2014/2015

CLINTON-ESSEX-WARREN-WASHINGTON SCHOOLS HEALTH INSURANCE CONSORTIUM

YEAR-END MANAGEMENT REPORT

PREPARED BY: LOCEY & CAHILL, LLC

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1995 To 2015 20th ANNIVERSARY

INTRODUCTION

Locey & Cahill, LLC is very pleased to be continuing our work with the Clinton-Essex-Warren-Washington Schools Health Insurance Consortium. As you may already be aware, Locey & Cahill, LLC is an independent employee benefits consulting firm based in Syracuse, New York. Our company provides our clients, like the C-E-W-W Schools Health Insurance Consortium, with state of the art advice and guidance which will assist you in the formation of strategies designed to pro-actively adjust to the ever-changing health benefits establishment. We will provide the type of impartial and objective services which will allow the C-E-W-W Schools Health Insurance Consortium to continue to offer its enrollees a cost effective and efficient health benefits plan.

The C-E-W-W Schools Health Insurance Consortium is facing similar financial pressures to those being felt by employers across the United States of America. Many factors have added to this pressure over the years including, but not limited to, increases in the utilization of medical services, advancements in medical technology, changes in demographics, changes in mortality and morbidity rates, advances in prescription drugs, increased benefit mandates, lower cost sharing by covered members, and additional taxes and fees. All of these factors have contributed to the increases we are seeing in health insurance costs and premiums. In addition, today, School Districts and BOCES face a capped revenue stream which places even more pressure on administrators as they try to deal with the continuing escalation in medical spending in the Country. It should be noted that recently the Centers for Medicare and Medicaid issued a report which estimates that medical spending will continue to grow at an average annual rate of 5.8% per year from now until 2020.

The big question facing School Districts and BOCES is how to address the issues associated with growing health insurance costs while staying within the framework of the Cooperative Agreement and their Collective Bargaining Agreements. Of course, this work includes the implementation of the Patient Protection and Affordable Care Act (ACA) which has increased the cost of providing health insurance in several areas. We will continue to work closely with the Consortium's Board of Directors to ensure the Plan is operating in the most efficient manner possible.

We have prepared this Management Report as a working tool to assist us in the presentation of a large amount of data. The information contained herein is based on the Treasurer's Reports and Claims Experience Data we have received directly from the Consortium and Excellus BlueCross BlueShield. Wherever possible, we have included descriptive text to provide greater insight into the raw data. This also provides us with an opportunity to comment on significant data and trends that we see developing.

Locey & Cahill, LLC is available to answer any and all questions regarding this initial Year-End Management Report for the 2014/2015 Fiscal Year and any other issues facing the Clinton-Essex-Warren-Washington Schools Health Insurance Consortium. Should you have additional questions regarding any information contained herein, please feel free to contact us at our Syracuse Offices at (315) 425-1424.

CONSORTIUM OVERVIEW

The Clinton-Essex-Warren-Washington Health Insurance Consortium is a Municipal Cooperative Health Insurance Plan organized pursuant to Article 5-G of the New York State General Municipal Law. The Consortium consists of the following seventeen (17) School Districts:

AuSable Valley Central School District
Beekmantown Central School District
Chazy Central School District
Clinton-Essex-Warren-Washington BOCES
(Champlain Valley Educational Services)
Crown Point Central School District
Elizabethtown-Lewis Central School District
Keene Central School District
Moriah Central School District
Northeastern Clinton Central School District
Northern Adirondack Central School District
Peru Central School District
Plattsburgh City School District
Saranac Central School District
Schroon Lake Central School District
Ticonderoga Central School District
Westport Central School District
Willsboro Central School District

As you may note from the above list, all of the component School Districts of the Champlain Valley Educational Services participate in the Health Insurance Consortium with the exception of the Putnam Central School District. Due to changes in the insurance laws in New York State and the size of the employee base at Putnam Central School District, they were required to secure their own health insurance policy directly with an insurance company. However, we are continuing to work on possible ways to allow Putnam Central School District to join the Consortium as their current coverage is more costly and provides fewer benefits than the Consortium's health insurance plan.

The Consortium is overseen by a Board of Directors which consists of one representative from each School District and BOCES. During the 2014/2015 Fiscal Year, the Board of Directors was made up of the Superintendents from each of the School Districts and the BOCES. The Board of Directors is responsible for the management and oversight of the Consortium as authorized by each Board of Education pursuant to the Municipal Cooperative Agreement.

The Clinton-Essex-Warren-Washington Schools Health Insurance Consortium has been in existence since the mid-1980's starting out as an insurance buying cooperative. On July 1, 1990, the Consortium became self-funded contracting with Empire BlueCross BlueShield for the provision of hospital, medical, and surgical benefits and Phoenix Mutual Life Insurance Company for the provision of "major medical" benefits which included prescription drug coverage.

Effective on October 1, 1992 the Consortium made the decision to further change its operations by signing a Minimum Premium Agreement consolidating all of the benefit plans under Empire BlueCross BlueShield as the sole insurance carrier and administrator of the program.

During the 1999/2000 Fiscal Year, the Consortium's Board of Directors became unhappy with the service being provided by Empire BlueCross BlueShield when Empire consolidated their management operations in New York City. Empire's decision to move their upper management team out of Albany and down to New York City while at the same time closing their regional office in Plattsburgh, New York was viewed as a signal by the Consortium's Board of Directors that Empire was not going to be providing the same level of support and access the Consortium Board of Directors and the Participating School Districts and BOCES were accustom to receiving.

This led the Board of Directors to develop and distribute a Request for Proposal (RFP) seeking competitive bids from insurance carriers providing a minimum premium insurance model. On July 1, 2000 the Consortium moved its insurance business to BlueCross BlueShield of Utica/Watertown. This relationship has continued for the past fifteen plus years with Excellus BlueCross BlueShield which is the consolidation of the former BlueCross BlueShield of Rochester, Syracuse, and Utica/Watertown Plans.

The goal of the Consortium was and is to have the individual School Districts and BOCES pool their resources in an effort to provide a health insurance plan which is less costly than that which could be purchased by each School District or BOCES on their own. In the insurance industry there is a basic principle called the law of averages or the law of large numbers. This principle simply states that the larger the population, the more stable the claims over time. It is our opinion that this has worked to the benefit of the Consortium to date and will continue to work in the future, provided the Consortium stays focused on the primary objective of providing health insurance in the most cost-effective manner possible.

To emphasize this point, please refer to the chart below which shows the 10-year average premium increase for the Consortium's "Platinum Plan 1" at only 5.10%. The averages noted below are from the 1990/1991 Fiscal Year to the 2015/2016 Fiscal Year. The "Platinum Plan 1" is the benefit plan which has been in existence since the beginning of the Consortium changed only by Federal and State Mandates and changes/additions to medical technologies, including significant advancements in the pharmaceutical area:

Plan Year	Individual	% Change	Family	% Change	Medicare	% Change
2010/2011	$ 594.29	6.00%	$ 1,546.70	6.00%	$ 487.66	6.00%
2011/2012	$ 615.09	3.50%	$ 1,600.83	3.50%	$ 504.73	3.50%
2012/2013	$ 633.54	3.00%	$ 1,648.86	3.00%	$ 519.87	3.00%
2013/2014	$ 658.88	4.00%	$ 1,714.81	4.00%	$ 540.66	4.00%
2014/2015	$ 678.65	3.00%	$ 1,766.26	3.00%	$ 556.88	3.00%
2015/2016	$ 692.22	2.00%	$ 1,801.58	2.00%	$ 568.02	2.00%
Overall Average		***7.91%***		***7.90%***		***7.99%***
20-Year Avg.		***7.91%***		***7.91%***		***7.91%***
10-Year Avg.		***5.10%***		***5.10%***		***5.10%***
5-Year Avg.		***3.10%***		***3.10%***		***3.10%***

ADMINISTRATIVE/FINANCIAL OVERVIEW

The Clinton-Essex-Warren-Washington Schools Health Insurance Consortium currently contracts with Excellus BlueCross BlueShield for the provision of hospital, medical, surgical, and prescription drug benefits under a structure which is referred to as a "Minimum Premium Plan with Cash Cap."

A Minimum Premium Plan is a hybrid of a self-funded plan. This type of funding arrangement is a financial agreement between an insurance company and a group, which enables a plan to take advantage of increased cash flows while still enjoying a certain degree of plan flexibility. The Minimum Premium agreement offers many of the advantages of self-insurance; yet is defined as an insured program.

The fact that it is an insured program provides the covered members with the assurance that the New York State Insurance Department is providing a level of oversight to the Plan. In addition, the covered members have access to the appeal process through the New York State Department of Financial Services (formerly the New York State Insurance Department) which guarantees them a fair and honest evaluation of claim disputes which arise as the result of claims which are denied for a lack of medical necessity, are considered experimental, and/or are considered investigational by the insurance company.

Due to the fact that a Minimum Premium Plan with Cash Cap is a filed and approved fully insured plan with the New York State Insurance Department, the Minimum Premium Plan exempts groups from certain New York State Insurance Laws pertaining to self-insured municipal cooperative plans (i.e., Article 47).

The basic premise of a Minimum Premium Plan is that the Consortium pays, Excellus BlueCross BlueShield in this case, an administrative fee for operating the plan. The services provided by Excellus include, but may not be limited to customer service, membership, billing, claims adjudication, medical management, provider network development and management, legal compliance, and overall plan management.

In addition to the fees paid to Excellus, there are other minor administrative expenses associated with the operation of the plan for legal, accounting, actuarial, and consulting services.

Excellus BlueCross BlueShield bills the Consortium on a weekly basis for the claims they have paid on behalf of members covered by the Plan. The premiums which are paid into the plan by the Participating School Districts and BOCES are held by the Consortium and are only dispersed when an expense has been incurred. The result is a financial mechanism which maximizes every dollar to its fullest potential and eliminates the ability of the insurance company to "pad" their premiums with unnecessary margins and profits.

LEGISLATIVE UPDATE

In the health insurance industry, there are several factors which impact the cost of a plan. These factors include, but may not be limited to, increased utilization, advancements in medical technology, increased cost for a specific service (inflation), and increased access to medical care. One component of cost increase, which is often overlooked, is the impact which new legislation has on the cost of health insurance. Every year, legislation is introduced which adds benefits to health insurance plans. These new benefits are not negotiated nor are they typically optional. In recent years, several legislative initiatives have added cost to the health insurance plan. Below is a listing of some of these changes:

1993 Routine Cervical Cancer Screenings
1994 Diabetic Treatment and Well Child Care Services
1997 Maternity Care and Mental Health Parity
1998 Chiropractic Services, Enteral Formulas, and Mastectomy (Breast Reconstruction) Benefits
2001 Prostate Screenings
2002 Ambulance Services, Infertility Testing and Treatment
2003 Women's Health Bill and Oral Contraceptive Coverage
2006 Mental Health Parity Law "Timothy's Law"
2007 Domestic Partner Coverage (Make Available Rider)
2009 Dependent Coverage to Age 29
2010 Patient Protection and Affordable Care Act (ACA)

Currently in New York State, there are a number of bills being considered to further expand health insurance coverage. Items included consist of coverage for cleft lip and cleft palate surgery, hair prosthesis, hearing tests, hearing aids, rehabilitation services, respite care, temporomandibular joint disorder, expanded podiatry care, and genetic testing, just to name a few.

In addition to the aforementioned changes, several key initiatives are being pushed by Locey & Cahill, LLC which would broaden the effectiveness of Municipal Consortiums by increasing competition and allowing smaller entities to participate in Municipal Cooperative Health Insurance Plans. These changes include possible alterations to Article 47 of the Insurance Law making the reserving requirements more reasonable. In addition, we are continuing our efforts to have the New York State Insurance Law amended to allow municipal employers of less than 100 employees to forego the Community Rating Insurance Law if they can demonstrate that participating in fully insured Municipal Cooperative Health Benefit Plan is more cost-effective.

We will continue to monitor these possible changes and we will advise the Consortium on how these proposed changes can be utilized to continue to make the Clinton-Essex-Warren-Washington Schools Health Insurance Consortium a very effective vehicle for the provision of medical benefits to the employees, retirees, and family members covered under the Consortium's benefits plan.

Of course, the one big question facing all health insurance plans today has to do with the Federal Government's role in the health insurance industry and how it will impact plans like the Clinton-Essex-Warren-Washington Schools Health Insurance Consortium in the future. The first significant item to impact the Consortium was the provision of coverage to dependents up to their 26th birthday. This particular benefit was added to the Consortium's coverage on July 1, 2011.

Another key component of the Patient Protection and Affordable Care Act (ACA) as passed and amended by the Health Care and Education Reconciliation Act of 2010 was the Early Retiree Reinsurance Program (ERRP). This particular program was designed for employers providing health insurance coverage to retirees over age 55 who were not eligible for Medicare. The Program reimbursed employers or insurers up to 80% of each retiree's claims costs between $15,000 and $90,000. Payments from the reinsurance program are supposed to be used to lower the costs for enrollees in the employer plan.

This particular legislation took effect 90-days from the date it was signed into law. This made the effective date June 23, 2010. This Program was scheduled to cease operation on January 1, 2014, unless extended by additional legislation. To fund this Program, $5 billion dollars was appropriated.

The Consortium received $1,415,568.80 during the 2010/2011 Fiscal Year. Unfortunately, prior to the Consortium receiving any additional funds, the program exhausted its resources. As a result, the additional request although approved by the United States Department of Health & Human Services, was never paid. In addition, the Consortium was required to pay back $109,739.39 in March of 2012 upon an audit of the initial request made during the 2010/2011 Fiscal Year. The end result was a positive impact of $1,305,829.41 as a result of this particular aspect of the ACA.

In addition to these key items, there were a number of benefit mandates included in the Essential Health Benefits which needed to be added to plans over the past few years. These mandates include, but may not be limited to, mental health and substance use disorder parity, elimination of annual and lifetime maximums, the establishment of out-of-pocket maximums for all benefits, and the addition of preventive services at no out-of-pocket cost. It should be noted that all of these new benefits were added without the ability for employers to negotiate these changes with their various collective bargaining units.

Although the above items impacted the Consortium's cost structure in recent years, the impact has been negligible compared to the impact the taxes or fees added by the Patient Protection and Affordable Care Act (ACA). The most significant of these fees from a cost impact perspective started to be substantially felt by the Consortium during the most recently completed fiscal period as the Consortium had to pay the ACA Health Insurance Sector Fee for the first time during the 2014/2015 Fiscal Year. Please refer to the following page for a brief description of each of the ACA fees being billed to the Consortium by Excellus BlueCross BlueShield and how they have impacted the Consortium:

Patient Centered Outcomes Research Trust Fund Fees (2012):

This provision of the ACA requires all health insurance plans, including self-insured plans, to pay a fee to the Federal Government to fund the development of a not-for-profit organization which will do research to evaluate and compare the health outcomes and the clinical effectiveness, risks and benefits of certain medical treatments, services, procedures, drugs and other techniques that will help treat, manage, diagnose, or prevent illness or injury.

These research fees started with plan or policy years ending on or after September 30, 2012, and ends with plan years or policy years ending before October 1, 2019. The fee for the Consortium is $1.00 per covered life for the 2013/2014 Fiscal Year, approximately $9,600. This fee needed to be paid by July 31, 2014 as a one-time payment utilizing the IRS Form 720. This fee increased to $2.00 per covered life for the 2014/2015 Fiscal Year and then will increase by an inflationary factor yet to be determined for future years.

Transitional Reinsurance Program Fee (2014):

This creates a temporary reinsurance program to collect payments from health insurers to provide payments to plans (both inside and outside the exchanges), that incur high claims costs from enrollees. The effect of this fee on all plans is $5.25 per covered life per month or $63 per covered life during the 2014 calendar year. This fee will be in effect through the 2016 Calendar Year at a declining amount each year. For the 2015 Calendar Year, the fee will be $44 for each covered life and for the 2016 Calendar Year, this fee will be $27.50 per covered life.

ACA Health Insurance Sector Fees (2014):

Beginning in 2014, the ACA will impose an annual fee which is based on each health insurance company's share of the total market, adjusted for size and corporate structure. This fee which applies to all insured health insurance plans will be one of the major funding sources for the ACA. The original estimates placed the effect of this fee on insured plans at approximately 2.45% of paid claims beginning in 2014.

As a result of the above, for the 2013/2014 Fiscal Year, we had to include the equivalent of a half a year's financial impact associated with this new fee as an accrual totaling approximately $660,000. In the 2014/2015 Fiscal Year, we have included a full year's impact associated with this new fee. Based on our projections, this fee will add approximately 3% in total costs to the Consortium's Plans each year for the next several fiscal periods.

In addition to the direct fees on health insurance plans listed above, we anticipate paid claims to experience hyper-inflation in the next year or two as some of the indirect effects of the Affordable Care Act start to be felt. These effects will include, but may not be limited to, increased benefits, pharmaceutical industry fees, medical device excise taxes, and possible cuts to the Federal Medicare and Medicaid Programs. We will continue to work to keep the Consortium apprised of the changes associated with the ACA and how they will ultimately impact the cost of health insurance.

FINANCIAL OVERVIEW

In this Financial Overview we have summarized our analysis of the Plan's financial performance during the 2014/2015 Fiscal Year, as reported by the Treasurer of the Consortium.

Please refer to the combined income statement for the Fiscal Year of July 1, 2014 to June 30, 2015, as reported by the Plan's Treasurer:

The C-E-W-W Schools Health Insurance Consortium - Income Statement

Income			
	Health Premiums	$59,028,089.02	
	Interest Income	$60,421.84	
	Miscellaneous Income (Recoveries)	$513,112.43	
Total Revenue		**$59,601,623.29**	
Expenses			
	Paid Claims	$58,107,954.34	
	Admin. Fees	$2,550,426.33	
	Unallocated Excellus Claims	$29,9849.32	
	Covered Lives Assessment		
	ACA Health Insurance Sector Fee	$119,997.73	
	ACA Transitional Reinsurance Fee	$442,890.00	
	ACA PCORI Fee	($214.55)	
	Other Expenses	$266,445.55	
Total Expenses		**$61,517,448.72**	
Beginning Balance		**$41,015,975.02**	
Net Revenue		**($1,915,825.43)**	
Ending Balance		**$39,100,149.59**	
Liabilities and Reserves			
	IBNR Claims Liability Reserve	$8,135,113.61	(estimated at 14% of annualized paid claims expense)
	Catastrophic Claims Reserve	$2,033,778.40	(estimated at 3.5% of annualized paid claims expense)
	Rate Stabilization Reserve	$5,902,808.90	(set at 10% of annualized premium revenue)
	Excellus BCBS Advance Deposit	$2,484,800.00	(Excellus BCBS estimate of 2-weeks paid claims)
Total Liabilities and Reserves		***$18,556,500.91***	
Balance Less Liabilities and Reserves		***$20,543,648.68***	

The above Income Statement represents the cash basis of the Plan through June 30, 2015. As you will note, this fiscal period ended with a net loss of ***$1,915,825.43*** which is equal to 3.25% of the premium income for the fiscal period. This net gain decreased the Consortium's cash reserves and as of June 30, 2015, the overall fund balance (cash assets plus investments) totaled $39,100,149.59.

Based on the above results, the Consortium has an estimated accrued surplus of $20,543,648.68 when we account for the incurred but not reported (IBNR) claims liability which is estimated at $8,131,113.61, the Rate Stabilization Reserve of $5,902,808.90, the Catastrophic Claims Reserve in the amount of $2,033,778.40 and the Excellus BlueCross BlueShield Advance Deposit totaling $2,484,800.00.

It is important to keep in mind that the IBNR claims liability and the Advance Deposit are estimates and depending on the actual "run-out" of claims, the final balance could be higher or lower. This information is intended to give the Board of Directors a "barometer" as to how the Consortium is doing from a financial perspective. Please refer to the following for a description of the Liabilities and Reserves for the Consortium:

LIABILITIES

The liabilities associated with the Consortium's operations are directly related to covered medical benefits that are incurred by Consortium Members which have yet to be received or paid by the insurance company or plan administrator. For example, if the Consortium were to end its operations on any given June 30th there are going to be covered medical services received by covered members on or before June 30th which will not be paid until sometime after June 30th. This is commonly referred to in the industry as an Incurred But Not Reported (IBNR) and Incurred But Not Paid (IBNP) Claims Liabilities.

In recent years with the increases in technology associated with the billing and payment of medical benefit claims and with the increase in the volume of prescription drug claims which are inherently electronic in nature, the overall value of this liability has decreased as a percentage of expected/paid claims. In fact, ten years ago, this liability equaled approximately the value of three months (24%) of annual expected/paid claims. Today, this value is closer to less than two months of expected/paid claims and we had estimated this liability for the 2014/2015 Fiscal Year to equal 14.0% of the expected/paid claims estimate for the year.

RESERVES

The reserves held by the Consortium are the cash assets which have been assigned to cover a direct liability or to assist the Consortium with cash flow and provide protection during times when paid claim projections are exceeded. These cash assets have also been a source of revenue to the Consortium which has allowed the Consortium to hold premium increases down in previous years.

However, the interest earned on the Consortium's net assets are very minor today due to the types of investments the Consortium is required to use and the very modest rates of return associated with these investment options. In fact, the interest income earned during the 2014/2015 Fiscal Year was equivalent to 0.1023% of premiums paid during the fiscal period. The dollar value in 2014/2015 equaled $60,421.84 which is enough money to cover approximately four (4) family's premiums for the year.

Currently, the Consortium maintains three reserve accounts:

Incurred but Not Reported (IBNR) Claims Reserve

The IBNR Claims Reserve had been set at an amount equal to 14.0% of expected/paid claims. This is a conservative estimate of the liability, but the Board of Directors has always acted based on our recommendation to maintain this level as we never wanted any District or BOCES to be "locked-in" to the Consortium.

If this reserve was established at an amount not sufficient to cover the liability, a District or BOCES could find itself owing a significant amount of money if they chose to leave the Consortium. We feel that a District's decision to leave or stay in the Consortium should not be affected by the Consortium's lack of adequate reserve balances and this is a philosophy we would encourage the Consortium's Board of Directors to continue to embrace, even during tougher economic times.

At the close of the 2014/2015 Fiscal Year, this reserve equaled $8,135,113.61 (14.0% of actual paid claims totaling $58,107,954.34). It should be noted that Excellus BlueCross BlueShield does provide an estimate of this liability in their annual renewal documents. For the 2014/2015 Fiscal Year, Excellus' estimate of this liability was $7,229,600 which was 11.094% of their expected claims cost of $65,165,034. At this point in time with the cash asset position of the Consortium and the conservative approach the Board of Directors has taken in the past, we are not recommending a reduction in this value. However, this is an item which will be discussed each year during the budget approval process.

Rate Stabilization Reserve

This particular reserve was established by the Board of Directors to protect he Consortium for the ill effects associated with those times when the actual paid claims exceed the projections. This reserve would be used to protect the cash flow position of the Consortium and allow the Board of Directors the opportunity to develop a long-term financial strategy to protect the financial integrity of the Consortium.

The current Rate Stabilization Reserve has been established at a level not to exceed 10% of the expected premium income of the Consortium for a given fiscal year. The Rate Stabilization Reserve as established for the 2014/2015 Fiscal Year was equal to $5,902,808.90.

Catastrophic Claims Reserve

This particular reserve was established by the Clinton-Essex-Warren-Washington Schools Health Insurance Consortium Board of Directors to protect the financial integrity of the Consortium as the Board made the decision forego the purchasing of the Specific Stop-Loss Policy in an effort to reduce expenses.

The cost of this policy was $621,778.70 during the 2008/2009 Fiscal Year for up to an annual year maximum of $1,000,000 of coverage less the deductible. The Board of Directors made the decision to not purchase this coverage in an effort to reduce this expenditure making this reserve a critical component of the Consortium's financial strategy.

It was our professional opinion and the opinion of the Board of Directors that there was an acceptable reward versus risk ratio between the reduction of this significant expense, the exposure of large losses, and the cash asset position of the Consortium. It was recognized that this decision does present a sizeable exposure to the Plan. To mitigate the exposure, the Board of Directors made the decision to establish the Catastrophic Claims Reserve at an amount equal to 3.5% of the expected/paid claims expense for the year. Based on this philosophy, the reserve equaled $2,033,778.40 for the 2014/2015 Fiscal Year.

The level of this particular reserve will be evaluated each year as the Board of Directors continually reviews the financial position of the Consortium employing the required strategies to ensure the financial integrity of the of the Consortium is protected to the fullest extent possible.

In reviewing the data provided above, it is important to understand how the results compared to the budget as it was produced for the Consortium for the most recently completed fiscal year. The Board of Directors did establish a plan which would utilize some fund balance to mitigate the rate increase for the 2014/2015 Fiscal Year. However, the paid claims for the year were substantially below budget which created less of a deficit for the fiscal period. In fact, the paid claims came in 4.71% below budget for the 2014/2015 Fiscal Year. This is great news as it will allow the Board of Directors the opportunity to utilize fund balance to mitigate rate increases several years into the future. Please refer to the following exhibit for a summary of this information:

Beginning Balance	**$41,015,975.02**	**$41,015,975.02**

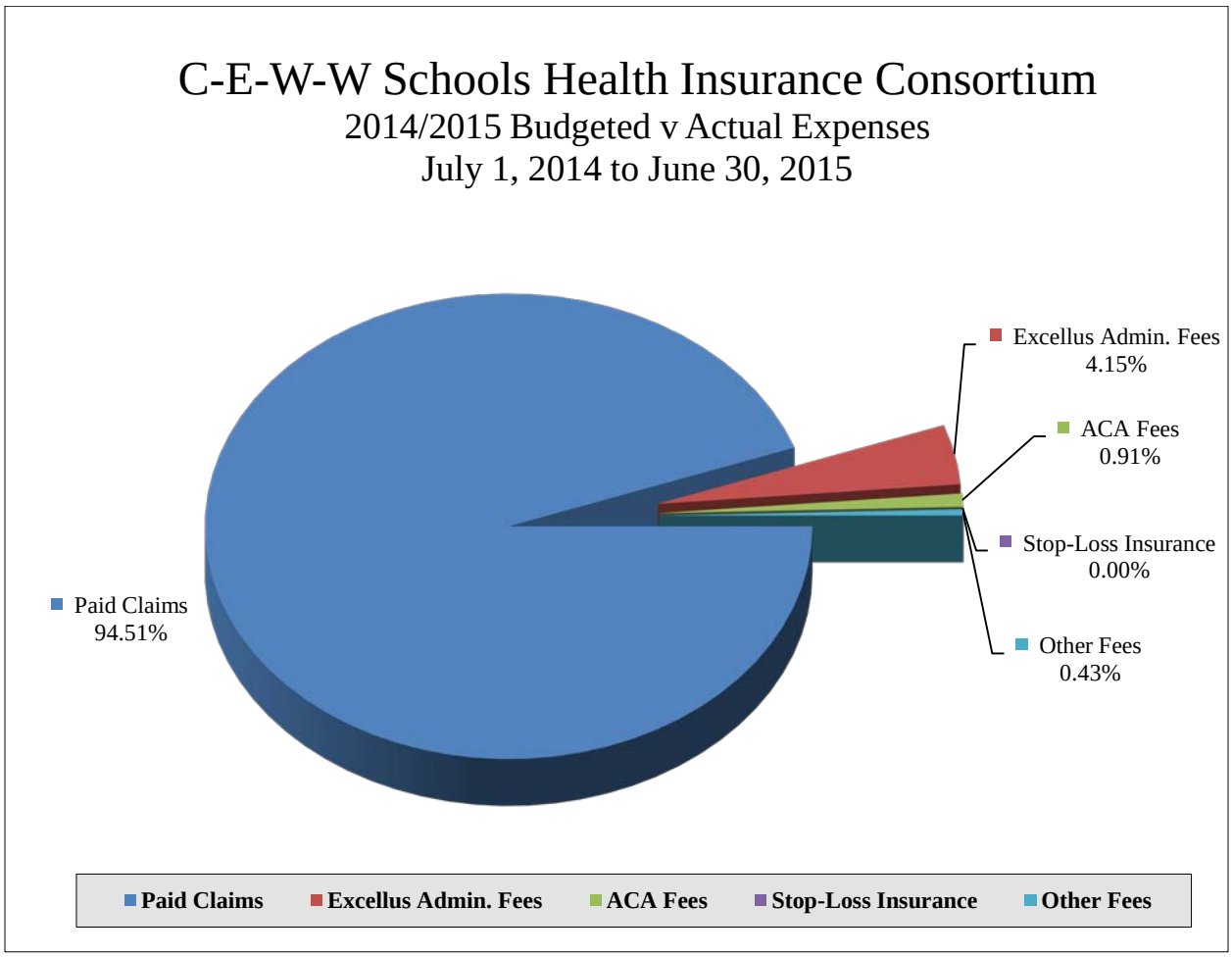
		Adopted Budget 2014/2015	Year-To-Date Actual 2014/2015	Difference (Budget - Actual)	% Change (Difference ÷ Budget)
Income					
	Premiums Paid	$61,533,373.23	$59,028,089.02	($2,505,284.21)	-4.07%
	Interest Income	$65,000.00	$60,421.84	($4,578.16)	-7.04%
	Misc. Income (Recoveries)	$400,000.00	$513,112.43	$113,112.43	28.28%
Total Income		$61,998,373.23	$59,601,623.29	($2,396,749.94)	-3.87%
Expenses					
	Paid Claims	$60,978,249.68	$58,107,954.34	($2,870,295.34)	-4.71%
	Admin Fees	$2,496,762.69	$2,550,426.33	$53,663.64	2.15%
	Unallocated Excellus Claims	$0.00	$29,949.32	$29,949.32	
	ACA Health Ins. Sector Fees	$1,524,456.24	$119,997.73	($1,404,458.51)	-92.13%
	ACA Trans. Reins. Program Fees	$588,420.00	$442,890.00	($145,530.00)	-24.73%
	ACA PCORI Fees	$19,614.00	($214.55)	($19,828.55)	-101.09%
	Other Expenses	$309,000.00	$266,445.55	($42,554.45)	-13.77%
	Bond	$0.00	$0.00	$0.00	
	Adv. Deposit	$0.00	$0.00	$0.00	
	Audit Expenses	$0.00	$0.00	$0.00	
	Transplant Coverage	$0.00	$0.00	$0.00	
	Stop-Loss	$0.00	$0.00	$0.00	
Total Expenses		$65,916,502.61	$61,517,448.72	($4,399,053.89)	-6.67%
Fiscal Year Surplus / Deficit		***($3,918,129.38)***	***($1,915,825.43)***	***$2,002,303.95***	

Ending Balance	***$37,097,845.64***	***$39,100,149.59***	***$2,002,303.95***

Liabilities and Reserves				
	IBNR Claims Liability Reserve	$8,536,954.96	$8,135,113.61	(est. = 14% of annualized paid claims expense)
	Catastrophic Claims Reserve	$2,134,238.74	$2,033,778.40	(est. = 3.5% of annualized paid claims expense)
	Rate Stabilization Reserve	$6,153,337.32	$5,902,808.90	(set at 10% of annualized premium revenue)
	Excellus BCBS Advance Deposit	$2,484,800.00	$2,484,800.00	(Excellus BCBS estimate of 2-weeks paid claims)
Total Liabilities and Reserves		***$19,309,331.02***	***$18,556,500.91***	

Balance Less Liabilities and Reserves	***$17,788,514.62***	***$20,543,648.68***

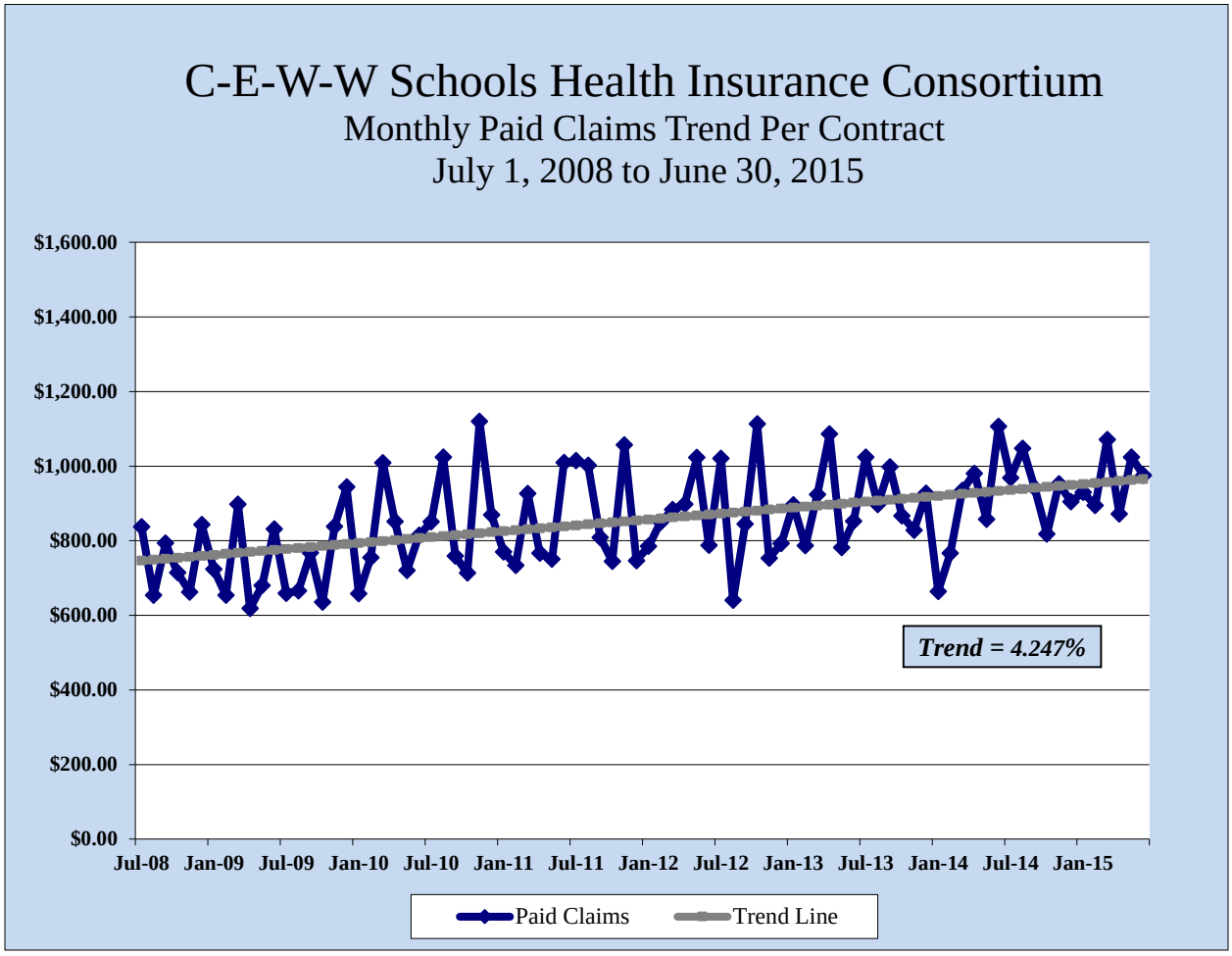
A quick analysis of the expenses associated with the C-E-W-W Schools Health Insurance Consortium clearly shows that the current funding mechanism (Minimum Premium Plan with Cash Cap) is an extremely efficient financial model. The expense ratios show that the paid claims (including the advance deposit) accounted for 94.51% of overall expenditures during the 2014/2015 Fiscal Year. This is a very aggressive loss ratio which should provide the Board of Directors with the assurance that every dollar coming into the program is being fully maximized. Please refer to the graph below for a summary of the expenses as they compared to the budget value for each for the 2014/2015 Fiscal Year:



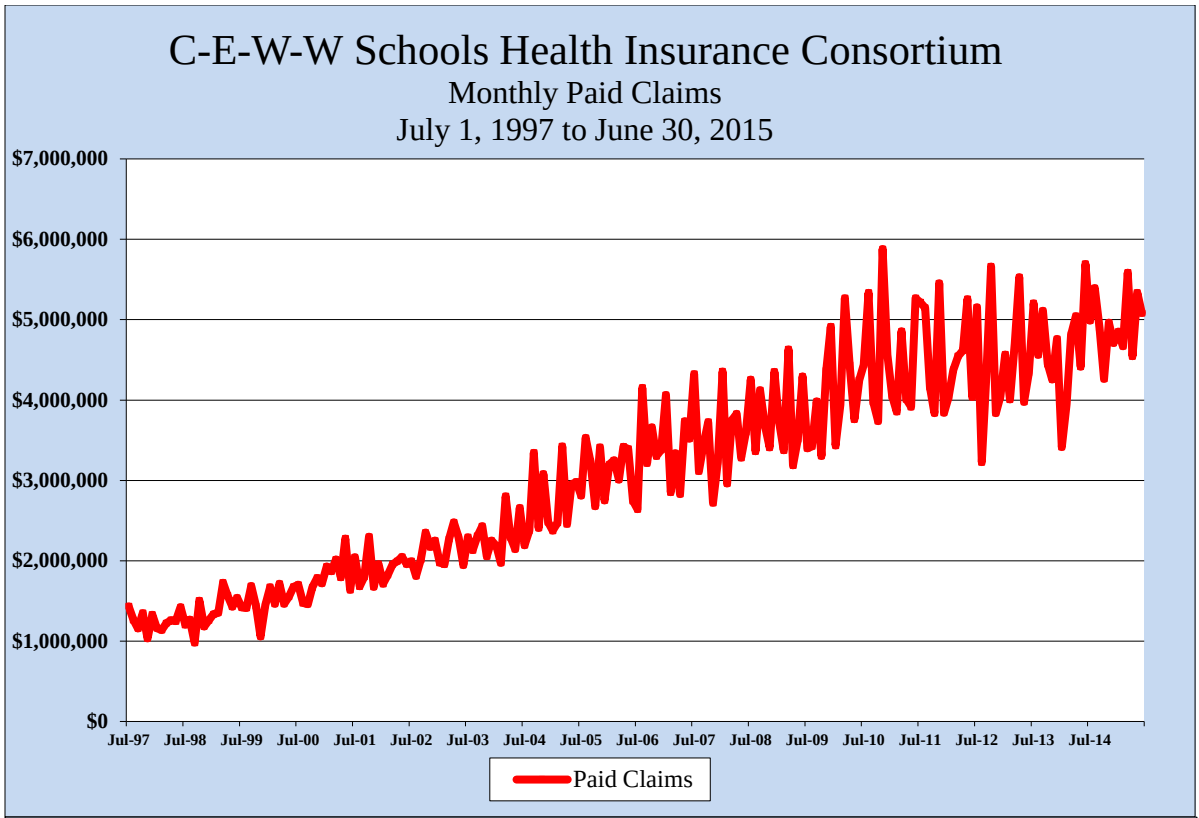
As is clearly noted above, the paid claims expense ($58,107,954.34) and the trends associated with those costs are the most significant items which need to be monitored by all self-insured and self-funded health plans. In the following pages, we have provided some detailed analysis relative to paid claims to help provide you with a sound and logical basis for making decisions regarding the future direction of the Clinton-Essex-Warren-Washington Schools Health Insurance Consortium.

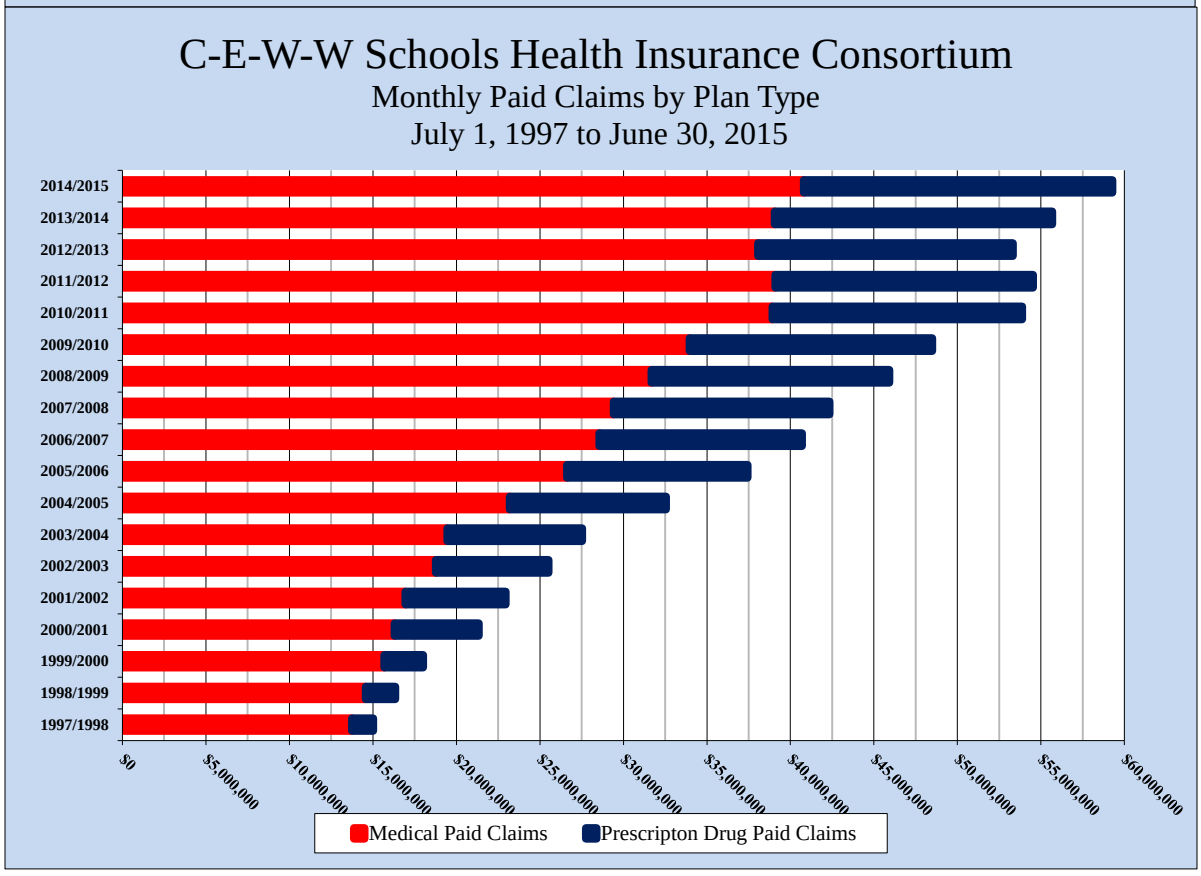
PAID CLAIMS DETAIL

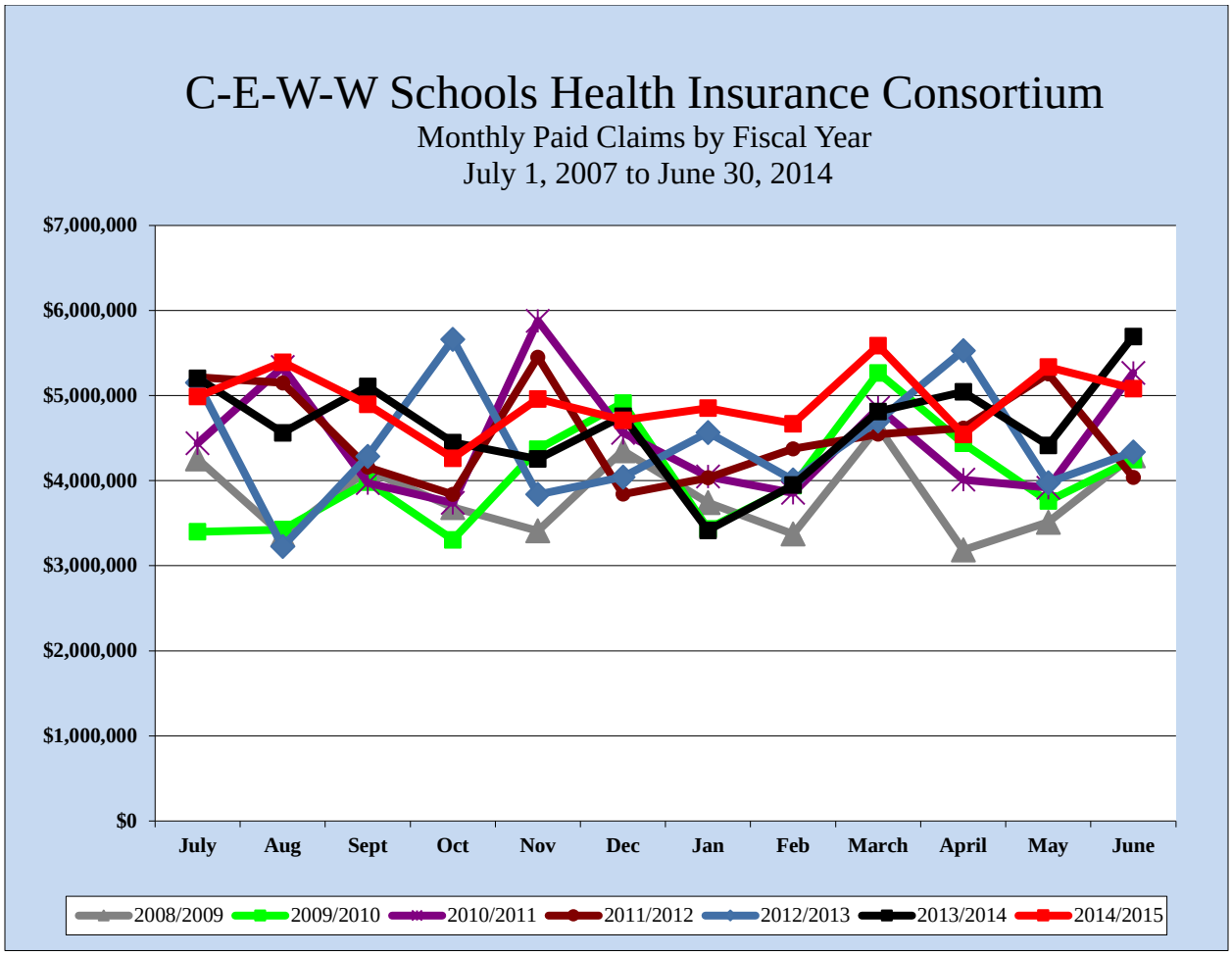
As part of our ongoing work with the Consortium, each month we analyze the monthly paid claims cost on a per contract basis. In addition, we track the census in an effort to identify trends and to make sure our projection models utilize the most up to date data. In reviewing the trend models, we find that the most recent period of paid claims represents a slightly lower than anticipated growth in the paid claims level. In addition, the claims have been oscillating significantly in recent months making trend prediction more difficult. The five-year trend model shows an average annual rate of increase to equal 3.580% as is noted in the exhibit below:



The above trend is substantially below the historical trends of other similarly situated Consortiums we work with and is well below national averages which are being reported at between 8% and 9%. This paid claims trend is being factored into future budget projections to ensure the Board of Directors is adjusting premium equivalent rates at a level commensurate with the expected increase in overall spending. In addition to analyzing paid claims on a per contract per month basis, we also analyze overall paid claim trends on an annual and monthly basis in an effort to provide greater insight into the data and trends associated with the paid claims. On the following pages, we have provided several additional exhibits relative to the paid claims for your reference and review.


C-E-W-W Schools Health Insurance Consortium
Monthly Paid Claims
July 1, 1997 to June 30, 2015
$7,000,000
$6,000,000
$5,000,000
$4,000,000
$3,000,000
$2,000,000
$1,000,000
$0
Jul-97 Jul-98 Jul-99 Jul-00 Jul-01 Jul-02 Jul-03 Jul-04 Jul-05 Jul-06 Jul-07 Jul-08 Jul-09 Jul-10 Jul-11 Jul-12 Jul-13 Jul-14
Paid Claims


C-E-W-W Schools Health Insurance Consortium
Monthly Paid Claims by Plan Type
July 1, 1997 to June 30, 2015
2014/2015
2013/2014
2012/2013
2011/2012
2010/2011
2009/2010
2008/2009
2007/2008
2006/2007
2005/2006
2004/2005
2003/2004
2002/2003
2001/2002
2000/2001
1999/2000
1998/1999
1997/1998
$0 $5,000,000 $10,000,000 $15,000,000 $20,000,000 $25,000,000 $30,000,000 $35,000,000 $40,000,000 $45,000,000 $50,000,000 $55,000,000 $60,000,000
Medical Paid Claims
Prescripton Drug Paid Claims



This past year, the Consortium experienced an overall paid claims increase of 6.49% on a per contract per month basis while the annual paid claims total increased by 5.04%. This shows that the census of the Consortium increased slightly throughout the 2014/2015 Fiscal Year. The overall contract count increased by 1.38% when we compare the average monthly contract count for the 2013/2014 Fiscal Year and the 2014/2015 Fiscal Year.

In addition, we found no distinct seasonal trends in the monthly paid claims for the seven (7) most recently completed fiscal years as noted in the above exhibit. We further noted that there were no significant trends in the area of large losses. Lastly, we did not see any notable shift in the usage of the plan by the covered members.

CONCLUSIONS AND RECOMMENDATIONS

We feel it is imperative that the Consortium continue its efforts to review all facets of the operation to ensure they are meeting the needs of the participating School Districts and the BOCES. As always, we stand ready to assist in this process and are eager to continue our efforts in the management of what has been and will continue to be a very successful municipal cooperative health insurance plan.

As you may have noted from the materials provided in this report, the Clinton-Essex-Warren-Washington Schools Health Insurance Consortium has experienced some positive financial results in the most recent fiscal years. This has allowed the Consortium to hold the line on the premium equivalent rate increases charged to the individual Districts and subsequently to the employees and retirees. This respite from the "hyper-inflation" which had occurred in prior years is not expected to continue into the future. However, it is a credit to the Board of Directors that during times when the results warrant, the decision is to keep premiums as low as prudently possible.

We strongly encourage the Districts and the BOCES to continue to look to negotiate change to the health insurance plan, especially looking to move to more reasonable and appropriate prescription drug co-payments in an effort to reduce expenses while continuing to provide an excellent plan of benefits. In addition, we feel it is important for Districts and BOCES to consider other areas of cost reduction, such as:

1. Increasing employee and retiree contributions to premiums. However, please keep in mind that this traditional strategy of "cost-shifting" is not an effective way to reduce or eliminate the School District's or BOCES' exposure to the excise tax on high cost health insurance plans (aka, the "Cadillac Tax") which will be effective in 2018.

2. Having the Board of Directors establish Standard Platinum, Gold, and Silver plan options then negotiate with employees to move them into one of these Consortium Standard "Metal Level" Plans. These plans are designed to change over time while maintaining a level Actuarial Value. It is our professional opinion that these plan models will see more modest increases in premiums in the future as compared to more traditional plan offerings.

3. Modifying the eligibility requirements for health insurance in terms of hours worked or by position. This may significantly impact part-time employees; as increasing the number of hours to qualify for health insurance could save the District money as fewer part-time employees would be eligible for benefits. Of course, you have to be cognizant of the impact this may have relative to compliance with the ACA Employer Shared Responsibility.

4. Change the vesting requirement for health insurance in retirement. Today, many public sector employers are rethinking providing full health insurance after five or ten years of employment. In some cases, employers are lengthening the number of years to qualify for health insurance and/or are changing the contribution toward premium so that those with a lesser number of years pay more for health insurance.

5. Institute a "working spouse rule." This rule would require any spouse of any employee to take their employer's health insurance or the employee would have to pay a higher contribution toward health insurance. This is a hidden cost increase which has impacted public sector employers the most. As private sector employers charge more for health insurance and reduce benefits many spouses have dropped their coverage and are now primary under the District's Plan. This obviously increases the cost as their employer plan is no longer picking up the majority of their expenses and sometimes the children's expenses.

As always, we are making ourselves available to the Consortium for assistance in developing negotiating strategies relative to the health insurance benefits. In addition, we stand ready to assist the Consortium and the Districts in any way we can to help facilitate positive change in the Plan.

We thank you for the opportunity to serve the Clinton-Essex-Warren-Washington Schools Health Insurance Consortium and we look forward to serving you in the near future. In the meantime, if you have any questions regarding this report or you require assistance of any kind, please give us a call.