

# INSURANCE CONTROL COMMISSION

## TOWN OF SOUTH WINDSOR

Minutes

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October 5, 2017

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### Madden Room – South Windsor Town Hall

#### 1. Call Meeting to Order

The meeting was called to order at 8:30 a.m.

#### 2. Roll Call

Members Present: Morris Borea, Town Attorney, McGivney & Kluger  
Matthew B. Galligan, Town Manager  
Carolyn Mirek, Town Council

Members Absent: Joseph Durette, Board of Education  
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 (July 6, 2017)

Town Manager Matthew Galligan made a motion to approve the July 6, 2017 minutes. Mayor Carolyn Mirek seconded the motion; and they were approved, unanimously.

#### 4. Discussion Items

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

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

Ms. Porto said there were a few items on the agenda that she mentioned during the July 6, 2017 meeting. CIRMA had renewed all policies for its members. There were two enhancements added this year to the Cyber Policy. The blanket policy already covers if employees are tricked into sending W-2 information.

**ITEM:**

**4. A. (Continued)**

Town Attorney Morris Borea asked about the limit for Social Engineering. Ms. Porto said it is a \$1 million limit. Town Attorney Borea asked for clarification on the employee verifying the identity of the fake email request. Ms. Porto confirmed that the employee has to attempt to confirm the identity or else there would not be coverage. Town Attorney Borea suggested putting a policy in place for employees so that the Town can retain coverage from CIRMA for these types of situations. Town Manager Galligan said that Information Technology has provided some training already, and an outside company sent fake emails to employees. Out of all employees, only one clicked a fake email link. He said it is rare for fake emails to get by the IT email spam filter.

Town Attorney Borea asked how many employees could transfer money. Ms. Patricia Perry said only three people in the Finance Department can transfer money, and there are ECH wire policies in the Finance Department. Town Attorney Borea and Mayor Mirek asked if those employees automatically verify the recipient. Ms. Patricia Perry confirmed that is correct.

Ms. Chris Chemerka said that the Board of Education financial staff also attended the fraud training mentioned by Town Manager Galligan. The auditors also question the Town and Board of Education about fraudulent activity and review procedures.

Mayor Mirek asked about working with the Police Department for heightened security that was discussed at the last Town Council meeting. Town Manager Galligan said that the Town's Police Department is working with other municipal police departments regarding cybercrime. Ms. Porto said that CIRMA takes into consideration what policies municipalities are putting into place. She asked if anyone has engaged the Law Enforcement Committee. Town Manager Galligan said he was not sure but he will contact the Chief of Police.

Ms. Porto said that if a member does have a breach, a report should be made right away. The carrier has a team in place that will respond right away and can walk the employees through what needs to be done.

Ms. Porto discussed the Employment Practices Liability Helpline. This was added in October 2016. It is one hour per month of free legal advice in regards to employment practice situations or policies and procedures.

**ITEM:**

**4. A. (Continued)**

Town Attorney Borea suggested that the Town call his firm first, and they can determine whether the EPL Helpline needs to be utilized.

Ms. Porto moved on to discussing the Workers' Compensation Loss Analysis. Not too much changed since the July 2017 meeting. 2016/2017 is closing out to be a very good year with regard to claim losses. Because the Board of Education has more employees, they have more claims.

Ms. Porto discussed LAP losses. 2015/2016 was a spike year. The Board of Education signed on to three more years of LAP coverage.

Ms. Porto discussed CIRMA's contract review services from an insurance standpoint. Since 2015, they reviewed some contracts for both the Town and Board of Education. The cost cannot be shown, but CIRMA is pleased that the Town and Board of Education are utilizing this service. Town Attorney Borea said their review of the Eli Terry and Philip R. Smith RFP was helpful. Ms. Chemerka said the review turnaround is very quick.

Ms. Porto asked if there were any other questions regarding CIRMA. Seeing none, Town Manager Galligan thanked her and CIRMA for the services they provide. Mayor Mirek praised CIRMA for thinking about the future and adding cyber security. Ms. Porto said that CIRMA is pleased to provide these services.

**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 from July 2014 to June 2018, as shown in attached **Exhibit B**.

Mr. Lindberg said the actual claims YTD are at 98.3% which is a little higher than they would expect to see at the beginning of the year. Six claims have already reached 50% of the individual stop loss limit trigger. All six of those individuals were not part of the large claim discussion at the end of the prior year. Two individuals have \$125,000 each through two months, and that could skew the near-term results.

**ITEM:**

**4. B. (Continued)**

Ms. Chemerka said that it looks like two individuals of the six who were part of the discussion may have been from last year. She asked for clarification at the end of the meeting.

Mr. Lindberg said that he is cautiously optimistic that some of the biggest claims from last year may not have the same impact this year.

Mr. Lindberg said there is a declining total in enrollment attributable to the food service employees coming off the Board's program last year, but there is a somewhat steady fall-off with a few employees per month. Some of that may come back with the Board's September hiring, but there are retirees leaving the program. Ms. Chemerka said the Board is finished hiring by September. There are an increasing number of participants on the HDHP for both the Town and Board.

Mr. Lindberg said that the end of Fiscal Year 2016/2017, there were 20 individual claimants who were at 50% of more of the individual stop loss limit of \$175,000. Eight of those claimants exceeded the ISL for a total of \$1.2 million of reimbursables. Those 20 claimants were generating well over 25% of the total claims with an amount of \$2.8 million. In this environment, that is not unusual, but it is not consistent with the Town and Board's prior history.

Mr. Lindberg said that he is concerned about Anthem's recent trend assumptions because they are significantly higher than they were in the prior cycle. Their baseline for medical only is 12.3%. Prescriptions are 18%. Those two blended numbers mean that there is a 14% increase in cost. This is Anthem saying that the marketplace is moving in this direction, not South Windsor specifically. Anthem's projected figures are about 6% higher than the claim values for the July 2017/2018 projection. There will be budget pressure for 2018/2019, and if this is the actual current movement, there will be pressure on claim numbers for 2017/2018. Arthur J. Gallagher is showing lower trend factors, and other carriers are showing lower trend factors, but Mr. Lindberg wanted the Committee to be aware of the issue. Mr. Lindberg discussed the Hartford Healthcare and Anthem dispute.

Town Attorney Borea asked when the Town would see a financial impact of an increase. Mr. Lindberg said the Town would see effects on impact on claims paid during 2017/2018.

**ITEM:**

**4. B. (Continued)**

Mr. Lindberg said there are requests in to the Anthem clinical team, so the reports should be in by the end of October.

Mr. Lindberg discussed the State Partnership 2.0 plan. They have picked up several new members this year, and they are making a marketing push. Most of the membership are self-funded Fairfield County groups. The SEBAC Agreement with the State translates to the changes in the plan design for the Partnership as well, and they reduced the rates for January. The challenge invites selection against the plan, and there are concerns about how viable the plan will be in the long run, and if the State will continue to subsidize it. Mr. Lindberg said it is not an attractive financial option for South Windsor.

Town Attorney Borea asked how the benefits compare to South Windsor's benefits. Mr. Lindberg said from his perspective, they are overly rich and not sustainable. From a member's perspective, they are attractive. It is a \$15 office copay PPO program. There are modest copays for prescriptions.

Mr. Lindberg said the State budget stalemate is creating issues for collective bargaining. There have been many mediations within the past two weeks without successful resolutions. There are many rollovers and one-year extensions. He believes this will continue, as the State Budget next year will not be better than this year.

Mr. Lindberg said Affordable Care Act is business as usual in the near term. Fallout is occurring mostly at the State exchange level. The Cadillac tax is currently remaining the same.

Ms. Chemerka asked if it is the right time of year to go out to bid. Mr. Lindberg said the request is put out either at the end of November or beginning of December. Vendors are given three to four weeks to respond. Information would be given back to the Town and Board of Education by January. This would give enough time to discuss information with unions.

Ms. Chemerka asked about Mr. Lindberg's experience with other health insurance carriers. Mr. Lindberg said they have limited experience with Connecticare. They have not had a lot of direct contact with United

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**ITEM:**

**4. B. (Continued)**

Healthcare recently, but the little contact they have had has been favorable. They have a great working relationship with both Aetna and Cigna. At this point, Cigna has more of a presence than Aetna in the municipal market.

Town Attorney Borea said that his firm goes out to bid every year for insurance. Ms. Chemerka said it is a huge undertaking to bid for health insurance because of the unions.

Town Manager Galligan said that another problem with Anthem is that he personally received notifications about medications not being covered.

Ms. Chemerka said that Anthem charges \$2,000 per stop loss report each month if they are requested. June numbers have not even been finalized yet. She still does not have a final number for the end of the year for the Board of Education. She is very dissatisfied with Anthem now.

Mr. Lindberg said that because the program is self-funded, if the Town and Board of Education went to market, the three key things are being able to match bargaining benefits, providing a reasonable provider match for doctors and prescriptions, and verifying what is in the contracts when the contracts expire.

Town Manager Galligan said if there is a bid, he will need to recuse himself as his son works for Aetna.

Ms. Vanessa Perry asked if CT Prime is with Cigna and Anthem. Mr. Lindberg said that is correct, and they do not use Aetna.

Mayor Mirek asked how much it costs to go out to bid. Mr. Lindberg said it is part of their contract. Town Manager Galligan said the only cost to the Town is advertising the bid, which could be about \$1,000.

*Town Manager Matthew Galligan made a motion to go out for RFP for the Town and Board of Education Health Insurance; Town Attorney Morris Borea seconded the motion; and it was approved unanimously.*

Town Manager Galligan discussed CT Prime. Everyone is moving up their stop loss by \$25,000 in order to build up the fund. It was an unusual year with many municipalities being hit with large claims.

**ITEM:**

**4. C. General Discussion – Public Act 17-165**

Mr. Lindberg opened up the discussion of Public Act 17-165 as attached in **Exhibit C**. The carriers are still figuring how out this Public Act will work. Historically, public employers and plan sponsors in Connecticut were prohibited from trying to subrogate third party liability claims involving awards for medical services. If you are involved in an automobile accident with another individual and they are at fault, and there is a settlement saying you will get \$100,000 for medical expenses. In the prior environment, if your health plan paid for those expenses, you would not be able to tap the settlement. This ruling allows the plan sponsor in the public sector to take settlement money to reimburse the insurance company. The private sector already has this in place.

Town Attorney Borea said he has a lot of experience with these situations. In 1996, Connecticut wanted to shift some of the risk to health insurance as opposed to car insurance and abolished subrogation. A Federal Act gives self-funded plans the power to get back what they paid in claims. There is an exemption for the regulation of insurance. West Hartford has been taking advantage of this as a self-funded plan. Mr. Lindberg said it was his understanding that municipalities were prohibited from doing that before now.

Ms. Chemerka asked who keeps track of this information. Town Attorney Borea says the State can key into the court system and send out lien letters, but he does not know the mechanics of the system.

Ms. Vanessa Perry says that doctor's offices should start asking if it is workers compensation or an accident injury. Town Attorney Borea says it is usually coded as an accident, and carriers will pick up the diagnosis code. Ms. Vanessa Perry said maybe there should be a policy in place where an employee needs to notify the employer of an accident claim on their insurance, otherwise it is insurance fraud. Town Manager Galligan agreed that there should be a policy for employees.

The Commission discussed possible ways of notification for accidents and settlements.

Ms. Chemerka suggested to Ms. Vanessa Perry that the Board and Town should have similar policies.

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### **5. Schedule the next Meeting**

The next proposed meeting date is January 11, 2018.

### **6. Adjournment**

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

Respectfully submitted,

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Ashley Booth  
Recording Secretary