GREATER
TOMPKINS COUNTY MUNICIPAL
HEALTH INSURANCE CONSORTIUM

Municipalities building a
stable insurance future.

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AGENDA
Joint Committee on Plan Structure and Design
April 7, 2016 - 1:30 P.M.

Rice Conference Room, Tompkins County Health Department

55 Brown Road, Ithaca, New York

1. Welcome
2. Approval of March 3rd Minutes (1:35)
3. Chair's Report (1:40)
4. Board of Directors Report (1:45) — Judy Drake
5. Executive Director Report (1:50) — Don Barber
   a. Newsletter
   b. Logo Competition
   c. How are Health Insurance Premiums determined? Retreat
6. Board resolution re: Guidelines for members changing benefit plans (1:55) — Barber
7. ProAct Pharmaceutical Utilization Report (2:00) — Feeley/Larca
8. Using Federal Calculator: What is Actuarial Value of current Metal level plans? (2:30) Locey
9. Next Meeting Agenda (2:45)
10. Adjournment (2:50)

Next Meeting: January 7, 2016

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MINUTES
Greater Tompkins County Municipal Health Insurance Consortium
Joint Committee on Plan Structure and Design
March 3, 2016 – 1:30 p.m.
Rice Conference Room, Health Department

draft

Present:
Municipal Representatives: 13 members
Judy Drake, Town of Ithaca and Board of Directors Chair; Michael Murphy, Village of Dryden; Brooke Jobin, Tompkins County; Jennifer Case, Town of Dryden; Schelley Michell Nunn, City of Ithaca: Carissa Parlato, Town of Ulysses; Eric Snow, Town of Virgil; Mack Cook, City of Cortland; Joan Mangione, Village of Cayuga Heights; Charmagne Rumgay, Town of Lansing; Betty Conger, Village of Groton; Herb Masser, Town of Enfield; Laura Shawley, Town of Danby (arrived at 1:39 p.m.)

Municipal Representative via Proxy: 2
Tom Brown, Town of Truxton; Alvin Doty, Town of Willet

Union Representatives: 9 members
Phil VanWormer, City of Ithaca Admin. Unit; James Bower, Bolton Point-UAW Local 2300; Tim Farrell, City of Ithaca DPW Unit; Olivia Hersey, TC3 Professional Admin. Assoc. Unit; Joe Slater, Town of Ithaca Teamsters; Jeanne Grace, City of Ithaca Exec. Assoc.; Teresa Viza, TC Library Staff Unit; Tim Arnold, Town of Dryden DPW; Kate Devo, TC Library Professional Staff Unit

Union Representatives via Proxy: 2
Jerry Wright, Village of Cayuga Heights Police (Proxy – Phil VanWormer); Doug Perine, Tompkins County Blue Collar Unit (Proxy – Phil VanWormer)

Others in attendance:
Don Barber, Executive Director; Steve Locey, Locey & Cahill; Ted Schiele, Owning Your Own Health Committee

Call to Order and Chair's Report

Mr. VanWormer, Chair, called the meeting to order at 1:33 p.m. He welcomed everyone and said he did not have a report as this was his first meeting as Chair. Introductions of all present took place at this time.

Report from the Chair of the Board of Directors

Ms. Drake reported at the meeting on January 28th the Board of Directors adopted a Mission and Vision Statement for the Consortium and thanked those who participated in the effort to develop the statement. She also reported the Board formally established the Owning Your Own Health Committee and appointed membership. She said there are still openings on that Committee for labor and encouraged others to join the Committee which meets on the third Wednesday of each month at 1:30 p.m.

Mrs. Shawley arrived at this time.

Executive Director Report

Mr. Barber reported the Consortium is going to have a net income for 2016 of over $7 million which is much more than what was anticipated, primarily because medical costs were much lower than expected and there were very few large claims. He said ProAct will be providing a utilization report in April and Excellus will provide one in May; these reports should provide information on what happened last year with claims activity. He said the Board of Directors was aware of this when the premium increase was set at three percent. He noted other Excellus plans were seeing premium rate increases of eight to ten percent.

Mr. Barber circulated a draft copy of the first Consortium newsletter and called attention to the "Labor Lens". He asked members to provide feedback and ideas for the next issue. He also reported on the Logo contest that will award a $100 cash prize and said the Consortium will be looking for submissions by April 19th.

He announced the next educational retreat will be held on May 10th at 9 a.m. and will focus on how premiums are established and what the science and philosophy behind that is for Consortium plans.

Presentation on Actuarial Value and Benefit Design Overview

At this time Mr. Locey provided a PowerPoint presentation that contained the following information:

What is Health Care?

- Health care is the diagnosis, treatment, and prevention of disease, illness, injury, and other physical and mental impairments in human beings;
- Health care is delivered by practitioners in allied health, dentistry, midwifery (obstetrics), medicine, nursing, optometry, pharmacy, psychology, and other various health professions;
- It refers to the work done in providing primary care, secondary care, and tertiary care, as well as in public health.

Health Care is a Business

- Patients purchase health care products and/or services from private sector medical care providers and/or facilities.
- Medical care spending is stracked as part of the Consumer Price Index (CPS) a measure foo the change over time in the prices paid by consumers for goods and services.
- In 2015, health care spending in the United States of America accounted for approximately 171% of the estimated $17.6 Trillion Gross Domestic Product (GDP)
- Medical care spending is a major component of our GDP which is growing faster than other CPA tracked goods and services. Mr. Locey said it usually grows about three times the rate of the CPI.

Your Cost of Care:

- Deductibles
- Coinsurance Amounts (e.g. 20%)
- Copayment Amounts (e.g. $15.00)
- Out of-Network Provider Balance Bills
- Non-Covered Products or Services

Working Collaboratively

- Health Care is a three-legged stool that includes the Patient, Medical Provider, and the Insurance Plan

Mr. Locey noted that over the last five years the Consortium has seen increases in the costs of generic drugs and noted changes in the costs of specialty drugs have gone from average of $2,000 to $2,700.

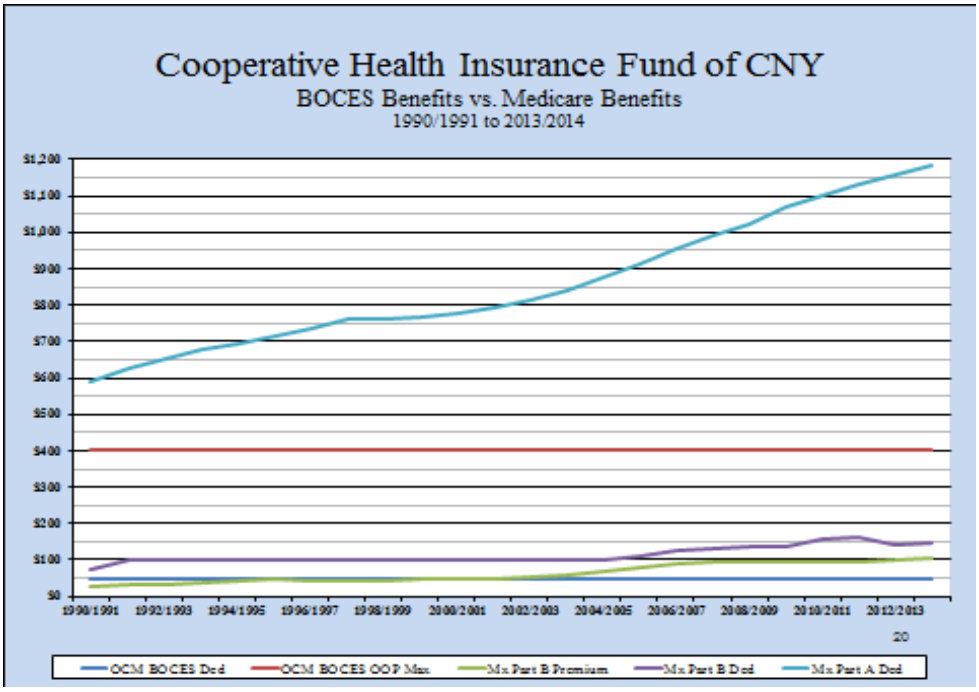
Why Have Health Insurance Costs Increased Faster than CPI?

Health Insurance cost increases are a function of many factors including, but not limited to:

- Medical Care Inflation
- Advancements in Medical Technology (e.g. joint and organ transplants and new cancer treatments)
- Advancements in Pharmaceuticals
- Federal and State Mandated Benefits
- Decrease in the "Value" of Cost-Sharing Items
- Federal and State Taxes and Fees. Mr. Locey spoke of the HIRCA (Health Insurance Reform Care Act) Tax that was originally for the purpose of covering care for the indigent. That tax has increased from 8 to 9%. Because everyone is supposed to have health insurance now there is no need for this tax; however, the fee still exists.
- Medical Malpractice Costs (Insurance & Litigation)

Benefit Plans Haven't Kept Pace

- Health insurance evolves over time
- 3 to 5 years between contracts
- Health insurance trends outpace cost-sharing changes
- Lack of focus on true cost distribution of benefit
- Plans are negotiated line item by line item
- Modest premium changes – "Major" benefit changes



What is Health Insurance

- Health Insurance is an agreement in which a person or a person's employer makes regular payments (premiums) to a company and the company promises to pay money and/or cover certain medical (health care) services, procedures, materials, or costs if the person is sick or injured (benefits).
- The amount of the premiums and the level of benefits will vary based on the agreement the person or the person's employer has with the insurance company.
- Even though our use of medical services increases with age, premiums are pooled over a broad demographic population which evens out the premium cost over a person's lifetime.

What are Benefit Plans

Benefit Plans are a contract between a person and/or their employer and a licensed health insurance company that contains a listing of covered medical care services provided to those who are eligible.

As part of a benefit plan health insurance companies typically contract with health care service providers who offer medical care and/or services to you at a reduced, agreed upon amount.

Benefit plans must meet minimum Federal and State requirements and include all mandated benefits.

What plans are available?

- GTCMHIC has a menu of plan options for consideration by labor and management. New plans may be added upon request and approval by the Board of Directors.
- Indemnity, PPO, Comprehensive, and Medicare Supplemental plans are available, along with the recently added "metal level" plans that meets the ACA definition of "Platinum, Gold, Silver, and Bronze" as offered on the "Health Insurance Exchange."
- A variety of plan offerings are necessary to gain new members to the Consortium and to offer labor and management the required tools to keep costs in check while still providing excellent benefits.

How are Premium Rates Set

- Predict Overall Expense Budget
  - ❖ Paid Claims Statistical Trend Models (94% of expenses)
  - ❖ Administrative and "Overhead" Expenses
  - ❖ Insurance Costs – Even Insurance Companies Buy Insurance
  - ❖ Taxes and Fees
- Determine Reserves / Liability Adjustments
- Expenses + Reserve/Liability Adjustments = Income
- Premiums = 98% of Income
- Adjust Premiums Based on Benefit Design Using Excellus, ProAct, and Locey & Cahill, LLC Data Bases

Mr. Locey said 94% of the Consortium's budget is claims. The premium is 98% of the budget and rates are based on true costs.

Actuarial Values Defined and Explained – Actuarial Value (AV)

The term "Actuarial Value" references the share of hospital, medical, surgical, and pharmacy care expenses the plan covers for a typical or average group of enrollees within a standard deviation of + or - 2%.

A Plan can determine its AV by using:

1. The AV Calculator developed by the Centers for Medicare & Medicaid Services (CMS) Center for Consumer Information & Insurance Oversight (CCIIO) which was implemented in accordance with the Patient Protection and Affordable Care Act of 2010; or
2. The services of an Independent Actuary who will evaluate the Plan's benefits to determine the likely amount of out-of-pocket costs for the average person covered by the Plan.

Mr. Locey said the Consortium doesn't have a large enough database but he has run a sample and is confident the Federal calculations are accurate for New York State.

Actuarial Value Calculator

The term "Actuarial Value" references the share of health care expenses the plan covers for a typical or average group of enrollees within a standard deviation of + or - 2%.

As an example, if enrolled in a Platinum Plan the *average person* would expect the plan to cover approximately 90% of their health care costs in a given year.

ACA Metal Level Plans

Levels of Coverage:

The Affordable Care Act contains language which defines the Actuarial Value (AV) of a health insurance plan's coverage based on the percent of health care expenses covered by the plan for a typical population. Health insurance plans will be placed into four categories based on their Actuarial Value (AV):

- Platinum Plan Models Actuarial Value (AV) = 90%
- Gold Plan Models Actuarial Value (AV) = 80%
- Silver Plan Models Actuarial Value (AV) = 70%
- Bronze Plan Models Actuarial Value (AV) = 60%

It should be noted that the most common plan models found in the Health Insurance Exchanges are PPO Style Plans and High Deductible Health Plans.

ACA 2016 Mandated Limits:

- Maximum Annual Deductible = $6,850 Ind. / $13,700 Fam.
- Maximum Annual Out-of-Pocket = $6,850 Ind. / $13,700 Fam.
- No Annual Limit on Essential Health Benefits
- No Lifetime Limit on Essential Health Benefits

The above maximums and limits must include all out-of-pocket expenses such as deductibles, coinsurance amounts, and copayments for the hospital, medical, surgical, and pharmacy benefits. This maximums and limits do not include any costs related to out-of-network provider billings and/or the cost for any non-covered services or products.

Maintaining a Plan's AV

The GTCMHIC established the following process to ensure the Standard Metal Level Plans maintain an Actuarial Value (AV) as defined by the Patient Protection and Affordable Care Act (ACA) equal to an overall plan benefit for the average participant of 90% for the Platinum Plan, 80% for the Gold Plan, 70% for the Silver Plan, and 60% for the Bronze Plan:

1. Changes to the benefits provided by the Metal Level Plans will occur no more frequently than once a year with said benefit changes being effective on January 1st of the year following the adoption of the said benefit change.
2. Changes to the benefits provided by the Metal Level Plans will be approved by the GTCMHIC's Board of Directors on or before November 1st of each year provided the benefit changes maintain the Actuarial Value of the plan in question as defined in Resolution No. 001-2014.
3. Changes to the benefits provided by the Metal Level Plans will be communicated to the affected members no later than December 1st of each year.
4. The GTCMHIC will adhere to the following definition of the Actuarial Value of each plan.

   The Greater Tompkins County Municipal Health Insurance Consortium Standard ACA Metal Level Plans will have an Actuarial Value (AV) as defined by the Patient Protection and Affordable Care Act (ACA) equal to an overall plan benefit for the average participant of 90% for the Platinum Plan, 80% for the Gold Plan, 70% for the Silver Plan, and 60% for the Bronze Plan.

   Said AV will be calculated annually using the AV Calculator developed by the Centers for Medicare & Medicaid Services (CMS) Center for Consumer Information & Insurance Oversight (CCIIO) which was implemented in accordance with the Patient Protection and Affordable Care Act. If such calculator is no longer available or in use, the GTCMHIC will have an independent Actuary develop the AV of the health insurance plan on an annual basis. In either case, it is the intent that the result will represent an empirical estimate of the AV calculated in a manner that provides a close approximation to the actual average spending by a wide range of consumers in a standard population and that said AV will be equal to 90% for the Platinum Plan, 80% for the Gold Plan, 70% for the Silver Plan, and 60% for the Bronze Plan within an acceptable deviation of + or – 2%

   Current GTCMHIC AV Levels
   Excellus BCBS's preliminary analysis of the Actuarial Values of the current plans using the 2017 AV calculator developed by Centers for Medicare & Medicaid Services (CMS) Center for Consumer Information & Insurance Oversight (CCIIO) area as follows:

Premium Plan	92.60% (Range 88%-92%)
Gold Plan	84.17% (Range 78%-82%)
Silver Plan	79.23% (Range 68%-72%)
Bronze Plan	67.92% (Range 58%-62%)

   Mr. Locey noted he will be reviewing these numbers with Excellus.

   What impacts the AV?
   Below is a list of benefit items which affect the AV listed in order of impact or importance in terms of the AV result:

   1. Deductible level and benefits included;
   2. Out-of-Pocket Maximum
   3. Rx Copayment/Coinsurance (There are 3.3 prescriptions filed per person per month on average in the Consortium)
   4. Primary Care Physician Copayment/Coinsurance
   5. Specialist Copayments/Coinsurance
   6. Emergency Room Copayment/Coinsurance
   7. Inpatient Hospital Copayment/Coinsurance
   8. Skilled Nursing Facility Copayment/Coinsurance

GTCMHIC AV Levels Next Steps

1. Locey & Cahill, LLC to meet with Excellus to review AV calculations and reconcile results;
2. Excellus will present a number of options to Locey & Cahill for review with our clients**;**
3. Joint Committee will review possible plan design options and the associated impact at the April meeting;
4. Joint Committee will by consensus develop plan recommendations for the GTCMHIC Board of Directors;
5. GTCMHIC Board of Directors will approve final benefit levels for each plan by Fall 2016;
6. Changes will be communicated to all effective January 1, 2017.

It was stated that it will take approximately three to four months of meetings of this Committee to review design options and develop a recommendation to the Board.

Ms. Hersey questioned the term "typical" used in the presentation and whether it was specific to the Consortium. Mr. Locey said within the presentation it was based on the national average typical user. At the request of Ms. Hersey he will develop a description of what the typical average user within the Consortium would be.

Mr. Murphy questioned why the cost of generic drugs has risen so much. Mr. Locey said they represent a percentage of utilization and as the volume has gone up pharmacies are escalating prices to recapture monies they have lost. He also noted how medical provider decisions affect the cost of care.

Ms. Mangione asked what the status is of the Cadillac Tax. Mr. Locey said it has been put off for two years but he will continue to monitor it as this is something that could have an impact down the road.

Review of Quorum and Proxy Requirements

Mr. VanWormer called attention to the Committee's difficulty in having quorum at meetings and said he has had verbal confirmation from two labor groups within the City of Ithaca that count towards the quorum requirement that they do not plan to attend meetings. Mr. Bower said he is aware of a couple of bargaining units that refuse to recognize the Consortium and thinks it would be fair to adjust the quorum requirements to account for that. Ms. Hersey expressed concern with adjusting the quorum requirement to represent less than 100% of the total Committee membership. Mr. Murphy expressed concern over the Committee's lack of quorum at several meetings over the last year and said he doesn't think this is a good way to run an organization. Mr. Arnold commented that he was led to believe some labor groups from Cortland were not permitted to attend meetings during the day. Mr. Cook said it is Cortland's policy to encourage and compensate its labor groups to attend Committee meetings.

It was MOVED by Mr. Murphy, seconded by Mrs. Shawley, to amend the Committee's quorum requirements from one-third of labor and management representation needed for quorum to be one-quarter of labor and management members needed for quorum with the stipulation that the Committee will continue to encourage as many members to attend as possible and the current process for filing a proxy will continue.

A voice vote on the motion resulted as follows: Ayes – 25, Noes – 1 (Tim Farrell). MOTION CARRIED.

It was MOVED by Mr. Murphy, seconded by Ms. Hersey to review the quorum requirement on an annual basis. A voice vote on the motion resulted as follows: Ayes – 25, Noes – 1 (Tim Farrell). MOTION CARRIED.

Next Meeting Agenda

The following items were suggested for inclusion on the next agenda:

ProAct Utilization Report;
Next steps with Actuarial Value calculator; and
Definition of average Consortium user

Adjournment

The meeting adjourned at 2:55 p.m.

Respectfully submitted by Michelle Pottorff, Administrative Clerk