

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

Present: Mack Cook, Steve Thayer, Bud Shattuck, Laura Shawley, Chuck Rankin, Ann Rider (arrived at 3:43 p.m.)

Excused: Rordan Hart, Peter Salton, Olivia Hersey

Guests: Judy Drake, Board of Directors Chair; Don Barber, Executive Director; Steve Locey, Locey & Cahill (via conference call); Rick Snyder, Treasurer

**Call to Order**

Mr. Cook, Chair, called the meeting to order at 3:33 p.m.

**Changes to the Agenda**

There were no changes to the agenda.

**Approval of Minutes of April 24, 2018**

It was MOVED by Mr. Shattuck, seconded by Mr. Thayer, and unanimously adopted by voice vote by members present, to approve the minutes of April 24, 2018. MINUTES APPROVED.

**Executive Director's Report**

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

Mr. Barber provided members with a copy of a letter that was sent to the Department in response to the Audit findings. All Directors have been asked to acknowledge they have received and read the report. The Board will need to take up the issue of an annual conflict of interest disclosure; the only outstanding item at this time relates to ProAct about utilization and he will be following-up on this.

**Other Committees**

The Joint Committee on Plan Structure and Design will be forwarding a recommendation to this Committee on the Silver Metal Level Plan to adjust the deductible level to bring the Plan's actuarial value into compliance. Mr. Barber said impacted municipalities and labor have been involved in the discussions. The Website Committee has not been meeting; however, the Consultant has been working on transferring data to the new site. The Owing Your Own Health Committee has been awaiting the signing of a contract with the Wellness Consultant. Mrs. Shawley said there is a Town of Danby Highway employee who is interested in serving on the Owing Your Own Health Committee and she will forward that individual's name to the Board of Directors for appointment.

**Investment Management Services RFP**

Mr. Barber reported there have been 19 groups that have requested additional information; the deadline for responses to be submitted is May 25<sup>th</sup>. A review committee will be scheduling a meeting to look at proposals.

**Labor Director Coverage in Directors and Officers and Errors and Omissions Policies**

Mr. Barber said a memorandum he prepared summarizing the status has been distributed to the Committee that includes a recommendation from John Powers, the Consortium's Legal Counsel, to include specific language in the Municipal Cooperative Agreement to indemnify Directors.

Invoices

The following invoices were presented for information only:

Insero & Co. – April 30, 2018:	\$3,300
Armory Associates, LLC – April 30, 2018:	\$4,450

Mr. Barber said at a recent NYSAC meeting he learned that Green Mountain has been taken out and Berkley will be managing the captive layer. There previously was discussion about the protected cell model where each partner would have their own protected cell and although purchasing insurance through the captive layer collectively, they would keep their own accountant. The new model has a segregated account with all partners separated out but treated as one community. He said three contracts will be coming forward: Stop Loss policy with Berkley, a reinsurance agreement between Berkley and the captive, and an intermunicipal agreement between partners. When those are received he will forward them to Mr. Locey, Mr. Powers, and the Committee.

Ms. Rider arrived at this time.

**Financial Report**

Mr. Locey presented the financial results through April 30, 2018 and said through the first four months results are better than expected with revenue being .5% above budget, medical claims below budget by 4.5% and prescription drug claims below budget 9.86%. Collectively, claims are \$800,000 below budget. Mr. Locey said \$300,000 was budgeted for CanaRx and performance is at \$57,000. He called attention to the Excellus Administration Fee and said there is a 5% differential and he will be following-up with Excellus to make sure correct contract amounts are being used. Mr. Locey said for the first four months of the year there was a net income of \$1 million. He called attention to the expense distribution and said \$.94 of each dollar is going to pay the cost of claims and admin. fees are collectively below 3%.

Mr. Locey provided a large loss report and said there are no large loss claims to report for 2018. He reported on year-end results for 2017 and said there were not as many claimants with \$100,000 claims but more with \$200,000, and only one claimant who pierced the deductible with one claim for \$900,000. The one claimant that was lasered did not approach the \$450,000 level.

**RESOLUTION NO.                    – 2018 - APPLICATION MATERIALS MUNICIPALITIES MUST  
PRESENT FOR APPLICATION TO JOIN THE  
CONSORTIUM AND RECOMMENDED MUNICIPAL  
RESOLUTION LANGUAGE**

MOVED by Mr. Cook, seconded by Ms. Rider.

Mr. Locey said there has been a lot of activity as far as groups inquiring to join the Consortium and believes it is a good idea to adopt guidelines for those entities as to what documentation is necessary for the application process. He summarized the difference in the requirements between the groups and said the larger groups are being required to submit claims data and covered lives counts. Mr. Barber said groups with 51-100 employees may or may not have claims data; if they do have the data they would be required to submit it.

Mr. Cook said he thinks this resolution strikes a fair balance between what the Board needs to do to assess risk versus the requirements being put on an entity that is inquiring about membership.

In response to a question as to whether this would be used to address a claims risk Mr. Locey said this wouldn't be used to restrict a group from joining in as much as it would be to identify any anomaly that exists regionally that would warrant a different premium factor based on a geographical region. He referenced Article 47 and said the Consortium is not allowed to experience-rate by group but can have regional adjustments to rates. This could have a positive or negative effect on the rate; if there would be an impact on the rate it would be communicated to the applicant well in advance of a decision being made on joining.

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

WHEREAS, the Consortium Board of Directors adopted Resolution No. 002-2015 to provide guidance to municipal corporations applying for Consortium membership, and

WHEREAS, The Consortium is experiencing rapid growth of municipal corporations applying to join the Consortium, and

WHEREAS, the Consortium has instituted several policies, not stated in the Municipal Cooperative Agreement, that joining members need to be aware of and comply with as part of the application process, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee, That the following template language be considered in resolutions proposed for adoption by municipalities seeking membership in the Consortium: Appendix A for employers with fifty (50) or fewer full-time equivalent employees, Appendix B for employers with between 51 and 100 full-time equivalent employees, and Appendix C for greater than 100 full-time equivalent employees.

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#### **Appendix A**

Small Employers (50 or fewer full-time equivalent employees)

Sample Resolution Authorizing Municipality to Apply for Acceptance into the GTCMIC

RESOLVED, that the [municipal employer's name] [legislative body's name] hereby authorizes the [municipality's chief executive] to apply to become a "Participant" in the Greater Tompkins County Municipal Health Insurance Consortium (GTCMHIC);

RESOLVED FURTHER, this authorization grants permission to the [municipality's chief executive] to:

1. Submit the [municipal employer's name] most recent two years of State Comptroller AUD reports;
2. Submit the [municipal employer's name] most recent monthly premium billing statements from all health insurance carriers providing benefits to active employees and retirees.

Said premium billing statements should include the name of the municipality and the month for the which the billing is related. In addition, said premium bills must include the number of contracts (employee, employee + spouse, employee + child (children), and family) and monthly premium rate for each plan of benefit.

3. Seek a waiver from the GTCMHIC Board of Directors for the payment of the Surplus Reserve payment (5% of annualized premium) as required Article 47 of the New York State Insurance Law and the GTCMHIC's Municipal Cooperative Agreement. If the waiver is not granted, the [municipality's chief executive] is authorized to pay the GTCMHIC the

Surplus Reserve payment equal to 5% of anticipated annual premium, as determined by the GTCMHIC Board of Directors.

4. Sign the Municipal Cooperative Agreement of the GTCMIC upon notification that the GTCMHIC Board of Directors has approved the [municipal employer's name]'s application to become a Participant in the GTCMHIC.
5. Notify the GTCMHIC's Executive Director in writing, by November 1<sup>st</sup>, the GTCMHIC health benefit insurance plan the [municipal employer's name]'s employees and retirees will be participating in upon the effective date of participation in the GTCMHIC.
6. By November 1<sup>st</sup>, notify the GTCMHIC of the name and contact information for the person within your organization for benefit administration; and who will attend a new member orientation during the 1<sup>st</sup> quarter of the next year.
7. By December 15<sup>th</sup>, take the necessary steps to comply with the GTCMHIC's dependent verification.
8. By November 1<sup>st</sup>, notify the GTCMHIC of the [municipal employer's name]'s commitment to utilize the GTCMHIC's on-line enrollment process or to authorize the GTCMHIC to provide, for the [municipal employer's name]'s employees and retirees, this function.

## **Appendix B**

Mid-Size Employers (between 51 and 100 full-time equivalent employees)  
Sample Resolution Authorizing Municipality to Apply for Acceptance into the GTCMIC

RESOLVED, that the [municipal employer's name] [legislative body's name] hereby authorizes the [municipality's chief executive] to apply to become a "Participant" in the Greater Tompkins County Municipal Health Insurance Consortium (GTCMHIC);

RESOLVED FURTHER, this authorization grants permission to the [municipality's chief executive] to:

1. Submit the [municipal employer's name] most recent two years of State Comptroller AUD reports;
2. Submit the [municipal employer's name] most recent monthly premium billing statements from all health insurance carriers providing benefits to active employees and retirees.

Said premium billing statements should include the name of the municipality and the month for the which the billing is related. In addition, said premium bills must include the number of contracts (employee, employee + spouse, employee + child (children), and family) and monthly premium rate for each plan of benefit.

3. If currently an experience-rated or self-insured employer-sponsored health insurance plan, submit a minimum of three (3) years of monthly paid claims (medical and pharmacy separately) data and monthly covered lives counts.

4. Seek a waiver from the GTCMHIC Board of Directors for the payment of the Surplus Reserve payment (5% of annualized premium) as required Article 47 of the New York State Insurance Law and the GTCMHIC's Municipal Cooperative Agreement. If the waiver is not granted, the [municipality's chief executive] is authorized to pay the GTCMHIC the Surplus Reserve payment equal to 5% of anticipated annual premium, as determined by the GTCMHIC Board of Directors.
5. Sign the Municipal Cooperative Agreement of the GTCMIC upon notification that the GTCMHIC Board of Directors has approved the [municipal employer's name]'s application to become a Participant in the GTCMHIC.
6. Notify the GTCMHIC's Executive Director in writing, by November 1<sup>st</sup>, the GTCMHIC health benefit insurance plan(s) the [municipal employer's name]'s employees and retirees will be participating in upon the effective date of participation in the GTCMHIC.
7. By November 1<sup>st</sup>, notify the GTCMHIC of the name and contact information for the person within your organization for benefit administration; and who will attend a new member orientation during the 1<sup>st</sup> quarter of the next year.
8. By December 15<sup>th</sup>, take the necessary steps to comply with the GTCMHIC's dependent verification.
9. By November 1<sup>st</sup>, notify the GTCMHIC of the [municipal employer's name]'s commitment to utilize the GTCMHIC's on-line enrollment process or to authorize the GTCMHIC to provide, for the [municipal employer's name]'s employees and retirees, this function.

### **Appendix C**

Large Employers (101 or More full-time equivalent employees)

Sample Resolution Authorizing Municipality to Apply for Acceptance into the GTCMIC

RESOLVED, that the [municipal employer's name] [legislative body's name] hereby authorizes the [municipality's chief executive] to apply to become a "Participant" in the Greater Tompkins County Municipal Health Insurance Consortium (GTCMHIC);

RESOLVED FURTHER, this authorization grants permission to the [municipality's chief executive] to:

1. Submit the [municipal employer's name] most recent two years of State Comptroller AUD reports;
2. Submit the [municipal employer's name] most recent monthly premium billing statements from all health insurance carriers providing benefits to active employees and retirees.

Said premium billing statements should include the name of the municipality and the month for the which the billing is related. In addition, said premium bills must include the number of contracts (employee, employee + spouse, employee + child (children), and family) and monthly premium rate for each plan of benefit.

3. If currently an experience-rated or self-insured employer-sponsored health insurance plan, submit a minimum of three (3) years of monthly paid claims (medical and pharmacy

separately) data and monthly covered lives counts; along with any other data and information required by the Consortium as part of the application process.

4. Seek a waiver from the GTCMHIC Board of Directors for the payment of the Surplus Reserve payment (5% of annualized premium) as required Article 47 of the New York State Insurance Law and the GTCMHIC's Municipal Cooperative Agreement. If the waiver is not granted, the [municipality's chief executive] is authorized to pay the GTCMHIC the Surplus Reserve payment equal to 5% of anticipated annual premium, as determined by the GTCMHIC Board of Directors.
5. Sign the Municipal Cooperative Agreement of the GTCMIC upon notification that the GTCMHIC Board of Directors has approved the [municipal employer's name]'s application to become a Participant in the GTCMHIC.
6. Notify the GTCMHIC's Executive Director in writing, by November 1<sup>st</sup>, the GTCMHIC health benefit insurance plans() the [municipal employer's name]'s employees and retirees will be participating in upon the effective date of participation in the GTCMHIC.
7. By November 1<sup>st</sup>, notify the GTCMHIC of the name and contact information for the person within your organization for benefit administration; and who will attend a new member orientation during the 1<sup>st</sup> quarter of the next year.
8. By December 15<sup>th</sup>, take the necessary steps to comply with the GTCMHIC's dependent verification.
9. By November 1<sup>st</sup>, notify the GTCMHIC of the [municipal employer's name]'s commitment to utilize the GTCMHIC's on-line enrollment process or to authorize the GTCMHIC to provide, for the [municipal employer's name]'s employees and retirees, this function.

**RESOLUTION NO.                    – 2018 - WELLNESS CONSULTANT SERVICES CONTRACT –  
MICHELLE C. BERRY**

Mr. Barber reviewed the history of the process that has taken place that resulted in the draft contract being presented for consideration. He noted the contract provides for the payment of an invoice to compensate the Consultant for work done prior to the contract. Mr. Locey commented that at a recent meeting of the BOCES Consortium he informed them about this as they are also doing some work in the wellness area. He said they may reach out to see if there are any opportunities for collaboration

MOVED by Mrs. Shawley, seconded by Mr. Shattuck, and unanimously adopted by voice vote by members present.

WHEREAS, Board Resolution No. 001-2018 authorized the issuance of a Request for Proposals (RFP) for Wellness Consultant Services, and

WHEREAS, the Wellness Consultant proposal from Michelle Berry met stated requirements, and

WHEREAS, negotiations with the interview committee jointly developed a more detailed three-year work plan and then the interview committee requested costs estimates for

accomplishing the first-year goals which were activities above and beyond the information required for the RFP, and

WHEREAS, developing a culture of wellness and preventative health care within the Consortium community is a prudent action to have subscribers who are able to enjoy life more fully with fewer health issues and reduce claims expense, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee That the Board of Directors approves the contract for Wellness Consultant Services with Michelle Berry for the term July 1, 2018 through June 30, 2019 under the terms and conditions in the recommended contract.

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### **Medical Claims Audit**

Mr. Barber said it is time to begin the process for the next medical claims audit which includes making a decision of whether to issue a Request for Proposals or to engage in discussions with BMI to conduct this audit again. Mr. Barber spoke of how the last process matured and said it is the recommendation of he and Mr. Locey that the Consortium initiate negotiations with BMI to perform the next medical claims audit. It was the consensus of the Committee to direct Mr. Barber to proceed with negotiating with BMI for performing the next medical claims audit.

### **Town of Horseheads – Number of Contracts and Retirees and Medicare Advantage**

Mr. Locey said the Town of Horseheads currently offers four health plans: Platinum, Gold, Bronze, and a Medicare Advantage Plan. Their active population includes 20 active contracts and 23 retirees. He said there has been discussion in the past about entities that are in the Consortium while offering retirees a Medicare Advantage Plan and allows them to get the benefit of a rate that combines all of the demographic groups while also having a population carved out. He said a second issue is the number of plan designs that an employer can offer. In the past there has been discussion of having risk adjustment applied to entities that have a population in a Medicare Advantage plan but up to this point no action has been taken. He said up to this point the entities that have done this have had only a small number of members outside of the Consortium but at some point a large municipality could join that has a large number in a Medicare Advantage plan and this could financially impact the Consortium. Mr. Locey noted Article 47 requires that all entities be treated equally.

Mr. Barber read from the Municipal Cooperative Agreement: "Participation in the Plan(s) by some, but not all, collective bargaining units or employee groups of a Participant is not encouraged and shall not be permitted absent prior Board approval." Ms. Drake noted that if an assessment is imposed this language will need to be changed during the next review of the MCA. It was later requested that this be included in a list of items to be considered during that review.

On recommendation of Mr. Barber, the Committee directed Mr. Locey to perform an analysis of medical and pharmaceutical costs by demographic group for the purpose of informing a discussion at the next meeting on whether a surcharge would be reasonable. Ms. Drake said she would not be supportive of taking any action that would be retroactive.

### **Retiree Drug Subsidy**

Mr. Locey explained when the government passed Medicare Part D they offered prescription drug coverage to retirees. In an effort to keep employers from suddenly canceling retiree coverage employers and as an incentive to maintain coverage, they were reimbursed a

certain amount of prescription drug spend for the Medicare-age retirees and spouses. It returns approximately \$600 per covered life back to the employer and there is a cost associated with getting into the program. An application has to be submitted and an actuarial attestation has to be included to show that benefits plus contributions towards premium for Medicare-age retirees is equal to or better than the Medicare Part D program. If approved, an amount (\$600 per covered life on average) is returned to the employer.

Mr. Locey said over the years Locey and Cahill has helped Tompkins County with this and a question came up as to whether this could be made available to other employers with the associated costs paid for by the Consortium. He said there are some employers that already have a Medicare Advantage plan so they are unable to do this and some employers are so small the cost of submitting the application and running the program would be greater than the return would be. If the Consortium were to pick up the cost a decision would also need to be made on where the recovered funds would go. He suggested that this be part of the discussion on the Medicare Advantage issue and said he will compile more detailed information for the Committee's consideration at the next meeting.

### **1094 and 1095 Reporting**

Mr. Locey said large employers are fulfilling their HCA reporting requirements and small employers were assisted in the Consortium's first year with reporting but has not since. He said a question was raised as to whether the Consortium should be responsible for the reporting and how it would be paid for. He also stated that with changes at the Federal level he unsure what benefit this mandate has but it should be discussed as it is still a mandate. There was consensus to bring this back for discussion later in the year.

### **Unfinished Business**

Mr. Cook offered to serve on the Committee reviewing responses to the Request for Proposals for Investment Management Services as Mr. Snyder said he would offer any assistance he could; however, his schedule is very busy at this time.

### **Next Agenda Items**

The following items will be included on the next agenda:

The number of plans an employer can offer;  
Analysis of claims and costs by demographic groups and exclusion of a population from the Consortium;  
Retiree Drug Subsidy;  
Medical Claims Audit;  
Update on the Investment Management Services contract  
1094 and 1095 (September agenda)  
Adjustment to the Silver Metal Level Plan  
Report on Prescription Drug Rebates

### **Adjournment**

The meeting adjourned a 5:24 p.m.