

**SELF-INSURANCE COMMITTEE**

Wednesday, May 2, 2007  
3:00 pm - Town Hall Council Chambers  
75 Main Street, Southington, CT

**MINUTES**

Chairman Harold Kane called the meeting to order at 3:05 o'clock, p.m, with the following in attendance:

William Della Vecchia, John Moise, Kathleen Rickard\*, Sherri DiNello and Arthur Secondo.

Ex-Officio:           John Weichsel, Town Manager  
                          Mark Sciota, Town Attorney  
                          Emilia Portelinha, Finance Director

Also in attendance:   James Verderame, Agent of Record

Absent:               Francis Verderame  
                          Robert Triano

HAROLD KANE, Chairman, presiding:

- 1. Presentation by Scott Millea from Anthem on the Agent of Record vs Health Benefits Consultant**
- 2. Discuss information for the Agent of Record/Health Benefits Consultant RFP.**

The Chair turned the meeting over to Scott for his comments.

Mr. Millea informed the committee that he was asked to come down and explain the difference between an Agent of Record and a Health Benefits Consultant. The only difference is in how the person is paid. With an Agent of Record, their commission is built into the rates charged by Anthem, collected by Anthem and then paid monthly an Agent of Record.

As a Consultant, there is a predetermined arrangement that you have with the Consultant for the work that they do and there is no commissions built into the Blue Cross rates, but then Southington would pay the person directly that they've contracted with them to work on a specific project or on a year long contract.

The Chair advised Mr.Millea is open to questions at this time.

James Verderame added that we did call several agents, consultants and none of them really wanted to come here because of the exact thing you just heard from Scott and it wasn't worth their while to come down and say those words. And, plus, they wanted to bid on it, also.

Mr. Millea added the only other difference, too, is an Agent of Record does have to be licensed through Blue Cross to represent Blue Cross whereas a Consultant, it doesn't matter if they have a license with us or not as long as they're licensed through the state.

Attorney Sciota asked Mr. Millea if he had a chance to review the presentation that was made to the Council and there was about fifteen different differences between the two. Did you have a chance to review that? Mr. Millea said he did not. He was just asked to come down because there was some questions regarding an Agent of Record and a Consultant.

Attorney Sciota added that at the Town Council level, we were led to believe that there were substantial differences between the two and that's why I was just wondering about that.

Mr. Millea said he had checked with other people at Blue Cross in his similar position and they all concurred that as far as they would say that would be the main difference between an Agent and a Consultant.

(Ms. Rickard entered the meeting.)

Mr. Moise asked Attorney Sciota: What the Council did the other night with doing the RFP, how is this going to play into what the ordinance is at this time? Attorney Sciota said the RFP will be prepared per the Manager. How it works is either the Manager or the Department Head, technically you don't have a department head, so it will be done through the Manager's Office and either some input from you or you can establish a small committee to work with me and we'd put together an RFP to be reviewed. Once everyone feels comfortable with that, we would send it out and "X" number of people would apply. We would narrow it down to a workable number and the committee that would be interviewing them would consist of the Manager, myself, and in this case I would say the department head for purposes of that would be your Chairman, or his designee on this committee, the Town Council Chair, or his designee and the Minority Leader or her designee. And, then we would interview the particular participants and make recommendations to the Council.

The Chair said the same committee with you and the Town Manager would review the applicants when they come in and then make a recommendation to the committee.

Attorney Sciota clarified: After we get the applicant's in, what will happen is the committee set forth by the ordinance would then look at it and interview whoever they feel, the number they feel, if they ask for more input they're entitled to do that and then that committee makes the recommendation to the Town Council at that point.

Mr. Secondo recommended putting somebody from the other party on that committee also. He would like to see Mr. Moise on that committee. Mr. Kane said he had no problem with that.

Ms. Rickard commented that if you are going to do that, I just think when the RFPs come back, let's be even more segmented. You don't have any BOE representation on that committee.

Ms. DiNello asked a point of clarification: I think what I heard you say versus what Mark said are two different things. I thought I heard Mark say there was a committee and that committee was going to make a recommendation to the Council. It's almost as if this committee is completely removed from making any kind of recommendation.

Once the RFP is out, Ms. DiNello continued, and whoever is doing the interviewing, does it ever come back to our committee for a recommendation or does it go directly to the Council?

Attorney Sciota stated this committee's input comes from your department head and in this case, your Chairman or his designee. That's this board's representation.

Ms. DiNello concluded our committee will not be interviewing applicants. Attorney Sciota agreed.

Ms. Rickard questioned: That's what the Town Council voted on for their procedure? Attorney Sciota reiterated that is the procedure. Ms. Rickard responded: that's crazy.

Discussion about procedures at the BOE between Attorney Sciota, Ms. Rickard and Ms. DiNello.

Ms. DiNello said they were surprised that the Self Insurance committee seems to be completely removed from the process. Attorney Sciota it is not because your Chairman is there.

Discussion.

Ms. Rickard asked if the RFP presentations were open to the public. Attorney Sciota said they were not.

Ms. Rickard said she and Ms. DiNello seemed to be saying the same thing. If Mr. Kane is the only member of this committee that's allowed to actually sit and watch and listen to and look at the bids and see what all the different people are offering, then you have totally removed that process from this committee. Everything we've been saying we want, you are removing from us. I think that's ridiculous.

Attorney Sciota said if you want to be appointed or have someone appointed, you would notify the members of the Council. In this specific case, if the Chairman and the Minority Leader wanted to appoint someone on here --- they don't have to be on the Council. They could do that.

How the ordinance is written, the Chairman and the Minority Leader will be on the review board along with myself, Mr. Kane or his designee and Mr. Weichsel.

Mr. Kane said in this case, he didn't realize the procedure you laid out and he was going to come back here after we had selected two or three and discuss them here before the full committee before we went forward. And, I have no objection to doing that. If I'm a member of this committee, I would like to come back to this committee and tell them what we're doing and what's being done and get their input on it.

Attorney Sciota said as a member of the review committee, there is no prohibition for you to come back to this board and say, we interviewed X, Y and Z. And, this is why I feel that this one is the best one. Do you have any input for me to report back?

Mr. Kane said he would do that, anyway.

Mr. Moise had a question. You hear Agent of Record and Consultant through the company, maybe there's more savings with the Consultant versus the Agent of Record, is that true or not true? Mr. Millea responded that would depend on the level of service you hire somebody for and what your expectation is.

Mr. Kane interjected: For example, in our case, the commission say for this year would be \$40,000. We can say to them we don't want you to pay that to anybody. We want you to reduce our administrative costs by \$40,000. Now we have \$40,000 then to hire somebody. If we can hire somebody for 35, we'd have \$5,000. That's the way it would work.

Mr. Weichsel noted Scott apparently wasn't aware of what was wanted here. We haven't answered the many, many questions or statements made by Mr. Klocko. Now, it has been pointed out correctly that that's just one person's opinion and that's true.

Still, they have been raised in public forum. I, myself, am not satisfied that we answered the generic statement that they're same type people.

Glenn alleged various things. I'm not persuaded by him myself at all, but I had hoped that the Blue Cross representative would have read them and responded somewhat to that. Mr. Kane said he would have him do that.

Discussion.

Attorney Sciota gave Scott Millea copy of the document in question and asked him to briefly review it and comment.

Ms. Portelinha brought up the Anthem renewal is generally in late June. So, we need to determine now if we need to notify Anthem of a non standard commission for the Agent of Record which are obviously going to do because we have to bid this out. I had spoken to Scott earlier this month and he advised we have to notify him by mid-May that we want a non-standard commission so we need to address it at today/s meeting.

Discussion of what a non-standard commission means. Ms. DiNello asked if that was something that we would be determining what the commission would be and it would not be included in the renewal rate? Mr. Millea said if it was a lower or higher commission, Anthem would adjust the retention portions of the renewal correspondence that would pay that amount. Right now it's built off our standard commission scale which is a sliding scale depending on how much premium comes in. I know I think for the past year I think I told you it was calculated for around 40,000. I don't have the exact number. If you negotiated lower, we would adjust the administrative charges to reflect what that would calculate out to.

Ms. DiNello then asked in follow up to that, if we are going out to bid and whoever wins this bid, let's say they're going to start to represent the Board officially in October or in January. Are we also saying that we're prorating the amount for the period of time covered by the current individual and then if it ends up being a rate we are going to negotiate through the RFP process, then if it continued to be Jim, then the town would be paying him directly and it wouldn't be part of the Anthem rate or the town may be paying a different firm directly?

Ms. Portelinha responded that right now because of the timing of everything and this is my interpretation of it and you guys can chime in, but we are mid-May and they need to know where we are with this. We're not sure whether we're bidding out an Agent of Record of an HBC or both. But right now we don't know how much we're going to pay the person so that my recommendation would be to tell Anthem not to pay the Agent of Record and then we'll do it separately.

Mr. Millea said he could wait for the information until early June, but in order to get the renewal out and not have any issues, I would recommend by June 1<sup>st</sup> we know what the commission level you want is and we build it into the renewal so we can upload it.

Mr. Weichsel said the committee has mind that we would pay directly to whoever was hired. So, from your point of view, you should zero out the "commission". Mr. Millea said he would need a letter saying.

Mr. Weichsel said in 30 seconds there will be a motion that will create such a letter.

Ms. Rickard made the motion. Mr. Moise seconded. Motion passed unanimously on a voice vote.

Raising another question, Ms. DiNello asked, doing this RFP, can we talk about the time period? We have to write the RFP that is going to begin coverage at a certain period of time. Are we looking at October, January and are we looking at a one or three year RFP?

Attorney Sciota said that is why he was hoping for this board to establish a subcommittee and answer the initial questions of what do you want me to put out for an RFP.  
Discussion.

Mr.Kane said in other RFPs he reviewed, they gave the bidder the choice of accepting the Commission or filing for a fee. There's flexibility in this.

Mr. Della Vecchia added that unless Scott tells me differently, I understand that you can tell Anthem that you don't want them to pay and we could still have an Agent of Record and pay that person through a negotiated figure. Ms.Portelinha agreed with that. Mr. Millea said you could still have an Agent of Record listed on our book and pay them directly and we'd get a zero commission. You can't have a commission and pay consultant fees to the same agent. That's against state law. We can't say we'll give you 20,000 but any extra work, we'll bill you a consultant fee. It's one or the other. You are either paid through the carrier commissions or you're paid consultant fees.  
Discussion.

Ms. DiNello asked this question so that we are not in violation of the purchasing ordinance: I understand that we're going to do the RFP, but in the meantime, I believe our current Agent of Record is going to continue doing some work for us. Do we need to negotiate a monthly fee we will pay between now and the time the RFP is awarded?

Attorney Sciota pointed out that wouldn't have anything to do with the purchasing ordinance. How many months are we doing it for? We are talking about July 1 and Jim is running out the string through June 30<sup>th</sup>. I don't see a reason why you couldn't have someone else or Jim onboard on July 1. We have time.

Discussion.

Mr. Kane suggested Mr. Verderame would be the same rate he would get on the commission system for time after June 30<sup>th</sup>. We are going to have the commission taken out of the total cost, so we will pay him. We'll just pro-rate it. It's easy.

Mr. Millea wanted to go through the statements by Mr. Klocko, one by one.

(1) Our AOR's primary business experience is property and casualty insurance and not health benefits.

I can't comment on that. The level of service your AOR or HBC gives you is determined by your and the value you perceive of that. Whether they have other lines of business they deal with, that's not really for me to comment on.

(2) What distinguishes HBC from insurance broker is the technical and analytical expertise they provide preparing COBRA rates for self insured, assisting with the FMA, GASBY, OPEC and HPPA.

We provide all that information to both agents and consultants and what they do with it and how they present it to you again, is the level of service that you determine from them. We don't only give that or help consultants with that. They may do something of their own, but we agents that do that, too. It's not really a separation between the two.

(3) The independence is what we talked about. You would pay a consultant directly but they would still have a relationship with Anthem. I don't know of anybody in the state who is purely just a consultant and doesn't have an AOR anywhere. Not to say there aren't, but they're all licensed through us as well as regular AORs.

(4) We know AOR is a commission relationship with Anthem, which is perfectly legitimate, however it is not a good arrangement for us.

Again, that's your determination of the value you perceive in either the Agent or the Consultant. It's not really a difference between the two. That's more of a statement of his feelings, I think.

(5) An HBC on the other hand, is paid directly by the Town --- which we discussed --- taking away much of Anthem's leverage in rate negotiations. The result is an improved negotiating position for the town.

Again, that's your level of perception as to if you think your renewal is fair, or not. I can say that I have looked at the past four years of renewals and your retention levels are at where they were four years ago and you've added an additional line of coverage through individual stop loss. So, I can't say a consultant negotiates better than an AOR because again, they're basically one in the same.

(6) Valued services. An HBC is a multi talented team approach.

That would depend on who you hire, whether they have a team or not. Some may have a group of people underneath them and other consultants work by themselves.

(7) HBCs are also benefit structures that are being negotiated in other municipalities provide real collective bargaining advise to the town.

Again, that would depend on the consultant that you're looking at. Some do have other towns and I know that we also provide that information to AORs. If they call me and say, what else are other towns doing, I would have that conversation with the person and that's not something specific to a HBC.

(8) Unlike Southington, HBCs have experience with municipal and state clients.

That's not a difference between a HBC and an AOR. It's the person's agency and how many municipal clients they have.

(9) Full disclosure requirements, HBCs sign no conflict of interest statements and no collusive statements regarding friends, relatives, and business relations with town. And, he's citing Cheshire and Mansfield as examples.

That would be something that you would set up with your AOR if you wanted that. You can do that with an AOR or a HBC. It's not a difference. It's just something that another town does.

(10) Councilman Chairman says you are doing a great job; let's explore that claim.

(No response)

(11) AOR admits to secret lobbying efforts only after Councilman inadvertently let the cat out of the bag.

I can't speak to that. I don't know what that means or what happened there.

(12) Lobbying, again.

I don't know what happened there or how to answer that.

(13) Self Insurance Committee meetings indicate AOR subcontract with private company to help him find ways to reduce costs. An HBC does not need a third party because unlike an insurance broker, that's their business and only business.

Again, that's something, I think more personally directed. There's no difference though between and HBC and an AOR with that. Some consultants work with third parties and some agents work with third parties.

(14) Costs of Service. There are no cost savings to changing the AOR since Anthem pays the Agent and you believe him and that's inaccurate and misleading and outdated advice by you and the Chairman and here's why. It's the responsibility of the AOR to interpret and communicate any legislative changes that effect our health plans.

Again, that's personal. I think he is more attacking the current AOR then differentiating between a consultant and an AOR. Both would be aware of legislative changes and again it's your level of service whether they report that back to you, or not.

(15) Southington decides to hire a consultant than a broker, we notify Anthem of our decision and they in turn will stop paying commissions to a former agent. The reduces the budget and administrative expenses.

And, you can do that and still keep the AOR, as we discussed. It's not a differential between a consultant and an AOR. You could still have an AOR but you'd pay him a Commission. We would reduce the commissions to a flat zero and then you'd hire him as a consultant.

(16) Retention bonuses.

We do offer bonuses to AORs. It's based on their overall book of business, not one specific client. Him saying HBCs do not accept retention bonus because they're not being paid a Commission, so they wouldn't see those as bonuses, again, an AOR has the right not to accept a bonus, it's not just an HBC.

In a lot of cases we have AORs who do not accept their bonuses. But there is a bonus in place.

(17) You can negotiate your fees and be selective with services from an HBC.

But you can also do that with an AOR. That's not a difference.

You can negotiate whatever commission level you want, regardless if it's a consultant or an agent.

(18) HBCs provide examples of leadership and innovation they've developed in the health industry and in the field.

Again, that's a service perception. An AOR has as much knowledge as a consultant. There's no really differentiating. It's what they report back to you and what you expect them to report back to you. It's not a difference between the two.

(19) HBC nationally known assisted in formulation collation of cities and towns in Connecticut to secure collective and prepared pricing for prescription drugs.

That was a broker house, but they also do business in the state as an AOR. They worked as a consultant in that case to try to form towns to come together to form a prescription purchasing coalition.

Some of the groups they had in that coalition, they were AORs on. That was something different that they went out and solicited towns to try to put together an RFP. It's not really a difference between a consultant and an AOR.

(20) Business handshake is nicer than a wink.

I can't comment. It sounds like an attack. I don't know how that is a difference.

You provided us with a letter at some point naming Jim AOR. What you expect out of Jim is totally determined by you. We don't have a set guideline. As long as the agent is licensed through us and in good standing, we'll do business with them.

What level of service you expect and they provide is determined by the group and the board as it would with a consultant.

These don't seem like differences to me but more complaints, so to speak, maybe.

Attorney Sciota said he is claiming it's a different animal and you, the professional, are telling us it's not a different animal, so that's fine with me.

Mr. Millea reiterated: By definition, the way I perceive it, a consultant, as I said, is paid directly by the town and they negotiate a set fee for whatever services they do.

Discussion.

The AOR, the commissions are agreed up or standard commissions. They're built into the renewal. They're paid from Southington into Anthem and then paid out to the AOR on a monthly basis. The level of services is determined by you.

Discussion.

Attorney Sciota asked: An AOR, I'm getting them confused. Can we hire an AOR and pay for him directly from the town. You keep saying AOR and the pay goes through Anthem. There is such a thing as an AOR that we don't have to pay anything through Anthem with? Mr. Millea responded you can hire an AOR as long as you pay them zero commissions and you have the commissions carved out, then you can pay them directly. My understanding is that it is against state law to then pay consultant fees for extra work done.

Attorney Sciota commented, if we do go our for an RFP, we could use either title because our intention is to pay for out of the town proceeds, whatever line item these guys choose from, and that we can call either one of those two titles. Mr. Millea responded: Yes.

Mr. Kane additionally commented, they are a fountain of information, whether you call the guy a consultant or an AOR. All the information that we get comes from them. And, Jim is the one that puts it together, stuff that we can use, they have a lot of data, a lot of information and they furnish a lot to us to help improve people's health.

Discussion.

Ms. DiNello asked a procedural and budget question. I think we've determined that regardless of who we're paying, it's going to be a direct payment from the town or the board. My question is is that going to come out of the self-insurance funding or is it going to be a new line item set up in the town or board budget that is going to require a public hearing?

Discussion.

The money will come out of the self insurance fund stated the Town Manager. Ms. Portelinha concurred. This is service being provided to the Self Insurance Committee.

Mr. Moise asked how often in the State of Connecticut there is a turn over with the AOR or HBC, is there an average? Mr. Millea responded every two years we have a municipal election and

a new Mayor comes in. There are certain towns that'll have a turnover. Other than that, it's pretty consistent.

Discussion.

(Mr. Millea left the meeting at this time.)

Attorney Sciota brought up a question. My understanding is in the current system the town pays approximately 40-odd thousand dollars to Anthem and they pay Jim. What if these RFPs come back with big numbers?

Mr. Kane said we could return to where we were. That's something we would have to face at the time.

Ms. Portelinha said you must also consider the level of service that we're looking for and determine what it is that we're looking for.

Discussion.

Ms. DiNello had some questions on structuring the RFP. Is it going to be a flat fee or are we going to be looking for pricing if we ask them to come and testify on behalf of the town or board in negotiations processes or put together a different plan? What is it we're asking for? It's really going to drive up that fee.

Or, are we going to also pose the question as some RFPs do, will you just the accept the commission that Anthem pays? I'm questioning what we're looking for in the service on the RFP.

Attorney Sciota suggested to the Chair that he appoint a relatively small group to work with me and I suggest Sherri be on that because I need an administrator from the BOE and then one or two other members would be fine. I do have many form RFPs and that's not the issue. I understand the government side issues, but I have no idea of the BOE issues.

The Chair asked Sherri to be on the committee to help develop the RFP. And, Mr. Moise was asked to be on the committee. And, the Chair will be on, too, because you have to have an insurance man involved.

The subcommittee will get together in the next week and get the ball rolling.

Attorney Sciota noted that Scott did a good job. It's not these differences that we thought they were.

Discussion.

### **3. Review the status of the current FY 2006-2007 Self Insurance Budget**

The Chair indicated everyone has a copy of it. We are still well in the black. Let's just hope it remains there.

Scotty was putting some figures together as a comparison of what we have done in fiscal year 2004, 2005 and 2006 in regard to what increases we've had versus the state trend and other communities, what their increases have been. He's putting some data together on it. Initially, he implied that we are in most instances about 50 percent below all the others as a trend. So, we must be doing something right or keeping our people more healthy.

I will have that data at the next meeting.

**4. Any other business considered proper to come before the committee.**

(No response)

(Upon a motion made, seconded and passed unanimously, the meeting was adjourned at 3:52 o'clock, p.m.)