CENTRAL JERSEY HEALTH INSURANCE FUND
OPEN MINUTES
JANUARY 16, 2013 MEETING
BRIELLE BOROUGH MUNICIPAL BUILDING
1:30 PM

Meeting called to order by Chairman Thomas Nolan. The Open Public Meeting notice read into record.

PLEDGE OF ALLEGIANCE

MEETING OF EXECUTIVE COMMITTEE CALLED TO ORDER

ROLL CALL OF 2012 EXECUTIVE COMMITTEE:

CHAIRPERSON		
Thomas Nolan	Borough of Brielle	Present
SECRETARY		
Adeline Schmidt	Township of Shrewsbury	Present
EXECUTIVE	**COMMITTEE**	
Richard Bethea	Borough of Ship Bottom	Absent
Jerome Cevetello	Manasquan River RSA	Absent
William Rieker	Township of Lakewood	Present
Joseph Gilsenan	Township of Brick	Present
Diane Lapp	Township of Manchester	Present
ALTERNATES:		
Adam Hubeny	Borough of Atlantic Highlands	Absent

APPOINTED OFFICIALS PRESENT:

Executive Director/Administrator	PERMA Risk Management Services	**Paul Laracy** **Emily Koval**	Present Present
Program Manager	Conner Strong	**Diane Peterson** **Jason Edelman**	Present Absent
Attorney	Berry, Sahradnik, Kotzas & Benson	**Jack Sahradnik**	Present
Treasurer		**Stephen Mayer**	Absent
Network & Medical Claims Service	Qualcare Inc.	**Sharon Seitzman** **Jerry Eisenberg** **Gary Epstein**	Absent Present Present
Network & Medical Claims Service	Aetna	**Kim Ward**	Present
Dental Claims Service	Delta Dental	**Jackie Wright**	Present

Rx Administrator	Express Scripts	**Susan Wolf** **Katty Mercado**	Absent Absent
Auditor	Green, Holman, Frenia & Co.	**Rodney Haines**	Absent

OTHERS PRESENT:

Cindy Lisa, Danskin
Charles Casagrande, Danskin
Dominic Cinelli, Brown and Brown

CORRESPONDENCE: None

APPROVAL OF MINUTES: NOVEMBER 14, 2013 OPEN:

MOTION TO APPROVE OPEN MINUTES OF NOVEMBER 14, 2013:

MOTION:	Commissioner Lapp
SECOND:	Commissioner Schmidt
VOTE:	Unanimous

ADJOURN SINE DINE MEETING - Chairs vacated – Chairman Nolan asks Executive Director to run meeting.

MOTION TO ADJOURN SINE DIE MEETING:

MOTION:	Commissioner Lapp
SECOND:	Commissioner Bethea
VOTE:	Unanimous

ROLL CALL OF 2013 FUND COMMISSIONERS:

CJHIF 2013 FUND COMMISSIONERS		
MEMBER	**COMMISSIONER/CONTACT**	
ATLANTIC HIGHLANDS BOROUGH	Adam Hubeny	Absent
BOROUGH OF ALLENTOWN	June Madden	Present
BOROUGH OF RED BANK	Colleen Lapp	Present
BRIELLE BOROUGH	Tom Nolan	Present
ENGLISHTOWN BOROUGH	Peter Gorbatuk	Present
HAZLET TOWNSHIP	Dennis Pino	Present
LAKEWOOD TOWNSHIP	William Rieker	Present
MANASQUAN RIVER REG'L SEWERAGE AUTH	Jerome A. Cevetello, Jr.	Absent
MANCHESTER TOWNSHIP	Dianne Lapp	Present
PLUMSTED TOWNSHIP	Eric Surkol	Absent

SHIP BOTTOM BOROUGH	Richard Bethea	Present
TOWNSHIP OF SHREWSBURY	Adeline Schmidt	present
EATONTOWN BOROUGH	Laurie Gavin	Absent
BRICK TOWNSHIP	Joseph Gilsenon	Present
BOROUGH OF MANASQUAN	Joseph DeIorio	Absent
BOROUGH OF INTERLAKEN	Dawn McDonald	Absent
BOROUGH OF SPRING LAKE	Jane Gillespie	Present
TOWNSHIP OF ABERDEEN	Angela Morin	Present
BOROUGH OF NEPTUNE CITY	Mary Sapp	Absent
BOROUGH OF MATAWAN	Paul Buccellato	Absent
TOWNSHIP OF HOLMDEL	Raymond Wilson	Absent
EATONTOWN SEWERAGE AUTHORITY	Theodore Lewis	Absent
SPOTSWOOD BOE	Robert Green	Absent
TOWNSHIP OF MONTGOMERY	Donato Nieman	Absent
TOWNSHIP OF BEDMINSTER	Judith Sullivan	Absent
WEST LONG BRANCH TOWNSHIP	Lori Cole	Present
KEYPORT BOROUGH	Lorene Wright	Present

A quorum of Fund Commissioners was achieved. The following nominations were presented and resolutions adopted.

Commissioner Schmidt offered the following nominations for the 2013 Executive Committee:

Nomination of Chairperson:	**Thomas Nolan**
Nomination of Secretary:	**Adeline Schmidt**
Nomination of Executive Committee:	**Richard Bethea** **Jerome Cevetello** **William Reiker** **Joseph Gilsenan** **Diane Lapp**
Nomination of Alternates:	**Adam Hubeny** **Jane Gillespie**

MOTION TO APPROVE NOMINATION OF 2013 EXECUTIVE COMMITTEE

MOTION:	Commissioner Schmidt
SECOND:	Commissioner Gorbatuk
VOTE:	14 Ayes, 0 Nays

Oaths of Office distributed, and Fund Attorney swore in the 2013 Executive Committee.

ROLL CALL OF 2013 EXECUTIVE COMMITTEE

CHAIRPERSON		
Thomas Nolan	Borough of Brielle	Present
SECRETARY		
Adeline Schmidt	Township of Shrewsbury	Present
EXECUTIVE	**COMMITTEE**	
Richard Bethea	Borough of Ship Bottom	Present
Jerome Cevetello	Manasquan River RSA	Absent
William Rieker	Township of Lakewood	Present
Joseph Gilsenan	Township of Brick	Present
Diane Lapp	Township of Manchester	Present
ALTERNATES:		
Adam Hubeny	Atlantic Highlands Twp	Present
Jane Gillespie	Borough of Spring Lake	Present

EXECUTIVE DIRECTOR:

Executive Director thanked the board for the reappointment and reported on the following items:

REORGANIZATION RESOLUTIONS - The 2013 Reorganization Resolutions for adoption were included in the agenda. Resolution 1-13 awards professional vendor contracts and fees for the 2012 Fund year. Resolution 10-13 added Commissioner Schmidt and Bethea as MRHIF Fund Commissioner and Alternate, respectively. Commissioner Lapp was added as Special Fund Commissioner to the MRHIF.

MOTION TO ADOPT RESOLUTION 1-13 THROUGH 11-13

MOTION:	Commissioner Schmidt
SECOND:	Commissioner Gilsenan
VOTE:	8 Ayes, 0 Nays

PRO FORMA REPORTS – The agenda included the Fast Track Financial Report – as of November 30 , 2012; the Indices and Ratios Report – as of November 30, 2012; the Budget Reconciliation – as of January 2013; and the Regulatory Compliance Checklist – as of January 10, 2013. Executive Director said there was a loss for 2011 but the Financial Fast Track illustrates an improving trend with $400,000 profit in November.

LEGISLATIVE UPDATE - A few weeks ago, PERMA sent a request to all HIF members to pass the enclosed resolution opposing the recent Chapter 78 legislation. To date, we have received one resolution from the CJHIF. There is no deadline for these resolutions, so please put on your next agenda and forward to Emily Koval as soon as possible. We will have an update to present at the meeting.

Ms. Koval said that the comment period for this legislation ends on January 18.

2009 STATE EXAMINATION - In early 2011, the State completed an examination of all Funds as of 12/31/2009. The final CJHIF report has been received and the results were very clean. The report is attached in appendix III. Executive Director said that the report showed that the IBNR was light, which happens occasionally. The total cost for all Funds was $42,000 that was paid by the MRHIF in 2011.

MOTION TO ACCEPT THE 2009 STATE EXAMINATION FOR THE CENTRAL JERSEY HEALTH INSURANCE FUND.

MOTION:	Commissioner Bethea
SECOND:	Commissioner Lapp
VOTE:	8 Ayes, 0 Nays

MUNICIPAL REINSURANCE HEALTH INSURANCE FUND - The Municipal Reinsurance Health Insurance Fund met on December 12, 2013 at 2 pm at the Saddle River Borough Hall. The MRHIF held its annual public hearing and adopted the 2013 budget in the amount of $11,503,283. A report from Commissioner Schmidt on the MRHIF meeting is included.

FINANCIAL DISCLOSURE STATEMENTS - PERMA will be mailing Financial Disclosure forms for each Fund Commissioner. We would encourage all Fund Commissioners to complete these forms and provide two copies with original signatures to the Fund office on or before *April 1, 2012*. In accordance with State regulations, the Fund must file these disclosures with the Department of Community Affairs.

INCLEMENT WEATHER REPORT - A procedure has been instituted for Commissioners to confirm whether a meeting has been cancelled. The Executive Director will talk to the Chair to determine if a meeting should be cancelled. In the case of an early morning or evening meeting, PERMA will leave a message, which can be obtained by dialing the Fund's main number of (201) 587-0555. For meetings that occur during normal business hours, meeting status can also be obtained by dialing the Fund office.

ACCOUNTABLE CARE ORGANIZATIONS (ACO) - We are beginning to explore with area hospitals and claims agents the possibility of setting up ACO options for the Fund. This is a long term development effort and we will keep the Executive Committee up to date on efforts as they develop. Executive Director said this is a very preliminary for the Funds but the concept is that one hospital provides all services under one network. This is one area of Health Care Reform that may provide some savings.

Executive Director's Report and Attachments made part of the Minutes.

PROGRAM MANAGER: Program Manager thanked the board for the reappointment.

CONFIRMATION OF SUB-CONTRACT AGREEMENT - Conner Strong & Buckelew provides the local field service and marketing activities on behalf of the Fund.
In certain cases a member may request another appointed Broker to perform the field service in which case, after approval by the Fund's Executive Committee, the parties enter into a subcontract agreement with the appointed Broker. These sub-contractor agreements are currently with: Grinspec Consulting, a Division of Brown and Brown, Brown & Brown Metro, Inc. a Division of Brown and Brown and (2) The Danskin Agency. These agreements have been included in the Resolution #11-13 to be formally adopted at the meeting.

Grinspec Consulting:

1) Neptune City – Fee 3.06% of total assessment

Brown & Brown Metro:

1) Township of Hazlet – Fee $14.87 Per Employee enrolled under medical coverage per month
2) Borough of West Long Branch – Fee 2.2% of Total Assessment

Danskin Agency:

1) Borough of Englishtown – Fee 5.10% of Dental Assessment
2) Borough of Interlaken – Direct agreement with Borough
3) Borough of Allentown – Direct agreement with Borough
4) Borough of Keyport – Fee 2.5% of Dental Assessment

PERMA is a wholly-owned subsidiary of Conner Strong & Buckelew, which is disclosed each year to the Fund Commissioners.

MOTION TO ADOPT SUB-CONTRACTOR AGREEMENTS WITH GRINSPEC CONSULTING, BROWN & BROWN METRO AND DANSKIN AGENCY INCLUDING FEES DESCRIBED IN THE PROGRAM MANAGER'S REPORT.

MOTION:	Commissioner Bethea
SECOND:	Commissioner Lapp
VOTE:	8 Ayes, 0 Nays

ADMINISTRATIVE ISSUES

ENROLLMENTS - All enrollment and billing questions should be directed to our dedicated enrollment team. The CJHIF enrollment team may be contacted via email at

cjhifenrollments@permainc.com or by facsimile at 856-685-2258. Program Manager said that in the upcoming Fund Year, the program management team would like to include enrollment best practices updates to member enrollment representatives. Any suggested comments or questions to include in these monthly updates are welcomed.

STATUS OF JANUARY ID CARDS - All employees enrolled in Qualcare received new Medical ID cards. These new cards will reflect the preventive services under Health Care Reform, the addition of the PHCS network of providers outside the Qualcare Regional Network and any changes made during Open Enrollment.

All employees who made changes during Open Enrollment have received their new benefit elections.

PLAN DESIGN COMMITTEE - The Plan Design Committee met prior to the November meeting and presented their recommendations during that meeting. The minutes from this meeting are included in Appendix II.

SBC--Plan for Action

1. Carrier compilation of preliminary SBC- AETNA and Express Scripts has agreed to assist in this project. "Rough," SBCs for each group will be forwarded to the PM.
2. Upon receipt, the Program Manager will conduct a benefits audit for accuracy and compliance to bring SBC to finalization.
3. PERMA will be distributing the SBCs via the CJHIF eligibility & enrollment box and posting on the Benefits Express System.
4. Provide status update to Executive Committee (ongoing)

All changes will be instituted March 1.

Moving forward all group health plans will have to provide at least 60 days' advance notice of midyear material plan modifications that could affect the content of the most recently issued SBC. (CREATE CHANGE IN HIF PROCESS)

TAXES TO INCREASE COSTS IMMEDIATELY - Healthcare Reform includes four new taxes that are expected to have a definite and immediate impact on plan sponsors' costs.

- (2013) Patient-Centered Outcomes Research Fee (the "Comparative Effectiveness Fee")
- (2014) Transitional Reinsurance Program Contribution
- (2014) Health Insurer Fee
- (2018) High-Value Plan Tax (the "Cadillac Tax")

Early estimates have stated the anticipated increase will be around a 4% increase in premiums that employers see in order to account for these taxes and fees. Below is a brief description on each of these taxes.

Patient-Centered Outcomes Research Fee: This fee is being imposed in an effort to establish a fund for clinical outcomes effectiveness research. This fee will be $1 or $2 per covered life and is subject to increase in accordance with national healthcare expenditures. This fee is set to expire in 2019.

Transitional Reinsurance Contribution: This is established to fund reinsurance entities in order to finance the cost of high-risk individuals in the individual market. Over the course of three years (2014-2016) an aggregate fee of $25 billion will be collected.

Health Insurer Fee: As the name implies, this will be paid by insurers beginning in 2014 and is intended to offset a portion of the expense related to premium subsidies and tax credits. In 2014, there will be an industry fee of nearly $8 billion which is applicable to nearly all lines of coverage.

High-Value Plan Tax: Set to begin in 2018, this fee will be assessed on high-premium health plans. The thresholds that will serve as the determinants of "Cadillac" status are plans that have an annual cost of $10,200 for single coverage and $27,500 for family coverage. Any and all amounts in excess of these established amounts will be subject to a 40% excise tax.

Source: Conner Strong & Buckelew Legislative Update January 2013.

FEDERAL SIXTH CIRCUIT COURT RULING - Employer May Make "Reasonable Modifications" to Retiree Health Care Benefits

A recent federal court ruling offers clarity and potential for employers with retiree benefit plans that have been subject to collective bargaining. Recently the Sixth Circuit court has ruled that an employer was entitled to make "reasonable modifications" to its retiree health care benefits (Reese v. CNH America, LLC), reversing a district court's grant of summary judgment to the retirees. The district court originally found that the employer lacked the ability to modify any benefits except with the approval of the union that once represented the employees. The appeals court majority concluded that, whatever else vesting in the health care context means, it does not mean that beneficiaries receive a bundle of services fixed once and for all.

In their 1998 collective bargaining agreement (CBA), the parties imposed managed care on all retirees, which represented a reduction in the effective choices of coverage available. Pre-1998 retirees saw their coverage downgraded because they generally had to pay more for choosing an out-of-plan doctor. In view of the distinction between vesting of eligibility for a benefit and the scope of that commitment, and in view of the parties' 1998 CBA altering health care benefits, the appeals court concluded that the employer could make reasonable changes to the health care plan covering eligible retirees.

The Sixth Circuit concluded that the retirees and the district court misread a prior ruling of the panel. In holding that the employer could reasonably alter the retirees' benefits, the appeals court

recognized that the employer could alter them on its own, not as part of a new collective bargaining process. In answering the question "what does vesting mean in the health care setting?", the appeals court rejected the suggestion that the employer could make no changes to the health care benefits provided to retirees. Unlike pension obligations, health care benefits cannot readily be monetized at retirement, explained the court. Thus, vesting in the context of health care benefits provides an evolving, not a fixed, benefit.

In this instance, the appeals court observed that past changes to retiree health care benefits had not been collectively bargained, which comes as no surprise because "a union does not represent retired employees when it bargains for a new contract for its employees." Thus, the district court erred when it disregarded the appeals court's holding that the company may make reasonable modifications to the retirees' health care benefits.

In remanding the decision, the appeals court noted that to gauge whether the employer has proposed reasonable modifications to its health care benefits for retirees, the district court should consider whether the new plan provides benefits "reasonably commensurate" with the old plan, whether the changes are "reasonable in light of changes in health care," and whether the benefits are "roughly consistent with the kinds of benefits provided to current employees."

Any information provided by Conner Strong & Buckelew is for informational purposes only and does not constitute legal advice. If the topics addressed in these Updates have legal significance, you should review your options and your ultimate course of action with your legal counsel.

EMPLOYERS EXPECTED TO CONTINUE OFFERING BENEFITS; PLAN OFFERINGS TO CHANGE - According to a recent survey completed, employers of all sizes polled around the country have cited that employee benefits are still an integral part of their effort to attract and retain competent employees. This is not to say that employers will not be toning down their coverage levels in anticipation of the Cadillac Tax that will take effect in 2018. Rather, it is indicative that employers increasingly are recognizing the need for increased cost control measures that will stem rising costs. Additionally, there has been a steady increase in CDHP enrollment over the past few years and researchers at Aon Hewitt have stated it is now the second most common plan design offered by U.S. employers. So, while employers will not be dropping coverage anytime soon it is important that employees anticipate a substantial change in plan design strategies.

Source: Kathryn Mayer, "Reform isn't impacting employer-sponsored coverage." *Benefits Newswire* December 2012.

PAY-FOR-DELAY CASE WILL BE A HUGE CASE TO WATCH FOR IN 2013 - For years the Federal Trade Commission (FTC) has tried to stop "pay-for-delay" agreements between brand and generic drug manufacturers. These arrangements essentially result in brand manufacturers making payments to generic rivals to keep their competing products of the market for a certain number of years. Both drug manufacturers win as this arrangement is more lucrative than litigating their case or settling on alternative terms. The FTC has brought numerous cases against these drug manufacturers in the past but the courts have not upheld any of their cases. The FTC estimates that these deals result in generics reaching the market 17 months later than normal and cost consumers approximately $3.5 billion per year. The removal of these pacts would obviously be welcome news for plan sponsors as the ability to move patients to a less

expensive treatment will yield cost savings. Finally, the FTC has appealed all the way to the Supreme Court and it is expected that they will make a ruling in June.

Source: "SCOTUS Review of Pay-for-Delay Case Could Be Big Boon for Plan Sponsors." *Drug Benefit News* 13, No. 24 (2012): 1,7.

MONTHLY REPORTING

CLIENT ACTIVITY REPORTS - Client Activity Reports illustrate service specific communication from the participants. Global Issues are reported separately to the Executive Committee via the Program Manager Report.

COMPLAINT REPORT as of January 15, 2012 - No written complaints were received during December.

CLAIM APPEALS - There are three claim appeals that need to be determined at this meeting

PLAN DOCUMENTS

Attached please find the status report for Plan Documents.

TREASURER: Fund Treasurer was absent; Executive Director read the report that was included in the agenda.

Bills lists:

December 2012 – Resolution 22-12

FUND YEAR 2012	**$342,573.99**
TOTAL ALL FUND YEARS	**$342,573.99**

January 2013 – Resolution 12-13

FUND YEAR 2012	**$343,676.04**
TOTAL ALL FUND YEARS	**$343,676.04**

MOTION TO ADOPT RESOLUTION 22-12 TO PAY DECEMBER 2012 AND RESOLUTION 12-13 TO PAY JANUARY 2013 BILLS LIST AND TO APPROVE BALANCE OF TREASURER'S REPORTS AS SUBMITTED:

MOTION: Commissioner Gilsenan
SECOND: Commissioner Bethea
VOTE: 8 Ayes, 0 Nays

ATTORNEY:

No report

QUALCARE:

CLAIM PAYMENTS – Mr. Epstein thanked the Committee for the reappointment. He reviewed the claim payments for 2012 at a total of $44.1 million. He also reviewed the high dollar report for claims over $10 million. In response to Commissioner C. Lapp, Mr. Epstein said he will be able to include the Qualcare reports in the monthly agenda.

AETNA: Ms. Ward said the utilization management designs were put into place effective January 1 and there has been no reaction from the participants. She asked to be included on any complaints or issues if they do arise. She said St. Barnabus and Atlantic County Health contracts have been renewed with Aetna.

She reviewed the October and November claim reports and high dollar reports. The average cost per member decrease in November to $1012 pepm. She said there were 2 significant claims in November but are not expected to be ongoing.

EXPRESS SCRIPTS:

No report

DELTA DENTAL:

Ms. Wright said that the premier provider fees were reduced and the Delta Dental website has been redesigned to include paperless options for members. In response to Commissioenr Schmidt, Program Manager said the provider fee change is actually an increase in benefit because each visit is costing less so their total benefit may not be used as quickly.

NEW BUSINESS:

None

OLD BUSINESS:

None.

PUBLIC COMMENT:

None

MOTION TO ENTER EXECUTIVE SESSION:

MOTION:	Commissioner Bethea
SECOND:	Commissioner Lapp
VOTE:	Unanimous

MOTION TO OVERTURN DENIAL FOR CLAIM #12-12-01, APPROVE CLAIM #09-12-03 TO COVER CLAIMS FROM APRIL 17 THROUGH MAY 31 IN AN AMOUNT NOT TO EXCEED $3100 AND APPROVE 12-12-2 TO PAY FOR DEVICE IN AMOUNT NOT TO EXCEED $1717 BUT NOT ANY REPAIRS OR NEW APPLIANCES WITHIN A 5 YEAR PERIOD.

MOTION:	Commissioner Schmidt
SECOND:	Commissioner Gilsenan
VOTE:	Unanimous

MOTION TO ADJOURN MEETING:

MOTION:	Commissioner Bethea
SECOND:	Commissioner Gilsenan
VOTE:	Unanimous

MEETING ADJOURNED: 1:41 PM