Audit and Finance Committee
Minutes - Apprpoved
May 23, 2017
Old Jail Conference Room

Present: Steve Thayer, Rordan Hart, Mack Cook, Laura Shawley, Bud Shattuck, Olivia Hersey, Laura Shawley
Excused: Chuck Rankin, Peter Salton
Guests: Don Barber, Executive Director; Steve Locey, Consultant; Beth Miller, Excellus; Rick Snyder, Treasurer

Call to Order

Mr. Thayer, Chair, called the meeting to order at 3:30 p.m.

Changes to the Agenda

A resolution was added to the agenda entitled Providing Authority to the Audit and Finance Committee to approve the Annual Financial Audit.

Approval of April 25, 2017 Minutes

It was MOVED by Mr. Cook, seconded by Mr. Thayer, and unanimously adopted by voice vote by members present, to approve the minutes of April 25, 2017 as submitted. MINUTES APPROVED.

Executive Director's Report

Mr. Barber distributed copies of the Consortium's 2016 annual report and copies of the PowerPoint presentation from the May 10 educational retreat. The information has also been posted on the website.

CanaRx

Mr. Barber reported he has spoken with benefit clerks and has communicated in writing the roll-out plan and they have or are in the process of sending information to employees and retirees about CanaRx. ProAct will be sending information to all subscribers who qualify to inform them of the process to obtain medications from CanaRx. Mr. Snyder asked if final information has been received about who will be verifying enrollment information. Mr. Barber said he will be speaking with ProAct and CanaRx on this and will keep Mr. Snyder informed as information becomes available.

Excellus Utilization Report

Ms. Miller reported:

- The plan experienced a 40-member increase in membership from 2015 to 2016;
- Approximately 115 members were added on 1/1/2017 for a total of more than 5,200 members;
- Plan cost in 2016 was $23,937,884 - increase of 14% (or $2,000,000) compared to 2015;
- Plan cost per member per month was $394 – 13% increase from 2015;
- The Plan cost per contract per year was 18% higher than the municipality comparison population;

- Higher average age and lower member cost share are two differences between the consortium and the 120,000-member comparison;
- Over the past five years, medical plan cost per member increased approximately 4% per year, which is below healthcare trends of 7%-8% annually;
- Claims were driven by hospital admissions; and
- There was a large percentage increase in large loss cases over $100,000

Mr. Barber reported on the State Shared Services requirements and said he and Mr. Cook met with Peter Baynes, Executive Director for the New York Conference of Mayors. They raised a concern that every time a new municipality joins the Consortium that there needs be a new Municipal Cooperative Agreement and with every new municipality there is a new risk modeling that the Actuary has to go through and there is a new share of excess funds for past members. Mr. Baynes agreed with the concerns raised and suggested that a meeting take place before the rules are set in the event there is an opportunity for municipalities to get some of the State money back.

DFS Communications

Mr. Barber said he has not heard anything from the Department of Financial Services about the audit since the last meeting in January. He said the State contacted the Consortium to inquire of the whereabouts of the external audit that is due when the JURAT was submitted. The Department advised that it would be unacceptable to wait until the Board of Directors approved the audit before submitting it as it would be past the deadline. They want the Consortium to send an official copy of the audit report when the JURAT is sent in. It was noted that in the past, although a draft copy has been submitted, the final copy has not been submitted until after approval by the Board of Directors. Mr. Barber said after consulting with the Consortium's legal counsel he prepared the resolution that follows which would give authority to this Committee to approve the audit and comply with DFS requirements. He also noted that the Department made two changes to the JURAT spreadsheet while it was being worked on that further slowed the process. He will be working with Mr. Snyder, Bonadio, and Insero on developing a timeline for work that needs to be done. If in the future changes are made that will delay producing the JURAT, the Department will be notified that the Consortium will be late in submitting the information.

Mr. Snyder spoke about the process that takes place with five teams in producing the JURAT and said each year work is streamlined to make the process move forward faster but there are constraints. Although some minor changes could be made there is very little flexibility in producing the report sooner as the process has already been compressed as much as possible.

RESOLUTION NO. 008 - 2017 - PROVIDE AUDIT AND FINANCE COMMITTEE THE AUTHORITY TO APPROVE THE ANNUAL INDEPENDENT FINANCIAL AUDIT

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

WHEREAS Section 4710(a)(2) of the New York Insurance Law requires the annual independent financial audit statement to be filed not later than 120 days after the close of the plan year (April 30th), and

WHEREAS, the Consortium Board of Directors meetings are not scheduled in April while an Audit and Finance Committee meeting is scheduled for late April, and

WHEREAS, the Municipal Cooperative Agreement, at Section "O" provides that the reporting the various statutory reports must be accomplished by the Board "through its officers, agents, or delegates. . ." and § 4710 of the Insurance Law does not prohibit the Board to delegate this responsibility to the Audit and Finance Committee on its behalf, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee, That the GTCMHIC Board of Directors hereby delegates the authority to approve the Annual Independent Financial Audit to the Audit and Finance Committee. The approved Independent Financial Audit will be reported to the Board of Directors at their next scheduled meeting.

* * * * * * * *

Mr. Barber reported to date the Consortium has paid the Department of Financial Service $52,134.86 for the audit. The last payment was made on April 27th and he expects at least one more additional invoice.

Medical Claims Audit

Mr. Barber presented and reviewed the update below on outstanding items from the medical claims audit. He commented that Excellus has been very cooperative and communicative during this process. Ms. Miller said Excellus is working on a few outstanding issues that should be resolved by tomorrow.

1. **Add-on Codes-** The flagged items in this category could all be summarized that the claim had another adjudicating party involved. Some had Medicare as the host plan and some had Blue Card associates performing the clinical edits. *The Consortium is satisfied with Excellus explanation and considers this item closed.*
2. **Dental-** Language in Excellus Corporate Medical Policy differs from Consortium plan language. *As for Excellus responsibility with this audit, the Consortium considers this item to be closed. Going forward: Excellus BCBS should follow the terms and conditions of the GTCMHIC Plan Document which was developed to mirror the New York State Department of Financial Services' "model language" and which clearly states that dental services are excluded with the exception of limited oral surgery services.*
3. **Foot Care-** Per internal Excellus Corporate Manager of Medical Policy, for the claims in question, no pend or prior-auth on these orthotic codes was required because these claims had a medical necessity component and based on UM staffing and Medical Director staffing, a decision was made many years ago to set a dollar threshold for pends/pre-auths based on the estimated cost to perform a review. That being said - if there is a foot orthotic exclusion in a member's contract, they can be auto denied if there is not, they are just paying and not pending for review because the cost is below the threshold limit for pends or prior-auths. *Excellus responsibility with this audit, the Consortium considers this item to be closed. Going forward, Excellus BCBS should follow the terms and conditions of the GTCMHIC Plan Document which was developed to mirror the New York State Department of Financial Services "model language" and which clearly states that foot inserts are not covered and the codes listed in the audit were specifically for foot inserts.*
4. **Orthopedic Shoes-** Correction to claims adjudication was submitted 5/8/2017 to exclude the following orthopedic shoe codes from coverage- L3216, L3222, L3265, L3332, L3334. *We are awaiting impact report from Excellus BCBS. Locey and Cahill expect this impact report will show a nominal amount paid in error. The Consortium may*

want to clarify with Excellus the benefit for the future and take no corrective actions on prior claims.

5. **Hearing/ Hearing Aids -** Claims software system was corrected on 8/29/2016. Per impact report claims for hearing aid services now deny correctly first pass. Impact: $327.11 *Once Consortium is reimbursed, the category is considered complete by the Consortium.*
6. **Panels Unbundled-** Software correction for lab panel rule was turned on last year with an effective date of 06/01/2016 however, there has been recent customization due to an adverse effect on APC/APG methodology for some lab panel codes. This customization (bypass the APC/APG facilities) went into production on 4/28/2017. *Impact: Excellus has identified less than $200 in overpayments due to the unbundling*
7. **Upcoding Chiropractic -** Excellus is continuing to research the possibility of internal controls and what the associated costs would be. Meeting scheduled with Special Investigations Unit and MD for 5/24. *This category is still in progress at Excellus.*
8. **Same day visits-** Excellus reports that it is problematic and costly to preform medical review for claims that use Modifier 25. Excellus ran an internal audit to determine if any one or two providers were taking advantage of this code which would trigger investigation by their fraud unit. No evidence of fraud was found. *The Consortium is satisfied with Excellus explanation and considers this item closed.*
9. **Eye Refractive Exams and Vision -** Language in Excellus Corporate Medical Policy differ from Consortium plan language. *The Consortium considers Excellus responsibility with this audit, this item to be closed. Going forward: Excellus BCBS should follow the terms and conditions of the GTCMHIC Plan Document which was developed to mirror the New York State Department of Financial Services "model language" and which clearly states that adult vision exams are not covered for the primary purpose of obtaining glasses or other corrective vision items, like contact lenses.*

Financial Update

Mr. Locey provided the Committee with a rebate report prepared by ProAct from 2013 to present. In total, the Consortium has earned $3.1 million in prescription drug rebates during the period. He noted there is a lag of approximately three months from the period the rebate was earned to when it is received. The estimated rebate amount is approximately $671,000, bringing the total earned through March 31, 2017 to $3.7 million. He said rebates have been increasing recently and averaging $53 per covered life per quarter which is competitive from what he has seen with other clients. It is very beneficial to the Consortium to be receiving these rebates and getting a 100% pass-through. ProAct will be asked to continue to provide the Committee with this information on a quarterly basis.

Mr. Locey distributed a financial update through April 30, 2017. He summarized the report, stating premium revenue is 2% over budget ($13.7 million) and mostly attributable to additional contracts that were not anticipated when the budget was established. Stop loss reimbursements of $166,000 have been received bringing total revenue to $13.9 million. At this time total revenue is 3.2% over the budgeted amount of $13.5 million.

With regard to expenses, medical claims are 7% under budget and prescription drug claims are 11% under budget. Mr. Locey said an error was identified and an adjustment made to the internal coordination support fee; the correction makes the line on target for the budget. Mr. Locey said the budget looks very good. A small loss had been projected; however, at the end of this period the Consortium has accumulated a net income of almost $1.1 million. He reviewed a breakdown of expenses and noted claims represent 93.17% which shows the

Consortium is operating very efficiently. He will monitor Stop Loss expenses and explore ideas to keep this expense down while still providing the protection the Consortium needs and complying with Article 47. He said Highmark has been asked to consider a reduction in Aggregate Stop Loss insurance premium and he is awaiting a response. At the next meeting he will present the Committee with preliminary budget information for 2018.

Review of Year-End Financial Report (Jurat)

Mr. Snyder reviewed the 2016 year-end JURAT and explained how the figures correlate to information contained in the external audit report. He highlighted the following points contained in the document:

- Total assets - $24,290,000 (up from 2015 by 9.6%);
- Total liabilities - $5,289,610 (up from 2015 by $963,653 or 22.3%);
- Aggregate write-ins for special surplus funds - $2.8 million. These consist of the special reserves (catastrophic claims, rate stabilization reserve);
- Total capital and surplus (net position) - $19.1 million (up from 2015 by $1,173,320);
- Total liabilities and capital surplus - $24,290,000;
- Total revenues - $38,673,554 (up from 2015 by $944,152 or 2.5%);
- Total hospital and medical claims - $35,169,000 (up from 2015 by $6,128,707 or 21.1%);
- Administrative expenses – $2.1 million (up from 2015 by $192,000);
- Net income - $$1,272,335;
- Total net position - $19 million;
- 5-Year at a glance look at the Consortium goes back to 2012 and is a great resource; and
- Demographics - Number of municipalities increased from 17-20 from 2015 to 2016 and the number of employees has grown to 2,347, and number of covered lives increased by 200.

Impact of Multiple Plans on Excellus

Ms. Miller said Excellus manages the Consortium which is a large and complex group and provided the Committee with a document summarizing the groups and benefit plans within the Consortium. There are presently 28 entities with multiple plans, subgroups, class codes, and additional varying prescription drug benefits. Some of the groups share common products and some entities have multiples plans. She said efforts have been made to keep the smaller municipalities to a single plan offering. She spoke of the time involved in setting up the structure for plans and coordination of information with ProAct and said when there is discussion about setting up new plans or adding a plan the sooner Excellus is notified the better the rollout will be. She spoke of a meeting that was held during which an enrollment timeline was developed that also outlined where each responsibility lies. She noted that any plan changes would take effect on January 1 regardless of when it is negotiated. She also stressed the importance of any municipality planning to make changes making she and Mr. Barber aware as early as possible. Mr. Barber spoke of the timeline and said any new municipality or plan changes will need to be added by the end of September.

Pharmaceutical Claims Audit Update

Mr. Locey said further negotiations have taken place with BMI on the quote for the prescription drug claims audit and they have reduced their quote from the original proposal by $6,175. The audit includes the claims adjudication of the total population claims and five manufacturers rebates.

RESOLUTION NO. 007 - 2017 – AUTHORIZING CONTRACT FOR PRESCRIPTION DRUG CLAIMS AUDIT

MOVED by Ms. Hersey, seconded by Mr. Hart, and unanimously adopted by voice vote by members present.

WHEREAS, the Consortium has determined there is value in conducting periodic medical and prescription drug claims audits, and

WHEREAS, the Consortium's has developed a pattern of conducting these claims audits on alternate years for medical one year and then pharmaceutical claims the next and

WHEREAS, the Consortium is now prepared to undertake a prescription drug claims audit as part of its fiduciary responsibility to ensure claims paid by ProAct are in accordance with the benefit plan documents, Federal and State Laws, Rules, and Regulations, and industry standard practices for the years 2015 and 2016, and

WHEREAS, in anticipation of initiating a prescription drug claims audit the Audit and Finance Committee has negotiated a contract proposal with BMI Audit Services, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee, That the Consortium hereby engages the firm of BMI to perform an audit of the Consortium's prescription drug claims for an amount not to exceed $32,625.

* * * * * * * * * *

Invoice Payment Procedure

Mr. Barber said some issues were raised since the last meeting and the policy has been revised. The changes specifically relate to removing the inclusion of invoice information in the agenda packets that are posted on the Consortium's website and removal of Mr. Barber as an approver of invoices. He stated that he is not a Board member and doesn't feel he should be included in the approval process. The policy now delegates approval of particular invoices to be the sole responsibility of the Board of Directors Chair and suggested consideration be given to delegating the responsibility to a second individual in the event the Board Chair is not available.

Mr. Hart said he is comfortable with delegating authority to the Executive Director to approve invoices as that individual is hired by the Board of Directors. Ms. Hersey spoke of another organization she is involved in where the Executive Director reviews invoices but the Board is responsible for approving payment. She thinks this separation of authority works well but there should be a person in addition to the Board Chair in the event that person is not available. Mr. Cook agreed with Mr. Hart and suggested maintaining the status quo and letting the Committee that will be charged with looking at the Consortium's governance structure also look at this. Mr. Locey suggested adding language that in the absence of the Board Chair that

another individual from the Executive Committee provide this approval. Mr. Thayer agreed a second individual should be designated.

Mrs. Shawley suggested adding the following language to paragraphs A, C, D, and E: "..invoice will be sent to the Executive Director for advisement and the Board Chair or any member of the Executive Committee in the Chair's absence for approval". The Committee unanimously accepted these changes and approved a revised Invoice Payment Procedure.

GTCMHIC Invoice Payment Procedure

Invoices for the following items are considered ready for payment when received: Claims invoices and admin fees including flu clinic fees from our medical and prescription benefits managers, State and Federal taxes and fees, stop-loss, D&O and E&O insurance invoices, internal compilation and coordination expenses, and ancillary benefit premiums. These transactions are shown in the monthly financial report.

All other invoices received will be reviewed by the Account Clerk and then shall be forwarded to the Administrative Clerk who shall then follow the process below:

A. **Contract progress payment invoices (e.g. Actuary, Claims Auditor):** upon receipt, invoice will be sent to Executive Director for advisement and the Board Chair or any member of the Executive Committee in the Chair's absence for approval. Notice of approval will be returned to Account Clerk for payment. Copies of the invoice will be become part of agenda packet of the Audit and Finance Committee at its next most immediate meeting.

B. **Contract final invoices (e.g. Actuary, Auditor, Claims Auditor):** upon receipt, invoice will be sent to Executive Director for advisement and then will become part of agenda packet of the Audit and Finance Committee at their next most immediate meeting for approval. Administrative Clerk will apprise the Account Clerk of approval for payment. In the event that the Audit and Finance Committee will not be meeting by the time the final invoice becomes due, the Executive Director will first petition the contractor for a time extension until the Audit and Finance Committee meets. Should that petition be denied, the invoice must be approved by the Board Chair and Finance Committee chair. Copies of the paid invoice will become part of agenda packet of the Audit and Finance Committee at its next most immediate meeting.

C. **Invoices for non-fixed price contract payment under $10,000 (e.g. consultants, newsletter production, photography, and printing)** upon receipt, invoice will be sent to the Executive Director for advisement and Board Chair or any member of the Executive Committee in the Chair's absence for approval. Notice of approval will be returned to Account Clerk for payment. Copies of the paid invoice will become part of agenda packet of the Audit and Finance Committee at its next most immediate meeting.

D. **Invoices for non-fixed price contract payment over $ 10,001 (e.g. financial auditor, Bonadio):** upon receipt, invoice will be sent to Executive Director, Board Chair, and CFO or any member of the Executive Committee in the Board Chair's absence for advisement. The invoice will then become part of agenda packet of the Audit and Finance Committee at their next most immediate meeting for approval. Administrative Clerk will apprise the Account Clerk of approval for payment. In the event that the Audit and Finance Committee will not be meeting by the time the final invoice becomes due, the Executive Director will first petition the contractor for a time extension until the Audit

and Finance Committee meets. Should that petition be denied, the invoice must be approved by the Board Chair and Finance Committee chair. Copies of the paid invoice will become part of agenda packet of the Audit and Finance Committee at their next most immediate meeting.

E. **Invoices for non-fixed price contract payment with Executive Director, Benefit Plan Design Consultant, and Treasurers Office:** upon receipt, invoice will be sent to Executive Director for advisement and the Board Chair or any member of the Executive Committee in the Chair's absence for approval. Notice of approval will be returned to the Account Clerk for payment. In order to protect possible sensitive information that could affect future firms acting in these roles, invoice will not become part of agenda.

F. **Invoices for services not previously approved by contractual arrangement (e.g. DFS audit)** upon receipt, invoice will become part of agenda packet of the Audit and Finance Committee at its next most immediate meeting for approval. Administrative Clerk will appraise the Account Clerk of approval for payment. In the event that the Audit and Finance Committee will not be meeting by the time the final invoice becomes due, the Executive Director will first petition the contractor for a time extension until the Audit and Finance Committee meets. Should that petition be denied, the invoice must be approved by the Board Chair and Finance Committee chair. Copies of the paid invoice will become part of agenda packet of the Audit and Finance Committee at its next most immediate meeting.

All invoices shall be reviewed by the Treasurer prior to issuance of the vendor check.

Next Agenda Items

The following items will be included on the next agenda:

Resolution to address follow-up items for the Medical Claims Audit;
Update on response from Highmark on Aggregate Stop Loss
Preliminary information for 2018 Budget;
Report from Steve Locey on meeting in Albany concerning amendments to the New York State Insurance Law for small municipal employers

Approval of Invoices

The Committee reviewed and authorized payment for the following invoice:

Insero & Co. LLP invoice dated April 30, 2017

Adjournment

The meeting adjourned at 4:41 p.m.