

**GLOUCESTER COUNTY INSURANCE COMMISSION
OPEN MINUTES
MEETING – January 12, 2012
115 BUDD BLVD.
WOODBURY, NJ 2:30 PM**

Meeting called to order by Gerald White, Chairman. Open Public Meetings notice read into record.

ROLL CALL OF COMMISSION:

Gerald White, Chairman	Present
Dean Sizemore, Vice Chairman	Present
Tamarisk Jones	Present

FUND PROFESSIONALS PRESENT:

Executive Director	PERMA Risk Management Services Joseph Hrubash
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Claims Service	Inservco Insurance Services, Inc.
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Conner Strong & Buckelew

Underwriting Services Director/RMC	Hardenbergh Insurance Group
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Attorney	Guy Killen
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Treasurer	Gary Schwarz
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Safety Director	J.A. Montgomery Risk Control
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Auditor	Bowman & Company, LLP
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Benefits	Conner Strong & Buckelew Joe DiBella Tammy Brown Andrea Richards
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ALSO PRESENT:

Chad M. Bruner, Administrator's Office
Deborah McAnemy, GCSSSD/GCVTSD
Tony Fiola, Gloucester County Counsel
Paul Laracy, PERMA Risk Management Services
Mike Dicken, GCIT/GCSSSD
Ted Bamford, GCUA
Marjorie Workman, GCIT/GCSSSD
Cathy Dodd, PERMA Risk Management Services

Chairman White indicated this was a special meeting to discuss the status of the Commission's and Member Entity's Health Benefits. Ms. Brown distributed a packet from her office and Mr. DiBella reviewed his memorandum to the Commissioners dated January 11, 2012. Below is a summary of the meeting.

Minutes Summary

Mr. Joseph DiBella from Conner Strong Buckelew reviewed a 2012 report prepared by Conner Strong Buckelew Conner Strong Buckelew dated January 11, 2012. The report contained a review of the 2012 Commission budget. This initial budget was developed for all entities utilizing experience through June 2011 for the Medical and Prescription drugs. This initial budget reflected a 10.7% increase. However, CS& B recognizing the magnitude of the initial budget and the financial strain on the Commission, successfully reduced that budget by including more recent claims data in conjunction with reducing the fixed expenses and reduced member services.

The revised budget reflected a slight decrease in 2012 spend for the Commission in its totality of -1.8%. Mr. DiBella then focused in on the County spend specifically. The County cost, as it is 65% of the Commission, reflected similar results indicating a slight reduction in current spend. As favorable as this renewal action may appear to be, the costs are higher in spend when compared to the State Health Benefits plan. The State Plan's rating does not take into account any specific groups experience. In the case of the County, the State premiums are lower than the respective Commercial plans. Even when duplicating a state look alike plan, the state plans, continue to reflect significant savings. Should the most popular plan, Direct 10, be selected, the savings to move to the State plan would be \$1.123 million with a 5/1 transition date. Should the Aetna HMO be the exclusive plan, the savings as of 5/1 would be \$1.471 million. As a result, our firm has recommended the County seriously consider the State Health Benefits plan as the savings are significant.

Should the County decide to move to the State plan, there is a required 90 day lead time. As a result, the resolutions to formally transition to the State must be received in Trenton by 1/31 allowing for a 5/1 effective date.

The Next Steps are as follows:

- ✓ Revise resolution to allow Commission entities to seek alternative health insurance solutions
- ✓ The budget would need to be readjusted to reflect a roll back to the higher administrative expenses and fixed costs. As noted, the professionals agreed to reduce fees to close the gap

between the commercial plans and the state for calendar year 2012. With the move to the State plan, the costs will need to be readjusted by not to exceed the initial budget noted.

- ✓ Review and execution of the required resolutions
- ✓ Impact to the Gloucester County Vo-Tech and Special Services School District- development of RFP
- ✓ Implication of terminal liability
- ✓ Amended schedule of CS&B services
- ✓ CS&B will also review and prepare a dental benefit summary for the County's review.

At the conclusion of Mr. DiBella's report, the floor was opened for questions from the group.

Comments/Questions

Mr. Bruner opened this part of the discussion commending the Conner Strong Buckelew team for their "heroic" efforts over the past 2 weeks to analyze both costs and benefit design solutions for the County. He mentions CS&B performed their due diligence and has always maintained the position they would recommend what is best for the Commission and not their own interests in this process.

Additional comments confirmed the need for each entity to file separate resolutions for join the State plan. So the UA, DSS and Library will need to follow the same process. As it relates to the Union, the consensus was the Unions felt the plans were "equivalent". This triggered additional discussions as it relates to Chapter 78 and the implication of members contributing to the cost of health benefits.

The group spent some time discussing the implication of the County's decision for the two Commission school members. CS& B will begin the Request for Proposal engagement for the two Commission school members to ensure a solution/recommendation in place for the July 2012 through June 30 renewal cycle.

The open enrollment process for the SHBP is a manual one. All employees will need to complete a paper application accompanied by dependent verification documents.

Closing Comments

The Commissioners approved Resolution 1-12* which allows for member entities to individually seek health insurance outside of the Commission.

Guy Killen will develop a resolution for the approval by the Board of Chosen Freeholders on 1/18.

Mr. DiBella noted that this concluded the employee benefits report. He also noted he was attaching a truncated summary with all the financial comparisons.

MOTION TO APPROVE RESOLUTION 1-12 RECOGNIZING CHANGE IN CERTAIN EMPLOYEE HEALTH BENEFIT COVERAGES

Motion: Commissioner Sizemore
Second: Commissioner Jones
Roll Call Vote: Unanimous

MOTION TO ADJOURN:

Motion: Commissioner Sizemore
Second: Commissioner Jones
Roll Call Vote: Unanimous

MEETING ADJOURNED: 3:40 PM

Minutes prepared by: Cathy Dodd,
Assisting Secretary

Attachment 1

This document summarizes the 2012 projections for the County of Gloucester only, under both the current arrangement in addition to the State Health Benefits plan. The 2011 costs for the County only were \$24,734,069. Our final 2012 budget reflects a \$267,122 reduction off of the current rates resulting in a 2012 medical and prescription drug cost of \$24,466,947.

This budget reflects the inclusion of more recent claims experience, as our initial projections reflected experience through June 2011. Having the benefit of claims experience through November 2011 allowed for a more thorough projection for 2012. As it relates to the pharmacy spend, we re-negotiated the contract with Express Scripts to produce more favorable pricing terms reducing the projected claims spend for prescription drugs. We also reduced the fixed costs significantly as it related to our own compensation and other general administrative services such as web based enrollment, COBRA and retiree billing, member advocacy and other key services.

After normalizing the benefits to match Direct 10 and the State Pharmacy Plan, the County would save an estimated \$1,684,744 annually if they moved to the State Plan. As discussed, the State Plan requires a 90 day advance notice to enter and so the earliest date the County could enter would be May 1, 2012. So, the 8 month value of the savings to enter the State Plan is prorated to \$1,123,129.

We also did the analysis contemplating all employees would migrate to the State's Aetna \$10 HMO plan, which is a less costly option than Direct 10. In order to have an "apples to apples" comparison, we again equalized the County plan to duplicate the Aetna \$10 HMO plan and compared that to the State's equivalent HMO plan. On a 12 month basis, the savings would be \$2,207,030 and \$1,471,353 on an 8 month basis.

Regarding plan migration and what options employees may choose with the State Plan, there is no way to precisely know or predict what will happen. With Chapter 78 in place, employees may gravitate toward less costly plans going forward. As a result, you could average the two savings, or develop some other hybrid combination.

Simply put, the State Plan will likely be paying more in claims than collecting in premium, but that is how the plan is set up. If you can enjoy such savings, even for a short period, it would be responsible to do so.

We should note that the County's claim experience is not "unfavorable". Relatively speaking, in comparison to the demographics of the group and your plan of benefits, the costs are within expected ranges. The issue here is that since the State rates are not based on specific results and just happen to be lower than what you are paying now.

Next Steps

In order to enter, the County must pass the State's formatted resolution and provide 90 days advance notice. Entities may exit the State Plan with 60 days notice in order to re-enter the market, there are no current penalties or prohibitions to doing so.

In our estimation, the earliest the County could reasonably enter the State Plan would be May 1st. There shall be changes to the day-to-day operations of the benefit plan. The State requires a paper enrollment process and handles billing directly. Issues like COBRA and retiree billing also need to be evaluated. There are also considerations as it relates to bargaining unit signoff, terminal liability payment and member communication of the new State Plans.

Conclusion and Recommendation

The revised 2012 County budget now reflects a slight reduction below the 2011 budget. This is a positive result. However, the eight months savings to enter the State Plan cannot be overlooked. We believe that the County must consider the State Plan as its option for 2012 knowing full well that there is no way to predict or forecast their January 2013 rate change, along with its other unique features.