Lowering the Costs of Health Insurance for NYS Local Governments and Local Taxpayers

Testimony submitted by the

New York State Association of Counties

To the

ASSEMBLY STANDING COMMITTEE ON LOCAL GOVERNMENTS
ASSEMBLY STANDING COMMITTEE ON INSURANCE

Legislative Office Building
Hearing Room C
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Stephen J. Acquario, Executive Director
Hon. Scott B. Samuelson, President
Thank you Chairman Cahill and Chairman Thiele for holding this hearing today. We are submitting these remarks on behalf of the county governments and officials who are members of this association. We are happy to meet with you or members of your staffs to discuss any of the items raised in this testimony.

In 2008, the New York State Commission on Local Government Efficiency and Competitiveness called health insurance one of the fastest growing expenses facing local governments. They were right, and for the past decade it has continued to be the fastest growing expense in our budgets.

County, local government, and school health insurance costs go up more than the annual allowable property tax levy increases allowed under the state-imposed property tax cap. Health insurance policy is one area where state intervention can help lower costs locally.

Governor Cuomo and State Lawmakers are strongly encouraging local governments to pool resources and share services to improve efficiency and reduce costs to taxpayers. In 2017, the State enacted the County-Wide Shared Services Initiative for local governments to develop shared services plans to reduce the property tax burden. In 2019, that program was extended for an additional three years.

Several counties and local governments are exploring opportunities to form Article 47 municipal health insurance consortia. In fact, at least 20 County-Wide Shared Services plans included shared healthcare insurance consortia to leverage property tax savings in their communities. While such explorations are underway, no new consortia have been developed.

**The State of Health Insurance at the County Level**

NYSAC has been exploring the issue of municipal health insurance for several years, in an attempt to inform members and develop solutions that may help counties and local governments control one of their most costly budget expenses, while still ensuring quality care for the employees that keep our counties working.

Currently, localities have three primary options for health insurance:

1. Self-funded insurance
2. Insured plan (insurance company or an HMO, such as Excellus, Empire, MVP or CDPHP respectively)
3. New York State Health Insurance Plan (NYSHIP)
Slightly more than half of counties provide self-funded health insurance plans for their municipalities. Self-funded health insurance plans tend to be the most cost effective because the municipality only funds the claims submitted by their employees and family members, an administrative fee, and stop-loss insurance in the event of large claims. Twelve counties are members of the New York State Health Insurance Plan, which is administered through the state Department of Civil Service. The other counties purchase insurance from the health insurance carrier marketplace.

As raised above, several local governments and counties have been exploring the joint purchase of health insurance to increase the numbers of covered lives and lower costs to local taxpayers. They are often stymied, however, when they realize the obstacles to creating a consortium.

When two or more municipalities come together for the purpose of providing employee health insurance, they are subject to Article 47 of NYS Insurance Law, which has extremely prohibitive requirements governed by the Department of Financial Services (DFS). Only one county has been able to start a consortium in the 30 years since Article 47 was adopted. It took the Tompkins County Health Insurance Consortium several years to get off the ground because of the onerous provisions of the law.

Getting certified as an Article 47 Consortium requires a great deal of time, effort, organization and leadership. As stated in the statute, the superintendent of the Department of Financial Services will issue an Article 47 certificate to consortiums that have:

- Completed an application,
- Three or more municipal members
- Created a municipal consortium under 5G of the State Municipal Law
- Aggregated at least 2,000 lives in the program
- Developed a governing board comprised of participating employers and employee unions
- Received a written commitment for stop-loss insurance,
- Established a premium that will meet reserve and surplus requirements
- Developed a fair and equitable claims review and appeals process
- Established a reserve in the amount set forth by DFS

The impediments to creating an Article 47 Local Government Health Insurance Consortium are many and well documented and can be addressed by state lawmakers next year.
Amend State Insurance Law to make it easier to create shared municipal health insurance consortia
On behalf of its member counties, the New York State Association of Counties (NYSAC) is advocating for amendments to State Insurance Law to make it easier to form municipal health insurance consortia by allowing consortia to start with fewer than the required 2,000 employees with health insurance policy contracts, reduce the amount of IBNR reserves to more accurately reflect actuarial analysis of projected reserves needed, and allow other public entities to join a consortium as long as they have a connection to a taxing jurisdiction.

Reduce the threshold for health insurance contracts [Section 4704(a)(3)]
There are several counties in the State of New York where local cities, towns, and villages, who could potentially partner to form an Article 47 Municipal Cooperative Health Benefits Plan, have insufficient municipal employee populations for meeting the 2,000 contract threshold. To address this lack of contracted lives, we encourage the state to consider reducing the threshold to between 1,000 to 1,500 health insurance contracts.

Lower the IBNR reserve requirements [Section 4706(a)(1)]
Over the past several decades, the provider billing and claims adjudication processes continue to become more efficient as electronic filing of claims. The statutory IBNR level of 25% of expected incurred claims may have been reasonable in 1993. However, with the number of claims sent, received, and adjudicated by electronic means, this percentage is much higher than today’s actual practice. We urge the statute to be amended to lower the required IBNR reserves to between 12.5 and 15%.

Expand participation to quasi-governmental employers
There are many “quasi-governmental” employers who would benefit from participation in a Municipal Cooperative Health Benefit Plan which would lead to lower costs, lessen the burden on the taxpayers that fund these agencies, and help consortia reach their minimum number of employee health insurance contracts. We advocate that the definition of a municipal corporation be expanded to include include all entities as defined in Article 5G of New York State General Municipal Law and those “quasigovernmental” agencies or authorities that receive more than 50% of their funding from municipal corporations and/or governments.

NYSAC also recommends that lawmakers consider lowering the amount of surplus funds reserve or allow for flexibility (such as a state-backed short-term loan) to achieve the surplus funds reserve requirements; and allowing flexibility with regard to labor representation (must be agreed upon by union reps) on any consortium governing board.

Short of amending Article 47 of Insurance Law, NYSAC encourages State Lawmakers to adopt A.310-A (Steck)/S.1408-A (Breslin), which would allow municipalities to join county self-insured health programs and allow county self-insured plans to buy stop loss coverage for all municipalities within their plan, even those under 100 covered employees.