

**Governance Structure Committee  
Minutes - Approved  
June 23, 2017  
Legislature Chambers**

Present: Kevin Levine, Olivia Hersey, Paula Younger, Bud Shattuck, Rich Goldman (arrived at 3:43 p.m.)

Excused: Mack Cook, John Fracchia, Judy Drake

Guests: Don Barber, Executive Director; Steve Locey, Consultant (via conference call)

**Call to Order**

Mr. Barber called the meeting to order at 3:35 p.m.

**Current Organizational Structure**

Mr. Barber reviewed the organizational structure of the Consortium and explained each municipal partner appoints a Director to the Board and labor is represented on the Board by approximately 15% of the voting membership. The job of each Director is to protect the Consortium and to communicate information back to their municipality. The Board has several committees of which only one is described within the Municipal Cooperative Agreement, the Joint Committee on Plan Structure and Design. This is included in the MCA because of an Article 47 requirement to state the role of the labor. He noted that as discussions take place about the Consortium's structure moving forward labor will have a role that will be reviewed by the Department of Financial Services.

Mr. Goldman arrived at this time.

Other Committees include the Audit and Finance Committee, Owning Your Own Health Committee, Executive Committee, and the Claims Appeal Committee. Working for the Board of Directors are the Medical Claims Administrator (Excellus) and the Prescription Drug Claims Administrator (ProAct). Other firms that support the Consortium's operations are the: legal consulting firm, CPA consulting firm that helps construct the Consortium's financial reports to the State, County Finance Department that handles the invoicing and bills, an independent audit firm, an actuary firm as required by Article 47, a medical and prescription drug claim auditing firm; and Locey and Cahill, a benefit plan consulting firm that helps advise the Consortium on health plans and all operational aspects.

Mr. Barber stated that although it has never been invoked the MCA contains a provision for using a weighted voted system (MCA Article D). The weighted voting allows the larger municipalities (County, City of Ithaca, and City of Cortland) to have additional weight to their vote. The weighted voting gives all of the smaller employers together one vote and collectively the Cities and the County get an equal number of votes to the small entities. (Example: currently there are 25 small municipalities that would have one vote each; the larger municipalities would share 25 votes proportionately; therefore, when a two-thirds vote is required one side would have to cross over before anything could get approved.

**Article 47 – New York State Insurance Law**

Mr. Locey said Article 47 refers a lot to the Board of Directors but there is only one section that deals with the composition of the Board (Section 4705). It doesn't stipulate how the Board is to be comprised but states the MCA needs to describe the composition and procedures under which the governing members are to be chosen from municipal organizations. It also states for any new municipal cooperatives that came into existence after Article 47 of which the Consortium is the only one, that they must have union participation on the Board. However, it does not define how the Board has to be structured and is left up to the Consortium. In the

beginning it was stated that the Board of Directors would be comprised of one representative from each municipality and the unions would receive 15% of governance.

Mr. Barber commented that when initial discussions were taking place with the Department of Financial Services they had originally stated that every union had to be represented. At that time there were 28 unions and 13 municipal partners and under this scenario although the municipal partners would carry all of the fiscal responsibility they would not have the ability to control the premiums. After a lengthy discussion with the Department it was suggested that because the average contribution of premium by employees was 15% it would be reasonable to have 15% of the Board composition be from labor. This suggestion was accepted by the Department and has been in place since that time. Ms. Hersey said labor feels this is reasonable.

Mr. Locey said if the Board is going to be reconfigured in any way there are a lot of things that need to be considered. There is some value in each municipality having representation as it keeps them informed of what is happening and they are part of the decision-making process, There is a section within the MCA that describes the responsibilities of Directors. If there would not be participation from each of the municipalities a mechanism would need to be developed to ensure everyone is engaged and informed of the process. He noted that the Consortium now has 28 municipalities and it is likely that it will continue to grow in the next year and within the current MCA it could grow to as many as approximately 133 municipalities that are within the geographic region for the Consortium. This could prove to be unwieldy so consideration will need to be given to balancing representation, involvement, how the weighted voting model would work, and how all municipalities would feel that they have meaningful representation on the Board. He said he could provide examples of other governance models but there currently are no other Article 47 groups in the State that do not have representation from all of the member municipalities.

Mr. Goldman said there is a benefit to the small municipalities by joining the Consortium but questioned if bringing them into the Consortium resulted in more work for the Consortium than it is worth. Mr. Locey said there is some additional cost and complexity to adding these municipalities to the Consortium but wouldn't consider this a diminishing return. The savings to those small municipalities is so great that it may relieve pressure that would otherwise be placed on larger municipalities to help them. He said there are a lot of good reasons to continue to allow those small municipalities into the Consortium but it makes sense to reconfigure how the Consortium does business as it gets bigger.

Mr. Shattuck said one thing that helps make things more manageable is to restrict the number of plans that small municipalities with few employees can have. Mr. Goldman asked at what point would additional staff be needed to assist Mr. Barber. Mr. Barber responded that he is currently part-time and additional staff wouldn't be needed until it reached full-time. He also added that the Executive Committee has been discussing adding administrative support to municipalities to handle the enrollment process which has been an additional responsibility for the municipal partners which was previously handled by their broker. Mr Barber and Excellus are currently supporting our members with the enrollment process when needed.

Mr. Shattuck said when he brought the Village of Union Springs he brought other municipalities into the Consortium as well and offered to serve as a representative for each of the municipalities. Ms. Hersey said involvement is important and where meetings are held can make it easier for some to be involved but not for others. She asked if a municipality would be comfortable signing the agreement and not being a participant in the governance of the Consortium or if there would be an obligation for them to be involved. Mr. Shattuck said the

obligation to be involved came from the Consortium; for small municipalities it is more about cost savings. Most small municipalities do not have representatives who have time to be involved and are most concerned with cost.

Ms. Younger said Mr. Locey summarized the issue to be representation, involvement, and the weighted voting issue. Mr. Locey said it is important to remember that the Consortium is a partnership of municipal employers from a fiscal perspective and from a governance perspective all of the municipal partners as well as the labor partners are partners. If the governance structure were reduced in size he questioned if a municipality would be happy that someone else was casting a vote on their behalf or whether they would like to be engaged and involved in that process by casting a vote for their own municipality. He also noted that although the unions are part of the governance structure they are not signatories on the agreement; therefore, most of the risk lies with the municipalities. The risk the unions have is their share of the contribution to premium; however, if there were ever an assessment it would go to the municipalities and not to the labor groups. Mr. Shattuck commented that a strength that labor brings is the communication of information back to its members.

Mr. Barber said it is important to have people who are involved and understand enough so they can go back to their boards or employees and communicate information. The Consortium is a \$40 million organization and cannot afford for people to not be invested. Mr. Goldman said as a representative from a small municipality he does not oppose voting for a group of trustees that would run the operation and report back to the municipality. Ms. Hersey said regardless of the structure that is ultimately chosen for the Consortium those who responsible for its governance must be very involved and invested in the process. She also spoke of the time involved in learning about the Consortium.

#### Committee Structure

Mr. Shattuck suggested sending a questionnaire to Directors with questions related to length of travel, other commitments, and including other options for representation such as having the Board represented by a small group. He noted the Audit and Finance Committee is already making decisions in a small group that ends up being voted on by the full Board of Directors. Mr. Goldman said he would be comfortable with 8-10 people running the Consortium's operations but would like the rates voted on by all municipalities. Ms. Hersey said that although the small group came up with what was reasonable for the budget there was a larger discussion that she felt was valuable that took place at the Board of Directors.

Ms. Hersey said in order to make a meaningful impact on the cost of the insurance there needs to be a focus on wellness and people have to take responsibility of their health and the more people are not involved the more this piece is lost. She said the organization could be operated by eight to ten people but efforts need to be made to make people understand how their lives and decision-making impacts the premium.

#### Next Steps

In preparation for the next meeting Mr. Locey said the Committee should consider ways in which the Consortium could work within the existing governance structure to make it more engaging such as having satellite locations and how information is shared. From a legal perspective, a look needs to be taken at if the Consortium moved to a smaller board that would make decisions that would impact all municipalities what would need to be done to change the structure legally to make sure a municipality didn't come back at a later date saying they didn't agree or feel they were harmed by a decision of the Board. Also, logistically, how a Board that continues to grow could be managed without being unwieldy. Mr. Goldman said he would like the existing Board members to weigh in on how big they would like to see the Consortium get.

Mr. Barber said he supports Mr. Shattuck's suggestion of doing a survey but at this point he thinks it would be premature. Mr. Levine said he would find it helpful before the next meeting to have models for basic alternative structures to consider. Two models that the Committee was provided with information on was the NYMIR (New York State Municipal Insurance Reserve) and SWSCHP (State-wide Schools Cooperative Health Plan) models.

Mr. Goldman said he will share this discussion with his municipal board and get feedback and Mr. Shattuck will do the same. It was suggested that this be brought to the July 27 Board meeting with the same request made of all Directors.

**Next Meeting**

The next meeting was scheduled for July 21<sup>st</sup> at 3:30 p.m. in Legislature Chambers.

**Adjournment**

The meeting adjourned at 5:03 p.m.