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Board of Directors

October 25, 2012

5:30 p.m.

Scott Heyman Conference Room

Approved 12-20-2012

Municipal Representatives: 10

Don Barber, Chair; Mary Ann Sumner, Town of Dryden (arrived at 5:37 p.m.); Steve Thayer, City of Ithaca (arrived at 5:32 p.m.); Anita Fitzpatrick (excused at 6:45 p.m.), Tompkins County; Laura Shawley, Town of Danby; Judith Drake, Town of Ithaca (arrived at 5:33 p.m.); Dave Kerness, Town of Ulysses; Elizabeth Karns, Village of Cayuga Heights (excused at 6:32 p.m.); Herb Masser, Town of Enfield (excused at 6:39 p.m.) Charles Rankin, Village of Groton;

Voting Union Representatives: 2

Chantalise DeMarco, CSEA President, Joint Committee Chair; George Apgar II, Ithaca Professional Fire Fighters Association; President, 2nd Labor Representative

Excused: 1

Rordan Hart, Village of Trumansburg

Absent: 2

Glenn Morey, Town of Groton; Charles Becker, Village of Dryden

Others in attendance:

Jennifer Case, Town of Dryden; Steve Locey, Locey & Cahill; David Squires, Tompkins County Finance Director; Mack Cook, Cortland City Manager; Paul Sandy, Deputy City of Cortland Police Chief; Sharon Dovi, TC3; Beth Miller, Excellus; Scott Futia, CSEA

Call to Order

The meeting was called to order at 5:30 p.m. by Mr. Barber, Chair.

Approval of Minutes – August 23 and September 27, 2012

August 23, 2012

It was MOVED by Ms. Karns, seconded by Mr. Rankin, to approve the minutes of August 23, 2012 as submitted. A voice vote resulted as follows: Ayes – 8, Noes – 0, Abstentions – 1 (Mr. Kerness); Excused or Absent – 6 (Sumner, Drake, Thayer, Hart, Morey, and Becker). MINUTES APPROVED.

September 27, 2012

It was MOVED by Ms. Karns, seconded by Mr. Barber, to approve the minutes of September 27, 2012 as submitted. A voice vote resulted as follows: Ayes – 8, Noes – 0, Abstentions – 1 (Mr. Kerness); Excused or Absent – 6 (Sumner, Drake, Thayer, Hart, Morey, and Becker). MINUTES APPROVED.

Changes to the Agenda

The order of the agenda was revised to allow the review of the Municipal Cooperative Agreement to take place prior to the creation of the Audit Committee.

Mr. Thayer arrived at this time.

Updates from the Consultant

Financial Update

Mr. Locey distributed copies of the Treasurer's report that was provided to members prior to the meeting electronically.

Ms. Drake arrived at this time.

Mr. Locey reported on the financial results through September 30th. At this time the Consortium has collected \$21.6 million in revenue and has had \$20.2 million in expenditures, leaving a net income of slightly under \$1.4 million. This brings the total balance to almost \$5.5 million. When liabilities are accounted for the Consortium has a surplus of approximately \$900,000 at this point. The goal is to try to build the unencumbered balance to the point where municipalities that contributed to the surplus reserved can be paid back. Mr. Squires noted there was a late payment received on October 2nd that should have been applied to this figure; therefore, the balance should be \$262,000 higher.

Mr. Locey reviewed the year-to-date budget vs. actual results and stated from a revenue perspective the Consortium is approximately .5% below budget as medical claims are approximately 6% below budget, prescription drug claims are approximately 2.38% above budget. Overall expenditures are 4% below (\$859,000) budget; net income was budgeted for \$900,000 with actual results expected to be \$1.4 million.

He reviewed the paid claims development model for medical and prescription drug claims and stated the Consortium is less than 1% below what was anticipated on an overall basis.

Ms. Sumner arrived at this time.

Mr. Locey distributed a 2012 Triangle Report (Medical and Rx Plans) showing paid claims that were incurred in 2011 and how they were paid over time. A total of \$22,216,031 was paid in 2011 for claims that were incurred in 2011; in 2012 a total of

\$1,620,892 was paid for claims that were incurred in 2011. The chart showing that only \$1.6 million was paid out for claims that were actually incurred in 2011 translates to the IBNR Claims Liability Reserve that there has been discussion with the Department of Financial Services about. He said when the projections were done for 2011 an estimate of \$2.6 million was initially included with the Consortium's filing to the State. The State's estimate for the IBNR was slightly over \$3 million. Mr. Locey said at this point the figure is \$1.62 million with three months left in 2012 to pay out. He said not only was the Consortium not insolvent, there was a surplus. He said although the State was trying to be conservative in its 12% IBNR figure, the Consortium had 7% for 2011.

Mr. Futia questioned why Medical and Rx Admin Fees are coming in higher than anticipated. Mr. Locey said he believes there may have been a payment in advance for the Medical Fees and that the Rx Admin Fees were underestimated for 2012 and has been fixed going forward. He will look into this and will report back at the next meeting.

NYS Insurance Department Audit

Mr. Locey reported documents are being collected that need to be submitted to the New York State Department of Financial Services and a webpage has been created to organize the information. Several responses have been prepared; however, a lot of information has to be provided by Excellus. Ms. Miller said they are close to completing the claims information requested and once completed the information will go to their Compliance Officer who will then disseminate the information to the lawyers who will review each response. They have done this type of audit before and she said the Consortium should expect another audit to be done in the next three to five years.

Mr. Barber reported there are seven groups of documents that need to be assembled for the Audit. He said the Department of Financial Services mailed the Consortium a letter on July 26th that required a response by September 21st. The letter never made it to the Consortium and the Department contacted the Consortium on September 20th asking for information on when the response would be received. Since that time diligent efforts have been made to compile the information. The auditors will be occupying space in the Town of Ithaca.

Requests for Proposals – Flex Spending Accounts and Employee Assistance Program

Mr. Locey said this item has not moved forward due to the work involved in the Audit. He expects to continue working on this when the audit is complete and expects to have something in place for 2014.

Prescription Drug Manager Transition Process

Mr. Locey reported meetings have been held and informational meetings are being scheduled in concert with Excellus. The interaction between Express Scripts and ProAct has been going well. He reported an expenditure of \$1,800 was approved for the transition of an electronic eligibility file from Express Scripts to ProAct and another expenditure of \$1,000 so that any open prescriptions for the mail order can be sent from Express Scripts to ProAct. The presentation by ProAct is available on the Consortium's

website. ProAct will be doing a disruption analysis and providing input and communications for any members who will be seeing disruption as a result of formulary differences.

Review of Municipal Cooperative Agreement

Mr. Barber said now that the Consortium has been operating for two years there are some items that should be discussed that may require modification of the Municipal Cooperative Agreement. He noted that each party that originally signed the MCA must sign it again if it is amended. He also said a lot of work and responsibility has been taken by the Plan Consultant, Locey and Cahill and questioned whether some of that work should have been shouldered by the Board of Directors.

The Audit requires that the Consortium have various committees to oversee the following:

- Audit Committee - responsibility would be to review financial reports and filings, audit policies and procedures to be sure they are in compliance with Article 47 and the Certificate of Authority, review medical claims, audit reports, establish a list of all reports due to the Board and regulators, GASB 45 compliance, and the process and timeline to ensure accurate and timely reporting. The Committee would consist of the Treasurer, CFO, and other members, including Board members;
- Nominating Committee to nominate officers and fill any vacancies (established annually);
- Code of Ethics and Conflict of Interest – brought up during the initial audit communication (short-term committee); and
- Finance Committee – responsibility to prepare budget recommendation, recommend premium equivalent rates, recommend Stop-Loss Insurance provider, recommend Capitalization policy and recommend Incurred But Not Reported Reserve, per MCA, audit receipts and disbursements of the Consortium and provide independent audits and periodic financial operational reports to Participants.

There was discussion of the turnover in elected officials and the need for re-education.

Mr. Barber noted that these committees could be created under the current Municipal Cooperative Agreement. However, arrangements need to be made to create an alternate labor representative for Mr. Apgar's position. He encouraged any member who does not have an alternate to have one designated.

The MCA also states an Annual Meeting shall be held between October 3 and October 15th of each year and said this has not happened. He asked members to give thought to whether this should be changed as business that was intended to take place at that time has not. Members needed to have additional information on what the annual meeting is intended for before recommendations could be made.

It was noted that the next meeting is scheduled for third Thursday of the month, December 20th. Members were asked to contact Ms. Pottorff if they are unable to attend.

Update on the City of Cortland Joining the Consortium

Mr. Barber reported the City of Cortland has adopted a resolution stating they are interested in joining the Consortium and has delivered a check to Mr. Squires for the City's Capitalization Reserve. Once they sign the Municipal Cooperative Agreement they will have a voting seat on the Board of Directors.

RESOLUTION NO. 007-2012 – APPOINTMENTS TO THE AUDIT COMMITTEE

MOVED by Mr. Barber, seconded by Ms. Karns, and unanimously adopted by voice vote by members present.

RESOLVED, the Board of Directors hereby establishes an "Audit Committee" to review financial reports and filings, audit policies and procedures to be sure they are in compliance with Article 47 and the Certificate of Authority, review medical claims audit reports, establish a list of all reports due to the Board and regulators and the process and time line to insure accurate and timely reporting, and

RESOLVED, further, That the Treasurer, Chief Financial Officer, are standing members of the Audit Committee, and

RESOLVED, further, That in addition to David Squires and Steve Thayer, other members will be appointed to 2-year terms the first of which will end December 31, 2014, and

RESOLVED, further, That Laura Shawley and Judy Drake are appointed to the Audit Committee.

MOTION NO. 004-2012 - CREATION OF NOMINATING COMMITTEE

MOVED by Mr. Barber, seconded by Ms. Sumner, and unanimously adopted by voice vote by members present, to appoint Elizabeth Karns, Chantalse DeMarco, and Lucia Tyler, to serve on the Nominating Committee for the following 2013 Consortium Leadership roles:

- Chairperson
- Vice Chairperson
- Chief Fiscal Officer
- Secretary
- Treasurer

Ms. Karns was excused at this time.

RESOLUTION NO. 008-2012 – EXTENSION OF CONTRACT FOR PLAN CONSULTANT

MOVED by Mr. Barber, seconded by Ms. DeMarco.

Mr. Barber said the Consortium currently has an actuarial firm that is connected with Locey and Cahill; however, there is importance in having an “arms length view” and transparency. Also, the Board has not spent much time reviewing the medical claims and as the Consortium begins to look at being proactive, that this is an extension of the work the Consortium has contracted with Locey and Cahill for. This resolution would also allow the opportunity to open the process to look for other firms to assist in the reporting requirements by the Department of Financial Services. Mr. Locey said Locey and Cahill has absorbed the cost for the actuarial service in the amount of \$3,000.

Mr. Masser was excused at this time.

Ms. Sumner asked if the change in scope would result in a change of cost to the contract. Mr. Barber said if the Consortium were to change the scope of work with Locey and Cahill that could change as well. Mr. Locey said the current contract does not include actuarial services. Ms. DeMarco said some of the discussion that took place included that Locey and Cahill have been providing services over and above what the contract covers. There was a brief discussion of reimbursing Locey and Cahill for the actuarial expense that was paid and it was suggested that a request be included on the next agenda.

A voice vote resulted as follows: Ayes – 10, Noes – 0, Excused or Absent – 5 (Karns, Masser, Hart, Morey, and Becker). MINUTES APPROVED.

WHEREAS, the Consortium requires ongoing Plan consulting services to continue its operations, and

WHEREAS, the Plan consulting services needed include: strategic planning, establishing a budget, filing periodic reports, calculating premium equivalents, actuarial services, preparing a variety of internal reports and requests for proposals, and interfacing with third party administrators and ancillary benefit providers, and

WHEREAS, its maturation and growth have provided the Consortium with greater insights into the needs and specialized expertise required to address specific elements of its operations that, in turn, may warrant a reduction or expansion of the scope of services provided by its consultant; and

WHEREAS, financial reporting, actuarial analysis, and medical claims auditing are among the areas of operation that may require such specialized expertise, and

WHEREAS, among the desired benefits associated with separating these specialized service from the consultant contract are improved transparency and more timely and accurate filings of JURAT reports with the NYS Department of Financial Services, and

WHEREAS, the Consortium awarded a contract for Plan consultant services on October 28, 2010 to Locey and Cahill, LLC of Syracuse for the period January 1, 2011

through December 2012, with the option to renew for three additional one-year terms, now therefore be it

RESOLVED, that the contract with Locey and Cahill, LLC, inclusive of any negotiated changes in scope, be extended for the period January 1, 2013 through December 31, 2013, and

RESOLVED, further, That the Board of Directors will, through an RFP process, seek quotes and then hire firms to provide actuarial services and medical claims audit services, and

RESOLVED, further, That the Board of Directors will secure a firm to provide timely and accurate JURAT reports with NYS Department of Financial Services.

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Report from Joint Committee on Plan Structure and Design

Ms. DeMarco reported the Committee met and was updated on the City of Cortland joining the Consortium. The Committee will be continuing to explore options for a Medicare supplement and Mr. Locey will be presenting information at an upcoming meeting on what the numbers would look like. Ken Foresti of Excellus made a smoking cessation presentation and there was also a discussion of wellness. She spoke of the need for a commitment towards wellness and things the Committee is trying to accomplish and following through with municipalities after meetings. Members have been asked to report back to the Committee on what is and is not taking place.

There was a brief discussion about amending the Municipal Cooperative Agreement to address a format for changing membership if the number of municipalities goes beyond 17. Ms. DeMarco said she had submitted suggestions to Mr. Locey; this will be followed up on at a future meeting.

Report from the Strategic Planning Committee

Mr. Barber said due to time constraints the Committee has not met over the last few months. He asked for a volunteer to help with this Committee as there are important wellness initiatives that are important to move forward. He said some members of the Committee have been talking to Cayuga Area Physicians (CAP) and recalled they had brought a clinical integration proposal to the Consortium that would cost \$300,000 annually. They would also work on a way to demonstrate savings and share in the savings that they predict would be more than the annual cost. CAP needed more participants than the Consortium and were trying to get Ithaca College, Cornell, and the Hospital to be part of this. To date, Cornell and Ithaca College have not joined. They have talked with Etna which covers Ithaca College and Cornell and are working on per member per month changes to cover that cost. Mr. Barber will be meeting with that team at the end of November to learn about how that will impact the Consortium.

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Ms. Miller said discussions have been taking place with CAP. She offered to bring a guest to the next meeting to explain what the Consortium has presently and what CAP can bring.

Adjournment

On motion the meeting adjourned at 7:00 p.m.

Respectfully submitted by Michelle Pottorff, Administrative Clerk