

**Audit and Finance Committee  
January 23, 2018 – 3:30 p.m. - Approved  
Old Jail Conference Room**

Present: Steve Thayer, Chuck Rankin, Mack Cook, Rordan Hart, Peter Salton, Olivia Hersey, Laura Shawley, Bud Shattuck,  
Guests: Judy Drake, Board of Directors Chair; Don Barber, Executive Director; Rick Snyder, Treasurer; Jessica Hobart, Tompkins County Finance Department; Vanessa Flynn, Corey Prashaw, ProAct; Ann Rider, Board of Directors; Steve Locey (via conference call); Mary Ann Rumpola, Wayne Bell, BMI (via conference call)

**Call to Order**

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

**Changes to the Agenda**

An item was added to the agenda authorizing the Chair of the Board of Directors and the Consortium's Chief Financial Officer to sign a letter of engagement with Insero & Co. for auditing 2017 financial reports.

**Approval of Minutes of December 19, 2017**

It was MOVED by Mr. Salton, seconded by Mrs. Shawley, and unanimously adopted by voice vote by members present, to approve the minutes of December 19, 2017 as submitted. MINUTES APPROVED.

**Report from the Executive Director**

**DFS Communications**

Mr. Barber reported the only communication he has had recently with DFS was concerning a question he asked regarding the investment policy.

**Other Committee Activity**

Mr. Barber spoke of Executive Committee asking about another dependent certification and said Mr. Locey and Ms. Miller have recommended this being done every five years. As it has been four years since it was first done, the next process will begin in 2019.

Mr. Barber said he has provided members with information about the online enrollment process which was one of the matters of contract negotiations with Excellus. The Executive Committee discussed this and would like all enrollment going forward to be done online as the paper process is an arduous task and creates a long time lag between the start of the process and actual enrollment. There was also discussion of the lack of trained staffing available to perform online enrollment, particularly for the small municipalities. The Executive Committee felt the Consortium should take over this responsibility for online enrollment for those partners that are not able to enroll online. The Executive Committee felt this would result in a smoother, faster process for all involved.

Mr. Snyder introduced Jessica Hobart who handles billing for the Consortium. He said they have had discussions about this and do not feel performing online enrollment would cause a lot of extra work. He extended an offer to take on this task on a trial basis within the resources already allocated to by the Finance Department for Consortium support. Ms. Hobart said she sees added benefits as she envisions this would ease the billing process by knowing who is being added and taken off policies. Mr. Barber clarified that the larger municipalities would continue to enroll members; this would be a service offered to small municipalities unable

to accept this method of enrollment. There was consensus to move in this direction on a trial basis. Ms. Hobart will need to work with Excellus to be able to access the online enrollment program for each of the small municipalities.

Ms. Drake said one piece that would still be missing relates to benefits administration and being able to answer questions from municipalities but stated she would be willing to handle those. Mr. Barber said the Committee can discuss this again at the next meeting and at that time can come up with a structure to do this.

#### Invoice Approvals

It was MOVED by Ms. Hersey, seconded by Ms. Rider, and unanimously adopted by voice vote, to approve the final payment for prescription drug auditing services to BMI dated January 12, 2018. MOTION CARRIED.

It was MOVED by Mr. Salton, seconded by Ms. Hersey, and unanimously adopted by voice vote, to approve payment of two invoices dated January 5, 2018 to Haylor, Freyer, and Coon for Directors and Offices and Professional Liability insurance for 2018. MOTION CARRIED.

#### **ProAct Claims Administration Audit**

Mr. Barber introduced Wayne Bell and Mary Ann Rumpola of BMI to provide an overview of the prescription drug claims audit report prepared by BMI.

Mr. Bell provided the following highlights:

- BMI selected 60 samples to send to ProAct that were based on the plan parameters and out of those 60 ProAct agreed to five errors of which most were the result of overrides done by various ProAct personnel.
- It was agreed that there were no errors on 23 of the samples, leaving 32 unresolved. Mr. Bell noted that many of these have the same issue but BMI will need the Consortium's assistance in looking at the initial findings and the ProAct response to help them understand plan guidelines. He noted they used documentation provided by the Consortium's consultant as the source for the finding; however, in many cases ProAct was operating under a different guideline.
- The first 12 samples relate to copayment and coinsurance; a lot of the dispute lies with how people are enrolled and their specific plan. BMI relied on an Excel spreadsheet entitled "2015 premium spreadsheet" obtained from the consultant. BMI used co-pays on that document and ProAct did not agree with these in many cases.
- The category "Days Supply" applies to cases where people got a greater supply of medication due to events such as going on vacation. Mr. Bell said ProAct was letting members have the 60-day supply for a single copay instead of adding an additional copay at the time of override.
- The fertility issue relates to samples 27-31. BMI found ProAct filling prescriptions for the drug, Endometrin. ProAct's response was that this is not a fertility drug; however, it is the generic form of one of the drugs they specifically list as a fertility drug.
- The issue with fungal medicines relates to samples 32-37. BMI used a plan document that said this was for a member covered under the County's plan and required prior authorization for the drug Jublia. ProAct responded that this wasn't effective until July, 2016. BMI used the County's implementation form dated

2013 that said it was required. In this case clarification is needed as to what the expectation of the Plan is. A similar situation exists for smoking deterrents in samples 43-45. There is language in the Plan that says over-the-counter smoking deterrent medications are excluded; however, ProAct has stated these are not listed in the list of items to be excluded.

- There were a couple of issues with “Paid after Term” and verification as to the status of these employees is needed. Mr. Locey suggested these could be the result of retroactive terminations. Mr. Bell said that could be the explanation but recommended the Consortium look at what ProAct’s position is with regard to recovery.
- The last issue relates to what BMI felt was an inadvertent override and ProAct agreed with this. On sample 60 ProAct disputes BMI’s findings primarily because claims were submitted by Medicaid and ProAct felt it had to pay. Mr. Bell said if a person is receiving two compounded medications with the same prescription drug in them and they greatly overlapped, BMI felt many of the refills would have been done too soon and could even have been duplicates. He said if these had been submitted to ProAct as primary at the beginning they may not have allowed both compounds and likely would have restricted access to refills.

Mr. Bell concluded by recommending the Consortium look at the reports and see which plans need to be verified (including reviewing the initial spreadsheet that was used) and offered assistance with this. He said because there are so many entities with such diverse copays and prior authorizations and exclusions it made the process difficult.

Mr. Bell said he was not involved in the rebate review portion of the audit but believes what the auditors tried to do was look at all of the drugs for each of the quarters to match up with ProAct’s records for how many fills there were during a quarter for each of the drugs and compared this to how many BMI found. He said a lot of the rebates depend on when claims are reported so prescriptions may have been filled during one quarter and paid in another. He offered to connect the Consortium with the auditor who performed this work if there are questions. The net result for rebates across all 1,074 audit samples was +\$16,256.03.

Mr. Barber thanked Mr. Bell for the report and said he and Mr. Locey will be working with ProAct on the recommendations contained in the report, including confirming the intent of plans. Mr. Locey commented that work has been done on clarifying language in new plan documents concerning fertility drugs and smoking cessation and also noted those plan documents have not yet been approved by the State. He also commented that BMI identified 111 prescriptions that potentially had errors that were done of a sample of 160,000 prescriptions that were filled. On the rebate side, a potential \$16,000 in additional rebate dollars were identified; the Consortium’s total rebates for 2017 were \$1.2 million. Mr. Locey said these numbers show the error ratio to be extremely low. He did not see any alarming issues or anything that required immediate action.

Mr. Salton called attention to the narrative in the report and said it isn’t clear whether the Consortium was short or over by \$16,000. Mr. Prashaw clarified that the Consortium is potentially owed \$16,000. He said there is a large lag in rebates and it often depends on the manufacturer.

Mr. Barber called attention to BMI’s introduction in the Executive Summary and quoted: “Based on the procedures performed it is our opinion that ProAct is performing its contract duties in an overall efficient and accurate manner.”

An update will be provided at the next meeting.

### **Financial Update**

Mr. Locey reviewed the financial report ending December 31, 2017 that was sent out to the Committee electronically prior to the meeting. He said the Consortium ended the year with an extremely positive net income of slightly over \$2.8 million and noted a net deficit for the year was anticipated. He reviewed budgeted versus actual results and said revenues were 4% over budget (totaling \$42.3 million) of which 1% was from premium income due to the addition of small municipalities at the beginning of the year; the remainder was primarily due to a substantial increase in prescription drug rebates. In addition, there were some Stop Loss recoveries from the prior year.

On the expense side, claims were much lower than budgeted (5.7% below budget on medical claims and 7.5% below on prescription drug claims). Total expenses were \$2.68 million below budget. In total when compared to the budget planned deficit of \$1.394 million, the \$2.848 million surplus is good news. With all reserve accounts being funded, Mr. Locey said the Consortium has an unencumbered balance of over \$16 million that will be used to mitigate future rate increases and this could support rate increases at the projected range of 5% or lower for the next couple of years. In addition to having modest rate increases, the stability of year-to-year rate increases are great benefits which municipalities are experiencing by being in the Consortium. He said non-Consortium small municipal employers, with community-rated plans, are experiencing increases in the range of 13%. Mr. Locey also called attention to the expense distribution and noted the Consortium is paying 93.65% towards benefits with only 6.4% being used to administer the program.

Mr. Locey distributed 2011-2017 Actual Results (Per Audited Financial Statements) and spoke of the growth of the Plan over years having gone from \$25.8 million in premium in 2011 to \$40.8 million in 2017. Total income started at \$26 million and has grown to over \$50 million. Expenses have increased from \$25 million in 2011 to 35.7 million in 2017. Medical and prescription drug plan premiums have grown from \$1,074 to \$1,400 per contract per month and claims have grown from \$1,047 to \$1,240 per contract per month for the same period. Lastly, he provided additional detail on medical expenses to help inform discussion particularly on the HCRA surcharge tax which is something that has been identified as an issue to talk with State representatives about. Mr. Locey said in 2018 the Consortium will pay approximately \$1 million for this tax which represents approximately 2% of the premium and the initial purpose of this surcharge is no longer what it is being used for.

Mr. Locey said once final financial results are received he will distribute updated information to members.

With regard to the prescription drug rebate report, Mr. Locey said ProAct has been asked to submit detailed quarterly reports going forward. The first report has been received and is being reviewed by Locey and Cahill staff. Information will be provided at the next meeting.

### **Committee Vision: Responsibility, Membership, and Leadership**

This item was deferred to the next meeting.

### **Investment Policy**

Mr. Barber provided copies of Treasury indexes between January 1 and January 18 and stated there are opportunities for the Consortium to increase its earning potential; however, it

must first establish an investment policy to give direction to CFO and Treasurer. Based on guidelines from Section 11 of General Municipal Law and using investment policies from other municipalities and the Department of State as resources, he put together a draft policy to begin discussion. Mr. Barber said currently funds are in a money market account earning .05% interest. Mr. Locey said the only difference the Consortium has from municipalities is that it has a large sum of money that it can carry over from year-to-year. There are statutory reserve funds that the Consortium could move over to a longer-term investment but would need to make sure it has enough liquid assets on hand in the event funds were needed. He said one thing that would need discussion is what would happen if the Consortium ran into a financial problem and the money was locked up. Mr. Thayer suggested members review the draft policy and that it be included on the next agenda for discussion. Mr. Barber will forward the policy to John Powers, the Consortium's legal counsel, to provide feedback.

#### **Authorization to Sign Audit Engagement Letter**

It was MOVED by Mr. Rankin, seconded by Ms. Hersey, and unanimously adopted by voice vote, to authorize the Chair of the Board of Directors and Chief Financial Officer to sign the engagement letter with Insero & Co. LLP for performing the audit of the Consortium's 2017 financial records.

#### **Other Items**

Mr. Barber said he has drafted a memo on the HCRA surcharge that he will be taking to Senator Seward and Assemblywoman Lifton to try to get legislation drafted. He will also be contacting other Article 47s to try to get them to reach out to their legislators to request relief from this.

Mr. Salton asked what steps are being taken to market the Consortium to other municipalities for the purpose of increasing the number of covered lives. Mr. Locey said there has not been an active marketing effort; however, there was discussion of having information sessions over the summer for interested municipalities. Mr. Barber said at this time there have been seven expressions of interest by other municipalities or public entities. There are currently 33 municipalities in the Consortium with 131 potentials in the six-county region.

#### **Next Agenda Items**

The following items will be included on the next agenda:

Prescription Drug Audit report Update;  
Discussion with Haylor, Freyer, and Coon concerning Director's and Officer's liability;  
Continued discussion of Investment Policy;  
Continued discussion of online enrollment;  
Resolution to approve issuance of Request for Proposals for Wellness Consultant;  
Year-end report;  
Committee Vision: Responsibility, Membership, and Leadership; and  
New member application – claims data if available.

#### **Adjournment**

The meeting adjourned a 5:05 p.m.