Amberley Village Council: - Compensation and Benefits Committee
Meeting Minutes
Jan 19, 2012

In Attendance: Scot Lahrmer, Ray Warren, Bill Doering, Tom Muething, Chief Rich Wallace, Kathy Harcourt, Lisa Murtha, Peg Conway, Robert Johnson (Center for Local Govt, Exec Dir), David Rinderle (USI Insurance), Fran Patterson (USI Insurance)

The purpose of this meeting was to learn about the health insurance plan the Village is engaged in. The meeting was recorded and is available on disc. The meeting covered several questions that had been submitted to Mr. Johnson and Mr. Rinderle prior to meeting and highlighted below.

35.12 PROCESS FOR ACQUIRING INSURANCE COVERAGE Until otherwise determined by the Village Council, the village will not, in seeking insurance coverage for the village, utilized the process of advertisement and receipt of bids, but will utilize insurance brokerage/risk management services to recommend to Council for its consideration the types, terms and cost of insurance coverage to be furnished to the village, as well as recommending the providers for such insurance coverage. (Ord. 2006-17, passed 11-13-06)

To CLG/Rinderle:

1) Do you work for the Village (or member jurisdictions) or do you work for the health plan (or insurer)?

Rinderle works for both as rep of USI and to help create the Benefits Coop for CLG. He will advise, provide options, and accurate information on options (including in or out of the pool). At first (3 years from 2006) was a fully insured coop (Anthem was provider) of ~29 members. Starting 2009 it became a self-insured coop (with UHC as provider). Mr. Johnson works for the CLG.

2) Was there a legal review done of the contract back in 2009?

Yes, Donalon, Donalon, and Miller

Is the "consortium" the Village joined a self-insurance pool or an insured buying pool?

Self-Insured Pool. Pool was started in Aug 2009. There were 12 original members, five were added, and 2 left (Fairfield and Symmes Townships wanted more generous benefits). The pool operates inside of a trust (Ohio Mid Eastern Regional Education Service or OME-RESA; ~10,000 members, mostly school districts and other municipal pools). Green Township is an individual pool member (wanted their own plan design not dictated by anyone).

3) Who is the regulator for this plan?

The State designated auditor oversees the plan (regulated under Ohio Revised Code 9.833). Audit is required each year. This covers the greater OME-RESA Pool Trust. Not clear if State Insurance Dept has oversight.

4) Did the regulator require reinsurance? How are catastrophic events handled?

Yes, there is reinsurance. For the first two years of the pool the individual limit was $75,000. In 2010 it was raised to $100,000 (RWarren: why the increase given the high usage of the plan?). OME-RESA covers $100,000 to 500,000 and SunLife covers greater amounts per catastrophic claims. The CLG Board of the pool decided on stop-loss insurance limit below $100,000.

There is no current aggregate limit [RWarren: why no aggregate limit?]. An aggregate limit is being introduced in 2012 (112% tripwire).

5) What vetting process was determined to:

a. Set initial insurance rates.

The Pool's Committee's members set the benefits/rates (or more accurately accruals).

b. Determine what communities were allowed in the pool and what communities were not.

Not all munis are automatically entered. Entrance criteria determined by OME-RESA.

c. Is each member group underwritten separately based on its own merits, or is the consortium underwritten as a whole?

Underwritten as a whole. It is a community rate (accrual).

d. Was an actuary involved in initial rate setting or annual renewal development? How often was this person or firm consulted? NOTE to AV: this is important as actuaries have professional standards to set rates that are reasonable given the data available and the assumptions made.

Yes. As with any new insurance, applications are completed by employees with their medical history. Based on the replies, a premium can be derived. However, it is not based on actual claim history, when the underwriter is new (has no access to claim history of another insurance carrier). [RWarren: Helps explain why rates declined the first year and why a new underwriter/health system was sought. There might have been increased claims/health care utilization requiring increased premiums prior to entering the self-insured pool.]

6) How many current municipalities are in the pool? How many individuals.

There are 15 communities in pool, representing 683 employees, and 1775 family members (incl. employees). [Question asked if this was a large enough pool. Answer, 'yes'. And this pool is part of OME-RESA, although stop-loss is high as set by CLG.] The stop loss insurance (>$100,000) is set by OME-RESA which is considerably less than open insurance market (in which case this pool would be small).

Is CLG and/or USI currently marketing the plan to new municipal members? If so, what growth do you anticipate for 8/1/12? If not, why not?

CLG is always looking for new members. While 2 communities have left the pool, there is no indication of other members leaving. Silverton is collecting information, however.

It appears that some communities may be withdrawing some of their employees from the Pool (seeking insurance outside with cost savings), reducing their exposure to the Pool for eventual withdrawal from the Pool. The CLG is determining how to fix this!

7) Of the 2 communities that are leaving (left) the pool, how many employees are involved? ***~110.***

8) What was the balance (positive or negative) in the Health Care Fund when Amberley was included in the plan? ***Zero.***

9) What is the current deficit in the pool? ***Aggregate to Dec. 2011 is ~$4.7 million (not including what Fairfield and Symmes owes). There is a monthly calculation.***

a. Who is funding the deficit?

The deficit is being carried by OME-RESA at no interest to member pools (so long as the muni stays in). OME-RESA is not worried about deficit (sees improvement over 5-6 year period).

b. What is the percent of the deficit in relation to total premiums (accruals) collected?

13.9% since 2009 (as of Dec 2011)

c. At what rate is this deficit growing or declining?

With new cost containment policies that went into effect Aug 2011, the deficit is declining. [RWarren: slowly. The end of Plan Year 1, the unfunded loss was ~1.8 million. The end of Plan Year 2 the unfunded loss was ~$1.1 million. From Aug 2011 to Dec 2011, there was a surplus of $0.1 million, for an accumulated loss of $2.8 million. See attached.]. Added to this loss is an underfunded Reserve Requirement. This brings the aggregate liability to ~$4.7 million.

The original deficit was related to high health care usage and no controls in place, i.e., HSA fully funded deductible [This is what communities wanted and AV wanted to continue to provide 'rich' benefits (Rinderle)].

d. How about past claims experience—do entities with poor claims experience "own" a greater share of the plan's deficit than entities with good experience?

No. This is a community pool of shared risk. Communities who have higher claims experience are a burden to healthier munis. This situation can change year to year.

10) As municipalities enter and leave the pool, is the liability apportioned each time an event occurs? *Yes.*

a. How often does this occur?

Estimated liability is determined on a monthly basis. Actual is determined when a community leaves or enters. Aggregate liability is a combination of profit-loss and reserve requirements (over-under)

b. How is liability apportioned?

Special formula that relates to membership.

c. What is the current liability of each jurisdiction? Specifically, what is the liability for AV?

Current estimated aggregate liability for AV is ~$237,000. [RWarren: for 32 AV employees, almost one year's premium]. Aggregate liability after second year for AV was ~$190,000 and increased to ~$245,000.

[Note R Warren: No report in Compensation and Benefits Minutes during the first two years of ANY liability!]

1. What is the ACTUAL liability that the Village will pay if it leaves now or at the end of its contract (Aug 2012).

Contract calls for 90 days notice for departure without penalty beyond aggregate liability.

2. What is the POTENTIAL MAXIMUM LIABILITY if the Village remains in the consortium? ***Indeterminate.***

3. If the Village leaves at the end of its contract, how will incurred but not reported (IBNR) claims be handled?

To be calculated.

d. When calculating liability for each entity how are the different plan options factored into the formula.

The more the generous the benefit (i.e., plan properties of Platinum vs. Gold vs. Silver, and 100% vs. 80/20 co-insuurance, and HAS/HRA contribution) the higher the share of the liability. There is a liability 'surcharge' placed on these more generous plans/premiums (i.e.,HSA contribution representing more than 60% of deductible). [RWarren: The CLG sets the 'floor'. If a muni wishes to have a less generous plan, i.e., lower HSA contribution, there is no corresponding premium adjustment. What employees contribute to the premium has no effect on the premium. Theoretically, if employer contributes nothing to HSA, premium for identical plan should be less, requiring less (or no) contribution to premium by employee. Or, one can go with an improved plan…]

e. What are the stop loss ranges for the plan? Is it apportioned to the member groups and if so, how (i.e., prior medical conditions)? ***See Question 4.***

f. What is the Claims experience/month since Aug 2009 and what has been the head count/month Total CLG vs. Amberley. What is the number of large claimants by year?

This is not available as AV (or any community) is part of pool (part of contract). OME-RESA holds this information and will not release information.

g. What has been the year by year loss ratio for the AV segment? (This is not HIPAA protected, as we are not asking for names).

This is not available as AV is part of pool.

11) Does the existence and size of a HSA account for each employee (funded be either the employer or employee) have any impact on the rates?

Yes. As noted in '10d' above. i.e., For 2011-12 plan year, surcharge to plans that funded > 60% of HSA accounts.

Does each member group receive the same rate increase at renewal, or are the increases calculated based on each group's own experience?

Yes. Increases are the same to all members of the pool.

12) What is the CLG doing to reduce the pool deficit?

In 2011, the following changes were introduced.

-Surcharge for more generous plans and HSAs above limits.
-Generic Rx requirements.
-Working spouse who has insurance not covered.
-United Health Care Wellness Program (voluntary participation with possible incentives)
-Advanced Radiology services consolidated with ProScan.

Smoking/Dieting: No mandates, surcharges considered

13) Can you provide the Annual Report? Does it contain a financial statement for the plan as a whole, listing premiums received by year, claims paid by year, reserves, etc.? What percentage of premiums is paid out in claims costs vs administrative costs vs. Reserves vs. Pooling Charges (usually associated with reinsurance)?

Yes.

14) What is age distribution and healthcare usage for AV relative to the rest of the municipal pool members?

Not available. We are in a pool.

15) How are premiums determined to ensure the lowest rate increase? Can CLG mandate policy provisions, i.e., maximum employer healthcare contributions?

The CLG Board determines policies for community members. Based on ¾ consensus of members. [RWarren: Limits AV flexibility to set policy provisions.]. See notes on Green Township question 2.

Do new groups receive different rates than existing groups (assuming the same demographics and plan designs)?

No. Rates are same for all member muni members.

16) Were there ever any guarantees made for premium increases or keeping rates constant? ***No!!***

17) What was basis for premium increases in 2010 and 2011? At first premium was down considerably (2009 was ~30% less vs. 2008), then increased considerably.

Based on actual claim experience. See answer to 5d above.

18) What is the Master Certificate between UHC and the CLG?

We do not have access to it.