

**Minutes - Approved  
Audit and Finance Committee  
February 23, 2016  
2:30 p.m.  
Old Jail Conference Room**

Present: Steve Thayer, Chuck Rankin, Laura Shawley  
Absent: Peter Salton, Phil Vanwormer, Mack Cook  
Guests: Rick Snyder, Steve Locey, Don Barber, Lisa Christian

**Call to Order**

Mr. Thayer called the meeting to order at 2:34 p.m. Mr. Snyder commented that he no longer has a conflict with a meeting on this date and could meet later if it would be more convenient to members. The Committee will be polled on this to see if a later start time would be more accommodating to members.

**Approval of Minutes of January 26, 2016**

It was MOVED by Mr. Rankin, seconded by Mr. Thayer, and unanimously adopted by voice vote by members present, to approve the minutes of January 26, 2016 as submitted. MINUTES APPROVED.

**Executive Director's Report**

Mr. Barber reported he has been working on the newsletter and the first one should be ready for distribution during the first week in March. He asked members to share comments and provide him with feedback. He reported two new director orientation sessions were held and were attended by eight new directors. The next educational retreat date has been scheduled for May 10<sup>th</sup> at 9 a.m.

At the last Board meeting he raised the subject of the aggregate stop loss waiver that was requested from the State. He said the Department has not responded to the Consortium's response concerning the conditions surrounding the approval not making sense. He will be reaching out to Dan Sheridan at the Department and will report back at the next meeting.

He provided a revised draft resolution concerning the Code of Ethics. He spoke of previous discussion the Consortium had with Haylor, Freyer, and Coon and the question that was raised as to whether labor directors are covered by the Consortium's Directors and Officers Policy and said he was informed they are covered.

Mr. Barber reported a meeting was held with Tompkins Cortland Community College representatives to discuss billing and other issues and provided a brief overview of concerns that were raised. TC3, the third largest employer in the Consortium, is looking to have a voice within the Consortium. There was discussion of Article 47 not allowing them to have a Director's role on the Board. However, he said through the Municipal Cooperative Agreement the Consortium may be able to provide that. Mr. Snyder thanked Mr. Barber for facilitating the meeting and said it was very helpful and he felt progress had been made.

Mr. Barber reported there was also discussion at the meeting of the County and the TC3 having issues with completing the dependent recertification and some suggestions were made to resolve those issues. He will continue to check-in with those municipalities to see the process is progressing. Ms. Drake, Chair of the Board, was also in attendance and said she would like the process to be complete by the end of March. He said he has not heard back

from the City of Ithaca; Mr. Thayer said he will follow-up with Schelley Michell Nunn and ask that she send Mr. Barber an update.

The other issues that were raised at the meeting was census data coming from Excellus and the tremendous amount of work it is requiring of benefit clerks. Mr. Barber said he and Mr. Locey met with Beth Miller of Excellus and told her the problem needs to be resolved and accurate census data has to be provided to the benefit clerks. Ms. Miller is working on it and said Excellus recognizes that this is an issue. He will continue to follow-up on this until a resolution is found. There was also discussion of the Blue4U benefit that is attached to metal level plans and a decision was made to stop the roll-out in Tompkins County, primarily because at the present time there is no location in Tompkins County for a blood draw. Excellus has reached out to Cayuga Medical Center to try to rectify the situation. The program has continued to roll-out in Cortland County.

**RESOLUTION NO.            2015 - AMENDMENT TO GREATER TOMPKINS COUNTY  
MUNICIPAL HEALTH INSURANCE CONSORTIUM CODE  
OF ETHICS POLICY AND DESIGNATING COMMUNITY  
DISPUTE RESOLUTION CENTER AS NEUTRAL THIRD  
PARTY**

MOVED by Mr. Thayer, seconded by Mrs. Shawley.

Mr. Barber noted that Mack Cook, member of the Board of Directors who has gone through this, is comfortable with the proposed resolution. He also said this allows the mediation process to take place.

The resolution was unanimously approved by members present.

WHEREAS, Section 15 of the GTCMHIC Board of Directors Resolution 001-2014 regarding adoption of Code of Ethics reads as follows:

*“Reporting of Ethics Violations. When becoming aware of a possible violation of the Consortium’s Code of Ethics, employees, Board of Directors, employees of members, and the public may report the matter to the Consortium Attorney-in-fact, John Powers, Esq.. In reporting the matter, members may choose to go on record as the complainant or report the matter on a confidential basis.”*

WHEREAS, the Code of Ethics Policy is silent on the process for resolving if any violation has occurred and the possible remedy, and

WHEREAS, the Consortium’s Attorney-In-Fact has opined that the process for resolving a Code of Ethic’s violation necessarily falls within ambit of the alternative dispute resolution process codified at Article V of the Municipal Cooperative Agreement (MCA), and

WHEREAS the 2015 Amended Municipal Cooperative Agreement amended the original Article V to add “Board Member” and “Committee Person” as additional parties, in addition to any “Participant,” that would also be subject to the alternative dispute resolution process, and

WHEREAS, the Audit and Finance Committee has determined that disputes arising as a result of reported Code of Ethics violations could also involve persons who are not subject to MCA Article V and that with such persons, as well as Board Members and Committee Persons, mediation would provide a productive intermediate step to resolution prior to a formal finding

and/or Board of Directors determination as part of the alternative dispute resolution process, and

WHEREAS, a neutral third party is desired to mediate and, if needed, conduct the review process, and make a recommendation for resolution to the Executive Committee as stated in 2015 Amended MCA Article V.3.a.(i), and

WHEREAS, the Community Dispute and Resolution Center of Tompkins County provides such services and is willing to serve in the neutral third party role for any Greater Tompkins County Municipal Health Insurance Company reported ethics violations, now therefore be it

RESOLVED, That the Audit and Finance Committee of the GTCMHIC Board of Directors hereby recommends that section 15 of the adopted Code of Ethics be amended to read:

“15. Reporting of Ethics Violations. When becoming aware of a possible violation of the Consortium’s Code of Ethics, employees, Board of Directors, employees of members, and the public may report the matter to the Consortium Attorney-in-fact, John Powers, Esq.. In reporting the matter, members may choose to go on record as the complainant or report the matter on a confidential basis. Resolution of the reported violation shall occur according to the alternative dispute resolution (ADR) process set forth in Article V of the 2015 Amended MCA, except as follows. In lieu of the ADR step set forth at MCA Article V.3.a.(i), the Attorney-In-Fact will collect all information presented regarding the matter and send that information to a neutral third party designated by the Board of Directors who shall attempt to resolve the matter informally through mediation. If unsuccessful, the mediator shall make a recommendation with respect to resolution of the dispute in writing to the Executive Committee, which shall present the recommendation to the Board as provided for in 2015 Amended MCA Article V.3.a.(i). The remainder of Article V shall remain in effect”,

RESOLVED, further, That the Community Dispute and Resolution Center of Tompkins County is designated as the neutral third party in the event of requested ethics review.

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**RESOLUTION NO. - 2016 – AMENDMENT TO RESOLUTION NO. 04-2016 -  
AUTHORIZING CONTRACT FOR ACTUARIAL SERVICES -  
ARMORY ASSOCIATES – 2015 and 2016**

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

WHEREAS, the Greater Tompkins County Health Insurance Consortium authorized a contract with Armory Associate 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, and

WHEREAS, the quote received from Armory Associates was for five years which would be a two-year contract for fiscal years ending 12/31/2015 and 12/31/2016 with the option to extend for three additional years (for fiscal years ending 12/31/2017, 12/31/2018, and 12/31/2019), and

WHEREAS, it is recommended by the Consortium Treasurer that the contract line-up with the end of the biennial periods for Tompkins County, City of Ithaca, and the City of Cortland, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee, That the option to extend the contract with Amory Associates to perform actuarial services be amended to include 2019.

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Mr. Barber provided an update on the prescription drug audit and said it is moving forward and a report should be ready to be presented to the Committee next month.

He reported on the medical claims audit and said the Board of Directors at its last meeting passed a resolution that referred to national coding guidelines. Discussions that took place after that meeting led to a conversation today that was arranged by Beth Miller and individuals from the audit department at Excellus. They provided an explanation as to what happened and said they have changed software and said they do follow national coding guidelines. Mr. Barber said he and will continue to work on this and plans to have it resolved prior to the next Board meeting.

### **Financial Update**

To provide some explanation to respond to questions that have been raised as to why the Consortium did better financially in 2015 than in past years Mr. Locey distributed a spreadsheet showing the Stop Loss history from 2011 to 2015. The number of members with claims over \$200,000 has gone from three and four in all years to only one in 2015. Total claims expenses over deductible in 2012 was over \$1 million but since then the number has been relatively low. Mr. Locey pointed out that the number of insured has grown and although there were more claimants with claims that exceeded \$100,000 none were of a catastrophic level.

Mr. Locey distributed data from Excellus showing claims incurred from October 1, 2014 and September 20, 2015 that were paid through December 31, 2015. Items highlighted included the plan cost which was down by \$1.8 million from last year (8%) and inpatient plan cost per member per month was down by 28%. The number of claimants with plan cost of greater than \$100,000 was down by 39% and the plan cost for those claimants was also down by 39%. The number of admissions was down from 407 to 308 (24%) and there was a 9% reduction in emergency room visits.

He distributed year-to-date budget versus actual expenses for January 2016. For the first month of 2016 total income was up by .28% over the adopted budget and expenses were 28.45% below budget. He noted that there are fees that have not yet been paid and accounts for part of the variance in expenses. Mr. Locey said an analysis was done for the IBNR (Incurred But Not Reported) and it was less than it has been historically. In the IBNR report it was noted that since BlueCross BlueShield changed its claims operating system they have sped up their claims payment quite a bit and instead of seeing 25% of claims being paid in the month that were incurred they are now seeing 40-50% of claims being paid in the month they were incurred. He will prepare data to show the trends and how claims are being paid faster are decreasing the Consortium's liability. He said he is seeing numbers well below the current 12% level and as low as 7%. Mr. Barber said he would like to share that information with the Department of Financial Services.

### Prescription Drug Audit

Mr. Locey distributed a timeline for the prescription drug audit. Mr. Barber asked Mr. Locey to communicate with BMI and request that they attend the next meeting to present the report on the prescription drug audit.

### Retrospective Terminations

Mr. Locey said the Affordable Care Act requires there to be procedures in place to concerning retrospective termination and the proposed resolution is modeled after the Excellus Group Administrator Guide. The Consortium now needs to have a uniform policy that addresses the retroactive payment of premium. When asked how far back premium is reimbursed Ms. Christian explained that if there was a clerical error on the part of the person who was entering the information or they forgot to enter the information they are only supposed to go back three months, however, she has seen it go back much further.

The Committee provided input on the following items that will be incorporated into the resolution:

How far to go back for retrospective termination. 60 days retro-premium for actives and 90-day retro-premium for retirees unless there is extenuating circumstances. In those cases it would go to an appeals process.

Appeals process. It was the consensus that appeals would be decided upon by the Audit and Finance Committee and reported to the Board of Directors.

Mr. Locey will incorporate this information into the resolution for the Committee's consideration at the next meeting.

### Recommending Municipalities Adopt Policy Restricting Members Changing Plans

Mr. Barber explained that the metal level and Medicare Supplement plans have different actuarial value calculations and moving within those plans can have impacts if it is done too frequently. Mr. Locey has advised that three years would be enough time to get enough premium to cover the exposure. Municipalities could extend the time period beyond three years but this resolution recommends a minimum of three years. Mr. Locey explained that a member who expects to incur a large increase in expenses could change plans to cover expenses and then elect to go to a less expensive plan when expenses decline. If this were to happen he said the Consortium would never have enough of a stable premium base to cover expenses and this could result in elevated costs for all members. Setting a minimum number of years for a participant to be enrolled in a plan will make them be more careful when electing to change plans and will help the Consortium to avoid adverse risk selection. Mr. Locey said this proposal is an attempt to reach a middle-ground where employers are not restricted in their ability to set up plans but also protects the Consortium's financial stability. There are additional decisions such as limiting which plans employees could select but it was noted that although there could be discussions, these are employer and not Consortium decisions.

There was consensus that members also be encouraged to conclude an open enrollment period by November 30<sup>th</sup>; this will be incorporated into a resolution. Mr. Locey and Mr. Barber will prepare for consideration at the next meeting.

### **Medicare Advantage Plan and Risk Assessment**

Mr. Locey said at the last meeting there was discussion of the Medicare Advantage Plan and some of the issues that it poses from a competitive perspective for the Consortium. He believes there are a couple of Consortium members that are currently offering a Medicare Advantage Plan. He distributed information from the Kaiser Foundation in which it was stated that "Medicare payment to plans for Medicare Part A and Part B services are projected to total \$172 billion in 2015, accounting for 27% of total Medicare spending". This is the amount of money Medicare is giving to Medicare Advantage plans to cover the equivalent of benefits that Medicare gives out in Parts A and B. This year that was approximately \$9,000 per member. The enrollment in Medicare Advantage has greatly increased, primarily because employer plans have increased in cost and as people are looking for alternatives to Medicare these are all-inclusive plans that include prescription drug coverage.

When this first began prior to 1997 Medicare paid plans 95% of the average traditional Medicare costs in each county; however, some of the changes that have occurred are resulting in a decrease in reimbursement. This will cause companies that cannot make a profit and remain competitive to withdraw from the market. Mr. Locey said at the present time they are a viable alternative to what the Consortium offers because the Consortium cannot offer the subsidies. There has been discussion of having a risk assessment charge for any municipality that wanted to offer a Medicare Advantage program and at the last meeting it was suggested that the Consortium consider a risk assessment charge of three percent if a municipality wanted to pull their Medicare-age retirees out and put them in a separate Medicare Advantage program.

Mr. Locey addressed the question of what the financial impact would be and said an analysis of the Medicare-aged population in Locey and Cahill's largest data pool showed a difference of slightly under 3% on the average claims cost per covered life. He said although it has not been done to date, the Municipal Cooperative Agreement includes a provision to impose a risk assessment charge. Mr. Barber suggested he and Mr. Locey develop a memo for the Board of Directors with some bullet points to introduce this and allow time for discussion at the next Board meeting.

### **Invoice Review**

The Committee had no questions concerning the Hancock Estabrook invoice dated February 5, 2016.

### **Next Agenda**

The following suggestions were made for future agenda items:

- Prescription Drug Claims Audit Report
- Medical Claims Audit Report
- Resolution – Retrospective Claim Termination Policy
- Resolution – Establishing Guidelines for Members Changing Plans
- Memorandum concerning Medicare Advantage plan and Risk Assessment Fee
- Report on actuarial opinion by Armory Associates
- Report on response from State on Stop Loss waiver communication

### **Adjournment**

The meeting adjourned at 3:46 p.m.

Audit and Finance Committee  
February 23, 2016

Respectfully submitted by Michelle Pottorff, Administrative Clerk