

**Audit and Finance Committee
October 24, 2017 – 3:30 p.m. - Approved
Old Jail Conference Room**

Present: Steve Thayer, Bud Shattuck, Mack Cook, Rordan Hart, Peter Salton, Olivia Hersey, Laura Shawley

Excused: Chuck Rankin

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

Call to Order

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

Changes to the Agenda

There were no changes to the agenda.

Approval of Minutes of September 26, 2017

It was MOVED by Ms. Hersey, seconded by Mr. Salton, and unanimously adopted by voice vote by members present, to approve the minutes of September 26, 2017. MINUTES APPROVED.

Executive Director's Report

CanaRX

Mr. Barber reported there was one additional subscriber who signed up in September and said a letter has been sent from ProAct to all members who take a medication that qualifies for the Program to let them know it is available and explaining the enrollment process.

Mr. Barber reported the County had meetings with retirees, Sheriff's Department, and Public Library employees and during those meetings several questions about the CanaRx program were answered. Mr. Barber will ask Mr. Prashaw of ProAct to provide a report to the Joint Committee on Plan Structure and Design in January of the number of contracts in the Program as well as the potential number.

Department of Financial Services Communication

Mr. Barber reported there has been no communication with DFS since the last meeting. This is a topic that will be included on the agenda for the meeting with Senator Seward tomorrow.

Prescription Drug Claims Audit

The BMI Prescription Drug audit is on scheduled and all information was received without BMI going on-site. They will be sending ProAct a report shortly and giving them a chance to respond.

Other Activities

Mr. Barber reported the Executive Committee met and provided some direction to the Governance Structure Committee. There was also discussion of expanding the size of the Executive Committee to provide an opportunity for others to participate. The Governance Structure Committee will not be bringing a recommendation to the Board of Directors at this time but work will be done internally on things such as giving more responsibility to committees. There will also be discussion of alternate meeting locations and remote meeting capability. The Joint Committee on Plan Structure and Design will not be meeting again until January.

Update on External Auditor RFP

Mr. Snyder provided an update on the three responses received to the Request for Proposals for auditing services and explained the process that was conducted with the County, noting that although it was a joint process the Consortium would award its own contract. He briefly reviewed a comparison of the quotes submitted for the three-year contract and said he expects to present the Committee with a recommendation at its next meeting.

Invoice Approval

It was MOVED by Mr. Salton, seconded by Mrs. Shawley, and unanimously adopted by voice vote by members present, to approve an invoice dated September 26, 2017 from Michael Grace-Martin for photography services rendered to the Consortium in the amount of \$495.
MOTION CARRIED

An invoice dated October 11, 2017 from Hancock Estabrook was presented for information only.

Financial Update

Mr. Locey distributed a financial report thru September 30th and said the Consortium has continued to experience positive results and said year-to-date there is a \$2.9 million surplus. Net income was budgeted to be -\$1.1 million and actual results show a net income of \$2.9 million. He said this largely the result of medical and prescription drug claims being 8½ below budget. He said the Consortium is above budget on revenue which is mostly due to prescription drug rebates. Mr. Locey reviewed expense distribution and said paid claims represented 93.4%. He called attention to paid claims from 2013-2017 and said for 2017 there were five out of the nine months that were below the amounts for the same period in 2016. There should be funds left at year-end that the Consortium should be able to use for future budgets to keep the rate increase down.

Mr. Locey explained for brand name medications prescription benefit managers are reimbursed a percentage of their cost based on usage and on how much of the drug was dispensed globally across the United States. He explained a Prescription Benefit Manager will either keep rebate, split the rebate with some groups, or charge a true administrative fee and pass the entire rebate on to a group on a quarterly basis. He will provide the Committee with historical information on these rebates and discuss this in more detail at the next meeting.

2018 Stop Loss

Mr. Locey distributed a summary of the Consortium's Stop Loss policies since 2011 and reviewed preliminary information on current proposals. He noted vendors have requested to see data before finalizing quotes. He also distributed a large loss update and said through August there have been no cases that have gone over \$250,000 in claims through August. He said through September there were seven cases that exceeded \$200,000 with the highest being \$342,000, noting none had reached the \$450,000 deductible level. Additional quotes for \$600,000, \$750,000, and \$1,000,000 have been requested from the companies to compare to where the non-ceded level of coverage would be for the captive quote and to also allow for consideration of reducing the premium and taking on more risk.

Mr. Locey reviewed language contained in Article 47 relating to the requirement for the Consortium to purchase Specific Stop Loss insurance and stated the deductible "cannot be greater than 4% of expected claims for the fiscal year". If the Consortium ended 2017 with an

expected claims cost of \$37.2 million the maximum deductible for the year could be slightly under \$1.5 million and with a projected claims cost of \$40.2 million in 2018 the maximum deductible could be \$1.6 million.

Mr. Barber provided additional information for the Berkley proposal that Mr. Locey will incorporate into the spreadsheet. He also informed the Committee that proposals may be coming forward for lasering an individual.

Mr. Barber provided an update on the protected cell and stated he sent questions that were raised to Relph Benefits and changes were made to the contract which was circulated to the Committee. Three questions were subsequently raised by John Powers. One relates to legality of the protected cell program. NYSAC has been asked to approach DFS about the protected cell and how it would work within Article 47; a response has not yet been received to this. The second issue relates to transparency of refund of premium or refund of reserve and this is being worked on. Another issue relates to the role of the advisory board of directors.

Mr. Locey said once the legal issues are resolved a look will need to be taken at fees that would be paid and then a comparison done of that model to exploring the option of doing a cell internally within the Consortium. Mr. Barber said there is a 5G health consortium in Rochester that does not purchase stop loss. He will be meeting with the NYS Health Consortia and will ask what their deductible is and how they are managing that. He said a decision will need to be made next month and asked that members provide him with questions in advance.

Excellus Contract

Mr. Locey provided an update on discussion that has taken place with Excellus on three specific areas: Admin. Fee, online enrollment, and accredited care fees. He noted that although a three-year agreement is proposed there would be an annual renewal. There was a strong sentiment by members that issues related to the online enrollment process need to be resolved and it was suggested while discussions continue with Excellus that the Consortium begin work on preparing a request for proposals. Mr. Barber said he will contact Excellus and request a meeting as soon as possible to communicate the concerns raised.

Review of Applicant Process

This item was deferred to the next meeting.

Next Agenda Items

The following items will be included on the next agenda:

Resolution: Authorization to Contract with External Auditor
Discussion of prescription drug rebates;
Stop Loss;
Review of Applicant Process;
Resolution: Authorization to Issue Request for Proposals for Medical Plan Administrator

Adjournment

The meeting adjourned at 4:45 p.m.

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