



Municipalities building a
stable insurance future.

125 East Court Street
Ithaca, NY 14850
607-274-5590
INFO: HinsConсор@tompkins-co.org
www.tompkins-co.org

**August 31, 2009 6:00pm Old Jail, 125 East Court St.
Greater Tompkins County Municipal Health Insurance Consortium
Board of Directors Meeting**

Present:

Steve Locey	Consultant, Locey & Cahill
Betty Conger	Village of Groton
Rordan Hart	Village of Trumansburg
Don Barber	Town of Caroline
David Squires	Tompkins County Comptroller
Mary Ann Sumner	Town of Dryden
Jim Gilmore	Village of Cayuga Heights
Carolyn Peterson	City of Ithaca
Charlie Becker	Village of Dryden
Chuck Rankin	Village of Groton
Anita Fitzpatrick	Tompkins County
Laura Shawley	Town of Danby
Judy Drake	Town of Ithaca
Stephanie Gaynor	Town of Enfield

Guests:

Jackie Kippola	Tompkins County Risk Manager
Jed Constantz	Finger Lakes Mgmt. Asso. Exe Director
Sharon Dovi	TC3 Humans Services Director
Scott Ochs	TC3 Faculty Association President
Blixy Taetzsch	TC3 Dean
Darlene Finn	TC3 Prof Admin Assoc President
Olivia Hersey	TC3 Prof Admin Assoc Treasurer
Joe Mareane	Tompkins County Administrator
Dave Sanders	Locey and Cahill, Project Manager
Marcia Lynch	County Public Information Officer
Stephen Estes	Deputy Commissioner of Personnel

Absent: Town of Groton, Village of Lansing, and Town of Ulysses

Interim Chair Don Barber called the meeting to order at 6:05 p.m.

At Chairman Barber's request, the Shared Municipal Services Initiative (SMSI) health benefits consultant, Steven Locey, provided an overview of the consortium and circulated the Municipal Cooperation Agreement.

He noted that this document, along with all other material and meeting notes from the SMSI plan, are on the County's web page under "shared services."

Mr. Locey stated the goal and objective of the Consortium is that by pooling resources, municipalities can realize efficiencies in health care without diminishing benefits; providing the same benefits but with a more efficient model. By banding as a group, the municipalities can realize lower administrative costs. The City and County already realize some of these economies of scale. By working to create the consortium and agreeing to participate, the City and County can bring those economies to the rest of the county.

There are now approximately 2,100 "contracts", or employees and retirees, covered by the municipalities that have agreed to join the coalition. All will benefit by the law of averages or large numbers—risks are spread across a large group, therefore providing greater stability for all members of the group. Therefore, the consortium model provides both administrative cost savings and greater stability to its members. Mr. Locey cited the experience of the local school district health benefits consortium where costs have increased by an average of 6% per year, lower than the experience in local municipalities.

Mr. Locey said the consortium model has worked well for school districts, but the model is rare for municipalities. The Tompkins consortium will be the first to be formed under Article 47 of the State Insurance Law.

He said that of the 17 municipal governments within Tompkins County, 14 have committed all or in part to the consortium. The goal remains universal participation, but the consortium does have enough members now to exceed the minimum numbers of participants required by Article 47.

Mr. Locey described the responsibilities of the Board and Board Members, citing sections of the Municipal Cooperation Agreement. He highlighted the Board's responsibility for the operation of the consortium, comparing the responsibility to an insurance company that is in charge of overseeing the firm's operations. The Board must develop rates and budgets and approve contracts with outside parties. Although there is a system for weighted voting, most items will be taken by 1 vote per person, with a simple majority vote required for passage. A quorum is required to conduct business.

He said each appointment to the Board needs to be made via a resolution in order to protect board members. The Board needs to name a Chair, Vice Chair, CFO, and Secretary (described on page 4 of the Agreement). The Treasurer has a number of duties, most of which will be facilitated by the Chief Financial Officer, who must also be appointed by the Board. He said the County's Finance Director has agreed to serve as Treasurer for the Consortium. He also noted that the Consortium's reserves must be invested in the same manner as a local government, i.e., in guaranteed investment products.

Mr. Locey stated that the Board may create an Executive Committee composed of officers and other members as the Board determines. The Committee would meet on matters requiring research and investigation. The Board could form other committees as it saw fit.

Mr. Locey referred to page 6 of the Municipal Agreement that outlines actions of the Board. He noted the Board needs to establish the time and place of its meetings, and suggested the meetings occur on a set date each month and that the Board plan to meet at least monthly at first.

He said the Board must adopt a budget by October 15 of each year; commission an annual audit; establish administrative guidelines (and suggested a "handbook" for new directors); establish a financial entry threshold for new entrants (a future issue); contract with third parties for goods and services (requires 2/3rds vote); procure stop-loss policy as required by Article 47; set premium equivalent rates by 10/15; choose an actuary and determine who will accept subpoenas (suggests current SMSI grant attorney John Powers); and hiring plan administrator.

He explained the weighted voting system, which is posted on the website.

Don Barber began a discussion about the election of officers, noting that TCCOG had recommended the Board recognize him as the Interim Chair until the Board could consider and elect a permanent Chair. He also said the Board needed to appoint a Chief Financial Officer immediately. He opened up the topic for discussion.

There was agreement that a nominating committee should be established to recommend candidates for Board Officers.

A motion was made by Mayor Peterson and seconded by Mr. Becker to establish a nominating committee to recommend a slate of officers. The motion passed unanimously (11-0).

A motion was then made by Don Barber and seconded by Ms. Conger to appoint Anita Fitzpatrick, Jim Gilmore, and Mary Ann Sumner to the nominating committee. The motion passed unanimously (11-0).

Mr. Locey advised that the County Finance Director, David Squires, had agreed to serve as treasurer, subject to an annual fee of \$57,000 to support from the consortium that would provide him the capacity to assume the function. The Board's contract with the Treasurer would be reviewed and renewed annually.

A motion was made by Jim Gilmore and seconded by Judy Drake to designate the County Finance Director David Squires as Chief Financial Officer for the Consortium. The motion passed unanimously (11-0).

Mr. Barber began a discussion about the Health Plan Administrator. He described the work of the SMSI steering committee in developing an RFP for the services of a Third Party Administrator (TPA), reviewing responses, and developing a recommendation to TCCOG.

Mr. Locey distributed a summary evaluation spreadsheet showing the relative rankings of the TPA candidates across a range of criteria. He said the RFP requested information on administrative fees, networks, cost of services, functionality, and reporting. The process led to three finalists: EBS/RMSCO, Excellus Blue Cross, and POMCO. Each finalist was interviewed by the SMSI steering committee. He said POMCO and EBS were the strongest of the three candidates. EBS provided a slight economic advantage and offered the additional advantage of not having to amend labor contracts that make a specific reference to EBS. He said the steering committee and TCCOG both recommended retaining Excellus on a one-year contract with a specific expectation about responsive, informative reporting to be provided by Excellus. The Board would review Excellus's performance during the initial year of operations. Next year, with experience and the non-voting union members in place to participate in the discussion about the TPA, there will be an opportunity to again seek competitive TPA proposals.

Mr. Barber confirmed that this does reflect the thinking of the steering committee and TCCOG. He also noted the need for timely action on the selection of a TPA.

Jim Gilmore asked whether the TPA also owns the insurance company providing coverage or could dictate coverage. Mr. Locey responded that the TPA is an outside entity equipped to do what we cannot do. It is hired only to provide administrative support; with actual claims processed by the TPA paid by the consortium. Mr. Gilmore asked whether the TPA would have an incentive to be efficient. Mr. Locey said that the TPA negotiates rates with providers based on an entire "book" rather than for each plan, so that rates paid to providers will be the same for the consortium as for their insured customers.

Mr. Locey said the consortium will want to monitor how well the TPA handles disease management and other cost saving approaches.

Mr. Becker asked how the data for the spreadsheet, particularly relating to cost, was collected. Mr. Locey said there is a list of about 50 procedure codes that are weighted based on usage patterns from his clients of similar size, to which the TPAs reimbursement rates are applied. He also uses information regarding hospital reimbursement rates and information from audits his firm has conducted.

Mr. Hart asked how the plan would look to the doctor/provider—whether this will look just like an Excellus product. Mr. Locey said “yes”, the provider will bill Excellus Blue Cross for this plan just like others.

Mr. Barber made a motion to select Excellus Blue Cross as the Third Party Administrator for a one-year term. Mr. Becker seconded the motion.

Ms. Peterson noted that this will be a one-year contract and the TPA will have to prove itself.

Mr. Constanz suggested that there be performance guarantees included in the contract.

Mr. Locey said his firm will draft a contract for Board review by the end of September.

At that time, Mr. Barber’s motion to select Excellus Blue Cross as the TPA, subject to the negotiation of a contract, was considered and approved unanimously (11-0).

Mr. Barber began a discussion about the authorization of the health plans to be provided by the consortium.

Mr. Locey distributed a handout showing budget rates and plans by municipality. He asked the Board to consider a resolution making it clear that its goal is to provide health plans that are at least equal to those now provided to employees and retirees.

Mr. Becker asked whether the consortium would be able to delete state and federal mandates or exceed mandated coverage levels. Mr. Locey said that state and federal mandates must be followed, but that the consortium could choose to exceed them.

Ms. Drake asked whether New York State could make material changes to our plan. Mr. Locey said that was conceivable, but our plan is modeled on existing plans so the possibility is fairly small.

Mr. Rankin asked whether consortium members typically drift to fewer plan options over time. Mr. Locey indicated the opposite is often true, and that the Board must sometimes act to rein in the tendency to expand the number of plans.

Ms. Peterson asked why the budget shows 2 sets of 2010 fees. Mr. Locey said the two fee charts show the effect of two different reserve levels (25% and 17%). Mr. Barber asked whether we will know the reserve requirement before the budget is approved. Mr. Locey stated that he is trying to meet that deadline.

Mr. Becker asked why the State Insurance Department would allow a reduced reserve. Mr. Locey said that there is a quicker turn around of claims today than when the requirement was developed in 1993, so less money is needed to be in reserves to cover outstanding claims.

Mr. Gilmore asked about the Teamsters plan. Mr. Locey noted that the Teamsters plan was just adjusted to include higher rates and co-pays, something the Board will need to continue to discuss. He said we’ve put in a rate we felt was reasonable.

Mr. Barber then made a motion to formalize the Coalition Board’s goal to provide a health benefit plan to employees and retirees that are equal to or better than their current plans. The motion was seconded by Mr. Rankin and approved unanimously (11-0).

Mr. Barber began a discussion about the role of the steering committee that was formed by TCCOG to help develop the countywide health benefits program. He said the committee includes experts from the health and medical community, human service agencies, and municipal government. He asked whether the Board wanted the steering committee to stay involved as an advisory group to the Board in the process as the final pieces of the plan—such as the process of selecting a prescription benefit manager, actuary, consultant, auditor and the like are take place. The Board indicated its willingness to retain the steering committee in an advisory capacity.

Mr. Barber advised that he would add to the next agenda an update on the status of the SMSI grant. In response to that discussion, Jackie Kippola indicated that about half of the funds have been spent or encumbered, with approximately \$123,000 remaining for “incentive” programs.

Mr. Barber outlined items for the next agenda, including: Nominating Committee’s report on candidates for officers, the selection of a prescription drug manager, the adoption of the benefit plans, tentative 2010 rates, review of the draft Excellus Blue Cross contract, and an update on stop-loss insurance, and various professional services required by the Consortium.

The next meeting was scheduled for September 24 at 5:30. The Board will attempt to meet on the 4th Thursday of each month.

The meeting was adjourned at 8:05 p.m.