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Board of Directors Meeting

April 26, 2012 – 5:30 pm - Old Jail Conference Room

(free parking in County lots after 5:00 pm)

1. Call to Order
2. Approval of February 23, 2012 Minutes (**VOTE**)
3. Changes to the Agenda
4. Reports from Steve Locey:
 - a. Financial Report
 - b. Presentation of Annual Report
 - c. Creation of Health Care Exchange
 - d. Health Insurance Buy-Outs, Pre-Existing Conditions, and Open Enrollment practices
5. Presentation of Utilization Data from Excellus B. Miller
6. Report on New Excellus Claims Software/Timeline of Transition B. Miller
7. Report from Joint Committee on Plan Structure and Design C. DeMarco
8. Report from Strategic Planning Committee D. Barber
 - a. Clinical Integration
9. Adjournment

Next Meeting: June 28, 2012

Consortium Members:

County of Tompkins ~ City of Ithaca ~ Town of Caroline ~
Town of Danby ~ Town of Dryden ~ Town of Enfield ~ Town of Groton ~ Town of Ithaca ~
Town of Ulysses ~ Village of Cayuga Heights ~ Village of Dryden ~ Village of Groton ~ Village of Trumansburg



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Board of Directors

February 23, 2012

5:30 p.m.

Scott Heyman Conference Room

Draft 2-25-2012

Municipal Representatives:

Don Barber, Chair, Town of Caroline; Rordan Hart, Village of Trumansburg; Elizabeth Karns, Village of Cayuga Heights; Judith Drake, Town of Ithaca; Chuck Rankin, Village of Groton; Steve Thayer, City of Ithaca; Laura Shawley, Town of Danby; Mary Ann Sumner, Town of Dryden

Municipal Representative via Proxy:

Anita Fitzpatrick, Tompkins County (Proxy: David Squires)

Excused:

Herb Masser, Town of Enfield; Lucia Tyler, Town of Ulysses

Absent: Glenn Morey, Town of Groton; Charles Becker, Village of Dryden

Voting Union Representatives:

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

Others in attendance:

Steve Locey, Locey & Cahill; Sharon Dovi, TC3 Human Resources Manager; Joe Mareane, Tompkins County Administrator; Beth Miller, Excellus; Travis Turner, Martin Stallone, M.D., Cayuga Area Physicians (CAP)

Call to Order

The meeting was called to order at 5:30 p.m. by Mr. Barber.

Approval of Minutes – December 15, 2011

It was MOVED by Ms. DeMarco, seconded by Mr. Rankin, and unanimously adopted by voice vote to approve the minutes of December 15, 2011 as submitted. MINUTES APPROVED.

Changes to the Agenda

There were no changes to the agenda.

Financial Update

Mr. Locey distributed the financial results for 2010 and 2011.

Ms. Shawley arrived at this time.

Mr. Locey reported the Consortium had activity in 2010 in terms of monies coming in (capitalization payments, surplus reserve, and some municipalities paid premiums in advance). He reviewed the income received in 2012 and noted \$119,000 came in from the State which was the balance of the Efficiency Grant, and also \$220,000 received from two MEDCO prescription rebates. Although the capitalization payment will not be included next year, there should be a full year of prescription drug payments coming in, in addition to Stop-Loss recoveries that have already been received in 2012 that were related to 2011 claims. He anticipates the 2012 income to be around \$600,000. Mr. Locey said the Consortium ended last year with \$27.7 million in total income. With regard to expenses, paid claims were \$22 million (actual payments); there were a small amount of expenses received in 2011 that were paid in 2012. Mr. Locey said the Consortium ended the year in good shape on a cash basis. He expects to end next year with a total claims amount of approximately \$26 million.

Ms. Sumner arrived at this time.

Mr. Locey said the Consortium ended the year with \$23.6 million in expenses and had \$4.1 in net income. He said the advance deposit out of the expense line and has been included in the Liabilities and Reserves for now, and he will be looking at how to more accurately reflect this on a cash basis. The IBNR claims liability had \$2.16 million and the rate stabilization rate did go up to \$1.3 million as it has to equal five percent of premium for the year (was originally budgeted at \$1.223 million). In terms of liabilities and reserves the Consortium has \$4.6 million.

The Consortium is showing a negative unencumbered balance of \$560,000, however, this includes the Excellus Blue Cross Blue Shield advance deposit of \$718,000. Mr. Locey said at the beginning of the contract the Consortium had to front Excellus the equivalent of two weeks worth of paid claims money. Excellus is billing the County on a weekly basis for the Consortium's claims and these funds are there to cover the claims Excellus has paid until they are reimbursed. Ms. Sumner does not believe this should be listed as a liability. *She suggested Mr. Locey suppress the cents from the dollar amounts on future spreadsheets to make the document easier to read.*

Mr. Mareane said the last three months of revenue is close to what expenses were and asked if the expectation was that the Consortium would be generating more revenue that could be placed into reserves. Mr. Locey said this is one of the reasons that there was a 9.5% increase in 2012; part of this was to be above the trend to get the Consortium to where there was an excess to place in the reserve. Mr. Squires said there has been an average of \$400,000 per week lately in medical claims. This week a payment was made to Excellus in the amount of \$680,000, of which \$80,000 was an adjustment to the \$718,000 that Excellus holds to pay claims.

Mr. Barber said it appears once the Consortium was up and running claims were running approximately \$2.1 million each month, but there was a bump in December to \$2.7 million.

Mr. Mareane said it appears the Consortium was at a break-even point at year-end. He recalled the expectation was that when things got leaner at the end of the year that there still would be money to drop into reserves and to pay back to the Consortium. He asked if there is cause for concern.

Mr. Locey did not believe there was cause for concern because there are some accruals that are coming in against 2011 (\$200,000 in additional prescription drug rebates, Stop-Loss payments totaling \$89,000, and \$116,000 in ERRP monies)

Ms. Sumner said she views the Rate Stabilization Reserve as an asset and not a liability. Mr. Locey said this is a statutory reserve and has to be funded and listed as a reserve and based on income generated in 2011 it is \$1.3 million. Mr. Barber said when the report is filed with the State it does not show up as a liability.

There was a brief discussion of Stop Loss payments. Ms. Sumner questioned why a Stop Loss payment was not displayed on the spreadsheet. Mr. Squires explained that the policy was paid in advance for 2011 and therefore, this amount is not reflected on the spreadsheet for 2011. *Mr. Locey will check and make sure the payment was applied for 2011.*

Mr. Locey said the incurred claims from January 1, 2011 through June 30, 2011 were \$1.4 million. Following a brief discussion about the IBNR amount, Mr. Locey agreed with Mr. Mareane's assumption that if the IBNR amount were to move in any direction it would be lower. However, it was noted the State needs to approve that number and Mr. Locey was confident the State would not agree to an amount lower than 12%. Mr. Locey said the State has asked the Consortium to provide IBNR data going back to 2008 for the City of Ithaca, Tompkins County, and the Town of Ithaca.

Report on the Early Retiree Reinsurance Program (ERRP)

Mr. Locey distributed copies of an e-mail he received from the ERRP Center on February 20, 2011. He said the all of the eligibility and claims reports have been reconciled and all information was entered into the system as required. The claim was in the amount of \$116,000 and the reimbursement request was made on December 22nd. The e-mail stated that no determination has been made on the reimbursement request because funds are currently unavailable. Mr. Locey said there were a lot of companies that submitted a request for reimbursement for 2010 under the original system which did not require a lot of information in terms of claims reports. The claims system has been re-vamped and now everyone who received money for 2010 has to substantiate those claims by complying with the new reporting requirement and if they fail to do this they will be required to repay those funds. This would result in funds becoming available for those that have submitted a request for reimbursement but have not yet been paid. At this time these funds will remain in the budget.

Report on the RFP for Prescription Drug Benefit Manager

Mr. Locey reported there has been communications with one vendor and work is continuing on the analysis of responses. The Committee has a target of May/June to finish its work. The Medco contract has been approved through 2012.

Report on Prescription Drug Rebates

Mr. Locey reported earlier the Consortium will be receiving another \$200,000 for 2011. The rebates may be somewhat smaller in 2012 due to Lipitor now having a generic equivalent. He said they are doing some analysis on prescription drug rebates relative to what drugs are being impacted by the rebates.

Update CanaRx

Mr. Locey reported he received another e-mail from the attorney for the New York State Department of Financial Services which is who the Consortium requested an opinion of on CanaRx. The Attorney restated that while using CanaRx didn't directly violate any New York State Insurance law, the Consortium may want to explore State Education laws. Ms. DeMarco explained CanaRx is a voluntary program out of Canada that dispenses medication at no cost to an employee directly from a manufacturer in factory-sealed packaging rather than from a pharmacist. Ms. Karns suggested looking at whether a rebate incentive that would be available through the Medco aspect and also said she would like to understand how the pharmaceutical process would change if the Consortium were to participate in this. Ms. DeMarco said the Joint Committee on Plan Structure and Design received a presentation on this and there was a favorable response but was waiting to get further direction from the State before bringing it back to the Board.

Ms. DeMarco said CanaRx maintains the same safety interactions that are maintained here. She also said they have the same ability as other pharmacies to know whether someone has filled a prescription. It was suggested that this would be done through the insurance claim information. Mr. Locey said that would need to be looked into further as well as whether it is done in real time or through a computer. *Mr. Locey said he will take this back to the Joint Committee on Plan Structure and Design for further discussion and a recommendation.*

Discussion of Financial Reports

Mr. Locey reviewed changes that have taken place at the New York Insurance Department (now the New York State Department of Financial Services) since it approved the Consortium's Certificate of Authority. There is new staff in that Department and there have been some communication issues relating to what was originally agreed to and what they think should be happening. Mr. Locey said he believes some of the issues relate to how information is being presented. Each quarter information has to be presented to the State as well as an annual report within 120 days of the close of the fiscal period. He said in the Department's initial evaluation of the Consortium's data and because the Consortium was building reserve over a period of

time they were suggesting the Consortium was insolvent. This is based on their definition that cash assets are less than what they determine to be the liabilities plus the surplus account. He said he is working with them and he believes at year-end that the Consortium was not insolvent. The only issues remaining relate to the IBNR figure and as long as they agree to the same amount or less, and whether they require the funds for the ERRP to be removed. Mr. Locey said the quarterly reports are being adjusted and will be resubmitted in the format they are requesting.

Mr. Locey said they are also asking for past data and have given a deadline of March 23rd to provide information. Mr. Locey said another issue is they are saying the data being provided is on a paid basis and not an accrued basis but noted the Consortium can only provide paid claims information because this was the first year of operation and everything was incurred. Mr. Barber said an actuary predicts the future based on past experience.

Mr. Barber said he and Mr. Locey will be working with the Department to ensure the Consortium meets its requirements and will likely meet with them in person. Mr. Locey reported he reviewed this information with Jerry Mickelson, the Consortium's accountant and Mr. Mickelson agreed with everything that was listed in the year-end report. He also had questions about the IBNR number. Mr. Locey said the work being done by the actuary should be complete next week.

RESOLUTION NO. 001-2012 – ELECTION OF OFFICERS FOR 2012

It was MOVED by Ms. Shawley, seconded by Ms. Sumner, and unanimously adopted by voice vote by members present, to approve the following resolution:

WHEREAS, the Nominating Committee has proposed a slate of Officers to the Board of Directors at the February 23, 2012, now therefore be it

RESOLVED, That the Board of Directors elects the following individuals to serve February 24, 2012 through December 31, 2012 in the roles so elected as follows:

Chairperson	Donald Barber, Town of Caroline
Vice Chairperson	Elizabeth Karns, Village of Cayuga Heights
Chief Fiscal Officer	Steven Thayer, City of Ithaca, Controller
Secretary	Judith Drake, Town of Ithaca, Human Resources Manager
Treasurer	David Squires, Tompkins County, Comptroller

RESOLUTION NO. 002-2012 - AUTHORIZATION TO PURCHASE ERRORS AND OMISSIONS INSURANCE AND PUBLIC OFFICERS LIABILITY INSURANCE

MOVED by Mr. Barber, seconded by Ms. Drake, and unanimously adopted by voice vote by members present. Mr. Locey clarified that these are two separate policies.

WHEREAS, the desire of the Board of Directors is to ensure liability coverage for the Consortium, the Board of Directors personally and professionally, and the participating municipalities, and

WHEREAS, the Consortium received an affordable quote for an Errors and Omissions Insurance policy, that provides coverage for potential lawsuits arising out of medical malpractice, and

WHEREAS, the Consortium received another affordable quote for a Public Officers Insurance Policy, which provided coverage for potential lawsuits arising out of the Board's policies, procedures, and practices as it establishes medical plans; now therefore be it

RESOLVED, that the Consortium shall purchase insurance coverage for both Errors and Omissions Insurance and Public Officers Insurance for the period of January 1, 2012 through January 1, 2013, from the Haylor, Freyer and Coon, Insurance Agency and Darwin Insurance Company.

* * * * *

Report from Joint Committee on Plan Structure and Design

Ms. DeMarco, Chair, reported the Committee met on February 2nd and received a broad presentation on an Integrated Health Management Program by Beth Miller and Ken Foresti of Excellus. The Committee had a discussion and made suggestions to language contained in the Request for Proposals for the EAP and Flex Spending Program. The Committee will continue to review these documents at the next meeting on March 1st.

Report from the Strategic Planning Committee

Mr. Barber reported Mr. Turner of the Cayuga Area Physicians Alliance attended the last meeting and discussed the Active Health program. There has been discussion at the last several meetings about Clinical Integration and as a result the CAP group is making a proposal that a large pool of employers come together to support a clinical integration model.

Discussion with CAP about Clinical Integration Model

Mr. Turner explained when Cayuga Medical Center and Cayuga Area Physicians Alliance come together as equal partners they form Cayuga Area Plan which is the Physician Hospital Organization. Behind the PHO there are a number of services they provide as a health delivery care system for Tompkins County. He said when they talk about CAP they are speaking of the 215 physicians that are in the community that are on staff of Cayuga Medical Center; 85% of those physicians are within CAP.

Mr. Turner said the triple aim of Clinical Integration is: improving care, improving outcomes, and control cost.

Dr. Stallone said he is one of the physicians in the CAP network and is the Director of the Hospital's program. He spoke of why Clinical Integration is imperative

and stated this is a physician led value proposition. Dr. Stallone addressed the following points during his presentation:

- Costs of healthcare have doubled over the last ten years;
- Quality – there is no existing tracking of quality; and
- Access

The current fee for service system is not capable of delivering true health care reform that is better than what exists now. Dr. Stallone said a fee for service system without respect to what happens outside the episode of care rewards over-utilization of services, undervalues quality, and lets things fall between the cracks. There is then an unsustainable trend that emerges as a result of those system components and he said the total cost of health care is growing at an unsustainable rate. He said a clinically integrated system was defined in 1996 as “an active and ongoing program to evaluate and modify practice patterns by the Network’s physicians and creates a high degree of interdependence and cooperation among the physicians to control costs and ensure quality”. There are 40 clinical integration networks with the United States.

Dr. Stallone said the reason costs are growing is not due to the growth in the cost for service because physician reimbursements have gone down per unit. He also said Health Care Reform addresses access but does address quality costs. He said the FTC Commissioner in 2010 stated in regard to whether they enforce antitrust laws, that if prices are fixed they will stop independent doctors from jointly negotiating the fee they charge. However, they will applaud physicians who join together to improve patient care and lower costs.

Mr. Turner spoke of FTC regulations and what is required of them to prove they are providing better care and outcomes and ultimately bend cost curves. Part of what they have to do as a physician governance body to be clinically integrated is gather data in one repository. There has to be another system in place other than an Electronic Medical Record. The Electronic Health Record requires information to be placed into it (physician, claims, submitted claims, pharmacy, lab data) and then a number of benchmarks are set up across the network by specialties and providers. Not only do these have to be measured but they also have to be reported and improved upon. Dr. Stallone explained that a physician would have access to all of the patient’s information at the time they see a patient regardless of where they have been seen or whether a prescription was written. A third component that makes this clinical network different from others is that it incorporates care management and others do not.

Mr. Turner said they need permission from the self-insured employers to get claims data and spoke of the infrastructure and the associated costs.

The following steps for payment were outlined in the presentation:

- Step 1: Annual payment;
- Step 2: Quality based incentive payment to physicians if benchmarks are met;
- Step 3: A shared savings bonus to be paid to CAP based upon demonstrated savings to the Consortium in the amount of its annual medical care payment on

behalf of its members. After year one a benchmark will be paid based on prior year's experience. After the second and third years the Consortium would pay CAP 20% of the cost savings.

Mr. Barber said in order for this to move forward, employees have to be on board; and they have to understand the benefits that are possible with this, including better health and potentially lower premiums.

At this time there was discussion of how to move forward. Ms. DeMarco said the Consortium is in a unique position of being both the employer and insurer and needs to make sure there is a structure and filters in place to protect employee confidentiality. It was clarified that the Consortium would not have any greater access to information through this system than it currently has. Dr. Stallone said they are currently in discussion with five of the largest self-insured employers in the County, including Cayuga Medical Center, this Consortium, Cornell, Ithaca College, and BOCES.

Mr. Locey said one of the biggest efficiencies in the system is everyone claims to be managing patient care but he doesn't believe anyone is doing it effectively.

Dr. Stallone said there are forty nationwide clinically integrated networks and they have proven to bend the cost curve by 4 to 11%, but noted that is only part of the value proposition as there is also value in having healthy employees. He extended an offer to make presentations to employees.

Mr. Barber said releasing the data does not cost the Consortium anything, however, we receipt of the agreement they are asking for a commitment that the Consortium will move on to the next step. Dr. Stallone said it would take approximately three months to perform an analysis of the data. He said there will need to be discussion of how to communicate the benefits to employees and asked Ms. DeMarco to think about this.

Mr. Locey was asked his opinion on proceeding with the analysis of the data. Mr. Locey said he sees no harm in doing an analysis of the data but there would need to be more discussion before moving further, including the financing. Dr. Stallone said part of the cost of the program is carved out of the savings. He also noted the Hospital has made a \$2 million investment in this. Mr. Turner said there are a number of case studies that could be provided as examples and gave InfoMed in Hagerstown, Maryland as an example of one community doing this that has a similar profile.

MOTION NO. 001-2012 - AUTHORIZING THE EXECUTIVE COMMITTEE TO REVIEW CONTRACT WITH CAP (CAYUGA AREA PLAN) AND AUTHORIZATION FOR CHAIR TO SIGN AGREEMENT FOR THE PURPOSE OF DATA ANALYSIS

Due to timing and the next Board of Directors meeting being in April, the following motion was MOVED by Ms. DeMarco, seconded by Ms. Sumner, and unanimously adopted by voice vote by members present:

Board of Directors
February 23, 2012

Resolved, That the Board of Directors authorizes the Executive Committee to meet and recommend approval or disapproval of a contract with CAP (Cayuga Area Plan) for the sole purposes of performing an analysis of the Consortium's data,

Resolved, further, if amendable terms can be worked out the Chair is authorized to sign an agreement to share the Consortium's data with CAP.

Adjournment

The meeting adjourned at 7:50 p.m.

Respectfully submitted by Michelle Pottorff, Administrative Clerk

Adjournment

On motion the meeting adjourned at 6:35 p.m.

Respectfully submitted by Michelle Pottorff, Administrative Clerk