

**Minutes – Approved  
Audit and Finance Committee  
January 22, 2015  
1:30 p.m.  
Legislature Chambers**

Present: Steve Thayer, Mack Cook, Glenn Morey, Laura Shawley, C. Rankin

Excused: Peter Salton

Absent: S. Weatherby

Guests: Steve Locey, Locey & Cahill; Don Barber, Executive Director; Rick Snyder, Consortium Treasurer; Jerry Mickelson, Mimi Theusen, Ciaschi, Dietershagen, Little and Mickelson

**Call to Order**

Mr. Thayer called the meeting to order at 1:33 p.m.

**Approval of Minutes of December 18, 2014**

It was MOVED by Mr. Morey, seconded by Mr. Thayer, and unanimously adopted by voice vote by members present, to approve the minutes of the December 18, 2014 minutes as submitted. MINUTES APPROVED.

**Executive Director's Report**

Mr. Barber said in October the Department of Financial Services was sent the Consortium's amended Municipal Cooperative Agreement and they did not comment on the amendments that were made but did suggest areas they would like to see changed. There will be discussion at this evening's Board meeting about establishing a subcommittee to review changes to the document.

Mr. Barber provided an update on the medical claims audit and stated BMI is continuing to work on the audit. Last month they were given approval to perform the claims review remotely and that activity will begin the week of February 9<sup>th</sup> and he expects to hear a draft response from them by the March meeting. The Owing Your Own Health Committee met yesterday; the Committee will be evaluating and planning the flu clinics for 2015 and bringing forward a proposal in the Spring. They will also be working on a proposal to perform biometric health screenings for volunteers who are interested. They will be talking about the rollout and cost over the next couple of months that will be followed by a funding request being presented at a later date to this Committee.

The Joint Committee on Plan Structure and Design was introduced to the Bronze Plan at its December and January meetings. He doesn't see any reason for that proposal not coming forward to this Committee and to the full Board for approval. Mr. Barber said the Orientation Manual has been completed and will be distributed this evening to the Board of Directors. It will also be delivered to municipal boards and any interested bargaining units over the next six months. He also reported that with staff being out on medical leave in Mr. Snyder's office, the Bonadio Group has signed a contract for 2015 and will be doing the 2014 year-end financial filing.

**RESOLUTION NO.                    - AMENDMENT TO RESOLUTION NO. 018-2014 - AMENDING  
RECERTIFICATION PROCESS TIMELINE**

Mr. Barber said the final date of May 1, 2015 is not changed by this resolution. He said to date there have been six municipalities that have completed the Recertification process and

have asked if this Committee or the Board would like anything official from them. The other municipalities that are not involved in the collective bargaining process are three-quarters of the way through the process as is the City of Cortland for its employees that are not in a collective bargaining group. He said May 1<sup>st</sup> is the date the benefit clerks would certify to Excellus which dependents have not been .

Mr. Barber clarified that ineligible dependents have never been allowed to be covered; therefore, a benefit is not being taken away. The Consortium is doing what the State Department of Financial of Services asked for it to do which is to verify that it is operating in accordance with its contracts and benefits plans. He said the questions that have been asked by bargaining units such as costs to members and protection and privacy of members' information are valid and need to be answered and he hopes the amended timeline will provide adequate time to get those answers. He noted that from the six municipalities that have completed the process there have been several people identified as ineligible they and have been removed from the program.

Mr. Locey recommended benefit clerks provide a summary report containing information such as how many contracts there are, how many were verified, how many were removed before the amnesty period, how many were removed after, and if were there appeals. There was consensus that this information would be useful; Mr. Barber will follow-up on gathering this data.

It was MOVED by Mr. Thayer, seconded by Mr. Morey. A voice vote resulted as follows: Ayes – 4, Noes – 0, Abstentions – 1 (Cook), Excused – 1 (Salton), Absent – 1 (Weatherby).

RESOLVED, further, That the verification process will begin on November 1, 2014 with an amnesty period until February 28, 2015 **for those participants without the additional collective bargaining step** for the removal of any ineligible spouse and/or dependents without penalty and therefore eligible for COBRA,

**RESOLVED, further, That for those participants and contracts with the additional collective bargaining step, the amnesty period for those contracts covered by the impact bargaining process, the amnesty period will continue until two (2) months after the collective bargaining process on dependent certification has been ratified, and**

RESOLVED, further That any ineligible covered lives discovered after February 28, 2015, **or two months after impact bargaining ratification for those affected contracts** may be subject to reimbursement of premium paid by the employer since the change in status or January 1, 2011 whichever is later and the ineligible person will not be eligible for COBRA.

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**RESOLUTION NO. 002-2015 - RECOMMENDATION OF TEMPLATE LANGUAGE FOR MUNICIPALITIES JOINING THE CONSORTIUM**

Mr. Barber said whenever a municipality wishes to express interest in joining the Consortium there are required actions that are outlined in the Municipal Cooperative Agreement (MCA). This resolution provides specific template language for the municipality to adopt that is from the MCA so that the interested municipality's board knows that what is required by their membership. It was suggested that municipalities joining the Consortium be provided with a checklist of steps that must be taken by a municipality joining. It was also stated that there

needs to be a conversation about process and about crediting of deductibles, particularly when a municipality joins mid-year. Mr. Locey said the Blues need to be aware the Consortium wants the crediting of deductibles.

It was MOVED by Mrs. Shawley, seconded by Mr. Cook, and unanimously adopted by voice vote by members present.

RESOLVED, on recommendation of the Audit and Finance Committee, That the Board of Directors recommends the following template language be included in resolutions adopted by municipalities joining the Consortium:

“RESOLVED, That the municipality's Board hereby directs the Mayor/Supervisor to sign the Greater Tompkins County Municipal Health Insurance Consortium (GTCMHIC) Municipal Cooperative Agreement (MCA), submit copies of financial information required by the GTCMHIC (up to two years of State Comptroller AUD reports), supply contract population data of all employees/retirees eligible to be covered by the Consortium and benefit plan for each, and comply with the dependent verification requirements of the GTCMHIC,

RESOLVED, further, That the municipality's Board hereby directs the Supervisor/Mayor to inquire if a Surplus Reserve payment is required before coverage can begin and if so forward a voucher to this Board for that amount and the terms of the Surplus Reserve Funds return.”

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### **Pre-Audit Planning Discussion and Engagement Letter**

Mr. Mickelson distributed copies of the engagement letter for CDLM's audit of the Consortium's financial statements for activities for the year ending December 31, 2014. He said the primary focus is to make sure there are no material misstatements in the Consortium's financial statements and the Consortium was in compliance with all laws and regulations. They will do confirmation of all payments that were received from participating parties, conduct testing, and relying on actuarial statements and documents from Mr. Locey's office. He said claims liability is the significant estimate at the end of the audit to determine the actual performance for the plan for the year. They will also address concerns with the New York State Department of Financial Services and will provide clarity on what the Department would like to see. An audit process overview was distributed and Ms. Theusen and she reviewed the contents of the document, stating they will try to focus what they consider to be the risky areas. Not only will they send out confirmation to parties as far as the revenue streams but will also take a detailed look at the Consortium's policies and procedures to see that they are being followed, conduct walk-thrus of the cash disbursement cycle, conduct inquiries of management, and will also compare the JURAT report to what they find. At the end of the process they will present a draft report to the Committee and Board and will document management's response to any audit findings.

Mr. Barber said during the audit with the Department of Financial Services Mr. Mickelson was in attendance quite often and provided a very clear third-party opinion that was very helpful to the Consortium; Mr. Mickelson went above and beyond was necessary and it was appreciated.

### **Review of Municipal Cooperative Agreement**

Mr. Cook said one thing that that come to light as the Consortium grows and requests are made from regulatory units is that there may be a conflict with the MCA that restricts the Consortium's ability to function. Section A.3 of the MCA requires that participants bring their entire group into the Consortium unless there is a decision by the Board to allow a member to exclude a group. He said groups that are operating within a municipality may not share the same goals or philosophies and may not appreciate the importance of the Consortium or share the core values of the Consortium. He said when that arises the Consortium and municipalities are restricted in what they can do about it because of the Expulsion provisions in the MCA. In that provision the removal of a municipal government states it must be of the entire member and all employees thereunder. He said this could present a situation where in a particular municipality the majority of employee groups are in sync with the philosophies and core values of the Consortium but there may be another group that is not. By only being able to remove the municipality as a whole it sets up an inherent unfairness. He believes the group that shares the Consortium values is being punished with financial hardship when it is necessary to purchase health insurance outside the Consortium. Mr. Cook asked if there should be discussion of the removal of a group or a subgroup of a municipality to allow for flexibility to be fair moving forward.

Mr. Locey said the reason this was originally put in the MCA was to prevent adverse risk selection in the industry. He said there needs to be a lot of people across a broad demographic to make it effective and one specific demographic can be very good or very bad. The initial language attempted to make sure that when people came into the Consortium that the Consortium wasn't being selected against. He said it is not a requirement but the language does not state that a municipality will be expelled if all groups are not in the Consortium. Mr. Cook said perhaps the Expulsion provision is what needs to be addressed

Mr. Cook said the Consortium works in a complex environment with multiple bargaining groups who share different viewpoints and even in the labor world there are times when different labor groups don't agree. Because the Consortium is not a party to the contractual liability through the bargaining units a municipality would have to carve out that group and work to provide the required coverage outside the Consortium.

Following discussion, Ms. Drake questioned if the Consortium were an insurance company like Excellus for example, if same situation would be occurring with the recertification process. It was noted that there is a precedent for allowing a municipality in without a bargaining group but there is no way to expel a group without removing the entire municipality. Mr. Locey mentioned there is a provision that allows a risk assessment to be charged if a municipality isn't doing something other members are doing.

It was agreed this could be added as a topic for discussion when the Municipal Cooperative Agreement is reviewed in the Spring.

### **Financial Update**

Mr. Locey electronically distributed a financial report prior to the meeting. In terms of budget versus actual the Consortium is 3.35% below budget on income year-to-date and 2% below budget for both medical and prescription drug claims. He said \$4.7 million had been budgeted for net income for the year and the Consortium finished the year with a little over \$4.3

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million. He pointed out the annual expense versus budgeted drug and medical claims and said in aggregate it has been 1.3% for the four years below budget.

Mr. Locey said that at this point things look good in terms of financial result. They are receiving final financial information in for the year and will be getting out additional information in the next few days. He said for both 2012 and 2013 the aid claims and incurred claims are within less than one percent. He said they are showing a 7% rate for the IBNR; therefore, he thinks there is no reason to move from the 12% level.

Mr. Locey will provide Affordable Care Act accrual information for the Patient Centered Outcomes Research Institute fee to Ms. Theusen.

### **Next Meeting Agenda Items**

The February 24, 2015 was canceled. The next meeting will be March 24<sup>th</sup> at 3 p.m.

At the next meeting the Committee will discuss the Municipal Cooperative Agreement and a draft new member checklist.

### **Adjournment**

The meeting adjourned at 2:50 p.m.

Respectfully submitted by Michelle Pottorff, Administrative Clerk