

**Minutes - Approved
Audit and Finance Committee
November 20, 2014
1:30 p.m.
Old Jail Conference Room**

Present: Steve Thayer, Peter Salton, Glen Morey, Laura Shawley

Excused: Mack Cook, Chuck Rankin, Scott Weatherby

Guests: Judy Drake, Consortium Board Chair; Steve Locey, Locey & Cahill; Don Barber, Executive Director; Rick Snyder, Consortium Treasurer; Beth Miller, Mary Stublely, Excellus

Call to Order

Mr. Thayer called the meeting to order at 1:30 p.m.

Approval of Minutes of October 23, 2014

It was MOVED by Mr. Morey, seconded by Mr. Salton, and unanimously adopted by voice vote by members present, to approve the minutes of the October 23, 2014 minutes as submitted. MINUTES APPROVED.

Executive Director's Report

Mr. Barber said the Consortium needs to take action on approving a contract for the Consortium's auditor. If approved to continue for another year this will be CDLM's (Ciaschi, Dietershagen, Little and Mikelson) fourth year with the Consortium. Members expressed satisfaction with the performance of CDLM and it was noted how they were helpful to the Consortium during the New York State Department of Financial Services Audit. It was suggested that the Consortium continue with CDLM for 2015 but to look at issuing a Request for Proposals next year.

Mr. Barber reported on the Recertification Process and stated there was a court decision issued in Cortland County in October by PERB (Public Employee Relations Board) that spoke of impact bargaining that needed to be done around the recertification process and CSEA employers have been served with a notice of these concerns. Some employers are working through the details of that and others are continuing with the process and one municipality has completed. He said it is likely a resolution will come back to the Committee at its next meeting asking the Board of Directors to extend the timeline to give those employers who were delayed some additional time. Some of the CSEA issues that have been mentioned include security of the data, cost of obtaining documentation, and not having an outside firm doing it. Mr. Locey said he believes the biggest issue by CSEA is that they were not consulted prior to this process being undertaken. Mr. Barber noted CSEA leadership was in attendance at several meetings when this topic was being discussed.

Mr. Barber reported there are a number of municipalities in Cortland County that have expressed interest in joining the Consortium, including the Village of Homer which adopted a resolution to join effective January 1, 2015. The Towns of Tayler and Willett are also very interested. Although some are very interested there are issues such as the Consortium not having a plan that would be compatible to what they currently offer. It was noted that moving forward with the Silver and Bronze plans will provide an opportunity for others to join.

Financial Update

Mr. Locey distributed a document showing the financial history of the Consortium from 2011 through the first three quarters of 2014 based on the JURAT. In terms of looking at total revenues and expenses the document shows the Consortium had a net income in each of the years and is at a point where it doesn't need to grow much more. When looking at next year's budget a look can be taken at using some of that to mitigate the rate increase. The Consortium has approximately \$15.3 million in assets and total liabilities have only grown from \$3.1 million to \$4.3 million over the four years. The Consortium now has cash assets totaling \$8.5 million that are not tied directly to a liability. The surplus account that is required by the State has grown from \$1.3 million to \$1.8 million (this represents 5% of the year's premium).

The Consortium's claims grew by just under 1% from 2011 to 2012, 2.7% from 2012 to 2013, and this year about 8.5% which is close to what the claims trends is. It was mitigated in the first couple of years because of the influx in the number of people covered and evening out as the Consortium matured. Mr. Locey said the Consortium is in really good shape heading into 2015 but can expect to see a little bit of a slowdown in the growth of the fund balance.

Recommendation of Stop Loss Carrier

Mr. Locey said an additional quote was received from Sun Life and a revised quote was received from Highmark Life Insurance Company on the aggregate insurance. He distributed information on the quotes and reviewed discussion that took place at the last meeting that focused on the looking at the quote without the laser and at the \$400,000 deductible level at an annual cost of \$651,000 which is now below the budgeted amount of \$654,000. The Sun Life quote would be \$635,000; however, they do cap it out at \$2 million and Highmark's is unlimited. Mr. Locey said his recommendation for 2015 is contained in option number 7 for Highmark. If the State approves the Consortium's request to waive the requirement for aggregate insurance it would reduce the premium by \$66,000.

It was MOVED by Mr. Salton, seconded by Mr. Morey, and unanimously adopted by voice vote by members present, to recommend that the Board of Directors approve the purchase of Stop Loss insurance for 2015 with Highmark Life Insurance Company at the \$400,000 deductible level without the laser. MOTION CARRIED.

Mr. Locey will prepare supporting information to present along with the resolution to the full Board.

Excellus Administrative Services Contract

Mr. Locey distributed renewal proposals for the Administrative Services Contract received from Excellus for years 2015, 2016, and 2017. He said in addition to the proposed rates the Consortium is looking to have the cash advance payment reduced from two to one-week's worth of payments; therefore, instead of seeing an increase of \$100,000 the Consortium should see a decrease of approximately \$400,000. The proposal for the Administrative Services contract for the three-year period is 2.5% increase in 2015, a 3% increase for 2016, and a 3% increase for 2017. This would represent an average increase of 3.88% over the six years being with the Consortium.

Mr. Locey said the biggest issue in negotiations with Excellus was the Administrative Services Contract because it represents 5% of the Consortium's total budget. He said the IBNR fee is well below what the Consortium is required to have. He noted the contract would contain an egress clause which would allow the Consortium to cancel mid-year with certain notice and at the end of each year the Consortium would have the right to cancel or renew even with a three-year rate guarantee.

Ms. Miller said she worked hard on getting the proposed rates down and typically Excellus does not go outside the 2.5% rate increase, particularly for a group the size of the Consortium and also because they do not have the prescription drug plan. She said an opportunity to have the prescription drug plan in the future could further impact the rates because having that would allow Excellus to handle claims clinically and manage them better.

Mr. Barber noted the concerns of municipal budgets as a result of the Governor's tax cap and tax freeze and said the revenue source for the premiums is very tight. Ms. Miller said Excellus realizes that is a big concern with their municipal clients and is trying to work with them.

It was MOVED by Mr. Salton, seconded by Mrs. Shawley, and unanimously adopted by voice vote by members present, to approve the recommended rates with annual renewal and submit to the Board of Directors. MOTION CARRIED.

Mr. Locey will prepare supporting information to present along with the resolution to the full Board.

Discussion with Excellus Provider Management

Mary Stublely, Director of Innovative Payment with Excellus, said she works with hospitals and providers on developing new programs to manage costs. She provided an overview of the provider network as well as some of the traditional programs Excellus provides and some of the ACO (Accountable Cost Organization) programs that they hope will bring down costs.

She provided a map showing the Excellus service area and stated 100% of the hospitals and over 95% of the physicians contract with Excellus and they serve approximately 1.8 million members which is 70% of the commercial market share in Upstate New York. They use this market share to leverage the best rates possible with providers while also serving the community. Their traditional intervention toolkit includes contracting and negotiating a lower price trend. They negotiate by product line and look at all commercial products and negotiate rates regardless of the type of product or plan, employer group, or funding arrangement. Their employer contract addresses how non-participating claims are paid but there are different regulations that apply to the standard rates that are paid.

Mr. Salton asked how Excellus deals with limited or no competition among other insurance carriers. Ms. Stublely said they still have competition but they do have leverage which allows them to get good rates. She said Excellus is trying to level out rates and is coming out with new payment methodologies and new programs to reduce cost trends. They also have increased costs from inflation and technology and utilization so when they are looking to contract they take that into consideration and although they are not lowering their rates they are trying to introduce other programs to try to help reduce the cost trend. They also review claims to make sure the most appropriate costs are being billed or bundled and are looking at

utilization costs to see where there are high cost services so they can put prior authorization or review programs on specific services. She noted that although Excellus is not the Consortium's prescription drug manager and pharmacy is a big opportunity for them to partner and provide more education to both the member and hospital community. She said they also work on incentives for bringing care to the most appropriate setting, noting that urgent care is less costly than the emergency room. She said that by sharing and providing information they are able to change care and that is what they are trying to do with the new programs.

Ms. Stublely said they also do network monitoring where they evaluate payment methodologies and try to incentivize value instead of volume.

Ms. Drake asked how often Excellus negotiates with physicians or hospitals. Ms. Stublely said they negotiate agreements for multiple years and if a provider wanted to cancel they would have to provide a notice of non-renewal which is typically three months before the renewal date. She also stated that although there are a lot of unknowns they can get a good idea of where competitor's rates are coming in by the premiums they are charging and there are other ways they are able to get an idea of what competitor's rates are.

Ms. Stublely said Excellus has developed its own version of an ACA that they refer to as ACQA (Accountable Cost and Quality Arrangement). In addition to the traditional toolkit with claims utilization management, claims editing, and continuing with a fee for service they are looking at this ACQA partnership program with providers. She explained that under the current system after negotiating a contract a hospital is left to bill on a fee for service basis and that only incents them to bill more and more so they have set cost and quality goals for the provider organization and this will incent them to be focused on the total care and medical costs. If they achieve their goals their reimbursement for the following year will be higher and if they miss their goal their reimbursement would be lower. The goals are set based on the population that is considered their core membership and the prior medical expense for that population and instead of having the traditional cost trend a goal is set that is closer to consumer inflation levels. If they achieve this they can earn a portion of that. There are also a lot of quality goals included as well.

Mr. Barber spoke of past discussions that took place between the Consortium and Cayuga Area Physicians about a program that ended abruptly and the Consortium was informed they were only working with Excellus. Ms. Stublely responded that the CAP program was a part of their overall negotiation and built into their overall trend. She said they have a pilot ACQA program right now and are hopeful to have a full program with them for 2016. She stressed this really changes the way things are done including IT infrastructure and is a lot of work for everyone.

Mr. Salton spoke of electronic medical records and the value of having "one home" for everyone's patient history but there are many different software platforms which present roadblocks to accomplishing this. Ms. Stublely said Excellus has engaged a third party data aggregator who can connect to the back of every EHR (Electronic Health Record) and aggregate the data and they can also connect to Excellus. Unfortunately, a provider cannot see this information when they log into their EHR system but they do have the ability through the insurance carrier to access information.

Mr. Locey said one large hole in the system is the lack of they physician's knowledge in the cost of medications because they do not have a system that shows them what medications are available for a certain diagnosis with the cost of those medications. He thinks having this

information available could result in a huge reduction in the cost of care because physicians wouldn't be prescribing brand name drugs when a generic equivalent is available. He noted that pharmaceutical expenses for the Consortium are over 30% of the budget and is becoming more of a concern with the increase in specialty drugs.

**RESOLUTION NO. - AMENDMENT TO RESOLUTION NO. 005-2012 - POLICY FOR
NEW MEMBERS WITH REGARD TO INITIAL INVESTMENT**

MOVED by Mr. Morey, seconded by Mr. Thayer. Mr. Barber said there was discussion about this at the last meeting and the consensus was that it isn't necessary that every municipality contribute when coming into the Consortium. The resolution would allow the Consortium to require some, all or no contribution. Mr. Locey said if there were not enough reserve funds these funds could be moved in to satisfy the State without compromising everyone else's financial stability would be an example of why funds would be collected. He said it would not make sense to take in money to pay interest on it at a rate more than what the Consortium earns on it as well as creating a barrier to a municipality from coming in. A voice vote on recommending the resolution to the Board of Directors resulted as follows: Ayes – 4, Noes – 0, Excused – 4. MOTION CARRIED.

WHEREAS, Resolution No. 005-2012 adopted by the Board of Directors states:

4. "Upon the Board of Director's approval of membership into the Consortium, the municipal corporation must pay their share of the "Surplus Account" as defined in §4706(a)(5)(A) which states the following:

(5) a surplus account, established and maintained for the sole purpose of satisfying unexpected obligations of the municipal cooperative health benefit plan in the event of termination or abandonment of the plan, which shall not be less than:

(A) five percent of the annualized earned premium equivalents during the current fiscal year of a municipal cooperative health benefit plan which consists of five or more participating municipal corporations and covers two thousand or more employees and retirees; or"

Said payment must be received by the Consortium 30 days prior to the effective date of the municipal corporation's entry into the Consortium.", and

WHEREAS, the liability to the surplus reserve account of increased premium occurs on day one of the adding contracts from a new member municipality, and

WHEREAS, statistically new members pay more in premium their first year than claims, and

WHEREAS, currently the Consortium has a reserve base that didn't exist in the early years of the GTCMHIC operations, and

WHEREAS, on the date of this resolution, all Consortium members have had their Surplus Reserve funds returned, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee, That the GTCMHIC recommends Resolution No. 005-2012, item #4 be amended as follows:

4. "At the time of acceptance of applicant by Board resolution, the Board of Directors will determine the terms for their share of the "Surplus Account" which is defined in §4706(a)(5)(A) to be

"an account, established and maintained for the sole purpose of satisfying unexpected obligations of the municipal cooperative health benefit plan in the event of termination or abandonment of the plan, which shall not be less than five percent of the annualized earned premium equivalents during the current fiscal year of a municipal cooperative health benefit plan which consists of five or more participating municipal corporations and covers two thousand or more employees and retirees"

The Board of Directors will consider waiving all or part or none of the new members Surplus Reserve liability by reviewing at least these impacts:

- Impact on Surplus Reserve when adding the new contracts;
- Existing unreserved fund balance available to move to the Surplus Reserve Fund; and
- The terms for returning payment if such Surplus Reserve Fund payment is deemed appropriate

Said payment must be received by the Consortium 30 days prior to the effective date of the municipal corporation's entry into the Consortium".

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RESOLUTION NO. - PRO-RATED PREMIUM POLICY

MOVED by Mr. Salton, seconded by Mrs. Shawley. Mr. Barber said at the last meeting there was a lengthy discussion and it was the consensus that the Consortium would not have a prorated premium policy. Ms. Drake questioned how birth, death, and adoption events would be handled. Mr. Locey explained that in the event of a death there would be no further claims, a newborn is covered under the mother's policy, and there would be no change mid-month for adoptions mid-month. The change could still be made to the policy through Excellus but the bills would not be prorated. A voice vote resulted as follows on recommending the resolution to the Board of Directors resulted as follows: Ayes – 4, Noes – 0, Excused – 4. MOTION CARRIED.

WHEREAS, persons leaving municipal employment can be covered under Cobra and the Cobra window starts on the end of the month, and

WHEREASE, Excellus administrative fees are calculated on whole month basis, beginning at the start of the month, and

WHEREASE, the Greater Tompkins County Municipal Health Insurance Consortium Chief Financial Officer requests a comprehensive and uniform policy be established for premium billing, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee, That the Board of Directors adopts a policy that health insurance premiums be invoiced on one month increments.

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GASB45 Services

Mr. Barber said at the last meeting there was a lengthy discussion about contracting for actuarial service for GASB45 reporting through the Consortium and prior to working on an RFP. Mr. Locey suggested that he conduct a survey of what the employer interest is. He said the Towns of Groton and Ithaca, City of Ithaca, City of Cortland, and Tompkins County are interested in this; two of the smaller municipalities responded that they are not interested and he is not sure others are clear about what this is about. Mr. Barber suggested this could be done by the interested municipalities and that there be a training held through the Tompkins County Council of Governments to provide an overview of what this is about. It was also suggested that this be discussed at a Board meeting to provide a better understanding on this.

Next Meeting Agenda Items

Items for the December agenda include a resolution to extend the Recertification process and a resolution to accept new municipalities into the Consortium.

Adjournment

The meeting adjourned at 2:52 p.m.

Respectfully submitted by Michelle Pottorff, Administrative Clerk