WARREN COUNTY BOARD OF SUPERVISORS

COMMITTEE: INSURANCE

DATE: FEBRUARY 26, 2007

COMMITTEE MEMBERS PRESENT:		**OTHERS PRESENT:**
SUPERVISORS	GERAGHTY	AMY CLUTE, SELF-INSURANCE ADMINISTRATOR
	BENTLEY	REPRESENTING CAPITAL FINANCIAL GROUP, INC.:
	HASKELL	JOHN WEBER, PRESIDENT
	GIRARD	LORI L. BURCH
	MERLINO	KRISTY LANEY
	SOKOL	DEBBIE BROWN
		CHAIRMAN THOMAS
COMMITTEE MEMBER ABSENT:		PAUL DUSEK, COUNTY ATTORNEY
SUPERVISOR	GABRIELS	JOAN PARSONS, COMMISSIONER OF ADMINISTRATIVE & FISCAL SERVICES
		JOAN SADY, CLERK OF THE BOARD
		SUPERVISORS CAIMANO
		F. THOMAS
		TODD LUNT, HUMAN RESOURCE DIRECTOR
		FRANK O'KEEFE, COUNTY TREASURER
		HAL PAYNE, ADMINISTRATOR - WESTMOUNT HEALTH FACILITY
		AMANDA ALLEN, LEGISLATIVE OFFICE SPECIALIST

Mr. Geraghty called the meeting of the Insurance Committee to order at 9:30 a.m.

Privilege of the floor was extended to Amy Clute, Self-Insurance Administrator, who distributed copies of her agenda to the Committee members; *a copy of the agenda is on file with the minutes.*

Ms. Clute announced that John Weber, of Capital Financial Group, Inc. and his associates Lori Burch, Kristy Laney and Debbie Brown were in attendance to update the Committee on the status of the health insurance coverage their firm administered on behalf of Warren County.

Mr. Weber distributed a copy of the letter used by his firm to warn County retirees of possible cancellation of health programs due to non-payment status, *a copy of the letter is on file with the minutes.* He reminded the Committee that Mr. Monroe had voiced opposition to the letter due to its strong nature and they had decided that it should be reviewed by the Committee for possible revision. Mr. Weber noted that although the letter stated that it would be the only notice to that effect, his firm made at least two attempts to contact each individual in cancellation status prior to terminating any coverage. He apprised that the letter was originally developed by Warren County and had not been changed by his firm; however, Mr. Weber stated he was concerned that if the letter did not include the strong verbiage questioned, the insured would not understand the severity of the situation and might disregard the notice.

Mr. Geraghty asked how many retiree policies had been cancelled for non-payment of premium owed and Mr. Weber replied that there had not been any. Mr. Weber added that by contacting the retired members via telephone, his staff was able to explain the situation, relaying the severity of the issue, and arrange for payment, which ensured the continuation of coverage.

Discussion ensued with respect to the matter.

Paul Dusek, County Attorney, stated that the verbiage of the letter could be softened without causing any legal ramifications. He noted that because of its aggressive nature, he could certainly understand anxiety and unease caused to a retiree upon receipt of the letter.

Mr. Caimano stated that the letter seemed to be written from a business standpoint and did not account for those elderly recipients who might be threatened by the statement. He suggested that in addition to softening the letter, it should be personalized to the intended recipient.

Mr. Weber advised that Mr. Caimano's suggestions could be very easily incorporated and he would make adjustments to the letter and return to the Committee for their approval.

Mr. Haskell stated that the cancellation notice was very important and should not be softened so much that it reduced the severity of the situation. He noted that although personalizing the letter would be a nice touch, it was important to retain some of its aggressive nature to relay the importance of the matter.

Mr. Geraghty said that it was important to keep in mind that a retiree policy had never been cancelled and that Mr. Weber and his staff made additional efforts to be sure such coverage remained in effect.

Mr. Weber apprised that in prior meetings the Committee had questioned the way in which employee contributions for health coverage had been produced. He distributed a handout which listed the costs of the dental and health policy options available for 2007 and the formula used to determine such costs; *a copy of the handout is on file with the minutes*. Mr. Weber reminded the Committee that the lowest bidding carrier would be chosen to provide the coverage for which Warren County would pay 100% of the premium costs on an individual basis for County employees. He pointed out that although CDPHP had the lowest premium, MVP had been named the lowest bidding carrier because the CDPHP program did not meet union specifications which required a $20 co-payment.

Mr. Weber explained that the formula used to determine the County share of benefit premium was produced by subtracting a contract high figure of $152 from the lowest provider cost of $366.39, then multiplying that sum by 80% and adding the contract low figure of $152. He added that the County share figure of $334.23 had been derived from the use of this formula and the difference between the full coverage cost and the County share would be the employee contribution, except in the case of the lowest cost carrier wherein the County would pay the full coverage cost on an individual basis. Mr. Weber noted that the same formula was used to determine the costs of family coverage also.

Mr. Haskell noted that although he understood the use of the formula was required by union contract, the implementation of the CDPHP program as the lowest carrier would save $25 per person per month due to the decreased cost. Mr. Geraghty replied that the CDPHP program could not be used as the lowest cost carrier because it included a $25 co-payment and the union contract required no more than a $20 co-payment.

Mr. Dusek apprised that the CDPHP program was an option outside of the union contract available to employees; however, it could not be mandated by the County. He noted that if the Committee desired to eliminate the employee contribution of $6.60 to encourage increased enrollment, he was sure that there would be no resistance from the union. Mr. Dusek pointed out that the coverage was not as good as the MVP plan due to the increased co-payment and the employees might not switch programs based on that fact.

Mr. Caimano stated that in reviewing the CDPHP program, it was unfair to consider only the individual program because the family rates of the plan were much lower than those of the other programs available. He added that in comparing the difference in premium on a family basis to the increased co-payment, the CDPHP program seemed like a better option.

Mr. Dusek said that a large number of employees had shifted to the CDPHP program due to the decreased cost of family coverage. He noted that this was a very positive benefit as the larger group had given Mr. Weber and his staff the ability to work on developing the prospect of a single carrier program for all Warren County employees to gain a better rate based on group experience. In addition, Mr. Dusek stated, both the County and its employees had saved money by the inclusion of the CDPHP program as a viable option for health care coverage.

Mr. Weber noted that further union negotiations would have to be held in reference to the formula as it was not conducive to a single carrier option. He advised that his firm had several different formulas which they used with various groups and they could present them to the union for their consideration.

Mr. Bentley asked what the drug co-payments on the CDPHP program were and Mr. Weber replied that they were $10/$25/$30 while the MVP program drug co-payments were $10/$30/$50.

Discussion ensued.

Mr. Weber apprised that a new program, Blue Shield Medicare PPO (Preferred Provider Option) had recently become available. He explained that the program had been designed for retiree groups in specified Counties and included a premium lower than the current retiree programs; however, the implementation of the plan would eliminate the Medicare D Subsidy the County currently received. Mr. Weber explained that the Medicare D Subsidy had been implemented by the Federal Government for retiree drug benefits. He said that Warren County had received $80,000 for the first three quarters of 2006 from the Medicare D Subsidy; however, he said, he expected to receive an additional $25,000 to $30,000 for the balance of the year. Mr. Weber advised that if the Blue Shield

Medicare PPO program were implemented, it would mean the loss of approximately $100,000 annually from the Medicare D Subsidy; however, he added, the County would save premiums in the area of $500,000 per year by including the new program.

Mr. Weber stated that although the program was a PPO, which offered out-of-network coverage, only retirees over the age of 65 who resided in specific Counties were eligible for enrollment in the Blue Shield Medicare PPO program. He noted that there were some County retirees that did not meet these criteria and alternate coverage arrangements would have to be made for those individuals.

Mr. Weber distributed a document entitled 'Health Benefit Comparison', *a copy of which is on file with the minutes,* that compared the current retiree health options to the new Blue Shield Medicare PPO program available. He pointed out that the new Blue Shield program boasted decreased co-payments for primary care, specialist, chiropractic and physical therapy visits, as well as prescription drugs. In addition, he noted, the Blue Shield program included a $75 allowance for dental services, while the current option offered none. Mr. Weber advised that the Blue Shield Medicare PPO program would institute co-payments for items such as medical equipment, inpatient hospital services, alcohol & substance abuse programs and mental health visits, which were covered in full under the current programs.

Another advantage to the Blue Shield Medicare PPO, Mr. Weber apprised, was that it incorporated all Medicare benefits with no action required by the insured. He noted that this was a great advantage to some retirees who did not understand the way the Medicare program worked. Mr. Weber advised that the largest benefit of the program was the premium, which was only $150 per month as opposed to the current premiums which were in excess of $350 per month. He noted that the Blue Shield program would lead to savings for both the individual and the County because the premium was far less than the County share of $334.23 and therefore required no payment from the individual.

Mr. Weber cautioned the Committee that although the implementation of the Blue Shield program would lead to great premium savings for the County, the current formula used to determine County share would have to be altered as currently, the County forwarded any difference between the coverage cost and County share to the retired individual. He noted that if that formula were kept in place it would make no sense to add the Blue Shield Medicare PPO option because the County would be forwarding all of its savings to the retired members. Mr. Weber noted that making these payments to the retirees, combined with the loss of the Medicare D Subsidy, would actually lead to a loss for the County.

Mr. Dusek advised that he would have to research the formula to determine if the rebate to the retired members was included; however, he said, he assumed it must be if those steps were already being taken. He noted that the current union contract was to expire on December 31, 2007 and therefore this portion of the contract could be discussed for re-negotiation.

Mr. Weber stated that his firm would take care of forwarding informational letters to the retirees explaining the coverage and costs of the programs available. In addition, he noted, his firm routinely held separate informational meetings for retired members to discuss coverage and options, and would continue with this practice to be sure that everyone was aware of the implications of the change, if the new program was incorporated.

Discussion ensued.

Joan Parsons, Commissioner of Administrative and Fiscal Services, noted that the formula had been developed initially to address the Board's concern with respect to rising insurance costs. She apprised that at the same time they had also attempted to increase the starting salaries of some Grade 1 and Grade 2 positions and had noticed that the increases would be zeroed out by the increase in insurance costs. Mrs. Parsons advised that these issues had caused some unease with the union and the formula had been developed to address both of these problems. She noted that in re-negotiating this clause, they would have to be very careful in altering the percentage deemed as the County share.

Discussion ensued.

Mr. Girard asked Mr. Dusek if a provision to distribute funds to employees that were not partaking in the County's insurance options had been considered and Mr. Dusek replied that it had. He explained that a provision was included in the union contract which stipulated that if more than 25 employees dropped their insurance the County would then pay $100 per month to each employee not carrying coverage provided by Warren County; however, he said, this had never occurred. Mr. Dusek noted that the union was currently challenging the formula and had filed a request for arbitration on the issue.

Mr. Weber noted that his firm had projected such costs for other clients and had determined that it would be an added cost to distribute funds to the employees not enrolled in any type of coverage provided by the County because they were currently paying nothing for these members. Mr. Girard asked if Mr. Weber could produce the same figures for Warren County and Mr. Weber replied that he could.

Returning to the topic of the proposed Blue Shield Medicare PPO program, Mr. Weber apprised that all brokers considering the plan had been advised that a significant rate increase of 25-30% would be imposed upon renewal. He advised that if the program was implemented, they would not be subject to a rate increase for twelve months and whatever the increase, it would still be significantly less than the current coverage rates.

Mr. Weber stated that another positive factor of the retiree groups being moved to a separate plan was the ability to gain quotes for a group with no retired members. He noted that Warren County had all HMO programs in place which were not willing to disclose their losses and several health care providers had refused to quote coverage based on the number of retirees included in the group. He advised that if a competitive bid were received for health care coverage his firm would return to the union to negotiate further. In addition, Mr. Weber stated, this was the route to developing an experience rated group.

In closing, Mr. Weber noted that he had developed new contacts within the New York State Insurance Department who were interested in altering the requirements to develop an experience rated group and he said that he expected to see positive results from these new associations.

Ms. Laney apprised that 'Timothy's Law', which instituted more coverage for mental health issues, had become effective on February 1, 2007. She noted that although she was in contact with the various health care providers each day, a decision had not been made as to how they were going to handle the new mandates. Ms. Laney stated that most carriers already had the new State regulations in effect, however those that didn't would have to determine how to substantiate the mandates. She noted that a slight rate increase might be necessary and she would keep the Committee updated on the subject.

Mr. Geraghty thanked Mr. Weber and his staff for their presentation.

Resuming agenda review, Ms. Clute reminded the Committee that at a prior meeting KBM Management, Inc. had presented their review of the Workers' Compensation audit performed by their firm. She noted that at the close of the presentation they had suggested that a RFP (Request For Proposal) be prepared for a TPA (Third Party Administrator) to process compensation claims and also a RFP for excess workers' compensation coverage as the current premium was much too high.

Mr. Dusek apprised that when considering all options they had decided that even though a TPA would not remove responsibilities directly from Ms. Clute, they would greatly reduce the workload of her assistant, thereby allowing Ms. Clute to transfer a portion of her workload to that position. He noted that from the review, it seemed that it might be more cost effective to contract the services of a TPA rather than increasing the Self-Insurance Department's staff, as that would require the inclusion of salary and benefits. Mr. Dusek stated that the TPA would also be extensively trained in handling workers' compensation claims and the RFP for both the TPA and the excess workers' compensation coverage would give the Committee ample information to make an educated decision in their best interests. However, Mr. Dusek stated, these RFP's would require additional funds in the amount of $6,500.

Motion was made by Mr. Haskell, seconded by Mr. Girard and carried unanimously to authorize KBM Management, Inc. to issue a RFP for a TPA and an RFP for excess workers' compensation coverage at a cost not to exceed $6,500 with the source of funds from the self-insurance fund. The necessary resolution was authorized for the March 16th Board meeting and a copy of the resolution request is on file with the minutes.

Ms. Clute noted that she had included copies of the January 2007 Self Insurance Fund activity report and the Property and Casualty Insurance Commissions Report in the agenda. She asked the Committee members to review these documents at their leisure and contact her with any questions they might have.

Mr. Geraghty asked what the normal commission rate for insurance broker services was and Ms.

Clute replied that she was not sure. She noted that the average she had seen was approximately 10-15% ; however, she said, she would research the matter further and return with an accurate figure.

Ms. Clute noted that the contracts for both the health services and property and casualty brokers were to expire on September 22, 2007 at the close of their respective three-year terms. She asked if a RFP should be prepared for both contracts and Mr. Dusek advised that as per the County's purchasing policy they must. He stated that the Committee needed to decide if they wished to authorize two separate RFP's for each line of coverage or one to cover both. Mr. Dusek apprised that in prior years, separate RFP's were necessary because there were not many brokerages able to facilitate both lines of coverage.

Motion was made by Mr. Bentley, seconded by Mr. Girard and carried unanimously to authorize the preparation of two separate RFP's for health insurance and property and casualty insurance broker services. A copy of the request is on file with the minutes.

In closing, Ms. Clute noted that her assistant, Wanda Armstrong, was retiring on March 30th and although the Committee had already authorized her to fill the position at the level of Account Clerk, Ms. Clute asked if she could do so prior to Ms. Armstong's retirement for training purposes.

Mr. Geraghty noted that Ms. Clute's request was not unreasonable and in order to keep the flow of work in place it was certainly acceptable. Mrs. Parsons advised that so long as Ms. Clute received the Committee's approval, the Personnel Department would work with Ms. Clute in achieving the necessary overlap for training purposes.

Motion was made by Mr. Haskell, seconded by Mr. Sokol and carried unanimously to authorize Ms. Clute to fill the position of account clerk two weeks prior to Ms. Armstrong's retirement to provide adequate training prior to her retirement.

Mr. Dusek cautioned Ms. Clute that the Account Clerk position was included in the collective bargaining unit and was subject to civil service testing, and as such, the job must be posted according to union requirements. In addition, he noted, there was most likely a list from which Ms. Clute would be required to hire. Ms. Clute replied that she was aware of these stipulations and had already begun the process according to union regulations.

As there was no further business to come before the Insurance Committee, on motion made by Mr. Haskell and seconded by Mr. Bentley, Mr. Geraghty adjourned the meeting at 10:29 a.m.

Respectfully Submitted,
Amanda Allen, Legislative Office Specialist