CENTRAL JERSEY HEALTH INSURANCE FUND
OPEN MINUTES
JULY 15, 2015
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

CHAIRPERSON		
Thomas Nolan	Borough of Brielle	Present
SECRETARY		
William Rieker	Township of Lakewood	Present
EXECUTIVE	**COMMITTEE**	
Joseph Gilsenan	Township of Brick	Present (arrived 1:35)
Diane Lapp	Township of Manchester	Present
Adam Hubeny	Borough of Atlantic Highlands	Absent
Eugenia Poulos	Borough of Red Bank	Present
ALTERNATES:		
Jane Marban (Gillespie)	Borough of Spring Lake	Absent

APPOINTED OFFICIALS PRESENT:

Executive Director/Administrator	PERMA Risk Management Services	**Paul Laracy** **Emily Koval**	Present Present
Program Manager	Conner Strong & Buckelew	**Brandon Lodics** **Michael**	Present Present
Attorney	Berry, Sahradnik, Kotzas & Benson	**Jack Sahradnik**	Present
Treasurer		**Stephen Mayer**	Present
Network & Medical Claims Service	Qualcare Inc.	**Gary Epstein** **Allison Hofmann**	Present Absent
Network & Medical Claims Service	Aetna	**Kim Ward** **David Norton**	Present Present
Dental Claims Service	Delta Dental	**Amy Lehrer**	Present
Rx Administrator	Express Scripts	**Ken Rostkowski** **Kristie Weinert**	Present Present
Auditor	Holman & Frenia	**Matt Holman**	Present

OTHERS PRESENT:
Donato Nieman, Montgomery
Suzanne Veitengruber, Shrewsbury Township
Kelly Bellu, Toms River MUA

Brian Brach, Manasquan Regional River Sewage Authority
Ted Wardell, BBBA
Dominic Cinelli, Brown and Brown
Michael Gaito, Conner Strong & Buckelew

*via conference call

CORRESPONDENCE: None

APPROVAL OF MINUTES: MARCH 18, 2015 OPEN:

MOTION TO APPROVE OPEN MINUTES OF MARCH 18, 2015, AS AMENDED :

MOTION:	Commissioner Poulos
SECOND:	Commissioner Rieker
VOTE:	Unanimous

EXECUTIVE DIRECTOR:

PRO FORMA REPORTS

- **Fast Track Financial Report –** as of May 31, 2015
- **Cash Flow Report –** as of May 31, 2015

Executive Director said the MRHIF dividend had not been reflected in the Financial Fast Track, but the dividend checks for members were available.

ASSESSMENT AND RISK OPTIONS FOR LARGER MEMBERS - As discussed at prior meetings, we have been discussing with Lakewood options for them to retain portions of risk on their own. Executive Director said that Manchester's request had been resolved with renewal options. Lakewood has elected to retain its normal membership for dental, but to self insure its medical and Rx coverage. They would share the Fund's billing and financial infrastructure, and pay the same administrative fees as they are now paying. We would continue to bill them but will pay their claims from a dedicated trust fund. They will have their own commercial stop loss contract outside of the MRHIF structure. This change will be effective on or about 9/1/2015. Their future claims renewals would be separately determined.

This arrangement would be unique in the HIF structure but is similar to arrangements made by property and casualty JIFs for larger members. Within the CJ HIF, Lakewood is the only entity to qualify for such an option due to its large size. It could however be offered to future members with sufficient size (over 400 employees). Executive Director said the rate change will not affect other member's 2015 rates.

MOTION TO AMEND RISK MANAGEMENT PLAN TO ALLOW SEPARATE RETENTION AND STOP LOSS ARRANGEMENTS WITHIN THE FUND FOR LAKEWOOD TOWNSHIP.

MOTION:	Commissioner Lapp

SECOND: Commissioner Rieker
VOTE: 5 Ayes, 0 Nays

ADMINISTRATION

EXECUTIVE COMMITTEE MEMBERS - There is 1 Executive Committee seat and 3 alternate committee seats available to be filled. Commissioner Nieman from Montgomery Township offered to be on the board.

MOTION TO ADD DONATO NIEMAN FROM MONTGOMERY TOWNSHIP ON THE EXECUTIVE COMMITTEE EFFECTIVE IMMEDIATELY.

MOTION: Commissioner Lapp
SECOND: Commissioner Rieker
VOTE: 5 Ayes, 0 Nays

CADILLAC TAX - We have made estimates of the impact of this tax that is scheduled to go into effect on January 1, 2018.

Using trends of 7.5%, the average increase for CJHIF members will be 10.29% in 2018 with a range by member of 6.05% to 15.86%. Because this tax is based upon marginal costs, it will rise in future years. Using the 7.5% trend, the average tax as a percent of assessments is estimated at:

2019 11.66%
2020 12.94%
2021 14.16%
2022 15.31%

Detailed estimates for each member will be supplied by Brandon Lodics' team to the membership and to risk managers in the near future.

FUND PHILOSOPHY ACCEPTANCE - In an attempt to gain more Commissioner involvement, we have developed a Fund Philosophy for new members to adopt prior to joining the Fund. The North Jersey Fund has been requiring potential Fund Commissioners to sign off on this philosophy for a few years and the Fund's Commissioner attendance is high. If deemed appropriate, we request a motion to have this acknowledgment approved for all potential new members.

AETNA TO AQUIRE HUMANA - As many of you may have seen, Aetna will be acquiring Humana. A plan sponsor letter has been included in Aetna's report. This will be sent to all members. Aetna will be prepared for further discussion and questions.

BENEFITS OPERATIONS

Program Manager introduced Michael Gaito, an intern with Conner Strong and Buckelew, who has been working on the benefit administration manuals. Mr. Gaito explained that the manuals provides a

comprehensive overview of the benefits express system that will be provided to each of the benefit administrators of each town.

MANDATORY USAGE OF THE ONLINE ENROLLMENT SYSTEM - Usage of the online enrollment system is in full progress. The PERMA Enrollment Department continues to offer assistance to HR representatives as they acclimate themselves with system. Please reach out to our Enrollment Team if you are in need of training.

CONTACT INFORMATION - 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.

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.

brokerservice@permainc.com

WELLNESS UPDATE - We would like to get the committee back together to discuss the wellness program moving forward. Currently, those members are Diane Lapp (Chair), Joseph Gilsenan and Eugenia Poulos. PERMA will be reaching out shortly.

We would like to discuss considerations for the 2016 budget in regards to wellness applications/programs. Status updates will be provided in subsequent meetings. Program Manager said there are a few programs through third parties that could be options for the Fund.

2015 PPACA UPDATES - In our constant effort to keep you informed of the ongoing progression of PPACA, the following communications regarding 2015 PPACA updates are included in the attachment section of this report:

CADILLAC TAX - The Cadillac Tax imposes a 40% non-deductible tax on the excess amount of the aggregate cost of "applicable employer–sponsored coverage" in a calendar year. Applicable employer–sponsored coverage is generally defined as the coverage under any group health plan made available to employees by an employer which is excludable from the employee's gross income or would be excludable from the employee's gross income under IRC section 106. The definition of "employees" includes former employees, retirees, surviving spouses and "other primary insureds" (an undefined term). The tax applies to all employers subject to excise tax provisions of the IRC which includes all private employers, regardless of size, and also includes tax exempt and governmental entities. The excess amount of the total cost of coverage, from which the tax is calculated, is the amount of applicable coverage which exceeds the annual statutory limits, which have been set at $10,200 for individual coverage and $27,500 for other-than-individual coverage for the 2018 tax year.

The tax is calculated on a monthly basis, but is assessed on a calendar year basis. The value of applicable coverage must be calculated based on approved methods identified in the guidance and the rules permit adjustments to the limits for retirees and high risk professions, as well as age and gender adjustments. Adjustments will also be made through 2018 and beyond for health cost inflation.

Each provider of coverage is responsible for paying its share of the tax. For all fully-insured coverages, the health insurer is the coverage provider. For self-insured coverages or other coverage, the employer/plan administrator is responsible for paying the tax. Keep in mind that while the coverage provider is responsible for paying the tax, employers sponsoring health plans are responsible for calculating the tax and determining the share of the tax attributable to each coverage provider. In general, penalties may be assessed on employers who miscalculate the tax or fail to correctly attribute the tax to the responsible party. The employer may be responsible for a penalty equal to 100% of the error plus interest. The IRS reserves the right to waive penalties for employers who can prove they were not aware of the mistake provided the mistake is corrected timely, within 30 days.

A recent article, "Union Plans Need to Look Ahead to Cadillac Tax Despite Lack of Guidance", was published in Bloomberg BNA discussing the importance of preparation for this looming tax and the consideration of adding contract language allowing reopening of negotiations in 2017 when more guidance is available. http://www.bna.com/union-plans-need-b17179923113/

RECORDKEEPING AND REPORTING - The Internal Revenue Service (IRS) released more detailed reporting information in the form of Questions and Answers (FAQs) in an effort to assist employers with IRS reporting (Form 1094-C) and providing statements to its employees (Form 1095-C) regarding employer health coverage information under the Affordable Care Act (ACA). Employers must comply with these new reporting requirements beginning in 2016, reporting on calendar year 2015. The latest guidance consists of an updated Q&A document covering basic reporting requirements and a new Q&A document addressing more specific issues that may arise while completing Forms 1094 and 1095. The Q&As are clarifications to the existing rules. The final rulings remained unchanged. The revised Q&As can be found here, Questions and Answers on Reporting of Offers of Health Insurance Coverage by Employers (Section 6056), providing you the guidance needed in respect to the reporting of healthcare coverage

To assist with ACA required recordkeeping and reporting requirements (1094/95 B &C), PERMA can run census and data reports out of the Benefits Express system that can be utilized to generate the necessary reports.

If you'd like a standard report, please have your Risk Managers reach out to Jeanne Frank at jfrank@permainc.com. The expected turn around time to receive reports is 7-10 business days.

UPDATE ON FAMILY OUT OF POCKET LIMITS & DEDUCTIBLES FOR 2016 - The Departments of Health and Human Services (HHS), Labor (DOL) and Treasury have issued FAQs clarifying the treatment of out-of-pocket (OOP) cost-sharing limits for family coverage, required as part of the Affordable Care Act (ACA). Under the guidance, an "embedded" individual OOP is required for family coverage. In other words, the in-network individual OOP maximum will apply to each individual enrolled in family coverage. Therefore, the annual OOP maximum under ACA for self-only coverage applies regardless of whether the individual has self-only or family coverage. These rules will apply for plan years beginning on or after January 1, 2016. This clarification is significant and will affect many employer health plans.
Example: In 2016, a group health plan has an aggregate annual family limitation on in-network cost sharing of $13,000 (note that a plan is permitted to set an annual limitation below the maximum). The

self-only maximum annual limitation in $6,000 applied to each covered family member. Assume family of four (Mom, Dad, Son and Daughter) enrolls in family coverage. Mom incurs claims associated with $10,000 in cost sharing, and Dad, Son and Daughter each incur claims associated with $3,000 in cost sharing. For Mom, the plan is required to bear the difference between the $10,000 in cost sharing and the maximum annual limitation for Mom ($6,000), or $4,000 paid by plan. With respect to cost sharing incurred by Dad, Son and Daughter, the aggregate $15,000 ($6,000 + $3,000 + $3,000 + $3,000) in cost sharing that would otherwise be incurred by the four family members together is limited to $13,000 (the annual aggregate limitation under the plan), and the plan must bear the difference between the $15,000 and the $13,000 annual limitation, or $2,000.
PERMA will continue to make the necessary updates to plan out of pockets and deductibles to individual plans to assure groups remain compliant. Majority (if not all), medical plans in the HIF have deductibles that operate in this way.

EXPRESS SCRIPTS – CHOLESTEROL / PCSK9 MEDICATIONS STRATEGY UPDATE -Starting in July, 2015, a new class of statins to treat high LDL cholesterol is being introduced to the market. Termed PCSK9 medications, these specialty medications are designed to specifically treat those who are resistant to higher dose statins, intolerant to statins, or have a diagnosis of familial hypercholesterolemia. Based on the currently estimated cost, prevalence, and clinical prescribing guidelines, these drugs have the potential to increase your current overall drug costs by 30-40%. In combination with projected annual drug trend, plans are now facing potential 50% increases in annual drug costs. In light of this unprecedented cost impact to plan sponsors, PERMA is recommending a strategy that will allow the Funds to calculate the potential cost impact and make a fully informed decision for this class of drugs prior to offering member coverage.

Based on clinical trials and current medical benchmarks, it is estimated that between 8%-24% of current statin users will qualify for these new specialty medications. The annual cost of the new statins are currently estimated to be anywhere from $7,000 to $12,000 per utilizing member. In contrast, the current annual cost of a generic statin is approximately $600 per utilizing member. Also, the $7,000 to $12,000 is a reoccurring cost as the patient will still have to take the new medications indefinitely.

Strategy Options:
If controls are not put in place these medications could have an impact of over 30% on future prescription drug trend.

1. Express Scripts Clinical Review Program (*3% trend impact)-* Express Scripts has developed an in depth review program for reviewing the PCSK9 medications, in which prescribing physicians would need to supply Express Scripts' clinical review team with lab results and other medical documentation to provide evidence of medication need.

Program Requirements:

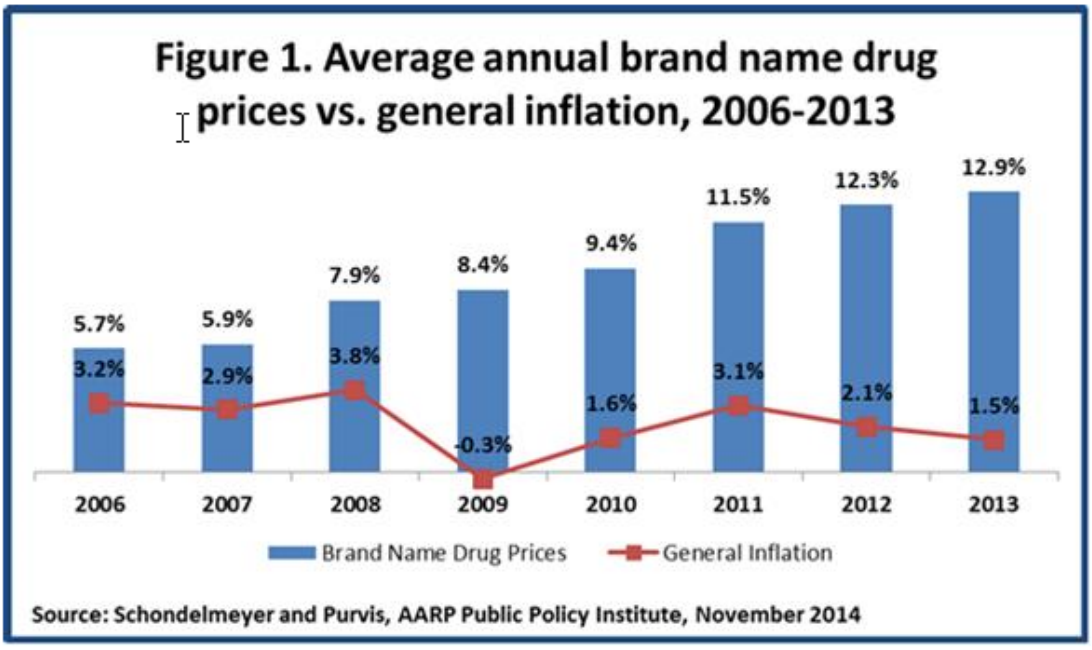
a. *Accredo Mail Order*- All PCSK9 medications will be delivered via Express Scripts' specialty pharmacy, Accredo.
b. *Select Home Delivery for Maintenance Cholesterol Medication (January 1, 2016)s*- The clinical review program is accompanied with select home delivery for **maintenance high cholesterol medications** (Crestor, Lipitor, etc.). This program allows current utilizers of these maintenance medications 60 days to opt out of mail order, or they

must begin receiving their medications via mail. This would take affect January 1, 2016. This requirement can be opted out of at a cost of $0.20 per member per month.

2. Exclude PCSK9 Medications with Appeal Option *(< 3% impact)* - The HIF could consider not covering these medications all together and allowing members an appeal option. In which the Fund would utilize one of our independent review organizations (IROs) to make a determination regarding effectiveness, applicability and medical necessity of the PCSK9 for the prescribed patient. In the event of an appeal, the IRO recommendation would be the final determination.

Program Manager suggested that the decision be made in closed session.

TRENDS IN RETAIL PRICES OF BRAND NAME PRESCRIPTION DRUGS FOR OLDER AMERICANS - According to a new report by the AARP Public Policy Institute, the annual percentage change in retail prices for brand name prescription drugs has consistently increased substantially faster than general inflation in recent years. Retail prices for the 227 brand name drug products most widely used by older Americans rose 12.9% in 2013 (Figure 1). The average **annual retail price increase in 2013 for these brand name prescription drug products was more than eight times higher than the rate of general inflation (12.9% vs. 1.5%).**



The annual retail price change for brand name drug products reported in Figure 1 averages annual point-to-point price changes for each month in a 12-month period (referred to as a rolling average change), smoothing over the entire year the annual change in brand name drug price that occurs for a single month (referred to as an annual point-to-point change).

Key Takeaways

- The retail price of brand name drug products has steadily increased over time since 2006;

- Brand name drug price increases at the retail level have been substantially higher than the rate of general inflation. The gap between the rate of brand name drug price change and the rate of change in general inflation has substantially widened over the period from 2006 to 2013. This gap has ranged from a less than two-fold difference in 2006 to a nearly nine-fold difference in 2013.
  The cost of brand name drug therapy reached nearly $3,000 per drug per year in 2013.

Ms. Weinert was introduced as the Fund's pharmacist representative. In response to Commissioner Gilsenan, Ms. Weirnert said that the FDA requires a brand and generic to be therapeutically equivalent. A brand remains as a brand until the patent expires and generics can be made. This competition then brings down the price. A generic may be considered different if a filler component or the way a drug is mixed causes a reaction.

Figure 2 presents the retail price for widely used brand name drugs indicated for treating chronic conditions when the price is expressed as an average annual cost of therapy per drug. The average cost of therapy was nearly $3,000 per drug per year for brand name prescription drugs at the retail level in 2013. This average annual cost ($2,960) is more than double the average annual cost ($1,386) for a brand name drug in 2006, the year Medicare implemented Part D. Almost two-thirds of older Americans take three or more prescription drugs in a given year. If they used brand name drugs to treat their chronic conditions, they would have experienced an average annual retail cost of drug therapy of $8,880 for three drugs in 2013.

TREASURER: Fund Treasurer reviewed the June July and dividend bills list, the cash reconciliation and the paid claims report.

Bills lists:

June **2015 – Confirmation of Payment**

FUND YEAR 2015	**$379,356.46**
TOTAL ALL FUND YEARS	**$379,356.46**

July 2015 – Resolution 17-15

FUND YEAR 2014	**$8,000**
FUND YEAR 2015	**$403,911.60**
TOTAL ALL FUND YEARS	**$4011,911.60**

Dividends 2015 – Confirmation of Payment

FUND YEAR 2015	**$1,500,000**
TOTAL ALL FUND YEARS	**$1,500,000**

MOTION TO ADOPT TO PAY JULY 2015 AND DIVIDEND BILLS LIST

MOTION: Commissioner Lapp
SECOND: Commissioner Rieker
VOTE: 5 Ayes, 0 Nays

MOTION TO APPROVE BALANCE OF TREASURER REPORT AND CERTIFICATION OF CLAIMS

MOTION: Commissioner Gilsenan
SECOND: Commissioner Lapp
VOTE: 5 Ayes, 0 Nays

ATTORNEY: No Report

QUALCARE: Mr. Epstein reviewed the claims payment report and high dollar report through June.

AETNA: Mr. Norton reviewed the claim payment report and high dollar claim report through May, which was lower than the prior month. The total claims are less than the previous two years.

EXPRESS SCRIPTS: No report. In response to Commissioner Lapp, Mr. Rostkowski said he can assist an employee with determining what medications would be covered under the Fund's plan.

DELTA DENTAL: Ms. Leher reviewed the report included in the agenda which showed no shock claims through the first quarter of 2015. She reviewed how many members in the Fund were healthy vs. no visits. She said the wellness efforts insitutated last year have helped some members go from no visit to healthy. She said that there is a link to good oral health with good overall health.

NEW BUSINESS: None

OLD BUSINESS: None.

PUBLIC COMMENT: None

MOTION TO ENTER EXECUTIVE SESSION:

MOTION:	Commissioner Rieker
SECOND:	Commissioner Gilsenan
VOTE:	Unanimous

MOTION TO AUTHORIZE UTILIZATION MANAGEMENT ON ALL PRESCRIBED CHOLESTEROL DRUGS, PKSC9 AND APPROVE PERMA TO ADMINISTER THE OPTION OF HOME DELIVERY PROGRAM FOR THESE MEDICATIONS.

MOTION:	Commissioner Rieker
SECOND:	Commissioner Gilsenan
VOTE:	Unanimous

Executive Director said the Fund will provide feedback in the next 6 months on the effectiveness of the program.

MOTION TO ADJOURN MEETING:

MOTION:	Commissioner Lapp
SECOND:	Commissioner Gilsenan
VOTE:	Unanimous

MEETING ADJOURNED: 2:05 PM