

WARREN COUNTY BOARD OF SUPERVISORS

COMMITTEE: JOINT MEETING OF BUDGET AND SUPPORT SERVICES

DATE: OCTOBER 4, 2011

SUPPORT SERVICES COMMITTEE MEMBERS

PRESENT:

SUPERVISORS TAYLOR
VANNESS
GIRARD
STRAINER
MCDEVITT

OTHERS PRESENT:

DANIEL STEC, CHAIRMAN OF THE BOARD
PAUL DUSEK, COUNTY ADMINISTRATOR
JOANN MCKINSTRY, ASSISTANT TO THE COUNTY ADMINISTRATOR
JOAN SADY, CLERK OF THE BOARD
SUPERVISOR THOMAS
JOHN WEBER, CAPITAL FINANCIAL GROUP, INC.
AMY CLUTE, SELF-INSURANCE ADMINISTRATOR
TODD LUNT, HUMAN RESOURCES DIRECTOR
JON ALEXANDER, *THE POST STAR*
CHARLENE DiRESTA, SR. LEGISLATIVE OFFICE SPECIALIST

BUDGET COMMITTEE MEMBERS PRESENT:

SUPERVISORS GERAGHTY
MERLINO

SUPPORT SERVICES COMMITTEE MEMBERS

ABSENT:

SUPERVISORS LOEB
MCCOY

BUDGET COMMITTEE MEMBERS ABSENT:

SUPERVISORS CHAMPAGNE
BENTLEY
KENNY
CONOVER
BELDEN

Mr. Taylor called the meeting of the Support Services Committee to order and Mr. Geraghty called the meeting of the Budget Committee to order at 10:02 a.m.

Motion was made by Mr. VanNess, seconded by Mr. Girard and carried unanimously to approve the minutes of the previous Support Services Committee meeting, subject to correction by the Clerk of the Board.

Copies of the agenda were distributed to the Committee members and a copy of same is on file with the minutes. John Weber, of Capital Financial Group, Inc., distributed handouts pertaining to 2012 health insurance rates to the Committee members and a copy of same is on file with the minutes.

Mr. Taylor noted that the first item on the agenda was to review the 2012 health insurance proposals. Paul Dusek, County Administrator, remarked that the information for discussion today had been prepared by Mr. Weber; Todd Lunt, Human Resources Director; and himself. Mr. Dusek reminded the Committee that for many years Warren County had offered health insurance to all employees and retirees through a number of insurance companies which were HMO's (Health Maintenance Organizations). He noted the employees were allowed to choose an HMO insurance plan from one of several insurance carriers, including: CDPHP (Capital District Physicians Health Plan); MVP (Mohawk Valley Physicians); NYSHIP (New York State Health Insurance Program); and BSNENY (Blue Shield of Northeastern New York). The rising cost of insurance, he continued, made it necessary for Warren County to make changes in the way they offered health insurance coverage. He apprised that changes were made in a way which allowed Warren County to continue to offer the

employees and retirees the same type of coverage at a lower cost by eliminating some of the carrier choices. Mr. Dusek added that this past year the County had streamlined the available coverage further by selecting one company, BSNENY, to provide coverage for all current employees. He explained that in preparation for the 2012 health insurance coverage, Mr. Weber had reviewed the rates of various carriers to determine the best rate for Warren County. Mr. Dusek noted that the retiree health insurance coverage (age 65 and up) was offered through three or four different carriers via Medicare Advantage (MA) Plans. He added that retirees age 55 to 65 were added to the current BSNENY policy.

Mr. Dusek advised that Mr. Weber's review of the 2012 rates had shown a renewal of the current BSNENY EPO (Exclusive Provider Organization) Plan would result in an increase of more than 13%. Additionally, he continued, a renewal of the CDPHP MA Plan would result in an increase of 14% which would increase the overall cost of health insurance for the County, since the remaining MA Plans had not increased. Mr. Dusek said that Mr. Weber had advised eliminating the CDPHP MA Plan to reduce the amount of increase. Mr. Dusek clarified that renewal with BSNENY EPO and elimination of CDPHP MA would result in an increase of 11.2% of the overall cost of health insurance coverage.

Mr. Dusek said he had asked Mr. Weber about options to reduce the percentage of increase and had been advised of a Minimum Premium Plan. Mr. Dusek explained that a Minimum Premium Plan would allow the County to purchase the same coverage for approximately \$500,000 less than simply renewing the current policy. One caveat to a Minimum Premium Plan, he continued, was that the carrier would require the County to pay for any additional claims above the amount limited by the policy and could result in a \$1 million liability.

Mr. Dusek clarified the difference between the options being presented, as follows:

- ▶ renewing the current EPO policy with BSNENY which would result in an increase of 11.2% to the overall cost of health insurance coverage and the carrier would assume the risk of claims exceeding expectations; or
- ▶ purchasing a Minimum Premium Plan through BSNENY which would result in an increase of 10% to the overall cost of health insurance coverage, a savings of approximately \$500,000, and the County would assume the risk of claims exceeding expectations up to \$1 million; or
- ▶ purchasing a Minimum Premium Plan through Empire Blue Cross which would result in an increase of approximately 9% to the overall cost of health insurance coverage, a savings of approximately \$500,000, and the County would assume the risk of claims exceeding expectations up to \$1.6 million.

Mr. Dusek advised the reason he felt the Minimum Premium Plan was a viable option for the County was because Mr. Weber reported 2011 had resulted in more claims than average for the County and he was anticipating a decrease in claims for 2012. Mr. Dusek stated that selecting the BSNENY Minimum Premium Plan would expose the County to a \$1 million risk and he recommended initiating a Reserve Fund with the \$500,000 that would be saved by the purchase to offset the majority of the risk. He added that if the claims did not exceed the limit, the County would have a Reserve Fund of \$500,000 plus the amount of money saved on the claims experience. He further added if the claims exceeded the limit, the County would only be exposed to a \$500,000 risk due to an available Reserve Fund of \$500,000. He noted if the BSNENY Minimum Premium Plan were selected and the claims did not exceed the limit, the County would be in a position to begin moderating insurance increases in 2013. He mentioned that Washington County had gone with a Minimum Premium Plan several years ago and had been able to moderate their insurance costs as a result. He advised if the

2012 claims exceeded the limit, it was not necessary to pay out the \$1 million in liability as the County could renew with BSNENY and the liability would be built into the new rates for 2013.

Mr. Taylor asked if the Minimum Premium Plan would expose the County to additional liability if the Federal Government reformed healthcare further, as they had by changing the age of dependents to 26. Mr. Weber replied in the negative and informed that the Federal Government was making changes which applied to small insurance groups. He added Experienced Rated Groups, like Warren County garnered rates which were less expensive than the Government. He explained the Federal Government was launching a health plan in 2014 which he anticipated to be expensive. He further explained that NYSHIP was a New York State operated plan and the cost of coverage was significantly higher than the rate paid by the County for BSNENY. Mr. Weber apprised that although NYSHIP was an inexpensive plan in areas such as New York City, the cost was approximately 40% higher for the northern portion of the State. He added the health plan which would be launched by the Federal Government in 2014 would also be beneficial to large cities and costly to rural areas.

Mr. Weber referred to the handout listing HMO rates effective January 1, 2012 and pointed out that selecting the BSNENY HMO would result in a 55.4% increase. He referred to the handout listing EPO Prospective rates effective January 1, 2012 and noted that the NYSHIP rates listed a 10% increase over 2011 rates which was a 45% increase over the current rates for BSNENY.

Mr. Weber advised when he began the process of reviewing the rates for 2012, there was an increase of 35% which he attributed to the fact that the County had eight large claimants in 2011 versus the average of four to five large claimants per year. Of the eight large claimants in 2011, he added, four would need to continue treatment in 2012. He further added the majority of the large claims for those people had already occurred and the continued treatment was more maintenance. He commented that simply renewing the current policy with BSNENY would result in a 15% health insurance rate increase; however, he added, by eliminating CDPHP MA Plan the increase to the County budget would be reduced to 11.2%. Since the County currently offered MA Plans from three carriers, Mr. Weber recommended eliminating the CDPHP MA Plan, as they were the only carrier whose MA rate would increase in 2012.

Mr. Weber stated that he recommended the BSNENY Minimum Premium Plan due to the County having a 3%, 4% and 4% increase in claims experience in the last three years, respectively. He said 2011 had seen a significant increase in claims experience; however, the County had averaged less than 5% increase over the last eight years.

Mr. Weber apprised renewing the current BSNENY EPO Plan would result in a total health insurance cost of \$10,162,860 for 2012. If the County selected the BSNENY Minimum Premium Plan for 2012, he continued, utilizing half of the "call back" which was slightly more than \$1 million, the total health insurance cost for 2012 would be \$10,057,473. He explained if BSNENY offered the County a significant rate increase at the end of the year and the County opted to switch carriers, the most they would be required to pay BSNENY would be \$1 million which was referred to as a "run out".

Under the BSNENY Minimum Premium Plan, Mr. Weber said, the County would pay a monthly administrative fee and pay the claims as they came in on a monthly basis. He explained that if the maximum amount of claims for the month was \$600,000 and there were \$400,000 in claims for the month, then the County would save \$200,000 for the month. He compared the Minimum Premium Plan to an administrative charges only plan or a self-insured plan. He apprised the maximum risk

to the County, if they decided not to renew a plan with BSNENY, would be \$500,000, as the remaining \$500,000 would be built into the 2012 County/employee health insurance rate and he added if the County renewed the policy with BSNENY, the \$1 million liability would be added to the premium for 2013.

Mr. Taylor asked the entity that would have control of the Reserve Fund and Mr. Weber replied the County. Mr. Weber clarified the County only paid BSNENY each month for the claims plus an administrative fee. Mr. Girard inquired if the Reserve Fund would be established using tax dollars and if it was necessary to establish the Reserve Fund in 2012. Mr. Dusek reminded the Committee of the County's need to develop an action plan as part of the State Comptrollers report and part of the action plan dealt with increasing the Fund Balance. He opined the current Fund Balance was too low and the County should take appropriate measures to increase it. He said he would not recommend utilizing the Fund Balance to offset the cost of health insurance. Mr. Dusek explained if the County chose the BSNENY Minimum Premium Plan without establishing a Reserve Fund, there would be a 4.4% increase in health insurance costs. If the County had a bad year of claims, he continued, and BSNENY offered a significant rate increase for 2013, the County would be required to pay \$1 million in order to change insurance carriers. Under the proposal, Mr. Dusek explained, the County and the employees would share in 50% of the cost of establishing the Reserve Fund. He added if the 2012 claims remained below the limit, the County and the employees would realize a savings on health insurance costs in 2013.

Mr. Merlino questioned the percentage of employee contribution towards the cost of health insurance and Mr. Lunt replied that employees contributed 4% for individual coverage and approximately 9% for family coverage. Mr. Merlino opined the employee contribution and co-pays were low and added that an additional \$5 co-pay would make a significant difference in the cost of health insurance coverage. Mr. Weber responded the maximum allowable co-pay was established during union negotiations. Mr. Merlino noted the in-patient co-pay was not part of the union contracts and Mr. Weber disagreed. Mr. Weber explained if the union contracts stated the in-patient co-pay must be \$200 or less and the health insurance plan required an in-patient co-pay of \$500, the difference would be reimbursed to the employee. He added that Warren County had initiated an HRA (Health Reimbursement Account) for this purpose and the use of an HRA required union approval. Mr. Dusek stated that the County was required to select a health insurance plan with the same benefits and co-pays as the current plan. He added the County could select the Minimum Premium Plan without union approval because the benefits and co-pays were the same. He pointed out that union negotiations for the upcoming contract would commence this fall.

Following a brief discussion, Mr. Dusek suggested the Committee enter into an executive session to discuss matters relating to union negotiations.

Motion was made by Mr. Geraghty, seconded by Mr. VanNess and carried unanimously that executive session be declared pursuant to Section 105 (e) of the Public Officers Law.

Executive session was declared from 10:58 a.m. to 11:19 a.m.

Committee reconvened.

Mr. Dusek stated that regardless of which option was selected, there would be an increase in the cost of health insurance of approximately \$1 million. Mr. Weber agreed and pointed out the increase

to the County budget for health insurance would be 10% with the BSNENY Minimum Premium Plan or 11.2% with the renewal of the current BSNENY EPO. Mr. VanNess asked for clarification purposes if the rationale behind selecting the Minimum Premium Plan was the expectation of a savings in the cost of health insurance for 2013, if the claims for 2012 remained under the limit. Mr. Dusek explained if the County renewed their current policy there would be an increase of 11.2% which amounted to approximately \$1 million. He added the Budget Committee had been anticipating a 7% increase in the cost of health insurance which amounted to approximately \$700,000. If the County selected the Minimum Premium Plan, Mr. Dusek continued, and chose not to set aside a Reserve Fund, there would be an increase of 4.4% which amounted to approximately \$400,000. He added if a Reserve Fund was not established and the claims for 2012 were above the limit, the County would be exposed to a \$1 million increase in the cost of health insurance for 2013. Mr. Weber noted the Reserve Fund would not be expended unless the County chose a carrier other than BSNENY for 2013. Mr. VanNess expressed he would not be in favor of selecting the Minimum Premium Plan unless the Reserve Fund was established.

Motion was made by Mr. Girard, seconded by Mr. VanNess and carried unanimously to approve the 2012 health insurance proposal for BSNENY Minimum Premium Plan including a 50% Reserve Fund (\$500,000) to be built into the County/employee rate and eliminating CDPHP Medicare Advantage Plan. *The necessary resolution was authorized for the October 21, 2011 Board meeting.*

Continuing the agenda review, Mr. Geraghty informed of a request from NYSAC (New York State Association of Counties) seeking a resolution and letter of support for Senate Bill S.5889-B which consisted of bi-partisan legislation designed to provide mandate relief for counties in the form of an eight-year State takeover of county Medicaid costs. He pointed out that a draft resolution and letter of support were forwarded by NYSAC and were included in the agenda packet. Mr. Geraghty mentioned the Bill had not been sponsored by the Assembly yet; however, he added, a number of Senators had indicated support of the Bill. Mr. Dusek pointed out there was no quorum present for the Budget Committee and suggested the issue be presented at the October 21, 2011 Board meeting.

Mr. Dusek said there was a referral for the Support Services Committee for the County Administrator and Capital Financial Group, Inc. to research the possibility of including the Towns on the County's health insurance plans in order to reduce costs. He informed of his attendance at seminars during the NYSAC Fall Conference where information had been provided relating to other counties joining with the towns for health insurance. He reported the towns had realized a savings but the cost of health insurance for the counties had increased. He added the process of including the towns on the county's health insurance plan had been difficult and lengthy. Mr. Weber agreed with Mr. Dusek and commented that the State required any group of under 50 employees to be in a Community Rated Pool although the law was not enforced. He advised if any legal action was taken the State would claim the action should not have been completed in the first place. Following a brief discussion, Mr. Taylor suggested the item be deleted from the referral list.

As there was no further business to come before the Support Services Committee, on motion made by Mr. Girard and seconded by Mr. VanNess, Mr. Taylor adjourned the meeting at 11:31 a.m.

Respectfully Submitted,
Charlene DiResta, Sr. Legislative Office Specialist