

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 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

