

**Audit and Finance Committee
Minutes - APPROVED
January 22, 2019 – 3:30 p.m.
Legislature Chambers**

Present: Mack Cook, Rordan Hart, Laura Shawley, Bud Shattuck, Peter Salton, Ann Rider
(arrived at 3:35 p.m.); Steve Thayer (arrived at 3:34 p.m.)

Excused: Olivia Hersey, Chuck Rankin

Guests: Don Barber, Executive Director; Rick Snyder, Treasurer; Steve Locey, Robert
Spenard, Locey and Cahill; Judy Drake, Board Chair; Michelle Courtney Berry,
Wellness Consultant; Jason Molino, County Administrator

Call to Order

Mr. Cook 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 27 and December 11, 2018

It was MOVED BY Mr. Shattuck, seconded by Mrs. Shawley, and unanimously adopted
by voice vote by members present with Mr. Salton abstaining, to approve the minutes of
November 17 and December 11, 2018 as submitted. MINUTES APPROVED.

Mr. Thayer arrived at this time.

Executive Director's Report

Mr. Barber reported he has been communicating with the Department of Financial
Services on the subject of Cyber Security. Although the Department approved his request for
an exemption in some areas there are others that the Consortium needs to work on to be in
compliance with regulations. The Board of Directors authorized a contract with Tompkins
County Information Technology Services for this work and a report will be presented to the
Committee at its next meeting. With regard to changes to Article 47, proposed language was
sent to DFS three months ago; no response has been received to date.

Ms. Rider arrived at this time.

Update on Committees

Mr. Barber reported on his goals for the first quarter of 2019 that were reviewed by the
Executive Committee at its January meeting; he provided a copy to the Committee and invited
members to provide him with feedback. The Executive Director Employment Committee has
been working on employment details for the Executive Director position. The vacancy notice
and job description has been provided to all members; interviews are expected to take place in
late February or early March.

2019 Start-UP

He reported there were several problems with the 2019 startup. He has met with
Excellus and ProAct and a number of action steps have been put into place so that there are no
problems in the future. The Executive Committee has charged him to develop a process and
timeline for not only Excellus and ProAct, but for all partners to comply with that he will bring to
this Committee at its March meeting. One of the suggestions of the Executive Committee is to
make partners pay the surplus fee that has been getting waived and once they have comply it

would be returned. Another suggestion is to have an online portal for the submission of materials that would require compliance in order to move forward.

The Governance Structure Committee held its first meeting and had a good discussion. Questions raised at that meeting were forwarded to the Consortium's attorney and responses will be reviewed at the next meeting.

Mr. Barber reported the on activities from the Owning Your Own Health Committee and said flu vaccinations far-exceeded the goal of 1,600 with over 2,000 vaccines administered. Last year's total was 1,300. This total represents 40% of the Consortium's subscribers and is an exceptional result. At the last meeting information was shared on a number of wellness initiatives Seneca County has been working on; there will be more discussion of those at that next meeting. Plans for rolling out the Blue4U Program are underway; Mr. Barber noted the program is now being administered by Integrated Health.

The Joint Committee on Plan Structure and Design received an updated on the CanaRX program and was informed by Mr. Prashaw of ProAct that in 2018 there were 560 prescriptions issued by CanaRX; however, there were 4,400 potential prescriptions that could have been obtained through CanaRX (for a total savings of \$1.6 million). Mr. Barber said in 2017 there were 400 which shows the program is growing but more marketing is needed.

BMI Audit

Mr. Barber said BMI has completed its audit of Excellus and have sent a report to Excellus. Once Excellus responds a final report will be presented to the Consortium and will be brought to this Committee for discussion.

Operations Audit Update

Mr. Barber said Stop-Loss and PBM portions of audit are complete and will be useful in future discussions of Stop Loss and there were a number of issues that were identified with ProAct that will need further discussion. He said the Operations Audit report will come before this Committee in a couple of months; one area that was identified that warrants further discussion is the relationship between BlueCross BlueShield and ProAct and specifically with regard to communication.

Invoices

It was MOVED by Mrs. Shawley, seconded by Ms. Rider, and unanimously adopted by voice vote by members present, to approve the following invoices:

Hayer, Freyer, and Coon dated January 4, 2019 in the amounts of \$23,850 and \$15763.62.

The following invoices were presented for information only:

BOCES (Newsletter printing) dated January 2018
Discover eGov (website maintenance for 2019) dated January 2018
Wellness Consultant dated December 2018
Armory Associates – October 31, 2018
Courtney Consulting Enterprises, LLC (Wellness Consultant) – October, 2018

Wellness Consultant Update

Ms. Berry provided the Committee with the following update on activities she is working on that are part of her work plan.

OYOH (Owning Your Own Health) Committee, Excellus, ProAct, Newsletter, Blue4U

1. Ongoing feedback, solicitation of input, and perfect attendance at all OYOH Committee meetings to date (7 meetings to date). Monthly or bi-monthly (as needed) in-person meetings and phone calls with Executive Director as contracted.
2. Encouraging muni leadership and reps to OYOH to share information and best practices for the /good of the Consortium and future marketing/branding initiatives related to preventative wellness.
3. Continued sharing at OYOH of regional, national, and international wellness efforts, trends, and data points.
4. Ongoing and regular communications with Don, Beth, Ken, Corey and Austin related to preventative wellness campaigns (Flu Clinics, Blue4U, back pain, stress at work, workplace wellness, telemedicine promotion, etc.)
5. Reviewed successful teamwork which led to a 40% increase of Consortium members receiving flu vaccines whether through on-site employer clinics, pharmacies and with PC physicians. Also reviewed the success of wellness contacts and promoters of clinics//pharmacies using Shared Dropbox folder of Consortium branded, full-color ads, flyers, tips, releases created by the WC.
6. Worked in partnership with OYOH to land on branding language and logos that reinforced past and ongoing work and themes as consistent with the minutes from the formation of OYOH. Final renderings of language and logo to be reviewed at the Feb. OYOH meeting, then shared at March Board Meeting.
7. Wrote several wellness articles for the newsletter (flu clinics/flu FAQ's, flu myths, tips for healthy eating, dealing with holiday stress, and other wellness initiatives. Interviewed a local doctor on exercise physiology. Ongoing writing for web and newsletter.

IN-PROGRESS: 1) Blue4U Promotion/Marketing with Beth Miller and Don Barber - devising strategies to reach current Blue4U enrollees and outreach to potential participants; 2) Continued work on establishing wellness champions with employers; 3) Setting up meetings with all municipalities; 4) Working on identifying metrics to evaluate annual exams as a measure of wellness and working to engage subscribers who aren't in metal plans; 5) Outreach to area contacts to build increased awareness of Consortium; and 6) Outlining Work Plan for Y2.

2019 Start-Up

Mr. Barber circulated a draft letter to be sent to Directors, Supervisors and Mayors, and Bookkeepers concerning the 2019 start-up process. The letter recognizes the problems that were encountered and explains how the Consortium quickly responded and is developing action steps to prevent these problems going forward. He asked that members provide him feedback as soon as possible as it is important to distribute the letter soon.

Update from County Administrator on Platinum Plan

Mr. Molino reported on an agreement with the Blue Collar Unit that was passed last week by the Tompkins County Legislature. The Unit has approximately 70 members of which one-third are in the Platinum Plan and two-thirds in either the Blue or PPO plan. Effective January 1, 2020 all of the members of that Unit will shift to the Platinum Plan and allowances

will be opened up that will provide financial incentives for members wishing to participate in the Blue4U Program. Anyone who chooses to participate will be eligible to earn up to \$3,500 for the family plan and \$1,500 for an individual plan based on the five criteria of triglycerides, glucose, nicotine use, cholesterol, and blood pressure.

Mr. Barber thanked Mr. Molino for leading this effort and stated this is a big incentive for Tompkins County to offer its employees; he also noted Seneca County offers incentives and encourages wellness programs and preventive health care. Mr. Molino said this will be brought to the table during other upcoming contract negotiations. He said there is a perception that the Platinum Plan is of lesser quality than the other plans and it was demonstrated that that the average out-of-pocket costs are less for the Platinum Plan and the benefits are equal of greater. The CSEA leadership was present for the negotiations and agreed. He will provide the Consortium with the material used during presentations.

Treasurer's Report

Mr. Snyder reported on the selection process used to determine which financial institution the Consortium would use for its operating account. Tompkins Trust Company agreed to increase the interest rate from .15% to 1.2% with no fees or charges with the condition that it would not be available to any other municipality or the County at this time. Two accounts will be set up, one will be a Super Saver account which will generate interest and the other will be what checks are written from and will not generate interest.

Mr. Snyder reported on Wilmington Trust investments and said in the next couple of days wire transfers will start with the wiring of funds into the IBNR and the Surplus Reserve, the other reserves, and then operating funds.

Mr. Barber said the budget currently includes a line for the Executive Director, but an additional line will need to be created for benefits for that position. A separate budget line has been established to track marketing expenses.

Financial Report

Mr. Locey reported he sent out unaudited reports for 2018 and noted some final numbers are not yet available. With regard to budget versus actual he announced a correction - prescription drug rebates should be \$1 million instead of \$750,000. The Consortium finished the year with approximately \$42.4 million in total premium revenue compared to a budgeted amount of \$42.5 million. There was approximately \$300,000 more in prescription drug rebates and \$446,000 more in stop Loss reimbursements received, resulting in total income being 2.03% over budget. Medical claims were approximately 6.5% (\$1.8 million) over budget and prescription drug expenses were \$1.15 million (9.6%) below budget. CanaRX was below budget and will need more marketing effort to increase utilization of the program. The Consortium ended the year with a net income of \$1.2 million compared to the budgeted amount of \$600,000.

Mr. Locey said based on the current estimate the Consortium is currently has \$26.4 million in total expenses, leaving \$16 million for cash flow (two months-worth of expense). He said these results come with four consecutive years of an average premium rate increase of 4.5% which is substantially less than what members experienced in the past. Mr. Locey noted the Consortium used 94.6% of its funds to directly pay for the benefits of its members. Cumulatively since when it began operation, the Consortium is 2% below budget on claims.

Mr. Locey referred to large loss information for 2018 year-to-date thru November 30, 2018 and said there was \$442,000 worth of recoveries; the budgeted amount was \$445,000. This will be the first year since 2012 that there will be more received in benefit than paid out in premium; however, for the life of the Consortium it has paid approximately \$2.6 million in claims in excess of the deductible and \$4.65 million in premium. This equates to a loss ratio of 55.47%, leaving the remaining to the insurance company as profit. Mr. Locey also provided large loss information from Excellus and commented that the Consortium should continue to look at alternative models for large losses that would be more economically efficient.

Accounts Receivable – TC3

Mr. Barber said in November when the Committee reviewed accounts receivable there was a high amount for TC3 and the Executive Committee suggested conversations be held with the County on this. He was informed that TC3 has been paying the late payment fee but it has not had an impact on the College paying on-time.

Mr. Molino said TC3 is having budgetary challenges with low attendance and low enrollment and it's a compression issue throughout the College's entire budget. Last fall the Tompkins and Cortland Counties agreed to restructure the College's debt service related to capital debt and extending it out beyond the amortization schedule that was originally set. The College will be coming to the County's Budget, Capital, and Personnel Committee in February to discuss and it is likely some structural changes will need to be made to the College's budget. He said both of the County sponsors must provide equal support to the College and this can present challenges; he also noted the College has not received an increase in financial support for last three years.

Mr. Locey said the complication for the Consortium is when the State looks at the Consortium all of the enrollees from groups such as the College and Public Library are listed under the County since they cannot be their own entity and this has presented reporting challenges. It was stated that this puts the Consortium in a position of a perception being created that is it is treating the College differently than it would another entity that wasn't paying its bills to the Consortium in a timely manner. In response to questions relating to what is happening with other community colleges Mr. Molino said it is not uncommon for community colleges to suffer financially during good economic times. Tompkins County, Cortland County, and TC3 need to meet and have a discussion of the problem and what options are available. Mr. Salton said part of the conversation has to include an understanding of the health of that institution.

Internal Stop Loss Captive

Mr. Hart referenced Mr. Locey's earlier comments about the current Stop Loss model and the amount the Consortium has paid out in premium over time and has given thought to where the break-even point is between paying premium over time versus what is received back from the Stop Loss carrier versus the idea of seeding some type of a captive layer whereby the Consortium and/or an outside organization are absorbing more of the risk in order to raise the Stop Loss level up a point where it is paying less in premium. He developed a scale and presented a conceptual outline of what this type of plan might look like.

Mr. Hart reviewed scenario for raising deductible levels to show where the level would be pierced, what deductible levels would look like, and how much worse off the Consortium would be. Once it is determined how much worse off the Consortium would be he said the question would be whether it could be made up internally. He questioned since the Consortium

has money in the bank, how much it would set aside and earn in order to break even over time. He asked how Instead of paying a Stop Loss carrier the money can be kept with the Consortium and if enough money was to be set aside so that the interest earned can be used to offset other costs. Municipalities do not have the ability to do this kind of reserving but because the Consortium is an insurance company it is in a unique position of being able to set-aside this kind of money but there has to be buy-in from municipalities and agreement from its leadership to set aside funds for this purpose.

Mr. Locey said the overall concept makes sense but getting participants to continue to contribute more than they need to get to the point to be able to subsidize things would be challenge. There was a brief discussion of the proposed cuts to villages in the Governor's budget and how difficult this concept would be for villages to support. Mr. Hart responded that the argument to that is that in order for villages to survive they will need to look at cost savings over the long-run, particularly in the employee and healthcare expenses as it is the largest expenditure in village budgets. There was consensus that the current level of increases aren't sustainable and that these conversations should continue.

Next Agenda Items

The following items will be included on the next agenda:

- Retiree Drug Subsidy
- Departing Municipality's Pro Rata Share
- Medicare Eligible Financial Impact
- Report on Cybersecurity
- Enrollment timeline – March
- Update on start-up action steps

Online Enrollment

Mr. Barber provided copies of a draft memorandum to respond to questions that have arisen concerning census changes and billing. The memo sets out all of the expectations and will be sent to all partners and posted on the Consortium's website.

Adjournment

The meeting adjourned at 5:09 p.m.

Approval of Minutes of October 23, 2018

It was MOVED by Mr. Rankin, seconded by Mr. Shattuck, to approve the minutes of October 23, 2018 as submitted. MINUTES APPROVED.