

**SCHOOLS HEALTH INSURANCE FUND  
OPEN MINUTES  
FEBRUARY 24, 2016  
COLLINGSWOOD SENIOR COMMUNITY CENTER  
12:00 PM**

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Meeting of Board of Trustees called to order by Joe Collins Open Public Meetings notice read into record.

**PLEDGE OF ALLEGIANCE**

**ROLL CALL OF 2016 BOARD OF TRUSTEES:**

<b>Trustee</b>	<b>BOE</b>		
Joseph Collins	Delsea Regional BOE	Chairman	Present
Frank Domin	Berlin Borough BOE	Secretary	Present
Lisa Giovanelli	Rancocas Valley BOE		Present *12:30
Michael Colling	Medford Lakes BOE		Present
Beth Ann Coleman	Collingswood BOE		Present
Jean Grubb	Black Horse Pike Regional BOE		Present
Chrisotpher Lessard	Frankford Township BOE		Present
Christopher Destratis	Swedesboro-Woolwich BOE		Present
David Pawlowski	Alexandria BOE		Present
Evon Digangi	Mount Holly BOE		Absent

**PRESENT FUND PROFESSIONALS:**

**FUND ADMINISTRATOR:**

**PERMA Risk Management**

Paul Laracy  
Emily Koval  
Karen Kamprath

**PROGRAM MANAGER:**

**Conner Strong & Buckelew**

Brandon Lodics  
Jozsef Pfeiffer

**FUND ATTORNEY:**

Ken Harris

**FUND TREASURER:**

Ken Verrill

**PRESCRIPTION ADMIN:**

Ken Rostkowski

**MEDICAL TPA AMERIHEALTH:**

Lisa Didio

**MEDICAL TPA AETNA:**

Kim Ward



Committee are included. We will be able to discuss further details at the meeting and amend where the Board sees fit.

If satisfied, the Board should introduce the budget and allow for a public hearing at the March meeting to certify and release the rates for each member.

- The attached budget includes projections for medical, Rx, and dental claims; and for reinsurance, contingency, administrative expenses, and State and federal taxes. Assessments are proposed to rise by an average of 4.19% with increases ranging from 1.13% to 8.45%.

**CLAIM FUNDS** - Working with John Vataha of Actuarial Advantage, we are projecting the following changes in the claims budget for 2015/2016:

- +2% for medical
- +19.05% for prescription
- +4.24% for dental

In total, these changes result in a claims fund increase of 4.31% and an average assessment increase (rate increase) of 4.19%. The lower rate and assessment increase is due to stable costs for reinsurance, taxes, and expenses.

The medical increase is below industry trend and follows below trend increases in 3 of the last 4 years.

The increase in Rx is consistent with industry trend and follows a 15% increase last year. These increases are driven by specialty drugs such as those recently introduced for Hepatitis C. We are also experiencing increases in generic and brand name drugs due to aggressive pricing policies from drug manufacturers. The increase is moderated somewhat by a new contract with Express Scripts implemented by the HIFs in May, 2015.

The dental increase is consistent with industry trend and follows an 8% reduction in the claims budget last year.

Executive Director said the budget was reviewed with the Finance Committee and the claims fund is projected at +2% for medical, +19.05% for RX and +4.24 % for Dental. Rx is being driven primarily because of specialty drugs.

**RATE STABILIZATION RESERVE** - Up to 2.5% of claims can be budgeted for this purpose.

For 2014/2015, the budget included \$1.27 million in this account. The 2015/2016 budgeted amount was intended primarily to provide a reserve for potential fee increases on contracts that renewed on 1/1. Contracts are now cycled to renew on 7/1 so we no longer need to use the account for this purpose.

The Finance Committee carefully discussed this item and concluded that a reserve should be budgeted to stabilize increases for future years in the event that we experience above trend claims experience.

Executive Director said the draft budget did not have any funds in the rate stabilization reserve however \$400,000 was moved into rate stabilization reserve from reinsurance and wellness. The funds will act as a buffer for future rate increases.

**REINSURANCE** - The Fund obtains reinsurance through the Reinsurance Health Insurance Fund. That Fund takes responsibility for specific claims over \$300,000 and jointly purchases aggregate reinsurance for member Funds. The SHIF currently has a policy covering the "short fund year" of 1/1/2016 to 6/30/2016. We are currently working with MRHIF and Munich Re to underwrite the 2016/2017 fund year. A 2.5% increase for specific coverage is a likely outcome although we are still working with Munich Re. on pricing and coverage alternatives.

Executive Director said the increase is at 2.5% with the current contract covering from 1/1/2016 to 6/30/2016. The new contract will cover from 7/1/2016 - 6/30/2017. He recommends keeping the attachment point at \$300,000 which is a conservative number. The aggregate coverage is at about 18% which is also a conservative number.

**EXPENSES** - Administrative costs, excluding claims adjustment expense, represent 1.98% of the budget. Administrative costs are based primarily on RFP responses from vendors received late last year. (Most RFP responses were proposed on a calendar year basis. This budget transitions fees to a fiscal year basis for the following positions: actuary, attorney, treasurer, and auditor). Fees for executive director, program manager, brokerage, and fund coordinator did not increase on 1/1/2016 but are proposed to rise by 2% on July 1.

The Fund implements broker fees that are determined by local units, subject to regulatory requirements that compensation be "reasonable". Member entities that wish to negotiate a different payment level with their consultant should advise the Fund of any such decision. Local entity risk manager expense comprises 1.52% of the budget with this item representing between 0% and 3.4% of local entity assessments. As with several other vendors, a 2% increase is built into the item effective 7/1/2015.

A wellness line item of is included again to fund grants to BOEs. In 2015/2016, the Fund transferred funds from the A4 Surcharge challenge line item to fund Wellness Coaches USA. A test program involving on site wellness coaches is being conducted in 4 districts at an annual cost of \$150,000. The Finance Committee recommended moving this money to contingency but reviewing the effectiveness of the coaching program once additional data is provided. The Committee also expressed concerns about the merit of the program and indicated a preference for grant programs.

Executive Director said we went to RFQ for contracts starting January 1, 2016 with 2% budgeted for increases. He said we are trying to convert the RFQ process from a calendar year to a fiscal year. He said a 2% increase is also budgeted for the Risk Managers.

**TAXES** - “Affordable Care Act” taxes impacting the HIF are:

- Patient-Centered Outcomes Research Fee (the “Comparative Effectiveness Fee”)
- Transitional Reinsurance Program Contribution

The line item for ACA taxes is lower due to the phase down of the Transitional Reinsurance Program.

The NJ A4 Retiree Surcharge is budgeted at 2.6% as required by the State of NJ, although the Fund continues to question the calculation by the State of this tax.

Executive Director said taxes are generally going down. The A4 retiree surcharge is still at 2.6%.

**ASSESSMENTS** - The Fund’s policy has been to distribute increases evenly by member, with loss ratio adjustments of up to +/- 2.5% per year for members with at least 3 years of claims experience. Assessments vary depending upon participation in lines of coverage. Rate increases by line of coverage are:

- Medical +3.73%
- Rx +19%
- Dental +4%

Executive Director said the prescription increase of 19% is lower than other Funds that are close to 30% due to Hepatitis C and new cancer drugs that are causing increase in trend. Executive Director said entities in the fund at least 3 years are getting up to 2.5% as a loss fund adjustment. He said variations in assessments are due to the lines of coverage and the loss ratio adjustments.

Executive Director said the reinsurance was overstated in the draft budget that the Finance Committee had reviewed. The Committee is recommending that that savings and \$150,000 of the Wellness budget be moved to a rate stabilization reserve. In response to Commissioner Lessard, Executive Director said the draft budget had an additional \$150,000 for the pilot coaching program which was part of the Wellness Program that has been moved to rate stabilization. The \$250,000 grant program budget will remain.

Executive Director said the Fund had sent an RFQ for all contracts late last year. Professionals with fixed fees received increases on January 1, of which half that increase is reflected in this budget. Professionals with per employee fees will receive a 2% increase.

**MOTION TO INTRODUCE THE SCHOOLS HEALTH INSURANCE FUND BUDGET FOR 2016-2017 AND ADVERTISE A PUBLIC HEARING FOR MARCH 23, 2016 AT 12:00 NOON AT THE COLLINGSWOOD SENIOR COMMUNITY CENTER TO ADOPT THE BUDGET.**

Moved:  
Second:  
Vote:

Commissioner Lessard  
Commissioner Coleman  
9 Ayes, 0 Nays

**MRHIF MEETING** - The Municipal Reinsurance Health Insurance Fund met on February 9 to reorganize for 2016. The new Coastal and SHIF commissioners were in attendance. The Committee reviewed the new reinsurance policies which are available for all Commissioners' review.

In addition, Express Scripts was present at the meeting to review the recent audit that found significant overcharges on generic drugs during the first quarter of the new contract. A year end audit is being conducted now and results will be available at the next meeting. Minutes from this meeting were included in Appendix III.

Executive Director said there was a discussion regarding the ESI audit and guarantees not being met at that time.

**NEW MEMBER - Harrison Township BOE** - Harrison Township BOE has submitted an application to join the Fund which has been reviewed by the Fund Actuary. A fully executed Indemnity and Trust agreement and resolution to join has been received. This School Board was member of the Fund through June 30, 2013 before joining the State Health Benefits Fund.

If deemed appropriate, we ask for a motion to approve membership effective May 1, 2016

Underwriting Factor	Harrison Township Board of Education	Fund Average or Standard	Relativity
Current Carrier or Arrangement	SEHBP - Aetna and Horizon	Aetna	
Age Sex Factor	0.941	1.16	81.08%
Enrollment	127	5,406	2.35%
Claims Pick ( Per Employee Per Month)	\$ 1,271.00	\$ 1,199.00	106.01%
Trend Applied	9.25%	8%	115.63%
Risk Manager Fee Applied	2%		
Rate Effective Date			
From	5/1/2016		
To	6/30/2017		
Prior Fund Member?	No		
Current P&C JIF Member?	No		
Lines of Coverage to Fund			
Medical	Yes		
Dental	Yes		
Rx	Yes		
Anticipated Commissioner Involvement	Yes		
Explanatory Notes or Contingencies	None		

Ms. Koval said an application was received from Harrison Township BOE to join the Fund on 5/1/2016. She said they were previously a member but left almost 3 years ago which is within the guidelines to rejoin. In response to Commissioner Domin, Ms. Koval said the summary should state that they are a prior fund member.

**MOTION TO APPROVE MEMBERSHIP FOR THE HARRISON TOWNSHIP BOE EFFECTIVE MAY 1, 2016 PENDING A FULLY EXECUTED INDEMNITY AND TRUST AGREEMENT.**

Moved:  
Second:

Trustee Domin  
Trustee Coleman

Vote:

Unanimous

**FUND WEBSITE** - Ms. Koval also said we are looking into getting id's and passwords set up for the website.

## **PROGRAM MANAGERS REPORT**

**ONLINE ENROLLMENT SYSTEM** - The Executive Committee voted and approved mandatory use of the online enrollment system by each member group. If you need additional training on the online enrollment system, please reach out to Karen Kidd at [kkidd@permainc.com](mailto:kkidd@permainc.com) of PERMA.

**CONTACT INFORMATION** - Please direct any eligibility, enrollment, billing or system related questions to our dedicated SHIF Team. The team can be reached by email at [cs.mb.SHIFenrollments@permainc.com](mailto:cs.mb.SHIFenrollments@permainc.com) or by fax at 856-552-4945.

**BROKER EMAIL BOX** - The broker email box is officially open for correspondence. We ask our broker partners to utilize this tool for service, advocacy or any like requests that may arise with their groups.

**EXPRESS SCRIPTS - TRANSITION ISSUE UPDATE** - Any and all errors in plans builds have been corrected. There was one group which Express Scripts did not build under the Schools HIF but also did not terminate from the SNJREBF. This group remained under the SNJREBF until Express Scripts was able to build the new plan and transfer membership for a March 1<sup>st</sup> effective date. To date, all members of this group have transferred and new SHIF Express Scripts ID cards have been mailed.

Program Manager said there was a group that was not entirely transitioned over, but as of today any errors have been corrected.

**EXPRESS SCRIPTS FORMULARY UPDATE - BRAND GLUMETZA CHANGE (ANTIDIABETIC)** - This month, a generic medication for Glumetza is coming to the market. Normally, when a multi-source brand loses patent protection, substitution to the generic is automatic. In the situation with Glumetza, Valeant (its manufacturer) has entered into agreements with retailers to dispense their branded product as a generic at the contracted pharmacies. This action will circumvent normal generic substitution, client benefit plans and increase plan costs. Valeant increased drug prices throughout their products in 2014, and Glumetza saw an over 800% increase in price in 2015. As such, we recommend the exclusion of this multi-source branded product to ensure that normal generic substitution continues. This action maximizes your ability to control costs. This exclusion will ensure that the standard process of generic substitution will take place at the point of sale.

### **Duplicate ID Card Requests**

Effective immediately, the SHIF no longer has the capability to request duplicate ID cards from the carrier systems. Going forward, the most efficient way for members to order additional ID cards is by calling the carrier directly or by registering online through the carrier's website. Most carriers also have mobile apps available where you can download their app to your mobile phone and you are able to view a copy of your ID card right from your phone.

Program Manager said they can no longer order duplicate ID Cards.

### **Recordkeeping and Reporting - IRS Grants Automatic Extension**

The Internal Revenue Service has announced that it has decided to delay the 1094 and 1095 forms filing deadlines for employers, insurers and others health plan coverage providers after it determined that filers need "additional time to adapt and implement systems to gather, analyze and report this information." The delay provides an "automatic" 60-day extension for furnishing Forms 1095-C and 1095-B to employees and an "automatic" 3 month extension for filing these forms with the IRS. **The new due date for furnishing the 2015 Form 1095-C to employees is extended from January 31, 2016 to March 31, 2016. And the new due date for employers furnishing the 2015 Form 1094-C to the IRS is extended from February 28, 2016 to May 31, 2016 (if filing electronically the new due date is extended from March 31, 2016 to June 30, 2016).**

Employers are advised to consult with their tax, HRIS/payroll, and legal advisors for assistance with specific issues/complexities regarding form preparation, appropriate eligibility and hours tracking rules, and the actual implementation of the data gathering, tracking, and reporting rules.

**All entities with medical coverage in the Fund are self-insured and therefore required to file and distribute these forms; even those employers with less than 50 employees.**

**Entities with less than 50 employees will need to complete the 1094 and 1095 B forms.**

**Entities with more than 50 employees will need to complete the 1094 and 1095 C forms.**

### **ACA and 1095 Forms Generally / Individual Tax Filing Issues - Most Commonly Asked Questions:**

#### **1. *What are the new health coverage forms required by the Affordable Care Act?***

The Affordable Care Act (ACA) is a law designed, in part, to extend access to affordable health care coverage to more Americans. As required by the ACA, you must receive 1095 forms reporting on certain offers of health coverage and actual health coverage received in the prior year (note that other benefits such as dental plans, life insurance, or disability benefits are not reported on 1095 forms). The 1095 forms are filed by the marketplace ([Form 1095-A](#)), other insurers or providers ([Form 1095-B](#)), and certain large employers ([Form 1095-C](#)). One copy is sent to the Internal Revenue Service (IRS) and one copy is sent to you. A 1095 form is a little bit like a W-2 form. A W-2 form reports your annual earnings. The 1095 forms will show that you and your family members either did or did not have an offer of health coverage and/or actual health coverage during each month of the past year. Because of the ACA, every person who is not otherwise exempt must obtain health insurance or pay a penalty to the IRS.

#### **2. *How many forms will I get and when should I receive the form(s)?***

Depending on the circumstances, some people may receive multiple forms and some people may receive no forms. You may receive multiple forms if you had coverage from more than one coverage provider, if you worked for more than one employer during 2015, or if you enrolled for coverage in the marketplace for a portion of the year and received coverage from another source for part of 2015. If you are due a form, you should receive it by March 31, 2016. (Starting in 2017, you should receive it each year by January 31, just like your W-2.)

**3. What do I do with the form(s)?**

You should keep your forms with your tax records. You don't actually need the form(s) in order to file your taxes, but when you do file, you'll have to tell the IRS (by checking a box on your tax return) whether or not you had health insurance for each month of 2015. Since you don't actually need the form(s) to file your taxes, you don't have to wait to receive it if you already know what months you did or didn't have health insurance in 2015. When you do get the form, keep it with your other 2015 tax information in case you should need it in the future to help prove you had health insurance. In the meantime, if your accountant or tax preparer requests proof of coverage, the government suggests these forms of documentation as proof of insurance coverage: insurance cards, explanation of benefits, statement(s) from insurers, W-2 or payroll statement(s) reflecting health insurance deductions, record(s) of advance payments of the premium tax credit, and other statements indicating an individual or family member had coverage.

**4. Where can I go for more information?**

You can go to the governmental websites and find more detailed information on the forms and the ACA requirements. See the IRS [Questions and Answers about Health Care Information Forms for Individuals \(Forms 1095-A, 1095-B, and 1095-C\)](https://www.irs.gov/Affordable-Care-Act/Questions-and-Answers-about-Health-Care-Information-Forms-for-Individuals) at <https://www.irs.gov/Affordable-Care-Act/Questions-and-Answers-about-Health-Care-Information-Forms-for-Individuals>. See also the Department of Health and Human Services website at <https://www.healthcare.gov/fees/> for detailed information on how the penalty is calculated. Ask your tax preparer or advisor if you have specific questions while filing your personal tax return. Everyone's family structure and income situation is different, and coverage providers and employers are not able to give you personal income tax advice. For further assistance you can always call the IRS helpline at 800-829-1040.

Program Manager said that 1094 or 1095 forms must be filed. Census or dependent data can be provided to help with the process.

**TREASURER** - Fund Treasurer reviewed the February Bills List and reconciliation reports. He said the effective annual return rate at Republic Bank is .85% which is very high compared to other institutions.

**RESOLUTION 15-16 FEBRUARY 2016 BILLS LIST**

<b>FUND YEAR</b>	<b>AMOUNT</b>
2016	\$965,467.35
<b>TOTAL</b>	<b>\$965,467.35</b>

**FUND ATTORNEY-** Fund Attorney said a study showed that if the Cadillac Tax stayed in place 1 in 4 employers would be subject to it. He is expecting either the indexes of this tax to change or be eliminated entirely. He also said that 10 drugs will be coming off patent in 2016 with no real generic option in line.

**AMERIHEALTH** - Ms. DiDio said the reports are through December so they are still showing the combined funds. Reporting will be separated starting with the January data.

**AETNA - Ms. Ward** said they reports are also for the combined funds and will be separate starting with the January data. She said the migration went fairly well, there were a few issues specifically with referrals that were addressed quickly. There were 17,000 people moved and they see it as a success. She said Aetna is still working on a narrow network low cost plan similar to Horizons Omnia Plan that she is hoping will be put together for 7/1.

**EXPRESS SCRIPTS** - Mr. Rostkowski said he will also provide a monthly report. In addition, he said the Fund is not being over charged, but rather the guarantees are being missed. Reconciliation is done after 90 days and if guarantees are not being met they will be tried up.

**DELTA** - Executive director said their report is included in the agenda.

**CONSENT AGENDA** - The following Resolutions listed on the Consent Agenda will be enacted in one motion.

Resolution 15-16: Approval of the February 2016 Bills List

Resolution 16-16: Approval of Claims Payments and Imprest Transfers

**MOTION TO APPROVE THE CONSENT AGENDA AS DISCUSSED.**

Moved:	Trustee Domin
Second:	Trustee Grubb
Vote:	Unanimous

**SHIF MEETING LOCATION** - Ms. Koval said Fund Attorney recommends the Moorestown Meeting House as a possible future meeting as long as it is cost effective. She will bring the details to the Chair prior to the next meeting.

**OLD BUSINESS:** None

**NEW BUSINESS:** In response to Commissioner Colling, no other Trustee said they were having transition or back billing issues with their employees.

**MOTION TO ADJOURN:**

<b>MOTION:</b>	Trustee Domin
<b>SECOND:</b>	Trustee Grubb

**VOTE:**

Unanimous

**MEETING ADJOURNED:** 1:00pm

**NEXT MEETING:** March 23, 2016

Collingswood Senior Community Center

12:00pm

Emily Koval, Assisting Secretary

Date Prepared: March 10, 2016