

**Minutes - Approved  
Audit and Finance Committee  
December 18, 2014  
1:30 p.m.  
Old Jail Conference Room**

Present: Steve Thayer, Mack Cook, Glenn Morey

Excused: Peter Salton, Laura Shawley, C. Rankin

Absent: S. Weatherby

Guests: Steve Locey, Locey & Cahill; Don Barber, Executive Director; Rick Snyder, Consortium Treasurer

**Call to Order**

Mr. Thayer called the meeting to order at 1:35 p.m.

**Approval of Minutes of November 20, 2014**

It was MOVED by Mr. Morey, seconded by Mr. Cook, and unanimously adopted by voice vote by members present, to approve the minutes of the November 20, 2014 minutes as submitted. MINUTES APPROVED.

**Executive Director's Report**

Mr. Barber distributed a letter he received from the New York State Department of Financial Services dated December 5, 2014 in response to a letter Mr. Barber sent on November 10, 2014 concerning three items. In reference to Mr. Barber's inquiry as to whether Enterprise Risk Management is a requirement of the Consortium the State responded that it is not a requirement. The letter responded to the request by the Consortium to waive the requirement to purchase aggregate stop loss insurance and requested additional financial information. Mr. Barber said financial information will be available in mid-2015 and will be submitted with a follow-up request.

Lastly, the State asked when the Consortium would be sending in a timeline for responding to the recommendations contained in the Audit for the period ending December 31, 2011. Mr. Barber distributed copies of a letter that was sent to the State on August 22, 2014 that outlined action steps the Consortium was taking on the outstanding Audit items. He said there are only a couple of outstanding items that are still in process. The State wanted the Consortium to have the CPA firm do an audit on policies the Board has adopted; this has been added to the work plan for Ciaschi, Dietershagen, Little and Mikelson. The State also asked that the Consortium show that the processes for medical claims and pharmaceutical claims have been audited. Mr. Barber said the Consortium has received a lengthy report from Excellus and a request for information has been made to ProAct. They also wanted the Consortium to have claims audited by a third party. The Consortium entered into a contract with BMI for medical claims auditing and that is in process; an audit of prescription drug claims will follow.

**Update on Medical Claims Audit Process**

Mr. Barber reported BMI is moving forward and they have completed 11 out of 16 process steps. They are now at the point where they need to do on-site evaluations of 250 claims that they have identified are in critical areas. BMI has asked if the Consortium will allow them to do this off site or could they do it from their offices with the electronic transfer of data. Mr. Barber said this is a choice the Consortium has to make.

Mr. Locey addressed how much this would cost in terms of travel expense and stated BMI estimated this in their proposal to be \$3,000 and would be an additional expense to the Consortium above their contract. He said there is some value to being on-site by an auditor and helps to get all of the correct information. From the actual claims review aspect it is probably unnecessary to be on-site because everything is computer-based. It was suggested that BMI be asked that if they do it remotely which would result in a cost savings to the Consortium, if it would allow them to stay within the time frame that has been set. The importance of staying on time was stressed because the Consortium also needs to undertake an audit on prescription drug claims. Mr. Locey will contact BMI to communicate this.

#### Recertification Process

Mr. Barber reported on the status of recertification process and said the Towns of Enfield, Caroline and Lansing have completed the process and found no ineligible dependents. The City of Cortland has decided to engage a third party that process has begun. The Village of Trumansburg, Town of Ulysses, and the Town of Ithaca are in the middle of their processes, the Village of Groton will start at the beginning of the year. The Town of Danby, Cities of Ithaca and Cortland, and Tompkins County were served notice by CSEA requiring impact negotiation. Mr. Cook said the City of Cortland has excluded its 17 CSEA members from its process.

Mr. Thayer said the City met briefly with CSEA and they have agreed to have their members move forward with the process; the PBA and Fire units are still unresolved. Mr. Barber said this came up as the result of a Cortland County PERB (Public Employee Relations Board) decision in October and was at the same time the Consortium was about to undertake its process. He said the County is in the middle of labor negotiations and has asked for a delay in the process. The Consortium adopted a resolution stating the deadline for this process would be May 1<sup>st</sup> and he believes action will need to be taken if that deadline cannot be adhered to.

Mr. Cook said he has been advised by two labor attorneys that the case being cited is not relevant to the Consortium because it is an Article 47. He said in the PERB case Cortland County is both the plan sponsor and the plan administrator and the Judge, in her Opinion, stated what is relevant is who is the plan administrator. He also stated that not having this dependent verification is not in the best interest of labor members. Mr. Barber noted this item was discussed at several meetings of the Joint Committee on Plan Structure and Design and was endorsed by labor representatives. Following a brief discussion it was the consensus that a request will likely come forward at the January meeting to extend the process.

Mr. Barber reported a resolution was received by the Village of Homer to join the Consortium effective January 1, 2015 and resolution from the Town of Willett to join effective May 1, 2015. The Town of Taylor continues to look at joining. He spoke of the resolutions adopted by municipalities and said they are inadequate; he will be drafting a template resolution for the Committee to consider that will include suggested wording for resolutions being adopted by municipalities wishing to join the Consortium. As the Consortium adopts the other metal level plans he expects there will be more interest in joining the Consortium because it offers a level of efficiency the private sector cannot meet. Mr. Locey noted that after the 17<sup>th</sup> municipality joins an additional labor representative will need to be added to the Board of Directors. Mr. Barber said the Joint Committee on Plan Structure and Design will be having discussions of its role and how labor can have a meaningful role in the Consortium.

**RESOLUTION NO. 023-2014 - AUTHORIZATION TO PURCHASE INSURANCE POLICIES:  
STOP LOSS, ERRORS AND OMISSIONS, AND DIRECTORS  
AND OFFICERS LIABILITY COVERAGE**

MOVED by Mr. Thayer, seconded by Mr. Cook, and unanimously adopted by voice vote by members present.

Mr. Barber suggested that next year there be discussion of more risk retention for Directors and Officers insurance and stated the Consortium has the reserves to handle it and expects to get more bids on it. Mr. Locey suggested before going out to bid that the Consortium attorney provide an opinion because in Public Officer's Law there are some protections.

WHEREAS, the Consortium must select stop loss insurance, as required by Article 47 of New York State Insurance Law, and

WHEREAS, it is the desire of the Board of Directors to ensure liability coverage for the Consortium, the Board of Directors personally and professionally, and the participating municipalities, now therefore be it

RESOLVED, upon recommendation of the Plan Consultant, Locey & Cahill, LLC, the Tompkins County Risk Manager and the Audit and Finance Committee, That the Consortium shall purchase coverage for these insurance policies from the following for the period January 1, 2015 thru December 31, 2015:

- Stop-Loss Insurance for Medical and Prescription Drug Benefits with Highmark Insurance Company that includes Aggregate Stop-Loss Insurance with an Aggregate Corridor of 125% and claim specific stop loss retention of \$400,000 without a Laser qualifier.
- Errors and Omissions Insurance with the Darwin Group at \$1,000,000 limit with \$25,000 retention (placed by insurance agent Haylor, Freyer and Coon);
- Directors and Officers Liability Insurance with the Darwin Group at \$1,000,000 limit with \$25,000 retention (placed by insurance agent Haylor, Freyer and Coon)

Resolved, further, That the Plan Consultant is directed to provide the Administrative Clerk of the Consortium with a copy of each policy.

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**RESOLUTION NO. 027-2014 - ACCEPTANCE OF APPLICATION BY THE VILLAGE OF  
HOMER TO BECOME A PARTICIPANT IN THE GREATER  
TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE  
CONSORTIUM**

MOVED by Mr. Morey, seconded by Mr. Cook.

Mr. Locey said the Consortium doesn't want to project the image that it has multiple options as far as the metal level plans offerings and will prepare some language that explains that although the rate is provided in two separate parts for New York State reporting and accounting purposes this is the only option at the Platinum Level for the Consortium. The information can then be posted as a disclaimer on the website.

It was noted that the Village of Homer's financial documents were reviewed and found acceptable.

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

WHEREAS, by Resolution No. 005 of 2012 and amended by Resolution No. 27 of 2014 the Consortium Board of Directors adopted a policy outlining a process of applying for membership to the Consortium, and

WHEREAS, the Village of Homer has submitted an official resolution authorizing the Village of Homer to join the Consortium in accordance with the terms and conditions outlined in the Municipal Cooperative Agreement, and

WHEREAS, the Village of Homer has complied with membership process outlined in Resolution No. 005 of 2012 and amended by Resolution No. 027 of 2014 and has submitted copies of financial reports which have been reviewed and found acceptable by the Consortium's Treasurer, Chief Financial Officer and/or the Consortium's Auditor, now therefore be it

RESOLVED, That the Greater Tompkins County Municipal Health Insurance Consortium, accepts and welcomes the Village of Homer as the 16th municipal participant, with health insurance coverage beginning January 1, 2015,

RESOLVED, further, That the Board of Directors waives the requirement of payment of 5% of premium to the Surplus Reserve Account,

RESOLVED, further, That the Board of Directors determines that the terms of assessing the pro-rata share of any surplus or deficit to the applicant shall at the time the applicant leaves the Consortium or upon dissolution of the Consortium shall be based on their share of any deficit or being paid their share of any surplus that was generated during their years of participation. The Board of Directors would identify the surplus or deficit which exists on the date of entry and again on the date of withdrawal or dissolution and bill or pay the applicant accordingly.

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**RESOLUTION NO. 028-2014 – AUTHORIZING CONTRACT EXTENSION FOR ACTUARIAL SERVICES - AQUARIUS CAPITAL**

MOVED by Mr. Cook, seconded by Mr. Morey.

Mr. Barber noted this service is not optional and is required for the annual financial filing to the State. Also, the contract amount will not exceed \$10,000

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

WHEREAS, the Board of Directors at its March 28, 2013 meeting directed the Chair of the Board to negotiate a contract with Aquarius Capital for actuarial services for 2013 with the option to extend the contract for 3 years with an annual renewal option, now therefore be it

RESOLVED, That the Board of Directors authorizes the Consortium to extend the contract with Aquarius Capital for a third year through December 31, 2015 with the option to renew for one additional one-year term.

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**RESOLUTION NO. 029-2014 - AUTHORIZATION TO EXECUTE AN AGREEMENT WITH PROACT FOR THE PROVISIONS OF PHARMACY BENEFITS MANAGER**

MOVED by Mr. Cook, seconded by Mr. Morey.

Mr. Barber said the existing contract allow for one-year extensions. Members expressed satisfaction with the performance of ProAct and said they have been very responsive to the Consortium.

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

WHEREAS, the Greater Tompkins County Municipal Health Insurance Consortium authorized Locey and Cahill to issue a Request for Proposals for Prescription Drug Manager on August 25, 2011, and

WHEREAS, ProAct was selected to provide Pharmacy Benefit Services, for the period January 1, 2013 through December 31, 2013 with the option to renew for two successive years, now therefore be it

RESOLVED, That the Board of Directors of the Greater Tompkins County Municipal Health Insurance Consortium hereby authorizes the Chair of the Consortium to execute a contract with ProAct for the provision of Pharmacy Benefits Manager for the third consecutive year effective January 1, 2015 through December 31, 2015.

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**RESOLUTION NO. 030- 2014 – AUTHORIZATION TO ENTER INTO AGREEMENT WITH BONADIO & CO. LLP - FINANCIAL REPORTING FOR 2015**

MOVED by Mr. Cook, seconded by Mr. Thayer.

Mr. Barber said a strategy was put together that the Bonadio would do the 2013 JURAT and would work with to transition the process for producing the quarterly reports to the Consortium's Treasurer which would be followed by the Treasurer taking over doing the annual filings beginning with 2014 with assistance provided by the Bonadio Group as needed. Based on those conversations the Bonadio Group agreed to a "not to exceed" amount to allow for unanticipated needs. Mr. Snyder said his staff has been able to assume responsibilities for the quarterly filings as planned; however, the annual report is much more comprehensive. Due to an extended medical leave of staff in his office who works on this, he may be needing the assistance of the Mr. Locey and the Bonadio Group more than originally expected. Given this information it was understood that the contract may exceed \$15,000.

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

WHEREAS, the Consortium entered into a contract with Bonadio & Co. LLP for financial reporting services in 2013 and 2014, and

WHEREAS, the Consortium wishes to continue the current arrangement for an additional year, now therefore be it

RESOLVED, That the Board of Directors authorizes the Chair to sign a letter of engagement with Bonadio & Co. LLP for a one-year contract expiring December 31, 2015.

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**RESOLUTION NO. 031 - 2014 - AUTHORIZATION TO EXTEND CONTRACT WITH CIASCHI, DIETERSHAGEN, LITTLE AND MIKELSON FOR THE PROVISION OF AUDITING SERVICES – 2015**

MOVED by Mr. Thayer, seconded by Mr. Cook. Mr. Barber noted that as far as local auditors go this is the only firm he is aware of that does auditing of health insurance companies and when the Consortium was dealing with the New York State Department of Financial Services this was critical to that process.

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

WHEREAS, in 2009 the Consortium authorized the execution of a contract for the provision of auditing services with Ciaschi, Dietershagen, Little and Mikelson (CDLM), and

WHEREAS, the Department of Financial Services audit, dated August 26, 2014, recommends that the Board of Directors obtain annual certification to the effect that the Plan's responsible officers have implemented procedures adopted by the Board, and

WHEREAS, the Consortium wishes to extend the contract for an additional one-year period through fiscal year ending December 31, 2015 and the Consortium will seek proposals in 2015 for the purpose of executing a three-year contract for an external audit of the Consortium's financial records for fiscal years 2016, 2017, and 2018, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee, That the Chair of the Board of Directors is hereby authorized to sign a contract with CDLM to perform auditing services, which include certification that the officers have implemented Board adopted procedures, for the Consortium for the 2015 fiscal year,

RESOLVED, further, That the Executive Director is directed to establish a process in mid-2015 to seek proposals for this service.

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**Approval of Bonadio Invoice**

It was MOVED by Mr. Morey, seconded by Mr. Cook, and unanimously adopted by voice vote by members present, to approve payment of an invoice from the Bonadio Group dated November 30, 2014 in the amount of \$2,362.50. MOTION CARRIED.

**Financial Update**

Mr. Locey distributed a report on large losses and noted to-date there have not been any claims that have gone over the Stop Loss deductible. There were three individuals who went over \$200,000 and no one has reached the \$300,000 point yet. The individual who the Consortium had the laser on has \$174,000 worth of expenses to-date. He also provided a Medical Utilization Report by Excellus.

Mr. Locey provided information on monthly paid claims trends and noted the slight increase is due to the increase in census. The Consortium is around 6.1% in terms of average annual trend; therefore, if there was not excess funds built into the premium a minimum rate increase of 6.1% could be expected. Prescription drug expenses are accounting for 26.5% of total claims and medical claims are approximately 73.5% of the total claims expense. Lastly, Mr. Locey showed information on an Indemnity plan versus a PPO plan for medical in terms of cost difference and claims and noted there is less than 1% difference in the aggregate over the four years history of the Consortium in the two plans.

**Next Meeting Agenda Items**

Items for the December agenda include a request to extend the recertification process and approval of a template resolution for municipalities wishing to the join the Consortium to adopt.

Mr. Snyder said last year Mr. Locey helped the Treasurer calculate what the total reserve amounts would be and will be needing information to do this again. He will contact Mr. Locey for assistance with this.

**Adjournment**

The meeting adjourned at 2:52 p.m.

Respectfully submitted by Michelle Pottorff, Administrative Clerk