

Minutes
Greater Tompkins County Municipal Health Insurance Consortium
Finance Committee
February 22, 2013 – 9 a.m.

Attendees: Don Barber, Liz Karns, Mack Cook, Glen Morey, David Squires, Michelle Pottorff
Excused: Svante Myrick

Call to Order

Mr. Barber called the meeting to order at 9:04 a.m.

Committee Purpose

Mr. Barber said the reason the Consortium Board of Directors created a Finance Committee is to become more involved in the financial aspects of the Consortium. In the past year he has spent a significant amount of time with the Department of Financial Services discussing the Consortium's filings. As a result of the interaction with the Department he said it has become apparent that the Board of Directors needs to have more input from members and have a more structured process. It is his hope that by the time the budget is prepared in late summer that this Committee can be fully engaged and part of the process. The budget must be adopted by the Board by October 15 and since a meeting of the Board is scheduled for late September, this Committee should meet in July or early August to review the budget. *A topic for the next meeting agenda will include what information members feel they need to participate more fully in the budget process.*

Mr. Barber said the Consortium is currently engaged with the Bonadio Group and they will be preparing the quarterly JURAT reports with the Consultant, Locey and Cahill, and the Finance Director continuing to provide financial information on a regular basis to the Board.

Mr. Cook spoke of the Governor's budget proposal to cap arbitration at two percent and bring into the equation the concept of total compensation including insurance premiums. He said the proposal is two percent of total compensation, excluding pension and the first two percent increase in health care. He asked if the Consortium will be under pressure to produce a budget for rate purposes that meets collective bargaining agreements. He said what will happen with the City of Cortland because of its step system and existing policies is that the Consortium will influence collective bargaining agreements because the increase in health insurance will likely consume all of the two percent cap. This means that the dynamics of the bargaining process is going to change and will mean there will be no capacity to give employees a salary increase. Mr. Squires said the problem he sees is that it would be impossible to manage given the time it takes to resolve negotiated contracts.

Ms. Karns said while she agrees this may happen in the future, it will not happen in this budget year and is more concerned about the Consortium's sustainability right now. Mr. Barber said as the Board sets its budget this has to be part of the discussions and falls into what the Strategic Planning Committee has been discussing with regard to claims management. He said all employees have to be engaged in reducing the costs of claims. Mr. Barber said the number

one goal is to ensure the financial health of the Consortium but the members are the employers and will have to deal with the labor issues.

Mr. Barber said the Consortium is required to file a JURAT report with the Department of Financial Services and the Bonadio Group has been working with Mr. Michelson to make additional amendments to the 2011 filing which will be filed with State. He suggested inviting the Bonadio Group to attend a meeting to review each of the entries on the form as this Committee will be reviewing those reports before they are submitted in the future. He spoke of the importance of the report and said this report is used by the State in determining the health of the organization.

Premium Rate Review

Ms. Karns asked what parts of the rate can be changed. Mr. Barber said only bargaining units can change co-pays. She spoke of the number of members enrolled in the PPO plan and questioned how more members could be moved into this group. Mr. Barber said this is also a collective bargaining item; however, if the Consortium has reason to believe that it has benefits information that could be shared and the Board could look at how each of the programs are stacking up with claims and costs. If there are things in any of the programs that should be changed that would be taken to the Joint Committee on Plan Structure and Design for review. Ms. Karns would like to see information; *Mr. Barber said Locey and Cahill could be asked to provide information for this Committee to consider.* Mr. Barber said there are other costs that can be examined, such as Reinsurance, Stop Loss, and Directors and Officers insurance. The ancillary benefits are pass through expenses that have no cost to the Consortium.

Mr. Squires spoke of the work that results from the Consortium handling the ancillary benefits and said he would welcome a discussion on having these dealt with on a municipality by municipality basis. He said it offers the benefit of bulk buying power but since it is an insured product it serves no benefit to the pool and there is a very small number of people who have these benefits. Mr. Barber said this is an example of something that can be referred to the Board of Directors.

Mr. Barber said Mr. Locey can be asked what factors are considered in the rate review. Ms. Karns suggested doing this by e-mail and that it include a clear understanding of what the rates represent. *She said at the last meeting Excellus was asked for information on the PPO and that has not yet been received.*

Reinsurance and Retention Policy

Mr. Barber said the Consortium purchases reinsurance because if claims get too high for what the Consortium can afford another group pays for that. The idea is to keep from using the reinsurance payer too much because this impacts the rates and the Board needs to understand this how much it is being used. Information on this can be retrieved from Mr. Locey and Excellus and this group could direct negotiations. The Consortium had a couple of large claims recently that impacted the Consortium's reinsurance rates. This is something that would be discussed later in the year. He said the way the Consortium can impact these large claims is to

keep people who are in high risk from getting into this expensive category and is part of what clinical integration is about. This Committee should be part of interviewing at least the top two potential reinsurance companies.

Retention Policy

Mr. Barber said this is the threshold level for when the reinsurance policy will kick in and reserves need to be kept for this. Right now the Consortium has approximately \$1 million over the level set by the State but other consortiums have significantly more than that. Mr. Barber spoke of the capitalization payments that municipalities have contributed. He said when the Department of Financial Services did their pre-audit review they informed the Consortium that the funds could not be returned to municipalities without their approval. That is currently being disputed and if a plan to pay those funds is prepared this Committee would develop that plan. Ms. Karns asked if there is intent to pay that back this year; Mr. Barber said next year is the soonest that payback could be considered. Mr. Barber said the Board did not pass a resolution stating if or when those funds would be paid back and at this time those funds are considered funds provided by municipalities to allow the Consortium to start. Mr. Barber said the State was part of the discussion about how the Consortium was able to get funding from municipalities and why the Consortium was only going to put up money for the contingency fund when it first started. He also noted the funds were not contributed on a pro rata basis.

Mr. Barber said he will ask Mr. Locey to attend an upcoming meeting to provide an overview of reinsurance and inform the Committee as to what the Consortium's options are.

Mr. Cook suggested giving thought to presenting an alternative to members of the Consortium relative to the capitalization investment. He said it may be in the best interest of municipalities to convert the funds to a premium reserve. By converting the capitalization payments to a fund, those funds could be drawn upon to smooth rate increases in cases where there may be isolated events that cause increases. Mr. Cook said he sees the value in those funds not being so much to have it returned but to go forward and have more assurance that the rates in the future will be more stable.

Medicare Supplement

Mr. Barber said the City of Cortland, Town of Ithaca, and other Consortium members have asked that a Medicare supplement be explored. Mr. Locey has repeatedly said that no matter what is done the claims have to be paid and claims are based on the total group. Mr. Squires said this is a big issue for some employers, particularly the County, as employees go from paying 20% of the insurance premium to 50% and retirees can go buy an Excellus product for half of the cost. It was explained that Medicare is primary for retirees; therefore, the cost of medical claims is not high because Medicare pays for most of the claims. Mr. Squires said the drug cost does offset these expense savings but it is not clear by how much.

Mr. Cook said around 47% of the City of Cortland's premium dollars are attributable to retirees. The group has 241 people of which 114 are Medicare eligible and they have been using a subsidy for several years. He said he has been hearing from many of the retirees

because they are paying a contribution rate that is continuing to increase and they can get an Excellus product subsidy for \$3,500 that has a slightly better drug co-pay arrangement. He also spoke of what it is doing to his OPEB liability and said he has to shrink it because he believes the City will opt into the stabilized Pension Fund. Therefore, he cannot absorb any more of this off-the-book liability without shrinking it. He said he recognizes that the total rate structure is based on a census they said they would bring and cannot pull retirees out of the Consortium without expecting to make the Consortium whole for the loss of census. In a previous conversation with Mr. Locey a suggestion was made to have a risk adjustment. He further stated a rich supplement would cost \$369 and the City is currently paying \$684 and suggested municipalities could offer a supplement and then make the Consortium whole by paying no more than is being paid right now.

Mr. Barber said the City in this example would have fewer claims by removing the retirees but the people who are in the active group would be forced to up their rates because they would now be shouldering the full burden as opposed to having it shouldered by the retirees.

Ms. Karns said she would need to know how much retirees are using on the drug side to fully understand the level to which this group is subsidizing the actives. It was the consensus that information on retiree drug claims needs to be part of the discussion; *Mr. Locey will be asked to provide this.*

Meeting Schedule

Mr. Barber asked that once complete the minutes be provided to him and he will draft a set of questions and ideas for the next meeting and will try to engage the Mr. Locey or any other party necessary for providing information.

It was agreed that members would be polled as to availability for the next meeting.

Adjournment

The meeting adjourned at 10:03 a.m.

