

**Audit and Finance Committee  
Minutes – Approved  
March 26, 2019  
Old Jail Conference Room**

Present: Mack Cook, Rordan Hart, Bud Shattuck, Olivia Hersey, Steve Thayer, Peter Salton, Laura Shawley (arrived at 3:35 p.m.), Ann Rider (arrived at 3:37 p.m.); Chuck Rankin  
Guests: Rick Snyder, Treasurer; Andrew Braman, Tompkins County Deputy Finance Director; Steve Locey, Robert Spenard, Locey and Cahill; Greg Potter, Tompkins County Information Technology Services Director

**Call to Order**

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

**Changes to the Agenda**

Mr. Cook announced an executive session will be held at the end of the meeting.

**Approval of Minutes of March 26, 2019**

It was MOVED by Mr. Salton, seconded by Mr. Hart, and unanimously adopted by voice vote by members present, to approve the minutes of February 26, 2019 as presented. MINUTES APPROVED.

**Executive Director's Report**

Mr. Barber said members received a communication from the Department of Financial Services regarding suggested changes to Article 47 and a response is being developed.

**Reports from other Committees**

He reported the Governance Structure Committee is developing a recommendation to present to the Board. At this time the Committee is focusing on a model similar to SWSCHPS that would include an annual meeting of the Board and appointing an Executive Committee that would handle operations during the year.

The Owing Your Own Health Committee has been working with the Wellness Consultant and doing a lot of work on the Blue4U program and is talking about ways to raise awareness at the management level about the importance of preventative health.

Mrs. Shawley arrived at this time.

The Joint Committee on Plan Structure and Design is working on possible amendments to the Metal Level plans. Mr. Locey said the Consortium's Metal Level Plans are modeled after the Affordable Care Act with actuarial values of 90%, 80%, 70%, and 60% with a plus or minus two percent deviation. After doing the draft actuarial value calculation for 2020 a couple of the plans went slightly over the value which raised the issue of whether those calculations would be rounded up or down. The Committee will be discussing this at its next meeting.

Ms. Rider arrived at this time.

The Executive Director Employment Committee has completed the interview process and is unanimously recommending the Board of Directors appoint Elin Dowd to the position of Executive Director.

Mr. Barber reported that with the Committee's approval, the City of Ithaca is planning to open up the Platinum Plan to its employees on July 1<sup>st</sup>. He noted they are aware the out-of-pocket maximum runs through the calendar year.

There was no objection to allowing the City of Ithaca to proceed with this plan. Mr. Thayer said employees who move to the Platinum Plan will not be permitted to switch to a different plan for 18 months.

#### BMI Audit Update

Mr. Barber said Excellus will be finishing its responses to the audit this week and will then forward to BMI. The Consortium should receive a report in early April. Mr. Locey noted if BMI is going to do the prescription drug audit that they should do that by the end of the year. These items will be included on the next agenda.

#### CanaRX

Mr. Barber briefly explained the letter from the FDA (Food and Drug Administration) citing CanaRX for violating Federal Law and a response to each point by the attorney for CanaRX. He said CanaRX made one change as a result of the letter but stated they are always trying to live within the law. There was speculation that the initial letter may have been politically motivated.

#### Invoices

The following invoices were presented for information only:

Hancock Estabrook – March 15, 2019  
Armory Associates – February 28, 2019  
BOCES (Newsletter printing) – March 2019

### **Treasurer's Report**

Mr. Snyder reported work is being done to prepare the year-end JURAT and the external audit of the Consortium's 2018 financial records is underway. A presentation on the audit will be given at the next meeting. He reported nothing has changed with the cash flow; \$8 million is being retained with the Tompkins County Trust Company for operations of which \$6 million is earning a good amount of interest and the remainder is in a checking account. \$18.5 million is fully invested with Wilmington Trust in treasury bills; the amount of investment income that has for the year so far is \$26,842 more than reported on Mr. Locey's report. This is more interest earnings than the Consortium has had in any full year. Mr. Barber commented that at the end of operating for one year without Aggregate Stop Loss the Consortium has to submit a three-year financial proforma for 2019-2021 along with the annual financial filing.

### **Financial Update**

Mr. Locey distributed and reviewed the financial report through the end of February. He said claims are far below budget because of the number of additional municipalities that joined this year. As those claims mature the numbers will move closer in line with the budget. Mr. Locey also distributed and reviewed the Actuarial Report prepared by Armory Associates and reviewed the Summary of Findings. Mr. Locey noted that the Department of Financial Services approved the Consortium to use a factor of 12% for the Incurred But Not Reported Claims Liability; the Consortium's total liability as a percentage of incurred claims was 6.76% which is more than sufficient.

**RESOLUTION NO. - 2019 – ADOPTION OF CYBER SECURITY POLICY**

Mr. Barber said work has been done over the last few months to comply with Cyber Security policies of the Department of Financial Services. In addition to applying for an exemption from some portions of the regulations there are some policies the Consortium is required to adopt; once approved, arrangements will need to be made for a risk assessment to be done by September of this year. The Consortium also has to have third party administrators verify they are protecting for Cyber Security a well. Mr. Potter said with Mr. Barber's assistance he drafted a policy to address the requirements for each of the required sections. He briefly explained the assessments and said they will take what has been used at the County to document any breach and use that to submit through a breach process that is documented as it is responded to. The Tompkins County Information Technology Services Department will take responsibility for overseeing the response and the documentation and will point people to using that form online.

It was noted that retention timeframes included in the policy can be adjusted and are set as minimum requirements. In response to a question from Ms. Hersey, Mr. Potter said there can be a conversation about holding a training session for the Board to define what a breach looks like and how to respond to it. Ms. Hersey suggested a training begin with Consortium employees to have further discussion of how to expand that out.

The resolution was MOVED by Mr. Rankin, seconded by Ms. Rider, and unanimously adopted by voice vote. MOTION CARRIED.

WHEREAS, the Department of Financial Services (DFS) has promulgated Part 500 of Title 23 of the Official Compilation of Codes, Rules, and Regulations (NYCRR) of the State of New York, and requires Article 47 Municipal Cooperative Health Benefit Plans to comply, and

WHEREAS, Part 500 Cyber Security allows for agencies to seek exemption from some portions of this Part, and

WHEREAS, the Executive Director has filed and received exemption under the conditions of: 1) fewer than 10 employees, and 2) does not control any information systems, and

WHEREAS, these exemptions still require the Consortium to comply with sections 500.09 Risk Assessment, 500.11 Third Party Service Provider Security Policy, 500.13 Limitations on Data Retention, and sections 500.17 through 500.23, with only sections 9,11, and 13 requiring action by the Consortium's Board of Directors to establish a policy and perform risk assessments, and

WHEREAS, the Consortium has entered into a contract with the Tompkins County Information Technology Services Department for developing such policy and to perform the stated risk assessment thereafter, and

WHEREAS, the Tompkins County Information Technology Services Department has developed the attached policy proposal, now therefore be it

RESOLVED, That the Audit and Finance Committee has reviewed the proposed Cyber Security policy from the Tompkins County Information Technology Services Department and deems it to be in compliance with NYCRR Part 500 sections 09,11, and 13 and recommends its adoption.

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**Retiree Drug Subsidy – Locey and Cahill Proposal**

Mr. Barber said in response to discussion that took place at the last meeting members were provided with a draft contract prepared by Locey and Cahill. There were several questions raised at that time as to whether the Consortium would pay the cost or be a conduit for municipalities that are eligible to go through the process. Mr. Cook said the City of Cortland benefits from the program and would like the Consortium to consider paying for the services due to the value of having Medicare-eligible employees in the Consortium. He noted that many of the small municipalities do not have enough retirees to be eligible for this, therefore, it would apply only to the larger municipalities.

Ms. Drake asked how municipalities would know this would be available. Mr. Locey said he would reach out any municipality that has not already started the application process. He explained the contract would include all of the steps in the application process and work associated with the calendar year, including the application, actuarial attestation, filing of the necessary reports, and the reconciliation. The subsidy funds would go directly back to the employer; the intent is for the funds to be used to offset their costs for health insurance.

There was discussion of whether this is a service the Consortium should provide to municipalities although it was noted that not all are eligible. Mr. Shattuck said as a municipal official he would support having municipalities pay for the service and get the money back; however, as a Consortium Board member he could support the Consortium providing this service until it addresses how to deal with municipalities coming into the Consortium with retirees.

Mr. Barber spoke to statements in support of the Consortium paying this cost and disagreed with comments that municipalities with retirees in the system are subsidizing others in the Consortium. He stated that although there may be some subsidization on the medical expense side, that savings is offset by the expense on the prescription side.

Mr. Snyder noted that the Consortium would be providing a benefit to eligible municipalities simply by offering the program through the Consortium as they would be paying less for the service based on economy of scale and Locey and Cahill's low-cost proposal.

**RESOLUTION NO. 007 - 2019 – AUTHORIZING ENTERING INTO AN AGREEMENT WITH LOCEY AND CAHILL LLC FOR ASSISTING CONSORTIUM EMPLOYERS WITH THE CENTERS FOR MEDICARE & MEDICAID SERVICES (CMS) RETIREE DRUG SUBSIDY (RDS) PROGRAM APPLICATION, COST REPORTING, AND RECONCILIATION PROCESS**

MOVED by Ms. Hersey, seconded by Mrs. Shawley, and unanimously adopted by voice vote.

WHEREAS, the Centers of Medicare and Medicaid Services (CMS) Retiree Drug Subsidy (RDS) Program was authorized by enactment of the Medicare Prescription Drug Improvement and Modernization Act of 2003, and

WHEREAS, employers which provide prescription drug coverage to Medicare-eligible retirees which is at least equivalent to the Medicare Part D prescription drug program may be eligible to participate in the CMS-RDS Program, and

WHEREAS, the CMS-RDS Program application requires among other information, an actuarial attestation, and

WHEREAS, Locey & Cahill, in partnership with the Consortium's current actuary, Armory Associates, has presented a Consultant Services Agreement for assisting Consortium

employers seeking to apply for funds from the CMS-RDS Program and that Agreement has been reviewed by the Audit and Finance Committee, and

WHEREAS, by entering into this agreement, the Consortium will be providing to its municipal partners a very competitive fee for CMS-RDS Program assistance which includes, but may not be limited to, the Application and Reconciliation processes and said fee will be a pass-through charge to the municipal partner seeking such services, now therefore be it

RESOLVED, That the Audit and Finance Committee recommends That the Board of Directors authorizes the Board Chair to execute the Consultant Services Agreement for the service associated with the CMS-RDS Program with Locey and Cahill, LLC,

RESOLVED, further, That the Executive Director shall communicate this Consortium service to all current and future municipal partners.

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**Board Policy Regarding Compliance with Section A.3. of the MCA**

Mr. Barber said Mr. Locey has prepared information that was included in the agenda packet. He summarized the situation and said there currently are some municipal partners that are currently not bringing all of their active employees into the Consortium. He said the Consortium has a requirement that new partners who aren't bringing in all employees adopt a resolution stating they will bring them in within three years. The Town of Niles falls in that category and will be bringing the remainder of its employees into a Consortium Plan in the required timeframe. The Village of Cayuga Heights has actives who are not on a Consortium plan. Mr. Salton noted that the Village of Cayuga Heights is now in negotiations and he will share information with Mr. Locey for the purpose of getting input on comparison information. Members did not have a copy of the resolution and action on both resolutions was deferred to the next meeting.

Mr. Barber said the reason why municipalities are not coming to the Consortium or bringing their retirees in is because they can get a Medicare Advantage plan and suggested the Consortium offer a Medicare Advantage plan. Mr. Locey said Article 47 says the Consortium cannot develop a Medicare Advantage Program within the Consortium. However, Mr. Barber said the Consortium could purchase a policy and provide it to municipalities as a pass-through. He said the Consortium could get a Medicare Advantage Plan through an RFP that is a wrap-around and that essentially has the same benefits as the Metal Plans and this would make it easier for partners to move retirees into the Consortium. He asked the Committee to authorize he and Mr. Locey pursue a Request for Proposals as this would give the Consortium a plan that could compete with the private sector. It was also stated that the Affordable Care Act has different rates by County and the Consortium could have the same plan but with different rates by County. Also, the Consortium could charge an administrative fee for running the pass-through.

It was MOVED by Mr. Cook, seconded by Mrs. Shawley, and unanimously adopted by voice vote, to authorize Mr. Barber to pursue a Request for Proposals for this purpose.

**RESOLUTION NO. - 2019 – 2019 BUDGET AMENDMENT – CONSORTIUM  
EMPLOYEE EXPENSES**

It was MOVED by Mr. Cook, seconded by Mr. Shattuck, and unanimously adopted by voice vote.

WHEREAS, the position of Executive Director has expenses associated with the position not anticipated in the adopted 2019 Consortium budget, and

WHEREAS, the Consortium will be entering into a lease with the Town of Ithaca for office space and will be acquiring additional equipment for its staff, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee, That the following budget amendment be hereby approved by the Board of Directors:

FROM: Executive Director Fees		\$130,566
TO: <u>Account No.</u>		<u>Amount</u>
66002	Fringes	\$20,333
66001	Executive Director Salary	\$90,000
8805	Executive Director Fees	(to remain open for Consultant charges)
8151	Computer Equipment	\$5,602
8152	Lease Expense/Parking	\$4,500 (\$900 parking + \$3,600 lease)
8044	Compensation – County ITS Support	\$10,131

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**Executive Session**

It was MOVED by Mr. Cook, seconded by Mr. Thayer, and unanimously adopted by voice vote, to enter into executive session at 5:10 p.m. to discuss a personnel matter concerning a particular person. It was MOVED BY Mr. Cook, seconded by Mr. Salton, and unanimously adopted by voice vote, to exit executive session at 5:20 p.m.

**Next Agenda Items**

The following items will be included on the next and future agendas:

- Presentation of External Audit
- Report on BMI Medical Claims Audit
- City of Ithaca Plan Change
- Staffing costs
- New member application process
- Departing Municipality's Pro Rata Share
- Resolution: Board Policy Regarding Compliance with Section A.3. of the MCA – Active Employees
- Resolution: Board Policy Regarding Compliance with Section A.3. of the MCA – Retirees
- Formal resolution adopting an application fee that (5% of Capital Reserve that can be credited against a municipality's premium bill once a member);
- Departing Municipality's Pro Rata Share; and
- Continued Discussion of Internal Captive

**Adjournment**

The meeting adjourned at 5:12 p.m.