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**Board of Directors
June 23, 2011**

Approved 8-25-11

5:30 p.m.

Scott Heyman Conference Room

Municipal Representatives:

Carolyn Peterson, City of Ithaca; Anita Fitzpatrick, Tompkins County; Laura Shawley, Town of Danby; Brian McIlroy, Town of Dryden; Judith Drake, Town of Ithaca; Betty Conger, Village of Groton; Rordan Hart, Village of Trumansburg; Kate Supron, Village of Cayuga Heights (excused at 6:20 p.m.)

Voting Union Representatives:

Chantalise DeMarco, CSEA President, Joint Committee Chair; George Apgar II, Ithaca Professional Fire Fighters Association; President, 2nd Labor Representative

Excused:

Don Barber, Chair, Town of Caroline; Lucia Tyler, Town of Ulysses; Charles Becker, Village of Dryden

Absent: Glenn Morey, Town of Groton; Herb Masser, Town of Enfield

Others in attendance:

Steve Locey, Locey & Cahill; David Squires, Tompkins County Director of Finance; Joe Mareane, County Administrator

Call to Order

The meeting was called to order at 5:38 by Ms. Drake.

Approval of Minutes – April 28, 2011

It was MOVED by Ms. Shawley, seconded by Ms. DeMarco, and unanimously adopted by voice vote by members present, to approve the minutes of April 28, 2011 as corrected. MINUTES APPROVED.

Preliminary Budget

Mr. Locey distributed preliminary budget information, noting the Consortium is still in its early stages with only five months of actual paid claims data and not a sufficient amount of information to project the future. The monthly results for January thru May show a collection of slightly over \$12 million in total revenue, of which \$11 million was premium and \$1.22 million in capitalization investment. There were also expenses totaling \$9.2 million, showing a net income of slightly over \$3 million year-to-date. Total liabilities and reserves are currently set at \$3.84 million. This leaves the balance at approximately \$835,000 below where the Consortium needs to be from a cash asset position to cover all liabilities and have reserves be where they need to be by the end of the year to be in compliance with Article 47. Mr. Locey is hopeful the Consortium end the year with a slight positive balance, noting there are a couple of revenue items that are anticipated by the end of the year: prescription rebates from Medco and Early Retiree Insurance Program reimbursement.

Mr. Squires said the preliminary budget for 2012 will not require a capitalization; Mr. Locey agreed and said it will require an adjustment to the reserves because of changes in claim numbers and premium income.

The Board reviewed the budgeted versus actual results. Mr. Locey noted \$12.5 million in income was budgeted and actual revenue is approximately \$12.2 million; expenses are on target with what was expected. With regard to paid medical and prescription drug claims versus budgeted claims the Consortium is 2.04% above what was projected. He presented a chart showing capitalization investments by municipality along with interest earned.

Mr. Locey also presented 2011-2016 fiscal year budget projections and said when the Pro Forma was originally put together for the Consortium a figure of 9.5% revenue increase from year-to-year was used. While they will stay with that model for now Mr. Locey said he anticipates that number will go down over the next couple of months once additional revenue is received. Other assumptions used include:

- Interest income – 1% of beginning balance;
- Prescription drug rebates - \$150,000;
- Paid claims trend – 8.85%;
- Administrative fees per agreement with Excellus BBS then increased by 3% per annum;
- NYS GME increased by 5%;
- Specific stop-loss insurance increased by 10%;
- Aggregate stop-loss insurance increased by 5%;
- Surety bond fee/loan interest estimated at 3% of principal balance;
- All other fees increased by 4%; and
- Capitalization repayment includes annual interest of 3%

Mr. Locey will share this information again in August with a decision to be made in October in terms of the budget and rate for the following year as required by the Municipal Cooperative Agreement.

Mr. Squires asked what the length of the contract is for the providers. Mr. Locey said they each are year-to-year. Excellus provided a two-year rate guarantee; Medco provided a one-year agreement. He said a draft RFP for the Medco contract has been developed and will be put out to bid this year. Stop-loss insurance, short-term disability and life insurance, and other ancillary benefits would be put out to bid this year as well.

Mr. Mareane recalled that the State provided grant money to assist with the start-up of the Consortium. The total amount of the grant was \$266,000; however, at the end of last year there was \$120,000 in grant money that had been designated for incentive programs. He said Governor Paterson's Office had contacted the County saying all unused grant funds were going to be taken if requests weren't sent in immediately outlining how the funds would be used. He and Ms. Kippola submitted a grant proposal seeking to place the remaining funds into the Reserve Fund. He announced the grant was approved and funds will be deposited into the account to help the Consortium meet reserve requirements. He acknowledged the diligent work Ms. Kippola did to bring these funds into the Consortium.

Medicare Supplement Insurance

Mr. Locey said following discussion of this at the last meeting he attempted to pull data together for this meeting; however, there is not enough data at this point. Within the last week he met with a school consortium that is one of Locey Cahill's largest clients who is also looking at this and shared 2010 information and results. In looking at the data for this group, the four highest demographic groups are

infants, 55-59, 60-64, and 65+ age groups, noting the inpatient and physician expenses for 65+ drops significantly due to Medicare picking up those costs. He also noted that within the 65+ age group pharmacy expenses rise significantly. He said when talking about a Medicare supplement plan, the main driver to the expense is the pharmacy; therefore, when looking at building this type of program the Consortium should be looking at a Medicare supplement coupled with a prescription drug overlay. Mr. Locey said the next thing that needs to be discussed is if and how a plan would be offered by the Consortium, noting the Consortium needs to avoid “adverse risk selection”.

Mr. McIlroy requested demographic information for the Consortium, including a breakdown of covered lives by each employer. ” *Mr. Locey will present a Medicare Supplement Plan and rate information at the next meeting.*

Ms. Supron was excused at this time.

Report from the Joint Committee on Plan Structure and Design

Ms. DeMarco reported the Committee is continuing to struggle attaining quorum and will be looking at quorum requirements. Mr. Locey attended the last meeting to discuss Medicare supplement insurance and the Committee received a presentation on the CanaRx drug program. Mr. Locey submitted an inquiry to the New York State Insurance Department asking whether the Consortium under the rules of Article 47 could implement an international mail order drug program and is awaiting a response. The next meeting will be July 7 at noon.

Report from the Strategic Planning Committee

Ms. Shawley spoke of the initial meeting and stated it was an exciting meeting where a great deal of information shared by those in attendance. Mr. Locey described the group as a “community wide think tank” that is trying to pull health care providers and those providing benefits to brainstorm on better ways to make the health care system in this area more efficient. The next meeting will be June 28th at 4 p.m. At that meeting Dr. Darlow will be providing a presentation on the Cayuga Area Physicians Alliance.

Adjournment

The meeting adjourned at 6:36 p.m.

Respectfully submitted by Michelle Pottorff, Administrative Clerk