

SELF-INSURANCE COMMITTEE

Wednesday, March 28, 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, Francis Verderame, Kathleen Rickard, Sherri DiNello, Robert Triano 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

HAROLD KANE, Chairman, presiding:

1. Discuss the Town Council request to review the Agent of Record recommendation.

The Chair passed around a statement that was prepared by a member of the Board of Finance. I would like you to take these and digest them and come back at our April 25th, 2007 with some comments and suggestions.

I am going to give some commentary on some of the items included in here to give you a little bit better understanding of what he's talking about and what we're talking about.

The first item, our AOR's primary experience is property/casualty insurance and not health benefits consulting which indicates as far as the writer is concerned that only people that spend all their time in health benefits are specialists and those of us who didn't spend 100 percent of our time in health benefits, but rather devoted our time to being an Agent, are not really health benefit specialists.

I want you to understand that we agents, who are fully insured and fully licensed, have a license in health benefits and p & c, life insurance, et cetera. Most all agents carry a full license.

Discussion.

I just pass on to you that this is a comment by someone who in my opinion is not really versed in what we in the insurance business do.

The next item he talks about here is to the value of services. As you read, health benefit consultants (HBCs) will also be aware of benefit structures that are being negotiated in other municipalities. We have knowledge of those, too. Anthem Blue Cross keeps us pretty well informed in that area.

Anthem Blue Cross who is our administrator is probably the most health benefit specialist in the State of Connecticut. They are the people that provide us with all the information we have.
Discussion.

I go down and he talks about conflict of interest statements, non-collusive statements, no collusion, et cetera. Really what he's getting at here is that people who get commissions from companies really don't have the client in mind. They're devotion to their duties are leaning towards the company because the company is paying the Commission.

Any Agent in the State of Connecticut will tell you that his whole devotion is to client and always has been and not to the company. The company pays the commission but without a client, you don't have a commission.
Discussion.

The continual inference in here, they're getting a commission by the company, therefore --- therefore I leave that floating in the air. That's a bunch of pure baloney.

They make mention here of the fact that we're talking about the change in the status of the company's commission standards. Normally, when you do something for a company, they pay you a standard. It's a standard rate.
Explained.

Up until recently, the fact that if you didn't get any Commission, that if you had no Agent of Record, had nobody, it didn't make a bit of difference in what the outcome was. Beginning in July of last year, the companies have said, you can negotiate with us and you can change this formula if you wish.

Gave an example of what it would mean to a fully insured company.

The self insured, because the Commission is so low, they didn't make much of it, but we have the same option. We can say to the company, don't pay any Commission to anybody. Give it us and reduce our costs by that much or we can say, to whoever we use, we will pay you "X" amount of dollars to be our Agent of

Record or whatever you might want to call him. It really is an Agent of Record. We will pay you so much.

Ms. Rickard clarified: You just said that we can tell the company to not pay the Commission to the Agent of Record and to give it to us. That is not what you told us last year.

Last year you told us there was no choice whatsoever and that Anthem was going to pay that \$25,000 and it had absolutely no bearing on us whatsoever.

Now, what you are just saying is a result of this change that happened in the past couple of months that we discussed at our last meeting, correct? Yes?

The Chair confirmed that is the way it will work from now on.

The Chair continued there are some comments in here about secretive lobbying which only Jim can answer that. I do not consider that lobbying. What he did is he called some of the Councilmen and talked to them prior to their considering a vote on what we had recommended. And, this is merely an attempt, and I talked to some of them myself, it gives them a rounder education of what the subject matter was and what it consisted of. I called some and talked to them. So, if they call that lobbying, that's all right.

The Chair explained there is a great deal of talk in here if Southington decides to hire and HBC rather than an insurance broker, we notify Anthem of our decision, and they in turn will stop paying Commission to our former Agent of Record (AOR). That reduces our budget and administrative expense, a direct cost savings. That's as though we don't pay anybody anything.

On the other hand, he's recommending that we use a HBC, whoever that might be. And, we would have to get that from the company. Pay it. Meaning that if we do away with the \$25,000 or \$30,000 standard commission, whatever it might be, we have to get that money to pay somebody to do the job. So, you don't save anything. It's a misnomer.

Ms. DiNello asked: So in other words, if this committee at some point decided to go out and recommend an RFP to hire a HBC, Anthem, obviously, would be told to stop continuing paying the Commission. Anthem would not be responsible for paying of the HBC that is hired. We would be negotiating a fee and the Town and the BOE together or this committee would be paying them directly. So, there is still a cost, it's just not included in the monthly fee we get from Anthem. It would be a separate invoice that we would be paying, correct?

The Chair responded, or we could say to Anthem, you pay them "X" amount of dollars. We pay them or they pay them.

The Chair continued, it talks about bonuses. There's a misunderstanding, I think, regarding what companies pay in the way of bonuses.

Explained.

Ms. DiNello asked: Does that mean currently there's the Commission that Anthem pays and our Agent does get bonuses? The Chair responded: Could be.

Ms. DiNello further asked: Let's just say we chose not to do anything different about going out for an RFP but wanted to continue with our AOR, do we have the option of just saying to Anthem, you stop making all the payments and we are going to negotiate our own fee with our current Agent and we just pay him directly and take Anthem out of the mix altogether if people were worried about bonuses? The Chair said you could do that.

Fran Verderame commented on the bonuses. The bonuses are on a total business that is conducted with that company. Not just one single, individual account. It's all the business that you place with them and it's based on profit and loss of the accounts that you submit to that company.

Explained.

Fran Verderame commented about citations against insurance agencies for collusion and what was taking place is they were taking bids and asking for high bids so that they could be higher than who they wanted to place it with in order to produce a larger bonus.

The Chair went over the Attorney General's Press Release on what happened to AON who is the AOR for the City of Bristol. He further continued to explain what they were doing. He explained steering of business and the consequences. AIG got pinned for doing this.

We don't get involved in those things, we don't do those things, I can assure you.

The Chair said one of the propositions in here, is a recommendation from this individual is to reorganize the Self Insurance Committee, which means it's hardly a vote of confidence, the recommendations that he made. He said the committee's voting members should be two members of the Council, the Board of Finance, the Board of Education and the Town Manager. The Committee Chairman and Vice Chairman will be voted annually and the Director of Finance and BOE Business Manager would be advisory. You note in this proposal, there is no insurance people. This is a Self Insurance Program and there's

no insurance people he recommends which to my way of thinking is like me recommending that we have a chemical engineering group consisting of everybody but chemical engineers. Nobody on this committee would be an insurance person. We are a Self Insurance Committee.

Any questions you have I would be glad to answer them.

Attorney Sciota discussed the timing. The directive of the Council was by July 1 that this committee do two things: (1) review what the HBC versus the AOR is: and (2) come back with a suggestion which way or combination, if any, and whether this committee at that point wishes to do the RFP or RFQ or not. July 1 is the date.

Discussion.

Mr. Della Vecchia asked if it was possible to get someone outside of this committee to come in at the next meeting because we will have had time to digest this information that was familiar with a HBC and the duties and what you would delegate to that person and a person that was familiar with the AOR, someone outside of this group, so we have an unbiased discussion as to one versus the other. Also give the pros and cons to each as far as it would work for us. That way when we're looking at this information we have someone else telling us besides the author of this piece of paper what's involved.

The Chair said at the next meeting he's planning on getting Scott from the Anthem Blue Cross to come in and give a run down on what the HBC is and what it consists of and what they provide us and what they have available to us. They are health benefit specialists, I assure you.

Mr. Della Vecchia pointed out they are paying HBCs or AORs a Commission one way for the other, so they should be able to bring to us a breakdown, but also possibly a sample of an RFP that you would use for either one or the other. When putting out an RFP, are you looking for the same thing from each representative or are you looking for different things from different representatives.

Jim Verderame interjected they are pretty much the same thing. One receives a Commission and the other doesn't. Chairman Kane agreed. They are the same thing. They have to have the same license.

Jim Verderame said the HBC is an agent and he's working as a consultant not as a commissioned agent.

Ms. Portelinha said we actually do have sample RFPs.

The Chair said, in line with Mr. Della Vecchia's request, he would like to have someone come in and say what is available to us as to what we refer to as an HBC at the next agent.

Jim Verderame further stated an agent can be an HBC as long as he's not working for a commission. He works for a fee from the Town. That's the difference.

Ms. DiNello asked: If we did an RFP for a HBC, you could respond to that? Jim Verderame and The Chair responded yes. A ruling has been gotten from the State.

Ms. DiNello explained that if we brought a person who is deemed to be a health benefit consulting firm, that's not a neutral person, but they would come in and list all of what they feel is their expertise in the medical field versus having an AOR come in to say what they feel their expertise is in the medical field. So having Anthem come in, they can only tell you really what their dealings are with both but I don't know that Anthem can tell you what that person is really doing for the municipality or for the client.

The Chair's response was we pay them \$900,000 to administer our program. They damned sure better be furnishing us with some health benefit information and background. They do.

Ms. DiNello further continued that in her discussions with other HBCs that she has met at vendor activities, they talk about the services they may provide, just as Jim has, but services that they would provide at negotiations and different options and alternatives, I don't know if Anthem is going to tell you how many hours they're going to work for you in negotiations and bring you through an Arbitration panel. I don't know that Anthem would tell us that is what I'm trying to say versus a person that actually does that line of work who may come and give you their sales pitch of what they do.

Ms. Portelinha added Anthem wouldn't have the range to know everything that the HBC would assist towns with.

Attorney Sciota asked if there was such a thing as an insurance consultant who could come here at a certain meeting and say this is the Town of Southington and I've researched what you guys have. You can go this route or this route. Here are the pros and cons for the AOR and here are the pros and cons for the HBC. An insurance consultant that works for nobody except they are very familiar with the insurance industry and they consult. Is there such a person? At what cost?

Ms. Rickard interjected we just spent 25 minutes going line by line of one person's address to the Town Council. There could've been 50 people that addressed the Town Council. This is

one person and that's one person's opinion. At our last meeting we decided, Mr. Sciota's office said they were ready to go out to RFP based on the Town Council's decision two years ago.

I think Mrs. DiNello and myself, have been saying, we need to do this to satisfy the Town Council request. And, I think that is the only thing that we can do to get this monkey off our back that we're doing something wrong. We know, you know deep in your hearth, Mr. Kane, you've made it very evident that you feel that Mr. Verderame is the best person servicing the Town and that will be evident when the RFPs come back. If Mr. Verderame is the best person for the Town, that will be quite evident. But let's go through the exercise.

Rather than paying a consultant, meeting next month, meeting the month after that, by that time the Town Council's going to pass that Ordinance for RFPs anyways, if they do. We're just spinning our wheels like we've been for the past two years over this same issue.

The Town Council gave us a directive two years ago to go out for an RFP. Let's see what else is out there. That's not saying that Mr. Verderame is not doing a good job. We've been saying he's been doing a good job for a long time but we need to get this monkey off our back.

The Chair inquired: Who put the monkey on our back?

Ms. Rickard responded: Public perception.

The Chair further inquired: Who is the public perception?

Ms. Rickard said it was not her place to say. We were given a directive two years ago and I think we should follow it.

We need to show that we went through the process and we did things the right way. We need to do things the right way.

The Chair said one of the recommendations in this is that we would not have anything to say over who is awarded.

Ms. Rickard pointed out that is one person's opinion. Nothing else. One person's opinion who addressed the Town Council. I could've addressed the Council and come up with my own plan but I don't have the time to do that.

Attorney Sciota said he didn't know what to go out to an RFP on. Do you want to go for an AOR or an HBC?

Ms. Rickard said it was pointed out they were the same thing the difference being how they are paid.

Everyone speaking: That's what I would do. AOR/HBC.

The Chair wanted everyone to think this over and at our next meeting we can act.

Ms. Rickard strongly disagreed. You always say that. You say read this and come back at the next meeting. We can't carry this on any more. We are all reasonably intelligent people and I think we can act on this.

Ms. DiNello brought up the Ordinance the Town Council is looking at doing for professional services. My first question is, do we have an option any more? If it's the intent of this Council to go forward with a Purchasing Ordinance, is there really a choice that our committee would even have of whether or not we go out for an RFP and are we basically within two months going to be told, this is something that needs to be done, so we may as well move forward. That's my question.

Mr. Della Vecchia said the only thing different would be what is the term to determine when you would go out again.

Attorney Sciota said it was explained at the Council level that these are two separate and distinct people. It seemed like you would go out to RFP on one group or the other. If its possible to do a slash and you get it back for you guys to look at.

Ms. Rickard asked if that was an Agenda item or in public comment, just one person expressing his opinion? Mr. Secondo said it was just one man.

Ms. DiNello said the proposer did share with me by e-mail a sample request for RFP. The title is: Request for Proposal for Independent Employee Benefit Consultant.

Attorney Sciota said the Council is looking for is a recommendation from this Board. If that ordinance passes, this is more than \$15,000, so it would not be an issue.

RFPs do come from the Town Manager's Office. This committee, in his expertise, would be recommending, working with me, what the RFP will say.

Discussion.

The Chair said this person's comments bring up pharmacy and how much money we would save. I have the Minutes of that meeting where we decided to stay with Anthem and not go to the coalition. He implies this coalition works for nothing. They don't get any commissions. I know differently.

Ms. Rickard made a motion to go out to RFP for an Agent of Record or Health Benefits Coordinator in compliance with the Town Council's original request. Mr. Moise seconded the motion.

The Chair called for discussion.

Mr. Triano said he would like more time to review the comments made at the Town Council meeting before making a decision. I see no problem with tabling this for review.
Discussion.

Ms. Rickard said it is just an opinion from a member of our town that spoke at a Town Council meeting. It's a speech made during public communications. Its just opinion.

Mr. Triano said based on this one opinion, the Council referred it back to us. Ms. Rickard said it wasn't on that one opinion. That's what I heard. Would you say that?

Mr. Della Vecchia said it was more than one person's opinion. It was several, numerous opinions.

Attorney Sciota added it was a statutory change that came to light to the Council and they wanted you to rereview after the knowledge of that statutory change.

Mr. Secondo offered that the Council members not on this committee didn't have that much knowledge of what the procedures were and what we were going to do and wanted to do. And, when this gentleman came up in public communications, he raised doubts and suspicions. When you sit on the Council you don't want any doubts and suspicions. He brought up things they were not aware of and they sounded very serious. They hinted at things. We did what we thought was right. So, the majority of the Council -- to answer Ms. Rickard's question, we have to go back to the Council and say we followed what they want. There's no way out of it. They want us to seek other alternatives and report back to them.
Discussion.

The RFP procedure was explained by Attorney Sciota.

Attorney Sciota expressed his feeling that the ordinance is going to pass. And, even if it didn't pass within the time period, the fact of the matter is the Council is already in that position where we talk about professional services. The general feeling of the Council is that it is going to go out to bid.

The question is: What does this Board recommend the RFP look like? The HBC vs the AOR or a combination?
Discussion.

Mr. Triano said all he was asking for was a little more research and a little more time.

Mr. Triano I'd like to table it. Hearing no second, The Chair seconded the motion.

Fran: Yes
Bill: No
Bob: Yes
John: No
Art: No
Sherri: No
Kathy: No
Harold: Yes

(Motion fails)

Attorney Sciota clarified the motion on the floor is now to recommend to the Town Council you go out to RFP but in the meantime, I hope you sit down with me as to what you want in the RFP.

Discussion.

Ms. DiNello suggested spending time before the April 25th meeting doing research so at that meeting we can decide what we want in the RFP.

Fran Verderame interjected he didn't understand the rush to get the RFP done by the 25th. He didn't think it was necessary. If you ran beyond that, you could ask for an extension to listen to some people give you an explanation, whatever the case may be. Your new year is renewed July 1st.

Mr. Weichsel didn't agree.

Ms. Portelinha said Anthem gave the town the contract in January. There's really no signing. They just give us an estimate of our costs. Mr. Weichsel said there is. He normally signs at some point. Ms. Portelinha said she hasn't seen anything.

Attorney Sciota clarified whatever your vote is today will be reported to the Town Council under subcommittee reports and that would satisfy your July 1 deadline.

Attorney Sciota asked: What is the term of the AOR in the Anthem policy? Or is there one? The Chair responded it is based on fiscal year.

Attorney Sciota then asked: Is the town already legally bound starting July 1, 2007 to June 30, 2008 through Anthem? Under the AOR system. I don't know that answer to that.

Ms. DiNello said if we have our renewals, the question is whether or not you can still negotiate the Commission that's in there at this point. The Chair said the Commission is not with Anthem, it's really with who we hire. Attorney Sciota said if we had our own person, they would take out of their Commission "X" amount of dollars.

Ms. DiNello recalled at our last meeting we made a motion to put a committee together to begin negotiating what that rate was going to be. So, the rate is definitely not set for next year, I don't think, because we voted on setting a negotiating arrangement.

Attorney Sciota didn't believe there was any legal obligation to the town starting July 1 at this moment, but I do have to check on that.

Mr. Della Vecchia recalled that earlier the Chair had said we could negotiate with Anthem to tell them not to pay any Commission. The Chair said negotiations with them is not really a negotiation. We can tell them. Mr. Della Vecchia commented it was confusing with Ms. DiNello's question about having an obligation to deal with Anthem.

Ms. DiNello felt we had the ability to tell Anthem to pay whatever we negotiate to pay. That's my understanding. Prior to the last meeting, I thought this committee had no say whatsoever. That's when we learned at the last meeting about the change in the law as of July 1 where you can negotiate.

Discussion.

Mr. Della Vecchia asked if we are going to have speakers come in at the next meeting to differentiate or tell us what's going on with the HBC or the AOR. Is our motion then to go with a slash on our RFP. Attorney Sciota commented at this point we are telling the Council that this board wants to go out with an RFP and then at the 25th meeting, we'll put together the RFP and that'll be the recommendation to the Council. After hearing these people, it may be a slash or not a slash.

Discussion.

Mr. Della Vecchia stated that he was all in favor of an RFP. He just wanted to know that the motion of what we're going to tell the Council is the correct one. Is it an RFP for strictly an HBC or strictly an AOR or is it a slash?

Ms. Rickard again stated it was her understanding they're both the same thing except for the way they're paid. If we just make our motion now to say that we're going to do it with the slash, that leaves our options open. Your actions on the Council toward this ordinance can make all this moot, anyway.

Mr. Della Vecchia reminded Ms. Rickard it is a timing issue. If we say on this committee we're not going out for an RFP, then we have a two-year period of time. It's an implied agreement we have now.

Attorney Sciota clarified if you go past the July 1 and Mr. Weichsel has to sign something to have insurance for the town, then you are absolutely right.

What the town could do if there was a delay is simply tell Anthem just to take the amount of their total.

Mr. Della Vecchia restated: My question was, the action of the Council in January, what was the result of that as far as the AOR? When they said they weren't going to go out and they were going to wait another two years, was that implied that the AOR at that time would be in office for two years? Attorney Sciota didn't think that would fall under an implied contract. The follow up with that would be the actual terms of the contract itself and I understand the terms weren't even negotiated, yet. So, I do not believe it is an implied contract?

Fran Verderame asked: What contract, if I might ask?

Attorney Sciota pointed out you eventually will have a subcommittee where you are talking about the amounts for the Anthem contract. Fran Verderame said that was discussed and voted on to approve. Ms. DiNello recollected we voted to approve their numbers at the February meeting, but we also learned at that meeting for the first time, that you can negotiate the fee for the AOR. So, at the last meeting, there was a motion made and a subcommittee formed to begin negotiating the fee for the AOR.

Fran Verderame added that the discussion was also that Mr. Weichsel was going to discuss it with the Council. Mr. Weichsel and others said they didn't recall that.

Discussion.

Ms. DiNello further stated it was her understanding at the last meeting they had made a recommendation that Jim was going to be doing the work and now we had to go back and negotiate a fee with him. Fran Verderame said that's what he was referring to.

Attorney Sciota said the question now becomes, with this motion, that's going to make that entire subcommittee irrelevant, assuming the motion passes.

Restate of the motion:

Ms. Rickard moved that the Self Insurance Committee recommend to the Town Council to create an RFP for an Agent of Record / Health Benefits Consultant with members of this

committee convening to create the RFP with input as to the terms of the RFP. Mr. Moise seconded.

Roll:	Fran:	No
	Bill:	Yes
	Bob:	No
	John:	Yes
	Harold:	No
	Art:	Yes
	Sherri:	Yes
	Kathy:	Yes

(Motion passed)

The Chair said on the 25th, I hope we will get somebody in here to present. Discussion of fees this person might require.

Ms. DiNello asked if we have to specify that whoever comes in, they are not going to respond to the RFP.

Attorney Sciota said he was looking for somebody who would review the municipality, and then say okay; I reviewed how your municipality operates. I've been a consultant for many municipalities and government agencies and I recommend that you go this way for the following reasons. This is the pros and cons for this system. This is the pros and cons for that. There has to be consultants out there for that. Extensive discussion.

Discussion of the payment of a fee for this type of service.

Ms. Rickard asked: Do we really need to spend all this money for a consultant tell us what we need when we can read all the RFPs and determine what we need.

Attorney Sciota suggested an RFQ might be better. Explained procedure.

Mr. Della Vecchia brought up a line item and the procedure to do that for this Committee.

Discussion.

Ms. DiNello made a motion that if need be, we hire a benefits consultant to come in and make a recommendation to this committee for a fee not to exceed One Thousand Dollars. MR. Della Vecchia seconded.

Roll:	Fran:	Yes
	Bill:	Yes
	Bob:	Yes
	John:	Yes

Harold: Yes
Art: Yes
Sherri: Yes
Kathy: No

(Motion passes)

2. Review the status of the current FY 2006-07 Self Insurance Budget

The Chair commented we are in good shape. Everybody has a copy of this and at the moment we're about \$600,000 in the black. That's a good sign and hope it continues for the rest of the year.

Ms. DiNello pointed out she sent a check for \$3 million this month.

Fran Verderame said the only benefit in this self-funding is if you can reduce the claims. That's where the big numbers are.

3. Any other business considered proper to come before the committee.

The Chair stated we are still proceeding with the Health Program. We went back to the police and got 21 more signed up. And, we're going back to the fire department to see if we can get them more enthused. We're moving in that direction.

The next step is we want to get into the dependents if we can.

We have also talked about a health fair, which will stimulate interest.

Mr. Secondo made a motion to adjourn. Ms. Rickard seconded. Motion passed unanimously.

(Whereupon, the meeting was adjourned at 4:12 o'clock, pm.)

Harold Kane, Chairman
Self Insurance Committee

