

**Audit and Finance Committee – APPROVED**  
**June 28, 2016 – 3:30 p.m.**  
**Old Jail Conference Room**

Present: Mack Cook, Peter Salton, Rordan Hart, Chuck Rankin (arrived at 3:33 p.m.)  
Guests: Don Barber, Steve Locey (via conference call), Judy Drake, Rick Snyder, Aldwin Bennett, Cortland County Common Council; Meghan Feeley, Kaleigh Rascoe, ProAct  
Excused: Steve Thayer, Laura Shawley, Phil VanWormer

**Call to Order**

Mr. Cook called the meeting to order at 3:30 p.m.

**Approval of Minutes of May 17, 2016**

It was MOVED by Mr. Hart, seconded by Mr. Salton, and unanimously adopted by voice vote by members present, to approve the minutes of May 17, 2016 as corrected. MINUTES APPROVED.

Mr. Rankin arrived at this time.

**Executive Director's Report**

Joint Committee on Plan Structure and Design

Mr. Barber reported the Joint Committee is working on the actuarial values for the metal level plans and at the last meeting put together a trial proposal for members to take back to their bargaining units. The discussion included adjusting goals for the Platinum and Gold Plans down by 3%, the Silver Plan by 7%, and the Bronze Plan down by 5%. Because of what has been seen with the changes in the actuarial values for the Silver and Bronze Plans it is likely they will have to be adjusted again in the following year and that change would likely be sufficient for two years. The Committee will meet in a couple of weeks and has a number of options of areas that can be adjusted within each metal plan. At that meeting the Committee does not have to accept those but will adopt an actuarial goal for each of the plans. He noted that if the Consortium increases the premium rate by 5% overall, the Platinum Plan would only go up by 3%. Whenever the actuarial value is changed it means the member is paying more and the Consortium should see a subsequent reduction in claims activity.

Prescription Drug Manager Request for Proposals

Mr. Barber reported the Request for Proposals for Prescription Drug Manager was released on June 22<sup>nd</sup> and was done for the first time through the County's electronic system. He will be setting up a meeting time for the Committee to review responses and will bring a preliminary report back to the next meeting of this Committee.

Medical Claims Auditing Process

Mr. Barber said at the last meeting the Board meeting action was taken to move forward with BMI Audit Services for the 2014-2015 medical claims audit. He reviewed a draft service agreement that members were provided and said the structure of the document is the same as the previous agreement although the pricing is a little different. The document defines a standard sampling BMI will pull from and specific targets that were identified in the last audit that will be looked at. The cost is a fixed price of \$46,575. The previous medical claims audit performed by BMI was \$49,500. He said BMI is prepared to begin the audit.

It was MOVED by Mr. Rankin, seconded by Mr. Salton, and unanimously adopted by voice vote members present, to authorize the Chair of the Board of Directors to sign an agreement with BMI Audit Services for the purpose of executing a contract for medical claims auditing services. MOTION CARRIED.

#### Municipal Investments

Mr. Barber reported he met with the Executive Director for the BOCES Consortium about their efforts to increase their rate of return on reserves. They talked with a group that invests municipal funds (PFM); they are looking at a two to three year span for the investments they have. He explained each investment has a yield curve with an interest rate that is paid at periods of three months, six months, one year, two-year, three-year, five-year, ten-year, and thirty-year increments and the yield curve changes from time to time. PFM works with a book of business within that yield curve to get the best return possible. By trading within that yield curve the type of investments that New York State municipalities are allowed to invest in, which are principal secure, they are able to get rates of return that are currently at one percent or higher. This is about ten times higher than what municipalities are currently getting. He said they are hoping to have a webinar that members of this Committee will be asked to participate in.

#### Financial Audit

Mr. Barber said last Fall there was discussion of the Consortium doing an RFP for Inerno & Co. LLP (formerly CDLM), and a decision was made to continue with them for the 2015 audit which would be the firm's fifth year auditing the Consortium's financial records. He asked for direction from the Committee on whether he should move forward with preparing an RFP for the 2016 audit. The Consortium has used this firm since the Consortium began and was going to do an RFP last year; however, due to changes in the County Finance Department it was recommended that this be delayed for a year. Mr. Salton spoke of the importance of having an open process and allowing others to bid on a service and also possible consequences to having the same company looking at the Consortium's financial records indefinitely. Following a brief discussion it was suggested and agreed upon to defer this to the next meeting to allow for input from Mr. Snyder and Mr. Locey.

#### Excellus Appeal

Mr. Barber said members should have received a letter from Excellus in response to a request to Excellus to refund the amount paid by the Consortium for a claims appeal that was granted. The letter states Excellus approves the Consortium's request and the funds will be included in next month's claim payments.

It was MOVED by Mr. Salton, seconded by Mr. Hart, and unanimously adopted by voice vote by members present, to authorize the Chair of the Board of Directors to sign an appeal settlement agreement for the above matter with Excellus. MOTION CARRIED.

#### NYS DFS Audit

Mr. Barber reported he was contacted by the Department of Financial Service last week and informed the State will be starting a second audit of the Consortium that will begin in August. The first audit has not been completed; there were several recommendations of which all but three have been resolved. Information was sent to the Department six months ago but to date the Consortium has not received a response.

#### Municipal Interest in the Consortium

Mr. Barber reported at this time there are six small municipalities in Cortland and Cayuga Counties with an average of six contracts per municipality that have expressed interest in joining the Consortium. He will have more information for members at the next meeting.

## **Financial Report**

Mr. Locey reviewed the Consortium's financial results for the first five months of 2016 and noted there has been some hyperinflation of claims. He is looking into the cause of the escalation and said they are seeing it in the medical side but it is predominantly in the prescription drug side. He reviewed budgeted versus actual results and stated the Consortium is close to budget on revenue. Medical claims are 3.23% (\$333,000) above budget and prescription drug claims are 16.80% (\$638,000). He noted for three of the last five months the Consortium has received \$3.5 million in claim payments; in the 14 months prior to that there was only one month that exceeded \$2.75 million. This is something they will keep an eye on as it is an area of concern. Mr. Locey said an adjustment was made to the Coordination fees that will be seen in future reports.

Mr. Locey called attention to drug expenses over the last three months being well above budget and said he is trying to identify the cause and has made requests for data from Excellus and ProAct. He reviewed budget performance data since the Consortium began and said the hyperinflation in drug expenses began in 2015 although it was offset by medical claims being so far below budget. Also included in the information provided to the Committee was trend data from the beginning of the Consortium and said the current medical claims trend is slightly over 9% on an average basis and 8.4% on drug claims.

He spoke of the Consortium moving forward and conversations he has had with Mr. Barber concerning adding more small municipalities in Cayuga and Cortland County. He said one thing that needs to be considered is at what point should pressure be placed on the larger entities to join, specifically counties in those areas, to help further stabilize the Consortium. When larger entities are added they bring a much larger demographic mix which reduces the risk of having an adverse risk selection. If a small employer with a very small population has a member with extraordinarily high claims the cost would be absorbed by the rest of the Consortium. He suggested having a conversation as the Consortium moves forward about limiting the number of small municipalities from a county that can become a participant if the county isn't in the Consortium.

Mr. Salton referred to the financial data presented and suggested getting a list of all of the diagnosis codes to see what they have been from year-to-year. Mr. Locey said he would like to wait for a couple of months to see if claims begin to trend back downward but if they don't this is something that can be looked into further.

Mr. Cook said Cortland County has not indicated any intent to join the Consortium and asked if that should be addressed before bringing in additional municipalities from that County. Mr. Barber said that because the Consortium is community-rated it is not known whether one municipality is paying more than another. To make this assessment it would require analyzing more data than is currently available. Another thing to consider is how the Consortium would be managed if a couple of large counties were brought in.

Mr. Locey reported on the preliminary 2017 budget and said it is built with a 5% premium increase; he used data from the first five months of 2016 and conservatively trended it forward. He said last year he used an aggregate trend for both medical and prescription drug but due to the hyperinflation being seen on the drug side trending has been done independently for each.

Ms. Feeley provided information on specialty medications which is the biggest driver in claims costs. She said ProAct is seeing about a 20% increase in utilization for all of its clients. She said they can run sample reports for the population if a fourth tier was brought in to see if

that would provide savings for the Consortium. She also brought information on a Premium Prescription Drug List which is an enhanced savings strategy that leverages exclusion capabilities with manufacturers to reduce costs, maintain affordable medication access, and promote use of lower-cost alternatives to members.

Mr. Barber asked if Ms. Feeley could run trend information to show what the increase in specialty drug usage is for the Consortium or a similar book of business. Ms. Feeley said she could take claims data and show what the savings would have been under different co-pay scenarios to show what the savings would have been. Mr. Cook said as the cost and usage of specialty drugs rise he would like to know if there has been a decrease on the medical side. He said it should be there but he has not been able to find it. Mr. Locey said this has been a long-standing issue in the health insurance industry. From the time the new specialty drugs became available the argument has been that although more is being spent on drugs there would be less spent on medical costs. That has not been the case because medical costs have continued to rise.

Mr. Cook asked if this is the time to begin talking about plan design. Mr. Locey said in the last two years there have been approximately 80 members who have received specialty drugs and there were only 800 prescriptions filled. The cost last year was \$2.4 million. Mr. Locey said even if a \$1,000 co-pay was put on that drug it would result in a savings of \$785,000 and if a \$100 co-pay were on the drug it would result in a savings of \$78,000 out of \$2.4 million. He said there can be discussion but it is difficult when this small of a population is driving this kind of cost.

Ms. Feeley said ProAct has a team of members who look for co-pay assistance programs for members and provided information on what drugs have co-pay assistance programs available. She will run a report and see what savings could be generated for the Consortium if this were implemented. Mr. Locey noted that everything under discussion involves collective bargaining. Mr. Cook said under the current system it would take four years or longer to bring a plan design into fruition and with the Consortium currently being 16-17% over-budget with prescription drug expenses it may be time to start looking at this. He also questioned how long co-pay assistance programs will be available. Ms. Feeley pharmaceutical companies have funds set aside for these programs to help people be able to receive their medication and although there is no assurance they will continue to exist she doesn't expect them to go away. Mr. Salton said a budget cannot be built around a program that may go away. He also spoke of the need for municipal board members to become educated about this.

Mr. Cook said the Consortium has to have products and a portfolio that its covered lives can obtain regardless of who pays for it. He said holding to a two and three-tier drug plan over the long-term may place the Consortium at a disadvantage of having an affordable portfolio of plans. Ms. Feeley said last year the Plan cost for Tier I drugs in the Plan was \$30.27 per script; Tier II - \$336; Tier III - \$283; and Specialty Drugs - \$3,057. Mr. Locey suggested looking at the copay structure going forward to make is more reflective of the actual pricing. In addition, the Consortium can continue to look at the areas that were presented by Highmark that have a potential for savings.

### **HighMark Suggestions for Managing Risk**

Mr. Locey said he reviewed the suggestions made by HighMark at the last meeting and some of the suggestions have been implemented. An area of concern is the Ithaca Dialysis clinic being out-of-network and said that is something that Excellus needs to continue to work on. Locey and Cahill will continue to go through the list from HighMark and develop some

strategies that can be developed to help address costs. Mr. Salton asked if the Consortium can look at more data that could help to make more cost-effective. Mr. Locey said more data can be provided but the Consortium should know what the goal is in having the data and what it is looking to accomplish. Mr. Barber said there are firms that can look at data and do an analysis but at this time the Consortium is community-rated and needs to look at data from a global perspective. The Consortium currently receives utilization data from Excellus and ProAct but if there is additional data that is desired there needs to be a decision made as how that data will be viewed and used.

Mr. Barber asked Mr. Locey to review the suggestions and develop a list of three priorities that the Consortium can work on.

### **Next Meeting Agenda Items**

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

- Continue discussion on addressing escalating prescription drug costs (review population on each prescription drug plan, options for copays and specialty drugs);
- Review list of suggestions from HighMark for potential cost savings;
- Discussion of preliminary 2017 budget;
- Contract for auditing of Consortium's financial records;
- Prescription Drug Manager RFP

### **Adjournment**

The meeting adjourned at 5:03 p.m.