



LOCEY & CAHILL, LLC

Presentation to:

Association of Towns of the State of New York
2011 Annual Conference, New York City
February 21, 2011

[Independent Consulting Firm]

Locey & Cahill is a truly independent consulting firm. We accept no commissions, broker fees, or any compensation from vendors. 100% of our revenue is derived from the direct contracts we have with our Clients.

[Seasoned Professionals]

We have experience working with municipal consortiums of all types. We currently consult to nine municipal consortiums. In addition, we currently consult to five counties within New York State. Our consortium clients include all of the various set-ups allowed by the New York State Insurance Laws (Articles 43, 44, & 47)

Greater Tompkins County Municipal Health Insurance Consortium (GTCMHIC)

■ GTCMHIC

- 13 Municipalities (County, City, Towns & Villages)
- 3 Large Employers (greater than 50 employees)
- 10 Small Employers (less than 50 employees)
- Approximately 2,000 Total Employees/Retirees
- 2011 Health Insurance Budget = \$26.8 Million
- Only New Article 47 Consortium Since 01-1993

[Consortium Goal]

To provide a more efficient delivery system for employee/retiree benefits for the municipalities within the geographical boundaries of the County of Tompkins in the State of New York, while maintaining at least the current level of benefits.

[What Comes First?]

- Employer Acceptance
- Plan Cost and Benefit Development
- Elected Officials Meetings
- Employee/Retiree Meetings
- State Approval Process

[Buy-In Issues]

- Large Employers May be Reluctant to Join
 - Minimal Savings
 - Increased Risk
- Loss of Autonomy by All
- Fear of Change
- Show Me the Money
 - Short-Term Savings
 - Long-Term Stability

[Initial Challenges]

- Data Collection
 - Community Rated Insurance Plans
- Selling the Concept
 - How will this Benefit *Me*?
- Balancing Risk and Representation
 - Large Employer Risk – Small Employer Votes
- Union Participation in Governance

[Initial Challenges]

- Developing and Approving the Agreement
 - Elected Bodies Must Approve Agreement
- Collective Bargaining Agreements
- Initial Investment in Reserves
- Making this a Priority of Others
 - State Insurance Department
- Keeping the Faith and Persevering

Organizational Structure

- Article 5G NYS General Municipal Law
 - Full Insured
 - Minimum Premium Insurance
 - Experience Rated Insurance
 - Self-Insured
 - Article 47 of the New York State Insurance Law
 - Article 44 of the New York State Insurance Law

Note: Employers of Less than 50 Cannot Participate in Experience Rated Insurance Plans in New York State.

[Consortium Structure]

The first step in developing a Consortium is creating the rules of operation via a Municipal Cooperative Agreement. This Agreement will define:

- Membership
- Governance Structure
- Entry and Exit Procedures
- Liability of the Employers

[Consortium Structure (cont.)]

- Duties and Responsibilities of the Board
- Actions of the Board
- Officers of the Board
- Executive Committee (optional)
- Fiscal Officer Duties
- Money Management Processes

[Consortium Structure (cont.)]

- Premium Rate Setting Model
- Reporting Procedures
- Benefit Plan Design Options
- Records Retention
- Dissolution Procedures
- Dispute Resolution

Employer Participation

- Membership (who can participate?)
 - Municipal Corporations Include:
 - Counties, Cities, Towns, Villages, Fire Districts, School Districts, and Boards of Cooperative Educational Services
 - Geographical Boundaries
 - Size of Employer

Governance Structure

- Board of Directors
 - Authorized Representatives
 - Union Participation on Board
 - One Vote per Employer (Participant)
 - Weighted Voting Model
 - Representations and Warranties

[Plan Designs]

- Indemnity Plan
- Preferred Provider Organization Plan
- Exclusive Provider Organization Plan
- Consumer Driven Health Plan
- Teamsters Health & Welfare Plan
- Vision, Dental, and Wellness Plans
- Riders to Provide Flexibility

[Article 47 Issues]

- Approval Process
- Lack of a “Road Map”
- Satisfying Reserve Requirements
- Requirement to Purchase Stop-Loss Ins.
- Clarify Union Participation on Board

[Legislative Changes Needed]

- Small Employers – Fully Insured Consortiums
- Article 47 / Article 5G
 - Lower Contract Count from 2,000 to 1,000
 - Modify Reserving Requirements
 - Define Union Participation on Board of Directors
 - Eliminate Stop-Loss Insurance Requirement
 - Expand Definition of Eligible Employers

[Why Did GTCMHIC Succeed?]

- Strong Leadership
- County and City Committed Early
- Towns and Villages – Financial Investment
- Unions Worked Collaboratively in Process
- Political Pressure to “Git-r-Done”
- Huge Investment of Time and Energy
- It was the “Right Thing To Do”



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Questions and Answers



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