

**SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND
OPEN MINUTES
OCTOBER 3, 2016
THE GREENVIEW INN AT EASTLYN GOLF COURSE
12:00 PM**

Meeting of Executive Committee called to order by Gene Mercoli Open Public Meetings notice read into record.

PLEDGE OF ALLEGIANCE

ROLL CALL OF 2016 EXECUTIVE COMMITTEE:

Gene Mercoli - Chairman	Cumberland County Technical Education Center	Present
Connie Mahon - Secretary	Township of Middle	Absent
Cherie Bratty	Upper Deerfield Board of Education	Absent
Pasquale Yacovelli	Buena Regional Board of Education	Present
Bruce Harbinson	Cumberland Regional Board of Education	Present
Nicole Albanese	Bridgeton Board of Education	Present
Bryce Kell	Millville Board of Education	Present

PRESENT FUND PROFESSIONALS:

FUND ADMINISTRATOR:

PERMA Risk Management

Paul Laracy
Emily Koval
Karen Kamprath
Jeanne Frank

FUND ATTORNEY:

Ken Harris

FUND COORDINATOR:

Allen Associates

Rich Allen
Gerald Cowen
Dina Murray
Robert Allen
Abbie Geletka
Rick Alessandrini

DEPUTY TREASURER

Verrill & Verrill

Lorraine Verrill

ALSO PRESENT

Lisa Didio, AmeriHealth
Mark Mallett, Dennis Township

Chuck Grande, Integrity Consulting
Kim Krauss, Township of Middle
Peter Barnes, MMA
Jerry Velazquez, CCIA
Joseph Hiles, Borough of Woodstown
Susan D'Ottavio, Millville Public Library
Christina Murphy, CCCS
Tom Byrne, J. Byrne Agency
Dr. Alfred Savio, West Cap May Elementary
Peggy Dennison, Aetna

Chair Mercoli opened the meeting and said it will be temporarily suspended for lunch.

MOTION TO RECONVENE THE MEETING:

Moved:	Commissioner Kell
Second:	Commissioner Yacovelli
Vote:	Unanimous

APPROVAL OF MINUTES: August 22, 2016 Open

MOTION TO APPROVE OPEN MINUTES OF AUGUST 22, 2016:

Moved:	Commissioner Kell
Second:	Commissioner Albanese
Vote:	4 Ayes, 0 Nays, 1 Abstain (Commissioner Albanese)

CORRESPONDENCE – None

EXECUTIVE DIRECTOR'S REPORT

Executive Director introduced Christina Murphy from Cumberland County Charter School Network, Gerald Velazquez from Cumberland County Improvement Authority and Mark Miller from Dennis Township.

PRO FORMA REPORTS

- **Fast Track Financial Reports – Coastal and SNJHIF as of July 31, 2016**
 - **Historical Income Statement**
 - **Consolidated Balance Sheet**
 - **Indices and Ratios Report**

Executive Director said the surplus is strong at over \$6 million. He said the statutory profit shows a loss of \$115,000 primarily due to high AmeriHealth claims. He said the SNJHIF Fast Track shows a surplus of \$9.2 million, of which Coastal owns \$2.5 million.

Executive Director reviewed the proposed budget items included in the agenda:

INTRODUCTION OF 2017 BUDGET - The Southern Coastal Regional Employee Benefits Fund 2017 budget materials were included in the Agenda. The Finance Committee met last week to review the budget and are recommending introduction as presented. Minutes from this meeting were included in Appendix I. After review and pending no changes, a resolution to introduce and approve release of closed year funds was included in the consent agenda. Budget adoption has been moved to November 3, 2016

Following is the proposed 2017 budget reflecting an overall increase of 9.87% prior to application of a dividend and 7.65% net of the dividend.

CLAIMS FUND - Medical claims are increasing by 13.64%. Aetna claims are estimated to rise by 3.42%.

AmeriHealth claims are rising by 43.86% or 41.41% net of the adjustment for transparency pricing. The AmeriHealth budget had been subsidized in prior years due to uncertainty over whether performance was inherent or associated with adverse risk. After a thorough review, we feel that the higher claims are resulting mostly from adverse risk. We will continue to monitor this very closely.

To offset the AmeriHealth increase partially, it is proposed that their contract move to a transparency approach for network pricing, resulting in potential savings of \$409,907 but the elimination of discount guaranties.

Rx cost are rising but are proposed to be offset by application of formulary rebates resulting from improved contract terms.

LOSS FUND CONTINGENCY - Funding for this Loss Fund Contingency is not included because of the overall size of the increase and because the Fund has surplus to draw upon if needed. The budget reflects the application of a dividend offset of \$1,162,004. This dividend is derived from Fund Years 2014 and earlier. Members that were not in the Fund during those years do not receive an offset against their assessments.

Executive Director said up to 2.5% of the budget from closed years can be applied.

REINSURANCE AND INSURED PROGRAMS - The reinsurance line is decreasing by 6.06%. This is the result of good loss experience for Coastal at the MRHIF layer and an overall reduction in the MRHIF budget of 4.24%. This pricing is predicated on the Fund's specific retention rising from \$300,000 to \$325,000.

The Medicare Advantage renewal is being raised by 8.28% following a reduction last year of 17.88%.

CONTRACTS AND EXPENSES - Fees for most professionals and contractors are proposed to rise in accordance with RFQ responses.

The Aetna fee is rising by more than 2% because Aetna is assuming responsibility for Level 1 claim appeals in accordance with our bylaws.

AmeriHealth fees are rising by \$4.00 per employee per month as part of the transition to the transparency network pricing model. (This fee is still being negotiated with AmeriHealth).

“Affordable Care Act” taxes are lower in accordance with the schedule adopted by the federal government. The Transitional Reinsurance Fee is now phased out but the Comparative Effectiveness Fee remains.

A decrease in the wellness line item is included to help offset the overall increase.

Executive Director said the increase for the Fund Coordinator and Brokerage increase based on negotiations from last year.

ASSESSMENTS - Proposed rate increases by line of coverage are:

- Medical +10.1%
- Medicare Advantage +8%
- Rx +12%
- Dental +10%

No differential between Aetna and AmeriHealth is currently proposed. However, this option may be necessary in future years.

Assessments are lower for members that received dividend offsets.

Executive Director said the overall increase is 7.65% which reflects the credit that is being applied from the dividend. The lowest increases are for the entities renewing on 7/1. Chair Mercoli said the Finance Committee met to review the budget and are recommending the dividend. He said the SNJHIF would issue checks, but due to the high increases they are recommending the surplus be used to decrease the increase. Fund Coordinator said members who joined in 2015 will receive their portion of the 2.5 million coming in from the SNJHIF. Chair Mercoli said the Committee agreed this is probably a 1 year spike due to high utilization with AmeriHealth. He said he does not feel this will continue. Executive Director said this situation will continue to be monitored. Fund Coordinator said

the AmeriHealth claims were repriced as Aetna claims and there was about a 3% price difference. He said the claims seem to be running at the same level across the board in every county, so this appears to be an anomaly of sicker population with high claims. . He said it is not the HIF culture to give AmeriHealth only members with a higher increase. Fund Coordinator said the transparency model is not going to affect claims or plan design it is an internal mechanism that will hopefully provide savings.

MOTION TO APPROVE RESOLUTION 22-16 INTRODUCING THE 2017 PROPOSED BUDGET AND AUTHORIZING THE CLOSED YEARS FUND RELEASE:

Moved: Commissioner Kell
Second: Commissioner Yacovelli
Vote: 5 Ayes, 0 Nays

The Committee agreed to change the budget adoption meeting to Thursday November 3, 2016. In response to Fund Coordinator, Ms. Koval said draft rates can be provided for open enrollment.

MRHIF MEETING - The MRHIF met on September 14th to introduce its 2017 budget. The overall budget is decreasing by 4.24%. The Coastal Fund will be receiving a 6.06% decrease, which is reflected in this budget introduction. In addition, the Rx-only aggregate coverage is being taken over by the existing reinsurance company and will no longer be covered through a third party stop loss company.

The Committee also released an RFQ to retain a contract with a pharmacy benefit consultant to audit the ESI contract and to develop other strategic cost savings options. That appointment will be made at the MRHIF reorg meeting. A report was included.

FUND COORDINATOR'S REPORT

PROSPECTS - Fund Coordinator said the Township of Pittsgrove was approved for 12/1. Ms. Koval said she will include a resolution in the next agenda.

COMMITTEE MEETINGS - Fund Coordinator said he would like to have a Wellness Committee meeting due to the budget change to make sure the funding is available for the groups that have requested grants. In response to Chair Mercoli, Executive Director said the funds come out of the existing budget once the grant is approved.

MEETING SCHEDULE - Fund Coordinator said the next meeting will be held November 3, 2016. He said unless an additional meeting is necessary the reorg meeting will be held on January 23, 2017.

TREASURER - Fund Treasurer reviewed the bills list and treasurers report.

Resolution 23-16- September 2016 Bills List

FUND YEAR	AMOUNT
2016	\$546,625.92

TOTAL

\$546,625.92

MOTION TO APPROVE RESOLUTION 23-16 FOR THE APPROVAL OF THE SEPTEMBER BILLS LIST AND TREASURERS REPORT:

Moved: Commissioner Yacovelli
Second: Commissioner Albanese
Vote: 5 Ayes, 0 Nays

FUND ATTORNEY- Fund Attorney said there are new regulations regarding child support and medical support orders. He said if a National Medical Support Notice is received there is a mandatory obligation to enforce the order. If an employee is not currently enrolled in a medical plan they must be enrolled in the least expensive plan that offers dependent coverage. Fund Attorney also advised there will be a .23 cent gas tax increase. He said this will affect the NJ estate tax by moving the exemption up to \$2 million in 2017 and totally eliminating it in 2018.

AMERIHEALTH ADMINISTRATORS - Ms. Didio thanked the Fund for allowing them to look further into the claims to see what was driving the increase. She reviewed the claims report and said the goal is to move the AmeriHealth NJ members to AmeriHealth Administrators. She said there were 4 high level claimants for AHA for this reporting period.

AETNA- Ms. Dennison reviewed the July claims and said there were 6 high level claims. She said the Q2 performance metrics will be available for the next meeting.

OLD BUSINESS: None

NEW BUSINESS: None

PUBLIC COMMENT: In response to Commissioner Savio, Executive Director said the average increase for the State Health Benefits Plan is 8.4%. In response to Commissioner Savio, Executive Director said, as part of the way AmeriHealth will be handling discounts they will receive \$4 more per member per month for administrative fees. He said the reduction in the budget is in tandem with the increased administrative fee. He said this will benefit the Fund by about \$325,000. In response to Commissioner Savio, Fund Coordinator said the contracted amount for the Fund Coordinator and Broker for groups joining in 2015 and beyond is 2% on each side. Members prior to 2015 have a different arrangement. Chair Mercoli said if you look at each group individually, the increase is 2%.

Commissioner Velazquez thanked the Fund for a smooth transition.

In response to Commissioner Savio, Chair Mercoli said they are discussing the option of adding alternate members to the executive committee.

MOTION TO ADJOURN:

MOTION:
SECOND:
VOTE:

Commissioner Yacovelli
Commissioner Albanese
Unanimous

MEETING ADJOURNED: 1:30 pm

NEXT MEETING: November 3, 2016
Eastlyn Golf Course
12:00pm

Emily Koval, Assisting Secretary
Date Prepared: October 21, 2016