

Audit and Finance Committee - APPROVED
October 25, 2016 – 3:30 p.m.
Old Jail Conference Room

Present: Steve Thayer, Mack Cook, Chuck Rankin, Rordan Hart, Phil VanWormer, Laura Shawley

Excused: Peter Salton

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

Call to Order

Mr. Thayer, Chair, called the meeting to order at 3:33 p.m.

Approval of Minutes of September 20, 2016

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 20, 2016 as corrected. MINUTES APPROVED.

Executive Director's Report

New York State DFS Audit

Mr. Barber provided an update on the audit being conducted by the Department of Financial Services and said they are in the process of setting up a meeting with ProAct. He expects the Department to schedule an exit interview with the Board near the end of the year. He also reported he has not received a response to the letter he sent to the Department two weeks ago concerning the process for making changes to the Municipal Cooperative Agreement.

CanaRx

Mr. Barber reported ProAct and a representative of CanaRx attended the last meeting of the Joint Committee on Plan Structure and Design and answered several questions. One of the questions that originated by this Committee and the Owing Your Own Health Committee related to who regulates CanaRx. He said because CanaRx does not have a pharmacist on staff they are not regulated by any health organization. They are an intermediary that facilitates the shipping of pharmaceuticals that are individually packaged and shipped to subscribers.

Municipal Interest in Joining the Consortium

Mr. Barber reported that since the last meeting four municipalities have contacted him expressing interest in joining the Consortium: the Towns of Aurelius, Locke, Hector, and Montezuma. The Town of Hector has decided that they do not have enough time to take the actions needed to begin by January 1, 2017 and he expects they will work on this in the coming year to allow for membership in 2018.

RESOLUTION NO. - 2016 - ACCEPTANCE OF APPLICATION BY THE TOWN OF AURELIUS 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 Aurelius has submitted an official resolution authorizing the Town of Aurelius to join the Consortium in accordance with the terms and conditions outlined in the Municipal Cooperative Agreement, and

WHEREAS, the Town of Aurelius 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 Aurelius as the 27th 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 Aurelius,

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

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Mr. Barber said ProAct and Excellus will be meeting with him in the Town of Moravia on November 2nd to introduce new benefit clerks to the Consortium.

Medical Claims Auditing Process Update

Mr. Barber reported BMI has completed its audit and sent the information to Excellus and they are awaiting a response by Excellus. There was consensus to submit the invoice dated October 24, 2016 in the amount of \$18,630 to the Finance Department for payment.

Report on Prescription Drug Plans

Mr. Barber reported at the Joint Committee there was also discussion of a specialty drug copay that was introduced previously to this Committee by ProAct as a strategy to address rising specialty drug costs. The idea would be to create a fourth prescription drug tier and to increase the copay that is assigned to the member and to use copay assistance that is available to cover the cost of the drug. Mr. Barber said Mr. Locey has said it would be best to begin by adding this to the Metal Level Plans and to provide it as an option for municipalities to negotiate to.

Mr. Locey said with all of the smaller towns and villages joining the Consortium the Consortium may want to limit them to a set number of plan designs they could have. He

provided an example of a municipality having ten employees with three or four different plans and said this can make administration unwieldy. Mr. Cook asked if the number of plans that the Consortium could offer has an impact on what Excellus charges the Consortium. Mr. Locey responded that the Consortium currently pays Excellus a set fee; however, the more complex the Plan the more Excellus would want to charge. He noted there is a trigger for Excellus re-negotiating its fee. He said at some point he thinks it will be imperative that the Consortium market to a large employer such as Cortland County.

Financial Update

Mr. Locey reviewed budget information received as of September 30, 2016 and said in terms of revenue the Consortium is on budget. On the expense side there was some softening of the prescription drug claims. As of last month the Consortium was 13.5% over budget on those claims and is now 11% over budget. Medical claims are 2¼% over budget; however, a portion of that may be attributed to five payments being made in one month. Overall the Consortium is approximately 3.33% over budget which still brings the net income to \$750,000 and brings the ending balance to almost \$22 million and the unencumbered balance to \$1.4 million after accounting for all liabilities and reserves.

Mr. Locey noted that approximately 93.5 cents on every dollar paid out of the Consortium goes directly to pay benefits. Admin. fees are only 2.7% which is extremely low, Stop Loss insurance is 2%, taxes and fees is .8%, professional services is .5%, ancillary benefits is .35%, and insurances and internal coordination fees are less than .25%. He said this demonstrates the Consortium is extremely efficient.

Stop Loss Insurance

Mr. Locey said Highmark was provided information and he is waiting to hear back from them with a quote. He provided members with a report on the Consortium's history of large loss claims from 2011-2016. During that time there were five claimants with claims in excess of \$400,000; the total amount of catastrophic claims in excess of \$100,000 paid during those years was \$19,720,835. The amount of claim dollars that exceeded the deductible over the history of the Consortium was \$1.8 million. The average claim in excess of the Stop Loss deductible is \$337,168. The average annual paid claims total for those years was \$26,832,079 and the average of catastrophic claims to total claims was 13.00%.

Mr. Locey provided estimates based on what he thought the 2017 renewal would be and options for increasing the deductible in \$25,000 increments up to \$500,000. He estimated that increasing the deductible to \$425,000 would reduce the premium by \$50,000 and increasing the deductible to \$450,000 would reduce the premium by \$100,000. The purpose of sharing the information was to demonstrate what type of return from a cost perspective there would be by taking on additional risk. At this point he said he wouldn't recommend increasing the catastrophic claims reserve; however, if the deductible was increased to \$500,00 that is the point where he would recommend discussing it. He said the information will be updated as it becomes available to better inform the discussion that will take place at the next meeting.

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

Mr. Barber provided an update on the lengthy review process that has been undertaken for selecting a Prescription Drug Manager and said the Committee is recommending the Consortium enter into a one-year contract with ProAct with the option to renew for two additional one-year terms.

RESOLUTION NO. - 2016 - RESOLUTION TO ENTER INTO A CONTRACT WITH PROACT FOR PRESCRIPTION BENEFIT MANAGEMENT SERVICES EFFECTIVE JANUARY 1, 2017

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

WHEREAS, Motion No. 003-2016 authorized the issuance of a Request for Proposals for Prescription Plan Manager and created the RFP Review Committee, and

WHEREAS, five proposals were received, three applicants were interviewed, and all proposals were reviewed by the Committee according to the review criteria and weighting stated in the RFP, and

WHEREAS, Excellus and ProAct were found to present the best proposals for deeper review, and

WHEREAS, the Prescription Benefits Manager Request for Proposals Review committee recommends awarding the for Prescription Benefits Manager services contract to ProAct, now therefore be it

RESOLVED, on recommendation from the Request for Proposals Review Committee and the Audit and Finance Committee, That the GTCMHIC Board of Directors sign a one-year contract with ProAct for Prescription Benefits Manager services for the period January 1, 2017 thru December 31, 2017 with the subsequent two years having the option to extend the contract for one year.

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Appointments

Mr. Barber said the terms of Mr. Cook, Mrs. Shawley, and Mr. Salton will expire on December 31, 2016. Mr. Cook and Mrs. Shawley offered to serve for another term. Mr. Barber noted that the Municipal Cooperative Agreement does not limit the number of members who may serve on the Committee. Mr. Locey suggested that the Consortium committees have a balance of representation by both region and from large and small municipalities. Mrs. Shawley will add these appointments to the work of the Nominating Committee

The following items were suggested for inclusion in the November 15th 3:30 p.m. meeting agenda:

- Stop Loss Deductible;
- Potential resolutions accepting new municipalities;
- Discussion of fourth prescription drug tier; and
- Discussion of limiting the number of plans new municipalities may offer to members.

Adjournment

The meeting adjourned at 4:33 p.m.