

Board of Directors
July 28, 2016
5:30 p.m.

Approved 09/22/2016

Scott Heyman Conference Room

Municipal Representatives: 16

Judy Drake, Town of Ithaca; Steve Thayer, City of Ithaca; Amy Guerri, Tom-pkins County; Mack Cook, City of Cortland; John Fracchia, Town of Caroline; Deborah Cipolla-Dennis, Town of Dryden; Don Scheffler, Town of Groton; Charmagne Rungay, Town of Lansing; Tom Brown, Town of Truxton (arrived at 6:03 p.m.); Nancy Zahler, Town of Ulysses; Eric Snow, Town of Virgil; Peter Salton, Village of Cayuga Heights; Michael Murphy, Village of Dryden; Chuck Rankin, Village of Groton; (arrived at 5:33 p.m.); Rordan Hart, Village of Trumansburg; Genevieve A. Suits, Village of Homer (arrived at 5:44 p.m.)

Labor Representatives: 3

Phil VanWormer, 1st Labor representative (Chair, Joint Committee on Plan Structure and Design); Olivia Hersey, 3rd Labor Representative; Jim Bower, 2nd Labor Representative

Excused: 2

Laura Shawley, Town of Danby; Alvin Doty, Town of Willet

Absent: 2

Herb Masser, Town of Enfield; Tom Adams, Town of Marathon

Others in attendance:

Don Barber, Executive Director; Steve Locey, Locey & Cahill; Rick Snyder, Treasurer; Carol Wood, Wendy Baxter, Town of Moravia

Call to Order

Ms. Drake, Chair, called the meeting to order at 5:32 p.m.

Approval of Minutes of May 26, 2016

It was MOVED by Ms. Hersey, seconded by Mr. VanWormer, and unanimously adopted by voice vote by members present with Mr. Salton, to approve the minutes of May 26, 2016 as corrected. MINUTES APPROVED.

Changes to the Agenda

There were no changes to the agenda.

Chair's Report

Ms. Drake said when the Board of Directors established its 2016 meetings it set September 22nd as the annual meeting and at that meeting the Board will take action on the budget for 2017 and changes to the Metal Level Plans. She announced there are some

committees that have members whose terms will be expiring at the end of the year and encouraged those who have not served on a committee to consider doing so.

She said the Consortium has other voluntary benefit options such as CSEA dental and vision, voluntary life insurance, legal, and short-term disability, which are all options for municipalities. If anyone is interested in any of these she asked that they contact her or Mr. Barber.

Executive Committee Report

Ms. Drake, Chair, reported the Committee met on July 12th and had a discussion of how the Consortium should address municipalities that have employees who are not members of the Consortium. The Committee did not make a recommendation at this time but will be continuing those discussions. She noted the Municipal Cooperative Agreement allows for a Risk Assessment Fee and different ways to assess premiums for those municipalities.

The Committee discussed the outreach process for establishing actuarial values for the Metal Level Plans and making sure that the labor and management groups are fully discussing those. In addition, there was information presented by Mr. Locey on out-of-network versus in-network costs and it was reported that in the first part of the year there was a sharp increase in out-of-network claims which are costlier for both the Consortium and the employee. One area where a large portion of out-of-network claims originated was the dialysis center in Ithaca which has changed ownership in the last couple of years. Mr. Locey said both Excellus and HighMark are looking into this to see if there can be a better rate of reimbursement for the center.

Ms. Drake said the Committee set the Executive Director's salary for the next two years and although it did not recommend any change at this time she said they will welcome suggestions to consider for the next contract and are very pleased with Mr. Barber's work. The Committee also discussed the Administrative Clerk's salary and made a recommendation to Locey and Cahill as that salary is paid through Locey and Cahill although it is a pass-through for the Consortium.

Report from the Executive Director

Mr. Barber distributed copies of his 3rd quarter goals to alert Board members of items he is working on. He reported on the Medical Claims Audit and said at the last meeting BMI was selected to do that work and the process has begun. He reported on the proposed logo for the Consortium and said refinements are being made and hopes to have a design for the Board to consider for approval at the next meeting. He is working on the next issue of the newsletter that will highlight the impressive work that has been done by the Joint Committee on actuarial values.

Mr. Barber also provided Directors with a copy of a letter to the Department of Financial Services he prepared in response to a number of questions related to the Municipal Cooperative Agreement. He summarized the letter, stating the Department reviewed the MCA again after having reviewed it a year ago and had commented they had no objections to the document. In the recent letter the Department questioned five areas of the MCA and asked the Consortium to address various areas concerning municipalities joining the Consortium in addition to very minor changes. In his response he addressed the Department's questions relating to new municipalities joining and also asked that the smaller changes be held off until the next time the MCA is approved by the Board due to the lengthy process involved in getting each municipality to approve the document. *Mr. Locey suggested including John Powers, the Consortium's legal Counsel, on the response letter.*

Ms. Suits arrived at this time.

Mr. Barber said in addition to the July 12, 2016 letter from the Department of Financial Services he also received an e-mail three days prior informing the Consortium that the Department of Financial Services would be conducting another full audit for the years 2012-2015. Although the Consortium has completed all work related to the 2012 audit the Department has not finalized that audit yet and has presented the Consortium with an extensive list of information needed for the next audit. The State requested the information be provided in two weeks, however, he has responded that the information would be submitted within a month. Mr. Locey shared information showing other Article 47 plans and the frequency of audits and said one of the frustrating issues is a great deal of the information that is being requested has already been sent to the Department previously. Mr. Barber noted the Department has not yet responded to his recent request concerning the Stop Loss waiver and also has not closed out the last audit which leads to additional frustration.

Following a discussion of the frequency between audits conducted by the Department Mr. Fracchia said rather than question the timing of a second full audit of the Consortium he finds it more questionable as to why the second audit would begin before the first one was complete. Mr. Locey said a frustration that has existed since early on when the Consortium was created has been the length of time it has taken for the State to respond to requests while giving very short deadlines for the Consortium to respond to its questions. There was no objection to Mr. Barber sending a response to Ms. Pope or to have Mr. Barber and Ms. Drake contact Senator Seward to see if he could offer assistance in improving communication and the Consortium's relationship with the Department of Financial Services.

Mr. Barber reported the Towns of Scipio and Springport, and the Village of Union Springs have all passed resolutions to join the Consortium and financial information is being gathered and reviewed. In addition, the following towns are having serious discussions about joining the Consortium: Preble, Moravia, Covert, and Aurelius.

Financial Report

Mr. Locey presented and financial results for the first six months of 2016 and said revenue is .88% below budget. Medical expenses are 1.33% above budget on prescription drug expenses are 18.5% (\$844,000) above budget. The reasons for this relates to specialty drug prices and generic drug prices. In 2011 the average cost of a member's total cost to the Plan for specialty drugs was slightly over \$10,000; in 2014 the Plan paid \$25,000; in 2015 the Plan paid \$29,000; and for the first six month of 2016 the Plan is paying \$16,000 per member. The total number of members using specialty drugs is the same, however, the total monthly fill price is averaging \$3,000. Overall, the Consortium still has a net income of \$111,000 but is approximately \$1 million short of what was expected.

Mr. Locey pointed out that even with some of the additional taxes, fees, and administrative expenses the Consortium is still operating very efficiently with 93.56% of all money spent going to pay for benefits. He reviewed the cumulative variance of 2.8% over the years the Consortium has been in existence which this is the development model for claims and actual results and noted the claims have been 3% less than expected over the history of the Consortium.

Mr. Brown arrived at this time.

Mr. Locey reviewed the preliminary budget memo and said the 2017 budget was built with a 5% increase. With this increase there would be a slightly negative net income at the end of the year of \$1.4 million; however, the unencumbered balance remains over the 18% target

threshold. If the rate were to increase at 5% in 2018 it would result in that fund balance dropping below the 18% target. If the rate were to increase by 7% in 2018 it would keep the fund balance above the 18% target but would drop below it in 2019 and 2020. He noted there are still two reserve accounts that are not required, the Catastrophic Claims Reserve and the Capitalization Reserve, that have a total of \$3.5 million. He noted that if the Consortium continues to trend at a 9% level for medical and drug claims collectively the lower increases cannot be maintained.

Mr. Barber said this meeting is the Board meeting prior to the when the budget will be adopted. All Directors are being provided with the materials for the Audit and Finance Committee; he encouraged everyone to read through that information prior to action being taken to approve the budget. *Ms. Zahler asked Mr. Locey to provide members with a scenario using a 6% rate increase for 2018.* Mr. Barber said the Audit and Finance Committee is continuing to explore options for Stop Loss insurance and whether take on more risk to get the increase under 20%.

Prescription Drug Manager Request for Proposals

Mr. Locey reported four responses were received and are being evaluated. The goal is to bring a recommendation forward at the September meeting to award a contract effective January 1, 2017.

Specialty Drug Claims

Mr. Locey said the Consortium is talking to ProAct about alternative ways to manage those costs and noted that anything that involves a benefit change would require negotiation. There may be other useful ideas, however, that are being explored that may help manage costs.

Report from the Joint Committee on Plan Structure and Design

Mr. VanWormer, Chair, reported the Committee had a very good meeting on August 4th and recommended actuarial values for the Metal Level Plans to the Audit and Finance Committee. The Committee also discussed changes to benefit plans to achieve the targets and will continue those discussions at the next meeting.

Report from the Audit and Finance Committee

Mr. Thayer, Chair, reported the Committee discussed and approved changes to actuarial values for Metal Level Plans as recommended by the Joint Committee on Plan Structure and Design.

RESOLUTION NO. 015-2016 - ESTABLISHING TARGET ACTUARIAL VALUES FOR PLATINUM, GOLD, SILVER, AND BRONZE BENEFIT PLANS

MOVED by Mr. Thayer, seconded by Mr. VanWormer. Mr. Locey said this resolution commits the Consortium to bringing actuarial value targets for the Metal Level Plan back in-line with their defined levels and how that will ultimately be done will be within the benefits attached to each plan. Some of the plans were substantially out of range because they had not been looked at in three years and this will bring the plans into compliance with what was agreed to in order to provide these benefits.

Ms. Drake commented that there was a very good discussion at the Joint Committee to arrive at this recommendation. Mr. Locey agreed and said the process that has taken place at the Joint Committee over the last several months was what the Committee was originally established to do. Mr. Bower agreed and said he was pleased with the discussion that took place at the Joint Committee.

A voice vote resulted as follows: Ayes – 19; Noes – 0; Excused –2 (Shawley and Doty); Absent – 2 (Masser and Adams). RESOLUTION ADOPTED.

WHEREAS, the Greater Tompkins County Municipal Health Insurance Consortium (GTCMHIC) Board of Directors pursuant to Resolutions No. 016-2014 and No. 014-2015 adopted the GTCMHIC Standard Platinum, Gold, Silver, and Bronze Plans adding said plans to the available benefit plan menu, and

WHEREAS, the GTCMHIC standard metal level plans, Platinum, Gold, Silver, and Bronze, are designed to maintain an actuarial value (AV) of 90%, 80%, 70% and 60%, respectively on an annual basis within an acceptable deviation of + or – 2%, and

WHEREAS, each year, the AV is calculated by the Consortium's medical plan administrator and/or plan consultant using the AV Calculator developed by the Centers for Medicare & Medicaid Services (CMS) Center for Consumer Information & Insurance Oversight (CCIIO) which was implemented in accordance with the Patient Protection and Affordable Care Act (ACA). If, in any given year, such calculator is no longer available or in use, the Consortium will have an independent Actuary develop the AV of these health insurance plans. In either case, it is the intent that the result of the AV calculation will represent an empirical estimate of the AV calculated in a manner that provides a close approximation to the actual average spending by a wide range of consumers in a standard population, and

WHEREAS, the GTCMHIC Joint Committee on Plan Structure and Design, at the July 7, 2016 meeting, adopted a resolution to provide the Audit and Finance Committee with recommended plan design changes necessary to maintain the target AV of the GTCMHIC Standard Platinum, Gold, Silver, and Bronze Plans for the 2017 Plan Year, and

WHEREAS, the Audit and Finance Committee reviewed the recommendations of the Joint Committee on Plan Structure and Design, and now therefore be it

RESOLVED, That the GTCMHIC Board of Directors hereby establishes target Actuarial Values for the Platinum, Gold, Silver, and Bronze Benefit Plans of 91.13%, 79.47%, 70.69% and 61.23% respectively.

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Mr. Thayer reported the Committee has been busy with 2017 budget development and there is obvious concern with claims claim expenses for the first half of 2016 and will continue looking at this carefully. In addition, the Committee is discussing Stop Loss insurance, the Department of Financial Services Audit, and the Prescription Drug Manager RFP.

Report from Owning Your Own Health Committee

Mr. Barber reported the Committee has been working on planning for the 2016 flu clinics and announced the schedule. The Committee has also been monitoring the roll-out of the Blu4U program for the Town of Ithaca, Tompkins County, and Tompkins Cortland Community College that will begin next week and has been spending time discussing the CanaRx program which is an opportunity for saving costs on brand name drugs. They hope to make a recommendation soon to the Joint Committee on Plan Structure and Design and the Audit and Finance Committee.

RESOLUTION NO. 016-2016 - AUTHORIZATION TO SPONSOR AND FUND FLU CLINICS FOR 2016 AND CONTINUE PHARMACY BENEFIT TO COVER FLU VACCINATION

MOVED by Ms. Hersey, seconded by Ms. Zahler, and unanimously adopted by voice vote by members present.

WHEREAS, the Owing Your Own Health Committee has discussed the results and feedback from Consortium-sponsored flu clinics that were held in 2014 and 2015 and believes the Consortium should continue to provide the opportunity for all eligible employees and retirees, spouses and dependents over the age of 19 to participate in flu shot clinics again in 2016, and

WHEREAS, the Committee has reviewed a proposal presented by ProAct to streamline the scheduling of flu clinics and to offer flu clinics to groups of 25 or more individuals at various locations, and

WHEREAS, when administered outside of a flu clinic a member is able to receive a vaccine with no co-pay or member cost through a medical provider as the cost is billed as a medical claim through Excellus, and

WHEREAS, in 2015 the Committee was presented with an option to recommend that a ProAct pharmacy benefit be added to allow members to receive a vaccine at a pharmacy with no co-pay or cost to the member, now therefore be it

RESOLVED, on recommendation of the Owing Your Own Health Committee, That the Board of Directors authorizes the Consortium to sponsor and fund flu clinics in 2016 for its members and authorizes ProAct, at the direction of each Consortium member, to develop and administer the clinics, and to submit a claim for payment by the Consortium for each shot provided to an eligible recipient at a cost not to exceed \$25 per shot,

RESOLVED, further, That ProAct is hereby directed to continue a pharmacy benefit to all Consortium members' coverage to allow members to receive a vaccine at any pharmacy with no co-pay or cost to the member.

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Adjournment

On motion the meeting adjourned at 6:38 p.m.

Respectfully submitted by Michelle Pottorff, Administrative Clerk