

**SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND**  
**OPEN MINUTES**  
**October 14, 2015**  
**Collingswood Senior Community Center**  
**6:00 PM**

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Meeting of Executive Committee called to order by Michael Mevoli. Open Public Meetings notice read into record.

**PLEDGE OF ALLEGIANCE AND MOMENT OF SILENCE**

**ROLL CALL OF 2015 EXECUTIVE COMMITTEE:**

|                   |  |                           |         |
|-------------------|--|---------------------------|---------|
| Michael Mevoli    | Chairman   | Borough of Brooklawn      | Present |
| Mayor Joseph Wolk | Secretary  | Borough of Mt. Ephraim    | Present |
| Richard Michielli | Executive Committee                              | Borough of Magnolia       | Absent  |
| Louis DiAngelo    | Executive Committee                              | Borough of Bellmawr       | Present |
| Terry Shannon     | Executive Committee                              | Borough of Barrington     | Present |
| Jack Lipsett      | Executive Committee                              | Gloucester City           | Present |
| Neal Rochford     | Executive Committee                              | Borough of Haddonfield    | Present |
| Joseph Collins    | Executive Committee<br>1st Alternate             | Delsea Regional BOE       | Absent  |
| Gene Mercoli      | Executive Committee<br>2ndAlternate              | Cumberland Co. Vo Tech Ed | Absent  |
| Frank Domin       | Executive Committee<br>3 <sup>RD</sup> Alternate | Berlin Borough BOE        | Present |
| Lisa Giovanelli   | Executive Committee<br>4 <sup>th</sup> Alternate | Rancocas Valley Regional  | Absent  |

**APPOINTED PROFESSIONALS PRESENT:**

Executive Director/Adm. PERMA Risk Management  
Services

**Paul Laracy**  
**Emily Koval**

Program Manager Conner Strong & Buckelew  
**Brandon Lodics**  
**Jeanne Frank**  
**Jozsef Pfeiffer**

Attorney **J. Kenneth Harris, Esq.**

Prescription TPA – Express  
Scripts

**Kenneth Rostkowski**  
**Eric Ruebenacker**

**ALSO PRESENT**

Kim Porter, CHB Group  
Sandra Taylor, CHB Group  
Marsh & McLennan

Commissioner DiAngelo welcomed the committee to Bellmawr.

**Southern New Jersey Regional Employee Benefits Fund  
Program Manager's Report  
October 14, 2015**

| Considerations for Reducing Prescription Utilization and Premium        |   |   |
|---|---|---|
| Program   | Description   | Intent/Purpose  |
| Restricted Pharmacy Network<br><i>Express Scripts Advantage Network</i> | Express Scripts offers a more restricted pharmacy network. <u>Participating EAN Pharmacy:</u><br>ACME, Costco, KMART, Rite Aid, Shop Rite, A&P, Walmart, Wegmans, Sam's Club<br>Pharmacies not in EAN Network: CVS & Walgreens<br><i>Pharmacies above are examples only and do reflect all participating and non participating pharmacies related to the EAN network.</i> | Utilizing economies of scale Express Scripts has negotiated a smaller network with better prescription pricing discounts than the HIF currently utilized.   |
| Step Therapy Without Grandfathering                                     | Step Therapy is a program that requires members to utilize medications in a certain order based on price and clinical efficacy. The Fund initially implemented with grandfathering, which allowed members on a drug that required a step, to bypass the step as long as they remained on that medication continuously every 130 day lookback period.                      | Removing grandfathering will require members to at least attempt to try the least costly/more clinically effective medication before moving on to the second tier drug. The removal of grandfathering is a projected 5% savings to the prescription budget. |
| 3 Tier Copay Plans  | Tier 1- Generics, Tier 2 - Preferred/Formulary Brands, Tier 3- Preferred/Formulary Brand<br>Each tier should separated by at least \$15.  | The increased out of pocket for members promotes the use of generic and formulary brand medications.  |
| Mandatory Mail Order  | Maintenance medications would be required to be filled by Express Scripts Mail Order  | Plan gets the advantage of Express Scripts low cost Mail Order medications, and eliminates dispensing fees.   |
| 30 Day Retail Supply Limit  | Members should be limited to a 30 day supply of maintenance medication at retail per fill. Mail order always allows a 90 day supply per fill.   | Encourages mail order utilization.  |
| <i>Member Pay the Difference</i><br>Mandatory Generics                  | If members would like a brand medication, when a generic equivalent is available, they are required to pay the generic copay <b>plus</b> the difference in plan cost of the generic and brand.  | Encourages the use of generic medications when available. And if a brand is chosen the plan is only charged the cost of the generic.  |
| Over the Counter Equivalents  | Eliminate coverage for medications that have an over the counter equivalent available.<br><i>Flonase</i>  | Passes prescription drug fill costs from the plan to the member.  |
| Suggested Low Cost Model Plans  | Combination of different cost saving tools:<br>Copays- \$15/\$35/\$50 Retail- 30 days. \$30/\$70/\$100<br>Mail Order -90 days Step Therapy Without Grandfathering & Mandatory Mail Order  | Estimated 10-20% Savings. Savings will vary based on current plan designs and program participation.  |
| 4th Tier Specialty Copay  | 4th Tier Copay for specialty medication. Highest copay for highest cost medications   | Increased member cost sharing.  |

Program Manager reviewed the chart on items to consider for Prescription Utilization Improvement. He reviewed the various options that can be used to control the rx costs at a local level. He provided several solutions to try and get people to take generic medications over brand name. Some of the ideas proposed were using a Restricted Pharmacy Network and Express Scripts Advantage Network, Step Therapy Without Grandfathering, 3 Tier Copay Plans, Mandatory Mail Order, 30 Day Retail Supply Limit, Member Pay the Difference Mandatory Generics and Low Cost Model Plans.

Commissioner Shannon stated that she believes the retiree's will have the biggest issue with this due to their lack of chapter 78 contributions and suggested offering them the old plans or offering additional plans. In response to Commissioner Shannon, Program Manager said that we can customize plans, but the ultimate goal is to try and change their behavior. He said the current plans are not sustainable as is. Commissioner Shannon said that we need to show them where they are saving and that the savings should be significant.

The Cadillac Tax and its effects discussion further ensued.

Commissioner Shannon asked about the Hepatitis C drugs and how long an individual has to take them. In response to Commissioner Shannon, Mr. Rostkowski advised its usually 3- 30 day fills and they are already seeing the spending go down in other funds. Mr. Rostkowski also suggested lowering copays for generic medications even further while raising others.

Chair Mevoli suggested not waiting until 2017 to roll out new plans, he said he feels these plans should be introduced as soon as possible. In response to Commissioner Shannon, Executive Director said the Fund has spent more than what was being brought in. Chair Mevoli asked if this is due to the older population, Executive Director said yes, but also has seen an increase in the Schools. Fund Attorney said that doctors are prescribing more medications so will see an increase in usage.

### **Express Scripts:**

Mr. Rostkowski discussed the Top Line Performance Metrics and Trend Components, specifically utilization and inflation. He said the biggest increase is in specialty drugs for arthritis, Hepatitis C and diabetes. Commissioner Shannon asked if utilization is based on money to which Mr. Rostkowski responded that it is based on actual drug fills.

## Originally Proposed Budget From September 26 Meeting

Following is the proposed 2016 budget reflecting an overall increase of 7.52%. This budget reflects only the members of the Fund that will continue into 2016 – municipal and county entities.

**CLAIMS FUND** - Medical claims are increasing by 3.36% while Rx claims are increasing by 36.3%.

Rx claims are rising primarily due to an increase in the use of specialty drugs (93.9% increase year over year). The largest increase in specialty cost pertains to curative but expensive Hepatitis C drugs. However, utilization of non specialty drugs is increasing (20.7%) due in part to advertising and other consumer related factors. On average, Fund Rx plans cover 96% of claims costs, thus providing employees with little financial incentive to use lower cost drugs.

The budget projection for Rx claims reflects actuarial credits for:

- Lifting grandfathering on drugs that would normally be covered by the Step Therapy utilization management program.
- The value of the new contract with Express Scripts that went into effect this year.

Five percent (5%) of the increase for municipal members is due to the rate credit granted on July 1, 2015.

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. However, this program will not be available to the Fund until the second quarter of 2016. Rate reductions at that time are possible if the program is successful.

Other cost control efforts, such as mandatory generic and higher co-pays, can reduce cost but must be pursued primarily through labor negotiations. This year’s Rx increase, along with the pending Cadillac tax, adds urgency to such efforts.

Executive Director discussed the proposed budget. He said that claims account for more than 87% of the budget and medical claims are up 3.36% while Rx claims are increasing by 36.3%. He suggested 2 programs which would remove grandfathering and implement mandatory generics. Mandatory generics would reduce costs by 4% and Step therapy would save another 5%. Executive Director also said that Medicare Advantage was reduced by \$65,000.

Commissioner Shannon asked about enrollment audits and the cost. It was explained that it was completed this year and can be deferred to a future date. It usually costs approximately \$25,000 to perform.

## REINSURANCE AND INSURED PROGRAMS

The reinsurance line is increasing by 10% for specific claims coverage and aggregate claims reinsurance is staying flat. The Fund's specific retention is remaining at \$300,000.

The Medicare Advantage renewal is dropping by 10.16% as a result of favorable claims experience.

Executive Director said that there is the option to look at increasing reinsurance, it is currently at \$300,000 and even an increase to \$325,000 would save \$159,000. There would be more risk but in exchange for a lower budget and with a substantial surplus the risk is affordable.

## LOSS FUND CONTINGENCY

This item can be adjusted at the discretion of the Executive Committee. A modest amount is currently included to balance assessments to the budget.

## CONTRACTS AND EXPENSES

Some expenses are proposed to rise by 2%. Items that were priced in a fixed basis are generally dropping as a result of the segregation of the Fund into separate units.

Fees for claims agents reflect negotiations and are lower on average than for 2015.

"Affordable Care Act" taxes are lower in accordance with the schedule adopted for the "Transitional Reinsurance Tax" by the federal government.

An increase in the wellness line item is recommended in order to provide financing for a meaningful pilot program.

## ASSESSMENTS

Assessments are prepared using Fund policy developed over the last several years:

- The medical increase is 6% with Aetna and Amerihealth rising at the same percentage.
- Rx rates are rising by 29.5%
- Dental rates are flat.
- In addition, loss ratio adjustment factors of +2.5% are applied at the entity level.

## DIVIDENDS/ SUPPLEMENTAL ASSESSMENTS

The Fund declared a dividend in 2015 of \$750,000 and can consider another dividend in 2016 once the 2015 audit is received. We can also discuss the possibility of applying sustainable dividend amounts as a rate credit by using surplus as a "rate stabilization reserve" offset. For instance, using \$750,000 per year in surplus as a rate credit would reduce the average increase by 1.9%.

## Proposed Budget with Savings Options

As per the guidance of the Committee, we have reviewed the budget further and found some options for the Fund to reduce the budget on the whole and for members to choose to reduce their assessments even further and have been reflected in the budget below:

**Mandatory Generic** – Discussed in ESI and Program Manager’s report. Value is reflected in the budget.

**Medicare Advantage Reduction** – Aetna has proposed an additional reduction, state wide, for the Medicare Advantage fully insured program.

**Specific Retention Increase** – The Fund may choose to increase the specific reinsurance retention from \$275,000 to \$325,000. The Fund has adequate surplus to absorb this additional risk.

**Broker Fees** – The budget reflects a flat renewal for broker fees. This decision can be made at the member level and would only change for members who have an outside broker. On average, these fees are approximately 2% of their client’s assessment, which would decrease if the member chooses.

**Enrollment Audits** – The Committee approved this program to occur every three years. Pending this project for another year will save .06%.

**Wellness Program** – The Wellness Committee has been in the development stages of a wellness program with a third party company, Bravo. This program may be held for another year or included at a reduced level.

Executive Director discussed the wellness program. He said that there is \$125,00 budgeted and proposed \$150,000. He said that this would be a long term ROI. Mr. Domin said that he feels the wellness programs are workign and people are buying into it. Mr. Harris said it will ususally be about 3 years before seeing an ROI. Commissioner Shannon said that they want to remove the Wellness Program from the budget. Executive Director said that the increase currently proposed is 5.9%. Commissioner Shannon said that is a much better number.



| Southern NJ Municipal Employee Benefits Fund |                                    |                        |                      |                     |                 |                              |                   |
|--|------------------------------------|------------------------|----------------------|---------------------|-----------------|------------------------------|-------------------|
| 2016 Certified Budget                        |                                    |                        |                      |                     |                 |                              |                   |
|  | Census:                            | Total Monthly Census   | Annual Census        |                     |                 |                              |                   |
|  | Medical - Aetna                    | 1,505                  | 18,060               |                     |                 |                              |                   |
|  | Medical - AmeriHealth NJ           | 55                     | 660                  |                     |                 |                              |                   |
|  | Medical - AmeriHealth Admin        | 44                     | 528                  |                     |                 |                              |                   |
|  | Rx                                 | 1,950                  | 23,400               |                     |                 |                              |                   |
|  | Dental                             | 1,477                  | 17,724               |                     |                 |                              |                   |
|  | Medicare Advantage - Medical       | 549                    | 6,588                |                     |                 |                              |                   |
|  | Rx No Medical (Incl in Rx above)   | 531                    | 6,372                |                     |                 |                              |                   |
|  | Dental Only (Incl in Dental above) | 497                    | 5,964                |                     |                 |                              |                   |
|  | Medicare Adv Only (Incl above)     | 8                      | 96                   |                     |                 |                              |                   |
|  | DMO Only                           | 1                      | 12                   |                     |                 |                              |                   |
|  | LINE ITEMS                         | 2015 Annualized Budget | 2016 Proposed Budget | \$ Change           | % Change        | Savings Options              | Savings           |
|  | <b>Claims</b>                      |                        |                      |                     |                 |                              |                   |
| 1  | Medical Claims                     | \$ 22,344,642          | \$ 23,095,350        | \$ 750,708          | 3.36%           |                              |                   |
| 2  | Prescription Claims                | \$ 7,337,812           | \$ 9,601,037         | \$ 2,263,225        | 30.84%          | Mandatory Generic            | \$ 400,044        |
| 3  | Medicare Part D Subsidy            | \$ (73,000)            | \$ (360,000)         | \$ (287,000)        | 393.15%         |                              | 1.03%             |
| 4  | Dental Claims                      | \$ 1,311,222           | \$ 1,258,773         | \$ (52,449)         | -4.00%          |                              |                   |
| 5  | <b>Subtotal</b>                    | <b>\$ 30,920,676</b>   | <b>\$ 33,595,160</b> | <b>\$ 2,674,485</b> | <b>8.65%</b>    |                              |                   |
| 6  |                                    |                        |                      |                     |                 |                              |                   |
| 7  | <b>Loss Fund Contingency</b>       | <b>\$ 101,776</b>      | <b>\$ -</b>          | <b>\$ (101,776)</b> | <b>-100.00%</b> |                              |                   |
| 8  | <b>HMO Premiums</b>                | <b>\$ 6,136</b>        | <b>\$ 6,136</b>      | <b>\$ -</b>         | <b>0.00%</b>    |                              |                   |
| 9  | <b>Medicare Advantage</b>          | <b>\$ 1,825,403</b>    | <b>\$ 1,574,005</b>  | <b>\$ (251,398)</b> | <b>-13.77%</b>  | Negotiated Rate              | \$ 65,880         |
| 10   |                                    |                        |                      |                     |                 |                              | 0.17%             |
| 11   | <b>Reinsurance</b>                 |                        |                      |                     |                 |                              |                   |
| 12   | Specific                           | \$ 1,022,197           | \$ 1,073,307         | \$ 51,110           | 5.00%           | \$325k retention             | \$ 159,995        |
| 13   | Aggregate*                         | \$ 108,885             | \$ 108,885           | \$ -                | 0.00%           |                              | 0.41%             |
| 14   | Dental                             | \$ -                   | \$ -                 | \$ -                | 0.00%           |                              |                   |
| 15   | <b>Subtotal Reinsurance</b>        | <b>\$ 1,131,082</b>    | <b>\$ 1,182,192</b>  | <b>\$ 51,110</b>    | <b>4.52%</b>    |                              |                   |
| 16   |                                    |                        |                      |                     |                 |                              |                   |
| 17   | <b>Total Loss Fund</b>             | <b>\$ 33,985,073</b>   | <b>\$ 36,357,494</b> | <b>\$ 2,372,420</b> | <b>6.98%</b>    |                              |                   |
| 18   |                                    |                        |                      |                     |                 |                              |                   |
| 19   | <b>Expenses</b>                    |                        |                      |                     |                 |                              |                   |
| 20   | Legal                              | \$ 43,340              | \$ 19,680            | \$ (23,660)         | -54.59%         |                              |                   |
| 21   | Treasurer                          | \$ 18,147              | \$ 14,000            | \$ (4,147)          | -22.85%         |                              |                   |
| 22   | Administrator                      | \$ 230,238             | \$ 234,843           | \$ 4,605            | 2.00%           |                              |                   |
| 23   | Administrator - Medicare Part D    | \$ 7,864               | \$ 8,022             | \$ 157              | 2.00%           |                              |                   |
| 24   | Program Manager                    | \$ 642,913             | \$ 655,771           | \$ 12,858           | 2.00%           |                              |                   |
| 25   | Brokerage                          | \$ 159,303             | \$ 159,303           | \$ -                | 0.00%           | Determined locally           | \$ 3,190.00       |
| 26   | TPA - Med Aetna                    | \$ 876,813             | \$ 876,813           | \$ -                | 0.00%           |                              | 0.01%             |
| 27   | TPA - Med AmeriHealth NJ           | \$ 39,178              | \$ 29,040            | \$ (10,138)         | -25.88%         |                              |                   |
| 28   | TPA - Med AmeriHealth Admin        | \$ 25,829              | \$ 23,232            | \$ (2,597)          | -10.06%         |                              |                   |
| 29   | TPA - Dental                       | \$ 54,058              | \$ 54,058            | \$ -                | 0.00%           |                              |                   |
| 30   | Actuary                            | \$ 30,850              | \$ 22,000            | \$ (8,850)          | -28.69%         |                              |                   |
| 31   | Auditor                            | \$ 23,619              | \$ 12,000            | \$ (11,619)         | -49.19%         |                              |                   |
| 32   | <b>Subtotal Expenses</b>           | <b>\$ 2,152,153</b>    | <b>\$ 2,108,762</b>  | <b>\$ (43,391)</b>  | <b>-2.02%</b>   |                              |                   |
| 33   |                                    |                        |                      |                     |                 |                              |                   |
| 34   | Misc/Contingency                   | \$ 75,237              | \$ 28,589            | \$ (46,648)         | -62.00%         |                              |                   |
| 35   | Enrollment Audits                  | \$ 25,000              | \$ -                 | \$ (25,000)         | -100.00%        | Pend project or local option | \$ 25,000.00      |
| 36   | Data Analysis System               | \$ 26,766              | \$ 27,301            | \$ 535              | 2.00%           |                              | 0.06%             |
| 37   | Internet Documentation             | \$ 2,471               | \$ 2,520             | \$ 49               | 2.00%           |                              |                   |
| 38   | Wellness and Prevention Programs   | \$ 100,000             | \$ -                 | \$ (100,000)        | -100.00%        | Pend project                 | \$ 150,000.00     |
| 39   | Affordable Care Act Taxes          | \$ 255,431             | \$ 167,299           | \$ (88,133)         | -34.50%         |                              | 0.39%             |
| 40   | GASB 45                            | \$ 9,884               | \$ 9,884             | \$ -                | 0.00%           |                              |                   |
| 41   | Plan Documents                     | \$ 25,000              | \$ 25,000            | \$ -                | 0.00%           |                              |                   |
| 42   |                                    |                        |                      |                     |                 |                              |                   |
| 43   | <b>Total Expenses</b>              | <b>\$ 2,671,942</b>    | <b>\$ 2,369,355</b>  | <b>\$ (302,587)</b> | <b>-11.32%</b>  |                              |                   |
| 44   |                                    |                        |                      |                     |                 |                              |                   |
| 45   | <b>Total Budget</b>                | <b>\$ 36,657,015</b>   | <b>\$ 38,726,849</b> | <b>\$ 2,069,833</b> | <b>5.65%</b>    | <b>Savings Total</b>         | <b>\$ 804,109</b> |
| 46   | <b>Total Billing</b>               | <b>\$ 36,189,484</b>   | <b>\$ 38,726,848</b> | <b>\$ 2,537,364</b> | <b>7.01%</b>    |                              | <b>2.08%</b>      |

Program Manager said that the overall goal is generic utilization.

Chair Mevoli asked for a bullet point comparison for what they have now and what the changes will be.

Program Manager said will come up with one generic plan and price for each entity individually and do a side by side comparison.

Chair Mevoli asked if the Mid Year Dividend was paid last meeting. In response to Chair Mevoli, Ms. Koval advised that it was.

**OLD BUSINESS:** none

**NEW BUSINESS:** None

**PUBLIC COMMENT:** none

**MOTION TO ADJOURN:**

|         |                        |
|---------|------------------------|
| Moved:  | Commissioner Michielli |
| Second: | Commissioner D'Angelo  |
| Vote:   | Unanimous              |

**MEETING ADJOURNED: 7:46 PM**

**NEXT MEETING: September 28, 2015**

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Emily Koval , Assisting Secretary  
for

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**JOSEPH WOLK, SECRETARY**