Greater Tompkins County Municipal Health Insurance Consortium
Finance Committee
Tuesday, October 15, 2013 - 9 a.m.

Old Jail Conference Room

Agenda

1. Call to Order

2. Approve Minutes of August 20, 2013 meeting

3. Financial Reports and Updates:
    a. 3rd Quarter Financial Results
    b. Paid Claims Trend Data
    c. Final Accounting and Payout of Initial Assessment by Municipalities
    d. New Reports Being Utilized by the NYS Department of Financial Services

4. Update: Quickbooks Transition

5. Discussion items:
    a) Medicare Supplement
    b) Stop Loss Retention Strategy

6. **Action**: Approval of Invoice for Bonadio Group - September 30, 2013

7. Adjournment

Minutes
Greater Tompkins County Municipal Health insurance Consortium
Finance Committee
August 20, 2013 – 9 a.m.
Old Jail Conference Room

DRAFT

Present: Don Barber, E. Karns, G. Morey, Jared Pittman, Mack Cook
Guests: Judy Drake, Rick Snyder, Steve Locey

Call to Order

Mr. Barber called the meeting to order at 9:02 a.m.

Approval of Minutes of July 24, 2013

The minutes of the July 24, 2013 meeting were accepted as presented.

Reserving Policy

Mr. Barber said Mr. Cook sent out information from Colorado Springs and asked him to speak to that. Mr. Cook said this Consortium has done extremely well in the short time it has existed but as he looks down the road in healthcare he thinks it will be tempting for the smaller towns and villages to go to the Health Exchanges. He spoke of the subsidizing of the costs by retirees and said about 50% of the City of Cortland's covered lives are retirees and it will be extremely difficult to continue to balance a budget and control its $54 million OPED liability without revisiting the policy with regard to retiree insurance. He said he knows there would be ramifications because the claims-to-loss ratio with retirees is better than other groups. In 2018 the Cadillac Tax will go into effect and he thinks that will have a dramatic impact on the Consortium.

Ms. Karns said Mr. Cook raises good structural questions and spoke of the extreme level by which some are using health care and said that is the bigger problem. Mr. Cook spoke of the inability for municipalities to afford to continue providing coverage to retirees for the remainder of their lives and sees the number of retirees in the group declining over time.

Mr. Barber said one of the reasons for the retiree subsidizing is because the federal government gets involved through Medicare and takes a large portion of their healthcare costs but their prescription costs are still escalating and are very high. He said the problem is people using health care in a way where they mistreat their bodies and not being willing to own their own health.

There was discussion about the proposed premium rate increase of 8%. Ms. Karns said she is not convinced the Consortium is a success and finds 8% to be difficult to accept when compared to the open market. She said the Teamsters are looking at a 4% decrease. Mr. Barber said the Teamsters are notorious for not having enough reserves and are likely to have significant increases in rates from time-to-time to get reserves where they need to be. Mr. Barber said the majority of the Consortium's costs are claims and the only way to reduce costs is to better manage claims.

Mr. Cook said he is comfortable with an 8% rate increase. He said the problem he sees for those in a heavily unionized environment is that there has to be a rethinking done prior to 2018 to incorporate the Cadillac tax and questioned whether the Consortium should hold back reserves to help cushion that for municipalities.

Mr. Barber spoke of the Capitalization Reserve and said he doesn't have a problem returning the funds in full because there is inequity in the way municipalities contributed to the startup of the Consortium and that will stay until all of the funds are paid back. He would be particularly comfortable with this because of the reimbursement in excess of $1 million the Consortium received from large losses. This would allow the payback funds to come from that as opposed to operating funds.

Mr. Locey arrived at this time. He said there are a number of reserves the Consortium is allowed to have under Article 47 and he believes the Consortium could set up a reserve for any liability that can be identified. At this time the Consortium has the IBNR (Incurred But Not Reported) Reserve (12%) and the surplus account which is 5% of premium. The 2014 budget has a Catastrophic Claims Reserve built into it at 2% to help soften the hit for those times when there are unanticipated high dollar losses. He said there may be a few entities that will be in danger because of the Cadillac Tax and with the employer mandate in terms of employees paying too much for premium compared to salary. At this point he said he cannot strongly recommend budgeting for the Cadillac Tax because it is not scheduled to go into effect until 2018 and he is unsure whether it will actually happen. He said the Consortium is in good financial shape and believes it will want to earmark additional funds for different reserve categories if the fund balance continues to grow.

Mr. Locey said he reviewed premiums for some of the Health Insurance Exchanges and said unfortunately the premiums were issued without providing information on the benefits. He expressed concern that the rates have been issued with no knowledge of the market and there are health insurance companies that have no experience in the State that are providing low premium numbers that cannot be sustained.

Mr. Cook said one of the theories behind the Health Exchanges is that they will be so poorly run that they will not be able to sustain themselves and will rely on stop gap insurance and that will drive the market up. Mr. Locey said he is concerned about this and noted that under the Health Insurance Portability and Accountability Act there were provisions that addressed pre-existing condition clauses and most people were not being impacted by that. The Affordable Care Act completely eliminates them and this provides greater opportunity for people to say they won't pay into the Exchanges and will choose to pay a fine.

2014 Budget Projections

Mr. Locey distributed budget projections for 2013-2016 based on information through July 31, 2013 and noted the following:

Affordable Care Act fees were added;

Adjustments were made to account for any receivables that were paid in advance or any expenses that were still due;

The Consortium will end the year with slightly over $6 million in net income, bringing the total balance up to $12.7 million

With current reserve categories he anticipates a $7.6 million year-ending unencumbered balance;

The proposed premium for 2014 is 8%;

Medical and prescription drug claims were increased by 8% although the trend is slightly below that at this point;'

$1.6 million was included as the Capitalization Reserve repayment;

A Catastrophic Reserve was included at 2% of claims; and

Stop Loss rates are calculated at a 15% increase

Based on the above expenses and income they are still anticipating over a $3 million net income at year-end leaving an unencumbered fund balance at year-end at $9.95 million. He said the revised 2013 actual versus budgeted results and paid claims are down slightly and revenue is up, noting claims are below what the expected level was without the Town of Lansing and City of Cortland. The medical claims are 5% below budget; prescription drug claims are 9% below budget. He also distributed graphs showing trends in paid claims for both medical and prescription drug. He also distributed a spreadsheet showing the Capitalization Reserve payments and interest earned bringing the total to be paid back at the end of 2013 to be $1,541,561.

Ms. Karns asked if there is information as to why the claims have been lower. Mr. Locey said this is predominantly because there has not been large losses in comparison to last year. To date in 2013 the Consortium's largest loss was $171,000; last year the largest loss was $1.1 million and there were six claims above $174,000.

Mr. Locey said municipalities were given 8% to use as an estimate to use in putting budgets together. He distributed information on trends and said every month they track information on claims and contract counts to look for trends in the group. Since the Consortium first started it is about 3% below for the entire time period for what was anticipated in terms of claims. He said the average annual increase per contract is slightly over 4.1%. Mr. Locey said they are projecting to end 2013 with $27.6 million in claims and next year have budged $30 million. He noted that for 2013 in comparison to 2012 the contract count is 15% higher although claims have not been much higher. He spoke to the original five-year plan that included a plan for 9½% increases over five years and said because of the good financial results the Consortium has experienced on paid claims it will have rate increases at a lower level and will be able to pay back the Capitalization Reserve early. In terms of a breakout of expense the Consortium is currently at 73% medical and 27% drug.

Mr. Locey distributed monthly premium rate information for the various Consortium health plans with the proposed 8% increase. Mr. Barber said decisions need to made on setting the rate, reserving, and payback of the Capitalization Reserve and asked members to share their thoughts on the information presented.

Mr. Morey supports the proposed rate increase and said Mr. Locey did a great job and the Consortium is well within budget projections. Ms. Drake said she can support an 8% rate increase with the hope it can go down in the future. She shares Mr. Cook's concern about the future and how the Consortium might be impacted. She supports paying back the Capitalization Reserve and could support doing so over a couple of years as opposed to all at once. She said right now the Town of Ithaca offers one plan and in 2014 they will be looking at opportunities to offer different plans to include employee cost sharing. Mr. Cook said he is comfortable with the 8%. He also said that the payback of the Capitalization Reserve would impact all of the entities differently because it was treated differently in the way it was contributed. Mr. Pittman supports the 8% for 2014; he would like to see it lower in the future. He supports beginning to payback the Capitalization Reserve in part or in full and is pleased with the strategy presented for reserving. Ms. Karns said her concerns relate to the structural issues that were raised earlier. Although she is encouraged that the medical claims are lower she remains concerned about how the Consortium is managing its health care. She would prefer paying back the Capitalization Reserve as soon as possible.

Mr. Locey said it is likely that the decrease in claims is more circumstantial than driven and doesn't believe it is the result of any effort to reduce claims. He reported that he contacted the New York State Department of Financial Services to see if the Consortium is permitted to offer wellness credits and has not yet received a response. It was noted that any change in plans would likely have to go through the unions.

Mr. Locey said at this time there is no rule as to how entities offer plans and said there needs to be discussion about different plans and how they can be offered.

It was MOVED by Mr. Barber, seconded by Mr. Cook, and unanimously adopted by voice vote, to recommend the following 2014 budget to the Board of Directors:

8% increase in the Premium Equivalent Rate;
Payback of the Capitalization Reserve in its entirety; and
Establish a Catastrophic Reserve Fund at 2%

Next Meeting

The September meeting of this Committee was canceled.

Adjournment

The meeting adjourned at 10:25 a.m.

Respectfully submitted by Michelle Pottorff, Administrative Clerk