

Minutes
Greater Tompkins County Municipal Health Insurance Consortium
Audit Committee
May 15, 2014 - 2:00 p.m.
Ithaca Town Hall

Attendees: Steve Thayer, Judy Drake, Steve Locey (via conference call), Jerry Mickelson, Mimi Theusen

Not Present: Chuck Rankin, Laura Shawley, Scott Weatherby

Call to Order

Mr. Thayer called the meeting to order at 2:05 p.m.

Approval of Minutes of April 15, 2014

The minutes of April 15, 2014 as submitted were approved by consensus. MINUTES APPROVED.

Presentation of External Audit

Mr. Mickelson distributed copies of the external audit for the period ending December 31, 2013. He reported on the Communication letter and stated CDLM has audited the Consortium's financial statements. A preliminary planning meeting was held in December that outlines the responsibilities of CDLM and the Consortium.

He brought to the Committee's attention the only sensitive estimate in the Consortium's financial statement is related to the actuarial study for the IBNR (Incurred But Not Reported) Claims and the information related to that. There is a third party actuarial report that maintains 12% of the claims experience being satisfied as the IBNR liability and a lot of nuances and changes in the JURAT report over the year. He spoke of another plan and said it has been unsuccessful in having its IBNR lowered beyond 17% and gave Mr. Locey credit for his good work in this area. There were no other adjustments as they found everything very satisfactory to the JURAT. There was good dialogue between the Bonadio Group and the Quick Books program was fully implemented this year.

Mr. Mickelson reviewed the financial highlights of the audit and stated for the year ending December 31, 2013 the Plan's net position had increased by \$3,844,827, exclusive of returned capital contributions of \$1,422,136. For the year ending December 31, 2012 the Plan's net position increased by \$3,178,173, exclusive of additional capital contributions from the City of Cortland and Town of Lansing in the amount of \$198,400. The 2013 and 2012 increase in net position was mainly attributable to an excess of revenues received over claims and administrative expenses.

Mr. Locey questioned the total net position and asked if it includes reserves not directly tied to a liability and Mr. Mickelson confirmed this to be true.

Ms. Theusen reviewed the contents of the Management Comment Letter and the Recurring Comments:

Unassigned Net Asset Position:

Finding: In accordance with Note 1-F, the Board may consider whether to establish a claim contingency fund from available surplus provision.

Current Status: A \$600,000 catastrophic claims reserve was established during 2013. However, a claim contingency fund has not been established.

Mr. Locey said there are only five types of reserves defined by the State and said if the Consortium is going to create additional reserves we would want to be very specific in defining it so that a detailed response can be provided to the State about the purpose of the reserve. Mr. Mickelson said the Consortium may want to consider increasing the Catastrophic Claims reserve.

Mr. Locey said there is a provision in Article 47 that allows you to forego the purchase of Aggregate Stop Loss, however, the Plan must have 1½ times the IBNR Reserve and 1½ times the Capital Surplus account in order to petition the State to waive the purchasing of any portion of the Stop Loss. He said we may want to talk about having the Aggregate Stop Loss waived because it is not meaningful coverage and is an unnecessary expense. He stated none of their clients who are not Article 47 purchase it and he doesn't know of anyone who has purchased it and used it.

Incurred Claims Liability:

Finding: During CDLM's current and prior year audits, no formal documentation was available stating that liability for claims and expenses shall be 12% of annual total expenses. The liability has been calculated at approximately 12% of expected total incurred claims expense, but there does not appear to be formal documentation of this provision by the Department of Financial Services.

Current Status:

Annual reports have been submitted and accepted by the Department of Financial Services based upon the 12% factor, which is also supported by the Actuarial Report determinations.

Mr. Locey commented that there is no written documentation on this and the staff at the Department of Financial Services has changed since the Consortium began. Mr. Mickelson said the 12% is also included on the State's automated calculator on the supplemental documents.

Contributed Capital:

Resolution: Contributed capital, including interest, was repaid to the municipalities as of December 31, 2013 with interest.

Board Meetings:

Finding: During the review of minutes it was noted there were many instances where the Joint Committee on Plan Structure and Design did not have a quorum present.

Resolution: Quorums were met during the current year, as quorum requirements were changed.

Excellus BlueCross Administrative Services Contract

Finding: In accordance with the Excellus BlueCross Administrative Services Contract, a security of \$2,387,600 run-out claims may be required. No such formal evidence of security was noted during the audit. This cash restriction was not specifically segregated as of December 31, 2013 or 2012.

Recommendation: CDLM recommends a review of the various Excellus Blue Cross Administrative Services Contract provisions and that various provisions be formally documented.

Mr. Locey said there should be discussion and consideration given to pulling his out of the Administrative Services Contract.

The Committee will recommend acceptance of the report by the Board of Directors at its June 26, 2014 meeting.

Consultant Report

Mr. Locey reported the year-end and first quarter reports have been submitted to the State.

Continued Discussion of Recertification Process

Mr. Locey reported the Board of Directors approved the new documents to be used in terms of the dependent, spouse, and domestic partner verification. There now needs to be discussion of rolling out a process for the next year.

Ms. Drake reported she met with Beth Miller of Excellus last week and they will be meeting with enrollment personnel from municipalities on June 11th. Mr. Locey will make a final change to the documentation and provide updated copies to Ms. Drake and Ms. Pottorff for posting on the Consortium website. Ms. Drake said she and Ms. Miller will be reviewing the enrollment process with municipalities during their visits and will also encourage better participation at the meeting of the Joint Committee on Plan Structure and Design.

There was discussion of rolling out the recertification process. Ms. Drake said she has heard that some would like to do this during open enrollment which is in November and December and suggested a final deadline of May 1, 2015. She said the timeline should be clear when this is presented to the Joint Committee on Plan Structure and Design. She also suggested having a grace period that would extend through the end of February.

During the meetings with municipalities Ms. Drake said they will talk about the work associated with the enrollment process and get feedback from municipalities on what assistance, if any, would help with this. Mr. Locey will work with Ms. Miller on developing a recertification process for the next meeting that will include a provision for appeals.

Audit Committee
May 15, 2014

Update on Requests for Proposals for Medical and Prescription Claims Auditing

Mr. Locey reported interviews will be held with finalists on the medical RFP as the Board gave authorization for this budget item. Ms. Pottorff will draft a letter for Mr. Locey to review to provide responders with an update on the process.

Next Agenda

The next agenda will include a review of the quarterly financial statements, a recommendation on the award for the RFP for Medical Claims Auditing. The Enterprise Risk Model will be discussed at the July meeting.

Adjournment

The meeting adjourned at 3:05 p.m.

Respectfully submitted by Michelle Pottorff, Administrative Clerk