



Municipalities building a  
stable insurance future.

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**AGENDA**  
**Joint Committee on Plan Structure and Design**  
**May 5, 2016 - 1:30 P.M.**  
**Department of Emergency Response Conference Room**  
**92 Brown Road, Ithaca**

1. Welcome
2. Approval of April 7, 2016 Minutes (1:35)
3. Chair's Report (1:37)
4. Executive Director Report (1:40) Don Barber
  - a. Education Retreat- How are premiums determined?
5. Discussion of Resolution Establishing Guidelines for Members Changing Plans (1:45)
6. Excellus Utilization Report (2:00)
7. Continued Discussion of Actuarial Value Calculator (2:30)
8. Next Meeting Agenda (2:55)
9. Adjournment (3:00)

Next Meeting: June 2, 2016



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## MINUTES

**Greater Tompkins County Municipal Health Insurance Consortium  
Joint Committee on Plan Structure and Design  
April 7, 2016 – 1:30 p.m.  
Rice Conference Room, Health Department**

draft

***Present:***

***Municipal Representatives: 11 members***

Judy Drake, Town of Ithaca and Board of Directors Chair; Michael Murphy, Village of Dryden; Jennifer Case, Town of Dryden; Schelley Michell Nunn, City of Ithaca (excused at 2:44 p.m.); 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 (excused at 2:41 p.m.); Laura Shawley, Town of Danby; Ann Rider, Town of Enfield

***Municipal Representative via Proxy: 3***

Tom Brown, Town of Truxton (Proxy – Judy Drake); Alvin Doty, Town of Willet (Proxy – Judy Drake); Carissa Parlato, Town of Ulysses (Proxy – Joan Mangione)

***Union Representatives: 9 members***

Phil VanWormer, City of Ithaca Admin. Unit; James Bower, Bolton Point-UAW Local 2300; Olivia Hersey, TC3 Professional Admin. Assoc. Unit; Jon Munson, Town of Ithaca Teamsters; Jeanne Grace, City of Ithaca Exec. Assoc.; Teresa Viza, TC Library Staff Unit; Tim Arnold, Town of Dryden DPW; Kate Devoe, TC Library Professional Staff Unit; Jason Thayer, TC3 Staff Unit

**Union Representatives via Proxy: 2**

Tim Farrell, City of Ithaca DPW Unit (Proxy – Jeanne Grace); Doug Perine, Tompkins County White Collar President (Proxy – Phil VanWormer)

***Others in attendance:***

Don Barber, Executive Director; Steve Locey and Judy Taber, Locey & Cahill; Ted Schiele, Owning Your Own Health Committee; Sharon Dovi, TC3 Human Resources; Meghan Feeley, Mike Larca, David Schryver, ProAct

**Call to Order**

Mr. VanWormer, Chair, called the meeting to order at 1:30 p.m.

**Approval of Minutes of March 3, 2016**

It was MOVED by Ms. Conger, seconded by Mr. Murphy, and unanimously adopted by voice vote by members present, to approve the minutes of the March 3, 2016 meeting as submitted. MINUTES APPROVED.

**Chair's Report**

Mr. VanWormer did not have a report.

## **Report from the Chair of the Board of Directors**

Ms. Drake reported the Board of Directors met last week and received a report on the Consortium's Actuarial Report and was informed that the Incurred But Not Reported Claims were close to 8%; this is good news as the State requires 12%. A resolution proposed for the Consortium to adopt guidelines for members changing plans was tabled to allow for discussion by this Committee. The Board adopted a retrospective claim termination policy and a resolution to bring the recertification process to a close by May 1<sup>st</sup>. Municipalities that have contracts that have not been settled by that date will receive an assessment charge of \$557 per person per month. She said the Consortium will be issuing a request for proposals for the prescription drug administrator and more information will be coming forward over the next few months.

## **Executive Director Report**

Mr. Barber reported a mobile identification card is now available from Excellus through the its website landing page. Ms. Miller also provided information at the Board meeting about Excellus going paperless; information about this is also available on its website. He said Mr. Locey reported to the Board that Consortium income is on track and both medical and pharmaceutical claims are below what was anticipated.

He reported the first Newsletter has been released and the next issue is being worked on. There will be a section in each newsletter for labor; he encouraged members to share any information they feel would be useful for members to be included in the publication. The Logo competition is underway with close to a dozen designs submitted. Mr. Barber reminded members that the next educational retreat will be held on May 10<sup>th</sup> and will focus on how premiums are determined, including metal level plans and changes that are based on keeping the plans to the actuarial value that is set.

## **Guidelines on Members Changing Plans**

Mr. Barber distributed copies of a resolution entitled "Guidelines for Members Changing Plans and Open Enrolment" that was tabled at the March 28 Board of Directors meeting. He said the resolution is a recommendation and not a policy being set by the Consortium and was brought forward because Mr. Locey shared information that in working with other groups that have adopted metal level plans Locey and Cahill has have found that some people have changed plans based on their circumstances. When people make certain choices it can result in adverse risk selection which tends to result in higher expenses than was in the original premium determination. He said the Board cannot set policy on this but wishes to make employers aware that there are consequences to those decisions. This will be included on the next agenda of this Committee for a full discussion.

Mr. Murphy questioned why the resolution recommends plan changes be allowed after a period of three years as opposed to two; Mr. Barber said this was the time-frame suggested at the Audit and Finance Committee. Mr. Locey said the main reason for this is because the cheapest way to provide health insurance for a pool like the Consortium's is to have everyone in one risk pool and coming off of one rate. If people are allowed to get rated based on their own needs or risk what could happen is eventually monies that are being used for low-risk individuals will no longer exist to pay for high-risk individuals. It could result in lost revenue having to be spread amongst the group that is left behind and could inflate the rate for everyone else. This proposal to control plan movement is a middle-of-the-road approach to protect the Consortium while still giving flexibility to employers to offer plans to their employees.

Ms. Hersey said for labor unions this becomes a conversation with unions in negotiations as a policy adopted by a municipality cannot interfere with items negotiated in a

labor contract. Mr. VanWormer noted the resolution contains a recommendation and not a policy. Mr. Locey said the Municipal Cooperative Agreement states that if an employer is offering benefits that are inconsistent with the Consortium's guidelines there are financial consequences to the municipality that can result from that.

### **ProAct Pharmaceutical Utilization Report**

David Schryver, Vice President of Client Relations; Michael Larca, Director of Account Management; and Meagan Feeley, Consortium representative; presented the 2015 Utilization Summary for prescription drug expenses in 2015 and a comparison to the previous year. The document will be available on the Consortium's website under the Resources tab.

During presentation of the report, the following points were noted of changes from 2014:

- Membership count was -.46%;
- The number of prescriptions dispensed decreased by 2%; however, prescription costs which included fill fees, ingredient costs, and dispensing fees, increased by 9.11%;
- Membership costs was down by 1% and the total cost paid by the Consortium increased by 10%; Mr. Locey stated due to prescription drug expenses exceeding last year's budget the Consortium adopted an increased budget for prescription drugs in 2016 based on an 8% increase for 2016. He also noted that the plan cost went up by over 9% and membership costs went down by 1%. It was stated this represents the need for a more proportionate distribution of costs.
- There was an increase of 1.6% in the generic utilization up to 82%. Every 1% that can be driven to a generic utilization correlates to a 1.5-2% decline in claims cost;
- Cost per generic was \$21.66; cost paid for brand drug was \$335.82. This includes specialty drug costs. ProAct saw a 17% trend increase in its book of business on the utilization of specialty drugs.
- Plan cost per prescription was up 7.81% to \$78.30; membership costs per prescription decreased by 2.44%;
- There was good generic drug utilization; however, there is a gradual increase in plan costs that are due to overall healthcare inflation plan is trending upward in costs;
- There were 2,311 contracts with a total of 5,041 eligible members in the plan;
- Costs paid by the plan were – 42% for age 50-64; 29% for age 65+; 20% for ages 35-49; 5% for age 20-34; and 4% for age under 1-19.
- Rx count and Plan cost:

	(# of Rx)	
Tier 1 Generic	61,801	\$1,870,782.50
Tier 2 Preferred Brand	10,021	\$3,273,102.65
Tier 3 Non-Preferred Brand	3,420	\$ 969,123.18
Specialty	785	\$2,400,459.92

It was noted that although specialty drugs accounted for 1.03% of the total prescriptions filled, these costs accounted for 28.2% of the total plan cost. Specialty drug costs increased by 17% and although slightly better than ProAct's book of business these costs are rising at a significant rate and are expected to reach being 50% of the total plan costs by 2017.

Mr. Schryver said there are some new high cost medications that have come on the market as well as a public health effort to promote testing for Hepatitis C. A medication that is used to treat that costs \$96,000 but also has a 96% cure rate. Older drugs were much less effective and in some cases resulted in higher cost conditions and treatment lasted for a much longer time.

Mr. Locey asked what ProAct and the prescription benefit manager industry is doing to try to combat the high costs and keep pharmaceutical companies from gouging the marketplace and rates on those drugs. Mr. Schryver said ProAct is continually negotiating to get better discounts and rebates, and to purchase the drugs at a lower cost from Pharma. They have a specialty pharmacy, Noble Health, that dispenses only specialty drugs. Mr. Locey asked what information is getting out to physicians when there is competing medications about the most cost effective treatment and protocols. He was told that specialty drugs require prior authorizations and ProAct has protocols to provide information on the cost effectiveness of each medication. He also stated Pharma has programs that provide co-pay assistance for many of the specialty drugs that are dispensed. He said plan costs are going to continue to increase unless plans take action to alter the costs of specialty medications.

- Mail order utilization is advantageous. 8% of prescriptions were processed through ProAct Pharmacy Services;
- A total of \$37,356 was saved in 2015 by ProAct using programs to promote the utilization of generic drugs. Mr. Schryver said there are additional cost-savings programs that can be incorporated into benefit plans that ProAct can work with the Consortium on.

### **Continued Information on Actuarial Calculator**

Mr. Locey provided information on the actuarial value that was calculated at the last meeting for the Platinum Plan at 93.67%, noting the Platinum Plan has to have an AV of 90% plus or minus 2 percent. He said he will be speaking with Excellus to discuss its calculation and why it came in lower. He reviewed possible changes Excellus proposed to bring the AV into a mid-range point and said the Committee needs to have a discussion of options to bring the AV into an acceptable range. There also needs to be discussion of how often changes should be made, noting that the closer the actuarial value is to the low end of the range the longer it will remain within range.

Ms. Hersey said at the last meeting she had asked what an average user looks like since the information used is based on that type of user. She also asked if the Consortium would get to a point to rate its plan in terms of the actuarial value. Mr. Locey said that will be difficult because the Consortium does not have enough data. The AV presented used is based on a national database that includes millions of lives. The Consortium represents a total of 4,500 if which a very small percentage is in a metal level plan. He also said by using the Consortium's own data there could be a lot more subjectivity and potential challenges from the outside. He said the calculator looks at things is based on average use and can be based on fractions of things. He said he can show statistically where the Consortium is in terms of average use. Mr. Barber said this will be included in the information that will be presented at the upcoming retreat. Mr. Locey said he will be meeting with Excellus to get information to get an idea of what the progression in the AV would be from year-to-year/

Ms. Nunn was excused at this time.

Mr. Locey distributed a premium rate schedule and the co-pays for services for Excellus. He said he asked Excellus for the same information for 2011-2015 to show the progression in costs. He also distributed possible co-pay changes that would result in actuarial value calculations in the range of 88%-92%.

He asked that any municipality wanting to see the database used to issue the 1095 forms to let him know.

**Next Meeting Agenda**

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

Excellus Utilization Report;  
Discussion of Resolution establishing guidelines on members changing plans; and  
Continued discussion of Actuarial Value calculator

**Adjournment**

The meeting adjourned at 2:47 p.m.

Respectfully submitted by Michelle Pottorff, Administrative Clerk



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**RESOLUTION NO. 2016 – APPROVAL OF GUIDELINES FOR MEMBERS CHANGING PLANS**

WHEREAS, the Consortium has over 100 plan combination options that any of our partners can by resolution add to their list of plans available to their employees, and

WHEREAS, the recently adopted “metal level” plans (platinum, Gold, silver, and bronze) as well as Medical Supplement have different actuarial conditions for setting premiums than the other Consortium plan offerings, and

WHEREAS, employees frequently changing between these five plans or between any of these five plans and another Consortium plan can have adverse consequences with not enough premium being raised to cover claims, and

WHEREAS, employees staying with their selection of one of these five plans for a period of at least three years will allow for adequate capture of premium for claims, and

WHEREAS, the Consortium does not want to interfere with municipal partners offerings and employees ability to choose, and

WHEREAS, the qualifying events that allow changes in benefit plans at the time of the event are: marriage, divorce, legal separation, annulment, birth, change in legal custody status, dependent ages off, adoption, death, start of or loss of employment, start of or loss of eligibility for Medicare or Medicaid coverage, change in residency, and

WHEREAS, the Consortium Benefit Plans are administered on a calendar year basis, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee, That the Board of Directors recommends to our municipal partners that they each adopt a policy that will restrict changing from the platinum, gold, silver, bronze, and medical supplement plans to another plan for three years after coverage begins,

RESOLVED, further, That the Audit and Finance Committee recommends that the Board of Directors adopts the policy that all non-qualifying event benefit changes are submitted to the medical plan administrator by December 1 for implementation on January 1.

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