Minutes - Approved
Audit and Finance Committee
May 26, 2015
3 p.m.
Old Jail Conference Room

Present: Steve Thayer, Kathy Miller, Mack Cook, Chuck Rankin
Excused: Peter Salton, Laura Shawley
Absent: S. Weatherby
Guests: Don Barber, Steve Locey, Rick Snyder, Ed McDermott, Carolyn Guard, BMI (via conference phone; Judy Drake (arrived at 4:07 p.m.)

Call to Order

Mr. Thayer called the meeting to order at 3:05 p.m.

Approval of Minutes of April 28, 2015

It was MOVED by Mr. Cook, seconded by Mr. Rankin. Mr. Cook commented at the last meeting there were comments made on the payment status of the TC3. Mr. Snyder said his staff is still working with staff at the College and although it is still outstanding he expects the matter to resolved soon. The minutes of the April 28, 2015 meeting were unanimously adopted by voice vote by members present as corrected. MINUTES APPROVED.

Executive Director's Report

Mr. Barber reported the Municipal Cooperative Agreement will be coming to the Board at this week's meeting. He highlighted the five primary areas that are proposed as changes:

- The definition of the potential area for the Consortium to accept members will now specify that it include municipalities with the six counties that are adjacent to Tompkins County;
- Allow for Skype-type participation by members at meetings;
- Creates the Secretary position as required by the Department of Financial Services;
- The Dispute section will include Directors and Committee members in addition to participants; and
- Removal of the clause that said every municipal resolution accepting the agreement shall be attached to the agreement.

Mr. Barber reported the Owning Your Own Health Committee will be bringing forward a resolution requesting funding to assist the Committee in development a mission and vision statement and branding for a wellness program. The Bronze Plan will also be brought forward to the Board for approval. Interest in joining the Consortium has been expressed by the Town of Virgil and the City of Elmira. Niagara County has been working towards forming a Consortium of its own but has been having difficulty getting all parties to work together.

Mr. Barber reported the County is not able to be the Consortium's Ethics review board; therefore, the Consortium will need to develop a process for this. The Executive Committee has asked that the Ethics Policy be reviewed to be more objective and measurable. Lastly, he said the Board needs to formally accept the audit performed by CDLM and a resolution will need to be added to the agenda at this week's meeting. He announced the retreat is scheduled for June 12th at 9 a.m.

RESOLUTION NO. - AMENDMENT TO RESOLUTION NO. 018-2014, RESOLUTION NO. 001-2015, AND RESOLUTION NO. 004-2015 – AMENDING RECERTIFICATION PROCESS TIMELINE
(Changes to Resolution No. 1 of 2015 are in bold)

MOVED by Mr. Rankin, seconded by Mr. Cook.

Mr. Barber explained that with one exception labor and management have come to an agreement on process. The resolution changes the end date for the process from May 1st to November 1st with the appeals process to run through the end of the year.

Mr. Thayer said the City of Ithaca has been working hard with the two units there were issues with. He believes the City is close to an agreement with the police and believes the fire units will follow. Ms. Miller asked how often the recertification process would take place. Mr. Barber said it will be up to the Board but believes every five years would be appropriate. Once the initial recertification process is complete the years following will be much easier. Mr. Locey said the Affordable Care Act requires reports submitted by employers larger than 100 to include the social security number for every person covered under the health insurance plan. Mr. Cook asked that this be communicated to all bargaining units. Mr. Locey will provide a write-up and copy of the IRS forms. He will be sharing a report with the Committee that reviews the employer shared responsibility requirements and reporting.

The resolution was approved unanimously by voice vote by members present.

RESOLVED, on recommendation of the Finance and Audit Committee, the Board of Directors hereby approves the 2014/2015 Recertification Plan including forms and guidelines for verification of spouse and/or dependent status for all contracts, active and retired, of the Consortium,

RESOLVED, further, That the municipal partners will be instructed and expected to execute the same verification process for consistency of results and will report such results to the Consortium,

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,

RESOLVED, further, That any dependent of an employee or retiree for which no verification information has been submitted will be terminated on **November** 1, 2015 and the

member will be invoiced for that coverage since January 1, 2011 and the employee/retiree and their spouse and/or dependents will not be eligible for COBRA,

RESOLVED, further, That the Recertification Plan provides an appeals process from May 1 through **December 31**, 2015 that will be administered by the Appeals Committee."

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Introduction of Gold and Silver Plans

Mr. Locey said a summary of the plans was included in the agenda packet; the only change to that document is in the Silver Plan the deductible is higher and is $1,300 for an individual and $2,600 for a family and the out-of-pocket maximums changed slightly. The reason for the change was after meeting with municipalities that were looking to join last year who had silver plans it was discovered that all Silver plans that existed had health savings accounts attached to them. In order to have a health savings account attached there needs to be a certain level of deductible and a minimum out-of-pocket maximum to qualify as a high deductible health plan. Mr. Locey reviewed the plans and stated they have been presented to the Joint Committee on Plan Structure and Design. He said there have been municipalities that have expressed interest in joining the Consortium but there weren't compatible plans in place so it will be good for the Consortium to adopt all of the metal plans.

Financial Update

Mr. Locey distributed a financial update through April 30, 2015. He said revenue is within .44% of budget. Rebates on prescription drugs are higher than expected, premiums are slightly lower than expected (likely due to plan design changes and census changes). The one area that is significantly lower is in the medical claims area. As of April there was $8.3 million budgeted and there have been claims in the amount of $6.6 million which is 21% below budget. Prescription drug claims were budgeted for $2.665 million and they are currently at $2.663 million. Net income was budgeted for $.5 million to this point and to date the Consortium is at $2.9 million.

First Quarter JURAT

Mr. Snyder provided a brief update on the first quarter financial filing. Highlights included the following through March: Total assets were $17.2 million compared to $15.4 in 2014; total liabilities were $12.512 million compared to $10.9 million last year (14.8% increase); total revenue was $9.424 million compared to $9.203 million last year. He called attention to the increase in expenses from $4,341,451 to $7,779,990 last year and said there was a lag in billing at this time last year from Excellus that did not catch up until the second quarter. There was $1.6 million in net income compared to $4.8 million last year which was also because of not paying any premiums in those months.

Medical Claims Audit Report

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Mr. McDermott distributed a summary of the medical claims audit report and a project worksheet. He commented on the process and said in the course of staging the audit BMI read the summary plan descriptions, took an eligibility file and customized their technology to analyze claims. They customized that environment not only for the eligibility of the dates of coverage and termination of employees, but for all of the exclusions, limitations, and parameters for the specific plan options. Once that was customized they brought in 100% of claims and evaluated

all of the claims against those criteria as well as the generally accepted rules of claims payment accuracy.

The auditors manually sifted through all of the potential errors to put aside the errors that were false positives. The auditors then reconstructed the episodes of care to make sure that when selections were made of claims that they were the most productive and effective for them to review on-site. The selection process was to compose an audit sample that is sent back to the Administrator and claim files were reviewed for elements that couldn't be included in a medical file such as doctor notes, operative notes, and prior authorizations to make sure that they were there and that the claims payer made a good decision based on the information they had available to them and that they had all of the information they needed to pay the claim. As a result of that they found that some of the potential errors were paid correctly and some were paid incorrectly. Those they believe were paid incorrectly were turned back over to Excellus on an electronic spreadsheet to indicate if they were in agreement and to tell why they paid the claim the way they did. Excellus required an opportunity to review the draft report before it was released. This provided them an opportunity to bring forward all of the information so the post audit conversations can be as productive as possible. After that the draft review the report was released. Mr. McDermott noted BMI uses a term "related claims" which are additional claims for the same claimant for the same episode of care.

Ms. Guard reviewed the summary of findings contained in the audit and explained all of the issues that were identified in the project management spreadsheet. Information contained on the spreadsheet included total financial liability incurred by the plan based on the error in processing. She noted there was a high instance of claims where members are going to the emergency room and urgent care for dental-related services.

Ms. Guard spoke of an issue relating to the coordination of benefits and said Excellus had indicated in its audit response they would review a member's claims that should have been coordinated with Medicare but to date no response has been received. She said this raises a question of whether it was a processing error and that one claim slipped through or whether it is a systemic issue and questioned how they investigate for coordination of benefits.

She reviewed an issue that arose relating to diagnostic scans and Mr. Locey responded that all of the contracts are dictated by collective bargaining agreements. When the Consortium was formed everyone had fully insured coverage through the Blues and that coverage had to be mirrored with the Consortium when it was formed. He said they need to go back and confirm that was the way it was prior and the plan document will be amended going forward. Ms. Guard said BMI identified claims in which there was a large amount paid. They provided the precertification and although they provided a specific date range she questioned whether case management was performed throughout those dates to ensure that the level of care was supported and/or the medical necessity or length of stay was supported. Mr. Locey will follow-up on this with Excellus.

Ms. Drake arrived at this time.

Ms. Drake asked about the plan design analysis. Ms. Guard said she looks at the summary plan language and identifies areas where there are limits and exclusions. The plan design analysis offers potential savings to the Consortium by making a few modest changes to the current plan language. It was noted that changes have to be negotiated with labor. Mr. Locey said there needs to be a review of the suggestions contained in the report that pertain to plan design analysis to identify which things are achievable and realistic.

Mr. Barber will send the report to the New York State Department of Financial Services. He and Mr. Locey will work with Excellus to develop an action plan for resolving issues that were identified within the report and will provide the Committee with an update on the progress. Mr. McDermott and Ms. Guard extended an offer from BMI to assist if needed.

Resolution No. – Acceptance of Medical Claims Audit Report

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

WHEREAS, the New York State Department of Financial Services, during its most recent audit recommended that the Consortium conduct periodic medical claims audits, and

WHEREAS, by Resolution No. 004 of 2014 the Board of Directors charged the Audit Committee with making a recommendation to select a qualified professional firm to perform a medical claims audit as part of their fiduciary responsibility to conduct periodic medical claims audits to ensure the medical claims are paid by Excellus are in accordance with the benefit plan documents, Federal and State Laws, Rules, and Regulations, and industry standard practices, and

WHEREAS, after a review of responses to a Request for Proposals the Audit Committee engaged the firm of BMI to perform an audit of the Consortium's medical claims, and

WHEREAS, BMI has completed the medical claims audit and presented the final report to the Audit and Finance Committee, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee, That the Board of Directors accepts the final audit report presented by BMI on 2014 Medical Claims.

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Process to Establish Fund Balance Targets

Mr. Barber said there was a previous discussion of what the appropriate fund balance target should be. He will ask Mr. Locey to update his January 17, 2014 memorandum to prepare the Committee for discussion at the next meeting. It was suggested that the Consortium look at standards that exist elsewhere, including Excellus.

Next Agenda Items

The following items were suggested for inclusion on the next agenda:

Discussion of process to establish Fund Balance target;
Preliminary discussion of 2016 budget;
Update on BMI Audit recommendations;
Define process for determining actuarial value;
Prescription drug auditing process;

Adjournment

The meeting adjourned at 4:37 p.m.

Respectfully submitted by Michelle Pottorff, Administrative Clerk