

**Minutes - Approved
Audit and Finance Committee
October 27, 2015
2:30 p.m.
Old Jail Conference Room**

Present: Steve Thayer, Kathy Miller (arrived at 3:10 p.m.), Mack Cook, Phil Vanwormer, Laura Shawley
Excused: Chuck Rankin
Absent: Peter Salton
Guests: Rick Snyder, Steve Locey, Judy Drake, Don Barber

Call to Order

Mr. Thayer called the meeting to order at 2:35 p.m.

Approval of Minutes of September 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 September 22, 2015 as corrected. MINUTES APPROVED.

Executive Director's Report

Ms. Miller arrived at this time.

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

MOVED by Ms. Shawley, seconded by Mr. Cook, and unanimously adopted by voice vote by members present. Mr. Barber said the Town will be bringing four families into the Platinum Plan.

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

WHEREAS, the Town of Virgil 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 are being reviewed¹ by the Consortium's Treasurer, Chief Financial Officer and/or the Consortium's Auditor, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee, That the Greater Tompkins County Municipal Health Insurance Consortium, accepts and welcomes the Town of Truxton as the 19th municipal participant, with health insurance coverage beginning January 1,

¹ Language added by Audit and Finance Committee will be removed when presented to the Board of Directors as the financial review will be complete at that time.

2016, pending a successful review and verification of the financial records of the Town of Truxton by the CFO and Treasurer,

RESOLVED, further, That the Board of Directors waives the requirement of payment of 5% of premium to the Surplus Reserve Account,

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.

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Mr. Barber said he has been advising municipalities that 60 days notice is needed from for groups wishing to join the Consortium and asked for guidance from the Committee on a timeline to give the Town of Homer in terms of joining the Consortium by January 1st. He was advised that the Committee and Board could take action at the November meetings but the Town should be informed there may be a delay in receiving identification cards.

Meeting with Large Employers on Metal Level Plans

Mr. Barber said Mr. Locey has noted that other consortiums are adopting guidelines for using metal level plans because the actuarial value changes premiums and the possibility of people moving between plans creates some issues with trying to keep track of things such as deductibles. A meeting will be held on October 30th with large employers to frame the issue so employers can be aware there are impacts to employees, employers, and the Consortium. Based on this, information will be brought forward to the Committee and Board. Mr. Locey said he would like to hear from the larger employers what the long-term goal is. If they would like to eventually wean employee off the older plans continuing to allow people to move back and forth from plans will prevent that from happening.

Ms. Drake said she has concerns but is unable to attend the meeting; Mr. Locey offered to share her concerns at the meeting.

Code of Ethics

Mr. Barber reported the Broker, Haylor, Freyer, and Coon, will be present at the November 19th Board meeting to provide an overview of what the Directors and Officers policy covers and will be able to answer questions relating to Code of Ethics issues that have been raised.

Recertification Process Update

Mr. Barber reported employers are close to finishing the process of gathering information. At this time there are approximately 310 contracts evaluated that have dependents and 12 cases where someone was removed (4%). He hopes to have a report for the Committee and the Board at the November meetings on the financial impact of this process.

Aggregate Stop Loss Waiver

Mr. Barber reported the Department of Financial Services has been reviewing the spreadsheet and has been asking specific questions such as why the Consortium's net income

is dropping each year. He said this was a good opportunity to explain the Consortium's strategies and desire to have a fund balance that is protective of the Consortium. Information will be sent back to the Department and he hopes to have a report by the next Board meeting.

Mrs. Shawley asked why the Town of Newfield would not be joining. Mr. Barber explained that the issue was bringing the employees on board. Mr. Locey explained that most of the small employers have the Silver or Bronze metal plans. The Blues have approximately 15 different styles of each of these plans and the Consortium has only one of each; therefore, there are some differences. He said it can be difficult for groups to understand that on an overall basis the benefit is the same. Another issue is when they buy coverage on the open market they are getting a rating system that has individual, individual employee plus one, and family coverage and the Consortium has only individual or family coverage. If the savings is 3% in aggregate in terms of the overall premium being charged, when the adjustment is made on the rates internally someone will ultimately not be happy.

Mr. Locey spoke of the amount of time he and Mr. Barber have taken to meet with the interested municipalities and prepare information. It was suggested that meetings could be set up in areas where multiple municipalities could attend.

Financial Update

Mr. Locey said he believes the only issue remaining on the Stop Loss waiver request is information being submitted to the State and said he believes the questions relate to the Catastrophic Claims Reserve and the Rate Stabilization Reserve information and thinks this will be resolved soon. He agreed with Mr. Barber's explanation with regard to decreasing net income and said the Board will be vigilant in overseeing this and making prudent decisions when setting the budget. This will be looked at annually with the understanding that the Consortium's goal is to maintain an unencumbered balance that is at least 18% of premium revenue.

Mr. Locey distributed an updated financial report and said medical claims continue to be very low. He communicates with Excellus on a regular basis and said he asked that they go back to Provider Relations to double-check there was not something missing or a system issue that would result in an adjustment to the results later and was assured there is nothing outstanding that could account for the claims being 19% (\$3.7 million) below budget. On the drug side, claims are slightly above budget (3%); however, he noted last month was a five-payment month and may have skewed those numbers. In aggregate, the Consortium is 14% below budget on claims and on revenue the Consortium is very close to budget (.23% over budget). Instead of having a net income of \$2 million there is a net income of well over \$5 million. Again, he said he is very comfortable with the rate increase of 3% that was approved by the Board of Directors.

Mr. Locey reviewed the various graphs and charts he prepared and noted prescription drug rebates are slightly up and the Consortium is paying \$.93 of each dollar for claims, which shows the Consortium is a very efficient operation.

He reviewed the cumulative monthly budget versus actual from January, 2011 to September 30, 2015 and said the cumulative variance has been 3.7% below budget historically. This is what has allowed the Consortium to keep the rate increase lower than what the trend in claims has been.

Update on Medical Claims Audit

Mr. Locey reported on conversations he has had with BMI and said there have been some communication issues. He distributed a spreadsheet showing the items identified during the BMI audit and explained there were some items that were plan document issues that are still in the process of being corrected. He explained highlighted areas of the spreadsheet that identified items that Excellus agreed to correct but he hasn't receive final information on whether those have been resolved.

The next area of items highlighted showed items where there are outstanding questions on. He explained how claims are adjudicated and said there are standard practices that all administrators use; however, there are cases where insurance companies have their own internal processes which may differ from the normal practice across the board. There are instances where an insurance company may not put a particular code on a file because it may cost them more money to review and investigate the claim rather than if they did pay something erroneously by paying a bad claim. This is done in some cases as a business decision which may not be a proper decision from a claims adjudication perspective but they are doing it for other reasons. This is some of the things they are noticing in what BMI is reporting as a potential recovery and what Excellus is saying was properly paid based on their adjudication process.

Mr. Locey distributed a document from Excellus in response to the audit that included agreed-to findings and which they blamed the errors on either a human error or s problem with the old software system. With regard to disputed claims situations where Excellus paid the claim according to their medical policy criteria and the way they have always done things; BMI has identified some of these things as not being medically necessary and these are the kinds of things that need further discussion. He will continue to have conversations with Excellus and BMI and Mr. Barber has agreed to assist in the effort to remove items from the list. There is a possibility that if there are items that cannot be resolved this Committee may need to meet with Excellus and BMI to allow each to present their case so the Committee can make a recommendation on how to resolve those items.

Prescription Drug Claims Audit

Mr. Locey reported he had a conversation with BMI about the rebate portion of the audit and said they will be auditing five drugs for rebates to make sure the Consortium received back all money it should have from ProAct. He said ProAct does not negotiate its own rebate deals; the use a third party, Optum, and BMI has stated they cannot audit Optum in terms of their direct contract with the drug manufacturer. All they can audit is whatever Optum is paying ProAct that ProAct is ultimately paying to the Consortium. He said BMI has experience auditing Optum and they said they are very good and will include that statement of this in their audit. BMI will be checking to see if ProAct is auditing Optum and if so Mr. Locey asked that there be a statement concerning the outcome of that audit to show they are performing within the terms of their contract.

Hancock Estabrook Invoice

The Committee reviewed an invoice dated October 14, 2015 and no objection was raised to processing payment. Mr. Locey said much of the work performed during the period related to the Excellus cyberattack. One of the suggestions by John Powers was that the Consortium be provided a list of everyone Excellus contacted as a result of information being

compromised. He said Excellus has provided this in addition to all of the information that was sent to members.

November Meeting

Due to the next meeting being scheduled after the Board of Directors meeting members agreed to cancel the November 24 meeting. The Committee will meet immediately prior to the Board meeting if necessary.

Next Agenda

Items for the next agenda include an update on the medical and prescription drug claims audits, recertification process update, resolution to accept new members, report on the Aggregate Stop Loss waiver request, and an update on the Code of Ethics.

Contracts

Mr. Barber said there are various contracts that need to be renewed and the Committee provided the following direction:

- Audit Services – Members were pleased with the service provide and recommended the Consortium continue with CDLM in 2016;
- Financial Reporting – Mr. Snyder recommended the assistance provided by the Bonadio Group in preparing with financial statements continue in 2016;
- Actuary – Mr. Mack suggested moving towards having one firm do all of the municipal actuarial statements. Mr. Barber was asked to develop a request for proposals for this service.

Mr. Snyder said he has received a series of e-mails forwarded to him concerning reporting requirements for the Affordable Care Act. He said the e-mails were from the Public Library and TC3 and contained questions and requests for training. Mr. Barber will send information on the Affordable Care Act reporting requirements. Mr. Locey said Mr. Snyder could direct anyone with questions to contact him; he also offered to hold an informational meeting.

Adjournment

The meeting adjourned at 3:50 p.m.

Respectfully submitted by Michelle Pottorff, Administrative Clerk