

**Meeting Notes**  
**Greater Tompkins County Municipal Health Insurance Consortium**  
**Audit Committee**  
**January 17, 2013 - 3:00 p.m.**

Attendees: Steve Thayer, Judy Drake, Chantalise DeMarco (arrived at 3:05 p.m.) David Squires, Jerry Mickelson, Michelle Pottorff  
Excused: Chuck Rankin, Laura Shawley

**Call to Order**

Mr. Thayer called the meeting to order at 3:00 p.m.

**Acceptance of Minutes**

The minutes of December 10, 2013 were accepted as presented. In the future they will be formally approved.

**Mission Statement**

Mr. Thayer asked for comments on the following mission statement that was included in the agenda packet. The mission statement was accepted as written.

“The purpose of the Audit Committee is to oversee the integrity of the Consortium’s financial statements, the compliance with accounting and auditing requirements, and the performance of the internal and external auditors. We shall assist and advise the Consortium’s Board of Directors in fulfilling its oversight responsibilities for the financial reporting process, internal controls, performance of external and internal auditors, and compliance with various laws and regulations. The Audit Committee shall review all contracts for auditor and non-audit services provided by the independent public accountants and recommended action to the Board”.

Mr. Thayer also distributed copies of sample audit committee charters and asked members to review prior to the next meeting.

In response to a question concerning what other bodies have an audit committee it was stated the City has no formalized audit committee structure, the County has an audit committee that meets annually, and the BOCES Consortium meets as a committee of the whole to review the audit. Mr. Michelson said the Article 47 Plan they work with does not have an audit committee.

**Discussion of Internal Audit Function**

Mr. Squires distributed a sample document for purposes of explaining the billing process and said all of the payments are handled by the County’s Finance Department. Christine Bednar is the staff person who maintains all of the records; she has access to the bank accounts but does not have authority to issue checks. The County utilizes a remote deposit device; therefore,

there are no direct visits to a bank unless she is out. In those cases Mr. Squires would make a deposit. The majority of bills are paid through electronic transactions.

He said there is not a formalized general ledger system, everything is maintained manually on Excel spreadsheets by municipality. He spoke of the difficulty in keeping track of subscribers within the pool and said everything is based on the contract and charge from Blue Cross. It is a problem right now because Excellus is constantly changing groups and it makes it difficult to distinguish which employees are in each of the groups, particularly in the City.

Mr. Squires said another troubling issue is that some municipalities have ancillary benefits – vision, life insurance, disability, and dental and these are billed separately. The exposure with the billing is that it is always using information from the prior period and if there are a lot of changes, the Consortium's credit has the burden of overpayment or underpayment. The municipality must make the adjustment based on the billing.

Ms. Drake asked how Mr. Squires is informed of someone who is added and whether there is an adjustment as a result of this. He said Ms. Bednar sees a change in the count from the previous month and is able to tell whether there is an adjustment or not. He said the County receives a separate bill for every group and it provides the name of the subscriber and it has to be converted separately from an invoice to a premium. Therefore, he said they use the census counts and apply the premiums that have been established for that census. In terms of reconciling, they keep a receipt ledger that is reconciled against the bank account and then is entered into a spreadsheet that tracks income by municipality.

Mr. Michelson said it is very important to the Plan to make sure that municipalities get billed correctly for the number of subscribers. Ms. Drake said with Medco, the former PBM (Prescription Benefits Manager) municipalities had the ability to go online to see subscribers but that is no longer possible with ProAct, the current PBM. It was stated they are going off the information that Excellus has.

Mr. Squires distributed a sample ledger sheet and said there is not a lot of activity as far as disbursements. His office tracks disbursements by month by entity and allocate by month the administrative fee for medical and prescription drug. The most difficult is the Stop Loss because it is based on covered lives. They (Highmark) just began a new practice where the Consortium goes into their system and enters in covered lives for each month and they issue a bill based on that.

Rebates are distributed throughout the billing and are reflected as credits in the billing. There is a separate bill that comes for the Rx administrative component which is based on the number of drugs prescribed by group. He said that is based on the number of lives and is pretty consistent at about \$7,000 per month. Every two weeks he receives a bill and a summary that breaks out the entire bill.

Claims invoices identify which contract to charge and allocate to. It's the same with the Excellus billing, which Mr. Squires receives weekly. Some of the Excellus bills will have covered lives charges added to particular groups. He said there is a problem there because of all of the platform changes and not every platform charges at the same time. There are some called AEA expenses that were being charged out of one platform and not out of others. Excellus bills are paid in about a week and drug bills are due within the week. Bills range from as high as \$450,000 for one week to as low as \$140,000 per week.

Lastly he showed how Stop Loss payments are credited. He said Stop Loss is approximately \$35,000 per month and noted it will go up because the Consortium exceeded its amount in 2012. Mr. Michelson said he will provide the Bonadio Group with information on what Stop Loss payments came in that were attributable to claims paid in 2012.

With regard to staff, Mr. Squires said the Consortium pays half of Ms. Bednar's salary. She spends this time primarily on the billing functions. He noted that other than himself being available to make deposits, there is no back-up staff to perform these responsibilities. Ms. DeMarco asked if there are written procedures for these duties. Mr. Squires said he has an understanding of the duties involved but there is not written documentation. Mr. Michelson suggested that Ms. Bednar to develop a written outline of the procedures by task. Mr. Thayer suggested cross training would also be good idea.

Ms. Pottorff said one of the items requested by the auditors this week was a listing of all employees covered by the Consortium by municipality as of December 31, 2011. She asked if there is a listing by municipality other than the list provided by Excellus that has been provided to the auditor. Mr. Squires said the administrative billing includes subscribers by municipality and that is the only listing. This is the basis for the billings. There is not a database that currently exists that would provide this information. Ms. Drake said from the discussion, she thinks the creation of some databases would be helpful and others present agreed.

Mr. Thayer said at some point there should be an audit done on the Excellus side to make sure claims are proper and legitimate. Mr. Michelson said the auditor will be doing this as well.

#### **Update on NYS Audit**

Mr. Michelson reported he met with the auditor and provided electronic copies of information and the auditor was very pleased with the amount of effort and time that was given to her. Mr. Thayer said he also met with her and she has some outstanding information requests of which mostly are being handled by Mr. Locey.

Ms. Drake asked that Mr. Barber be asked what the cost of the audit is expected to be and what that cost covers.

#### **Next Agenda Items (February 21, 2013)**

The following items will be included on the next meeting agenda:

- Overview of External Audit Process
- Approval of Minutes
- Review of Charter samples

#### **Adjournment**

The meeting adjourned at 4:20 p.m.