

Greater Tompkins County Municipal Health Insurance Consortium

**Audit and Finance Committee**

July 25, 2017

Old Jail Conference Room

1. Call to Order (3:30) S. Thayer
2. Changes to Agenda
3. Approve Minutes of June 27, 2017 Meeting (3:32)
4. Executive Director's Report (3:35) D. Barber
  - a. CanaRx enrollment update
  - b. DFS Communications
  - c. Annual JURAT timeline
  - d. Potential members for 2018
  - e. PBM contract extension
  - f. Establishing financial auditor for 2018
5. Financial Update (3:50) S. Locey
  - a. Update on Aggregate Stop Loss Negotiations with High Mark
  - b. June Financial Report
  - c. Month-by-month fiscal comparison of claims
6. 2018 Budget (4:00) Locey
7. Agreement between the Consortium and Treasurer for Financial Services (4:10) Barber
8. Update of Medical Claims Audit **RESOLUTION** (4:15) Locey
9. Approve Extension of Contract for Consulting Services **RESOLUTION** (4:25) Barber
10. Approve Extension of contract for Actuarial Services **RESOLUTION** (4:27) Barber
11. Discussion of Contract with Medical Claims Administrator (4:30) Barber
12. Next Agenda Items (4:40)
13. Adjourn (4:45)

*Next Meeting: August 29, 2017*

**Audit and Finance Committee  
Minutes - Draft  
June 27, 2017  
Old Jail Conference Room**

Present: Bud Shattuck, Mack Cook, Olivia Hersey, Peter Salton, Rordan Hart, Laura Shawley (arrived at 3:55 p.m.)

Excused: Steve Thayer, Chuck Rankin

Vacancy: 1 municipal representative

Guests: Judy Drake, Board of Directors Chair; Don Barber, Executive Director; Steve Locey, Consultant; Rick Snyder, Treasurer; Russell Gerhard, College student

**Call to Order**

Mr. Cook called the meeting to order at 3:30 p.m.

**Changes to the Agenda**

Mr. Barber said there will be a report but no resolution for the Committee to consider at this meeting on the Medical Claims Audit. Information on invoices paid was distributed to the Committee.

**Approval of May 23, 2017 Minutes**

It was MOVED by Ms. Hersey, seconded by Mr. Shattuck, and unanimously adopted by voice vote by members present with Mr. Salton abstaining, to approve the minutes of May 23, 2017 as submitted. MINUTES APPROVED.

**Executive Director's Report**

CanaRx

Mr. Barber reported a letter has gone out to all subscribers making them aware of the program and ProAct has sent a letter to all subscribers who have a qualifying prescription. Next month a report should be available on how many people have enrolled.

DFS Communications

Mr. Barber reported the Department requested information on Consortium contracts, including services provided and contract dates. That information has been compiled and will be sent to the Department this week. Mr. Locey questioned whether there should be a contract for an engagement with Tompkins County as the Consortium is paying the County for a service. Mr. Barber will ask the Consortium's legal counsel for advisement on this.

Mrs. Shawley arrived at this time.

Other items the Consortium has responded to the Department of Financial Services (DFS) but has not received a response on relate to cybersecurity, changes to the Municipal Cooperative Agreement, and last year's audit.

Mr. Barber said he has been working with Mr. Snyder and Mr. Locey on a timeline for timely submission of the JURAT. He noted when the last JURAT was being prepared a communication from DFS was received during the final preparation that changed information that was to be included and this impacted the work that needed to be done. He said he would like a timeline approved by the Board that he can forward to the State that will provide notification that changes imposed by DFS during the process may impact the timeliness of the submission. Mr. Snyder commented that the recent action by the Board of Directors giving this

Committee authority to approve the external audit report and submit it to DFS should resolve the issue of meeting the DFS requirement that the audit report be submitted by April 30<sup>th</sup>.

#### Other Municipal Interest in Joining the Consortium

Mr. Barber reported at this time the only municipality that he is aware of requesting to become a participant is the Town of Newfield. The Town's municipal board is expected to take action this month. There has been other communications but nothing is definite at this time. Mr. Salton asked if there is interest in changing the Municipal Cooperative Agreement to allow non-contiguous municipalities to join. Mr. Barber said that could happen; however, the Governance Structure Committee is now meeting and should do its work before consideration is given to doing something different.

Mr. Shattuck said he has met with villages in Cayuga County several times and they have indicated they are close to having a consortium that others can consider joining. Mr. Barber said he believes the only way they could do this under current law would be to create an Article 47 and it is very unlikely that will happen in 2018 as it took this Consortium several years to start operating. Mr. Cook said a meeting has been established with Cortland County to discuss joining the Consortium.

Mr. Locey cautioned that the further the Consortium moves outside the region the more influences change in terms of how people buy medical care and how much it costs.

Mr. Barber provided copies of the latest issue of the Consortium Newsletter.

#### **Pharmaceutical Claims Audit Update**

Mr. Barber reported a contract with BMI has been signed and the terms are the same as those in the last contract. The only change is an extension of the final payment date to allow for more than ten days.

#### **Contracts**

Mr. Barber said this year the Committee will need to extend the ProAct and Actuary contracts. The other contract that needs to be addressed is the Excellus contract that ends on December 31<sup>st</sup> and if the Committee would like to issue a Request for Proposals that needs to happen very soon. Mr. Locey said if the Committee does not want to issue an RFP at this point a request should be made for a proposal that the Consortium can review. Mr. Barber clarified that the contract has been a multi-year agreement with annual renewals. Mrs. Shawley questioned if there are issues that are of concern and Mr. Locey said the one area where there have been concerns relates to membership. It was suggested that this be used as an opportunity to resolve outstanding issues and communicate the Consortium's expectations to Excellus. Mr. Locey suggested communicating with Excellus to request an online and real-time membership system and to move forward with an RFP next year if necessary. This item can be included on the next agenda for discussion of the terms and conditions the Consortium would like to have included in a contract. In the meantime Mr. Barber and Mr. Locey will request a proposal for 2018 from Excellus. Mr. Salton said he would like members to have a list of issues and concerns provided in advance of the next meeting.

#### **Consultant's Report**

Mr. Locey said a letter was sent in April to Highmark concerning the Consortium not wanting to pay such a high premium for Aggregate Stop Loss insurance which would never be

used. He has not heard back from Highmark but will be contacting them next week. Another request will also be made of the State to allow for a waiver without the conditions that were previously set for reserves in the Department's response.

Mr. Locey reported on the New York State Insurance Law amendment and said on May 24<sup>th</sup> he met with legislative leaders in Albany about the Community Rating Law. He explained in 1992 the Community Rating Law was created in New York State. It requires any employer with less than 50 employees that is purchasing health insurance to purchase a community-rated policy from a licensed insurance carrier and they would not be able to participate in an experience-rated consortium. When the Affordable Care Act was passed, it redefined what a small employer was to less than 100 employees and at that time a waiver was granted for municipal entities that were already in fully-insured consortiums of 50-100 employees that they wouldn't have to comply with the Community-rating law.

Mr. Locey said this was set to sunset at the end of next year and a one-year extension was granted with the understanding that a follow-up request would be made of legislative leaders asking for a permanent solution for all municipalities where they would be able to participate in a fully- or self-insured municipal cooperative benefit plan and forego the Community Rating Law. Two options offered were either a blanket exemption to participate in a municipal cooperative health benefit plan or giving the ability to the DFS the ability to issue waivers as long as it could be demonstrated that it was financially better and that the coverage was equal or better than what an entity could get in the community-rated environment.

Mr. Shattuck asked how this would help the Consortium. Mr. Locey said this would bring other models into play. If the Consortium could go to minimum-premium with Excellus and not have to work within Article 47 this could be a good thing in that it would alleviate some of the oversight obligations that cost the Consortium money and could also change reserve requirements.

### **Financial Update**

Mr. Locey reviewed budget information through May 31<sup>st</sup>. Revenue is up by approximately 2%, medical claims are 6% below budget, prescription drug claims are 9 ½% below budget, and other items are within the budgeted range. Overall, the Consortium has a net income of \$1.67 million when it had anticipated using a small amount of the Fund Balance. The ending Fund Balance is \$24.7 million and an Unencumbered Fund Balance of \$14.69 million. He noted that 93.4% of each dollar is going towards the payment of claims and only 6.6% is going to pay for all expenses. He summarized that the Consortium is in great shape from a financial perspective.

At the request of Mr. Shattuck, Mr. Locey will provide the Committee with a month by month fiscal year spreadsheet that he uses to identify anomalies.

Mr. Locey distributed a spreadsheet showing hospital, medical, surgical paid claims and claims related expenses to demonstrate the member cost per life, member cost per contract, plan cost per life, and plan cost per contract. The member paid amount includes any deductibles, co-insurance, copay amounts, and does not include things that are excluded or expenses above the allowed amount for out-of-network that members have to pay.

For 2016 the Plan (not broken down by individual plans) paid 96.3% of the cost of care for medical and members paid 3.7%. On the prescription drug side the plan paid 94.3% and members paid 5.7%. Collectively, the Plan paid 95.7% and members paid 94.3%. In 2016 the

average member paid \$317 for the cost of care and the plan paid slightly over \$7,000. On a per contract basis a family paid \$691 per contract for the cost of care and the plan paid \$15,348. In 2017 the results are similar to date. He said this demonstrates the high quality of care that is offered through the Consortium. With regard to how close this data compares to the actuarial value calculator Mr. Locey said the numbers run extremely close.

### **Medical Claims Audit**

Mr. Barber said there are four outstanding issues and Mr. Locey will be working with Excellus on through a Memorandum of Understanding that will be brought forward at the next meeting that relate to:

- Dental and when services are medically necessary;
- Footcare – orthotics and routine footcare;
- Chiropractic services; and
- Eye exams and vision riders

In response to Ms. Drake Mr. Locey said there is an approved PPO document and none of that language will change. There will be an MOU that will address areas that aren't clear, such as when things go from being routine to medically necessary.

### **2018 Preliminary Budget Information**

Mr. Locey distributed actual budget results from 2011-2016 and called attention to the projected Fund Balance being higher than last year and what was anticipated for this time. He reviewed the assumptions used when the preliminary budget was developed for the next five years:

- Premium Revenue increased by 5% in 2018, 6% in 2019, and 7% in 2019-2022;
- Interest Income – last 2 years average;
- Prescription drug rebates - \$1,000,000;
- Paid claims trend – 8.85% (medical – 7.5% and Rx – 9.5%);
- Administrative fees per agreement with BCBS then increased by 3% per Annum;
- NYS GME Increased by 5%;
- Specific Stop-Loss Insurance trended 20% each year;
- Aggregate Stop Loss Insurance increased by 5% each year;
- Surety Bond Fee/Loan Interest estimate at 3% of principle balance;
- All other fees increased by 3%; and
- Beginning balance and ending balance includes advance deposit held Excellus BCBS as a pre-payment of claims (\$527,500 as of 8-31-2015)

Mr. Cook said Board members will likely be faced with having a Tax Cap they are also addressing and it will be important to provide them with as much information as possible. Mr. Locey said he will provide Directors with a detailed memorandum showing the rationale for the numbers and will also provide state and national trend information to help them understand what everyone else is dealing with in terms of health insurance.

### **Next Agenda Items**

The following items will be included on the next agenda:  
Contracts – Actuary, Consultant, and Prescription Drug Manager'  
Discussion of Excellus contract;

Month-to-Month fiscal year comparison of claims; and  
BMI Medical Claims audit

**Invoices**

There were no questions concerning invoices that have been paid.

**Adjournment**

The meeting adjourned at 4:41 p.m.





## Greater Tompkins County Municipal Health Insurance Consortium

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*“Individually and collectively we invest in realizing high quality, affordable, dependable health insurance.”*

### **RESOLUTION NO. - 2017 – AUTHORIZING CONTRACT FOR ACTUARIAL SERVICES - ARMORY ASSOCIATES – 2017 AND 2018**

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

RESOLVED, on recommendation of the Audit and Finance Committee, That a contract be extended for the years 2017 and 2018.

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