

**REPORT ON ORGANIZATION**

**OF**

**STATE-WIDE SCHOOLS COOPERATIVE**

**HEALTH PLAN**

**AS OF**

**MARCH 31, 2003**

**DATE OF REPORT**

**JULY 16, 2003**

**EXAMINER**

**VICTOR ESTRADA**

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STATE OF NEW YORK  
INSURANCE DEPARTMENT  
25 BEAVER STREET  
NEW YORK, NEW YORK 10004

George E. Pataki  
Governor

Gregory V. Serio  
Superintendent

July 16, 2003

Honorable Gregory V. Serio  
Superintendent of Insurance  
Albany, New York 12257

Sir:

Pursuant to the provisions of the New York Insurance Law and acting in accordance with the directions contained in Appointment Number 22075, dated July 1, 2003, annexed hereto, I have made an examination on organization of State-Wide Schools Cooperative Health Plan ("the Plan") at the office of Wright Employee Services Company, LLC ("WESCO"), the administrator of the Plan, located in Garden City, New York 11530. The following report thereon is respectfully submitted.

Wherever the terms "SWSCHP", or "the Plan" appear herein, without qualification, they should be understood to refer to State-Wide Schools Cooperative Health Plan.

## 1. ORGANIZATION

State-Wide Schools Cooperative Health Plan, which was incorporated on July 1, 1985, is a multi-employer self-funded health benefits program operated exclusively for the benefit of the employees/retirees and their dependents, of City School Districts (“CSD”) and Union Free School Districts (“UFSD”). The Plan provides health benefits in the county of Westchester.

Prior to the enactment of Article 47 of the New York Insurance Law (Municipal Cooperative Health Benefit Plans), the Plan was self-insured and it used various claim administrators from 1986 to the present.

As of March 31, 2003, there were twenty-two school districts participating in the Plan. The Plan participants are as follows:

Ardasley UFSD	Tarrytown UFSD
Mt. Pleasant-Blythdale UFSD	Rye Neck UFSD
Byram Hills CSD	Rye City School District
Dobbs Ferry UFSD	White Plains CSD
Greenburgh Central Schools #7	Greenburgh #11 UFSD
Harrison CSD	Eastchester UFSD
Hawthorne-Cedar Knolls UFSD	Mt. Pleasant Cottage School
Irvington UFSD	Edgemont UFSD
Mt. Pleasant Central Schools	Hastings-on-Hudson UFSD
Pelham UFSD	Bronxville UFSD
Portchester-Rye UFSD	Tuckahoe UFSD

The principal officers of the Plan as of March 31, 2003, were as follows:

<u>Name</u>	<u>Title</u>
Dr. Charles Wilson	President
Mr. James Reese	Chief Financial Officer

Article IV, item 6 of the Plan's Municipal Cooperation Agreement states in part:

"The Executive Committee shall select from among themselves, officers consisting of the President, the Vice-President and the Chief Fiscal Officer."

As of the examination date, the Plan had not selected a Vice-President. At the June 27, 2003 Board of Governors' meeting, Dr. Robert Siebert was appointed as Vice-President.

The members of the Governing Board of the Plan as of March 31, 2003, were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Dr. Charles Wilson New York, NY	Superintendent, Pelham UFSD
Dr. Kimberly Bucci Hawthorne, NY	Assistant Superintendent-Business, Rye Neck UFSD
Mr. James Reese Holmes, NY	Assistant Superintendent-Business, Irvington UFSD
Dr. Edward Shine Easton, CT	Superintendent, Rye CSD
Dr. Robert Siebert Briarcliff Manor, NY	Superintendent, Eastchester UFSD
Mr. Richard Lasselle Carmel, NY	Assistant Superintendent-Business, White Plains CSD
Dr. Norman Freimark Yonkers, NY	Superintendent, Mount Pleasant Cottage School

It should be noted that Richard Lasselle retired from the Board of Directors as of June 30, 2003, and has not been replaced.

As of the examination date, the Plan did not have fidelity bond coverage in effect, as is required by §4703(b)(2) of the New York State Insurance Law. However, as of July 1, 2003, the Irvington School District, as named insured, initiated such coverage with CNA, covering the chief financial officer of the Plan. The Bond provides \$500,000 of coverage, with a \$250 deductible.

## **2. SCOPE OF EXAMINATION**

The examination was conducted at the office of WESCO, the administrator of the Plan, located at 377 Oak Street, Garden City, New York 11530.

The examination comprised a verification of the assets and a limited review of the liabilities of the Plan as of March 31, 2003. Additionally, an affidavit, appended hereto, was obtained from two officers of the Plan, indicating that the transactions noted in this report were bonafide. A review was also made of the following items:

- Plan Document
- Financial Statements
- Stop-Loss Contract

The Plan currently has administrative services agreements with the following entities:

- (1) WESCO - Plan management.
- (2) Empire Blue Cross Blue Shield (n/k/a WellChoice) - Hospital and medical claims processing.
- (3) Systemed - Prescription drug claims processing.
- (4) Segal Company - Claims review/audit.

### 3. BALANCE SHEET

The following balance sheet sets forth the Plan's financial condition as of March 31, 2003, as determined by this examination.

#### Assets

Cash and cash equivalents	<u>\$19,348,379</u>
Total assets	<u>\$19,348,379</u>

#### Liabilities

Claims payable (incl. IBNR)	\$12,482,646
Accounts payable	1,028,580
Unearned premiums	<u>2,501,068</u>
Total liabilities	<u>\$16,012,294</u>

#### Net Worth

Contingency reserves	\$ 2,883,398
Retained earnings (fund balance)	<u>452,683</u>
Total net worth	<u>3,336,081</u>
Total liabilities and net worth	<u>\$19,348,375</u>

#### **4. CASH AND CASH EQUIVALENTS**

The cash is on deposit at The Bank of New York; Hastings-on-Hudson, NY. Investments, which are primarily in U.S. government securities, are maintained in a custodial account at JP Morgan Chase Bank; White Plains, NY. In addition, the Plan maintains a joint account with Empire Blue Cross Blue Shield (WellChoice), for payment of claims, at JP Morgan Chase Bank; New York, NY. The examiner confirmed the aggregate balance of the funds with the Bank of New York and JP Morgan Chase Bank, respectively, as of March 31, 2003.

#### **5. CLAIMS PAYABLE**

§4706(a)(1) of the New York Insurance Law states in part:

“(a) the governing board of a municipal cooperative health benefit plan shall establish a reserve fund, and the plan’s chief fiscal officer shall cause to be paid into the reserve fund the amounts necessary to satisfy all contractual obligations and liabilities of the plan, including:

(1) a reserve for the payment of claims and expenses thereon reported but not yet paid, and claims and expenses thereon incurred but not yet reported which shall not be less than an amount equal to twenty-five percent of expected incurred claims and expenses thereon for the current plan year, unless a qualified actuary has demonstrated to the superintendent’s satisfaction that a lesser amount will be adequate;”

As of the examination date, the Plan maintained a liability for claims payable, including IBNR, in conformity with §4706(a)(1) of the New York Insurance Law.

## **6. CLAIMS SETTLEMENT AND GRIEVANCES**

The Plan has contracted with Empire Blue Cross Blue Shield (n/k/a WellChoice) to provide third party administrative services regarding hospital and medical claims processing. The Plan receives premium contributions from Plan members on behalf of the covered employees and dependents. This contribution is based on employee classification (single, two person, family, one person Medicare, two person Medicare, etc.) multiplied by a predetermined rate per month; such rate being determined with the Plan Manager. All contributions are deposited into the account at the Bank of New York.

The Plan does not maintain a complaint log with which to monitor complaints that are forwarded by the Insurance Department's Consumer Services Bureau, and it is recommended that it do so.

Grievance procedures are summarized in booklets that are issued to the Plan members.

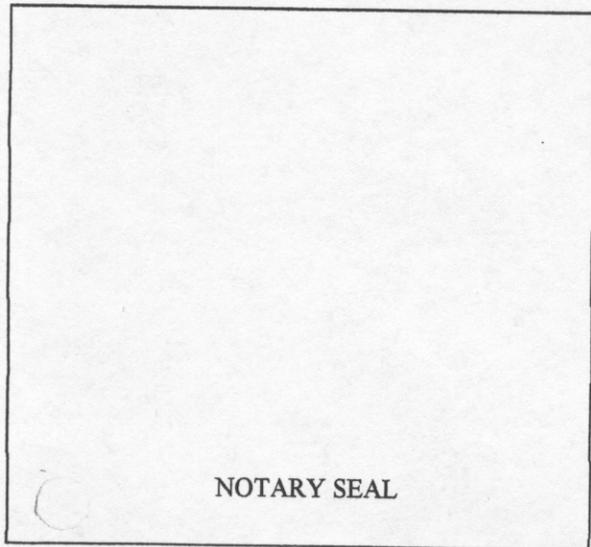
## **7. CONCLUSION**

Based on the foregoing examination, it is concluded that the Plan had assets totaling \$19,348,379, consisting of cash and short-term investments. In addition, the Plan has fully funded reserves and maintains stop-loss insurance coverage as required by Article 47 of the New York Insurance Law.



XXXXXXXXXXXXXXXXXXXXXXXXXXXXX  
STATE OF NEW YORK X  
COUNTY OF WESTCHESTER X  
XXXXXXXXXXXXXXXXXXXXXXXXXXXXX

I, James Reese, being duly sworn depose and say that I am the Fiscal Officer of the State-Wide Schools Cooperative Health Plan and hereby certify and affirm that all assets of the Plan are held by it free and clear of any lien or encumbrance; that all books, records, financial statements or memoranda of any kind of the Plan which have been, or will be made available to the representative of the Superintendent of Insurance are genuine, accurate and correct; and that all corporations which have employees receiving health benefits from or through the Plan are, in fact, members of the Plan and have through their representatives executed the Plan's municipal cooperation agreement.



James P. Reese  
(signature)

**James Reese, Fiscal Officer**  
**State-Wide Schools Cooperative Health Plan**

Sworn and Subscribed Before me this  
23rd day of July, 2003

Connie K. Stratton  
(Signature of Notary Public)

My commission Expires

CONNIE K. STRATTON  
NOTARY PUBLIC, STATE OF NEW YORK  
REGISTRATION NO. 01ST6020658  
QUALIFIED IN PUTNAM COUNTY  
COMMISSION EXPIRES 03-08-20 07

XXXXXXXXXXXXXXXXXXXXXXXXXXXXX  
STATE OF NEW YORK X  
COUNTY OF WESTCHESTER X  
XXXXXXXXXXXXXXXXXXXXXXXXXXXXX

I, Charles Wilson, being duly sworn depose and say that I am the President of the State-Wide Schools Cooperative Health Plan and hereby certify and affirm that all assets of the Plan are held by it free and clear of any lien or encumbrance; that all books, records, financial statements or memoranda of any kind of the Plan which have been, or will be made available to the representative of the Superintendent of Insurance are genuine, accurate and correct; and that all corporations which have employees receiving health benefits from or through the Plan are, in fact, members of the Plan and have through their representatives executed the Plan's municipal cooperation agreement.

Charles Wilson  
(signature)

**Charles Wilson, President  
State-Wide Schools Cooperative Health Plan**

MIRIAM FREEMAN  
Notary Public, State of New York  
No. 4950911  
Qualified in Westchester County  
Commission Expires: May 8, 2007

NOTARY SEAL

Sworn and Subscribed Before me this  
18<sup>th</sup> day of July, 2003  
Miriam Freeman  
(Signature of Notary Public)

My commission Expires 5/8/07

Appointment No. 22075

**STATE OF NEW YORK  
INSURANCE DEPARTMENT**

I, GREGORY V. SERIO, Superintendent of Insurance of the State of New York,  
pursuant to the provisions of the Insurance Law, do hereby appoint:

**Victor Estrada**

*as a proper person to examine into the affairs of the*

**State-Wide Schools Cooperative Health Benefit Plan**

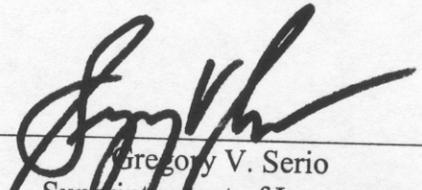
*and to make a report to me in writing of the said*

**Company**

with such information as he shall deem requisite.

In Witness Whereof, I have hereunto subscribed by the name and affixed the official Seal  
of this Department, at the City of New York.

this 1st day of July 2003

  
\_\_\_\_\_  
Gregory V. Serio  
Superintendent of Insurance

