

Minutes
Greater Tompkins County Municipal Health Insurance Consortium
Audit Committee - Special Meeting
December 2, 2013 - 9:00 a.m.
Ithaca Town Hall

Present: Steve Thayer, Judy Drake, Chuck Rankin
Excused: Laura Shawley
Guests: Steve Locey, Jerry Mickelson, Mimi Theusen, Rick Snyder

Call to Order

Mr. Thayer called the meeting to order at 9:05 p.m.

Approval of Minutes of October 17, 2013

It was MOVED by Mr. Rankin, seconded by Mr. Thayer, and unanimously adopted by voice vote, to approve the minutes of October 17, 2013 as submitted. MINUTES APPROVED.

Mr. Mickelson reported the conversion to Quickbooks is moving along well. He asked that he be provided with the September and October financial statements. He reported the Consortium is still building its financial strength. Mr. Locey said the Board of Directors will consider repayment of the initial assessments and this will be declared in December. Mr. Locey will provide Mr. Snyder information on each of the payment amounts including 3% interest. Mr. Mickelson strongly recommended that the reserves be funded by December 31st.

Mr. Locey said the State has been informed that the Consortium is planning to repay the full initial assessments to municipalities. Although the State's approval of this action is not needed they have asked for the Consortium's financial projection at fiscal year ending December 31, 2013 before and after payment of the refund and to include a pre forma balance sheet and income statement using the new version of the Article 47 annual statement. He said the State has also requested three years of financial projections after the payment of the refund and to know what the basis is for using 3% per annum as a rate on the initial assessments. Mr. Locey said in order to entice municipalities to pay the initial assessment they had to be offered an interest rate that was better than what they could have otherwise earned.

Mr. Mickelson provided background information for pre-engagement activities by CDLM and said as part of that process they will start reviewing Consortium information at the beginning of the year and will set an audit schedule once the Bonadio Group has the financials done for December. He expects the Actuary to confirm the IBNR figure of 12% that is being used. Mr. Locey said the State has been questioning who approved that and what documentation exists that shows it was approved. He said the two actuarial reports that have been submitted up to this point have shown the true number to be around 10%; therefore, the 12% is a conservative figure and he sees no need to change this. He said there is nothing formal in writing stating the 12% was approved by the State; however, the initial application that was approved by the State and all financials that have been submitted to the State has been based on 12%

Ms. Theusen provided an overview of the audit process. Mr. Mickelson reviewed a required communication letter that the Consortium will receive outlining the Company's responsibility under U.S. generally accepted auditing standards, information in documents containing audited financial statements, and planned scope and timing of the audit. He said in accordance with the past Excellus Administrative Services Contract a security of \$2,387,600 was identified in the previous audit as possibly needing to be segregated. *Mr. Locey said the State has not required this and will update the agreement with language that the requirement is being satisfied through the reserves required by Article 47.*

Review of Request for Proposal for Auditing Medical and Prescription Drug Claims

Mr. Locey said items that the County requires in sending out requests for proposals have now been included in the draft documents. He said the documents contain selection criteria; he did not include weights. Following a brief discussion, the Committee agreed to the following weights on the four elements:

Audit experience – 30%
Fees – 30%
Project Services – 20%
References – 20%

Mr. Locey said he will develop a scoring sheet for the review committee to score each of the proposals. He will update the documents to reflect the changes made at this meeting and distribute a final draft.

Review of Sample Code of Ethics and Conflict of Interest Policy

Mr. Thayer asked that members review the sample policies that were in the agenda packet and provide comments at the next meeting.

Update from the Treasurer

Mr. Snyder reported they are still running parallel with the old system and will move full-time to the Quickbooks system on January 1, 2014. He spoke of ancillary benefits and asked that consideration be given to the Consortium no longer handling them. Mr. Locey provided the background and said there were a number of municipalities that had Teamsters and were being offered many other types of insurances. The Teamsters would not allow those municipalities to only bring their medical insurance into the Consortium; therefore, those municipalities had to match what their employees were getting from the Teamsters through the Consortium or they would not be able to join the Consortium. If this wasn't done the Consortium would not have reached the required number on contracts to be approved to operate. He said a small committee is looking at this. He said if this is something the Consortium is going to continue to do there should be more time spent on management and oversight of those benefits.

Report on State Audit

Mr. Locey said the State is waiting for one final item which should be sent soon. He said it could take several months before a report is prepared.

Report on Affordable Care Act

Mr. Locey reported the Department of Health and Human Services has indicated they will only require self-insured entities to pay the Transitional Reinsurance Fee in the first year instead of the first three years. This fee is already built into the Consortium's budget and is valued at approximately \$300,000 for 2014.

Meeting Schedule for 2014

For 2014 the Committee set meetings for the first Thursday of each month at 2 p.m. at the Ithaca Town Hall.

Consortium Audit Committee
December 2, 2013

Next Meeting

Mr. Locey distributed information from another consortium they work with on eligibility audits. This topic will be included on the next agenda.

Adjournment

The meeting adjourned at 10:31 a.m.