

**Minutes – Approved
Audit and Finance Committee
March 24, 2015
3:00 p.m.
Old Jail Conference Room**

Present: Steve Thayer, Laura Shawley, C. Rankin

Excused: Peter Salton, Mack Cook

Absent: S. Weatherby

Guests: Judy Drake, Board of Directors Chair; Steve Locey, Locey & Cahill; Don Barber, Executive Director; Rick Snyder, Consortium Treasurer

Call to Order

Mr. Thayer called the meeting to order at 3:04 p.m.

Approval of Minutes of January 22, 2015

It was MOVED by Mrs. Shawley, seconded by Mr. Rankin, and unanimously adopted by voice vote by members present, to approve the minutes of the January 22, 2015 meeting as submitted. MINUTES APPROVED.

Executive Director's Report

Medical Claims Audit

Mr. Barber reported on the Medical Claims Audit and stated BMI has put together a draft report that has been sent to Excellus for review. It is expected to be released to the Consortium the week of April 6th. They are making good progress and he has heard of no concerns.

Recertification Process

He reported on the Recertification Process and stated 11 municipalities have sent in their recertification forms. Of the 534 that have been done, 24 dependents have been removed. The Town of Danby is close to being done; Mrs. Shawley reported one dependent will be removed from the Town of Danby as well, bringing the total number removed up to 25. The County has not started the process and Mr. Barber is doubtful it can complete the process by May 1st. Mr. Snyder offered to be a catalyst in moving the County forward in this process.

Following discussion it was MOVED by Mr. Rankin, seconded by Mrs. Shawley, and unanimously adopted by voice vote by members present, to extend the deadline to June 1, 2015. A resolution will be drafted for the Board to consider at its March 26, 2015 meeting.

New Member Checklist

Mr. Barber reviewed the checklist below. It was stated that the Town of Willet's financial statements have not been received as of this date. Mr. Barber will try to locate the documents to allow Mr. Thayer and Mr. Snyder an opportunity to review them prior to the March 26 Board meeting. Mr. Locey suggested that municipalities be encouraged to start on January 1st. Mr. Barber will incorporate this language into the document. It was noted that the addition of the Town of Willet which has only two contracts will give labor an additional seat on the Board of Directors even though it has no unions. Mr. Locey said as the Consortium grows quorum can become an issue and he will be forwarding some questions to the Consortium's legal counsel concerning the ability to use technology for members to participate in meetings. Mr. Locey said the Soil and Water Conservation District could technically be its own employer due to an amendment in Article 47 a few years ago. These are some issues that need to be looked at as additional municipalities express interest in joining the Consortium.

New Member Application Checklist
(to be amended based on suggestions above)

After your municipality has determined that they would like to join the GTCMHIC you will need to do the following:

1. Send to the Consortium Clerk consortium@twcny.rr.com a certified resolution from your Town Board directing the Chief Executive Officer to sign the Municipal Cooperative Agreement (suggested text to that resolution attached. This document is due 2 weeks before the Board meeting when your application will be considered
 - a. Your municipality's coverage will begin no sooner than the beginning of 2nd month after Application is accepted by Board resolution.
2. At least 3 weeks advance of the Consortium Board meeting, please send 2 most recent years of your municipality's AUD report that you file with the NY State Comptrollers Office
3. At least 2 weeks before the Board meeting when your application will be considered send an email or letter requesting the Consortium Board of Directors to waive the Surplus Reserve payment which amounts to 5% of the expected annual premium
4. At least 3 weeks advance of the Consortium Board meeting, please contact Beth Miller at Excellus (bmiller@bcbscny.org) to provide her with the names of employees and retirees and dependents that will be receiving Consortium supplied Health Insurance. Please copy the Consortium Clerk on this communication.
5. Your municipality will need to certify that all dependents are eligible before coverage can begin. You can contact the Consortium Executive Director for assistance in performing this operation. The Dependent Eligibility certification should be sent to the Consortium Executive Director

Municipal Cooperative Agreement

Mr. Barber reported the subcommittee met last week and is looking at various items, including some from the Department of Financial Services. He may bring back some items at the next meeting that have a financial impact. Ms. Drake asked if the possibility of voting by proxy is an option; Mr. Locey said he has looked into this in the past and was advised by legal counsel that it was not an option. There will be discussion of participating by electronic methods.

Mr. Barber said one of the requests the Department of Financial Services had was for the Consortium was to define its community rating methodology to make sure it was following Article 47. He said information was compiled and submitted to the Department and no response has been received.

RESOLUTION NO. 003 – 2015 - ACCEPTANCE OF APPLICATION BY THE TOWN OF WILLET TO BECOME A PARTICIPANT IN THE GREATER TOMPKINS COUNTY MUNICIPAL HEALTH CONSORTIUM

MOVED by Mr. Rankin, seconded by Mr. Thayer, and unanimously adopted by voice vote by members present. It was noted approval is contingent upon a financial review.

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

WHEREAS, the Town of Willet 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 Town of Willet as the 17th municipal participant, with health insurance coverage beginning May 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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Financial Update

Mr. Locey presented financial information through February 2015. He said revenue appears correct for the first couple of months and expects numbers for expenses haven't been entered as figures are lower than expected. He provided information on incurred and paid claims from January 2011 to February 2015 that was accompanied by a report from the New York State Department of Financial Services on changes the State was contemplating for reserve requirements. He also provided a memorandum dated March 24, 2015 regarding the "GTCMHIC IBNR Analysis".

Mr. Locey reviewed the memo and stated in terms of running a health insurance consortium the only true liability is the Incurred But Not Reported Claims. This means that at any point in time it is known that there have been claims incurred prior to the date that will be paid at a later date. There will always be a lag in claims that have been incurred but not yet paid. The development of that liability is what Article 47, section 4706 is supposed to address. The purpose is that if operations were to cease that there would be enough funds to cover the claims that have been incurred. The State has mandated 12% but requires 17% for most municipalities. The report shows they would like to see 17% incurred for medical and 5% for prescription drug which is close to 12% in aggregate; therefore, the 12% figure the Consortium is using is consistent with what is stated in the report.

Mr. Locey spoke of the information that is used to develop the figure and said it is based on a Triangle report which is four-month snapshot. In the first two mature years of the Consortium the incurred claims almost equal the paid claims. He demonstrated that in looking at the figures presented it shows how quickly claims are closing out. It also shows of all the claims that are incurred in the current year and how much will be paid in the current year. In the

first full year 2012 it was almost 92%; leaving 8% as the run-out or IBNR number. In the next year it was 93.22%, leaving less than an 8% run-out. This demonstrates that the 12% IBNR figure being used by the Consortium is very conservative. He also reviewed a chart showing the completion factors to the amounts incurred and paid in the year to estimate the value of the run-out claims liability for each month.

Hancock Estabrook Invoice

An invoice dated March 12, 2015 was presented for information; the Committee had no questions. Mr. Snyder will process payment.

Discussion of Bronze Metal Level Plan

Mr. Locey said the Joint Committee on Plan Structure and Design has been evaluating the different metal level plans. Following a discussion by the Committee of the Bronze Plan it referred it to this Committee for further discussion and analysis. He provided a Bronze Plan comparison between a similar plan in the Town of Ithaca and one on the open market. He said they are very similar with minor variances in the plans in areas such as deductibles, co-pays and co-insurance.

The reasons why the Bronze Plan is important for the Consortium is because it provides a competitive product to what is available on the open marketplace for smaller employers and to provide an option for those groups that may need a benefit option for full-time employees to satisfy the Part A penalty under the employer shared responsibility under the Affordable Care Act. There are groups that are interested in joining the Consortium but the Consortium does not yet have the plans available that would allow them to do so.

In terms of rate development Mr. Locey said when looking at developing rates for the programs they are looking at the actuarial value; the Bronze Plan is at 60%. Mr. Locey said because the Consortium's administrative rates are lower and it is much more efficient it can offer lower rates than the open market but rates shouldn't be too far below those rates on the open market. The rate should also be reasonable based on the benefit being provided and the risk being taken on. Another thing that should be kept in mind as plans are considered is the development of a process to amend the programs moving forward and laying out the ground rules on how plans can be made available.

He shared a draft resolution that was provided to the local school consortium which has adopted all of the metal level plans that outlines points that the Consortium should begin talking about. He called attention to a clause in the resolution that would preclude an employee from revering back to any plan which has a greater actuarial value at any time in the future. The employee could go down in plans but could not go up.

Mr. Locey explained that every year the benefits would be loaded into the actuarial value calculator and if it returns a figure higher than the acceptable deviation a look would be taken at changing different options such as raising the deductible, co-pay or out of pocket maximum. Ms. Drake said there will be value in involving the Joint Committee and suggested different options be presented and let the Committee review plan options that include those types of changes. Mr. Locey said the Committee could be presented with the calculator and given an opportunity to provide input on changes.

Mr. Barber said the Joint Committee has reviewed this and wanted to hear back from this Committee if there were any issues or concerns moving forward. If there are no concerns that

should be reported back to that Committee, which will then allow the process to move forward. Ms. Drake said the Board will also be informed at its meeting this week that this is moving through the process but not asked to take action at this time. She also said the Joint Committee should be asked if the Committee is comfortable with the premiums that have been established. Ms. Drake asked if additional options, such as dental or vision coverage that could be added as an option. Mr. Locey said this is something that could be looked at.

The Committee did not wish to take action on the Plan at this time; it will come back to the next meeting for a recommendation. Mr. Barber will report to the Joint Committee on the discussion that has taken place.

Next Meeting Agenda Items

The following items were suggested for inclusion on the next agenda:

- BMI Audit Report
- Recommendation on the Bronze Plan
- Review of responses to RFP for Prescription Drug Claims Audit
- Update from Municipal Cooperative Agreement Subcommittee

Mr. Snyder said he was copied on an e-mail on the lawsuit against Excellus on behavioral coverage that they lost and questioned what the financial impact would have on the Consortium since claims are going to be reopened and adjusted. Mr. Barber said Ms. Miller can be asked to provide an update on this.

Meeting Date/Time

It was agreed to move the meeting time to 2 p.m. for the April 28th meeting.

Adjournment

The meeting adjourned at 4:38 p.m.

Respectfully submitted by Michelle Pottorff, Administrative Clerk