



Municipalities building a
stable insurance future.

Board of Directors

August 23, 2012

5:30 p.m.

Scott Heyman Conference Room

Approved 10/25/2012

Municipal Representatives: 9

Mary Ann Sumner, Town of Dryden; Steve Thayer, City of Ithaca; Joe Mareane (via Proxy by Anita Fitzpatrick), Tompkins County; Laura Shawley, Town of Danby; Judith Drake, Town of Ithaca; Lucia Tyler, Town of Ulysses; Elizabeth Karns, Village of Cayuga Heights; Charles Rankin, Village of Groton; Rordan Hart, Village of Trumansburg

Voting Union Representatives: 1

Chantalise DeMarco, CSEA President, Joint Committee Chair

Excused: 3

Don Barber, Chair, Town of Caroline; Herb Masser, Town of Enfield; George Apgar II, Ithaca Professional Fire Fighters Association; President, 2nd Labor Representative

Absent: 2

Glenn Morey, Town of Groton; Charles Becker, Village of Dryden

Others in attendance:

Jennifer Case, Town of Dryden; Steve Locey, Locey & Cahill; Jerry Mickelson, Ciaschi, Dietershagen, Little & Mickelson; David Squires, Tompkins County Finance Director; Mack Cook, Cortland City Manager; Paul Sandy, Deputy City of Cortland Police Chief; Sharon Dovi, TC3

Call to Order

The meeting was called to order at 5:33 p.m. by Ms. Karns, Vice Chair.

Approval of Minutes – June 28, 2012

It was MOVED by Ms. Sumner, seconded by Mr. Rankin, and unanimously adopted by voice vote by members present, to approve the minutes of June 28, 2012 as corrected. MINUTES APPROVED.

Changes to the Agenda

There were no changes to the agenda.

Financial Update

Mr. Locey reported for the first six months of 2012 numbers were very good. The Consortium started the year with a beginning balance of slightly over \$4 million. This balance is a combination of assets that are in the financial accounts plus the prepayment of claims that are held by Excellus. In terms of overall income through the first six months the Consortium has slightly over \$15.5 million in total revenue and in terms of expenses is at little over \$13 million. There was a net income of slightly more than \$2 million for the first six months, bringing the ending balance to \$6.5 million. When accounting for liabilities, IBNR of \$3.14 million and the rate stabilization reserve (5% of expected premium income for the year) there is an unencumbered balance of \$1.9 million. The Consortium is a little ahead of schedule of the five-year proforma which means if the Consortium continues on this pace it may be in a position to begin paying back some of the Capitalization Reserve account to municipalities.

He referred to the Treasurer's Report Data ending June 30th and stated premium income is up from what was budgeted and expenses are well below budget. Medical claims at this time are 12% below what was budgeted for the year; prescription drug claims are slightly above budget. Overall expenses are 7.3% below budget. In summary, there is approximately \$1 million more in income and \$1 million less in expenses than was budgeted. At this point it was anticipated that there would be \$400,000 in net income. With regard to the Paid Claims Development Model the Consortium is showing through 18 months of the Program's operation it is 1.7% below what had been budgeted for total paid claims. Mr. Locey referred to the Capitalization payments and stated to date \$3,916 in interest has been earned on the initial total investment of \$1,223,736.

Mr. Locey reported they are working on the second quarter report for the State and should have that submitted before the end of the month. Mr. Mareane called attention to income for June and asked why there was such a fluctuation. Mr. Squires explained this is likely due to delayed and erratic billing by Excellus. Mr. Locey also noted Excellus is currently in the process of converting to a new system. As of January 1, 2013 everyone is supposed to be on the new system.

Ms. Karns said the report shows in May there were other expenses charged in the amount of \$13,146. Mr. Squires was unsure what this was for specifically but said sometimes there are credits issued because of overpayments that have been made. *Mr. Locey and Mr. Squires will look into what this was for.*

At this time Ms. Karns distributed comments by Mr. Barber that had been prepared in response to several agenda items.

Review of 2011 Audit

Copies of the 2011 Audit performed by Ciaschi, Dietershagen, Little, & Mickelson were distributed and briefly reviewed by Mr. Mickelson, followed by a review of the Communication letter.

Mr. Mickelson referred to the Management Comment Letter that accompanied the audit and made the following comments:

Contributed Capital

The documentation stated that this was estimated to be repaid over five-year period with interest of three percent. When they read agreements this was reflected as an expense and liability. They would like to see more clarity regarding this.

Meetings

The Joint Committee on Plan Structure and Design did not always have a quorum present. He said it is important when having committee meetings to also have quorum.

Administrative Guidelines

When considering the allowability of new participants it is recommended that guidelines be completed.

Excellus BlueCross Administrative Services Contract

It was found that there was a claims deposit requirement in the amount of \$768,600; however, they accepted four quarterly payments of \$179,500 totaling \$718,000 which was what was actually paid. This shows a difference in the expectations versus what was actually paid.

The agreement also states a security for run-out claims may be a requirement; however, no formal evidence of security was noted during the audit. Additionally, the agreement states that the liability for claims and expenses shall be 12% of the 2011 total claims and expenses. The actuarial reports are indicating a lesser liability. It is recommended that there be a review and that the various provisions be formally clarified and documented. It was reported that Mr. Barber will be meeting with the New York State Department of Financial Services next week and this is one topic that will be under discussion.

Collateral

The Consortium has two bank accounts not collateralized as required and is being recommended. Mr. Squires said this is now done and he should have agreements soon with First Niagara and the Tompkins County Trust Company.

Financial Statements

It is recommended there be a review and reconciliation of the quarterly reports to the Plan's account records and a recalculation and resubmission of quarterly reports to the State.

Mr. Mareane asked if 12% for the IBNR and 5% for the Rate Stabilization Reserve is appropriate. Mr. Locey said the 5% is statutory. In the language contained in Article 47 it states the IBNR has to be 25% of expected and incurred claims thereon or an amount certified by an actuary and approved by the Superintendent of Insurance. He said when the Consortium submitted the application the Department agreed to 12%; \$2.6 million was the target and used all year. The State is now saying it should be higher than that. With the accounts payable claims of approximately \$400,000 that

were received but not paid, in addition to the \$2.6 that is recognized as incurred but not reported, the Consortium is around where the State is saying it should be.

Mr. Mickelson also recommended that at some point an independent firm conduct an audit of the medical claims. Ms. Sumner said in the past there had been discussion about this and questioned where this stands. Mr. Locey said it is not included in the contract Locey and Cahill has with the Consortium. Ms. Karns said it appears this was never budgeted for and something that needs to be followed up on. Mr. Mickelson said this would be a review of a represented sample of claims to make sure medical coding was correct, payment that was charged to the plan was appropriate, and the participant was in fact, a member of the Plan, etc.

Mr. Squires reported the State has announced it will be conducting an audit of the Consortium's records.

Ms. Karns reviewed Mr. Barber's comments on the Audit. With regard to contributed capital Mr. Barber wrote that he did not understand this concern since the Board's resolution says repayment is subject to having enough funds. Following a brief discussion it was suggested that the Board develop an action plan on how to address this.

Ms. DeMarco spoke of the difficulties the Joint Committee on Plan Structure and Design has had in getting quorum at meetings. She said there have been many efforts made to accommodate members and there has been a slight improvement over recent months. Ms. Karns asked that municipalities be informed if they are not being represented at the meetings. Mr. Mareane asked if it would make sense to make the group smaller; Ms. DeMarco said making it a smaller group may resolve the quorum issue but she does not think it would satisfy the need for representation by Labor. Mr. Locey said easing the quorum requirements has also been discussed.

Mr. Locey agreed to clarify the cash deposit amount owed to Excellus for claims in 2011. With regard to the financial statements, Mr. Locey will be working with Mr. Mickelson's firm.

Report on New York State Insurance Department Audit

Mr. Locey reported the Consortium will be audited by the New York State Insurance Department and will conduct the audit here. The audit is expected to last approximately four months.

Mr. Locey said a special meeting will need to be scheduled for setting 2013 premium rates and to consider new membership to the Consortium if an application is submitted. Following discussion it was suggested that this meeting be scheduled on September 27th prior to the Council of Governments meeting. A meeting wizard will be sent out with date options. Mr. Locey said he will see that information is distributed prior to the meeting. It was noted that an affirmative vote of 2/3 of the membership is needed to approve new membership.

Update on Requests for Proposals - Flex Spending Account and Flex Spending Accounts

Mr. Locey reported both review committees have met. Locey and Cahill will be going back to companies to clarify some of the quotations that were made and Mr. Locey will provide an update at a later time.

Contract with Pharmacy Benefits Manager

Mr. Locey said a confidential memorandum was distributed to members this afternoon. He said the Review Committee met several times and narrowed the recommendation down to two finalists. The Committee has recommended ProAct be the Pharmacy Benefits Manager for a number of reasons. ProAct is a New York-based company and an employee-owned organization. It was also felt that they would provide a better overall service model. There had initially been concern a concern over pricing; however, after revamping their rebating schedule their costs came more in line with the other vendor. It was noted that pricing for both proposals is better than pricing for 2012. There were some concerns relative to transitional issues; however, the Committee feels that with the amount of lead time the transition will be smooth.

RESOLUTION NO. 004-2012: AUTHORIZATION TO EXECUTE AN AGREEMENT WITH PROCACT FOR THE PROVISIONS OF PHARMACY BENEFITS MANAGER

MOVED by Ms. Drake, seconded by Ms. Tyler.

Mr. Mareane said the County will support this resolution and explained that the last time this was discussed the difference in price between the two vendors was \$91,000. He said whenever there is an opportunity to preserve benefits and save money that should be done and he appreciates the work that has been done to make the proposals comparable. Mr. Thayer said the City also supports this change and said they have heard many favorable comments about ProAct.

A voice vote resulted as follows: Ayes – 11, Noes – 0. RESOLUTION ADOPTED.

Whereas, the Greater Tompkins County Municipal Health Insurance Consortium authorized Locey and Cahill to issue a Request for Proposals for Prescription Drug Manager on August 25, 2011, and

Whereas, six (6) responses were received and analyzed by the RFP Review Committee, and

Whereas, the Review Committee has conducted a thorough analysis of response and has recommended that the Consortium enter into an agreement with ProAct for the provisions of Pharmacy Benefits, now therefore be it

Resolved, That the Board of Directors of the Greater Tompkins County Municipal Health Insurance Consortium hereby authorizes the Chair of the Consortium to execute

a contract with ProAct for the provision of pharmacy benefits manager effective January 1, 2013 through December 31, 2014.

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Report from New Participant Process Committee

Mr. Rankin reported the Committee met and identified six steps that are essential in evaluating an applicant and reviewed the steps that are outlined in the resolution. Mr. Squires attended the last meeting to provide guidance on what should be looked for in the applicant's financial statements.

Ms. Sumner said the resolution doesn't refer to any other impacts a new participant would have on the Consortium such as weighted voting. Mr. Locey said there would be no impact on the weighted voting model; in terms of the joining of a municipality there was discussion about labor representation. The Municipal Cooperative Agreement states that if the Consortium goes up to 17 members labor gets another representative on the Board of Directors. He said there is also consideration being given to changing this to be formula-based to avoid having to make a change in the future. He clarified that this resolution only clarifies things that would be needed for the Board to consider a new participant, however, the Board could ask for additional information. This resolution is only intended to be a guideline for the process.

Ms. Karns said she has concerns for how to evaluate a new risk group and would like some mechanism to do this. Ms. Sumner expressed concern that a new member will be considered at the special meeting that is being scheduled and questioned whether adequate time had gone into looking at this. Mr. Cook said he contacted Mr. Barber and first expressed interest in joining the Consortium in April.

Mr. Locey said in terms of trying to assess risk it would be difficult. If the demographics are similar, if they are purchasing medical services in the same region, if plan designs are similar, and if the group looks similar to the Consortiums he doesn't think there would be a lot gained by looking at claims data.

Mr. Hart was excused at this time.

Mr. Locey noted approval of the resolution would only get the Consortium to the point of being able to consider an application.

Ms. Drake said she would like to see language that would require applications to be submitted early enough in a year to allow membership to be considered for the following year. Mr. Locey recommended a date not be inserted into the resolution because it would be too limiting. Mr. Mareane asked if Cortland's request is to become a participant for 2013. Mr. Cook said the request was initially intended to be for 2013; the City of Cortland must adopt a budget by December 31st.

Concern was expressed over the Board being asked to consider a new member at the special meeting at which rates for 2013 will be adopted. Mr. Locey said a decision would not need to be made at that meeting. A budget will be established

based on the Consortium's members at that time. If the Board approves a new member it will adjust the budget but won't necessarily adjust the premium equivalent rates.

Ms. Drake spoke of the importance of adopting this resolution to put a policy in place.

Ms. Tyler was excused at this time.

RESOLUTION NO. 005-2012 - ADOPTION OF POLICY FOR THE PROCESS OF APPLYING FOR MEMBERSHIP TO THE CONSORTIUM

MOVED by Ms. Drake, seconded by Ms. Sumner, and unanimously adopted by voice vote by members present.

Whereas, the Greater Tompkins County Municipal Health Insurance Consortium (hereinafter referred to as the "Consortium") is a Certified Municipal Cooperative Health Benefits Plan organized and operated pursuant to the terms and conditions found in Article 47 of the New York State Insurance Law, and

Whereas, the Consortium conducts its business in accordance with its Municipal Cooperative Agreement which grants certain authorities, responsibilities, and requirements upon the Board of Directors, and

Whereas, the current Municipal Cooperative Agreement includes Section A, Paragraph 5 which states the following:

The Board, by a two-thirds (2/3) vote of the entire Board, may elect to permit a municipal corporation which is not located in the geographical or political boundaries of the County of Tompkins to become a Participant subject to satisfactory proof, as determined by the Board, of such municipal corporation's financial responsibility. Such municipal corporation must agree to continue as a Participant for a minimum of three (3) years upon entry.

Whereas, the Consortium Board of Directors appointed a New Member Committee to develop a process for entry of a new Participant into the Consortium in accordance with the Municipal Cooperative Agreement, and

Whereas, that New Member Committee has met and has forwarded its recommendation to the Board of Directors, now therefore be it,

Resolved, That the above recitals are true and accurate and are incorporated herein,

Resolved, further, That for any municipal corporation as defined in Article 47 of the New York State Insurance Law which applies for membership in the Consortium and which resides within the borders of the County of Tompkins or a contiguous County, the GTCMHIC Board of Directors adopts the following policy:

1. The municipal corporation must pass an official resolution of its governing body authorizing the municipal corporation to join the Consortium in accordance with the terms and conditions outlined in the Municipal Cooperative Agreement.
2. The Consortium must receive a copy of the official resolution and a signed copy of the municipal cooperative agreement.
3. The applicant must submit a copy of its annual audit or financial report for the last three years that would be reviewed and recommended by the Consortium's Treasurer, Chief Financial Officer, and/or the Consortium's Auditor; further documents regarding claims history may be requested and the Board may consider any factors it deems pertinent to its decision.
4. Upon the Board of Director's approval of membership into the Consortium, the municipal corporation must pay their share of the "Surplus Account" as defined in §4706(a)(5)(A) which states the following:

“(5) a surplus account, established and maintained for the sole purpose of satisfying unexpected obligations of the municipal cooperative health benefit plan in the event of termination or abandonment of the plan, which shall not be less than:

(A) five percent of the annualized earned premium equivalents during the current fiscal year of a municipal cooperative health benefit plan which consists of five or more participating municipal corporations and covers two thousand or more employees and retirees; or”

Said payment must be received by the Consortium 30 days prior to the effective date of the municipal corporation's entry into the Consortium.

5. At the time of acceptance of the applicant by Board resolution, the Board of Directors will determine the terms of payback to the municipal corporation of their investment into the "Surplus Account" along with any applicable earned interest based on the appropriated Fund Balance of the Consortium.
6. At the time of acceptance of the applicant by Board resolution, the Board of Directors will determine the terms of assessing the pro-rata share of any surplus or deficit to the applicant at the time the applicant leaves the Consortium or upon dissolution of the Consortium. Said terms could include, but may not be limited to:
 - a. The applicant contributing their pro-rata share of the existing fund balance on their effective date to bring them "on par" with the founding members' equity.
 - b. The applicant paying 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.

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Report from Joint Committee on Plan Structure and Design

This item was deferred to the next meeting.

Report from the Strategic Planning Committee

This item was deferred to the next meeting.

Executive Session

It was MOVED by Ms. Sumner, seconded by Ms. DeMarco, and unanimously adopted by voice vote by members present, to enter into executive session at 7:23 p.m. to discuss the Consultant contract. The meeting returned to open session at 7:59 p.m.

Adjournment

On motion the meeting adjourned at 7:59 p.m.

Respectfully submitted by Michelle Pottorff, Administrative Clerk