

**TOWNSHIP OF PARSIPPANY-TROY HILLS
TOWNSHIP COUNCIL SPECIAL MEETING**

December 23, 2013

Public Invited – Public Participation

MEETING CALLED TO ORDER by Council President Stanton at 7:00 p.m.

FLAG SALUTE

PRESENT: Council President Brian Stanton
Council Vice-President Vincent Ferrara
Council Member Paul Carifi, Jr.
Council Member Michael J. dePierro
Council Member Jonathan Nelson

ALSO

PRESENT: Mayor James R. Barberio; Paula Cozzarelli, Assistant Business Administrator;
John Inglesino, Esq., Township Attorney; and Yancy Wazirmas, Township Clerk;
Joseph Kovalcik, Jr., CFO/Treasurer

The purpose of this meeting is to discuss and take action on resolutions awarding a contract for health benefit insurance services to Insurance Design Administrators and awarding a contract for employee dental insurance services to Delta Dental of New Jersey, Inc. Any other action reasonably related thereto may also be taken.

FORMAL ACTION MAY OR MAY NOT BE TAKEN.

STATEMENT OF COMPLIANCE

Adequate notice of this meeting has been provided in accordance with the requirements of the Open Public Meetings Law by filing the notice in the Office of the Township Clerk and by posting the meeting notice on the bulletin board at the Municipal Building on December 18, 2013 where it has remained posted since that date. A legal notice appeared in the Daily Record on December 20, 2013 and forwarded by fax to the Star Ledger and Parsippany Life on December 18, 2013.

PUBLIC HEARING

Motion to open the public hearing by Mr. Ferrara Seconded by Mr. Nelson.

ROLL CALL:

YES – Council Members Carifi, dePierro, Ferrara, Nelson and Stanton

***Council President Stanton noted a five-minute time limit per speaker.**

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- Julia Peterson, 25 Old Parsippany Rd: thanked the out-going Councilmembers for their service and urged the remaining Council to see where the township needs to be in 50 years and to make policy decisions accordingly. She also asked about the status of Forge Pond.
Mr. Inglesino responded that the due diligence period provided in the settlement agreement was extended so that the township can continue its due diligence regarding the property. Once the review is completed, then a decision will be made.
- Pat Petaccia, 182 Hawkins Ave: asked if the Council received other insurance proposals or other comparisons and why this is being pushed at this time.
- Roy Messmer, 10 Drumlin Drive: asked/commented about the following regarding the insurance contract: an education is needed for self-insurance plans; how are payments determined; what are the amounts; are amounts paid into a medical trust; based on claim loss, we should have received a deduction; did any employee go over \$125,000 in over 2 years; what is the cost of excess, terminal liability; is the contribution to the Morris County Committee a violation of the pay-to-play laws. Mr. Inglesino responded that they have seen nothing to indicate a violation of the pay-to-play ordinance and Mr. Kovalcik responded to the remainder of the questions.

Mr. Nelson asked why there is an increase for 2014 when money should be banked.

Mr. Kovalcik responded that the health insurance budgets have been fully expended over the last 3 budgets.

Motion to close the public hearing by Mr. Ferrara Seconded by Mr. Nelson.

ROLL CALL:

YES – Council Members Carifi, dePierro, Ferrara, Nelson and Stanton

Council Discussion/Questions:

(Ryan Graham from Fairview Insurance and Michael Atkinson from IDA were present to respond to questions.)

Mr. Nelson asked that they explain the difference between a fully insured policy (Blue Cross Blue Shield, Cigna, etc.) compared to the self-insured policy that the Township has.

Mr. Graham explained that a fully insured program through Horizon Blue Cross or any other insurance carrier in NJ is basically a program where you pay a flat rate per month and any claim that goes above the monthly or annual premium falls on the insurance carrier. Anything that falls below, the Township doesn't reap any financial gain. The Township is actually partly self-insured because excess coverage is in place for any type of catastrophic losses. Aggregate re-insurance is also in place to cap losses. Self-insured means the Township pays a fixed rate per month to IDA which includes claims adjudication and re-insurance premium. IDA then bills the Township for the claims incurred and the Township pays the claims. If the claims are running well, then the Township receives a financial gain.

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Mr. Carifi stated that at last week's meeting, he specifically asked Mr. Graham that if this contract was tabled and not renewed as of January 1st, would that have any affect in any way whatsoever on any of our town employees' health insurance coverage. He also asked would the insurance be dropped as of January 1st and Mr. Graham responded "no".

Mr. Graham responded that the Township would not lose coverage because we are self-insured. If the contract is not renewed by January 1st then the Township would have to provide benefits through the Township. Mr. Graham noted that Mr. Atkinson stated at the last meeting that the Council would need to pass and approve for the re-insurance contract for the excess coverage to take effect come January 1st. Mr. Atkinson then provided a letter from the re-insurance carrier that they would need to have a pass and approval in order to cover any types of excess losses above \$125,000.

Mr. Carifi then asked that if as long as the Township made a renewal payment in January then would there be any effect on even going over that \$125,000. Mr. Graham explained that IDA also provides networks in place. The Township currently has AmeriHealth and CHN for any type of national coverage and to not renew that, the Township would be responsible for paying the entire claim where right now, the Township receives about a 60% discount for hospitalization and other discounts with the various doctors that the members seek treatment with.

Mr. Carifi asked again that as long as the Township made a renewal payment in January, then the Township would be covered. Mr. Atkinson responded that coverage for the employees would be unaffected to the point where they would go to their doctor and pay their co-pay but the risk for the Township is that if there is a catastrophic claim.

Mr. Nelson asked what day of the month are payments due. Mr. Atkinson responded that the IDA bills for the month prior are due by the 15th of the month. The claims are billed on a weekly basis. Mr. Nelson then asked who pays the excess insurance. Mr. Atkinson responded that the Township Pays IDA and they remit to the carrier. Mr. Kovalcik explained that what they do is send the Township an invoice stating what these claims are and then he'll wire the amount from the Township's claims bank account to IDA's claims bank account. This is to ensure that this is a zero balance account.

Mr. Nelson asked that since the Township pays every month the excess insurance into the fund, then what is the due date for the additional insurance. Mr. Atkinson responded that they request it by the 15th of each month but it is usually received before then. Mr. Kovalcik further explained that IDA is paid their costs once a month and that claims are paid twice a month. Mr. Nelson then asked for the time period that the policy runs. Mr. Atkinson responded that the policy runs from January 1, 2013 to June 30, 2014 because it is a 12/18 policy for the claims. The way the contract is set up is claims are incurred in 12 months and paid over 18 months. This is a 12/18 contract renewing on a 12/18 basis which covers the Township for the run-out of expenditures for claims incurred today that will not be received by their office before the close of the year. The extension is there to protect the town for those claims that have yet to be reported.

Mr. Stanton asked what is the potential risk to the Township of Parsippany and/or its employees if the Council does not go forward with the insurance policy by January 1st. Mr. Graham responded that the sole cost of the plan then falls upon the shoulders of the Township of Parsippany. That would also entail adjudicating the claims properly to the plan documents. It would mean there would be no networks for discounts and there would be no coverage for excess claims above \$125,000.

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Mayor Barberio asked what are the savings by having IDA as the administrator. His understanding is that we can lose in savings to the taxpayer approximately \$3 million. Mr. Graham gave an example as a claim a premature baby in a hospital at a cost of \$1.2 million over the course of three months. The network discount is huge when it comes down to lowering the costs for ongoing treatment or illness. The purpose of a network is to ensure that the fee that the doctor or hospital charges meets what their agreed upon fee is instead of billing for the full rate.

Mr. Stanton then asked what happens with existing patients. Mr. Atkinson responded that nothing would happen to impact the individual employee but the biggest risk is for the town being bare without insurance coverage. Mr. Inglesino added that there may also be a potential for claims to be made for breach of collective bargaining agreements as well, particularly to the way claims are administrated. Mr. Kovalcik explained the advantages of being in a network instead of paying for the full rate when the Township is no longer part of a network.

Mr. Ferrara wished to be clear that the Township's employees will be covered but the Township will have to be responsible to pay the claims and not reap the benefit of being in a network. Mr. Graham responded in the affirmative.

Mayor Barberio asked if the Township does not renew its contract how would companies like AmeriHealth and Blue Cross Blue Shield look upon the Township, knowing that we didn't renew. Mr. Graham responded that looking at it from a marketing standpoint, it would be difficult for them to make an assessment to charge any type of premium because the claims would be all over the place. He also added that he wouldn't be able to begin to imagine the administrative work the Township would have to do to adjudicate the claims.

Mr. Nelson asked who is the Township's stop-loss carrier. Mr. Atkinson responded that Nationwide is the paper and RMTS is the carrier as of January 1st.

Mr. Kovalcik clarified that neither AmeriHealth nor IDA will be processing the claims and the responsibility will be borne by the municipality completely. Currently, none of the Township employees have the knowledge or the experience to be able to take a look at a claim and be able to tell whether it's being adjudicated correctly or not.

Mr. Inglesino stated that there is the potential for significant disruption in service to the Township employees. Just because the Township has the obligation to cover it doesn't mean that their service, the way in which they are able to utilize their benefits, will not be significantly affected without an administrator in place to administrate claims. As time goes by and you can't provide that administration of claims, it goes to reason that there will be a potentially significant disruption in benefits. His concern from a legal standpoint is that this may give rise to claims of breaches of the contracts. It's not just a financial risk that is borne on the taxpayers, there is the potential for disruption of benefits service and the potential for claims of breaches of collective bargaining agreements.

Mr. Stanton also noted that if the contract is not renewed before January 1st then it becomes a free for all for the employees to go in or out of network. Mr. Kovalcik concurred.

Mr. Nelson asked for confirmation that there will be no network coverage on January 1st if the contract is not renewed before the end of the year. Mr. Atkinson responded in the affirmative.

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Mr. Carifi stated that at the last meeting, several Council members just wanted more time to review the contract since payment is not due until January 15th.

Mr. Nelson stated that last year's contract was approved at the end of December, but not signed by all parties until January 18th. He then asked if this meant that there was no contract and a lapse in coverage for that three week time period. Mr. Atkinson responded that that wasn't the case. They had received notification from the Township that they would be renewing as of January 1, 2013 and even though the paper work wasn't properly signed, the insurance carrier was notified of the renewal and they accepted the verbal approval of the renewal and the resolution. The paperwork was then gathered and signed.

Mr. Inglesino stated that the concept that is important is that there is a difference between payment on the one hand the Township's decision to renew on the other. He stated that his understanding is what Mr. Graham and Mr. Atkinson want prior to January 1st is authorization from the Council by resolution to go forward with the renewal as of January 1st. If the payment is made on the 15th and the paperwork to document renewal comes in sometime after January 1st that is acceptable. In essence, what they are looking for is action by the Governing Body prior to January 1st so that the insurance company knows the renewal is being made. The insurance company will accept that for purposes of the renewal. It's not the payment, it's the authorization.

Mr. Nelson asked that of the \$9 million to \$13 million exposure amount for 2014, what is actual the fixed cost and what is considered the fixed cost. Mr. Atkinson responded that of the \$9 million, the fixed cost is roughly \$1 million and the majority of that includes the reinsurance premium, network access fee, precertification utilization review, management fee, broker commission, IDA administration.

Mr. Carifi asked Mr. Graham what is the total broker commission in dollars for all the insurance. Mr. Graham responded that it is on a per head fee which is \$38.50 per month. This fee was put in place since the IDA program began and has not increased to date. Mr. Carifi asked what that comes out to. Mr. Kovalcik responded that it comes out to roughly \$20,000 per month. Mr. Carifi then asked administration if they requested RFPs for the broker. Mr. Cozzarelli responded that she was not involved in the process but believes it was done through a non-fair and open process. Mr. Inglesino reminded everyone that the broker's contract is not before the Council or up for discussion this evening since it was not noticed for such.

RESOLUTIONS

R2013-248: RESOLUTION OF THE TOWNSHIP COUNCIL OF THE TOWNSHIP OF PARSIPPANY-TROY HILLS AWARDING CONTRACT FOR HEALTH BENEFIT INSURANCE SERVICES TO INSURANCE DESIGN ADMINISTRATORS

WHEREAS, the Township of Parsippany-Troy Hills has a need to acquire health insurance services, including the alternative of a self-insured program requiring administration, claim processing, and excess loss insurance placement to be rendered to the Township of Parsippany-Troy Hills as a non-fair and open contract pursuant to the provisions of P.L. 2004, c.19 (N.J.S.A. 19:44A-20.5 et seq.); and

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WHEREAS, the procurement of insurance services, including health benefit insurance, is an exception pursuant to N.J.S.A. 40A:11-5(1) (m), the procurement of which shall comply with N.J.S.A. 40A:11-5(1) (a) (ii); and

WHEREAS, the Business Administrator has determined and certified in writing that the value of these services will exceed \$17,500; and

WHEREAS, the Township’s Health Insurance Broker issued a Request for Proposals to parties interested in providing health insurance services to the Township; and

WHEREAS, the Township received proposals, which includes the cost of the library, as follows:

	Received	Est. Annual Cost
Horizon	No	Declined
Magnacare	Yes	\$13,659,514
Aetna	No	Declined
IAA	Yes	\$10,651,552 (12/12 contract-no coverage beyond 12/31/14 for run out)
IDA	Yes	Self-Insured Proposal \$9,285,278 (expected), \$13,480,314 (maximum)
Cigna	No	Declined
Amerihealth	No	No quote submitted
NJSHB	Yes	\$10,110,344 (not “equal to or better than”)

WHEREAS, the Brokers of Record, Business Administrator and the Mayor have reviewed the proposals received and recommend that a one year contract be awarded to Insurance Design Administrators (IDA), 169 Ramapo Valley Road, Oakland, NJ 07436, to provide administrative services as a Third Party Agent (TPA) processor for the Township’s Limited Self Insured Health Benefit Program; and

WHEREAS, the term of this contract shall be from January 1, 2014 through December 31, 2014; and

WHEREAS, Insurance Design Administrators (IDA) has completed and submitted a Business Entity Disclosure Certification, which Certification provides that IDA has not made any reportable contributions to candidate committees, joint candidates committees or political party committees representing the elected officials of the Township in the one year period preceding the award of the Contract, and that the Contract will prohibit IDA from making any reportable contributions through the term of the contract that would bar the award of this Agreement pursuant to N.J.S.A. 19:44A-20.5 et seq.; and

WHEREAS, Insurance Design Administrators (IDA) has completed and submitted a Political Contribution Disclosure Form and Stockholder Disclosure Certification, as required pursuant to N.J.S.A. 19:44A-20.26, no later than 10 days prior to entering into the contract, disclosing all reportable political contributions (more than \$300 per election cycle) made over the 12 months prior to submission to the committees of the government entities listed on the Form provided by the Township; and

WHEREAS, the Chief Financial Officer of the Township of Parsippany-Troy Hills has certified in writing that funds will be available for this purpose in the following account(s):

- 2014 Temporary Budget: Current Fund – Insurance:
- 2014 Temporary Budget: Water, Sewer and Golf & Recreation Utility- Other Expenses

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NOW, THEREFORE, BE IT RESOLVED by the Township Council of the Township of Parsippany-Troy Hills, County of Morris, State of New Jersey as follows:

1. The Township of Parsippany-Troy Hills hereby awards, and the Mayor and/or the Business Administrator and the Township Clerk are hereby authorized to execute a contract between the Township of Parsippany-Troy Hills and Insurance Design Administrators (IDA), 169 Ramapo Valley Road, Oakland, NJ 07436 for the provision of administrative and claims processing services in connection with the Township's employee health plan, as well as the obtaining and administration of excess loss insurance, as required by the Township, all in accordance with the contract, which is on file in the office of the Township Clerk and subject to approval by the Township Attorney and Risk Manager.
2. That the Business Entity Disclosure Certification, which incorporates the provisions of Article I, entitled *Prohibitions on Contract Awards*, of Chapter 12, *Contracts*, of the Township Code; Political Contribution Disclosure Form; Stockholder Disclosure Certification; Determination of Value; Certificate of Availability of Funds; and Certification of Extraordinary Unspecifiable Service be placed on file in the Office of the Township Clerk with the Contract and authorizing resolution; and
3. That this contract be awarded through a non-fair and open process and without a competitive bid pursuant to N.J.S.A. 19:44A-20.5 and as an exception pursuant to N.J.S.A. 40A:11-5(1)(m), the procurement of which shall comply with N.J.S.A. 40A:11-5(1)(a)(ii); and
4. That a notice of this action shall be printed once in the legal newspaper of the Township of Parsippany-Troy Hills.

Motion to Approve the Resolution Above By Mr. dePierro Seconded By Mr. Ferrara

ROLL CALL:

YES – Council Members Carifi, dePierro, Ferrara, Nelson and Stanton

R2013-249: RESOLUTION OF THE TOWNSHIP COUNCIL OF THE TOWNSHIP OF PARSIPPANY-TROY HILLS AWARDING CONTRACT FOR EMPLOYEE DENTAL INSURANCE SERVICES TO DELTA DENTAL OF NEW JERSEY, INC.

WHEREAS, the Township of Parsippany-Troy Hills has a need to acquire Dental insurance services as a non-fair and open contract pursuant to the provisions of P.L. 2004, c.19 (N.J.S.A. 19:44A-20.5 et seq.); and

WHEREAS, the procurement of insurance services, including dental insurance, is an exception pursuant to the to N.J.S.A. 40A:11-5(1)(m), the procurement of which shall comply with N.J.S.A. 40A:11-5(1)(a)(ii); and

WHEREAS, the Business Administrator has determined and certified in writing that the value of these services will exceed \$17,500; and

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WHEREAS, the Township’s Health Insurance Broker issued a Request for Proposals to parties interested in providing dental insurance services to the Township; and

WHEREAS, the Township received proposals, as follows:

Delta Dental (Self Insured)	\$485,102
MetLife (Fully Insured)	\$465,404 (51% network disruption)
Bollinger Dental (Fully Insured)	\$614,241
United Health Care (Fully Insured)	\$580,332
United Health Care (Self Insured)	\$515,710
Aetna	\$399,405 (49% network disruption)
Guardian (Fully Insured)	\$447,957 (58% network disruption)
Guardian (Self Insured)	\$498,961

WHEREAS, the Township’s Health Insurance Broker, Business Administrator and the Mayor have reviewed the proposals received and recommend that a one-year contract be awarded to Delta Dental of New Jersey, Inc., 1639 Route 10, Parsippany, NJ 07054 at an estimated yearly cost of \$485,102; and

WHEREAS, the term of this contract shall be from January 1, 2014 through December 31, 2014; and

WHEREAS, the Business Administrator and the Mayor further recommend that in an effort to reduce dental insurance payments, the Township offer to employees the Delta Dental PPO program; and

WHEREAS, Delta Dental of New Jersey, Inc. has completed and submitted a Business Entity Disclosure Certification, which Certification provides that Delta Dental has not made any reportable contributions to candidate committees, joint candidates committees or political party committees representing the elected officials of the Township in the one year period preceding the award of the Contract, and that the Contract will prohibit Delta Dental from making any reportable contributions through the term of the contract that would bar the award of this Agreement pursuant to N.J.S.A. 19:44A-20.5 et seq.; and

WHEREAS, Delta Dental of New Jersey, Inc. has completed and submitted a Political Contribution Disclosure Form and Stockholder Disclosure Certification, as required pursuant to N.J.S.A. 19:44A-20.26, not later than 10 days prior to entering into the contract, disclosing all reportable political contributions (more than \$300 per election cycle) made over the 12 months prior to submission to the committees of the government entities listed on the Form provided by the Township; and

WHEREAS, the Chief Financial Officer of the Township of Parsippany-Troy Hills has certified in writing that funds are available for this purpose in the following accounts:

2014 Temporary Budget: Current Fund - Insurance
2014 Temporary Budget: Water, Sewer and Golf & Recreation Utility- Other Expenses; and

NOW, THEREFORE, BE IT RESOLVED as follows:

1. That the Township of Parsippany-Troy Hills hereby awards, and the Mayor and/or Business Administrator and the Township Clerk are hereby authorized to execute a contract between the Township of Parsippany-Troy Hills and Delta Dental of New Jersey, Inc., 1639 Route 10, Parsippany, NJ 07054, to provide dental care coverage in accordance with the contract on file in the office of the Township Clerk.

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2. That the Business Entity Disclosure Certification, which incorporates the provisions of Article I, entitled *Prohibitions on Contract Awards*, of Chapter 12, *Contracts*, of the Township Code; Political Contribution Disclosure Form; Stockholder Disclosure Certification; Determination of Value; Certificate of Availability of Funds; and Certification of Extraordinary Unspecifiable Service be placed on file in the Office of the Township Clerk with the Contract and authorizing resolution; and
3. That this contract be awarded through a non-fair and open process and without a competitive bid pursuant to N.J.S.A. 19:44A-20.5 and as an exception pursuant to N.J.S.A. 40A:11-5(1)(m), the procurement of which shall comply with N.J.S.A. 40A:11-5(1)(a)(ii); and
4. That a notice of this action shall be printed once in the legal newspaper of the Township of Parsippany-Troy Hills.

Motion to Approve the Resolution Above By Mr. Ferrara Seconded By Mr. dePierro

ROLL CALL:

YES – Council Members Carifi, dePierro, Ferrara, Nelson and Stanton

Motion To Adjourn Meeting By Mr. Ferrara Seconded By Mr. Carifi

ROLL CALL:

YES – Council Members Carifi, dePierro, Ferrara, Nelson and Stanton

MEETING ADJOURNED: 8:04pm

Respectfully submitted,

Yancy Wazirmas, Township Clerk

Brian Stanton, Council President

Minutes approved: