

STATE OF CONNECTICUT
MUNICIPAL ACCOUNTABILITY REVIEW BOARD (MARB)

REGULAR MEETING NOTICE AND AGENDA
West Haven Subcommittee of the MARB

Meeting Date and Time: Tuesday, October 20, 2020 10:00 AM – 12:00 PM

Meeting Location: This meeting will be telephonic only. Meeting materials may be accessed at the following website: <https://portal.ct.gov/OPM/Marb/West-Haven-Committee-Meetings-and-Materials>

Call-In Instructions: Meeting participants may use the following telephone number and access code

Telephone Number: (860) 840-2075

Meeting ID: 466 088 99

Agenda

- I. Call to Order & Opening Remarks
- II. Approval of minutes: September 22, 2020
- III. Update: Corrective Action Plan FY 2019 Audit Findings
- IV. Update: Status of FY 2020 Close and Audit Process
- V. Update: Status of HR Corrective Action Plan
 - a. ADP implementation
- VI. Next Steps re: Segal analysis of self-insured and State Partnership health costs for BOE
- VII. Adjourn

DRAFT
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Members in Attendance: Kimberly Kennison (OPM Secretary designee), Christine Shaw (State Treasurer designee), Stephen Falcigno, Thomas Hamilton, Robert White

City Officials in Attendance: Mayor Rossi, Frank Cieplinski, Lee Tiernan, William Ryan (City labor attorney), West Shore Fire Chief Scafiarello, First Taxation District Chief O'Brien, Allingtown Chief Esposito, City Council Member O'Connor, City Council Member Hoskie, City Council Member Bruneau (also West Shore District Commissioner), First Taxation District Commissioner Carew, Representative DiMassa

OPM Staff Attendance: Mike Walsh, Michael Milone, Julian Freund

I. Call to Order & Opening Remarks

The meeting was called to order at 10:04 AM.

II. Approval of minutes: July 21, 2020

A motion was made by Mr. White with a second by Ms. Shaw to approve the minutes. All voted in favor with Mr. Hamilton abstaining.

III. Review, discussion and possible action: AFSCME Local 681 Tentative Agreement

An overview of the proposed contract was provided. The contract covers about 100 public works and non-managerial City Hall employees. The term of the contract is July 1, 2017 through June 30, 2023. The MARB has until October 15 to take action if it wished. The contract provides 0% general wage increases for the first four years, followed by an increase of 1% in FY 2022 and 2% in FY 2022. It increases the employee cost share for health insurance premiums by 1% for FY 2022 and another 1% for FY 2023. The group's move to the State Partnership Plan, which took effect in January 2020, is codified in the agreement. Mr. Ryan provided additional details in the agreement. After discussion of the fiscal impact and other aspects of the contract, a motion was made to approve the contract.

A motion was made by Mr. Falcigno to recommend approval of the contract by the full MARB, with a second by Mr. Hamilton. The motion passed unanimously.

IV. Discussion: Fire Districts

a. Status of Actuarial Reports

The West Shore District has an updated pension actuarial report, but has not yet received the OPEB valuation. The First District has not received either the pension or OPEB actuarial report. Both are anticipated in October.

b. Fire/EMS Expenditure Benchmarking

Mr. Walsh provided an overview of the benchmarking data. The information illustrated the high cost of Fire service in the City of West Haven compared to two comparable sized municipalities. The disparity in expenditures is primarily attributable to employee and retiree benefits costs. In particular, the legacy costs of defined benefit pension plans and retiree health insurance drive up fire expenditures in West Haven's three fire districts. In each case, the districts have taken steps to bring these costs under more control by closing defined benefit pension plans, and more recently, by increasing mill rates and budgeting for additional contributions to pension and retiree health liabilities in FY 2021. Members discussed employee benefits and contributions toward benefits with the district's representatives.

c. Tri-District MOU Update

Chief O'Brien said that the approval of an MOU is anticipated in October by each district. Certain functions, particularly administrative functions such as investment advisory services and audit services, could be merged and made consistent among the districts in the tri-district commission model. Members expressed interest in seeing a multi-year plan for managing or moderating the impact of legacy costs on taxpayers.

V. Discussion: Allingtown Fire Chief appointment

Mayor Rossi advised the Subcommittee of a plan to fill the Allingtown Fire Chief position. The Assistant Chief, who also serves as the district's Fire Marshal, has been serving as an Acting Fire Chief while the position has been vacant. The current arrangement is not sustainable. Funding for the position is included in the FY 2021 budget. Members asked whether the plan to fill the position is consistent with the plan to create a Tri-District Commission. The City indicated that the intent will be to enter into a short term contract of one to two years for the Fire Chief in order to preserve some flexibility.

VI. Update: Corrective Action Plan FY 2019 Audit Findings

Mr. Cieplinski provided an update on the status of the corrective action plan, referring to the written status report provided in the meeting materials.

VII. Update: Status of FY 2020 Close and Audit Process

Mr. Cieplinski and Mayor Rossi reported on progress on the audit. Weekly open item meetings are being held. The auditors will be on site the week of October 19th.

VIII. Update: Status of HR Corrective Action Plan

a. ADP implementation

Mr. Cieplinski updated the subcommittee on the project implementation. Weekly calls are held with ADP on the overall project. ADP provides a checklist updated weekly depicting the status of individual tasks. The City is currently working on data transfers and dual system maintenance. Plan benefits information is one item on the status report that appears to be off schedule. Mr. Cavallero indicated he would follow-up to make sure the information gets to ADP. Ms. Kennison advised the City to confirm with ADP that any delays will not have a project cost impact as well.

IX. Adjourn

A motion to adjourn was made by Mr. White with a second by Mr. Falcigno. All voted in favor. The meeting adjourned at 11:35 AM.

**MEMORANDUM
MUNICIPAL ACCOUNTABILITY REVIEW BOARD**

To: Municipal Accountability Review Board
From: Julian Freund
Subject: Next Steps Regarding BOE Health Insurance Analysis by Segal
Date: October 16, 2020

The enclosed analysis by Segal Consultants provides a comparison of the cost of providing health insurance benefits to West Haven Board of Education employees and retirees under a self-insured structure to the cost of participation in the State Partnership Health Plan.

The following next steps are suggested:

- Presentation of Segal analysis to Subcommittee at 11/17/20 meeting
- City and BOE review of report and development of recommendations by 12/31/20
- Discussion of recommended actions at January Subcommittee (meeting date TBD)
- Development of transition plan (if applicable) by Feb. 28, 2021

OPM's Liaison to the City of West Haven, Michael Milone, will assist the City and Board of Education in the analysis and development of recommendations regarding health insurance benefits. Subcommittee members may forward questions regarding the Segal analysis to OPM by November 3 so that they can be addressed by Segal at the November subcommittee meeting.



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Memorandum

To: Neil Cavallaro
From: Terry DeMattie
Date: April 17, 2020
Re: West Haven Board of Education Partnership Analysis

Segal has reviewed the Partnership analysis completed by Lockton and compared it to our own. We noted several differences between our projections.

- Lockton active and non-Medicare self-funded projections total \$14,718,428 which is \$528,272 or 3.5% below the Segal projection of \$15,246,700. Lockton has indicated that they did not include ACA fees in their projections, but that is the only difference we could ascertain from our discussions. It is possible that differing experience periods and / or trend assumptions were used in the projections and this may be driving the difference. Segal believes that our projection is appropriate given our analysis of the claims over the past 24 months and our standard trend assumptions.
- Segal projections have been updated for renewal fees in the July 1, 2020 Anthem renewal, which we did not have when our analysis was initially completed. Since the Anthem stop loss renewal was higher than we had projected, our overall self-funded projection has increased from our original analysis. The overall increase to the projection is 0.9%.
- Segal's initial Partnership projection assumed that all retirees on the Anthem plans were under 65. We were unaware that there were also retirees over 65 on the Anthem plans. This discrepancy came to light in discussions with Lockton regarding the lives they assumed in their analysis. We have obtained a census from Anthem and determined how many Medicare eligible and Non-Medicare eligible retirees over 65 are on Anthem's plans. Our self-funded projections have been updated to reflect proper bucketing of Non-Medicare and Medicare retirees. Our Partnership projection has also been updated based on this information.
- Lockton Partnership projections include the value of Anthem runout fees that would be charged upon termination. Segal projections did not previously include this amount, and have been adjusted to incorporate it.
- Lockton Partnership projections for Actives and Non-Medicare Retirees including Anthem runout fees total \$15,155,429, which is \$503,629 or 3.4% higher than Segal's projection of \$14,651,800.
- Segal's cost comparison shows a savings to the Board of 3.9% or \$594,900 for Actives and Non-Medicare Retirees should they move to Partnership. Lockton's cost comparison shows an increase in cost of 3.0% or \$437,002 for Actives and Non-Medicare Retirees should they move to Partnership. These savings include runout fees but do not include runout claims.
- Actual savings achieved by moving to Partnership are driven by the claims experience as it develops going forward. To the extent that total claims increase, there is a greater level of savings to potentially be achieved. Conversely, should claims remain constant or even decrease, those savings would not be realized.

Revised projections containing the changes noted above are attached. Please contact me with any questions.

West Haven Board of Education

Self-Funded vs CT Partnership Plan Cost Comparison - Effective July 1, 2020

Self-Funded Projections FY 2021				
	Active	Non-Medicare Retiree	Medicare Retiree	Total
Anthem Medical & Prescription Drug				
Medical Claims	\$9,065,000	\$1,178,700	\$412,900	\$10,656,600
Prescription Drug Claims	\$2,387,600	\$208,800	\$945,600	\$3,542,000
Prescription Rebates	\$0	\$0	(\$169,800)	(\$169,800)
HSA Contributions	\$842,000	\$0	\$0	\$842,000
Medical Administration	\$102,200	\$8,900	\$30,100	\$141,200
Individual Stop Loss Premium	\$1,266,200	\$132,500	\$23,100	\$1,421,800
Aggregate Stop Loss Premium	\$20,400	\$2,100	\$400	\$22,900
ACA Related Fees & CT State Mandated Fees	\$30,100	\$2,200	\$600	\$32,900
Total Self-Funded Cost	\$13,713,500	\$1,533,200	\$1,242,900	\$16,489,600

CT Partnership Plan Estimated Rates FYE 2021				
	Active	Non-Medicare Retiree	Medicare Retiree	Total
Partnership Plan Medical & Prescription Drug				
Active	\$12,797,600	\$0	\$0	\$12,797,600
Retiree	\$0	\$1,653,500	\$817,100	\$2,470,600
Anthem Runout Fees	\$181,200	\$19,500	\$3,400	\$204,100
Total Partnership Plan Expenditures	\$12,978,800	\$1,673,000	\$820,500	\$15,472,300

Cost Comparison FYE 2021				
	Active	Non-Medicare Retiree	Medicare Retiree	Total
Total Cost/(Savings) - \$	(\$734,700)	\$139,800	(\$422,400)	(\$1,017,300)
Total Cost/(Savings) - %	-5.4%	9.1%	-34.0%	-6.2%

Notes:

The estimated self-funded cost shown is not guaranteed, and if the actual medical and/or prescription drug self-funded claims are less than projected the estimated savings will be less than the amount shown.

The projections are estimates of future costs and are based on information available to Segal at the time the projections were made. Segal has not audited the information provided. Projections are not a guarantee of future results. Actual experience may differ due to, but not limited to, such variables as changes in the regulatory environment, local market pressure, health trend rates and claims volatility. The accuracy and reliability of health projections decrease as the projection period increases. The projections do not reflect the potential impact of any future changes due to health care reform legislation, other than those noted or previously adopted.

Projection of retiree costs takes into account only the dollar value of providing benefits for current retirees during the period referred to in the projection. It does not reflect the present value of any future retiree benefits for active, disabled or terminated employees during a period other than that which is referred to in the projection, nor does it reflect any anticipated increase in the number of those eligible for retiree benefits, or any changes that may occur in the nature of benefits over time.

The Coronavirus (COVID-19) pandemic is rapidly evolving and will likely impact the 2020 US economy and health plan claim projections for most Health Plan Sponsors. As a result, projections could be significantly altered by emerging events. At this point, it is unclear what the impact will be for Health Plan Sponsors. Segal is working to develop plan cost adjustment factors and reports to apply to both short-term and long-term financial projections. However, unless specifically noted, this current report does not include any adjustments such as changes in eligibility, income, increases in healthcare costs or decreased investment returns. Additionally, the potential for federal or state fiscal relief is also not contemplated in these budget projections. Given the high level of uncertainty and fluidity of the current events, some plans may seek periodic updated estimates throughout the year to closely monitor health plan budget projections this year. Additional projections may be out of scope.

West Haven Board of Education

Self-Funded vs CT Partnership Plan Cost Comparison - Effective July 1, 2020

Notes:

1. Partnership projections are based on Anthem Active/Non-Medicare Retiree/Medicare Retiree enrollment as of December 2019 and Zenith IPI Medicare Retiree enrollment as of January 2020. Projections assume that only Zenith IPI Medicare retirees and Anthem retirees on a Century Preferred plan and currently enrolled in Medicare A and B will be able to transition to the MA-PD plan under the Partnership.
2. Self-funded claim projections are developed using claim experience for the period January 1, 2018 through December 31, 2019. Administrative expenses and stop loss premium are based on the Anthem renewal effective July 1, 2020.
3. For the Non-Medicare population, Connecticut Partnership plan projections are based on estimated rates for New Haven county effective July 1, 2020 that reflect an 8% increase over July 1, 2019 Partnership rates. For the Medicare population, Connecticut Partnership plan projections are based on published rates effective January 1, 2020 - December 31, 2020 and assume a 5% rate increase and removal of the Health Insurer Fee effective January 1, 2021. Final rates will not be available until May 2020.
4. Comparison is based on medical and prescription drug costs only and excludes dental and vision. However, these services are also available through Connecticut Partnership Plan should West Haven decide to enroll in the plan. If the Board chooses to enroll in the City of West Haven plan, the Board would be eligible for a preliminary increase of 5.5%.
5. Savings assume all Actives and Retirees move to Connecticut Partnership Plan.
6. Commissions are excluded from this analysis, since it is assumed West Haven would pay the same commissions on CT Partnership plan.
7. Runout fees are calculated based on runout fees provided in the July 1, 2019 Anthem renewal, and Segal projected runout claims.
8. The estimated self-funded cost shown is not guaranteed, and if the actual medical and/or prescription drug self-funded claims are less than projected the estimated savings will be less than the amount shown.

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