Greater Tompkins County Municipal Health Insurance Consortium

Audit and Finance Committee

February 23, 2016

2:00 p.m.

Old Jail Conference Room

1. Call to Order (2:00) — Thayer

2. Approve Minutes of January 26, 2015 Meeting (2:02)

3. Executive Director's Report (2:05) — Barber
   a. Newsletter, new Director Orientation, Premium Rate Retreat
   b. DFS Communications
   c. Code of Ethics: **RESOLUTION:** Amendment to Greater Tompkins County Municipal Health Insurance Consortium Code of Ethics Policy and Designating Community Dispute Resolution Center as Neutral Thrid Party
   d. Armory Contract: **RESOLUTION**: Amendment to Resolution No. 004-2016 – Authorizing Contract for Actuarial Services – Armory Associates – 2015 and 2016

4. Financial Update (2:20) — Snyder/Locey
   a. Large Loss Report

5. Update on Claims Audit (2:30) — Locey
   a. Update of Prescription Drug Audit
   b. Medical Claims Audit update
   c. **RESOLUTION:** RETROSPECTIVE CLAIM TERMINATION POLICY

6. Continued Discussion of Medicare Advantage Plan and Risk Assessment (2:45) — Locey

7. Process for establishing Guidelines on Members Changing Plans (3:00) — Committee

8. Hancock Estabrook Invoice dated February 5, 2016 (information only)

9. Next Agenda Items (3:10)

10. Adjournment (3:15)

Next meeting: March 22, 2016

Minutes - draft
Audit and Finance Committee
January 26, 2016
2:00 p.m.
Old Jail Conference Room

Present: Steve Thayer, Phil Vanwormer, Chuck Rankin, Mack Cook
Absent: Peter Salton, Laura Shawley
Guests: Rick Snyder, Steve Locey, Judy Taber, Judy Drake, Don Barber

Call to Order

Mr. Thayer called the meeting to order at 2:34 p.m.

Approval of Minutes of December 22, 2015

It was MOVED by Mr. Cook, seconded by Mr. Thayer, and unanimously adopted by voice vote by members present, to approve the minutes of December 22, 2015 as submitted. MINUTES APPROVED.

Executive Director's Report

Mr. Barber provided an updated on the Prescription Drug Claims Audit and said the report provided by BMI stated that as of January 13th they had submitted a report to ProAct and ProAct should respond within one month. This is moving along and there should be a final report by the March meeting of this Committee. Mr. Barber thanked Mr. Locey for sending out the filing update for benefit plans and the work he has put into that. He reported the Mission and Vision Statement is on the January 28th Board of Directors agenda for adoption.

The Code of Ethics identified a problem that resulted in the Municipal Cooperative Agreement Section V being expanded to include a process for addressing particular situations that arise under the Code of Ethics. There has also been discussion of a non-affiliated party, such as the Community Dispute Resolution Center (CDRC) hearing complaints before they move forward. A question has arisen as to how to deal with costs that could arise due to a complaint and how to address those. Haylor, Freyer, and Coon was asked to speak to the Board of Directors about the Errors and Omissions policy to see if there was any way to support that process and any financial implications. They responded that the policy did not cover that and Mr. Barber asked for the Committee's input. Mr. Cook said he was in support of having a third party review complaints. Mr. Barber will include this item on the February agenda with action tentatively planned for the March meeting.

Mr. Barber said there have been some billing issues with Excellus, particularly with the County and TC3 that have now involved the TC3 President and the County Administrator. He sent a letter to benefit clerks to see if there were any outstanding issues other than these and the issues with the Town of Danby and the Town of Ithaca that he is aware of. There were no additional issues identified in his communication with the clerks and has asked County Personnel and Joe Mareane to help him work with TC3 to resolve issues with Excellus. Mr. Barber announced Ashley Masucci will be leaving ProAct; when the Consortium is assigned a new account manager he will ask for the population data that the Town of Ithaca has requested.

Mr. Snyder asked Mr. Barber to share with him any communications concerning TC3 billing issues.

Financial Update

Mr. Locey reviewed claims, demographic, and Treasurer's report information through December 31, 2015 and noted the year-end results are preliminary. He pointed out in the Incurred and Paid Claims Analysis from 2011 that for the mature years 2012-2014 that the paid claims were almost exactly what the incurred years were for each of those years. If the trend continues he anticipates having an IBNR in 2015 of approximately 5.5%. He noted that ever since ProAct took over there has been almost no run on the claims when it used to go down $140,000 on average for the two years the Consortium was with Express Scripts which is an improvement. Secondarily, since the Blues transitioned to the new system in 2014 the claims that have been incurred and paid in the present month are happening much faster than they used to and this shrinks the liability moving forward.

Mr. Locey reviewed the unaudited year-end financial report for 2015 and stated there was over $7 million in net revenue; the main reason is because the medical claims were below budget. They are trying to improve the way the expenses are broken out for the various categories. In terms of income for 2015 the budget was $38.1 million and year-end income was $38.5 million. The main difference was due to prescription drug rebates, Stop Loss recoveries, and interest income being a slightly better than expected. On the expense side, expenses were $4.5 million below budget on medical claims (18%) and there was an inflation of prescription drug claims. He said they are seeing some inflation of prescription drug expenses which is predominantly related to specialty and higher cost drugs. Total expenses were 12% below budget for the year. The expectation was to earn $2.5 million for the year and instead, the Consortium netted about $7.2 million, bringing the balance up to approximately $21.8 million and the unencumbered balance up over $13 million year-to-date. Mr. Locey will make a correction to the Rx rebates year-to-date information contained on the spreadsheet.

He reviewed income distribution and expense distribution charts and noted that 92.59% of funds paid out went to pay claims, leaving less than 8% going towards administrative fees. The Affordable Care Act allows up to 15% to be paid out for administrative fees and wouldn't include some of the items the Consortium includes, such as taxes and insurance in the calculation. This demonstrates the high level of efficiency with the Consortium.

Mr. Locey said he will be looking closer at utilization and large loss information and will report on anything he finds at the next meeting. Ms. Drake asked if the budget projection for prescription drugs will be adjusted to reflect the actual experience. Mr. Locey said they will begin trending this differently than medical claims as the actual experience has been running higher.

Request for Proposals – Actuarial Services

Mr. Barber reviewed responses that were received from the Request for Proposals for Actuarial Services. There were two good responses received with the major difference being with cost. Mr. Cook spoke of GASB 45 reporting and asked if Mr. Locey thought there would be a possibility to meet with Armory Associates to discuss the 8% level they are currently using to reflect the Consortium's historical rate experience and reserve levels. Mr. Locey thought they would be open to meeting with the Consortium and he can share information with Armory Associates on the outlook of premium rate increases. It was noted that any municipality that wants a GASB 45 report using Consortium data, the cost is included and would be paid by the Consortium.

RESOLUTION NO. 004-2016 – AUTHORIZING CONTRACT FOR ACTUARIAL SERVICES - ARMORY ASSOCIATES – 2015 and 2016

MOVED by Mr. Rankin, seconded by Mr. Cook, and unanimously adopted by voice vote by members present.

WHEREAS, the Greater Tompkins County Health Insurance Consortium issued a Request for Proposals for Actuarial Services on January 4, 2016, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee, That a contract be awarded to Armory Associates of Syracuse, New York to perform actuarial services for the Consortium for the years 2015 and 2016 with an option to extend the contract for the years 2017 and 2018.

*** * * * * * * * * ***

Medical Claims Audit

Mr. Locey reviewed a memorandum dated January 26, 2016 that he prepared containing an update and follow-up on outstanding items from the medical claims audit conducted by BM Audit Services. He stated that Excellus has been made aware of all of the items and today Beth Miller had a conference call with the Director of their internal audit on this issue. He also noted that none of the items were high dollar items.

RESOLUTION NO. 003-2016 - MEDICAL CLAIMS AUDIT ACTION ITEMS FOR EXCELLUS BLUECROSS BLUESHIELD

MOVED by Mr. Vanwormer, seconded by Mr. Cook, and unanimously adopted by voice vote by members present.

WHEREAS, the Greater Tompkins County Municipal Health Insurance Consortium (GTCMHIC) is a self-insured municipal cooperative health benefit plan organized pursuant to Article 5-G of the New York State General Municipal Law, and

WHEREAS the GTCMHIC is operating pursuant to a Certificate of Authority issued by the New York State Department of Financial Services pursuant to Article 47 of the New York State Insurance Law, and

WHEREAS, the Consortium contracts with a Third Party Administrator, Excellus BlueCross BlueShield to administer health insurance claims on behalf of the Consortium, and

WHEREAS, the Consortium Board of Directors contracted with BMI Audit Services, LLC to conduct an audit of the claims adjudication processes at Excellus BlueCross BlueShield to include claims paid between January 1, 2011 and December 31, 2013, and

WHEREAS, BMI Audit Services, LLC reported to the Consortium Board of Directors that Excellus BlueCross BlueShield was not complying with the “national coding guidelines” relative to the review and adjudication of claims with an “add-on code”, claims which include an “age code indicator”, and claims which include “global follow-up days”, and

WHEREAS, the non-compliance with the “national coding guidelines” may result in the inappropriate payment of Consortium funds for medical services, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee, That the Greater Tompkins County Municipal Health Insurance Consortium Board of Directors hereby requests that Excellus BlueCross BlueShield adhere to the "national coding guidelines" when adjudicating claims which have an "add-on code", when adjudicating claims which contain medical procedures which require an "age indicator"', and/or when adjudicating claims which include "global follow-up days",

RESOLVED, further, That the Greater Tompkins County Municipal Health Insurance Consortium Board of Directors hereby requests future medical claim audit firms to verify compliance by Excellus BlueCross BlueShield with the directive including in this resolution upon the next occurrence of the medical claims audit.

* * * * * * * * * *

Retrospective Claim Termination Policy

As a follow-up to the audit Mr. Locey said the Consortium needs to establish a policy relating to retrospective terminations. He distributed a draft policy that was modeled off of the Excellus BlueCross BlueShield guidelines; however, there needs to be parameters built into the policy relative to premium refund. He described the process that takes place when an employer terminates someone retroactively which can involve both premium and claims. The Excellus guidelines recommends that retroactive termination not happen any further back than thirty days of the event. There are can be retro-terminations or "rescissions" under the current federal laws in cases where there is fraud or intentional misrepresentation of a material fact. Retrospective terminations from someone who failed to pay a premium is also considered not to be a rescission. Cobra is another area where there could be deviation.

Mr. Locey reviewed the contents of the draft resolution and stated an addition component he would like to build in relates to premium. Whether or not someone has canceled retroactively is one issue, the second issue has to do with how far back the Consortium wants to return premiums to employers if they are not timely with changes that may occur. Ms. Drake spoke of the difficulty there is sometimes is locating retirees. Following a brief discussion it was the consensus to set a timeline for retirees at 90 days and 60 days for active members.

Mr. Locey will make changes to the draft resolution and will bring back to the next meeting. He asked that members provide him with feedback prior to the meeting.

Medicare Advantage Plan and Risk Assessment

Mr. Locey said the Municipal Cooperative Agreement allows a risk assessment charge to be applied to any employer that doesn't have all of their population insured through the Consortium. Primarily this applies to Medicare Advantage plans and cases where an employer has all of its active population in the Consortium but retirees over age 65 in a Medicare Advantage or similar plan outside the Consortium and whether the Consortium wants to consider adding a risk assessment charge to their premium. He said Locey and Cahill had discussions with another one of their large groups based on an analysis they conducted and the loss of subsidization that occurs from the Medicare-age retirees to the rest of the population and they settled on a risk assessment factor of three percent that would be added to the premium of each active employee.

Mr. Locey said up to now this has not happened with the Consortium and he is not clear which municipalities do not have their entire population in the Consortium but believes there are a couple. He said this specifically deals with groups that have a Medicare Advantage Plan. On

a Consortium-wide basis it is very difficult to get population data; he can get age-band data and data broken out between actives and retirees but it is difficult to get data on how many over age 65 are active versus retired and there is also the complication of melding the data between ProAct and Excellus. He said in doing an analysis of a couple of large school districts in the other cooperative they found a differential of 2.8%. Although it will still be a pass-through they will only allow school districts to participate in a Medicare Advantage Plan that is offered through the Cooperative.

Mr. Cook asked if a Medicare Supplement plan is offered within the Cooperative. Mr. Locey said there is at least one district within the Cooperate that does not. Mr. Cook said because the Consortium offers a Medicare Supplement if an employer chooses not to offer that and takes a group out of the Consortium there is a financial consequence and this would be reason to charge a risk assessment.

Ms. Drake provided an example of one group that did not bring its Medicare Advantage group into the Consortium because moving them to a Medicare Supplement would have cost the town more than what it was saving for its actives. She said she doesn't want to create a situation that results in the Consortium losing groups. Mr. Cook questioned if this charge would apply to anything that has already occurred or would the policy be in effect for groups moving forward. Mr. Locey said groups could be grandfathered in but there should be rules moving forward for any groups joining the Consortium; the question is what would be reasonable to apply and how would it be applied. Another option would be to charge a flat dollar amount on each covered life that isn't in the Consortium. Mr. Barber said he would be inclined to go with a fixed dollar amount. The Committee agreed there should be further discussion of this at the next meeting. Ms. Drake asked Mr. Locey to look at how to a dollar amount would be determined.

Mr. Barber said Medicare Advantage has a lower premium because it is federally subsidized and asked if there are plans to further decrease the subsidy. Mr. Locey said there has been a decreasing subsidy over the last few years and it is supposed to continue to decline as funding to Medicare is decreased. Mr. Barber asked Mr. Locey help the Committee to understand what is happening with this.

Process of Establishing Guidelines for Members Changing Plans

Mr. Barber said there has not been any activity with this since a meeting was held with large employers to let employers know there are impacts to the Consortium by members changing plans and will need to be addressed if the Consortium starts to lose money. Mr. Locey said employers are looking for guidance in what the rules would be if they are going to offer options and what collective bargaining language would look like. Mr. Vanwormer said he would be supportive of placing a restriction on members changing plans as long as a member could elect a different plan in a reasonable time frame. Ms. Drake said she would be supportive a two to three-year time frame but could not support much longer of a time restriction. Mr. Locey said at the meeting there was also a discussion of excluding qualifying events. It was agreed this would remain on the next agenda.

Next Agenda

The following suggestions were made for future agenda items:

Policy on Retroactive Termination Policy;
Code of Ethics;

Medicare Advantage Plan and Risk Assessment; and
Guidelines on Members Changing Plans

Adjournment

The meeting adjourned at 3:46 p.m.

Respectfully submitted by Michelle Pottorff, Administrative Clerk

GREATER
TOMPKINS COUNTY MUNICIPAL
HEALTH INSURANCE CONSORTIUM

Municipalities building a
stable insurance future.

125 E. Court Street
Ithaca, NY 14850
607-274-5590
INFO: consortium@twcny.rr.com
www.tompkinscountyny.gov/hconsortium

RESOLUTION NO. 2015 - AMENDMENT TO GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM CODE OF ETHICS POLICY AND DESIGNATING COMMUNITY DISPUTE RESOLUTION CENTER AS NEUTRAL THIRD PARTY

WHEREAS, Section 15 of the GTCMHIC Board of Directors Resolution 001-2014 regarding adoption of Code of Ethics reads as follows:

"Reporting of Ethics Violations. When becoming aware of a possible violation of the Consortium's Code of Ethics, employees, Board of Directors, employees of members, and the public may report the matter to the Consortium Attorney-in-fact, John Powers, Esq.. In reporting the matter, members may choose to go on record as the complainant or report the matter on a confidential basis."

WHEREAS, the Consortium's Attorney-In-Fact is willing to receive a report of a potential Code of Ethics violation, he feels that the process for resolving if any violation has occurred and the possible remedy is codified in the Article V of the Municipal Cooperative Agreement (MCA), and

WHEREAS, the Code of Ethics is silent on the process for resolving if any violation has occurred and the possible remedy, and

WHEREAS the 2015 Amended Municipal Cooperative Agreement amends Article V to include Board Member or Committee Person in addition to Participant stated in the previous MCA, and

WHEREAS, the Audit and Finance has determined that Disputes arising within the Code of Ethics could involve persons which is not accounted for in MCA Article V and that with persons, as opposed to "Participants" (entities), mediation is a common and often productive intermediate step to resolution and agreement ahead of a formal finding and Board of Directors determination of a ruling, and

WHEREAS, a neutral third party is desired to mediate and, if needed, conduct the review process, and make a recommendation for resolution to the Executive Committee as stated in 2015 Amended MCA Article V.3.a.(i), and

WHEREAS, the Community Dispute and Resolution Center of Tompkins County provides such services and is willing to serve in the neutral third party role for any Greater Tompkins County Municipal Health Insurance Company reported ethics violations, now therefore be it

RESOLVED, That the Audit and Finance Committee of the GTCMHIC Board of Directors hereby recommends that section 15 of the adopted Code of Ethics be amended to read:

RESOLUTION NO. 2015 - AMENDMENT TO GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM CODE OF ETHICS POLICY AND DESIGNATING COMMUNITY DISPUTE RESOLUTION CENTER AS NEUTRAL THIRD PARTY

"15. Reporting of Ethics Violations. When becoming aware of a possible violation of the Consortium's Code of Ethics, employees, Board of Directors, employees of members, and the public may report the matter to the Consortium Attorney-in-fact, John Powers, Esq.. In reporting the matter, members may choose to go on record as the complainant or report the matter on a confidential basis. **The Attorney-In-Fact will collect all information presented regarding the matter and send that information to the neutral third party designation by the Board of Directors for mediation and conduct the review process, and make a recommendation for resolution to the Executive Committee as stated in 2015 Amended MCA Article V.3.a.(i**)",

RESOLVED, further, That the Community Dispute and Resolution Center of Tompkins County is designated as the neutral third party in the event of requested ethics review.

* * * * * * * * *

GREATER
TOMPKINS COUNTY MUNICIPAL
HEALTH INSURANCE CONSORTIUM

Municipalities building a
stable insurance future.

125 E. Court Street
Ithaca, New York 14850
607-274-5590
Consortium@tompkins-co.org
www.tompkinscountyny.gov/hconsortium

RESOLUTION NO. - 2016 – AMENDMENT TO RESOLUTION NO. 04-2016 - AUTHORIZING CONTRACT FOR ACTUARIAL SERVICES - ARMORY ASSOCIATES – 2015 and 2016

WHEREAS, the Greater Tompkins County Health Insurance Consortium authorized a contract with Armory Associate of Syracuse, New York to perform actuarial services for the Consortium for the years 2015 and 2016 with an option to extend the contract for the years 2017 and 2018, and

WHEREAS, the quote received from Armory Associates was for five years which would be a two-year contract for fiscal years ending 12/31/2015 and 12/31/2016 with the option to extend for three additional years (for fiscal years ending 12/31/2017, 12/31/2018, and 12/3120/19), and

WHEREAS, it is recommended by the Consortium Treasurer that the contract line-up with the end of the biennial periods for Tompkins County, City of Ithaca, and the City of Cortland, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee, That the option to extend the contract with Amory Associates to perform actuarial services be amended to include 2019.

****