

**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND
OPEN MEETING: SEPTEMBER 27, 2016
FRANKLIN LAKES, NEW JERSEY
12:00 P.M.**

Meeting called to order by Chair Van Winkle. The Open Public Meeting Notice was read into the record.

ROLL CALL OF 2016 EXECUTIVE COMMITTEE:

Chairperson		
Peter Van Winkle	Borough of Rutherford	Present
Secretary		
Victor Baginski	Borough of Wallington	Present
Executive Committee	Members	
Hugo Poli	Village of Ridgfield Park	Absent
Richard Kunze	Borough of Oakland	Present
Gregory Hart	Borough of Franklin Lakes	Present
Donna Gambutti	Twp of S. Hackensack	Present
Michael Mariniello	Borough of Saddle River	Absent
Alternates		
Joseph Catenaro	Township of Fairfield	Absent
Gregory Franz	Borough of Edgewater	Present

APPOINTED OFFICIALS PRESENT:

Executive Director/ Administrator	PERMA Risk Management Services	Paul Laracy Emily Koval Karen Kamprath
Attorney	Huntington Bailey, LLP	Russ Huntington
Treasurer	Joseph Iannaconi	Joseph Iannaconi
Third Party Administrator	Aetna	Kim Ward
Dental Claims Administrator	Delta Dental of NJ, Inc.	Kim White
Auditor	Lerch, Vinci & Higgins	
Actuary	John Vataha	
Independent Consultant	LaMendola Associates	
Benefits Consultant	Conner Strong	Jozsef Pfeiffer
RX Administrator	Express Scripts	Jeffrey Basile

OTHERS PRESENT:

Susan Hodgins, Saddle River
Matthew McArow, RMC
Dave Vozza, RMC

Frank Covelli, RMC
Tom Ucko, RM

CORRESPONDENCE - None

Mr. Covelli introduced Susan Hodgins and said she will be placing Commissioner Mariniello on the executive committee.

MOTION TO REPLACE MICHAEL MARINIELLO WITH SUSAN HODGINS PENDING A COPY OF THE RESOLUTUION FROM SADDLE RIVER:

MOTION: Commissioner Kunze
SECOND: Commissioner Baginski
ROLL CALL VOTE: 6 Ayes, 0 Nays

APPROVAL OF MINUTES: August 16, 2016

MOTION TO APPROVE THE PRESENTED OPEN MINUTES OF AUGUST 16, 2016 AND CLOSED MINUTES OF JUNE 23, 2016

MOTION: Commissioner Gambutti
SECOND: Commissioner Kunze
ROLL CALL VOTE: 5 Ayes, 0 Nays, 1 Abstain (Commissioner Hart)

EXECUTIVE DIRECTORS REPORT

FINANCES

PRO FORMA REPORTS

- **Fast Track Financial Reports - as of July 31, 2016**
 - **Historical Income Statement**
 - **Cash Flow Tracking Reports**

Executive Director said the Financial Fast Track shows the Fund made \$197,000 in July and continues to perform very well financially.

DIVIDEND RECOMMENDATION - Executive Director said the Committee held a meeting in August and recommended a dividend in the amount of \$750,000. Each member has been given the option to receive their share in the form of a check, credit to their 2017 assessment or a reduction to their 2017 rates. A resolution to approve the dividend was included in the agenda.

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

INTRODUCTION OF THE 2017 BUDGET - Following is the proposed 2017 budget reflecting an overall increase of 2.81%.

CLAIMS FUND - Medical claims are increasing 3%, while prescription and dental claims are staying flat.

This low increase is reflecting the success of the effort made in 2015 to reduce out of network claims. In network claims now represent 81.5% of all medical claims.

The Rx claim line came in flat partially due to the new ESI contract that has been in place for over a year. An audit of this contract has been performed and may result in rebates to the local Funds.

We are also working on the possibility of converting Medicare retirees from the "Retiree Drug Subsidy" program to the federal government's "Employer Group Waiver" program. This program has the possibility of producing higher subsidies from the federal government and reducing Fund expense. The study is not complete, so rate reductions are not reflected in this budget but may be provided at the time of the program's inception.

REINSURANCE AND INSURED PROGRAMS - The Reinsurance renewal has not yet been finalized, but a 15.29% reduction is included based upon the introduced MRHIF budget. BMED's 2016 retention is \$225,000 and would rise to \$250,000 under this proposal. BMED has an excellent reinsurance loss ratio which is a primary cause of the reduction. Overall, the MRHIF budget is dropping by 4.24%.

Medicare Advantage rates are expected to rise by 5%.

RATE STABILIZATION RESERVE AND DIVIDENDS - The treatment of this line item is being coordinated with the dividend action. Members are being given the option of applying portions of the dividend to rate stabilization. This credit benefits members with surplus from prior years, but not our new members that have yet to accumulate surplus balances. We anticipate that member elections will be received on time for incorporation into the adopted budget.

CONTRACTS AND EXPENSES - Expenses for most professionals are projected to increase by 2%. Aetna has requested a slightly higher increase because their contract is proposed to include Level 1 claim appeals handling.

The Transitional Reinsurance Program Affordable Care Act tax is no longer applicable, but the Fund needs to continue to budget for the Comparative Effectiveness fee.

Although the financial details of the Wellness program have not been finalized, the budget includes \$75,000 for the pilot program. If we proceed with a wellness program, it is proposed that BMED and other Funds split the cost of a full time wellness coordinator. Each of three Funds (CJ, SNJ, and BMED) would pay \$25,000 each for a wellness coordinator assigned solely to these HIFs.

Executive Director distributed a new budget which reflected an amended RMC fee that was adjusted down to 2% from what was originally distributed in the Agenda.

ASSESSMENTS - Assessments are prepared using Fund policy developed over the last several years with average increases as follows:

- The medical increase is 4.6%
- The Medicare Advantage rate increase is 5%
- Rx rates are unchanged
- Dental rates are unchanged

In the past, the BMED only made loss ratio adjustment of up to +2.5%. Implementation of adjustments up to -2.5% is also recommended to incentivize members with excellent loss ratios to remain in the BMED.

For future years, we can consider also adjusting assessments slightly to reflect entity use of Rx cost control measures and participation in wellness programs.

Executive Director said since the agenda, it was suggested that Franklin Lakes receive a 2% cap on their loss ratio adjustment due to their implementation of low cost plans. He said this would also affect South Hackensack who would remain at a 2.5% cap because there has not been a major change in plan design. Fund Attorney said if this could be made a policy that any entity could strive to obtain. Executive Director said this can be presented as an amendment to the risk management plan. Commissioner Kunze said he likes the idea of having objective criteria for assessment reductions. Executive Director said there is no need for a separate vote on this item it can be approve in the consent agenda. Commissioner Hart said the claims analysis that Aetna provided insight to understating any issues. He said Franklin Lakes is implementing a shared savings program that will incentivize employees to move to low cost plans. Chair Van Winkle said Rutherford received the first credit for moving members to lower cost plans. He said this can benefit the Fund as a whole.

ADMINISTRATION

MRHIF MEETING - The MRHIF met on September 14th to introduce its 2017 budget. The overall budget is decreasing by 4.24%. The BMED will be receiving a significant decrease due to positive loss experience over the past 5 years, 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 MRHIF 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.

Executive Director thanked Chair Van Winkled for his involvement with the MRHIF. He also thanked Mr. Voza for his work with Munich.

INDEMNITY AND TRUST AGREEMENTS - A few months ago, PERMA sent Indemnity and Trust Agreements and Resolutions to be adopted by the governing body to renew membership with the Fund for an additional 3 years. Below is a list of members who have renewing agreements due by December 31, 2016 and older. Please reach out to PERMA (karenk@permainc.com) for a blank form to be executed. The list was last updated on September 7, 2016. Executive Director requested assistance from Mr. Covelli for these documents.

MEMBER	I&T EXPIRED
Borough of Lodi	12/31/2012
Borough of Wood-Ridge	12/31/2012
Township of Rochelle Park	1/1/2015
Borough of Wallington	12/31/2016

BMED/Gateway Health Insurance Fund

Benefits Consultant Report

September 27, 2016

bmedenrollmets@permainc.com

Fax: 856-685-2249

ADMINISTRATIVE UPDATES

ONLINE ENROLLMENT SYSTEM TRAINING - The Executive Committee voted and approved mandatory use of the online enrollment system by each member group. If you need training or would like a refresher course on the online enrollment system, please reach out to Karen Kidd at kkidd@permainc.com of PERMA.

MONTHLY BILLING

As a reminder, please be sure to check your monthly invoice for accuracy. If you find a discrepancy, please report it to the BMED enrollment team.

The Fund's policy is to limit retro corrections, *including terminations*, to 60 days.

ID CARDS

As a reminder, during the Q1 of this year PERMA no longer has direct carrier system access to order ID cards for members. As we prepare for Open Enrollment, we wanted you to be aware of the following carrier contact numbers members can call to request additional ID cards if needed.

- Aetna ID cards: 800-370-4526
- Express Scripts ID cards: 800-305-1834
- Delta Dental: 800-452-9310
- United Healthcare: 1-866-633-2446

OPEN ENROLLMENT

The BMED will be hosting the 2016 open enrollment for January 1, 2017 elections, October 24th through November 18th.

- PERMA will be bulk shipping Open Enrollment packets to individual entities for active employees
- Retirees and COBRA enrollees will receive the information directly at their residences
- Medicare Advantage retirees will not be included in this open enrollment

STATE HEALTH BENEFITS (SHBP) UPDATE

On September 8, the SHBP Committee proposed the 2017 rate renewal and plan modifications for the Local Government and State Employee Groups. Aggregate rate increase for medical and prescription will be 2.4% over last year. The composite 2017 rate changes by population are as follows:

Active Employees: (-.1%)
 Early Retirees: +8.6%
 Medicare Retirees: +4.6%

SHBP Made the following noticeable changes:

- All Medicare Eligible members in the PPO 10 and PPO 15 will be transitioned into a new Horizon Medicare Advantage plan.
- Emergency Room Copays will increase by \$25 for all plans in which the ER copay is \$100 or less.
- Members pay the difference for brand medications when a generic is available
- Implementation of the Express Scripts National Preferred Formulary.
- Local government groups have the option to incentivize members with a gift card to enroll in lower cost three tier Horizon Omnia plans as follows:
 - o \$1,000 for single coverage
 - o \$1,250 for member and spouse coverage
 - o \$1,250 for subscriber/parent and child coverage
 - o \$2,000 for family coverage
- Applied \$22 Million in surplus to proposed renewal

The proposed budget is scheduled to be approved on the afternoon of Wednesday, 9/14/2016.

In response to Commissioner Kunze, Program Manager said the increase would be about 5-6% without the use of surplus.

Pharmacy Clinical News Flash - September Update

We will continue to provide updates regarding pharmacy trends and new drugs to the market.

Recent FDA Approvals: No new drugs to report for the month of September

Name of Medication	Approval Date	Release Date	Diagnosis	Type	Estimated Pricing
<i>Tecentriq</i>	5/18/2016	October	Metastatic urothelial carcinoma	Specialty	\$150,000 per year
<i>Zinbryta</i>	5/27/2016	July	Multiple Sclerosis	Specialty	Not Available
<i>Epclusa</i>	6/28/2016	July	Hepatitis C genotypes 1-6	Specialty	\$75K (wholesale) per 12-week regimen

Express Scripts Formulary Update

Express Scripts recently completed its annual formulary review, and the following drug list exclusions will go into effect for your member population on January 1, 2017.

New Exclusions		
COLCHICINE	KINERET	ORENCIA
TALTZ	ZYCLARA	

Claims reporting was run and analyzed, and less than 10 members will be affected throughout the BMED. Express Scripts will send a letter to the affected members advising of this change and include the suitable alternatives for them to discuss with their physician. Clinical exceptions can also be reviewed if requested by the physician.

The complete communication notice from Express Scripts has been included in this packet for your review.

Medicare Part D Notices

Employers whose provide Rx drug benefits must notify Medicare-eligible employees and CMS.

Employers whose health care plans include prescription drug benefits for active employees (or retirees) who are Medicare-eligible must notify those covered individuals by **Oct. 15 of each year** whether their drug benefit is "creditable coverage," meaning that it is expected to cover, on average, as much as the standard Medicare Part D prescription drug plan. These plan sponsors must also report whether their drug benefit is creditable coverage to the federal Centers for Medicare & Medicaid Services (CMS) by **March 1** for calendar-year plans.

The disclosure obligation applies to all plan sponsors that provide prescription drug coverage, even those that do not offer prescription drug coverage to retirees. Medicare Part D, which became effective in 2006, is a federal program to subsidize the cost of private prescription drug plans.

If your group’s prescription plan is in the Fund, Express Scripts will be sending these member notices by the October 15th due date.

EGWP

An EGWP, or Employer Group Waiver Plan, is a Medicare Part D prescription drug plan, which provides the standard Medicare Part D prescription drug coverage only to the Medicare-eligibility retirees and their covered dependents of the sponsoring employer.

PERMA is current researching the prospect of implementing an EGWP for the retiree prescription population to be offered through United Healthcare in the future. This alternative financial arrangement will be evaluated to determine if any cost savings may be available to the Fund. We are not making any recommendations at this time, but expect to provide more information in October.

Same & Opposite Sex Partner Benefit Clarity

With the help of the Conner Strong & Buckelew compliance department, the comments below have been provided to answer the questions we are commonly asked to address around this topic.

High Level Items Related to Same and Opposite Sex Partner Benefits

- **Are all employers now obligated to cover same sex partners since same sex marriage is now**

legal (provided the employer covers spouses)?

It depends on the plan's funding mechanism (that is, whether benefits are fully insured or self-insured). Fully insured contracts are required to recognize marriages of both same- and opposite-sex couples (if a particular definition of spouse is imposed by state insurance law, then insured plan sponsors will have no choice regarding the definition). Self-insured plan sponsors are not required to comply with state insurance laws and may continue to offer spousal benefits to only opposite-sex spouses. But employers that continue to offer spouse benefits, but limit benefits to only opposite sex spouses, may be at an increased risk of claims of discrimination.

▪ **Does the definition of a "spouse" need to be changed as a result of the recent court cases on this issue?**

It depends on the plan's funding mechanism and the current treatment of same sex spouses and domestic/civil union "partners" under the plan. While many employers who offer spousal coverage made changes to their plan's eligibility and benefit offerings after the Defense of Marriage Act (DOMA) court ruling, employers operating in states that historically did not permit same-sex marriages and self-insured employers not subject to state insurance laws, may have decided to retain the traditional definition of "spouse" under their plans as a person of the opposite sex. Many have also retained eligibility for "partner" benefits and still others have re-examined plan eligibility for "partners" based on the legalization of same-sex marriages.

Employers that offer coverage to spouses should review the plan's definition of "spouse" and "partners" and "common law" spouses. A plan's funding mechanism (that is, whether benefits are fully insured or self-insured), the state laws in place related to partnerships and common law spouses, as well as the current treatment of same-sex/common law spouses and partners under the employer's plan may impact an employer's analysis and decisions with regard to next steps.

▪ **Are there still state by state issues on this issue?**

No, not for same-sex couples. Same-sex couples have a constitutional right to marry in all states and same-sex marriages performed in one state must be recognized by other states. Same-sex married couples have the same rights, benefits and obligations awarded to opposite-sex married couples under both federal and state law. State by state issues may still exist for "partners".

▪ **Are the benefits for same-sex couples now no longer taxable?**

Yes, the tax favorability of benefits now applies to all legal spouses. Note that couples in partnerships that are not marriages under state law may still be subject to state and federal imputed income rules.

▪ **Are there any ACA requirements?**

There do not appear to be any issues in the ACA related to this issue.

▪ **Does an employer need to maintain all the effort related to same sex domestic partner validation, etc.?**

No, not if they are not covering partners.

One final note; since PERMA cannot give legal advice, remember that only a plan sponsor's legal counsel can offer legal advice as to whether eligibility definitions comply with the law and meet the employer's intent. While our aim is to help clients with these issues, we are unable to attest to the accuracy or appropriateness of any sponsor's eligibility definition; and to try and to do so would require us to work outside our legitimate practice scope for which we are not licensed. Please consult with your tax advisor and/or legal counsel to review any new eligibility definition for compliance.

Program Manager said 5 small claim appeals were approved by the small claims committee so there is no need for executive session. In response to Chair Van Winkle, Program Manager said the State extended their contract with ESI. In response to Commissioner Gambutti, Program Manager said the Fund is in compliance with same sex coverage guidelines.

FUND ATTORNEY - None

TREASURER - Fund Treasurer said his report is included in the agenda.

RESOLUTION 28-16 SEPTEMBER 2016 BILLS LIST

FUND YEAR	AMOUNT
2016	\$371,881.38
TOTAL	\$371,881.38

AETNA - THIRD PARTY ADMINISTRATOR - Ms. Ward reviewed the May, June and July claims. She said there was a spike in membership in May due to Edgewater joining the Fund. She said there was one large claimant over \$50,000 in May, June and July. The dashboard report was distributed and reviewed.

PHARMACY NETWORK (Express Scripts) - Mr. Basile said the Fund is performing well with a decrease in trend of 7%. He said there are only 3 members that will be impacted by the new exclusions. He said the member will be notified 60 days prior any change. In response to Commissioner Kunze, Mr. Vozza said he can provide a breakout by member.

DELTA DENTAL - None

CONSENT AGENDA -

Resolutions	Subject Matter
26-16	Introduction of 2017 Budget
27-16	Approval of Dividend
28-16	Authorization of September 2016 Bills List
29-16	Approval for Executive Session

MOTION TO APPROVE THE CONSENT AGENDA:

MOTION: Commissioner Baginski
SECOND: Commissioner Kunze
ROLL CALL VOTE: 7 Ayes, 0 Nays

OLD BUSINESS: Executive Director said Mr. LaMendola continues to work on the Wellness Plan. In response to Commissioner Kunze, Executive Director said Verona will be joining the Fund on October 1. In response to Commissioner Hart, Executive Director said \$75,000 is in the budget for Wellness.

NEW BUSINESS: None

PUBLIC COMMENT: None

MOTION TO ADJOURN:

MOTION:	Commissioner Baginski
SECOND:	Commissioner Hart
VOTE:	Unanimous

MEETING ADJOURNED: 1:45 pm
NEXT MEETING: October 25, 2016
Franklin Lakes Borough

Emily Koval, Assisting Secretary
Date Prepared: October 17, 2016