

# INSURANCE CONTROL COMMISSION

## TOWN OF SOUTH WINDSOR

Minutes

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July 6, 2017

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### Madden Room – South Windsor Town Hall

#### 1. Call Meeting to Order

The meeting was called to order at 8:35 a.m.

#### 2. Roll Call

Members Present: Morris Borea, Town Attorney, McGivney & Kluger  
Joseph Durette, Board of Education  
Matthew B. Galligan, Town Manager  
Carolyn Mirek, Town Council

Members Absent: Edward Havens, Town Council

Also Present: Chris Chemerka, Business Manager, Board of Education  
Bob Lindberg, Arthur J. Gallagher & Co.  
Patricia Perry, Director of Finance  
Vanessa Perry, Director of Human Resources  
Fiona Porto, CIRMA Representative

#### 3. Approval of Minutes (April 20, 2017)

Mayor Carolyn Mirek made a motion to approve the April 20, 2017 minutes. Mr. Joseph Durette seconded the motion; and they were approved, unanimously.

#### 4. Discussion Items

##### A. General Discussion – Liability, Automobile, and Property (LAP) and Workers' Compensation Claims

Fiona Porto reviewed the CIRMA Agenda as shown in attached **Exhibit A**.

Ms. Porto discussed the 2017-18 renewal. CIRMA had over 98% retention with the loss of five small members. All outside policies purchased on behalf of CIRMA's towns were renewed. Both the Town and Board of Education signed on to a new three-year LAP Agreement.

Ms. Porto reviewed the breakdown of additional coverage at no additional direct cost. Some towns were getting quotes for coverages to purchase on their own. The Member Equity Distribution for South Windsor for 2017-2018 is \$70,539. The additional coverage that CIRMA offers has a total estimated value of \$106,105 to \$126,105.

**ITEM:**

**4. A. (Continued)**

Ms. Porto reviewed the losses as of June 30, 2017. Not much has changed in LAP losses since they were last reviewed. 2015/2016 was a spike year while 2016/2017 showed numbers closer to the average. Workers' compensation claims amounts have dropped for 2016/2017 as well despite having about the same number of claims as previous years.

Ms. Porto explained that the Board of Education has more employees than the Town, and custodians are driving workers' compensation claims. Overall, South Windsor is performing better than its peers, which is good news.

Ms. Porto asked if there were any questions.

Town Attorney Morris Borea asked about the Volunteer Firefighters Accident coverage. Ms. Porto said that volunteer firefighters are not considered Town employees, so by statute, they only receive workers compensation for select duties. The accident coverage picks up anything that is not covered or above workers compensation. Town Attorney Borea asked if fault still needs to be proven. Ms. Porto said that is correct. Mayor Mirek said she liked the coverage. Ms. Porto said this policy was purchased in 2006 after a town brought it to CIRMA's attention that they were using volunteer firefighters. Many fire departments also purchase their own standalone policies.

Mr. Joseph Durette asked about the peer comparison. Ms. Porto said that the peer review that was just completed as a whole was not broken down by function. She can select certain class codes for comparison for the next meeting.

**B. General Discussion – Health Insurance Claims**

Mr. Robert Lindberg reviewed the Town and Board of Education Anthem Claim Activity – Medical, Rx, and Dental; Anthem Claim History; and Catastrophic Claims Summary from July 2016 through June 2017, as shown in attached **Exhibit B**.

Mr. Lindberg said that the health plan through May was running at 98.8% of expected claims. Developing large claims were discussed during the

**ITEM:**

**4. B. (Continued)**

April 2017 meeting, and there will be a few more. Ms. Chris Chemerka asked if that was a combined amount because she knows that the Board of Education is over. Mr. Lindberg said that is a combined number. He will be able to send individual pages for the Town and Board of Education later in the day.

Mr. Lindberg discussed the large claims. In Fiscal Year 2016, there were \$435,000 paid in excess losses, which are claims above the individual stop loss limit. Through May 2017, twenty (20) claimants have reached 50% of the individual stop loss. These claimants are also known as High Cost Claimants (HCC). There are eight individuals who have gone over the stop loss limit: seven are with the Board of Education, and one is with the Town. Currently, there are \$1.2 million in excess claims through May 2016.

Ms. Chemerka asked if \$1.2 million would be reimbursable. Mr. Lindberg said it should be reimbursable based on heavy activity in May 2017.

Mr. Lindberg said the total paid out between the Board of Education and Town on the 20 claimants was \$3.9 million of which \$1.2 million is the excess. This is an unusual year for claims, and yet the ratio is still under 100% in total.

Mr. Lindberg's concern is how many newer claims will continue in the new fiscal year as the stop loss resets on July 1. He is also doing additional research on the claims that are high for drug costs but low on medical costs to see if they are one-time scripts or reoccurring medications

Mr. Lindberg said that the baseline cost pressures are increasing in both the medical and prescription market. This is referred to as trend. Two years ago, medical trend was 6%, and drug trend was 9%. Now it is about 9-10% medical trend and 12-15% drug trend. This does not guarantee that the Town and Board of Education's plan will see those increases. There are also conflicting pressures on the prescription side because there are more generic prescriptions coming off patent protection.

Mr. Lindberg suggested looking into the underlying pricing model in depth for next year. It may be a good time to look at the marketplace, and then review pricing models and contractual terms with Anthem. Mayor Mirek mentioned that some programs have mail-order copay savings.

**ITEM:**

**4. B. (Continued)**

Mr. Lindberg mentioned that CT Prime approved a 5% increase in the billing rate. He said it is still below market average. Renewals with traditional carriers have ranged from flat to 40% increases. The marketplace is a very strange environment lately.

Mr. Lindberg discussed the Affordable Care Act. For now, the reporting requirements for 1095C forms for calendar year 2017 are still in place. The Cadillac Tax is still deferred to 2020. The PCORI minimal fee is paid once in July, and that is not going away.

Mr. Lindberg discussed the State partnership plan. Participation has picked up in Fairfield County. The 2.0 is a PPO program with a \$15 office copay and \$250 emergency room copay with rich benefit design. It mirrors the State employee benefits program but is a separate operation meant to be available to municipalities. Up until July 2017, there were 20 municipalities participating and most of them were small. Effective this fiscal year, there are other municipalities joining those 20 already in the plan. Mr. Lindberg does not believe the pricing model is sustainable where it currently sits. However, this will be a player in collective bargaining.

Mr. Lindberg also mentioned that he is unsure about the State Budget and its effects on enticing municipalities to its partnership plan. Town Manager Galligan said that New York had the Empire Plan where every municipality participated. Collective bargaining drove up costs, so municipalities were paying fines to leave the plan.

Town Attorney Borea said there has been talk about opening the State plan up for anybody, including small businesses. The thought is to get businesses in so they can afford to buy employees insurance in order to stay in business.

Mr. Lindberg discussed Net Claims from July 2013 to June 2017. The past few months have been more volatile, but the average expected costs have been flat. The overall management of the baseline continues to be good.

Mr. Lindberg moved on to Anthem Claim History. The information shows the large bump in May 2017 but shows those actual claims as a percent of the target is 98.8%.

**ITEM:**

**4. B. (Continued)**

Mr. Lindberg discussed the Catastrophic Claims Summary chart. Town Attorney Borea asked what it means when a member is inactive. Mr. Lindberg said that it could mean they are no longer employed, found coverage elsewhere, or passed away.

Ms. Chemerka asked if Mr. Lindberg could talk about the challenges from Anthem and reporting dollar amounts. Mr. Lindberg said that one challenge was reaching an appropriate agreement on nondisclosure with CT Prime. The timing and delivery of the detailed data needed for the claim manager and insurance underwriter has been problematic. Some of the initial information is slow to arrive, and other information has been inaccurate. CT Prime has drafted an initial letter to Anthem about the reporting errors. These errors have made it slower than it should be to get certain items paid and reimbursable.

Ms. Chemerka asked about report costs. Mr. Lindberg said that Anthem charges \$2,000 per report. There are rumors that the fee may change. He summed up by saying it has been problematic.

Ms. Chemerka asked if other carriers have had problems submitting information to CT Prime. Mr. Lindberg said that information flow has been great with Cigna and Connecticare. Cigna does charge administration fees for their reporting, but they are much smaller than Anthem's \$2,000 per report.

Town Manager Galligan said that Anthem is playing games, and they are not happy with this program because they are not making money and are losing control. CT Prime has raised many questions about insurance charges.

Town Manager Galligan said that through CT Prime, Ms. Vanessa Perry was able to reduce EAP costs from \$21 per person to \$12 per person. CT Prime is working to keep many types of costs down.

Ms. Chemerka said that the Board of Education only has the minimal EAP offered for free through their insurance program. She is interested in researching EAPs in order to lower claims and healthcare costs.

**ITEM:**

**4. B. (Continued)**

Ms. Perry has mentioned that she has asked for itemized reports from Anthem multiple times and has never received them. She said that with the new EAP, mental health claims get eight visits, and that could save money on claims. She discussed other aspects of the EAP. Ms. Chemerka said the Anthem report would be helpful in quantifying possible savings.

Ms. Chemerka asked Mr. Lindberg if he could help Anthem get the report. Mr. Lindberg said he will follow-up with Anthem.

Mr. Lindberg said that robust EAP programs could help offset claims. Town Attorney Borea said that the speed in handling mental health issues through the EAP would also help keep costs down and resolve issues faster.

**5. Schedule the next Meeting**

The next proposed meeting date is October 5, 2017.

**6. Adjournment**

At 9:30 a.m., Town Attorney Borea made a motion to adjourn the meeting. Mayor Mirek seconded the motion; and it was approved, unanimously.

Respectfully submitted,

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Ashley Booth  
Recording Secretary