

Greater Tompkins County Municipal Health Insurance Consortium
Audit and Finance Committee
January 24, 2017

Old Jail Conference Room

1. Call to Order (3:30) Thayer

2. Approve Minutes of November 15, 2016 Meeting (3:32)

3. Executive Director's Report (3:35) Barber
 - a) CanaRx
 - b) Tier 4

4. Financial Update (3:40) Locey
 - a) Stop-Loss Contract Update

5. Administrative Procedures for RFP's (3:50) Barber

6. Limiting number of plans a partner can offer (4:00)

7. BMI Audit of Excellus (4:10) Locey

8. DFS Audit recommendations (4:25) Barber

9. Set 2017 meeting schedule (4:35)

10. Invoice Approval: (4:40)
 - a. Inero invoice 12-6-16
 - b. Jen Jensen invoice – December 2016
 - c. Photography invoice - December 2016
 - d. DFS Audit invoices: 12-16-2016 and 1-17-2017
 - e. BMI Invoice – January, 2017
 - f. Armory Invoice – January, 2017
 - g. Haylor, Freyer, and Coon invoice – January, 2017

11. Next Agenda Items (4:45)

12. Adjourn (4:45)

Next Meeting: February 28, 2017 (tentative)

Audit and Finance Committee – DRAFT
November 15, 2016 – 3:30 p.m.
Old Jail Conference Room

Present: Steve Thayer, Peter Salton, Mack Cook, Rordan Hart

Excused: Chuck Rankin

Absent: Phil VanWormer, Laura Shawley

Guests: Don Barber, Executive Director; Steve Locey, Locey & Cahill (via conference call), Rick Snyder, Treasurer; Judy Drake, Board of Directors Chair

Call to Order

Mr. Thayer, Chair, called the meeting to order at 3:30 p.m.

Approval of Minutes of October 25, 2016

It was MOVED by Mr. Cook, seconded by Mr. Hart, and unanimously adopted by voice vote by members present with Mr. Salton abstaining, to approve the minutes of October 25, 2016 as submitted. MINUTES APPROVED.

Executive Director's Report

New York State DFS Audit

Mr. Barber said he continues to work on the audit; at the current time only one document is due to the State for the financial portion of audit which is an attestation that the Consortium has complied with rules and regulations. Jerry Mickelson, the Consortium's Auditor, is reviewing the document. Once he responds the document will be signed by Ms. Drake and forwarded to the State. He said there were ten requests for information related to Market Conduct and of those four have been completed and he is working with Mr. Locey and Excellus on the others. He requested additional information from the auditor for one of the requests but has not yet received a response.

Municipal Interest in the Consortium

Mr. Barber said there are resolutions on the agenda to approve two additional municipalities joining the Consortium. The Town of Hector is still very interested but did not have enough time make it happen for 2017; he expects they will pursue this in the coming year. After reviewing a plan comparison, it was determined the Town of Locke's costs would not change; therefore, they have decided to stay with its current plan and will consider joining the Consortium again next year.

Medical Claims Audit Update

Mr. Barber reported BMI received a response to its findings from Excellus on November 11th and are now in the process of preparing a draft report that should be complete by the end of the week.

CanaRx

Mr. Barber reported both the Owning Your Own Health Committee and the Joint Committee on Plan Structure and Design have endorsed the CanaRx program. He has been in touch with Meghan Feeley of ProAct to work on the content of a resolution the Board of Directors will consider at its January meeting and will be providing information at the Board meeting this week. Plans will be made to have an electronic information session in January on the program. Mr. Locey said although they were non-committal when asked the last time he suggested contacting the Department of Financial Services and asking for an opinion on the program again. Mr. Barber said he plans to speak to John Powers, the Consortium's legal

counsel. He will also notify DFS but would not want the Consortium to hold up a decision until a response from the State is received. The Committee was comfortable with Mr. Barber proceeding in the manner he described.

Ms. Drake said the County has been paying CanaRx directly since it began using the program and asked if this will be addressed at some point. Mr. Barber said this will need to be part of the discussion.

Communication to DFS Concerning MCA

Mr. Barber provided members with a copy of a letter prepared by John Powers as directed by the Board to the Department of Financial Services dated October 11, 2016 concerning amending the Municipal Cooperative Agreement (MCA). As of this date there has been no response from the State.

Financial Update

Mr. Locey had no financial update; he said the October financial results will be distributed to the Committee when they become available. He reported the final payment for the Transitional Reinsurance Program for the ACA (Affordable Care Act) was just submitted and he will provide Mr. Snyder with a copy of the information.

Prescription Drug Fourth Tier

Mr. Locey said he looked into this and Locey & Cahill does not have many clients that have instituted a fourth prescription drug tier; however, there are a few different models that could be used if the Consortium wished to pursue this. Some companies are using a straight copay and the fourth tier would have to be a minimum of a \$50 increase in copay from Tier III. There are also some models that are coinsurance-based with a cap and another model is an open-ended percentage-based coinsurance on Tier IV but behind the scenes the benefit manager would work to see what monies they could secure to offset the member's out-of-pocket costs and the Consortium would cap the out-of-pocket expense at the end of that process. This would be accomplished by having a memorandum of understanding with ProAct. In terms of how this would impact the out-of-pocket maximum it is his understanding that only the amount that the member actually pays would go against the maximum amount, it could not be the coinsurance amount. If it is a straight co-insurance where a member is paying a percentage it is likely they would hit the cap and at that point would be covered and paid for 100%.

In terms of impact, last year on the ProAct report there were 785 prescriptions filled that were specialty drugs. If the copay was increased to \$250 this would result in an impact of \$200,000. He has not seen any information as to whether a higher copay drives a change in utilization to lower-cost alternative medications. The total drug spend last year was \$8.5 million. Mr. Locey commented that while instituting a fourth drug tier is not common among municipal insurance plans this is something that has been happening in the private sector for some time and is growing.

Mr. Locey said this will continue to be discussed by the Joint Committee on Plan Structure and Design with the possibility of adding it to the Metal Level Plans in 2018. Mr. Salton said while he understands the need to explore this but noted concerns have been expressed to him about this.

Ms. Drake said it has been stated repeatedly at the Joint Committee on Plan Structure and Design that this will not affect employees unless it is bargained for; however, if it is attached to the Platinum Plan it would be in place without bargaining. She said even if a cap were placed on a drug at \$200 this is a significant increase in what a member is currently paying. She asked what the impact of doing this would be on premiums. Mr. Locey said to develop premium

impact information he would need to know more about how much would be received from the pharmaceutical manufacturers.

Mr. Barber said ProAct and Excellus have stated that they expect the spend for specialty drugs to equal the total spend for all other drugs by 2020. The impact for those that are on the Metal Level Plans should be that their premiums will stay reasonable to 2020 and those on the PPO plans will see steady increases of 7-8%. Because of this there would be little or no wage increases because of the amount of money going towards the cost of health insurance.

Mr. Barber said the Joint Committee on Plan Structure and Design is looking for information on the impact on premium and suggested he and Mr. Locey have a discussion with ProAct to work on that.

Discussion of Limiting the Number of Plans New Participants Can Offer

Mr. Barber said at the last meeting there was a discussion concerning a small municipality coming in to the Consortium and having two different plans but having only five members. Since that time they have put all members on the same plan which no longer makes this an issue at the present time. The issue may arise again next year; therefore, this should be discussed and a plan developed prior to that time. Mr. Locey spoke of the need to control how much work some of the smaller new municipalities place on the Consortium. He suggested limiting a municipality with less than 25 employees to one plan and employers with less than 50 employees to two plans. This item was deferred until Spring.

Stop Loss Insurance

Mr. Locey reviewed the Stop Loss proposal from Highmark Insurance Company and quotes based on a deductible at the \$400,000, \$425,000, and \$450,000 levels and said at the \$450,000 level the Consortium would pay less in overall premium than it had expected to pay in 2016 based on the current proposal. Within that proposal there is an increase in the Aggregate Stop Loss and the Specific Stop Loss that he feels needs further negotiation. Based on historical data the Committee weighed increasing the deductible and taking on additional risk to save premium dollars. If the Consortium were to do nothing the premium would increase from \$785,000 to \$845,000. By increasing the deductible to \$450,000 the Consortium would save \$100,000 in premium and would need to have more than two claimants go above the \$400,000 level for moving the deductible up for this change to not be in the Consortium's favor. Currently there is one claimant who is at \$410,000 and the next closest is at \$220,000. The individual with the laser is only at \$174,000. Mr. Locey said if the deductible was increased to \$450,000 it could be lowered in a future year if needed. He believes there is room for negotiation on the Aggregate and Specific Stop loss rates given the stability of the Consortium's population.

AUTHORIZATION TO PURCHASE INSURANCE POLICIES: STOP LOSS

It was MOVED by Mr. Salton, seconded by Mr. Thayer, and unanimously adopted by voice vote by members present to recommend that the Consortium purchase Stop Loss insurance with a deductible of \$450,000 with an annual cost not to exceed \$745,113 and with the understanding Mr. Locey would negotiate the other rates with Highmark Insurance Company prior to the signing of a contract. MOTION CARRIED.

* * * * *

RESOLUTION NO. 027-2016 - ACCEPTANCE OF APPLICATION BY THE TOWN OF MONTEZUMA TO BECOME A PARTICIPANT IN THE GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM

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

WHEREAS, by Resolution No. 005 of 2012 and amended by Resolution No. 27 of 2014 the Consortium Board of Directors adopted a policy outlining a process of applying for membership to the Consortium, and

WHEREAS, the Town of Montezuma has submitted an official resolution authorizing the Town of Montezuma to join the Consortium in accordance with the terms and conditions outlined in the Municipal Cooperative Agreement, and

WHEREAS, the Town of Montezuma has complied with membership process outlined in Resolution No. 005 of 2012 and amended by Resolution No. 027 of 2014 and has submitted copies of financial reports which have been reviewed and found acceptable by the Consortium's Treasurer, Chief Financial Officer and/or the Consortium's Auditor, now therefore be it

RESOLVED, That the Greater Tompkins County Municipal Health Insurance Consortium, accepts and welcomes the Town of Montezuma as the 28th municipal participant, with health insurance coverage beginning January 1, 2017,

RESOLVED, further, That the Board of Directors waives the requirement of payment of 5% of premium to the Surplus Reserve Account as requested by the Town of Montezuma,

RESOLVED, further, That the Board of Directors determines that the terms of assessing the pro rata share of any surplus or deficit to the applicant shall at the time the applicant leaves the Consortium or upon dissolution of the Consortium shall be based on their share of any deficit or being paid their share of any surplus that was generated during their years of participation. The Board of Directors would identify the surplus or deficit which exists on the date of entry and again on the date of withdrawal or dissolution and bill or pay the applicant accordingly,

Resolved, further, That the Administrative Clerk shall forward to the New York State Department of Financial Services a certified copy of the resolution authorizing the Town of Montezuma to become a participant in the Consortium and a certified resolution adopted by the GTCMHIC accepting the Town of Montezuma as a Participant in the Consortium.

* * * * *

RESOLUTION NO. - AUTHORIZATION TO PURCHASE INSURANCE POLICIES: ERRORS AND OMISSIONS, AND DIRECTORS AND OFFICERS LIABILITY COVERAGE

MOVED by Mr. Thayer, seconded by Mr. Hart, and unanimously adopted by voice vote by members present.

WHEREAS, it is the desire of the Board of Directors to ensure liability coverage for the Consortium, the Board of Directors personally and professionally, and the participating municipalities, now therefore be it

RESOLVED, upon recommendation of the Plan Consultant, Locey & Cahill, LLC, the Tompkins County Risk Manager and the Audit and Finance Committee, That the Consortium shall purchase coverage for these policies from the following for the period January 1, 2017 thru December 31, 2017:

- Errors and Omissions Insurance with the Darwin Group at \$1,000,000 limit with \$25,000 retention (placed by insurance agent Haylor, Freyer and Coon);
- Directors and Officers Liability Insurance with the Darwin Group at \$1,000,000 limit with \$25,000 retention (placed by insurance agent Haylor, Freyer and Coon)

RESOLVED, further, That the Plan Consultant is directed to provide the Administrative Clerk of the Consortium with a copy of each policy.

* * * * *

RESOLUTION NO. 030-2016 – AUTHORIZATION TO ENTER INTO AGREEMENT WITH BONADIO & CO. LLP - FINANCIAL REPORTING FOR 2017-2018

MOVED by Mr. Thayer, seconded by Mr. Salton, and unanimously adopted by voice vote by members present. Mr. Snyder said he expects this to be an ongoing contract. Following a brief discussion, the resolution was changed from a one-year contract to be a two-year contract.

WHEREAS, the Consortium entered into a contract with Bonadio & Co. LLP for financial reporting services in 2013-2015 and again in 2016, and

WHEREAS, the Consortium wishes to continue the current arrangement for two additional years, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee, That the Board of Directors authorizes the Chair to sign a letter of engagement with Bonadio & Co. LLP for a two-year contract expiring December 31, 2018.

* * * * *

RESOLUTION NO. 031-2016 – EXTENSION OF CONTRACT FOR PLAN CONSULTANT – LOCEY & CAHILL, LLC – 2017

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

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, preparing a variety of internal reports and requests for proposals, and interfacing with third party administrators and ancillary benefit providers, and

WHEREAS, the Consortium by Resolution No. 17 of 2013 awarded a contract for Plan consultant services on December 19, 2013 to Locey & Cahill, LLC of Syracuse for the period January 1, 2014 through December 31, 2015 with the option to renew for three additional one-year terms, now therefore be it

RESOLVED, that the contract with Locey & Cahill, LLC be extended for the period January 1, 2017 through December 31, 2017, with the option to renew for one additional one-year term.

* * * * *

Mr. Cook spoke of the Presidential election and the potential for withdrawal or modifications made to the Affordable Care Act and asked if the Consortium has to be in the position to allay fears the impact such political rhetoric would have on its operations. Mr. Cook said there are many people who don't understand what the Consortium is and when they hear this talk there may be a need to counter comments without going deeply into the matter. Mr. Salton thinks this should be left alone and people only need to know they will continue to have insurance. Mr. Barber believes the Metal Level Plans will continue; Mr. Locey agreed. Mr. Barber said as information becomes available on changes that information can be shared with the Board and the Board can decide if and how to disseminate information.

Next Meeting

The December meeting was canceled. The next meeting will be January 24th at 3:30 p.m.

Adjournment

The meeting adjourned at 4:45 p.m.

Administrative Procedures for Handling Requests for Proposals

- The Executive Director will monitor expirations dates of contracts and notify the Audit and Finance Committee of upcoming RFP's that need to be issued or the need to issue an RFP for new services (*see Consortium Procurement Policy*).
- The Executive Director will work with the Consultant to develop a draft RFP and present to the appropriate Consortium committee for approval to issue the RFP. The Board of Directors shall approve the issuance of RFPs for Medical Claims Administrator, Pharmacy Drug Manager, Consultant, Executive Director, any other RFP for services being provided for the first-time. RFPs for routine services (auditing, actuary) may be issued upon approval of the appropriate Consortium committee. The committee recommending the issuance of an RFP will consider and make a recommendation on the creation and membership of a special committee to review responses.
- The Administrative Clerk will distribute final RFPs electronically to companies that have responded previously and any others suggested by the Executive Director, Consultant, or Treasurer. The document will be posted on both the Consortium website and the New York State Purchasing website.
- RFP's will be submitted to the attention of the Administrative Clerk.
- As responses are received they will be forwarded by the Administrative Clerk to the Consortium's Executive Director and Consultant.
- Any questions submitted will be forwarded to the Executive Director and Consultant upon receipt. If an addendum is warranted it will be developed as quickly as possible and provided to the Administrative Clerk. The Administrative Clerk will distribute it electronically to the initial distribution list and post on the Consortium and New York State Purchasing websites.
- If an addendum is issued less than four calendar days prior to the due date the response due date shall be extended by four days from the date the addendum was issued.
- If a committee has been established to review responses, the Administrative Clerk will set meetings and provide the membership with all responses.
- The Executive Director and the Consultant will present the Audit and Finance Committee with a report on the responses and a recommendation or the recommendation of the review committee. The Audit and Finance Committee shall make a recommendation to the Board of Directors. *Per the Consortium's Procurement Policy written evaluations of each response must be provided and the Board of Directors shall authorize the award and contract for the requested service(s).*
- Upon approval of a contract the Administrative Clerk will work with the Executive Director to secure a contract. The County's Contracts Coordinator will review contracts prior signing by a Consortium representative.
- The Administrative Clerk will see that a contract is signed by all parties to the agreement, return a copy of the agreement to all parties, and file a copy in the Consortium's records and with the Consortium Treasurer.