

**Bylaws of the**  
**Eastern Connecticut Health and Medical Cooperative<sup>1</sup>**

This agreement is made as of June 6, 2013, and subsequently amended, by and among the Members, as hereinafter defined and identified.

**Whereas**, Connecticut General Statutes §7-464b, as amended by, *inter alia*, Public Act 23-160, provides that municipalities or public school operators may join together for the purpose of providing one or more medical or health care benefits as allowed by such act for their employees; and

**Whereas**, the legislative body, board of education, or (in the case of a public school operator that is not a local or regional board of education) appropriate governing body of each Member, as defined below, has duly authorized the establishment of the Eastern Connecticut Health Insurance Cooperative (hereinafter the "Cooperative") pursuant to Connecticut General Statutes §7-464b for providing medical or health care benefits for the parties; and

**Therefore**, the parties hereto, in consideration of the mutual covenants hereinafter set forth, and intending to be legally bound, covenant and agree as follows hereafter.

**Article 1.**

1. Purpose

- 1.1. The undersigned entities agree to exercise their powers pursuant to Connecticut General Statutes §7-464b, as amended, to cooperate in providing medical or health care benefits as the Cooperative's Directors may from time to time desire to provide, and be duly authorized by their respective legislative or governing bodies to provide, for their employees in a manner to contain and limit the cost of such benefits.

**Article 2.**

2. Name and Fiscal Year

- 2.1. The name of the Cooperative shall be Eastern Connecticut Health and Medical Cooperative.
- 2.2. The fiscal year of the Cooperative shall commence on July 1 and end on June 30.

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<sup>1</sup>Includes amendments through April 18, 2024.

## Article 3.

### 3. Membership

- 3.1. Any entity that is permitted by law to cooperate in the provision of applicable benefits to its employees, including, but not limited to, , Connecticut General Statutes §7-464b as amended, may become a "Member." A town and a public school operator of the same town are separate Members.
- 3.2. Any entity that is not a party to this Agreement and desires to become a full Member shall signify its intention by furnishing a non-binding letter of intent to join to the Board of Directors (hereinafter "Directors") by March 1 of the fiscal year preceding the year the entity wishes to join. In addition, the entity desiring to join will be asked to furnish the Directors a certified copy of the resolution of its board of education, board of directors, governing body, or legislative body to do so. An entity may join the Cooperative as a full Member only effective as of the first day of the Cooperative's fiscal year, specifically July 1, and must provide the afore-described written notice to the Directors by April 15 of the preceding fiscal year. The decision for accepting new members is subject to approval by a two-thirds (2/3) vote of the then-existing full membership of the Cooperative. New Members may not withdraw from their membership in the Cooperative for two fiscal years from the date they join the Cooperative.
- 3.3. Notwithstanding the provisions of Section 3.2, before a municipality or a public school operator may become a Member, the legislative body of the municipality shall approve such an agreement in cases where:
  - 3.3.1. there is an existing arrangement between a municipality and the public school operator serving such municipality for the provision of applicable medical or health care benefits to the employees of both the municipality and the public school operator serving such municipality; or
  - 3.3.2. a municipality and the public school operator serving such municipality have separate applicable medical or health care benefits plans for their respective employees and both such benefits plans are paid for by the general fund of the municipality.
- 3.4. If the Directors accept an applicant, then the applicant shall be a Member effective as of the first day of the Cooperative's fiscal year, specifically July 1. This date may be waived at the discretion of the Directors. Upon becoming a Member, the entity will be required to pay such rates and contribute to the Cooperative in a manner designated by the Directors, which may include, but is not limited to, contributing to the reserves or contributing a sum equal to a certain number of months of that new Member's projected claims and administrative charges. In ensuing fiscal years, the Member shall pay the rate annually set by the Directors.

- 3.5. A Member is required to insure all its insured employees through the Cooperative and to the extent it offers medical or health care benefits to its employees must offer through the Cooperative's medical or health care benefits. The Board may waive this requirement at its discretion.
- 3.6. Notwithstanding the requirements of paragraph 3.5 of this article, an entity desiring to participate in some but not all of the medical or health care benefits offered by the Cooperative may join the Cooperative as a Partial Member. Specifically, the Cooperative may admit Partial Members to participate solely in the dental and prescription drug benefits provided by the Cooperative. At no time shall the amount of Partial Members exceed 40% of the total membership of the cooperative; for purposes of determining membership, a town and public school operator of the same town are separate members. Any eligible entity desiring to become such a Partial Member shall signify its intention by furnishing to the Directors a certified copy of the resolution of its board of education, Directors, or applicable legislative or governing body which states its approval for joining the Cooperative as a Partial Member. A Partial Member may join the Cooperative only effective as of the first day of the Cooperative's fiscal year, specifically July 1, and must provide the afore-described written notice with respect to partial membership to the Directors by March 1 of the preceding fiscal year. The decision for accepting new members is subject to a two thirds (2/3) vote of the then-existing full membership of the Cooperative. Entities may serve as Partial Members in the Cooperative only for a term of two fiscal years, provided that by March 1 of the second year of their term, Partial Member may then seek to become full Members in accordance with section 3.1 through 3.5, above. Partial Members will be subject to the requirements of these bylaws, except as otherwise set forth in this section, and may appoint directors to serve on the Board in accordance with Article 5.3 of this Agreement. With respect to the renewal of insurance products offered by the Cooperative, a Partial Member will only be permitted to vote regarding those products to which it participates. Partial Members will have no right to amend or otherwise affect change to the Cooperative bylaws. Partial Member representatives shall serve as directors but may not serve as officers. Each new Partial Member's rate will be determined at the time of entry into the Cooperative, and thereafter Partial Members shall pay the rate annually set by the Directors.

#### **Article 4.**

##### **4. Withdrawal from Membership**

- 4.1. A Member may withdraw from the Cooperative only as of the last day of the fiscal year and after having given all other Members and the Directors written notice not later than December 15 of such fiscal year. A withdrawing Member will provide to the Directors a certified copy of the resolution of its board of education, board of directors, or applicable legislative or governing body that states its termination of its membership and withdrawal from the Cooperative.
- 4.2. A withdrawing Member will have no right to amend or otherwise affect change to the Cooperative bylaws. A withdrawing Member's representatives shall serve as directors but may not serve as officers.
- 4.3. A Member who has withdrawn from the Cooperative shall not be eligible for readmission to the Cooperative for a period of two (2) years after signifying its desire to again become a Member in the manner set forth in Article 3 herein. A former Member who has withdrawn from the Cooperative on two (2) or more occasions shall not be eligible for readmission for a period of five (5) years after signifying its desire to again become a Member in the manner set forth in Article 3 herein.
- 4.4. A withdrawing Member shall be responsible for any losses and expenses incurred as follows:
  - 4.4.1. Paid claims,
  - 4.4.2. Administrative costs,
  - 4.4.3. Total claims losses,
  - 4.4.4. The larger of the IBNR (Incurred But Not Reported) or runout claims up to one year from withdrawal. For purposes of this agreement, the IBNR used will be that figure calculated by the Cooperative's actuarial advisor.
- 4.5. A withdrawing Member shall not be entitled to any payout, refund, or distribution of any portion, share, or percentage of the Cooperative's reserves or any other income. In addition, a withdrawing Member shall be required to repay any borrowed monies (including but not limited to advances or borrowed reserves) to the Cooperative on a schedule as set by the Board of Directors.

## Article 5.

### 5. Directors

- 5.1. All directors must be employed by or be an elected or appointed official of a Member within the Cooperative. No more than one Director of a Member within the Cooperative may be an elected official and at least one Director must be an employee of the Member within the Cooperative. Beginning on January 1, 2024, all Directors must be employees of the Member within the Cooperative that a Director is appointed to represent. No Director shall be a director, officer, or official of any other health or welfare fund or be affiliated with a healthcare organization.
- 5.2. Any Director who leaves employment or elected or appointed office of a Member of the Cooperative may not serve out the fiscal year. Such Director will be considered as having resigned his or her position as a Director on the effective date of his or her leaving employment or elected or appointed office. The vacancy so created will be filled consistent with Section 5.3 of this Agreement.
- 5.3. Appointment of Directors: The entitlement to membership of an entity on the Board of Directors is determined by the total number of employees in the entity at the time of the vote by the Board of Directors to accept that entity as a Member of the Cooperative.
  - 5.3.1. Members with 99 or less employees are entitled to appoint one (1) Director to serve on the Board.
  - 5.3.2. Members with over 100 employees are entitled to appoint up to two (2) Directors to serve on the Board.
  - 5.3.3. Members who have two (2) Directors as of 2/25/2021 on the Board are entitled to maintain such membership on the Board of Directors regardless of the number of employees.
- 5.4. Except as provided in Section 5.5, a Director shall serve for a two (2) year term (commencing July 1 through June 30). However, a Director shall serve at the will of the appointing Member and may be removed from office at any time by the appointing Member, as may be determined by the member's own rules, by-laws, policies, regulations, or procedures, and written notice of such action shall be delivered to the Secretary of the Directors by such group. A Director may serve more than one term.
- 5.5. In order that the terms of the directors be staggered, each appointing Member will select its first pair of directors and designate one of them to serve an initial term for one year and the other to serve an initial term for two years. If the appointing group is appointing an odd number of directors, it may determine whether the odd numbered Director will serve for one year or two.
- 5.6. The directors may be reimbursed for all reasonable and necessary expenses as are properly and actually incurred by them in connection with the performance of their official duties, and

they may be paid such allowances for services as are permitted by law.

- 5.7. The directors shall not be liable for the acts or omissions of any Consultant, Third-Party Administrator, attorney, certified public accountant, investment manager, or other consultant, agent, or assistant employed by them in pursuance of this Agreement, if such Consultant, Third-Party Administrator, attorney, certified public accountant, investment manager, or other consultant, agent, or assistant was selected pursuant to this Agreement and such person's performance was periodically reviewed by the Directors who found such performance to be satisfactory.
- 5.8. To the extent permitted by law, the Cooperative shall indemnify and hold harmless the Directors from and against any liability that they may incur in the administration of this Agreement, unless such liability arises from the Directors' criminal act

## **Article 6.**

### **6. Officers**

#### **6.1. Chairman, Vice Chairman, Secretary.**

- 6.1.1. The Directors shall elect from among themselves an initial Chairman, a Vice Chairman, and a Secretary to serve for a term of one (1) year commencing with such election. The Officers will rotate through the positions such that in each year, the prior year's Chairman shall no longer serve in that role, the prior year's Vice Chairman shall become Chairman, and the prior year's Secretary shall become Vice Chairperson. Each year, the Directors shall elect from among themselves a Secretary. The requirement of rotation may be waived in any given year by a three-quarters (3/4) vote of the Directors at a regular meeting of the Board.
- 6.1.2. Any officer may be removed at any time by a two thirds (2/3) vote of the then-current membership of the Directors at any Board meeting, provided that written notice of such meeting and purpose shall have been given to the Officer(s) whose removal is to be considered. Such notice shall be met by sending it by a) first class mail to the Officer's most recent address shown on the records of the Cooperative, or b) email, if so authorized by the Officer, and must be delivered at least seven (7) days in advance of the meeting.
- 6.1.3. If a vacancy occurs in one or more of the officer's positions, the Directors shall elect the necessary officer(s) to fill the vacancy(s).
- 6.1.4. The Chairman shall preside at all meetings of the Directors. In the Chairman's absence, the Vice Chairman shall preside. If both the Chairmen are absent, the Secretary shall preside. If no officers are present, the directors in attendance shall appoint an Acting Chairman.

#### **6.2. Power to Act in Case of Vacancy.**

- 6.2.1. No vacancy or vacancies on the Board of Directors shall impair the power of the remaining directors, acting in the manner provided by this Agreement, to administer the affairs of the Cooperative notwithstanding the existence of such vacancy or vacancies.

## **Article 7.**

### **7. Meetings**

- 7.1. The Directors shall meet at such times as they deem it necessary to transact their business, at a place to be determined by the Directors. The Officers of the Board of Directors may, and upon the written request of any two (2) directors shall, call a special meeting of the Directors at any time giving at least five (5) days written notice of the time and place thereof to the remaining directors.
- 7.2. Notwithstanding the provisions of Paragraph 7.1, meetings will be held consistent with the requirements of Connecticut's Freedom of Information Act. Discussions of medical or health information, as defined in Connecticut General Statutes 1-210(b)(2), as amended; as subject to HIPAA Privacy Protections; or as otherwise protected as confidential under law; will be held in executive session, as may be permitted by the Connecticut Freedom of Information Act.
- 7.3. Quorum; Voting
- 7.3.1. A majority of the Directors at any meeting shall constitute a quorum for the transaction of business. Acts of a majority of the directors present at a meeting at which a quorum is present shall be the acts of the Directors. Directors may be deemed to be present and permitted to participate in and vote at meetings via electronic communications, consistent with Article 7.4.1 of this Agreement.
- 7.3.2. Any action taken by the Directors shall be by affirmative vote of a majority of the votes cast at a meeting, except where different voting requirements are required by law or this Agreement.
- 7.4. Participation in Board Meetings by Electronic Means
- 7.4.1. A director shall be able to attend a Board meeting, (and participate in Board deliberations and voting), through electronic communications, but only under certain circumstances where it is not practical for the director to attend the meeting in person, or as may be required by law. The reason that such attendance is not practical shall be stated in the minutes of the meeting. The Board will ensure that any electronic equipment utilized must ensure that all those in attendance at the meeting, at whatever location, (including the public at large), are able to hear and identify adequately all participants in the proceedings, including their individual remarks and votes.
- 7.4.2. A director who attends a meeting through electronic communications shall be considered "present" only if the director can hear everything said at the meeting and all those attending the meeting can hear everything said by that director. If the Board

Chairman determines either condition is not occurring, he/she shall terminate the director's attendance through electronic communications.

7.4.3. To attend a meeting through electronic communications, a director shall comply with the following conditions, consistent with the law:

7.4.3.1. Submit such request to the Board Chairman as early as reasonably possible prior to the meeting. The Board Chairperson will then notify the other directors of such electronic participation.

7.4.3.2. Ensure that the remote location is quiet and free from background noise and interruptions.

7.4.3.3. Directors participating electronically may cast votes. However, if a Director electronically joins the meeting after an item of business has been opened, the remotely located member shall not participate, nor cast any vote, until the next item of business is opened.

7.4.3.4. When a member attends a meeting electronically, all votes shall be by roll call vote. A member who is attending electronically must identify him/herself by name and be recognized by the Chairman before speaking.

7.4.3.5. Minutes will reflect when the remotely located member initiates the call and ends the call, and/or the termination of the remotely located member's attendance at the meeting.

## **Article 8.**

### **8. General Powers**

8.1. The Directors shall enter into any and all contracts and agreements for the purchase of insurance coverage for the respective personnel of the Members. The Directors shall carry out the terms of this Agreement and the administration of the Cooperative and do all acts as the Directors may deem necessary or advisable in order to enter into and administer such contracts and agreements. The Directors shall also establish and carry out a funding policy and method consistent with this Agreement in order to purchase the health and medical insurance coverage.

## **Article 9.**

### **9. Payment and Collection of Monthly Premiums.**

#### **9.1. Payment of Monthly Premiums**

9.1.1. The Directors shall determine the monthly premium to be paid by each Member.

9.1.2. Each Member shall make prompt monthly payments to the Cooperative in such premium amount and under such terms as specified by the Directors.



- 9.1.3. Monthly premiums shall be paid by each Member to such depository or depositories and in the manner specified by the Directors.
- 9.1.4. In setting the premium rate for each Member, the Directors shall use their discretion consistent with the law, these Bylaws, and the Cooperative's policies, based upon the relevant information available to them.
- 9.1.5. Consistent with this discretion as set forth in Section 9.1.4, above, a Member may be eligible for a one-time rate adjustment. In order for any such Member to be eligible for such an adjustment, the Cooperative's reserve fund balance must be at least seventy five percent (75%) of the reserve fund goal, consistent with these Bylaws and the Cooperative's policies. In order to be eligible for such an adjustment, a Member a) must have been a member of the Cooperative for a minimum of three full years prior to the request for a rate adjustment, b) must submit a request for such a rate adjustment on or before December 31st, with such an adjustment to be in effect for the year commencing on July 1st of the succeeding fiscal year, and c) must offer to its employees an insurance plan design that is comparable to at least one current member of the Cooperative. The decision to grant or deny a request for a such a rate adjustment, along with the amount of such an adjustment (and the application of the above listed criteria) shall be within the sole discretion of the Directors. If a Member is granted such a one-time rate adjustment, it will not again be eligible for a rate adjustment during the course of its participation and membership in the Cooperative.
- 9.1.6. If a rate adjustment for any member is approved in accordance with Section 9.1.5, above, the Directors shall then determine the allocation/renewal rates for all of the remaining Members, consistent with Section 9.1.4, above and in light of said rate adjustment amount (and any information acquired during the process of approving the same).

## 9.2. Collection of Monthly Premiums.

- 9.2.1. The payment of the premium by each Member shall be made by the 20th day of the month or at such other times as the Directors shall specify.
- 9.2.2. A Member that does not timely pay the monthly premium as provided in this Article 9, may be charged a penalty of ten (10%) percent of the outstanding monthly premium, prorated on a daily basis until the required payment is made, as determined by the Directors.
- 9.2.3. In the event the Member has made the required payment in a timely manner as provided in this Article 9 for three (3) consecutive months, it will not be penalized for the first month that the required payment is not made in a timely manner. However, in the event that the Member does not make required payments in a timely manner as provided in this Article 9 for a second time in the next three (3) months, it may be charged the penalty provided in this subsection.
- 9.2.4. The Directors shall take such steps, including but not limited to the institution and

prosecution of, or the intervention in, such legal or administrative proceedings as the Directors determine to be in the best interest of the Cooperative for the purpose of collecting any amounts owed to the Cooperative.

## **Article 10.**

### 10. Administration

#### 10.1. Conduct of Business.

10.1.1. The Directors shall have the power to perform the general supervision of the operation of the Cooperative and shall conduct the business and activities of the Cooperative in accordance with this Agreement and applicable law.

10.1.2. The Directors shall hold, manage, and protect the Cooperative and collect the income therefrom and contributions thereto. The Directors may in the course of conducting the ordinary business of the Cooperative, execute all instruments in the name of the Cooperative, by one or more Directors, as determined by the Directors.

10.1.3. The Directors may delegate the power to execute routine documents in the ordinary course of business in the name of the Cooperative.

#### 10.2. Payment of Expenses.

10.2.1. The Directors shall have the power and authority to pay or provide for the payment of all reasonable, necessary, and incurred expenses of the administering of the Cooperative, including the purchase of health and medical insurance coverage for the respective personnel of the Members.

#### 10.3. Investments and Reserves.

10.3.1. To the fullest extent allow by law, the Directors shall have the power and authority to invest and reinvest, or provide for the investment and reinvestment, of such funds as are not necessary for current expenditures or reserves, as they may from time to time determine. The Directors shall have the power and authority to create a reserve fund for the purpose of maintaining the Cooperative's fiscal solvency, as well as rate stabilization in future years.

10.3.2. Unallocated funds will be part of the reserve fund balance. Neither these funds nor any part of them are to be designated as owned or owing to any one Entity.

#### 10.4. Committees.

10.4.1. The Directors may appoint committees of the Board of Directors. A quorum of a committee shall be as provided in Section 7.3 herein.

#### 10.5. Rules and Regulations.

10.5.1. The Directors may adopt and promulgate any and all necessary rules and regulations that they deem necessary or desirable to facilitate the proper administration of the Cooperative, provided the same are not inconsistent with the terms of this Agreement or applicable federal, State, or local law or regulation. Without placing any limitation on the preceding sentence, such rules will include, but not be limited to, those necessary to comply with the federal Health Insurance Portability and Accountability Act, (HIPAA), as may be amended and to the extent applicable.

10.6. Insurance.

10.6.1. The Directors may, to the extent permitted by law, insure themselves, the Cooperative as such, as well as employees or agents of the Cooperative.

10.7. Additional Authority.

10.7.1. The Directors are empowered and vested with all powers necessary for effectuating the purposes of the Cooperative and this Agreement, including, but not limited to, the powers set forth herein or conferred by law, and the following additional powers:

10.7.1.1. To enter into any and all contracts and agreements for carrying out the terms of this Agreement and for the administration of the Cooperative, and to do all acts as they may deem necessary or advisable, and such contracts and agreements and acts shall be binding and conclusive on the parties and the members.

10.7.1.2. To keep property and securities registered in the name of the Cooperative.

10.7.1.3. To the extent allowed by law, to establish and accumulate as part of the Cooperative such a reasonable reserve of funds as the Directors deem necessary or desirable to carry out the purposes of the Cooperative.

10.7.1.4. To establish and carry out a funding policy and method consistent with the objectives of the Cooperative.

10.7.1.5. To set rates for the medical or health care benefits the Cooperative provides to its members.

10.7.1.6. To do all acts, whether or not expressly authorized herein, which the Directors may deem necessary or proper for the protection of the property held hereunder.

10.7.1.7. To appoint a Consultant on a yearly or other basis, as the Directors may require, to carry out the provisions of this Agreement.

10.7.1.8. To appoint a Fiduciary Agent on a yearly or other basis, as the Directors may require, to carry out the provisions of this Agreement.

10.7.1.9. To appoint a Third-party Administrator on a yearly or other basis, as the

Directors may require, to carry out the provisions of this Agreement.

- 10.7.1.10. To engage a certified public accountant to perform all services as may be required by applicable law and such other services as the Directors may deem necessary.
- 10.7.1.11. To employ such administrative, legal, consulting, expert, and clerical assistance, to purchase or lease such premises, materials, supplies, and equipment, and perform such other acts, as the Directors find it necessary or appropriate in the performance of their duties.

#### **Article 11.**

##### **11. Construction and Determination by Directors.**

- 11.1. Subject to the stated purposes of the Cooperative and the provisions of this Agreement, the Directors shall have full and exclusive authority to determine all questions or controversies of whatsoever character arising in any manner, whether as to any claim of coverage and eligibility, or methods of providing or arranging for benefits, or construction of the provisions of this Agreement and the terms used therein, or the plan of benefits, or the bylaws, rules, and regulations, or as to any writing, decision, instrument or accounts in connection with the operation of the Cooperative or otherwise.

#### **Article 12.**

##### **12. Amendment**

- 12.1. This Agreement may be amended, in whole or in part, by an instrument in writing duly executed on behalf of at least two-thirds (2/3) of the Members, provided that notice of the general nature of such amendment has been mailed or emailed, if so authorized by the member, to the Directors at least seven (7) days preceding the meeting at which such amendments are to be acted upon.

#### **Article 13.**

##### **13. Termination**

- 13.1. This Agreement may be terminated by an instrument in writing duly executed on behalf of at least two-thirds (2/3) of the Members.
- 13.2. In the event of the dissolution, merger, or consolidation of any Member or Members, the successor or successors thereof may continue as a Member or Members in the Agreement and the Cooperative, provided that it or they shall furnish to the Directors a written instrument duly authorized and executed, expressing the intention to participate and to abide by the terms of this Agreement.

## **Article 14.**

### **14. Miscellaneous**

- 14.1. This Agreement and the Cooperative is created and accepted in the State of Connecticut and all issues pertaining to the validity and the construction of this agreement and of the acts or transactions of the parties hereto shall be determined in accordance with the laws of the State of Connecticut.
- 14.2. Each Member specifically agrees that it is its intent that this Agreement, under all circumstances and in every respect, shall comply with all applicable statutes, governmental regulations and judicial decisions. However, in the event any provision of this Agreement be held to be unlawful, or unlawful as to any person or instance, such fact shall not adversely affect the other provisions herein contained or the application of such provisions to any other person or instance.
- 14.3. Whenever any words are used in this Agreement in the masculine gender, they shall also be construed to include the feminine or neuter gender in all situations where they would so apply; whenever any words are used in the singular, they shall also be construed to include the plural in all situations where they would so apply; and whenever any words are used in the plural, they shall also be construed to include the singular.
- 14.4. Whenever the word "person" is used in this Agreement, it should be construed to include a natural person or organization, as would be applicable, including, but not limited to, a firm, labor organization, partnership, association, corporation, legal representative, or trustee.
- 14.5. The Article and Section titles are included solely for convenience and shall, in no event, be construed to affect or modify any part of the provisions of this Agreement or be construed as part thereof.
- 14.6. Each copy of this Agreement shall be considered an original when duly executed by one of the parties hereto.

## **Article 15.**

### **15. Dispute Resolution**

- 15.1. The Members agree that any and all disputes between or among them of any nature under or concerning this Agreement shall be resolved through binding arbitration in accord with the voluntary labor arbitration rules of the American Arbitration Association. Any claim by any Member shall be filed in writing to the Directors within 30 days of the existence of the claim. If the Directors cannot resolve the matter to the satisfaction of the Member(s), the claimant may appeal to arbitration by filing a written claim with the American Arbitration Association within 45 days after the submission of the claim to the Directors. A copy of any arbitration claim must be sent to the Directors. The costs and fees of the arbitration assessed by the arbitrator or the

American Arbitration Association shall be borne equally by each participating Member and the Cooperative. Additionally, the complainant shall be responsible for 100% of its costs associated with its claim and the processing of same.

#### **Article 16.**

##### 16. Effective Date

- 16.1. This Cooperative Agreement shall become effective immediately upon the approval of the charter Members, with the effective date being the latest date upon which a Member approves this Cooperative Agreement.

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## **Eastern Connecticut Health and Medical Cooperative – Related Resources**

### **Connecticut General Statutes §7-464b. Agreements Between Municipalities And Boards Of Education To Provide Employee Medical Or Health Care Benefits**

(a) Subject to the provisions of subsection (b) of this section, and the provisions of any collective bargaining agreement, a municipality or a public school operator may join together with any combination of other municipalities and public school operators by written agreement as a single entity for the purpose of providing medical or health care benefits for their employees. Such written agreement shall establish the membership of such group, the duration of such benefits plan, requirements regarding payment for such benefits plan and the procedures for a municipality or public school operator to withdraw from such group and terminate such benefits plan. Such agreement shall not constitute a multiple employer welfare arrangement, as defined in Section 3 of the Employee Retirement Income Security Act of 1974, as amended from time to time. Any group established pursuant to this section shall not be deemed a fictitious group. As used in this section, "municipality" means any town, city or borough, consolidated town and city, consolidated town and borough or any district, as defined in section 7-324; and "public school operator" means a local or regional board of education, a regional educational service center, the governing council of a state or local charter school, or an operator of an interdistrict magnet school program, as described in section 10-264l, as amended by this act.

(b) Before a municipality or a public school operator may enter into an agreement described in subsection (a) of this section, the legislative body of a municipality shall approve such an agreement in cases where: (1) There is an existing arrangement between a municipality and the public school operator serving such municipality for the provision of medical or health care benefits to the employees of both the municipality and the public school operator serving such municipality; or (2) a municipality and the public school operator serving such municipality have separate medical or health care benefits plans for their respective employees and both such benefits plans are paid for by the general fund of the municipality.

## **Eastern Connecticut Health and Medical Cooperative (ECHMC) Reserve Fund Balance Policy**

### **Introduction**

The purpose of this document is to establish a target range for the Eastern Connecticut Health and Medical Cooperative (ECHMC) reserve fund balance based on the year-end financial report. This policy is intended to assist the ECHMC in maintaining an adequate level of a reserve fund balance to mitigate current and future risks (e.g. unexpected high claim volumes, member departures) and to ensure stable medical and dental Insurance premium rates for the members. The ECHMC reserve fund balance has been accumulated to meet this purpose, to provide stability and flexibility to respond to unexpected adversity and/or opportunities.

### **Policy**

The ECHMC shall monitor the level of the net position balance and determine strategies to maintain a balance that is within the range recommended by the active voting members of the ECHMC. The total reserve fund goal is comprised of two parts, the reserve fund goal and the maximum exposure goal. Reserve funds are used for many purposes including, but not limited to, insurance claims, fees, marketing, or related expenditures incurred by the ECHMC. The reserve fund goal shall be set at 20% of the annual projected claims. The maximum exposure amount is determined by the insurance broker for the ECHMC and / or the insurance carrier for the ECHMC utilizing an annual analysis of the service providers aggregate claim amounts.

The reserve fund goal amount plus the maximum exposure amount is the amount that is used to determine the ECHMC's goal for the total reserve amount. This figure represents an estimation of the consortium's total claim exposure liability. The ECHMC will maintain the total reserve fund at a range of 70% - 150% of this amount.

The total fund balance reserve figure may change based on membership additions and withdrawals.

*(Example: if the reserve goal is \$2.64 million [20% of projected annual claims of \$13.2 million] and the maximum exposure amount is \$2.64 million the total reserve will be \$5.28 Million. The acceptable range is a minimum of 70% of the goal and a maximum of 150% of the goal or \$3.70 million to \$7.92 million.)*



The current net position at the end of each fiscal year must be reviewed by the voting members of the ECHMC. The reserve goal plus the maximum exposure amount will also be calculated at each year end. The ECHMC must have a standing agenda item for each monthly meeting to discuss this balance. During such discussions a sufficient range in excess reserves will be set and maintained for the following year.

If the reserve fund balance is either lower or higher than this range, strategies will be put in place to reach the desired range.

**Procedures:**

Each year, the reserve fund balance will be reviewed and discussed prior to setting the allocation rates for the following year.

Fiscal activities for the prior three (3) years will be reviewed and discussed prior to determining new allocation rates.

**Surplus:**

If it is determined that the total reserve fund balance is in excess of the desired goal (an amount in excess of the upper limit of the total reserve fund balance range); the following will occur:

At the next annual allocation rate setting meeting, a minimum 5% allocation rate reduction will be made. Additional changes to the allocation rate may be considered using information including, but not limited to, detailed claim data, overall insurance market trends, and any carrier updates.

The ECHMC may vote to designate a specific amount of funds from the total reserve fund to cover the following:

- Fund unforeseen expenditures (e.g. legal costs) or unanticipated revenue fluctuations.
- Reduce or avoid unreserved fund balances by any member of the ECHMC. (If there is a negative reserve fund balance in any member district position, the consortium may elect to use reserve fund balance funds to allow a member district to borrow from this fund balance to temporarily reduce the negative balance. A separate agreement will be made with any member approved by the ECHMC.)
- Supplement marketing efforts to broaden the member base.
- Fees or related expenditures incurred by the ECHMC.

## **Shortfall:**

If it is determined there is a shortfall (an amount below the lower limit of the total reserve fund balance range), the fund balance is to be rebuilt through an appropriation and/or a minimum increase in allocation rates of 3.0% during the next annual allocation rate vote. In addition to this increase, the ECHMC's insurance broker will provide the ECHMC with a detailed analysis of the claims history so the ECHMC has additional data to set the new allocation rates for the following fiscal year.

If this is financially infeasible, a written plan shall be adopted by the ECHMC to restore the reserve fund balance to an amount within the range. Such plan must include a timeline to address the shortfall of no more than five (5) years from date of the initial plan. This plan may require a review of the benefit plan designs, increases in allocation rates, fees, or some combination thereof.

## **DEFINITIONS**

- **Reserve Fund Balance**
  - Total ECHMC fund assets minus total ECHMC fund liabilities
- **Net Position:**
  - Total revenue received from all members of the ECHMC minus total claims paid from all members
- **Change in Net Position:**
  - Premiums paid less health insurance claims = operating gain/loss plus rebates less administrative costs
- **Reserve Goal:**
  - This is the net position the ECHMC has agreed to as a reserve goal. This amount is determined as a percentage of the projected annual claims plus an amount determined for maximum exposure risk.
- **Reserve Goal plus Maximum Exposure**
  - This represents a goal for the ECHMC to maintain in reserves to cover claims.
- **Projected Annual Claims**
  - The anticipated cost of total claims for the year.
- **Maximum Exposure**
  - 125% of the carrier's expected claims and total fixed costs plus any laser liability if applicable.
- **Year To date Income**
  - The amount members have paid in premium to the ECHMC year to date.
- **Claims**

- This represents the total medical and dental claims submitted by the members insured in the ECHMC.
- **Large Claims**
  - Claims for each insured member over an agreed upon amount determined by the ECHMC in consultation with their broker.
- **Stop Loss**
  - The maximum amount of claims paid by the ECHMC for any individual insured claim in a single year. All claim expenses over this amount are covered by the carrier. This amount is negotiated with the carrier on an annual basis. In addition, a maximum aggregate amount is set by the carrier on an annual basis for all claims for the entire ECHMC. Once this aggregate amount is reached all claims are covered by the carrier.
- **Operating Revenues**
  - This is the premiums paid into the plan by each member of the ECHMC including employee and employer contributions.
- **Operating Expenses**
  - The medical and dental claims (expenses) paid by each member of the ECHMC.
- **Fiscal Agent**
  - The entity contracted by the ECHMC to provide financial services including, but not limited to, financial statement preparation, collection of all premiums, reconciliation of all claim activity, wiring of money to/from bank(s), bank reconciliations, tallying census activity for each group, and email correspondence to member districts/towns.
- **Surplus / (Deficit)**
  - Premiums collected less claims paid
- **Claims Payable - Incurred But Not Reported (IBNR)**
  - Incurred but not reported (IBNR) is a type of reserve account used in the insurance industry as the provision for claims and/or events that have transpired, but have not yet been reported to the carrier.