

**Audit and Finance Committee
December 19, 2017 – 3:30 p.m. - Approved
Old Jail Conference Room**

Present: Steve Thayer, Chuck Rankin, Mack Cook, Rordan Hart, Peter Salton, Olivia Hersey, Laura Shawley (arrived at 3:33 p.m.)

Excused: Bud Shattuck

Guests: Judy Drake, Board of Directors Chair; Don Barber, Executive Director; Steve Locey (via conference call)

Call to Order

Mr. Thayer, Chair, called the meeting to order at 3:31 p.m.

Changes to the Agenda

There were no changes to the agenda.

Approval of Minutes of November 14, 2017

It was MOVED by Ms. Hersey, seconded by Mr. Cook, and unanimously adopted by voice vote by members present, to approve the minutes of November 14, 2017 as submitted. MINUTES APPROVED.

Report from the Executive Director

DFS Communications

Mr. Barber reported a conference call that took place with the Department of Financial Services which was an outcome of a recent meeting with Senator Seward. At the beginning of the call the Consortium was informed that DFS had approved the Consortium's application for a waiver of Aggregate Stop Loss with a request for additional information when the 2018 Jurat is filed. Mr. Barber provided members with a copy of a letter from the Department dated December 5, 2017 relating to this. Later in the meeting Mr. Locey said the annual budget process will include a review of whether the Consortium should continue to forego the purchasing of Aggregate Stop Loss.

Mrs. Shawley arrived at this time.

Mr. Barber reported seven outstanding issues were addressed during the call and the Consortium was advised that the Department would be working on them. He said the call was very constructive and he will follow-up with the Department in a couple of months if there has been no communication.

Prescription Drug Claims Audit

Mr. Barber distributed a copy of an updated timeline. The audit is on schedule and the Committee should see a report at its January meeting.

Other Committee Activity

Mr. Barber invited members to attend the January 4 meeting of the Joint Committee on Plan Structure and Design and said there will be presenters from Excellus, ProAct, and the local physician community to talk about the opioid crisis. They will speak about what benefit plans are doing and what may be possible to do.

The Website Committee has made contact with eGov and is moving forward with the new website. The Owing Your Own Health Committee has forwarded a proposal to the Executive Committee to develop and RFP to hire a consultant to work on wellness initiatives and who would be the person who would inform municipal partners of what wellness programs and opportunities exist.

The Appeals Committee met to discuss an appeal and awaits PPO and copy information from Mr. Locey; however, it is likely that the appeal will be granted based on information that has been received and reviewed. There was discussion of issues relating to the processing of bills from the Cayuga Physicians Network and the need for follow-up with CAP (Cayuga Area Plan/Preferred). A second appeal was received that he will share with Mr. Locey and develop a plan for moving forward.

Other Items

Mr. Barber provided members with a copy of the December Newsletter. He said he received a request from the Town of Owasco for a 1099 and asked for direction is this was the first request he has received for this. Mr. Locey said the Consortium has a TIN (Tax Identification Number) and there was no objection to providing a 1099 to the Town of Owasco.

Invoice Approval

It was MOVED by Mr. Salton, seconded by Mrs. Shawley, and unanimously adopted by voice vote by members present, to approve an invoiced dated November 30, 2017 from Bonadio & Co., LLP per the Consortium's Invoice Payment Policy.

The following invoices have been paid pursuant to the Policy and were presented for information only:

Tamara Beardsley – November 20, 2017	\$	75.00
Judy Drake – November 14, 2017	\$	22.40
Jennifer Jensen – November 18, 2017	\$	450.00
TST BOCES – December 14, 2017	\$	436.00
BMI Audit Services – December 12, 2017	\$	13,050.00

Financial Update

Mr. Locey provided a financial update as of November 30, 2017 and reported the Consortium continues to do well. There is a net income of \$2.6 million compared to the budgeted deficit amount of \$1.4 million for the year. A significant portion of this is related to prescription drug rebates, Stop Loss recovery, and premium revenue related to additional members. Also, medical claims are 5% below budget and prescription drug claims are 8% below budget to date. The collective expense results are \$2.3 million more than budgeted and revenue \$1.7 million more than budgeted; this leaves almost \$4 million that can be used towards Stop Loss insurance and to offset future rate increases. Mr. Locey called attention to the paid claims percentage of 93.58% which means only 6.42% is being used to pay all other expenses.

Specific Stop Loss Insurance

Mr. Locey said three competitive quotes were received for Specific Stop Loss insurance, particularly at the lower deductible levels. Quotes were also received for higher levels as he and Mr. Barber felt that the deductible could easily be increased by \$50,000 to \$500,000 and

this would reduce the Consortium's expense by \$100,000 for any of the carriers. He reviewed the quotes received from each of the carriers and recommended the Catastrophic Claims Reserve be increased from \$1.3 million in 2017 to \$2 million for 2018 which would allow for the deductible to be increased without exposing the Consortium to any financial harm for any potential catastrophic claims.

Mr. Locey addressed the Captive cell protected cell proposal and a suggestion made that the Consortium consider moving to it mid-year and said he recommends whatever decision is made relative to Stop Loss that it be for all of 2018. He believes there are still unanswered questions and more information that needs to be gathered and recommends this continue to be explored for 2019. He spoke of an un-named individual who has been labeled as "lasered" due being a unique high claims risk and the deductible levels contained in each quote for this individual.

Mr. Barber addressed questions related to the protected cell and said if the Consortium were to express interest in joining it could not do so until the Department of Financial Services gives its approval. Mr. Locey responded to a question relating to deductible and reserve levels for other groups and said he had done research and couldn't find a statistical model that could be used. He has requested information from Excellus on large loss information on what they have experienced and said two of Locey and Cahill's groups experienced individuals with claims that exceeded \$2 million this year.

Following a lengthy discussion of the proposals submitted and the issues relating to the deductible levels, risk, and the captive it was MOVED by Mr. Cook, seconded by Mrs. Shawley, and unanimously adopted by voice vote by members present, to approve the following resolution:

RESOLUTION OF THE AUDIT AND FINANCE COMMITTEE - AUTHORIZATION TO PURCHASE STOP LOSS INSURANCE

WHEREAS, the Consortium must select stop loss insurance, as required by Article 47 of New York State Insurance Law, and

WHEREAS, the Board of Directors has delegated responsibility for determining 2018 Stop Loss carriers to the Audit and Finance Committee, and

WHEREAS, the Audit and Finance Committee has considered to variations of Stop Loss insurance models and level of deductible, now therefore be it

RESOLVED, That the Audit and Finance Committee directs the Board Chairperson to execute a contract with Highmark Life Insurance Company that contains these terms,

RESOLVED, further, That the Stop Loss contract will have a deductible of \$600,000,

RESOLVED, That the Audit and Finance Committee recommends that the Board of Directors increase the Catastrophic Claims Reserve from \$1,350,000 to \$2,000,000,

RESOLVED, further That the Plan Consultant is directed to provide the Administrative Clerk of the Consortium with a copy of said policy.

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Next Agenda Items

The primary item to be included on the January meeting agenda will be Stop Loss. The January agenda will include:

Investment Policy;
Committee membership;
New member application – claims data if available; and
2017 drug rebate report. Mr. Locey will follow-up on detailed quarterly rebate reports that ProAct should be submitting to the Consortium but has not done.

Adjournment

The meeting adjourned a 5:01 p.m.