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ROCHESTER AREA SCHOOL HEALTH PLAN II

March 11, 2025

Monroe 1 BOCES 2:30pm-4:30pm

The following were present:

Brockport
Churchville-Chili
Gates Chili
Greece
Hilton
Spencerport
Wheatland-Chili
Monroe #2 BOCES

Darrin Winkley
Matt DeAmaral
Absent
Absent
Adam Geist
Absent
Jessica Jackson
Absent

Brighton
East Irondequoit
East Rochester
Fairport
Honeoye Falls-Lima
Penfield
Pittsford
Rush-Henrietta
Webster
West Irondequoit
Monroe #1 BOCES

Lou Alaimo
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Matt Stevens
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Dan Drifill
Mike Vespi
Andrew Whitmore
Brian Freeman
James Brennan
Lisa Ryan

Union Rep
Charlotte Kimberly-Haag
Dwayne Cerbone
Heidi Miller, NYSUT
Kate Sable- Dobasz

Gallagher
Charles McLauchlin, Kathy Almeter, Jake Wesley, Bob Jordan
(remote), Melissa Weise (remote)

Others Present
James Hough, Lynda Quick, Jeremy Nardone

John Abbott called the meeting to order at 2:36 PM.

I. Action Items

A. Minutes – December 11, 2024 – Darrin Winkley, Brockport CSD moved, Lisa Ryan, Monroe 1 BOCES, seconded that the minutes of December 11, 2024, be approved.

Vote: All in favor

B. Treasurer's Report – John Abbott presented the Treasurer's report for the period ending December 31, 2024.

Matt DeAmaral, Churchville-Chili CSD, moved, Dan Driffill, Penfield CSD, seconded that the Treasurer's Report for the period ending December 31, 2024, be approved.

Vote: All in favor

C. Gallagher Management Report – Jake Wesley presented the Gallagher Management Report for the period ending December 31, 2024. Here are the highlights:

- Slide 2 Actual Performance v Voted Rates: 2024 was a tough year but it looks like it is starting to settle down. Actual expenses exceeded budgeted expenses by \$26.6M or 7.9%. Actual revenues exceeded budgeted revenues by \$9.3M or 2.7%. The plan deficit for Q4 is \$1.67M and the year ended 2024 deficit is \$17.3M.
- Slide 3 Monthly Claims Pattern: the graph shows the 2024 assumed monthly claims pattern based on the adjusted average of 2009-2023 claims experience (excluding the COVID year 2020). Nothing was out of the ordinary.
- Slide 4 Source of Cumulative Income Less Expenses 2024 on a Per Contract Per Month basis: The driving forces were claims (\$137.97), enrollment migration (\$17.97), Rx Performance Guarantee \$4.11, Rx Rebates \$9.77, and interest \$38.09. The overall budget loss was 5%.
- Slide 5 Claims Comparison by Type of Service: overall paid claims through Q4 were up 11.4%. The main drivers were outpatient and pharmacy. There was not much of a difference when compared to the per contract per month analysis with an overall increase of 11.3%.
- Slide 6 High-Cost Claimants: reviewed the top 10. The highest claim for the plan year reached \$2.6M which is well below our \$5M stop loss limit. We have experienced an increase in high-cost claims (over \$250,000) during each of the last 5 years (2020 = 41, 2021 = 64, 2022 = 73, 2023 = 82, 2024 = 110). The cost of those claims also increased significantly (2020 = \$18.7M, 2021 = \$27.9M, 2022 = \$34.0M, 2023 = \$36.0M, 2024 = \$50.1M). Medical costs accounted for 75-80% of the total costs, while Rx costs accounted for 20-25% of the total costs.
- Slide 7 Expense Tracking 2024: actual expenses were greater than budgeted expenses throughout the entire 2024 plan year. The gap continued to grow throughout the year. Actual expenses were \$26.6M higher than budgeted expenses (7.9%).

- Slide 8 Income Tracking 2024: actual income was greater than budgeted income. The end of the year Rx rebates pushed actual income above budgeted income, otherwise, the actual and budgeted were relatively equal. Actual income was \$9.3M better than budgeted income (2.7%).
- Slide 9 Incurred Claims Vs. Premium By Design: The information shows the total claims and premiums from 2017-2024 broken out by plan. If the medical loss ratio (MLR) is greater than 100% then claim costs exceeded premiums collected. If the MLR is less than 100% then the premiums collected is greater than the claim costs. The goal for the plan is to be at 96% MLR. This would account for 2% administration fees and another 2% for surplus. The total MLR for 2024 is 101%. If we add the 4% fixed costs plus 8.3% for general trend we would be at 113.3%. Since we used 14.4% instead of the 8.3% trend in setting the rate for 2025 we are projecting a 1.1% surplus or an MLR of 98.9%. Moving into 2026 we can expect a range for a rate increase of between 8% - 11% with the current conservative projection of 9.1%.

Matt Stevens, Fairport CSD, moved, James Brennan, West Irondequoit CSD, seconded that the Gallagher Management Report for the period ending December 31, 2024, be approved.

Vote: All in favor

D. Mental Health Parity Compliance – the law requires that employer medical plans provide parity between mental health/substance abuse benefits and the medical/surgical benefits offered under the plan on both a quantitative and non-quantitative basis. Excellus can provide the needed documentation and backup for \$3k per plan (\$15k total) for the quantitative compliance. There would be an additional \$75/hour charge with a maximum of \$24k for the non-quantitative compliance. Plans must produce a comparative analysis within 30 days of a request submission or face a \$100 fine per day for non-compliance. We must decide as a plan if we want to be proactive and ask for this now or be reactive and ask for this in the event we are asked. Discussion from the group followed. Charles will go back to Excellus with our questions, and we will table this until the next meeting. Our questions included: Can we focus on Value & HDHP only? Can someone ask for all 5 plans or only the plan they are currently enrolled in? Does the size of the plan have an impact on how long it would take Excellus to complete? Can we partner with another similar consortium to share in the cost? Is there a timeframe for when the documentation expires?

Tabled until the questions are answered, hopefully by the next meeting.

II. Updates

A. 2026 Rate Increase Estimate - currently projected at 9.1% with a range of 8% - 11%.

B. Claims Audit - Kathy provided an update on the claims audit. The full claims audit report was sent in advance of the meeting, and we discussed the one-page summary. Overall, the report was very good. The audit covered January 1, 2021, through December 31, 2023, with all medical and Rx claims analyzed. This led to a targeted sample of 190 medical claims and 60 Rx claims. Stonebridge found that Excellus was following the terms of the plan, formulary, and/or

rebate guarantees. Excellus charged \$810,000 for pre-payment claims review saving the plan \$6.64M over the 3-year period and charged \$605,000 for post-payment review that saved the plan \$3.9M over the same period. There were twenty-five findings where claims were paid for members who had previously terminated. The medical costs were able to be reversed but the Rx costs were not and cost the plan \$190,000. Another instance where the plan should have paid secondary to Medicare which cost the plan \$23,099. These instances were due to districts not reporting terminations/changes in a timely manner. Additional information will be shared showing the number of instances by district. The intent is to continue to improve on the already impressive results of the audit.

C. SPD Update – we are in a peer review with Harter Secrest – it is expected to be complete in a couple of weeks and will be filed with DFS.

D. 2024 Excellus Performance Guarantees – overall, very good. Excellus is exceeding the performance guarantee metrics in all areas. The metrics were created by Excellus with input from the RASHP board and align with national industry standards.

E. Pharmacy Updates – Melissa Weise presented the Rx updates and pharmacy reporting. The negotiated 2025 contractual guarantees for discounts and rebates based on retail 30, retail 90, mail, and specialty were reviewed. This varied based on brand, generic and dispensing fee. There was a mid-year adjustment in July 2024 for rebates. Reviewed the total Rx claims in Q1-Q3 and the total rebates received. There may or may not be a credit back to RASHP II after Excellus provides the annual discount reconciliation report (expected in May 2025 with rebates paid by October 2025). Pharmacy claims increase by 7% for 2024 vs 2023, primarily driven by non-specialty drugs, which differed from previous years where the driving force was specialty medications. Average Wholesale Price (AWP) inflation was 9.57% which was much higher than past years. Utilization was flat indicating that use of higher cost drugs. Generic utilization is at 90%. Last year we earned more than 90% of the total rebates. Additional data slides were included for reference.

F. Best Practices Review and Administrative Support – Gallagher is researching appropriate service group for best practice audit. More information to follow. Sharon will reach out to individual districts.

G. Wellness Committee Meeting Schedule – magazine team meets quarterly. Two (2) committee meetings are scheduled for April 2 and June 5. Looking for someone to take the lead on this committee.

H. Education Series – Next meeting topic will be on HSA. Date is TBD.

I. Excellus Health Plan Management Report – Meeting will be on May 13, 2025

J. Retreat – Sharon is looking for an in-town retreat location. Date will be sometime between 2nd half of May and the first half of June. They will stay away from the ASBO conference which is June 8-11. It will most likely run for a half day and include lunch.

Adjournment

Motion to adjourn at 4:12 PM moved by Jessica Jackson, Wheatland-Chili CSD, seconded by Andrew Whitmore, Rush-Henrietta CSD.

Vote: All in favor

Respectfully Submitted,

Adam Geist