



Municipalities building a
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AGENDA
Joint Committee on Plan Structure and Design
November 6, 2014 - 1:30 P.M.
Rice Conference Room, Tompkins County Health Department

55 Brown Road, Ithaca, New York

1. Welcome
2. Chair's Report (1:30) Scott Weatherby
3. Approval of August 7 and August 7, 2014 minutes (1:35)
4. Report from Board of Directors (1:40) Judy Drake
5. Executive Director Report (1:45) Don Barber
 - a. Flu Clinics
 - b. Recertification Process
 - c. Retreat
6. Basics of Benefit Plan Design: (1:50) Steve Locey
7. Review First Draft of Bronze Plan (2:10) Steve Locey
8. Report out from Audit and Finance Committee (2:30) Don Barber
 - a. 2-Person Category for Benefit Plans
9. Discussion about role of Joint Committee in Relation to the Consortium Board of Directors:
benefit plan review, selection of labor Directors, other (2:35) Scott Weatherby
10. Next Meeting Agenda (2:45)
11. Adjournment (2:50)

Next Meeting: December 4, 2014 - 1:30 p.m.
(Health Department)



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MINUTES

**Greater Tompkins County Municipal Health Insurance Consortium
Joint Committee on Plan Structure and Design
September 4, 2014 – 1:30 p.m.
Rice Conference Room, Health Department**

draft

Present:

Municipal Representatives: 9 members

Judy Drake, Town of Ithaca; Brooke Jobin, Tompkins County; Laura Shawley, Town of Danby; Jennifer Case (arrived at 1:43 p.m.); Joan Mangione, Village of Cayuga Heights; Mack Cook, City of Cortland, Carissa Paralto, Town of Ulysses; Schelley Michell Nunn, City of Ithaca

Municipal Representative via Proxy: 1

Betty Conger, Village of Groton

Union Representatives: 7 members

Scott Weatherby, TC3 Staff Unit CSEA Vice President; James Bower, IUOE Local 158, District 832 Bolton Point; Joe Slater, Town of Ithaca Teamsters Local 317; Brad Berggren, Town of Danby Highway; Phil Van Wormer, TC3 CSEA Admin Unit #8901-01; Tim Logue, City of Ithaca Executive Unit; Derek Reynolds, City of Cortland Firefighters

Union Representatives via Proxy: 2

Benjamin M. Locke, City of Cortland Police (D. Reynolds); Tim Farrell, City of Ithaca DPW Unit (S. Weatherby)

Others in attendance:

Don Barber, Executive Director; Steve Locey, Locey & Cahill; Brad Breen, CSEA Health Benefits Department; Beth Miller, Excellus, Sharon Dovi, TC3

Call to Order

Mr. Weatherby, Chair, called the meeting to order at 1:38 p.m.

Approval of Minutes of August 7, 2014

The minutes of August 7, 2014 were deferred due to lack of quorum. MINUTES DEFERRED.

Chair's Report

Mr. Weatherby, Chair, had no report. He introduced Brad Breen, Region 5 Senior Benefits Specialist for CSEA.

Report from the Executive Director

Mr. Barber reported the Board of Directors met last week and adopted the Platinum Plan that was brought forward for consideration. It will now be submitted to the New York State Department of Financial Services for approval. He noted it will not take the place of another plan and that it is an additional health plan offering through the Consortium.

He provided an update on flu clinics that have been scheduled and stated they will be administered through ProAct with no cost to Consortium members. Employees are welcome to go to any of the flu clinic site but should contact Pro Act to sign up.

Ms. Case arrived at this time.

Mr. Barber reported on the upcoming Consortium retreat and reviewed the outline which will be a "health insurance 101" to set the basic framework of the business we are in and how we operate and manage as a Consortium. He reported on planning that has taken place for the Recertification process that the Consortium will be undertaking to verify the eligibility of covered dependents. Information will be going out from employers to employees in the next month.

Mr. Barber commented on the vote that was taken at the last meeting and said there was a lot of confusion due to a bargaining unit being represented twice and the process for how abstentions or tie votes should be handled. He read from an interpretation of Robert's Rules of Order to clarify how abstentions should be handled:

"Under Robert's Rules, to abstain is to do nothing. Ordinarily, abstentions are not counted. However, a member may wish to have an abstention recorded to indicate that he/she did not vote due to fiscal conflict of interest, or because he/she belongs to another organization which makes it inappropriate for him/her to vote. It's fine to record abstentions in such a case, or when taking a roll call vote." There were no questions or objections raised as to handling absentee votes this way in the future. Mr. Barber said when the report was made to the Board of Directors Mrs. Shawley, Vice Chair, reported the vote count and not whether the motion passed or failed.

Consultant's Report

Mr. Locey distributed and reviewed the Bronze Plan Benefit Option and stated the 2014 rates would be \$300 for an individual and \$780 for a family. In comparing it to the County's PPO or Indemnity Plan it would be approximately \$1,000 less per year out of the employee's pocket and almost \$2,000 less for the family plan. He explained this has been brought forward because there were a couple of municipalities that had inquired about joining the Consortium; however, when they learned the Consortium did not have any type of a high deductible plan that could accommodate them it presented an obstacle to joining. He said this plan will provide another tool to the Consortium to enable other municipalities to join and to also comply with the Affordable Care Act's Employer Mandate that if anyone works for more than 30 hours a week they have to be offered coverage. This plan, like any of the other plans, will be available for employers and employees to have access to at bargaining table.

Ms. Drake asked whether mail order is included in the plans. Mr. Locey said they were not set up that way and that most plans in the traditional insurance market are not set up to have a differential in copay for mail order any longer. Years ago there was a theory that if you lowered the copay somewhat it would drive the mail order use and there would be a big savings. However, the loss of copay in a lot of instances is equal to or greater than the savings in

ingredient cost and loss of dispensing fee so a lot of insurance carriers have moved away from this. He said there can be discussion of this but it would require a slight adjustment to the rate.

Mr. Barber said under the Bronze plan it states that a wellness plan is included and asked him to describe what a wellness plan would look like. Mr. Locey responded that it is not a specific plan and that it would be whatever wellness plan the Consortium adopts that would be included. Mr. Locey noted that health savings accounts are included in the Bronze Plan. It does rise to the level of being a high deductible health plan so it does make available to employees the health savings account which are monies that can be applied for medical expenses being carried over from year-to-year and as long as it is being used for medical expenses it can never be taxed.

Providing Non-Unionized Employees a Seat at the Joint Committee

Mr. Barber said at the last meeting a suggestion was brought up to have labor groups that are not represented to be allowed to be represented by this Committee. He said there are 29 potential labor groups. When it was brought up it was left unresolved as to how could or would a non-unionized group be a part of this and Mr. Barber said he reviewed the Municipal Cooperative Agreement and Section K that refers to this Committee and quoted "There shall be a Joint Committee on Plan Structure and Design which shall consist of a representative of each collective bargaining unit that is an exclusive collective bargaining unit of any enrollee or group of enrollees covered by the Plan"; therefore, it does not create a place for non-unionized to have a representative. He said if that is something the Committee would like to see happen it would need to be presented to the Board of Directors and all of the participating municipalities would have to approve it as well. Mr. Locey noted that retiree groups should also be considered as a part of those non-unionized groups.

Ms. Nunn arrived at 2:03 p.m.

Mr. Weatherby said he would like to see a list of those employees who are not represented by a bargaining unit. Mr. Barber said he would provide him with this information. It was the consensus that there are many issues that would need to be identified and that this would need further discussion at a future meeting.

Mr. Cook said adding additional labor groups, including retirees could make this Committee have an unmanageable number of members. He said many members sit on this Committee as a representative of a municipality but are also participants in the Plan. He said when a vote is taken those members vote on what is in the best interest of the Consortium but what may not be good for them as individuals; he questioned whether this could entitle them to two votes.

Next Meeting Agenda

The following items were identified for inclusion on the next agenda: Updates on the Recertification Plan, Flu Clinic, the Retreat, and the biometric screening program that was conducted by the Owing Your Own Health Committee.

New Business

There was no new business.

Old Business

There was no old business.

Adjournment

The meeting adjourned at 2:15 p.m.

Respectfully submitted by Michelle Pottorff, Administrative Clerk

MEMORANDUM

DATE: SEPTEMBER 25, 2014

FROM: LOCEY & CAHILL, LLC

**TO: AUDIT AND FINANCE COMMITTEE OF THE
GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM**

RE: 2-PERSON RATE CATEGORY

This memorandum is in follow-up to recent Board discussions relative to the possibility of the Greater Tompkins County Municipal Health Insurance Consortium developing a new premium rate classification for two people. We have organized our thoughts relative to this issue in several categories for your ease of reference.

CONSORTIUM OVERVIEW

Prior to delving into the creation of a new premium rate classification, it is important to have a baseline understanding of the current financial arrangement the Consortium has with Excellus BlueCross and ProAct.

As you are aware, the Consortium self-insures its medical and prescription drug benefits plan through Excellus and ProAct utilizing an Administrative Services Only (ASO) Contract. This type of contract allows the Consortium to pay its claims on a dollar for dollar basis. In addition, the Consortium is allowed to retain all reserves associated with the Plan for investment and use as the Board of Directors sees fit. The Consortium, as part of these Agreements, is required to pay Excellus and ProAct an administrative fee and provide certain financial securities to protect Excellus' and ProAct's financial liability associated with the Plan.

A common misconception by those who are not familiar with this type of arrangement is that Excellus and/or ProAct is "charging a premium" to the Consortium. This, as you know, is not accurate. As you are aware, the Consortium has the ability to set its premium equivalent rates in any manner they see fit (provided the Consortium pays its bills including medical claims and retention). As a result, Excellus and ProAct are not involved in the premium equivalent rate setting process.

BUDGET AND RATE SETTING PROCESS

As a result of the above, the Consortium Board of Directors is charged with the development of the annual budget and the setting of the premium equivalent rates each year. In our role as Consultant to the Plan, we provide the necessary analysis and information for the Board of Directors so that they can make an informed and educated decision relative to the appropriate budget and rates.

Historically, this Consortium has developed its rates into two categories which include a Family Rate, and an Individual Rate. This has been the case since the inception of the Consortium. The Consortium Board of Directors has the ability to create any number of rating categories as they see fit for the proper and logical management of the Plan

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FINANCIAL IMPACT ON THE CONSORTIUM

As a result of the financial relationship the Consortium has with Excellus and ProAct, the creation of an additional premium rate classification will have no direct impact on the cost of the Plan. As we mentioned earlier in this memorandum, the Consortium pays its expenses on a dollar for dollar basis with Excellus and ProAct and, as such, does not pay Excellus or ProAct a premium. The premiums are set by the Consortium Board of Directors and are established to cover the budgeted expenses of the Consortium for a given fiscal year. As a result, if the Consortium requires \$38,295,774.27 to operate the Plan during the 2015 Fiscal Year, the structure of the premium equivalent rates will not change that fact. This is due to the fact that the Consortium will still be collectively covering the same people with no change in benefit level. As a result, whether the Consortium has two premium rate categories or ten premium rate categories, the bottom line is the Consortium still needs to generate approximately \$38,295,774.27 in premium income to meet budget expectations.

In the following, we have provided an example of the impact of adding a two-person rate category. The first set of figures provides an analysis of the average overall premium rate for the Consortium based on current budget estimates for the 2015 Fiscal Year and the most recent census counts:

2015 Average Premium Rate Calculation				2015 Budget = \$38,295,774.27		
Fiscal Year	Average Number of Covered Lives Per Contract					
	Individual	2-Person	Family	Totals		
# of Contracts	923	0	1,407	2,330		
Current Rate Factor	1	2.17	2.17			
Covered Lives Factor	923	0	3,053	3,976		
Average Premium	\$802.64	\$1,741.74	\$1,741.74			
Annual Revenue	\$8,890,090.46	\$0.00	\$29,407,538.16	\$38,297,628.62	0.0048%	

As you will note, the above analysis produces the desired premium revenue figure for the 2015 Fiscal Year within a standard deviation of less than .005%. The one thing we do note about the structure of the Consortium's premium rates is the rather low factor used for the family premium rate category of 2.17. Typically, we see this factor set at closer to 2.4 times the individual premium rate. However, it should be noted that this premium rate ratio was carried forward from the premiums utilized by several of the municipalities prior to the formation of the Consortium.

We then utilized this same information to produce a two-person rate category using industry average premium rate factors for the two-person rate category. As you will note in the exhibit on the following page, we used a factor of two times the individual premium rate for the two-person rate category and 2.3 times the individual premium rate for the family rate category. This resulted in an overall premium income within \$100 of the budgeted amount for the 2015 Fiscal Year. Please refer to the chart on the following page for the details associated with this aspect of the analysis:

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2015 Two-Person Premium Rate Calculation					2015 Budget = \$38,295,774.27
Fiscal Year	Average Number of Covered Lives Per Contract				
	Individual	2-Person	Family	Totals	
# of Contracts	923	597	810	2,330	
Current Rate Factor	1	2	2.3		
Covered Lives Factor	923	1,194	1,863	3,980	
Average Premium	\$801.84	\$1,603.68	\$1,844.23		
Annual Revenue	\$8,881,155.69	\$11,488,763.52	\$17,925,915.60	\$38,295,834.81	0.0002%

We cannot stress enough the importance of keeping in mind that when we discuss the development of a new premium rate category, we are not doing anything to impact the expenses of the Consortium as we are still covering the same individuals at the same benefit level utilizing the same insurance company. As a result, the development of an additional rate category has no affect on the Consortium from a financial perspective. It should be noted that depending on an individual employer’s demographic mix, it could have a positive or negative affect on each municipality’s costs.

The real issue associated with the development of additional premium categories involves the affect it has on the other rating categories. If we decrease the amount of revenue being generated by a specific demographic group (in this case 2-Person Plans), we need to increase revenue from another demographic group to close the shortfall in the budget. In the example above, a 2-person family received a \$138.06 decrease in their rate while all other family plans experienced a \$102.49 increase in their monthly rate.

It should also be noted that the development of a two-person rate category would most likely result in the offering of a “price break” to a demographic group which is the most costly in terms of actual claim payments. It is our experience that the majority of two-person contracts are between the ages of 50 and 64. We are in the process of gathering age band claims data from Excellus BlueCross BlueShield and ProAct which would segregate the family contracts into two-person families and families with three or more covered members. We will report on our findings once all of the date is received and analyzed by our staff.

With the above being said, we acknowledge that there are many plans which offer a two-person rate in the marketplace (more for marketing purposes than sound actuarial purposes). The final decision of whether the Consortium is going to add a two-person rate category is for the Board of Directors to make as ultimately there is no financial impact to the Consortium. It should further be noted that if an individual municipality wanted to add a two-person rate category, this could be done internally provided the municipality reimburses the full premium billed amount each month. This would also be the case for any municipality who may be interested in joining the Consortium, but the lack of a two-person premium rate is making it difficult for them to become a member.

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COLLECTIVE BARGAINING IMPACT

The last item we would like to bring up for discussion is the impact such a change would have on collectively bargained agreements at each of the municipalities and their respective unions. It has been our experience that when matters such as these have been discussed in the past that they have become very complex as the impact on an individual's cost could raise an issue relative to a change in the terms and conditions of employment. The example would be a person who has family coverage and pays 10% of the premium. If we lower the rate charged to the 2-person families and raise the rate charged to all other families, the Active Employee's cost is going to rise and this would most likely result in a grievance being filed, if we do not get approval in advance from the collective bargaining groups.

We hope that this discussion relative to the development of a "2-Person Rate" is helpful to the Greater Tompkins County Municipal Health Insurance Consortium Audit and Finance Committee. We are more than happy to provide any additional information or analysis relative to this topic as you may require.

We thank you for your time and cooperation. As always, should you have any questions or concerns, regarding this information or any other issues facing the Greater Tompkins County Municipal Health Insurance Consortium, please feel free to contact our office at 315-425-1424.