

STATE OF CONNECTICUT
MUNICIPAL ACCOUNTABILITY REVIEW BOARD (MARB)

REGULAR MEETING NOTICE AND AGENDA
West Haven Subcommittee of the MARB

Meeting Date and Time: Tuesday, January 26, 2020 10:00 AM – 12:00 PM

Meeting Location: This meeting will be telephonic. 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: 304 933 526

Agenda

- I. Call to Order & Opening Remarks
- II. Approval of minutes:
 - a. December 15, 2020
- III. Review and Discussion: FY 2020 Audit and Financial Results
- IV. Update: Board of Education Health Insurance Analysis
- V. Update: ADP Implementation
- VI. Adjourn

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STATE OF CONNECTICUT
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REGULAR MEETING MINUTES
West Haven Subcommittee of the MARB

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Call-In Instructions:

Telephone Number: (860) 840-2075

Meeting ID: 756 648 271

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, Superintendent Cavallaro, Matt Cavallaro, Floyd Dugas (labor attorney), Seth LaVigne (Lockton), Lee Tiernan

OPM Staff in Attendance: Julian Freund, Michael Milone (OPM liaison)

I. Call to Order & Opening Remarks

The meeting was called to order at 10:06 AM.

II. Approval of minutes:

a. November 17, 2020

Mr. White made a motion with a second by Mr. Hamilton to approve the minutes. The motion passed unanimously.

III. Update: Board of Education Health Insurance Analysis

Mr. Milone explained the results of an analysis of Board of Education health insurance expenses and the potential savings from transitioning from the current self-insured Anthem high deductible plan to the State Partnership Plan. The analysis addresses active employees and retirees currently covered through the Anthem self-insured plan, but does not include the over-65 retirees receiving Medicare supplemental benefits through the Zenith plan. Based on current data, shifting current active BOE employees is projected to save approximately \$1.367 million annually, while moving retirees currently in the Anthem plan would cost approximately \$259,000 per year. One option the BOE is considering is moving active employees, but not the retirees currently in the Anthem plan. This scenario requires further analysis to estimate the impact on Anthem rates if only retirees remained to be covered in the Anthem plan. Anthem has been asked for an

estimate of the rates that would result if the actives were moved, but the retirees remained in the plan. There is a potential that the cost of keeping this group in the Anthem plan would result in a higher cost.

Employee contributions to health insurance premium, medical run-off expenses and various labor considerations were also discussed.

Mr. Hamilton asked about the timing of the move and the impact on the BOE contribution to the health savings account. Superintendent Cavallaro explained that the change would occur in July 2021 to coincide with the plan year.

Mr. White asked when the decision regarding retirees needs to be made in order to implement a change effective July 2021. Mr. Cavallaro responded that they have a couple months to work it out.

Mr. White asked about the IBNR expense of the City employees that moved to the Partnership. Mr. Cieplinski explained that the City has absorbed the IBNR expense so far. Ms. Kennison added that the FY 2020 restructuring funds distributed to the City enabled the City to meet its fund balance targets even while covering the IBNR expense. Mr. Cavallaro indicated that the BOE would be looking to break even with IBNR expense in the first year, and achieve the savings from the transition in the following years.

The remaining analysis concerning the potential impact on Anthem rates of moving active employees out of the Plan is anticipated to be available for the January subcommittee meeting.

IV. Update: Corrective Action Plan FY 2019 Audit Findings

In order to address a finding regarding bidding documentation, Mr. Cieplinski said he intends to request funding for a clerical person in the Finance Department to assist with grants records and purchasing records. An RFP for pension investment services is being prepared but has not been issued yet. The finding regarding the Fire Department capital assets will likely be a repeat finding. Mr. Cavallaro reported that the finding regarding the Student Activities fund is expected to also remain an open item. For the next meeting, Ms. Kennison asked for timeframes for addressing the remaining audit findings. The Purchasing position is expected to be filled by an internal employee who is currently assisting with the ADP project.

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

Mr. Cieplinski reported that one outstanding item from the City's actuarial firm remains. The City still anticipates meeting the Dec. 31 deadline for audit submittal. A request for an extension on the audit deadline has been prepared, in the event that an extension is needed. The City has not yet received draft financials or a draft management letter.

VI. Update: ADP Implementation

The launch of the payroll system has been moved to February. The City and BOE are in the process of data testing. An updated status report from ADP is anticipated within the next couple days. Interviews to fill a payroll/benefits position have been scheduled.

VII. Adjourn

A motion was made by Mr. Hamilton, with a second by Mr. Falcigno, to adjourn. The meeting adjourned at 11:12 AM.

To: Municipal Accountability Review Board
From: Michael Milone, OPM Liaison
Date: January 22, 2020
Subject: West Haven Board of Education Health Insurance

Background:

The City and Board of Education have been evaluating the potential health insurance expense savings from shifting from an Anthem self-insured plan design to enrolling covered members in the State Partnership health plan. An analysis projecting significant potential savings by transitioning to the State Partnership Plan was presented at the December 2020 subcommittee meeting. That analysis projected significant savings associated with the transition of active BOE employees, partially offset by a cost increase if retirees in the Anthem plan were to transition to the Partnership also.

Those results implied that transitioning active BOE employees while retaining retirees in the Anthem self-insured plan may be the most cost-effective option. However, further analysis was needed to determine whether retaining retirees only in the Anthem Plan would have an adverse impact on Anthem rates and erode the potential savings from moving active employees to the Partnership. That follow-up analysis has been largely completed and is presented in the attached tables.

Analysis:

The attached tables illustrate the potential cost reductions on both a Gross Cost basis and a Net Cost basis (i.e. cost to BOE net of members' premium contribution).

As Rows B and C in the Gross Cost analysis show, the gross costs for insuring retirees currently enrolled in the Anthem self-insured plan increase in either a transition to the Partnership (column C) or in a scenario in which they continue to be self-insured while active employees move to the Partnership (column F). However, the cost increase is significantly less in the scenario in which they remain in the Anthem self-insured plan (column F).

Using a conservative assumption that virtually all retirees' contributions to the health insurance premium is capped at its current level, the resulting Net Cost indicates that the BOE would save considerably more by keeping retirees in the Anthem self-insured plan while moving active employees to the Partnership. In the Net Cost, column O illustrates that the BOE would be projected to save almost \$1.1 million annually by moving active employees to the Partnership Plan and retaining the self-insured Anthem plan for retirees.

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REVISED JAN. 21

BOARD OF EDUCATION COMPARATIVE MEDICAL BENEFIT RATES
CURRENT FISCAL YEAR F.Y.'21
GROSS COST

COLUMNS		A	B	C	D	E	F	G		
		BASE RATE COST	ACTIVE EMPLOYEES ANTHEM to STATE PARTNERSHIP				ACTIVE EMPLOYEES ANTHEM to STATE PARTNERSHIP			
	LIVES	ANTHEM	LIVES	STATE PARTNERSHIP PLAN	VARIANCE \$	VARIANCE %	LIVES	STATE PARTNERSHIP PLAN	VARIANCE \$	VARIANCE %
A ACTIVE EMPLOYEES	603	14,065,660	603	13,125,447	-940,212	-6.68%	603	13,125,447	-940,212	-6.68%
	H.S.A. CONTR.	731,000		0	-731,000			0	-731,000	
SUB TOTAL		14,796,660		13,125,447	-1,671,212	-11.29%		13,125,447	-1,671,212	-11.29%
			RETIRED EMPLOYEES ANTHEM to STATE PARTNERSHIP				RETIRED EMPLOYEES ANTHEM to ANTHEM RETIREE CONSTRUCTED PLAN ANTHEM RETIREE CONSTRUCTED PLAN			
			LIVES	STATE PARTNERSHIP PLAN	VARIANCE \$	VARIANCE %	LIVES		VARIANCE \$	VARIANCE %
B PRE-65 RETIREES	25 PRE-65	469,907	25 PRE-65	486,352	16,445	3.50%	25 PRE-65	570,086	100,179	21.32%
C POST-65 RETIREES (NON-MED.)	46 POST-65	744,836	46 POST-65	1,362,052	617,216	82.87%	46 POST-65	913,505	168,669	22.65%
TOTAL	674	16,011,403	674	14,973,851	-1,037,551	-6.48%	674	14,609,038	-1,402,364	-8.76%
II I.B.N.R.										
A ACTIVE EMPLOYEES		968,539								
B PRE-65 RETIREES		15,170								
C POST-65 RETIREES (NON-MED.)		108,995								
TOTAL		1,092,704								

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BOARD OF EDUCATION COMPARATIVE MEDICAL BENEFIT RATES

CURRENT FISCAL YEAR F.Y.'21

NET COST

COLUMNS	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>
		ACTIVE EMPLOYEES	ACTIVE EMPLOYEES <u>ANTHEM to STATE PARTNERSHIP</u>		ACTIVE EMPLOYEES <u>ANTHEM to STATE PARTNERSHIP</u>	
		BASE RATE COST CURRENT PLAN	STATE		STATE	
	<u>LIVES</u>	<u>ANTHEM</u>	<u>PARTNERSHIP PLAN</u>	<u>VARIANCE \$</u>	<u>PARTNERSHIP PLAN</u>	<u>VARIANCE \$</u>
A ACTIVE EMPLOYEES	603					
GROSS COST		14,796,660	13,125,447	-1,671,213	13,125,447	-1,671,213
EMPLOYEE CONTRIBUTION*		2,686,859	2,383,391	-303,468	2,383,391	-303,468
NET COST		12,109,801	10,742,056	-1,367,745	10,742,056	-1,367,745
		RETIRED EMPLOYEES	RETIRED EMPLOYEES ANTHEM to STATE PARTNERSHIP		RETIRED EMPLOYEES ANTHEM to ANTHEM RETIREE CONSTRUCTED PLAN	
		BASE RATE COST CURRENT PLAN	STATE		ANTHEM RETIREE	
		<u>ANTHEM</u>	<u>PARTNERSHIP PLAN</u>	<u>VARIANCE \$</u>	<u>CONSTRUCTED PLAN</u>	<u>VARIANCE \$</u>
B PRE-65 RETIREES	25					
GROSS COST		469,907	486,352	16,445	570,086	100,179
RETIREE CONTRIBUTION**		115,486	115,486	0	115,486	0
NET COST		354,421	370,866	16,445	454,600	100,179
C POST-65 RETIREES (NON-MED.)	46					
GROSS COST		744,836	1,362,052	617,216	913,505	168,669
RETIREE CONTRIBUTION**		464,649	464,649	0	464,649	0
NET COST		280,187	897,403	617,216	448,856	168,669
D <u>GROSS TOTAL COST</u>		16,011,403	14,973,851	-1,037,552	14,609,038	-1,402,365
E <u>NET TOTAL COST</u>		12,744,409	12,010,325	-734,084	11,645,512	-1,098,897

* ACTIVE EMPLOYEES CONTRIBUTION IS PRORATED IN RELATIONSHIP TO THE CHANGE IN BENEFIT COST

** RETIRED EMPLOYEES CONTRIBUTION IS HELD CONSTANT IN ALL COMPARISONS