

Amended Minutes
Self-Insurance Joint Committee
June 29, 2010
4:30 PM
Town Hall Council Chambers

In attendance:

Nancy Nickerson, Chair

Kathleen Eagen, Town Manager

John Vibert, Town Council Member

Kathleen Greider, Super. of Schools

Mary Grace Reed, Chair, BOE (In lieu of Ron Jeneko)

Betsy Kaplan, Board of Education Member

Joe Swetcky, Finance Director

Mike Ryan, Business Manager

Mary-Grace Reed, Chairman Board of Education

- 1) Call to Order.

Nancy Nickerson opened the meeting at 4:32 PM.

- 2) Public Comment.

Mike Clark, Chairman of the Town Council spoke to the Committee. He informed the Committee that he felt that the overall purpose of the Committee was to review the best practices on municipal self -insurance. He would like the Committee to review how other communities handle their self-insurance, specifically communities that Farmington typically uses as a benchmark. Some thoughts were whether Farmington should continue to be self-insured or change to a fully insured or premium based program. He also mentioned that he read in the newspaper that Glastonbury recently changed to a self-insured community and he would like the Committee to see how Glastonbury handles their self-insurance fund. He anticipates that this will be a short-term Committee and that the members from the Town side and the Board side will report back to their respective bodies with any recommendations or changes if any are needed.

Mary Grace Reed, Chairman of the Board of Education said that she is hopeful that this Committee will be able to produce something that will help the community better understand the Town's Self-Insurance Fund. This would be especially helpful to both the Town and the Board of Education during the budget season. She also stated that the Board of Education and the Town have a long history of working together and is confident that it will continue with this Committee. **Mary Grace Reed indicated that the Committee was a joint initiative based on the work of the Town Council and the Board of Education and agreed upon in 2009 by Jeff Hogan, Mike Clark and Mary Grace Reed to move forward with this Committee.**

Mrs. Nickerson, Chair of the Committee thanked all the members for participating in this Committee. She concurred with Chairman Clark and stated that she thought this would be a short-term Committee and the

Committee members would report back to their respective bodies with any recommendations or changes if any are needed.

- 3) Rules of Procedure.
The Committee approved the attached "Rules of Procedure" with the following changes: There will be four voting members; three members are needed to have a quorum; and three affirmative votes are needed for any action to be official.
- 4) General Information on Town of Farmington's Self-Insurance Fund.
Joe Swetcky, Finance Director
Mike Ryan, Business Manager

Joe Swetcky gave an overview of the operation of the Town's Self-Insurance Fund. He explained the following:

The Medical Self-Insurance Fund is a separate fund of the Town. It is suppose to be a self-sustaining fund that is used to provide payment of medical claims for Town and Board of Education employees. The Town's independent auditors audit the fund annually and its financial statements are included in the Town-wide financial report each year. In addition, a report is prepared at the end of each month by the Finance Department staff that shows the Fund's performance for the just concluded month as well as year to date.

Mr. Swetcky also provided a brief history of Medical Self-Insurance Funds in the public sector. He indicated that municipalities started to switch from paying premiums to insurance companies to self-funding for medical claims in the early 1980's as a way of reducing costs. By self-funding health insurance programs an organization gains flexibility in claims administration as well as saves money because they do not have to pay the state premium tax.

In regards to the Town's involvement in the Medical Self-Insurance Fund, he noted that the Town currently employs Anthem Blue Cross to be the Fund's third party administrator (TPA) for Town employee claims. The Town's bargaining unit agreements health insurance benefit structure closely resembles the Anthem Century Preferred Point of Service Plan program with some differences in cost shares. The Town also uses the Medical Self-Insurance Fund to pay for retiree health benefits, including the premium for the Over 65 Medicare supplement program.

Mr. Swetcky also noted that the Town's group was small with only 219 contracts and 535 lives. The small size of the group could be a problem in preparing claims projections because the claims risk is not spread out. However, the Town's group is also very mature which helps to stabilize claim volatility. As a safeguard against the claims risk the Town also purchases individual and aggregate stop-loss insurance. The individual stop-loss insurance has a \$100,000 attachment point. The aggregate stop-loss insurance covers all Town claims if the expected claims level exceeds 120%. The Town has reached the \$100,000 attachment point on the individual coverage several times in the past few years, including three times in the 2009/2010 Plan year.

The Town follows a three-prong approach to determine funding levels each year. Anthem Blue Cross; the Segal Co., the Town's Insurance consultant; and Town finance staff independently prepare expected claims projections for the next Plan year. The

three projections are then compared and differences are analyzed. As a rule, the projections prepared by Anthem and the Town usually are fairly close. Once an expected claims number is set, the ancillary fees for operating the fund are added on to the claims funding requirement. At this point contributions from non-Town sources are determined and subtracted from the required funding amount. The difference is the amount that is requested in the Town Manager's proposed budget for the upcoming year.

Mike Ryan, Business Manager gave a brief overview of the operations of the Board of Education portion of the Self-Insurance Fund. Mr. Ryan indicated that the Board's operation was very similar to the Town. However, the Board's claims administrator is CIGNA Health Plan. He noted that another difference was that their individual stop loss attachment point was \$135,000 and their aggregate stop loss attachment point was 125% of expected claims. Mr. Ryan also indicated that the funding determination methodology used by the school's staff was similar to the Town's.

- 5) Best Practices Municipal Self-Insurance Funds.
Joe Swetcky, Finance Director
Mike Ryan, Business Manager

Mr. Swetcky stated that he has started to review other Town's Self-Insurance Funds and most of the Town's he reviewed handle self-insurance funding in the same manner that Farmington does. He noted that having different claims administrators and insurance consultants between the Board of Education and the Town is somewhat unusually. He stated that he spoke to two insurance consulting firms that handle a significant portion of the municipal health insurance market and they confirmed that most Towns and Boards of Education that they consult with use a methodology similar to what Farmington uses to determine contribution levels.

Mike Ryan stated that he will review other Board of Education Self-Insurance procedures and will report back to the Committee at the next meeting.

The Committee asked Mr. Swetcky and Mr. Ryan to continue to review the practices that other Towns and Boards of Education use for operating their self-insurance funds and to report back what they have learned at the next meeting.

- 6) To Approve a Committee Meeting Schedule. (please bring your calendars)

The next meeting is scheduled for July 19, 2010 at 4:00 PM. The meeting room is to be determined.

- 7) Other Business.
There was no other business.

- 8) Adjournment.
The meeting was adjourned at 5:58 PM.

Respectfully submitted,
Kathleen Eagen
Town Manager

cc: Paula Ray, Town Clerk