Greater Tompkins County Municipal Health Insurance Consortium
Finance Committee
Tuesday, December 17, 2013 - 9 a.m.

Old Jail Conference Room

Agenda

1. Call to Order

2. Approve Minutes of October 15, 2013 meeting

3. Financial Reports and Updates:
    a. 3rd Quarter Financial Results
    b. Stop Loss Recommendation (RESOLUTION)
    c. Final Accounting and Payout of Initial Assessment by Municipalities (RESOLUTION)

4. Medicare Supplement – Review Survey Results

5. Set 2014 Meeting Dates

6. Adjournment

Draft 10-19-2013

Minutes
Greater Tompkins County Municipal Health insurance Consortium
Finance Committee
October 15, 2013 - 3:00 p.m.
Old Jail Conference Room

Attendees: Don Barber, Glen Morey, Mack Cook
Excused: Liz Karns, Jared Pittman
Guests: Steve Locey, Locey & Cahill; Rick Snyder, Tompkins County Finance Director

Call to Order

Mr. Barber called the meeting to order at 9:03 a.m.

Approval of Minutes

It was MOVED by Mr. Morey, seconded by Mr. Cook, and unanimously adopted by voice vote by members present, to approve the minutes of August 20, 2013 as submitted. MINUTES APPROVED.

Discussion of Excellus Claims Process Privacy Questionnaire

Mr. Locey distributed a report on Incurred But Not Reported claims (Triangle Report – Medical and Rx Plan). The report is a summation that shows all of the claims that were incurred in 2011 with a breakdown of those claims that were paid in 2011, 2012, and 2013. He stated that only 7.12% of all of the claims that were incurred were actually paid in 2012. This is the incurred but not reported liability and is well below the level agreed to with the State (the Consortium is required to reserve 12%). He said the data going forward in any given year will be very close to the incurred in that same year. This information will be included in the year-end report submitted to
the State.

Mr. Locey distributed a breakdown of covered lives by year as of September 30, 2013, noting the City of Cortland has 10.41% of the covered lives and the Town of Lansing has 1.38% of covered lives. Since these municipalities were brought into the Consortium this year the percentages for the other members have been impacted slightly.

Mr. Locey distributed paid claims information from January 1, 2011 through August, 2013. The paid claims trend based on a per contract per month calculation has been 5.341% which is within the average they are seeing from other groups. Other points Mr. Locey noted during his review of the information included:

- The Consortium is coming in below projected claims for 2014.
- There are currently 1,400 family contracts and 900 individual contracts covered by the plan.
- Since the switch to ProAct they have noticed claims being steady from month to month.
- 27.09% of the claims incurred are drug related, 72.91% is medical related.
- There is little difference in paid claims between Indemnity plans and PPO plans.
- The 65+ age group is continuing to grow.

Mr. Locey distributed a spreadsheet showing the initial funding assessments that were done to start up the Consortium to satisfy Article 47 requirements. The document was updated to show projections through the end of 2013 with the estimated amount of interest earned. The total amount of capitalization to be paid out is approximately $1.54 million. He will update the document to reflect interest earned for the City of Cortland and the Town of Lansing for 2013. He distributed copies of the Budget memorandum he provided the Board at the September meeting. He said the Consortium's revised budget shows the Consortium to be at $7.6 million and if the assessments were to be paid back there would still be approximately $6 million in the unencumbered fund balance at the end of 2013. Mr. Barber noted that the Consortium must inform the State if a plan is put into place to pay back the assessments and include financial information to go along with that notice. Mr. Locey will draft a memorandum for review and the Committee will make a recommendation on paying these funds back at the next meeting.

There was a brief discussion about whether the full amount should be paid back or just a portion of the funds. Mr. Locey recommended paying the assessments back in full and stated the Consortium has sufficient assets to do this and it will remove inequities and allow for all members to become an equal partner. Mr. Barber said he would prefer paying these funds back before year-end.

Mr. Locey reported the New York State Department of Financial Services has issued new Article 47 reporting guidelines which is Excel-based. He will make sure the Bonadio Group is informed about this.

Approval of Invoice Payment

It was MOVED by Mr. Morey, seconded by Mr. Cook, and unanimously adopted by voice vote by members present, to approve payment of an invoice dated September 30, 2013 in the amount of $5,606 to Bonadio & Co. LLP.

Medicare Supplement

Mr. Locey reported on discussions that have taken place at the Joint Committee on Plan Structure and Design meetings with regard to a Medicare Supplement. He said some of the municipalities would like to offer a lower cost alternative to the Medicare-age population than what they currently have with basically the same coverage that is being provided to the active employees. The theory is that Medicare-age individuals are cheaper than the active population because of Medicare.

He said it is important to understand the differences in the types of coverage that can be offered to the Medicare-aged population. The current set up that exists through the Consortium is a Medicare "carve out" which means that when someone retires and becomes of Medicare age they still have the same coverage as an active employee, however, at that point Medicare becomes primary for them. Whatever benefits Medicare pays are carved out of the benefit that they would get through the active employee plan. This provides a much greater benefit than a typical Medicare supplement because if Medicare does not allow a claim the supplement does not pay it. With a carve out, when Medicare benefits are exhausted the Consortium plan will still pick up and pay 100%, just as it would for an active employee. Mr. Locey said the bulk of the benefit to the Medicare-age population lies with the prescription drug benefit and their average cost is almost exactly the same as the average cost per covered life for the Consortium as a whole. In summary, he said that even though there is some diminishment of expense as a result of Medicare they stay about average with rest of the group because of the level of prescription drug benefit that is used.

Mr. Locey said the discussion that took place at the Joint Committee meeting was that if the intention is to truly build a Medicare supplement plan it should be understood that those individuals will no longer have the extra benefits that that they currently have. The rate for a supplement on the medical side is estimated to be approximately $200 per month which is comparable to a similar supplement plan that Excellus is offering. The cost for the prescription coverage would be significantly higher than the average employee. The other option would be to put those individuals in a Medicare Advantage program which is basically a comprehensive medical program that includes Medicare. He said it should be noted that if the Consortium was to offer Medicare supplement with no drug coverage or a Medicare Advantage program it would lose the retiree drug subsidy and a substantial amount of prescription drug rebates that are coming into the program.

Mr. Barber said this is an issue that has been discussed for a long time and he would like to discuss a process for making a decision. He said it is important to understand the carve out which the retirees currently have is not a Medicare supplement and it has to be made clear that if the Consortium were to move to a Medicare supplement that it would mean a decrease in benefits. *Mr. Locey will share information with this Committee that was provided at the Joint Committee meeting.*

Mr. Barber suggested a survey be conducted of municipalities and labor as to why the Consortium should consider a Medicare supplement to get an understanding of what the expectations are. Once that information is received the Consortium can supply data, have conversations, and decide whether or not to proceed with this.

Mr. Cook said he will share an article he received from Dallas on the ins and outs of supplemental insurance. Mr. Cook said there are a wide variety of options for supplemental insurance that is available and much more than the Consortium could offer.

Following discussion it was agreed Mr. Barber will work with Mr. Locey and Ms. Pottorff on incorporating this Committee's comments to the survey already being prepared by the Joint Committee on Plan Structure and Design.

Update on Quickbooks Transition

Mr. Snyder provided an update on the transition to Quickbooks and stated training was received by staff and they will be running parallel with the old system through December 31st. His staff has been working with the Bonadio Group to work out small problems and he is confident the new system will work well.

Stop Loss Retention Strategy

Mr. Locey distributed a document showing a summary of what the Consortium has done with Stop Loss insurance. He explained the contract basis is the claims that will be covered and in the first three years all of the claims that were incurred during a particular policy year were paid during the policy year plus three months after. He said if Blue Cross Blue Shield does not provide the Stop Loss they charge a reporting fee of approximately $9,000 annually to report out to the carriers. Historically the Consortium has had $250,000, $275,000, and a $300,000 deductibles; the annual maximum in the first two years was limited to $1 million total with the deductible. In 2013 it is $2 million total with $1.7 available after the deductible. There is no longer a lifetime maximum because of the Affordable Care Act. The estimated annual cost in 2011 was $387,000, in 2012 it was $344,000, and in 2013 it is $522,000.

Aggregate Stop Loss is required by Article 47; it is the protection of the entire population of claims and provides an annual maximum of coverage of $1 million. The estimated total cost for 2013 is approximately $600,000.

Mr. Locey said the Consortium has paid $746,000 in premium and has received back $1.436 million in claims payments. He said a way to combat any potential increases in 2014 was to look at continue increase the deductible slightly but to counterbalance that by developing a reserve to take into account some of the catastrophic claims that might be incurred. He recommended using 2% of paid claims as a starting point for that reserve. He provided information on large losses from 2011-2013. In 2011 there were three claims that exceeded $200,000, in 2012 there were four claims that exceeded $200,000 and in 2013 there have been none that have exceeded $200,000. In 2012 there was one claim that exceeded $1.1 million for medical only.

Mr. Locey distributed copies of Article 47, Section 4706 to provide information on the statutory requirements related to establishing reserves and said he believes authorization is provided within the statute to create a catastrophic reserve. The Department of Financial Services would need to be notified as to what the reserve is and what it will be used for. The other reserve fund he would suggested be considered is for the carryover of Affordable Care Act fees.

Mr. Barber asked what the expectation would be for the Stop Loss deductible. Mr. Locey said a request is out for quotes, however, he would expect it to remain the same. Mr. Barber said at a future meeting the Committee can discuss those deductible levels and how to work with the reserve fund.

Next Meeting

The November meeting was canceled. The next meeting will be December 17th.

The next agenda will include the following items:

Medicare Supplement – review survey results;
Recommendation to payback Capitalization Reserve; and
Recommendation on Stop Loss

Adjournment

The meeting adjourned at 4:17 p.m.

Respectfully submitted by Michelle Pottorff, Administrative Clerk

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RESOLUTION NO. - AUTHORIZATION TO PURCHASE INSURANCE POLICIES: STOP LOSS, ERRORS AND OMISSIONS, AND DIRECTORS AND OFFICERS LIABILITY COVERAGE

Whereas, the Consortium must select stop loss insurance, as required by Article 47 of New York State Insurance Law, and

Whereas, it is the desire of the Board of Directors to ensure liability coverage for the Consortium, the Board of Directors personally and professionally, and the participating municipalities, now therefore be it

Resolved, That upon recommendation of the Plan Consultant, Locey & Cahill, LLC and the Tompkins County Risk Manager, the Consortium shall purchase coverage for these insurance policies from the following for the period January 1, 2013 thru December 31, 2013:

- Stop-Loss Insurance for Medical and Prescription Drug Benefits that includes Aggregate Stop-Loss Insurance with an Aggregate Corridor of 125% (Highmark Insurance Company);
- Errors and Omissions Insurance (placed by insurance agent Haylor, Freyer and Coon);
- Directors and Officers Liability Insurance (placed by insurance agent Haylor, Freyer and Coon)

Resolved, further, That the Plan Consultant is directed to provide the Administrative Clerk of the Consortium with a copy of each policy.

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RESOLUTION NO. – AUTHORIZING CONSORTIUM TREASURER TO ISSUE PAYMENTS TO PARTICIPATING MUNICIPALITIES TO REFUND INITIAL ASSESSMENTS WITH INTEREST (CAPITALIZATION RESERVE)

WHEREAS, initial assessments were required by the New York State Department of Financial Services to "seed" the surplus account (Capitalization Reserve) prior to the Department's issuance of the Consortium's Certificate of Authority, and

WHEREAS, it has always been the intent of the Consortium Board of Directors to refund each participating municipality the exact dollar amount of its initial assessment along with an interest payment equal to 3% per annum, and

WHEREAS, after careful evaluation of the Consortium's fiscal condition a plan has been developed to refund this capital with interest in one installment prior to the close of the 2013 fiscal year, and

WHEREAS, the repayment of this initial assessment will conclude a financial inconsistency and result in an equitable and consistent sharing of all assets and liabilities on a prorated premium basis, and

WHEREAS, the New York State Department of Financial Services was notified on November 12, 2013 of the Consortium's plan to refund the participating municipalities their share of the initial assessments paid to the Consortium, now therefore be it

RESOLVED, on recommendation of the Finance Committee, That the Board of Directors extends its gratitude to participating municipalities for their contribution of the initial assessments and directs the Consortium Treasurer to issue payments to participating municipalities to refund initial assessments along with interest prior to December 31, 2013.
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Attachment

Greater Tompkins County Municipal Health Insurance Consortium (GTCMHIC)

2010-2013 Capitalization Payments (as of 12-31-2013)

Entry Date	Date of Investment	Entity Name	% of Premium Estimate 2010	Initial Investment Pro-Rata Share	Initial Investment (actual)	Percent Ownership 2011 and 2012	Percent Ownership 2013	Amount Earned on Investment as of 12/31/2012	Amount Earned on Investment as of 12/31/2013	Total Investment Value	Amount Paid	Balance Due
1/1/2013	10/1/2012	City of Cortland	n/a	n/a	$180,000.00	0.00%	12.66%	$0.00	$5,682.98	$185,682.98		$185,682.98
1/1/2011	10/1/2010	City of Ithaca	34.97%	$427,944.15	$300,000.00	24.52%	21.10%	$18,270.00	$9,471.64	$327,741.64		$327,741.64
1/1/2011	10/1/2010	County of Tompkins	54.55%	$667,566.34	$500,000.00	40.86%	35.16%	$30,450.00	$15,786.06	$546,236.06		$546,236.06
1/1/2011	10/1/2010	Town of Caroline	0.50%	$6,132.14	$37,000.00	3.02%	2.60%	$2,253.30	$1,168.17	$40,421.47		$40,421.47
1/1/2011	10/1/2010	Town of Danby	0.33%	$4,057.91	$62,000.00	5.07%	4.36%	$3,775.80	$1,957.47	$67,733.27		$67,733.27
1/1/2011	10/1/2010	Town of Dryden	1.88%	$22,962.18	$137,032.00	11.20%	9.64%	$8,345.25	$4,326.39	$149,703.64		$149,703.64
1/1/2011	10/1/2010	Town of Enfield	0.21%	$2,519.67	$2,520.00	0.21%	0.18%	$153.47	$79.56	$2,753.03		$2,753.03
1/1/2011	10/1/2010	Town of Groton	0.52%	$6,304.69	$6,305.00	0.52%	0.44%	$383.97	$199.06	$6,888.04		$6,888.04
1/1/2011	10/1/2010	Town of Ithaca	3.63%	$44,404.48	$137,033.00	11.20%	9.64%	$8,345.31	$4,326.42	$149,704.73		$149,704.73
1/1/2013	12/1/2012	Town of Lansing	n/a	n/a	$18,400.00	0.00%	1.29%	$0.00	$580.93	$18,980.93		$18,980.93
1/1/2011	10/1/2010	Town of Ulysses	0.46%	$5,658.56	$5,659.00	0.46%	0.40%	$344.63	$178.67	$6,182.30		$6,182.30
1/1/2011	10/1/2010	Village of Cayuga Heights	1.47%	$18,040.32	$18,040.00	1.47%	1.27%	$1,098.64	$569.56	$19,708.20		$19,708.20
1/1/2011	10/1/2010	Village of Dryden	0.50%	$6,067.28	$6,067.00	0.50%	0.43%	$369.48	$191.55	$6,628.03		$6,628.03
1/1/2011	10/1/2010	Village of Groton	0.62%	$7,545.56	$7,545.00	0.62%	0.53%	$459.49	$238.21	$8,242.70		$8,242.70
1/1/2011	10/1/2010	Village of Trumansburg	0.37%	$4,535.17	$4,535.00	0.37%	0.32%	$276.18	$143.18	$4,954.36		$4,954.36
		Totals	***100.00%***	***$1,223,738.45***	***$1,422,136.00***	***100.00%***	***100.00%***	***$74,525.52***	***$44,899.85***	***$1,541,561.37***	***$0.00***	***$1,541,561.37***
		Interest Earned (Consortium) as of 12/31/2013			***$110,872.85***							
		Interest Earned (Bank) as of 12/31/2013 (estimated)			***$8,552.52***							
		Bank Charges			***$0.00***							
		Total Capitilization			***$1,541,561.37***							

MUNICIPALITY: 7 Consortium Municipalities responded; 1 Non-Consortium Municipality responded (1 response was from Town Supervisor, others from Clerk or person responsible for personnel functions)

SURVEY QUESTIONS – MEDICARE SUPPLEMENT

1. Do you currently provide health insurance coverage to Retirees? Yes - 9; No - 1
   If yes, skip to question #4

2. If you do not provide health insurance to Retirees would you consider doing so if the premium was less?
   1. Unknown-Would have to be a Village Board decision

3. If you do not currently provide health insurance coverage to Retirees, but feel you would consider doing so, what do you feel would be a reasonable amount of monthly premium to pay for individual coverage? ***Please skip to question #10***
   1. Unknown Would have to be a Village Board decision

4. How many years of service does an employee need to work in order to qualify for Retiree health insurance?
   1. n/a
   2. 20 years
   3. It is based on policy (submitted) or union contract (submitted) 10 year minimum is target. In all cases to be eligible they do have to retire and receive NYS&L Retirement Pension.
   4. I understand that they have to directly retire from the Municipality.
   5. 20 years
   6. No specified number. The eligibility requirement is that the employee retires through NYS Retirement System at the time of separation.
   7. 15
   8. 20 years of full time service and have been granted a bona-fide retirement benefit from NYSR
   9. At least 10 years and they must retire from the New York State Retirement System, as well.
   10. No response.

5. How much does the employer pay towards the coverage or what percentage of the premium does the employer contribute individual coverage and/or family coverage?
   1. The Village pays 80% of the difference between single and family plan.
   2. The Town gives each retired employee $110 per month to be used toward their health insurance. The retiree must pick up the rest.
   3. It is based on policy or union contract (submitted). IUOE contract only allows for individual coverage. For family coverage they have to pay the % for individual and the difference between family and individual coverage. Sliding scale based on years of service and either individual or family coverage. The municipality pays the entire premium for health insurance, dental and prescription for individuals.
   4. The municipality pays the entire premium for health insurance, dental and prescription for individuals.
   5. 75% toward individual; 60% toward two-person or family
   6. Individual — 50% paid by employer; Family — 50% of the Individual portion of premium plus 65% of the difference for family (in most cases). Road Patrol pays 50%/50% split for either individual or family.
   7. 95% of the cost of supplement PLUS 95% of cost of Part B. Same for spouse of Medicare. If retired employee wants family coverage they pay 50%
   8. Village will contribute 60% up to $2,400 annually.

9. We contribute 66% to the premium.
10. Employee pays 100%

6. How long are Retirees permitted to keep their coverage (i.e., for life, until Medicare effective date, number of year, etc.)
   1. N/A
   2. Until their death
   3. No limitation or until they cancel
   4. For life
   5. For life
   6. Life plus a survivor (non-retiree) may elect to retain the health insurance through the County if they pay 100% of the total premium for either Individual or family.
   7. Forever
   8. Life
   9. For life for retirees who pay no premium and as long as they make the monthly payments for those who pay a premium.
   10. No limit, specified in employee manual.

7. Do you allow Retirees to use unused sick days to pay the cost of their health insurance? If yes, please describe your personnel policy associated with use of sick days (i.e., how many days, at what value, etc.).
   1. No
   2. No
   3. Maximum of 120 days at the rate of pay on day or retirement (scheduled submitted)
   4. Not sure. I'll send you our employee handbook under separate cover (Received)
   5. Currently retirees are eligible to apply the dollar value of up to one hundred and twenty days of accumulated sick leave (960 hours) based upon the employee's rate of pay on the date of retirement towards the cost of the retired employee's portion of the health insurance premium. The calculation of the value of the unused sick leave is based on an Actuarial Table of life expectancy.
   6. Sick leave is converted to dollar value at retirement, applying the hourly rate of pay in effect at the time of retirement. Blue Collar can accumulate up to 120 days of sick time. CSEA White, Blue, Road Patrol, Corrections, Confidentials and Management has a long-term disability plan, but if an employee in one of these groups has "old" accumulated sick time, It can be converted to pay for retiree health insurance as with the Blue Collar.
   7. May use accumulated sick time to pay for up to six months of coverage.
   8. No
   9. It depends on the bargaining unit contract for that employee. Some employees who retire are charged 12 hours for one month of insurance or it is calculated using the employees' hourly rate times the numbers of hours leave time divided by the monthly cost for the insurance.
   10. Max is 960 hours, value based on retiree's hourly wage as of date of retirement.

8. Are spouses and/or dependents covered by your Retiree health insurance plan?
   1. No
   2. No
   3. Yes, retirees can purchase individual or family coverage
   4. No
   5. Yes
   6. Yes
   7. Yes, see no. 5
   8. No
   9. Yes
   10. Retiree can continue family covered if they had it before retirement.

9. Do you offer surviving spouse or dependent coverage? If yes, please describe.
    1. No
    2. No
    3. Yes (policy submitted). They can spedn down the employee's sick time balance. The cost is 100% of premium.
    4. No
    5. Surviving spouse or dependent would be responsible for full premium payment.
    6. Yes @ 100% survivor paid premium for either individual or family.
    7. No provision.
    8. No.
    9. Yes
    10. Upon death of retiree with a sick time balance, dependent may deplete this balance to pay for premium, and may continue coverage after sick balance depletion by paying 100% of premium

10. Do you feel the GTCMHIC should offer a Medicare Supplement Plan which provides coverage for balances after Medicare at a lower cost?
    1. Unsure
    2. Yes
    3. Yes
    4. Don't know enough about it. We pay for Blue Cross/Blue Shield for Medicare retirees. If GTCMHIC would beat that premium, why not?
    5. I would support it if the premium costs were comparable to the costs we are able to get directly from Excellus BCBS for our Medicare Supplemental Policy.
    6. Do not know.
    7. Yes.
    8. No answer
    9. Yes.
    10. Yes

11. Do you feel the GTCMHIC should consider segregating the Medicare-Aged Retirees out from the general population for purposes of cost and/or benefit? If yes, please explain.
    1. No
    2. Yes, because it would keep the cost down to the current covered employees.
    3. Would like more information on what this segregating would do for the Consortium municipality, and/or Medicare-aged retiree. There are (and will continue to be) Medicare-aged employees or spouses/dependents that are Medicare-aged. Are we really talking about Medicare Primary individuals? I would like to have Medicare-aged retirees to be able to choose either the municipality's employees plan or choose a Medicare supplement plan depending on what they want for coverage.
    4. Don't know enough about it.
    5. Yes, for the reason stated above.
    6. Do not know.
    7. Yes, Medicare Supplement is vastly cheaper than regular health insurance.
    8. No answer.
    9. It depends on how this would affect the City financially, what it would cost City retirees and if it takes into account the Medicare Part B Rate that retirees pay out of their social security. If the premium/cost is more than what the City charges retirees, then, I am not sure it would be a good idea to separate them out.
    10. Consider it, but may not be the best option.