

**Audit and Finance Committee**  
**February 27, 2018 – 3:30 p.m. – Approved 3/22/2018**  
**Old Jail Conference Room**

Present: Steve Thayer, Bud Shattuck, Mack Cook, Chuck Rankin (arrived at 3:38 p.m.), Peter Salton, Olivia Hersey, Ann Rider

Excused: Rordan Hart

Absent: Laura Shawley

Guests: Judy Drake, Board of Directors Chair; Don Barber, Executive Director; Judy Taber, Locey & Cahill; Rick Snyder, Treasurer; Jerry Mickelson, Mimi Theusen, Insero & Co.; Jim Stoddard, Michelle Robinson, Haylor, Freyer, and Coon; Jackie Kippola, Tompkins County Contracts Coordinator

**Call to Order**

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

**Changes to the Agenda**

The order of the agenda was changed to accommodate attendees.

**Approval of Minutes of January 23, 2018**

It was MOVED by Ms. Hersey, seconded by Ms. Rider, and unanimously adopted by voice vote by members present, to approve the minutes of January 23, 2018. MINUTES APPROVED.

**Kick-off of 2017 Financial Audit**

Mr. Mickelson distributed copies of an outline of the audit process and a Communication Letter that detailing the responsibility of Insero & Co. in conducting an audit of the Consortium's financial statements for the year ending December 31, 2017. The significant factor in the audit is the financial analysis of all claims paid and by working with the Consortium's consultants they will be validating all of the information in the annual report, including the statutory reserve requirements. Planning for the audit has already begun and preliminary conversations have taken place with the Treasurer in preparation for starting the audit on March 26<sup>th</sup>.

Ms. Theusen reviewed the audit process and reported a portal system has been established that will provide for secure transmission of data. She expects the audit to run as smoothly as it has in the past which is due in large part to the cooperation that have received and the Consortium's records being in good order. Mr. Mickelson commented that one of the biggest challenges lies with the Department of Financial Services continually making changes to the Jurat. Ms. Theusen asked that members contact her with questions and to let her know if there are specific areas they would like to see audited.

Mr. Snyder said a timeline for preparing the financial statements was recently finalized and he will provide Mr. Mickelson with a copy. He also noted the Board delegated authority to this Committee to sign-off on the audit and submit to DFS by the April 30 deadline. This will be included on the Committee's April 24<sup>th</sup> agenda.

**Discussion with Haylor, Freyer, and Coon: Director's and Officer's Liability and Errors and Omissions Insurance**

Mr. Stoddard said it is important that the Consortium know where there is risk, how to manage risk, understand where exposures are and where they are coming from, and how they can be better-managed.

He reviewed the history of the policies (D&O and E&O) that protect the Director's and the municipalities they represent and said the coverages haven't changed since policies began in 2011 when the Consortium had 13- member municipalities and 4,400 covered lives. The membership has grown over the years to the Consortium now having 31 member-municipalities with over 6,500 covered lives. He reviewed increased coverage levels and the associated costs. Ms. Kippola commented there is a very high cost for defense. Mr. Stoddard noted there are many carriers that will not provide coverage where the defense costs erode the limits with these types of coverages. He stressed there is no way to predict what will happen in the future but it is important that members understand how the Consortium has grown and the exposures that exist. He added that changes to the policies can be made at any time.

Ms. Robinson will check on whether the HIPPA amounts would change with any increase in the policy. In response to a question of whether there are any guidelines for coverage limits for groups like the Consortium, Mr. Stoddard said he looked but was unable to find any. In response to who would be covered under the Director's and Officer's policy he said any Director, Committee member, or anyone acting in an official capacity on the Consortium's behalf.

The Committee discussed the increased coverage levels and associated premiums provided by Mr. Stoddard. Mr. Salton did not believe there is enough risk to warrant more coverage at this time; to support an increase he said he would need to know how often lawsuits happen and what the cost has been. Mr. Shattuck expressed concern that going above \$1 million just one time could cost significantly more than the additional premium. Ms. Hersey said although there is no way to predict what will happen, having more of this type of insurance is a conservative way to protect the Consortium. Mr. Cook suggested consulting with the Consortium's legal counsel on what type of instance would trigger exposure.

It was agreed that information will be gathered and this item will continue to be discussed at the next meeting.

### **Executive Director's Report**

#### **Department of Financial Services Communication (DFS)**

Mr. Barber reported on communication with DFS and said they have responded that the captive layer for Stop Loss insurance that was previously discussed and under consideration is available for an Article 47. NYSAC will be hosting a meeting in early May with representatives from up to 20 self-insured counties participating to talk about agreements between partners and how this might be brought forward. Mr. Salton said he would like to attend.

#### **Other Committees**

The Owning Your Own Health Committee has been meeting and has forwarded an item relating to a Wellness Consultant to be discussed later in the meeting. The Website Committee has been working with eGov; a mock-up of the site will be available soon for Consortium members to provide feedback on. The Joint Committee on Plan Structure and Design has been discussing the opioid crisis; at the next meeting they will be talking about the Metal Level Plans and their actuarial value compliance with the Affordable Care Act.

#### **Online Enrollment**

Mr. Barber said since the last meeting Jessica Hobart has spent time learning about the online enrollment process. She raised a concern of what would happen if she is on vacation. Mr. Snyder stated there would be back-up provided by other staff in his office. He asked

members to review the proposed process prior to the next meeting when the Committee will vote on it. He said a letter will need to be sent to each municipality and they will have to indicate in writing whether they want the Consortium to handle their enrollment. Those municipalities that want the Consortium to take this over will need to provide Jessica Hobart with access to their account.

Ms. Drake expressed concern about receiving data by US mail as it would delay the process and would like to see information received by e-mail or fax. Mr. Barber said there are some Consortium municipalities that do not have scanning or fax capability. Some members felt it would be very inexpensive for those municipalities to acquire necessary equipment.

Ms. Drake asked who will be reviewing proof of marriage, divorce, birth, etc.? Mr. Barber said the benefit clerks have that responsibility and sign off that they have checked the information. The Consortium, nor Jessica Hobart will not have that information; it will be the responsibility of the benefit clerks to provide thorough and accurate data for Ms. Hobart to enter into the system. Following discussion there was agreement that there needs to be ongoing training for benefit clerks.

Mr. Barber will incorporate changes suggested by Ms. Drake to the second paragraph under IV. - Future state of system enhancements, and present a revised policy for approval at the next meeting.

### **Investment Policy**

Mr. Barber reviewed information that has been provided to the Committee that includes input from John Powers. Mr. Barber said the policy is based on a template provided by the State Comptroller. Mr. Thayer suggested members review the information and continue to discuss it at the next meeting.

### **Financial Report**

Ms. Taber said in January the stop loss reimbursements for the first quarter of 2017 were reported to be \$166,252; however, in the year-end report the actual results were changed to \$431.14. She consulted with Mr. Locey about this and said stop loss policies are based on claims incurred in a 12-month period and paid in 15 months. They believe most of those funds are related to claims that were incurred and paid in the fourth quarter of 2016 and cannot be reported as income in 2017.

The Committee reviewed preliminary 2017 year-end results. In response to Mr. Salton's question about financial results for 2018 Mr. Barber said information is not ready for the Committee. Mr. Snyder commented that the January results are showing income being over budget by close to \$1 million.

### **Prescription Drug Rebate Report**

Mr. Barber referred to information provided to the Committee, including a summary by quarter of rebates received. He summarized a conversation he and Mr. Locey had with BMI and said rebates are received by Optum which holds the manufacturer contracts for ProAct. BMI is not able to audit Optum's information; therefore, BMI can only audit the report it sends to ProAct. They found the numbers to be in-line with what they expected and noted there was a 100% pass through to the Consortium from ProAct. They suggested the Consortium ask ProAct to engage in a formal auditing process with Optum to make sure they are receiving the full

amount they are supposed to get. He also said the Consortium can expect to receive these Rx Rebate reports on a quarterly basis.

**Request for Proposals – Wellness Consultant**

**RESOLUTION NO.            - AUTHORIZATION TO ISSUE REQUEST FOR PROPOSALS FOR WELLNESS CONSULTANT**

MOVED by Mr. Rankin, seconded by Mr. Cook.

Mr. Barber said the Board by e-mail gave its approval for the Owning Your Own Health Committee to proceed with the development of a Request for Proposals for a Wellness Consultant with approval by this Committee for its release. Ms. Drake questioned references to the County in the bid documents; Mr. Barber said he received a revised RFP today with references in the documents to the County being removed. He also noted that the release of the RFP would not commit the Consortium to anything.

Mr. Barber explained why a Wellness Consultant is needed and said in addition to existing programs such as the Blue4U program and flu clinics that need to be marketed to members there are other wellness opportunities that could potentially save the Consortium money if there was a person to meet with employees in each of the municipalities and share information. Also, the Board adopted a resolution asking each municipality to adopt a wellness policy, however, many have not. The Wellness Consultant could assist municipalities with that and also support those municipalities with implementing a wellness policy. At this time it is being proposed as a quarter-time position that would report to the Board of Directors.

The Committee agreed to the proposed due date for responses being March 16<sup>th</sup>. Mr. Barber said the RFP will be distributed to all Directors, TCCOG, list serves, and other individuals who have been identified. He said although a firm could submit a proposal he envisions this being an individual who would develop relationships with municipalities. He also commented that the new County Benefits Administrator and County Administrator are very supportive of wellness programs.

The resolution was unanimously adopted by voice vote by members present.

WHEREAS, the Board of Directors have authorized the Owning Your Own Health Committee to develop a Request for Proposals (RFP) for a Wellness Consultant, and

WHEREAS, the Board of Directors have stated that the Wellness Consultant RFP packet must be approved by a majority vote of the Audit and Finance Committee before it is released to the public, and

WHEREAS, the Owning Your Own Health Committee has approved the attached RFP for release, now therefore be it

RESOLVED, that the Audit and Finance Committee hereby approves the attached RFP to be released, and

RESOLVED, that the Audit and Finance Committee hereby appoints Ted Schiele (OYOH Committee- Chair), Jackie Kippola (Tompkins County Risk Manager), Leslie Moskowitz (City of Ithaca Manager of Organizational Development), and Judith Drake to be the committee

evaluating the Wellness Consultant proposals and recommending any action to the Audit and Finance Committee.

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#### Prescription Drug Claims Audit

Ms. Taber said BMI attended the last meeting and presented their audit findings and there were a number of items where ProAct disputed BMI's findings. She distributed information containing a breakdown of the outstanding issues based on a review by she and Mr. Locey. The issues were broken down by:

- Those in which they agreed with the findings of BMI;
- Claims related to copay or coinsurance that were mostly the result of incorrect copays being applied when overrides had been done. ProAct has responded that they have changed its procedures and overrides will now need to be done by senior staff.
- Ms. Taber said the ProAct drug formulary does not contain two fertility drugs in question, therefore, she could not confirm whether a prior authorization is required. Ms. Taber said there were a number of findings that were the result of drugs needing prior authorization. ProAct has responded it is their policy to not require prior authorization for drugs costing less than \$1,500. Ms. Taber said this may be something the Consortium could look at.

Mr. Barber said in past audits the Board of Directors has adopted resolutions stating how outstanding items are to be administered. He will be having a conversation with Mr. Locey and will develop an action plan going forward for the issues that have been identified.

Ms. Taber commented on the finding related to over-the-counter smoking cessation drugs and said the Affordable Care Act requires these to be covered.

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

This item was deferred to the next meeting.

#### **Committee Chair**

It was MOVED by Mr. Salton, seconded by Mr. Rankin, and unanimously adopted by voice vote by members present, to appoint Mr. Cook to Chair of this Committee. MOTION CARRIED.

Mr. Barber spoke of discussion that has taken place at the Executive Committee that will come to the Board of Directors regarding expanding the Committee to include the Chairs of Consortium Committees. The composition of the Executive Committee is described in the Municipal Cooperative Agreement; therefore, these individuals would be able to attend but would not be able to vote until the MCA is amended.

#### **Next Agenda Items**

The next meeting was rescheduled to March 20<sup>th</sup> with the following items to be included on the agenda:

Audit and Finance Committee

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Director's and Officer's and Errors and Omissions Insurance coverage;

Resolution – Approval of Online Enrollment Process;

Continued discussion of the Investment Policy;

Conclusion of the Prescription Drug Claims audit;

Financial report and review of the Jurat;

Committee Vision: Responsibility, Membership, and Leadership

Discuss new member application – state benefit plan and submit claims data if available

**Adjournment**

The meeting adjourned at 5:24 p.m.