sumner, Town of Dryden (arrived at 5:51 p.m.)

Voting Union Representatives:

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

Absent: Glenn Morey, Town of Groton; Lucia Tyler, Town of Ulysses; Charles Becker, Village of Dryden

Others in attendance:

Steve Locey, Locey & Cahill; Sharon Dovi, TC3 Human Resources Manager, Scott Futia, CSEA Deputy Director; Chuck Guild, CSEA Region 5 Senior Benefits Specialist; Elizabeth Karns, Village of Cayuga Heights

Call to Order

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

Approval of Minutes – August 25, 2011

It was MOVED by Ms. DeMarco, seconded by Ms. Shawley, and unanimously adopted by voice vote by members present with Ms. Supron abstaining, to approve the minutes of August 25, 2011 as corrected. MINUTES APPROVED.

Financial Update

Mr. Locey distributed updated budget information through September 30, 2011. In reviewing actual results he said the Consortium has taken in approximately \$20.9 million in revenue of which \$19.5 million is directly related to premiums paid. In terms of expenses there has been approximately \$17.6 million. This leaves a balance of \$3.3 million, of which the Consortium has to maintain two reserves. The IBNR reserve level is estimated at \$2.6 million and the Rate Stabilization reserve is at \$1.22 million. This leaves a total liability and reserve of \$3.8 million. At the end of September there was a -\$542,000 fund balance, but Mr. Locey noted in February this was close to -\$1 million. He also noted there are positive things that will be occurring in the next couple of months. Prescription drug rebates will be issued to the Consortium and the ERRP (Early Retiree Reinsurance Program) payment should arrive prior to year end. Mr. Locey said with regard to income the Consortium is 2.7% below the expected

level, primarily in the medical premiums (approximately \$500,000). The medical claims are 2.4% below budget, and prescription drug claims are above budget by 5%. Total expenses are .7% below the budgeted amount.

With regard to capitalization payments a small adjustment was made for interest earned. The total capitalization fund is \$1.224 million and is distributed based on the proportionate share that each municipality contributed at the beginning of the process.

Effect on Single and Family Premiums by Offering a 2-Person Rate

Mr. Locey distributed a memorandum that explained what the impact would be on the family rate if a 2-person rate were added. He explained the Consortium is self-insured and has a contractual relationship with Excellus Blue Cross Blue Shield and Medco where they are paying the claims on the Consortium's behalf. The Consortium is responsible for paying claims dollar for dollar. In addition, the Consortium pays them (BCBS) an administrative fee for running the program. As a result, if the tier structure of the premium is changed, but no change is made to the definition of who is eligible to be covered or the benefits associated with that coverage, the same amount of expense should be expected. If a break is given to a specific demographic group, such as with a 2-person rate, someone else will need to pay more to make up the difference.

He provided a cost example to show what would happen to the rates and said typically the 2-person rate is either 1½ or 2 times the individual rate. Mr. Locey noted that the pool with two-person contracts is actually on the higher risk end because they are predominantly older employees. In developing a 2-person rate the individual rate would remain the same and a slight price break would be given to the 2-person rate. To offset this the family rate would need to be increased to end up at the same budget figure.

Ms. Fitzpatrick arrived at this time.

Mr. Barber said although there were some that did, most of the employers did not have a 2-person rate prior to the Consortium. Mr. Locey also said this kind of change would have an impact on collective bargaining agreements.

A question was raised as to whether some municipalities could move forward with a 2-person rate structure. Mr. Locey advised the more things the Consortium does differently from employer to employer the more chance there is for disputes later on in terms of equity and fairness issues. He suggested that if the Consortium Board were to adopt a 2-person rate that it be across-the-board.

Ms. Sumner arrived at this time.

At this time there was discussion of how to move forward. Mr. Locey said if the Board wishes to pursue this, more information would need to be gathered. He would need Excellus and Medco to provide the exact dollar amount in claims that are associated with all current family contracts, the member plus one. Ms. Shawley thinks this needs to be analyzed further and would like to see how it would affect the bottom line health insurance cost per municipality. Mr. Locey said it would help some and hurt others. Mr. Barber noted that situation would change as employees within a municipality change.

Ms. Peterson said the City has considered this before and has explained to employees why they do not think it is a good idea. She also noted many employees are represented by collective bargaining agreements that address changes to plans. Ms. Fitzpatrick said the

County and TC3 have explored a 3-tier premium formulary in the past and it comes up in negotiations about every five years. County contracts are all specific to individual and family coverage and this would need to be negotiated. She said this would be cost neutral for the County and it would only be different for the individuals. She said it could be discussed but there is no economic incentive unless it was the advice of the Consortium and the Consultant to do that. Ms. Dovi said this has been brought up occasionally in the past at TC3 but not recently.

Ms. DeMarco said when this was discussed about six years ago the family rate impact was too great and there was no interest in moving forward.

Update from RFP for Prescription Drug Benefit Manager Review Committee

Mr. Locey reported a meeting was held earlier in the week to discuss responses to the RFP and have narrowed the selection down to two finalists that will be interviewed on November 9th. The Committee would like to make a recommendation to the Board and requested a special Board meeting be held on November 17th to approve the recommended PBM for 2012. The December meeting would not allow for time to make a transition if that were to happen. *[This meeting was later canceled; and explanation can be found in the minutes of the Joint Committee on Plan Structure and Design and the December 15 Board of Directors minutes]*

Dental Plan Premium Rates

Mr. Locey provided copies of e-mail correspondence that explains the background on this topic. He said in research Ms. Drake was doing on dental benefits it was discovered that CSEA had a different premium rate structure. At the present time there is a composite rate for the Consortium; however, CSEA has an individual and family rate also available. Mr. Locey said in his conversations with Mr. Guild it was identified that those rates would be available to the Consortium and each employer could decide whether they want either the composite or individual and family rates. Mr. Locey requested permission for Mr. Barber to sign new agreements with the CSEA that outline both of the premium rate structures. Because this is a change in the contract approval of the Board of Directors it is necessary to offer both the composite and the individual and family rate. Mr. Barber noted this proposal gives each employer a lot of flexibility.

Motion No. 004-2011

It was MOVED by Ms. Sumner, seconded by Ms. Drake, and unanimously adopted by voice vote by members present, to authorize Mr. Barber, Chair, to sign a new agreement indicating both the composite and the individual and family rates for the Dutchess Dental Plan (vision and dental).

Report from the Joint Committee on Plan Structure and Design

Ms. DeMarco reported the Committee met last week with Judy Taber of Locey and Cahill. There was discussion of the EAP and Flex Program survey and it was reported there wasn't a good response return rate. Mr. Locey said he has received several responses since that meeting and will be updating a summary of responses and will distribute to members. He said an overwhelming majority of the respondents all use the same flex administrator and everyone so far who has an EAP program uses the same program. Most of the towns and villages do not have programs and there is a large variable in rates being paid. Mr. Locey said

there may be some advantage to the Consortium talking about having these programs made available through the Consortium versus from employer to employer.

Mr. Masser said currently all of the programs are covered by the same provider. He said he received a call recently from an EAP in Alaska that covers someone here in this area. He questioned whether the present provider is able to do that. Mr. Locey said if this moves forward, companies would need to be surveyed in terms of cost structure and services. With regard to Flex programs, he said they are usually cost neutral because FICA savings generally outweigh the administrative costs.

Medicare Supplement

Mr. Locey said this item is not ready to be fully presented to the Board. There are such a wide range of variables that make a difference on the cost from a premium perspective. There also needs to be discussion if this moves forward of how this would be offered and whether it would be an employer to employer, would it be an option, and what would be the impact on the medical plan. It was also noted that if this moves forward plans would need to be submitted to the State Insurance Department. Ms. DeMarco announced the next meeting will be November 3rd.

Report from the Strategic Planning Committee

Ms. Shawley reported the Committee met on September 26th. The focus of the meeting was on analyzing claims data. Travis Turner of the Cayuga Area Physicians Alliance was in attendance and provided information on compiling data in a way to make it useful. There was also discussion of how to take that data and apply it to something meaningful, such as wellness programs. The next meeting will be November 4th. At that meeting they will begin analyzing actual Consortium data.

Mr. Locey said he will be bringing data from both this Consortium and the school Consortium. He and Mr. Barber had a conference call with Mr. Turner last week about the type of data that will be presented and what they hope to get out of it. He said they hope to try to drive some wellness initiatives, provide the physician community with data they need to help people become better users of the plan and also be more compliant with treatment plans. They also hope to press physicians to improve in areas such as more efficient utilization of tests and equipment, and better prescribing practices.

Mr. Barber encouraged members of the Consortium to attend these meetings.

2012 Organization

Mr. Barber said at the December meeting the subject of 2012 organization will be on the agenda. In anticipation of that discussion there needs to be a nominating committee selected to bring forward a slate of officers. The following individuals volunteered to serve on the nominating committee: Carolyn Peterson, Laura Shawley, and Kate Supron.

Adjournment

On motion the meeting adjourned at 6:31 p.m.

Respectfully submitted by Michelle Pottorff, Administrative Clerk