

Audit and Finance Committee - APPROVED
September 20, 2016 – 3:00 p.m.
Old Jail Conference Room

Present: Chuck Rankin, Peter Salton, Laura Shawley (arrived at 3:08 p.m.), Rordan Hart, Mack Cook, Steve Thayer (arrived at 3:30 p.m.)

Absent: Phil VanWormer

Guests: Don Barber, Executive Director; Steve Locey, Locey & Cahill, Rick Snyder, Treasurer; Judy Drake, Board of Directors Chair; Megan Feeley, ProAct

Call to Order

Mr. Cook called the meeting to order at 3:00 p.m.

Approval of Minutes of August 23, 2016

It was MOVED by Mr. Salton, seconded by Mr. Rankin, and unanimously adopted by voice vote by members present with Mr. Salton abstaining, to approve the minutes of August 23, 2016 as submitted. MINUTES APPROVED.

Mr. Rankin arrived at this time.

Executive Director's Report

New York State DFS Audit

Mr. Barber provided an update on the Department of Financial Services Audit and said the auditor is conducting interviews with individuals associated with the Consortium and information requests are being responded to. During his interview Mr. Barber said he raised the issue of communication and there being no response from DFS following the submission of information in May that followed the medical claims audit. He also asked about the request made of DFS relating to the Municipal Cooperative Agreement being approved on a much more frequent basis and was advised they were looking into both of these issues. Mr. Barber said following the phone call he received a communication from DFS asking when the MCA would be updated to reflect the changes that were suggested. The Consortium's attorney is developing a response to DFS on this matter.

Mr. Barber summarized the request by DFS concerning amending the MCA and stated they are asking that each time the Consortium accepts a new member that the MCA be amended to reflect the additional member. Mr. Locey said when the MCA was initially adopted the participant names were intentionally left out for this reason but were added to the signature page. He noted that each amendment to the MCA requires that the document be approved by each municipality. Mr. Locey said the MCA is structured to comply with Article 47 and is not conducive to adding municipalities. Mr. Salton suggested asking DFS to allow the Consortium to submit an addendum to the MCA each time a new participant is added.

CanaRx

Mr. Barber said the concept of CanaRx was introduced to the Joint Committee on Plan Structure and Design and there was a good discussion by members. The Owning Your Own Health Committee will continue discussing this at its meeting tomorrow. This will be also be discussed later in this meeting.

Update on Request for Proposals for Pharmaceutical Benefits Manager (PBM)

Mr. Locey reported the Review Committee has narrowed its selection for a PBM down and felt it would be prudent to take a deeper look at the financial information. They have asked ProAct and Excellus to provide a report on what pricing would be under each of the company's proposals for what the first six months of claims in 2016 were for the Consortium. He is hopeful that after a review of this information and a further look into rebates that the Committee will be able to come up with a solid recommendation for a PBM.

Medical Claims Audit Update

Mr. Barber reported on the medical claims audit process and said BMI is on schedule and expects to complete its review by the end of next month and will have a report prepared by year-end.

Financial Update

Mr. Locey distributed actual versus budgeted information through August 31, 2016. Revenue is close to budget year-to-date (- .1%) and medical claims are slightly below budget (- .91%). Prescription drug claims are 18% over budget and when added to the medical claims the result are total claims being over budget by 4%. In terms of overall expense at this time the Consortium is 2.77% over budget (\$677,000), leaving a net income of \$806,000 as opposed to \$1.4 million that was expected.

Mr. Locey said pharmaceutical drug costs are a problem for all plans and a secondary issue that has exacerbated the problem is the increase that took place this year in generic drug costs. *Mr. Locey said he will take a deeper look into what drugs are being utilized that are causing the increased claims and will share the information with the Committee at the next meeting.* Mr. Locey distributed a spreadsheet showing actual claims since 2011 to show where the Consortium has been cumulatively from a budget perspective. He said claims have been trending collectively in the past at 8%; however, a change was made this year for prescription drugs to 9.5%.

2017 Budget

Mr. Locey reviewed an updated memorandum on recommendations for the 2017-2020 budget and highlighted the contents:

5% premium rate increase;

Paid claims trend increased to 8.85% (medical 7.5 and Rx 9.5%); Mr. Locey called attention to the amount budgeted for prescription drug claims and said it represents an almost 24% increase.

Prescription Drug Rebates - \$250,000;

Administrative fees with Excellus BCBS – increase of 3%;

Interest income – last 2 years average;

NYS Graduate Medical Expense – Increase by 5%;

Aggregate Stop Loss Increase – increase by 5% each year;

Specific Stop Loss Insurance trended by 20% each year; and

All other fees increase by 3%

Mr. Locey said for 2017 with all reserves were maintained at current levels and the unencumbered fund balance level would be 26.42%. He said the Consortium could look at increasing the Stop Loss deductible which would lower the premium although it would mean taking on more liability. Mr. Locey said the 2017 budget is at \$42.1 million with a slight negative

amount for income of -\$1.3 million at the end of the year. This would bring the ending balance down to \$20.4 million but would still leave almost a \$10.6 million unencumbered balance which is \$26.42% of premium revenue. A 7% premium rate increase was built into the budget for 2018 which would leave an unencumbered fund balance of 18.49%. He noted that only two of the reserve accounts are statutory and two are reserve funds that the Consortium built for financial stability.

Mr. Thayer arrived at this time.

Mr. Cook stated that by adopting a 5% premium rate increase the Consortium is subsidizing the actual cost of claims by 3 to 4%. Mr. Locey agreed and said when there are surplus funds there are two options available to the Consortium. It can set a negative budget to spend down some of the surplus or it can do a premium rebate back to municipalities. Doing the latter is complicated because not only identifying how much should go back to each participant, there is also a mix of employer/employee monies. He said it is typically addressed through the budget but agreed that surplus funds would be used to subsidize what would otherwise be needed in premium revenue.

Stop Loss Insurance Retention

Mr. Locey said to date in 2016 there have not been a lot of large loss claims. He did not have any information on large loss claims but will bring information to the next meeting.

RESOLUTION NO. 017-2016 - ADOPTION OF 2017 BUDGET

MOVED by Mr. Thayer, seconded by Mr. Rankin, and unanimously adopted by voice vote by members present. Mr. Locey noted all of the rates trend at 5% except the Metal Level Plans which are begin adjusted by the actuarial value differences based on benefit changes.

WHEREAS, the proposed 2017 budget was presented by the Consultant and was unanimously recommended by the Audit and Finance Committee at the September 20, 2016 meeting for submission to the Board for its review, and

WHEREAS, notable items included in the proposed budget are the following:

- Premium increase of 5% over 2016 rates, except for metal level plans which will experience reductions in actuarial value;
- Maintain the Surplus Account at 5% of the annual premium of the Consortium in compliance with §4706(a)(5) of the New York State Insurance Law.
- Maintain the Claims/Rate Stabilization Reserve in an amount equal to 5% of expected paid claims;

now therefore be it

RESOLVED, That the attached 2017 budget and premium equivalent rates for the Greater Tompkins County Municipal Health Insurance Consortium is hereby approved.

RESOLUTION NO. 018-2016 - APPROVAL OF MODIFICATIONS TO METAL LEVEL HEALTH BENEFIT PLANS

MOVED by Mr. Cook, seconded by Mr. Salton. Mr. Locey reminded the Committee that the changes to the Out-of-Network benefits were due to a review by Locey and Cahill of the

actuarial value calculation and Excellus BlueCross BlueShield's new policy rules for benefit structures. All other changes are a result of the actuarial value calculation. The Gold Plan now becomes eligible as a high deductible health plan with a Health Savings Account (HSA). He said in conversations with interested municipalities he and Mr. Barber found that many who have the Gold Plan has an HSA and this will make the Consortium's plan comparable. To be eligible for an HSA a plan has to have a deductible for an individual of \$1,300 and \$2,600 for family.

Mr. Locey spoke of the process that was undertaken to review and recommend changes to the Metal Level Plans went very well and this labor/management committee did the work that it was initially set up to do. He gave credit to the Committee Chair, Phil VanWormer, for doing a very good job leading the Committee through this process.

A voice vote resulted as follows: Ayes – 6, Noes – 0, Absent – 1 (VanWormer).
MOTION CARRIED.

WHEREAS, the Greater Tompkins County Municipal Health Insurance Consortium (GTCMHIC) Board of Directors pursuant to Resolution Nos. 016-2014 and 14-2015 adopted the GTCMHIC Standard Platinum, Gold, Silver, and Bronze Metal Level Plans adding said plans to the available benefit plan menu, and

WHEREAS, on July 28, 2016 the Board of Directors, upon recommendation of the Joint Committee on Plan Structure and Design and the Audit and Finance Committee, adopted target Actuarial Values for the Platinum, Gold, Silver, and Bronze Metal Level Benefit Plans to be consistent with the 2017 Actuarial Value Calculator developed by the Centers for Medicare & Medicaid Services (CMS) Center for Consumer Information & Insurance Oversight (CCIO) which was implemented in accordance with the Patient Protection and Affordable Care Act (ACA),

WHEREAS, on August 4, 2016 the Joint Committee on Plan Structure and Design unanimously recommended modifications to the Metal Level Benefit Plans to achieve the Target Actuarial Value ranges and presented its recommendations to the Audit and Finance Committee, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee, That the Board of Directors hereby adopts the modifications to the Platinum, Gold, Silver, and Bronze Metal Level Plan for 2017 as set forth in the attached document.

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It was noted that approval of the following resolutions is contingent upon a favorable review by the Consortium's Treasurer and Chief Fiscal Officer of each municipality's financial reports (AUDs)

RESOLUTION NO. 019-2016 - ACCEPTANCE OF APPLICATION BY THE TOWN OF MORAVIA TO BECOME A PARTICIPANT IN THE GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM

MOVED by Mr. Cook, seconded by Mrs. Shawley, and unanimously adopted by voice vote by members present.

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

WHEREAS, the Town of Moravia 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 have been reviewed and found acceptable by the Consortium's Treasurer, Chief Financial Officer and/or the Consortium's Auditor, now therefore be it

RESOLVED, That the Greater Tompkins County Municipal Health Insurance Consortium, accepts and welcomes the Town of Moravia as the 21st municipal participant, with health insurance coverage beginning January 1, 2017,

RESOLVED, further, That the Board of Directors waives the requirement of payment of 5% of premium to the Surplus Reserve Account as requested by the Town of Moravia,

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.

RESOLVED, further, that the Administrative Clerk shall forward to the New York State Department of Financial Services a certified copy of the resolution authorizing the Town of Moravia to become a participant in the Consortium and a certified resolution adopted by the GTCMHIC accepting the Town of Moravia as a Participant in the Consortium.

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RESOLUTION NO. 020-2016 - ACCEPTANCE OF APPLICATION BY THE TOWN OF PREBLE TO BECOME A PARTICIPANT IN THE GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM

MOVED by Mr. Cook, seconded by Mrs. Shawley, and unanimously adopted by voice vote by members present.

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

WHEREAS, the Town of Preble 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 have been reviewed and found acceptable by the Consortium's Treasurer, Chief Financial Officer and/or the Consortium's Auditor, now therefore be it

RESOLVED, That the Greater Tompkins County Municipal Health Insurance Consortium, accepts and welcomes the Town of Preble as the 22nd municipal participant, with health insurance coverage beginning January 1, 2017,

RESOLVED, further, That the Board of Directors waives the requirement of payment of 5% of premium to the Surplus Reserve Account as requested by the Town of Preble,

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.

RESOLVED, further, that the Administrative Clerk shall forward to the New York State Department of Financial Services a certified copy of the resolution authorizing the Town of Preble to become a participant in the Consortium and a certified resolution adopted by the GTCMHIC accepting the Town of Preble as a Participant in the Consortium.

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RESOLUTION NO. 021-2016 - ACCEPTANCE OF APPLICATION BY THE TOWN OF SCIPPIO TO BECOME A PARTICIPANT IN THE GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM

MOVED by Mr. Cook, seconded by Mrs. Shawley, and unanimously adopted by voice vote by members present.

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

WHEREAS, the Town of Scipio 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 have been reviewed and found acceptable by the Consortium's Treasurer, Chief Financial Officer and/or the Consortium's Auditor, now therefore be it

RESOLVED, That the Greater Tompkins County Municipal Health Insurance Consortium, accepts and welcomes the Town of Scipio as the 23rd municipal participant, with health insurance coverage beginning January 1, 2017,

RESOLVED, further, That the Board of Directors waives the requirement of payment of 5% of premium to the Surplus Reserve Account as requested by the Town of Scipio,

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.

RESOLVED, further, that the Administrative Clerk shall forward to the New York State Department of Financial Services a certified copy of the resolution authorizing the Town of Scipio to

become a participant in the Consortium and a certified resolution adopted by the GTCMHIC accepting the Town of Scipio as a Participant in the Consortium.

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RESOLUTION NO. 022-2016 - ACCEPTANCE OF APPLICATION BY THE TOWN OF SPRINGPORT TO BECOME A PARTICIPANT IN THE GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM

MOVED by Mr. Cook, seconded by Mrs. Shawley, and unanimously adopted by voice vote by members present.

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

WHEREAS, the Town of Springport 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 have been reviewed and found acceptable by the Consortium's Treasurer, Chief Financial Officer and/or the Consortium's Auditor, now therefore be it

RESOLVED, That the Greater Tompkins County Municipal Health Insurance Consortium, accepts and welcomes the Town of Springport as the 24th municipal participant, with health insurance coverage beginning January 1, 2017,

RESOLVED, further, That the Board of Directors waives the requirement of payment of 5% of premium to the Surplus Reserve Account as requested by the Town of Springport,

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.

RESOLVED, further, that the Administrative Clerk shall forward to the New York State Department of Financial Services a certified copy of the resolution authorizing the Town of Springport to become a participant in the Consortium and a certified resolution adopted by the GTCMHIC accepting the Town of Springport as a Participant in the Consortium.

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RESOLUTION NO. 023-2016 - ACCEPTANCE OF APPLICATION BY THE VILLAGE OF UNION SPRINGS TO BECOME A PARTICIPANT IN THE GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM

MOVED by Mr. Cook, seconded by Mrs. Shawley, and unanimously adopted by voice vote by members present.

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

WHEREAS, the Village of Union Springs 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 have been reviewed and found acceptable by the Consortium's Treasurer, Chief Financial Officer and/or the Consortium's Auditor, now therefore be it

RESOLVED, That the Greater Tompkins County Municipal Health Insurance Consortium, accepts and welcomes the Village of Union Springs as the 25th municipal participant, with health insurance coverage beginning January 1, 2017,

RESOLVED, further, That the Board of Directors waives the requirement of payment of 5% of premium to the Surplus Reserve Account as requested by the Village of Union Springs,

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.

"Resolved further, that the Administrative Clerk shall forward to the New York State Department of Financial Services a certified copy of the resolution authorizing the Village of Union Springs to become a participant in the Consortium and a certified resolution adopted by the GTCMHIC accepting the Village of Union Springs as a Participant in the Consortium".

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RESOLUTION NO. 024-2016 - ACCEPTANCE OF APPLICATION BY THE TOWN OF CINCINNATUS TO BECOME A PARTICIPANT IN THE GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM

MOVED by Mr. Cook, seconded by Mrs. Shawley, and unanimously adopted by voice vote by members present.

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

WHEREAS, the Town of Cincinnatus 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 have been reviewed and found acceptable by the Consortium's Treasurer, Chief Financial Officer and/or the Consortium's Auditor, now therefore be it

RESOLVED, That the Greater Tompkins County Municipal Health Insurance Consortium, accepts and welcomes the Town of Cincinnatus as the 26th municipal participant, with health insurance coverage beginning January 1, 2017,

RESOLVED, further, That the Board of Directors waives the requirement of payment of 5% of premium to the Surplus Reserve Account as requested by the Town of Cincinnatus,

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.

RESOLVED, further, that the Administrative Clerk shall forward to the New York State Department of Financial Services a certified copy of the resolution authorizing the Town of Cincinnatus to become a participant in the Consortium and a certified resolution adopted by the GTCMHIC accepting the Town of Cincinnatus as a Participant in the Consortium.

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CanaRx

Ms. Feeley said CanaRx is a voluntary international drug delivery program that delivers brand-name and some specialty medications to members who are eligible for the program. In order to be eligible a member must be taking a brand-name maintenance medication. There is a zero copay for members and the cost of brand-name medication is significantly cheaper for the Consortium as well. She said ProAct ran a report against Consortium members currently taking brand-name drugs and specialty drugs that are included on the CanaRx formulary to see what the savings would have been if members had been using the program. The savings to the Consortium, if all members were using CanaRx for these medications, would have been \$1.8 million. Ms. Feeley said the medications come from Tier I countries such as Australia, New Zealand, and Ireland. She provided information on the savings and how the process works.

Mr. Salton questioned what approval process exists in Canada that CanaRx goes through, including who issues its certificate of operation. Ms. Feeley did not have this information but will look into this further. Mr. Locey said a couple of years ago the Consortium asked the State if an Article 47 could enter into an agreement like this and the only response received was that there is nothing in Article 47 that precluded it; however, it was suggested to check into State Education Law.

Approval of Invoices

It was MOVED by Mr. Salton, seconded by Mr. Hart, and unanimously adopted by voice vote by members present, to approve the following invoices:

- Bonadio & Co., LLP – dated August 31, 2016
- Jennifer Jensen – dated September 19, 2016
- Michael Grace-Martin – dated September 14, 2016

Next Meeting Agenda Items

The following items were suggested for inclusion in the October 25th 3:30 p.m. meeting agenda:

- Stop Loss and large loss claims;
- Potential resolutions accepting new municipalities;
- Continued discussion of CanaRx;
- Committee membership appointments; and
- Pharmaceutical Benefits Manager Contract Recommendation

Adjournment

The meeting adjourned at 5:03 p.m.