

Audit and Finance Committee – APPROVED
May 17, 2016 – 3:30 p.m.
Old Jail Conference Room

Present: Steve Thayer, Chuck Rankin, Phil VanWormer, Mack Cook, Peter Salton (arrived at 3:33 p.m.), Laura Shawley (arrived at 3:43 p.m.)
Guests: Don Barber, Martin Cahill, Judy Drake, Rick Snyder, Rordan Hart

Call to Order

Mr. Thayer called the meeting to order at 3:32 p.m.

Approval of Minutes of April 26, 2016

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

Executive Director's Report

Mr. Barber reported he has finished the 2015 annual report and a copy has been sent to all municipal clerks to share with their boards. He is working on the next issue of the newsletter and provided an overview of articles that will be included in the issue.

Mr. Salton arrived at this time.

Mr. Barber reported on the May 10th retreat and said there were approximately 35 attendees and the video and PowerPoint presentation have been posted on the Consortium's website. He also recognized Steve Locey for doing an outstanding job pulling information together for the retreat. Mr. Barber said the three municipalities that had not completed the recertification process when this Committee met last have now completed the process. There was discussion at the last meeting about assessing any municipality that did not complete the process by the May 1st deadline. Following a brief discussion of whether to invoice the City since it finished after the deadline, there was consensus that the process has been completed and no invoices would be issued.

Excellus Utilization Report

Mr. Barber called attention to page two of the report that showed the plan cost decreased by 4% and member cost decreased by 2% in 2015. A five year at-a-glance page showed the change since 2011 to be 14%. The Consortium's total cost per contract per year versus Excellus' book of business was 11% higher. He noted this was 30% in 2012 so the plan is slowly getting closer to the comparison population. In their book of business the member share was 7% versus the Consortium's share of 4%.

Mrs. Shawley arrived at this time.

Other areas in the report that were noted included: there were 63 fewer hospital admissions in 2015, 18% of members account for 80% of claims, emergency room visits were down by 8% and urgent care visits increased by 150, and less was spent on high claim costs.

Resolution Approving Guidelines for Members Changing Plans

Mr. Barber said the Board of Directors tabled this resolution to allow for input from the Joint Committee on Plan Structure and Design. Mr. VanWormer, Chair of the Joint Committee, said this was discussed at the last meeting with much of the discussion focused on the three-year time period in the resolution and the benefit to the member versus risk to the Consortium. There was no recommendation by the Committee to change the resolution. There was consensus to take the original resolution back to the Board of Directors at its next meeting.

Appeal Status

Mr. Barber provided an update on the additional award that was granted to the person who filed the appeal and said he has communicated with Excellus to try to recoup that cost but has not received an answer.

Medical Claims Auditing Request for Proposals (RFP)

Mr. Barber reported the RFP was sent out and responses are due on May 20th. There was a brief discussion of process and it was agreed that Mr. Barber will work with Mr. Locey and present the Board with a recommendation at its meeting next week.

Define Process for Prescription Drug Manager Selection

Members were provided with a rating grid that was used during the last RFP review process and asked for feedback. It was suggested by Mr. Cook to increase the maximum score for customer service from a three to a four. Ms. Drake suggested increasing administrative support from a two to a three. These changes would bring the maximum total to 35 points. In response to Ms. Drake, Mr. Cahill said part of the administrative rating measurement will be whether a company has the capabilities to interact with CanaRx. He also said all of the rating factors are important and will be looked at but stressed cost is of the utmost importance. Mr. Barber said a resolution will be presented at next week's Board meeting to authorize the issuance of the Request for Proposals. The RFP will be distributed on June 22nd with responses due back on July 13th. A recommendation will be made by this Committee at its August meeting and action by the Board in September.

The following individuals were recommended to serve on the RFP Review Committee: Peter Salton, Steve Locey, Judy Drake, Jackie Kippola, Brooke Jobin, and a labor representative.

Financial Update

Mr. Cahill reviewed the financial results through April 30th and said medical claims continue to be under budget by 8%. He said they will be looking at trending models for prescription drugs to be more in line with the models for medical claims models as they are seeing the same pattern with fewer people being responsible for the overall budget. Over the last 12-18 months Mr. Cahill said many of their clients have seen a marked increase in prescription drug costs. He said he said this was the only area of the budget information that stood out; otherwise the plan is performing well.

Mr. Salton said at the last meeting Kevin Conway of HighMark spoke of specialty drugs that were becoming available and other things the Consortium should be prepared for. Mr. Cahill said the industry is moving and impact of specialty medications is something that will be discussed at the next meeting. Mr. Cook asked if it is possible that the two tier plans are being subsidized by three-tier plans. Mr. Cahill said the differences between the two and three-tier

plans continue to widen slowly but doesn't think there is any subsidization from one to another. The issue of specialty drugs is outside of that and something that needs to be looked at.

Mr. Cahill reviewed a comparison of income and expense Mr. Locey prepared of the Consortium and the TST School Cooperative and noted the expense distribution per contract per month is very similar between the two. There are differences in the income distribution but it was noted the School Cooperative has existed for many years and the Consortium has been building reserves.

He referred back to the Treasurer's report and said a question had been raised concerning the internal coordination account. Mr. Snyder said work is being done to clean-up budget lines that have been confusing due to the different reporting mechanisms. Once this is complete the Consultant Fee line will include only the fee to Locey and Cahill, Internal Coordination – Finance will be the staffing costs for the Finance Department, and Internal Coordination – Support will be the Administrative Clerk's compensation.

HighMark Suggestions for Managing Risk

Mr. Cahill reviewed the following cost containment practices that HighMark believes may help build a stronger plan. Comments and suggestions are included below.

1. Eligibility – This was done through the recertification process.
2. In-Network incentives and Out-of-Network Charges – The Consortium is in good shape with these as they are tied in with the contract with the claims administrator.
3. Mandatory Use of Case Management – Blue Cross Blue Shield already interjects with large claims and provides support for the individual going through the large claim aspect. There is more that could be done in this area but a cost benefit analysis should be done as well as talking to Blue Cross Blue Shield about what intervention could be done with members.
4. Clinical Trials and Experimental Treatments – This is already being taken care of as the Consortium's plans do not include this.
5. Alternate Treatment Plans – This is another form of case management and should also include a cost benefit analysis.
6. Generic Testing – This is new through the Affordable Care Act that identified potential areas and illnesses that could be treated preventatively.
7. Transplants – More plans are trying to treat transplants through Centers of Excellence as they are doing a lot of transplants and can charge less. These typically are outside one's home area. This is something that could be looked into.
8. Centers of Excellence (COEs) for other than transplants
9. Medical Implants – becoming more common and are being identified as offering a long-term savings.
10. Dialysis
11. Air ambulance – this is an area of very high expense.
12. Prescription Drugs
13. Medical Errors/Never Events/Substandard Care
14. Assault and/or Participating in a Felony – there are insurance plans that have exclusions built in. It would be worthwhile to see where the Consortium fall within this. Mr. Cahill will look into this further.
15. Traveling Abroad – Important to note now that children are covered until age 26. Mr. Cahill suggested the Consortium look at defining the national benefit and educate members through the newsletter.
16. Coordination of Benefits – This is already in place.

17. Subrogation – This is already in place.

Next Meeting Agenda Items

The following items were suggested for inclusion in the June meeting agenda:

- The Joint Committee will be working on prioritization and how to bring metal plans back into the acceptable actuarial value range; this will be brought to this Committee for information.
- Begin discussion of a fourth tier for specialty prescription drugs. Mr. Barber will ask Mr. Locey to prepare a primer for the next meeting.
- Prescription Drug Manager RFP

Adjournment

The meeting adjourned at 5:25 p.m.