

Greater Tompkins County Municipal Health Insurance Consortium
Audit and Finance Committee
August 21, 2014
1:30 p.m.
Old Jail Conference Room

Agenda

1. Call to Order Thayer
2. Approve Minutes of July 17, 2014 Meeting (1:30)
3. Executive Director's Report (1:35) Barber
4. Introduce Brad Breen - CSEA/Dutchess Dental/Vision
5. Second Quarter JURAT and Financial results (1:45) Snyder & Locey
6. Stop Loss Impact Report and Carrier outreach status(1:55) Locey
7. Guidelines for Level of Unencumbered Fund Balance (2:10) Locey
8. Budgeted Reserves for 2015 (2:25) Locey
9. Recommend 2015 Budget and Premium Equivalent Rate (2:40) Locey
10. Capitalization requirement for new members (2:55) Barber
11. Next Agenda Items
12. Adjournment (3:00)

Next meeting: September 18, 2013

Minutes - draft
Audit and Finance Committee
July 17, 2014
1:30 p.m.
Old Jail Conference Room

Present: Steve Thayer, Mack Cook, Peter Salton
Excused: Glenn Morey, Scott Weatherby, Laura Shawley, Chuck Rankin
Others: Don Barber, Judy Drake, Rick Snyder, Marty Cahill

Call to Order

Mr. Thayer, Chair, called the meeting to order a 1:33 p.m.

Approval of Minutes

It was MOVED by Mr. Salton, seconded by Mr. Cook, and unanimously adopted by members present, to approve the minutes of the June 19, 2014 Joint Audit and Finance Committee meeting as corrected. MINUTES APPROVED.

Executive Director's Report

Mr. Barber reported he has developed a quarterly work plan that has been agreed to by the Executive Committee and it will be updated each quarter. He will be looking to develop communication links with bargaining units and will be creating a newsletter as well as doing physical outreach. He anticipates the first newsletter to be ready in early September. He spoke of a handbook that was developed by Locey and Cahill and Excellus that he will be making changes to to make it user-friendly and distributing to Board members to help them understand the role of the Board of Directors.

Mr. Barber reported the Retreat is scheduled for September 15th and will be a "health insurance 101" type of format. He will also be supporting the chairs of committees to help develop information prior to meetings and will be following up on tasks assigned at meetings.

Other areas he will be assisting the Board with include:

1. Support budget and premium rate setting process
2. Provide committee with information to assess investment policy options
3. Become point of contact for Medical Claims Auditor
4. Support, facilitate, and follow-up with employers on recertification process
5. Support development of Local Government Efficiency Grant Proposal
6. Enterprise Risk Model - support in gathering info.
7. Following the MCA amendment through the current process to conclusion
8. Outreach to retirees on the Medicare Supplement
9. Facilitating the upcoming flu clinics

He reported he attended the last Joint Committee on Plan Structure at which Excellus presented utilization data. Members learned there are ways in which users can make decisions that will reduce costs and these discussions will continue. There was also discussion of the Platinum Level Plan resolution and modifications will be brought to the next meeting. The Board of Directors has been requested to have this on its agenda at the August meeting. Mr. Salton

questioned what the controversy was over the resolution that was presented to the Committee. Mr. Barber explained that union members do not want a plan that would minimize their benefits and they believe that if they do not support it that it will never happen. It was made clear at the meeting that the Board of Directors makes the final decision. At the next meeting the Committee will hear a report on ProAct utilization data.

Financial Report

Mr. Cahill reported year-to-date paid claims are coming in slightly below budget. He also reported revenue was very low last month and *he will ask Mr. Locey to report back on this next month as well as the lower than normal figure for expenses for June.*

He reported on the issue of the paid claims rebate credit and said those numbers are now netted into the RX paid claims so the rebates will now show up as an income item and not a reverse expense. The impact of this will not change the bottom line because it will be netted into the actual claims cost. The other expenses are coming in with very small variances and the taxes with the PCORI fee expected to show on the August report and the Transitional Reinsurance Program fee will be paid in early 2015. At this time the Consortium is about \$1.2 under budget with year-to-date versus actual expenses; however, there are still some outstanding paid claims for the previous month.

Preliminary Budget Projections for 2015

Mr. Cahill distributed Treasurer's Report Data through May 31, 2014. He called attention that at the end of the period net income is being shown of almost \$2 million year-to-date. The next report showed budgeted versus actual data. *He pointed out that premium income is down a little (2.5%) and he will be looking into this further to see if it is a census issue, the result of a negotiated change, or combination thereof.* On the expense side the Consortium is on budget with claims; medical claims are on budget and prescription drug claims were slightly over budget; however, there was a five payment month. Overall, expenses are 2% below budget.

Mr. Cahill reviewed the 2014-2017 budget projections and noted they will continue to work with ProAct on the paid claims rebate credit as certain drugs come off of patent because the rate of increase of the rebates will lessen. He said the heavier the costs get shifted towards the specialty drugs the lighter the rebates get because there are not a lot of rebates associated with specialty drugs. The following are assumptions used in development of the 2015 budget:

1. Premium revenue increased by 5.0%
2. Interest income = last two years average;
3. Prescription drug rebates = \$250,000;
4. Paid claims trend = 8.85%;
5. Administrative fees per agreement with Excellus BCBS then increased by 3% per annum;
6. NYS GME increased by 5%;
7. Specific Stop Loss insurance increased by 20%. This is even higher than expected but something they are seeing with all of their groups. He said as discussions take place about a catastrophic reserve, one of the things that can be done to mitigate the Stop Loss increase is to increase the deductible and take on some of the risk. Locey and Cahill is in the process of seeking Stop Loss quotes. They asked three companies to quote on the July renewals they just put into place and two companies declined to quote after looking at the Highmark quote. They

are continuing to examine other markets so that they will be in a position in January to present some competing quotes.

8. Aggregate Stop Loss insurance increased by 5%;
9. Surety Bond Fee/Loan Interest estimated at 3% of Principle balance;
10. All other fees increased by 3%;
11. Capitalization Repayment includes annual interest of 3%; and
12. Beginning balance and ending balance includes advance deposit held at Excellus BCBS as a pre-payment of claims (\$798,600 as of 12-31-2012)

Mr. Cahill said they expect the Consortium to finish the year with an unencumbered fund balance not including a claims stabilization reserve of about \$8.1 million with a 5% increase in the premiums for 2015, and a net income of approximately \$3 million. He commented on the premium revenue increase proposed at 5% and said it is extremely good in today's marketplace and even comparing it with their other clients, most are at a 7-9% range for premium increases for the coming year. He described the way in which the Consortium is approaching setting its budget by looking at future years to be a very prudent budget methodology that should help to avoid large spikes in the future.

Planned Reserve Changes

Mr. Cahill referred to a memorandum prepared by Mr. Locey concerning liabilities and reserves dated July 17, 2017 and said it is important to note that most other consortiums have an IBNR set at 17% and not 12%. The GTCMHIC has done a good job setting up a relationship with the New York State Department of Financial Services to demonstrate how this plan is progressing but the State can always come back and make an adjustment to that requirement. Setting up the claims stabilization reserve at 5% would always allow funds to be available to accommodate that if the State required it and would prevent a mid-year premium adjustment.

Recommendations outlined in the document included: maintaining surplus levels, review Stop Loss policy in relationship to the catastrophic claims reserve as an opportunity to boost reserves, establish rate stabilization reserve, and review available investment strategies.

Mr. Barber spoke of using a catastrophic claims reserve as a mechanism to increase the deductible for the Stop Loss and questioned if an actuarial analysis could be done to look at the Consortium's experience to determine the amount that would need to be in that reserve to safely increase the deductible level. Mr. Cahill said actuaries can predict many things but the impact of a large loss is impossible to predict. He suggested determining what the level of risk is that the Consortium is willing to take. He suggested budgeting for a worst case and noted those claims are typically not seen every year. *Mr. Cahill said for the next meeting he and Mr. Locey will take a look at the history of large losses and will show what the impact would have been of increasing the deductible over the previous 2 to 3 years along with would happen if a couple of catastrophic claims hit in the next couple of years to show what the impact would be on a go-forward basis.*

Mr. Barber said it would also be helpful to have a recommendation on establishing a level of an unencumbered fund balance. Mr. Cahill suggested renaming this to be something such as a "targeted fund balance" and if there was some unencumbered fund balance it could be used in the following year's budget to lower the premium rate increase.

Election of Vice Chair

Mr. Cook was appointed Vice Chair of the Committee.

Status of Enrollment Period

Mr. Barber said he is working with Beth Miller of Excellus to identify the open enrollment periods for each municipality. *He will communicate information with Excellus and see that communications are targeted towards these dates as well.*

Recertification Timeline and Letter

Mr. Cahill distributed a draft proposed initial letter and timeline that was developed for the recertification process. The letter would go to individual municipalities to distribute to their members and direction that they collect information. There will be a follow-up verification notice that asks for the information concerning spousal and dependent coverage. An appeals process will be developed and as changes come in a decision will need to be made whether as to the individual municipalities will communicate those to Excellus and ProAct that includes a mechanism to filter the information back to the Consortium with a report on what the final outcome is. *Mr. Salton noted the draft letter contains a reference to school districts.* Ms. Drake said when she and Ms. Miller discussed this they felt it made sense to let each municipality handle this. She said it was well-received by municipalities; they did indicate they did not want another company coming in to deal with their employees.

Mr. Cahill spoke of the importance of making the letter user-friendly and asked that members review the section asking why the Consortium is verifying dependents. Mr. Barber suggested Ms. Drake and Ms. Miller review this section of the letter. Ms. Drake said they are looking at having a large window for a start date given the various open enrollment periods and other responsibilities clerks have to allow flexibility. May 1, 2015 was set as a final date with a termination date of May 31, 2015; an appeal process would follow that.

Mr. Cahill said the benefit in using an outside firm to do this process is to have an outside contact phone number and said it may be helpful to have discussion of a centralized contact number.

Mr. Salton questioned why a marriage certificate is required to verify spousal information. Mr. Cahill said there are specific rules about this; he will provide information Mr. Salton with the information. The document will come back to the next meeting after receiving input from members.

Award of Contract for Medical Claims Auditing Services

Mr. Barber reported the firms that were not selected have been notified and have asked questions. He asked for guidance on who should follow-up on those requests. Mr. Cahill said when responders who were not selected asked questions about why they were not selected or suggested areas for improvement they typically do not receive a response other than an brief overview of the process that took place with no specific comment on individual responses. *Locey and Cahill could be asked to respond to those inquiries.*

Mr. Barber said BMI was selected to perform the auditing of medical claims; they have provided a service agreement that he and Mr. Locey have reviewed and commented on. They

will be working on negotiating and finalizing details and expects an agreement to be signed soon.

Tax Freeze Discussion

Mr. Cook said in May a discussion began about the Governor's tax freeze and shared services. During that discussion a question was framed "Can the Consortium be of value to its local government members by providing a basis of the local government efficiency plan"? He referred to a memorandum he prepared dated June 30, 2014. He said the assumption of the model is that community-rated plans are higher than experience-rated plans and that by all municipalities within the Consortium now being rated on an experience-rated basis. He questioned if the differential is large enough that in the aggregate could the municipalities meet the provision set forth in under the Governor's efficiency plan. Under the model the rates Tompkins County is paying would be the same as they would be if it were not in the Consortium. Mr. Cook noted, however, that this is a very conservative approach and he was not attributing any savings to the County. Mr. Cahill commented the County is experiencing some efficiencies by being in the Consortium. Mr. Cook said under this model the Consortium could be the vehicle that could in the aggregate, satisfy the efficiency program.

Mr. Cook said he learned yesterday that the Department of Taxation has issued new guidance on how far the look-back period could be. Municipalities were given the impression from earlier statements by the State Budget Department that it would be a reasonable period of time; however, the Department of Taxation has now stated that it would be the first year a local government was subject to the tax cap and for most it is January 1, 2012. Under this scenario there are only two municipalities that could use the Consortium for the tax savings (City of Cortland and the Town of Lansing since they entered the Consortium later than other municipalities). There are many arguments going on in government circles such as what constitutes an agreement and work will continue on placing pressure on the State with regard to this pushing back this new fixed look-back period which post-dates the creation of the Consortium. He will continue to provide updates on this.

Investment Policy

Mr. Barber said members received a report from John Powers and Mr. Locey and he has forwarded the information to PFM to see if anything was missed and will inform the Committee if he receives any new information.

Enterprise Risk Model

Mr. Barber reported he will be confirming that the conclusion that was reached by the Committee at the last meeting was accurate and that will conclude the discussion on this topic.

Adjournment

The meeting adjourned at 2:55 p.m.

Respectfully submitted by Michelle Pottorff, Administrative Clerk