Organizational Synergy & Human Resources Committee
November 17, 2010 Telephonic Meeting

Draft Minutes

Members Present:	Michael Jarjura, Committee Chairman (present by telephone) Dave Damer (present by telephone) Tim Griswold (present by telephone)
CRRA Management Present:	Thomas Kirk, President James Bolduc, Chief Financial Officer Lynn Martin, Risk Manager Eric Womack, Human Resources Manager Moira Benacquista, Board Secretary/ Paralegal
Also present:	Kurtis Dennison, R.C. Knox & Co

Committee Chairman Jarjura called the meeting to order at 1:35 a.m.

1. APPROVAL OF MINUTES OF THE AUGUST 16, 2010, ORGANIZATIONAL SYNERGY & HUMAN RESOURCES COMMITTEE MEETING

Committee Chairman Jarjura requested a motion to approve the minutes of the Aug. 16, 2010, Organizational Synergy & Human Resources Committee meeting. Director Damer made the motion, which was seconded by Director Griswold.

The motion to approve the minutes was approved as amended by roll call.

2. REVIEW AND RECOMMEND APPROVAL OF EMPLOYEE BENEFIT PROGRAM (HEALTHCARE, DENTAL, VISION, LIFE & DISABILITY INSURANCE) RENEWAL

Committee Chairman Jarjura requested a motion to approve the above referenced item. The motion was made by Director Griswold and seconded by Director Damer.

Mr. Bolduc said management approaches the insurance market with key demographics such as the current CRRA employee population in the various insurance categories. He explained management's recommendation is submitted to the Board for approval. Mr. Bolduc explained open enrollment is subsequently held at which point the actual demographics may change according to employee elections. Mr. Bolduc said as a result the actual employee selections are not contained in the write-up and the numbers are based on a proposal for soliciting bids.

Mr. Bolduc said an annualized budget is used in marketing as CRRA is caught between a fiscal year and a calendar year. He said at the calendar year 2010 proposed CRRA had premiums based on the census data which totaled $694,335 at that point with employee contributions of

$76,011 for a total net cost of $617,958. Mr. Bolduc said the actual which occurred during the year is net $574,370 which is a significant overall reduction primarily as a result of employee selections. He said many employees took advantage of the buy-down HMO which was a cost savings for both employees and CRRA.

Mr. Bolduc said the CY 2011 on a proposal to proposal basis on the same parameters is showing a slight reduction on the two proposals on the year to year comparison. Director Damer asked if the demographics for the 2011 proposed are the same as the 2010 proposed. Mr. Bolduc replied no. He explained the 2011 demographics are based on the census as of today; however the actuals will be based on employee plan selections.

Director Damer asked if the demographics for 2011 proposed are actually closer to the 2010 actual demographics. Mr. Bolduc replied that would be a fair statement. He said the premiums have gone up. Mr. Bolduc said some of the premium increases have been offset by the shift in the demographics and elections. He said management annualizes the calendar year premium proposals versus the fiscal year budget which requires a small increase of $727,782 which is the annualized calendar year 2010 budget to a calendar year annualized budget of $746, 222.

Mr. Bolduc referred to the key columns in the medical plan renewal quotations. He said the first column contains a mix of proposed enrollment totaling $694,335 which was approved the year prior followed by what was actually enrolled which drove down the current cost to $631,554 due to a mix of plan enrollments. Mr. Bolduc said this year's proposal is going from $631,554 to $691,010.88 which although is down from last year is still a 9% overall premium increase. He said CRRA's broker was able to successfully negotiate Connecticare's proposed 15% premium increase down to 9%.

Director Griswold asked if the difference in the calendar 2010 year proposed and the actual is based on an employee count. Mr. Bolduc replied although it is somewhat due to employee count it is primarily driven by employee enrollment in buy-down programs.

Mr. Dennison said that in the prior year CRRA made some significant plan changes and not only offered more programs but changed the co-pays and deductibles in the previously offered plans. He said the employees were given very specific plans by way of their contribution amounts which resulted in a reduction of plan costs from what was originally budgeted the prior year (assuming employees would stay in a comparable plan). Mr. Dennison said what actually happened was many employees migrated into a lower cost plan option to take advantage of lower premium contributions. He said the head count was not dramatically different.

Committee Chairman Jarjura asked what the employee census reduction has been. Mr. Bolduc said the CRRA employee headcount has been dropping over the last couple of years. He said the number of covered employees is not in the write-up and noted there are roughly 125 covered people.

Director Griswold said under the CY'10 actual it appears that the employee contributions are less than 11%. He asked if that is also plan designed. Mr. Dennison replied that he is correct.

He said that is part of what management set up for the contribution schedule the year prior and as a result the percentage of actual premiums benefited CRRA and the employees.

Mr. Womack said that the actual average contribution is about 11%. He said the actual shift of employees into the buy-down option was ten and the five people who actually shifted into the buy-up option offset the actual percentages.

Committee Chairman Jarjura asked for detail on the Aetna proposal. Mr. Dennison said due to the market the year prior he was able to negotiate a favorable renewal rate with Connecticare. He said this year CRRA did not return to the full market but still took the opportunity to request quotes from Aenta, Cigna, United Health Care, Anthem Blue Cross and Blue Shield, and also looked at a program from CBIA (the Connecticut Business and Industry Association) called the Health Connections.

Mr. Dennison explained Anthem Blue Cross Blue Shield, CBIA and Cigna declined to quote predominately because these companies felt they could not provide comparable plans from an actuarial perspective which were competitive with Connecticare's numbers. He said typically the health plans ask for the demographics of the group as well as premium history. Mr. Dennison said he does not typically provide renewal rates as he asks for the best quote possible.

Mr. Dennison said that he is not sure why United Health Care bothered to issue numbers at 19% over the incumbent. He said Aetna provided a competitive number however; some of the benefits do not match up identically to Connecticare and he believes Aetna's numbers are somewhat of an anomaly. Mr. Dennison explained the marketplace dictates pricing based on what the pricing models indicate, as well as what is ultimately happening in their pools of business.

Mr. Dennison said he does not believe the Aetna pool is running on average anywhere between 5-15% better than its peers. He explained what that typically indicates is a health plan which is vying for CRRA's business and there is no guarantee in successive years it will not try and recoup the teaser premiums put forth in the first year.

Mr. Dennison said in addition the overall consensus from the employees on how well the plan has performed in the last year is also taken into consideration when selecting a provider. He said CRRA employee's response to Connecticare has been very favorable in accordance with the industry as Connecticare places in the top ten in the nation. Mr. Dennison said Connecticare's renewal quote came in initially at 15.5%. He said after negotiations he was able to reduce that figure to 9.4% while maintaining the current plan structure. Mr. Dennison said CRRA management agreed while the Aetna quote is of interest it is an aberration relative to the marketplace and does not justify movement to a new health plan for a couple of percent savings in the premium. He said in addition the changes made the prior year had a significant cost savings in the 2010 period and those realized savings may be used to offset the 9.4% increase in the coming year.

Director Damer asked what plan changes could be expected if Aetna was selected. Mr. Dennison said the co-pay and deductibles are higher than the Connecticare options. He said the Connecticare approach is more favorable for in network and out of network services.

Mr. Bolduc said by reducing overall benefits Aetna was able to reduce its premium. Mr. Dennison said an underwriter looking to secure a piece of business will typically price it below market in order to secure it the first year, which he believes is what Aetna is doing. Mr. Bolduc said Connecticare does not charge an out of pocket deductible for the individual and family while Aetna charges a $500 and $1000 deductible for in network services and out of network services a $10,000 and $30,000 deductible for individual and family respectively.

Director Damer said he is in agreement with management's recommendation. He asked why the market is tested when management feels consistency with a provider is important and what would it take for CRRA to move to another provider. Director Damer asked what would prevent CRRA from moving to Aetna this year and then back to Connecticare. He asked what CRRA would lose from bidding each year and what would it take in any given year to make CRRA want to change. Director Damer said there is a lot of value in the consistency in how the employees view this program.

Mr. Bolduc said that management has to go to the market for this item because it is over $50,000 and Board authorization is required. Director Damer asked if this could be bid out every three years. Mr. Bolduc replied that CRRA has not been successful in seeking multi-year contracts in the insurance markets. Mr. Dennison explained he takes into consideration the frequency with which CRRA is approaching the market when addressing the RFP process. He said the marketplace does not like a group which goes out to bid every year, a process known as "shopping".

Mr. Dennison said rate guarantees for health plans are typically needed every twelve months. He said in terms of approaching the market this piece will need to be done every year however the marketing approach will be done every two to three years.

Mr. Dennison said consistency with the health plan makes a difference. He said CRRA's demographics and also the actual claims experience of the group are taken into consideration. Mr. Dennison said early on in there is little claims experience and in most actuary's minds that equals inexperience as it is not a true picture. He said in the second and third year that information becomes more credible as more of that experience factor is applied in determining the renewal rate. He said it is important to establish long term experience with a carrier, assuming of course a good claims record.

Mr. Dennison said CRRA has a 30% credibility factor with Connecticare this year. He explained that means that just over 30% of CRRA's total claims experience was applied towards the annual rate on the health plan. Mr. Dennison said CRRA's experience is favorable and impacted the premiums with a roughly 7% discount on the annual rate. He said Connecticare views CRRA's claims experience as 7% better than a pool of its peers and as a result CRRA benefits from a good claims history with Connecticare.

Director Damer asked if CRRA can go out for a two year agreement. Mr. Dennison said years ago there was discussion concerning that matter for companies with 1,000 employees or more. He said in groups the size of CRRA that is not really an option especially in today's markets as insurance companies are trying to keep track of what exactly their costs are as a result of health care reform.

Mr. Kirk said management does not know at what point CRRA would change to a different company but it would require a significant cost savings or change motivator. Mr. Bolduc added it is not a pure numeric determinate as the employees opinion is also being considered in staying with the incumbent. Director Damer suggested that more discussion be added to the write-up as to why management is recommending staying with the incumbent. Committee Chairman Jarjura agreed.

Mr. Bolduc said the carriers do not bid until the last minute which does not give management much time to bring the approvals to the full Board especially considering employee elections also need to take place.

Mr. Dennison pointed out that CRRA's relationship with Connecticare enabled them to negotiate a better rate by noting that Aetna was offering a better rate and requesting a reduction in premium.

Director Griswold said the difference between the 2010 actual and the proposed are the same employees in the same buckets in a higher cost. He asked if much migration is expected from the employees this year as that may change the actual substantially. Mr. Dennison said in terms of where enrollment is expected to fall in 2011 Director Griswold is correct in his assumption that the employees enrollment in 2010 was assumed for that proposed 2011. He said for the most part that is going to be the case as management is not recommending any significant changes and he anticipates single digits changing.

Mr. Womack said he looked back in the history of enrollment and the trends do not track towards cost. He said historically employees are not jumping from plan to plan due to cost.

Mr. Dennison said the dental plan was marketed as well. He said initially the incumbent, Guardian, was recommending a sizable rate increase of 20% as that plan was running a bit above expected claims. He said management found a new partner for the dental program with Metlife which historically year over year does well and does not use claim data on first year anniversaries. Mr. Dennison said moving to MetLife not only saves CRRA that 20% increase it actually comes in at 2.5% less than the current Guardian pricing for the year prior. He said the annual plan maximum is being reduced from $3,000 to $2,500 which is typically representative of 2-3% reduction in premium as the average person does not exhaust $2,500-3,000 worth of dental claims in a year.

Mr. Dennison said the vision plan is renewing with Ameritius with no rate action and the plan experience and employee perception has been good. He said the life and disability plans which are underwritten by Lincoln Financial will also renew as is with no rate action. He said the overall plan cost will be impacted by the increase in the covered volumes as increase and decreases on employees pay affects the volume and premium. Mr. Dennison said a merit increase would also cause an increase to the premium by that same dollar amount.

The motion previously made and seconded was approved unanimously by roll call.

3. EXECUTIVE SESSION

Committee Chairman Jarjura requested a motion to enter into Executive Session to discuss personnel matters. The motion was made by Director Damer and seconded by Director Griswold. The motion previously made and seconded was approved unanimously by roll call. Committee Chairman Jarjura requested that the following people remain for the Executive Session, in addition to the Committee members:

Tom Kirk
Jim Bolduc
Eric Womack

The Executive Session commenced at 2:35 a.m. and concluded at 2:45 p.m.

The meeting reconvened at 2:45 p.m. and Committee Chairman Jarjura noted that no votes were taken in Executive Session.

3. ADJOURNMENT

Committee Chairman Jarjura requested a motion to adjourn the meeting. The motion made by Director Damer and seconded by Director Griswold was approved unanimously.

The meeting was adjourned at 2:45 p.m.

Respectfully submitted,

Moira Benacquista
Board Secretary/Paralegal