

Greater Tompkins County Municipal Health Insurance Consortium

**Audit and Finance Committee**

May 23, 2017

Old Jail Conference Room

1. Call to Order (3:30) S. Thayer
  
2. Approve Minutes of April 25, 2017 Meeting (3:32)
  
3. Executive Director's Report (3:35) D. Barber
  - a. CanaRx
  - b. Excellus 2016 Utilization Report Highlights
  - c. Will new partners impact the ability of existing partners to gain shared services credit?
  - d. DFS Communications
  - e. Update of Medical Claims Audit
  
4. Financial Update (3:50)
  - a. Review Rx Rebate Report S. Locey
5. 2016 Year End JURAT (4:00) R. Snyder
  
6. Impact of Multiple Plans on Excellus and ProAct (4:10) M. Feeley/B. Miller

Timeline for Enrollment of New members and Implementing plan changes
  
7. Pharmaceutical Claims Audit (4:25) S. Locey
  - a. **RESOLUTION**: Authorizing Contract for Prescription Drug Claims Audit
  
8. Revisiting Invoice Payment Policy (4:30) D. Barber
  
9. Next Agenda Items (4:40)
  
10. Adjourn (4:45)

*Next Meeting: June 27, 2017*

**Audit and Finance Committee  
Minutes - Draft  
April 25, 2017  
Old Jail Conference Room**

Present: Steve Thayer, Bud Shattuck, Chuck Rankin, Mack Cook, Peter Salton

Excused: Rordan Hart

Absent: Laura Shawley, Phil VanWormer

Guests: Judy Drake, Board of Directors Chair; Don Barber, Executive Director; Steve Locey, Consultant; Mimi Theusen, Jeremy Gould, Insero & Co. LLP; Meghan Feeley, ProAct (via conference call)

**Call to Order**

Mr. Thayer, Chair, called the meeting to order at 3:33 p.m.

**Changes to the Agenda**

A review of the 2016 Year-end JURAT was deferred to the next meeting.

**Approval of March 21, 2017 Minutes**

It was MOVED by Mr. Shattuck, seconded by Mr. Thayer, and unanimously adopted by voice vote by members present with Mr. Salton abstaining, to approve the minutes of March 21, 2017 as submitted. MINUTES APPROVED.

**Presentation of 2016 External Audit Report**

Ms. Theusen and Mr. Gould provided members with a draft 2016 external audit report. In summary, it was stated that the financial statements for the years ended December 31, 2016 and 2015, and the related notes to the financial statements were presented fairly, in all material respects, the financial position of the business-type activities of the Greater Tompkins County Municipal Health Insurance Consortium as of December 31, 2016 and 2015, and changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

For the year ending December 31, 2016, the Plan's net position increased by \$1,173,320. For the year ending December 31, 2015, the Plan's net position increased by \$6,927,266. For the year ending December 31, 2014, the Plan's net position increased by \$3,851,816. The increases in net position are mainly attributable to an excess of revenues received over claims and administrative expenses. With regard to internal controls, the results of the audit disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Mr. Barber explained that due to personal reasons Mr. Snyder has not had a chance to review the draft audit report and should have an opportunity to review and provide feedback.

**RESOLUTION NO.     - 2017 - ACCEPTANCE OF EXTERNAL AUDIT REPORT  
PERFORMED BY INSERO & CO. (CDLM)**

It was MOVED by Mr. Salton, seconded by Mr. Cook, and unanimously adopted by voice vote by members present, to approve this resolution contingent upon a review by Mr. Snyder. MOTION CARRIED.

WHEREAS, the Board of Directors entered into a contract for auditing services with Insero & Co. (CDLM), for the purpose of conducting an external audit of the Consortium's financial records for fiscal year 2016, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee, That the 2016 external audit report prepared and presented to the Board of Directors by Insero & Co. (CDLM) is hereby accepted.

\* \* \* \* \*

### **Executive Director's Report**

Mr. Barber said he has drafted a letter based on feedback received at the last Board of Directors meeting to benefit clerks concerning CanaRX. Next month he will be having a conference call with them to make them aware of this program and shortly thereafter a letter will be going out from ProAct to subscribers who are taking a medication that falls within the CanaRX formulary letting them know the option is available. He said the program will become effective on July 1<sup>st</sup> and all of the CanaRX claims will be submitted through the Consortium, including Tompkins County's. The savings to the County will be approximately \$180,000.

Mr. Barber said within the Consortium there are 29 group numbers, 79 sub-group numbers, 48 Cobra group numbers, 56 class codes, and 31 enrollment codes and within each of these group numbers there are participating subscriber ID's. The total number of subscribers within the 48 Cobra plan is three. When the Consortium was forming, the Consortium was trying to stay above the 2,000 minimum number of contracts that was needed to start an Article 47 and subscribers that were joining were told they would not have a reduction in benefit. Since starting, the Consortium has only added a Medicare Supplement Plan and the four Metal Level Plans.

Mr. Barber said to address the number of benefit plans there might be a three-pronged approach. One is to grandfather the number of benefit plans current members have while adopting a resolution urging municipal partners to seek ways to consolidate. The second would be to set policy that if a partner going forward wants to add a plan they would then be required to remove a plan. Third, to set a limit on the number of plans a new partner can enter with. This option could have a population-based threshold.

He said he has been talking to Beth Miller and Meghan Feeley and recommended they attend the next meeting to provide a presentation on what happens on their end with these plans and what the impact is on their operations. He said this issue came forward when a small municipality with only a few employees was joining the Consortium but had multiple plans. Mr. Locey provided a scenario whereby a municipality could have only a few employees but multiple plans with employees choosing a plan based on their circumstances could lead to adverse risk selection. He said the Consortium needs to make sure that small employers are not offering a large menu of options to the detriment of the Consortium as a whole from a financial perspective.

Mr. Cook said he believes with the Governor's shared services initiative the Consortium is going to see more municipalities express interest in joining. Mr. Locey suggested that as older plans become extinct they can be removed and the Consortium could limit new municipalities based on size the number of variables they can have. Mr. Barber said if the Board adopted a policy he could share the information and help interested municipalities through the process.

Medical Claims Audit Update

Mr. Barber reported a very productive conference call was held on April 14<sup>th</sup> with members of the Consortium, Excellus, and BMI to discuss the outstanding issues and develop a plan to bring the process to a close. He and Mr. Locey will be working on items to bring to the next meeting that will need consideration by this Committee and action by the Board of Directors. He complimented Mr. Locey for doing a great job in articulating the Consortium's position and getting the parties to be focused on the action steps.

Enrollment Process Timeline

Mr. Barber said as a result of the problems that occurred with the rollout in January he met with Mr. Locey, Ms. Drake, Excellus, and ProAct to develop a timeline for tasks that need to happen so that everyone has necessary information for rollouts to happen when new municipalities join the Consortium. It is possible that there will need to be changes made to when new municipalities come into the Consortium and this will be discussed further at a second meeting that will be held prior to the Joint Committee on Plan Structure and Design on May 4<sup>th</sup>.

He reported the County may be offering the Platinum Plan to retirees effective January 1, 2018. It was the original intent to offer it on July 1<sup>st</sup>; however, he communicated to the County Administrator that their deductible would be effective through the end of the year and would start again on January 1<sup>st</sup>.

Mr. Barber announced CAP (Cayuga Area Physicians Alliance) will be hosting a Community Healthcare Forum on May 17<sup>th</sup> at 4:30 p.m. at the Space at Greenstar and encouraged members to attend. This will be a public forum that will focused on patient engagement and making informed decisions. Dr. Stallone will attend the Consortium's retreat to provide a primer on the forum.

**Financial Update**

Mr. Locey reviewed budget information for the year ending 2016. He called attention to the amount expenses are growing per covered life. In 2011 there were 2001 contracts and in 2016 there were 2,322 contracts. The average premium income per month per contract was slightly over \$1,380; total income was slightly under \$1,388. Expenses in 2014 were \$1,092 per contract for claims. In 2015 the amount went down and in 2016 it went up to \$1,256. He noted that 2015 was an anomaly and if there was a normal increase it would appear to be a normal progression. He said with the per contract per month approximately 3% of the premium went into the net income at the end of the period.

Mr. Locey reviewed financial results through the first quarter of 2017 and said from an income perspective the Consortium is approximately 3.4% above where it expected to be; this is due to premium income being up and there also being some Stop Loss recoveries that came in this year from last year. Claims are slightly below budget with medical being 2.26% below on medical and 9% below on prescription drug; total expenses are approximately 5% below budget. There is a net income of \$400,000 and a deficit of \$500,000 was budgeted.

Mr. Locey said a letter was sent to Highmark in anticipation of the 2018 renewal for Stop Loss to let them know the Consortium will be resistant to accepting a high premium on aggregate Stop Loss as it is coverage that will never be used.

### **ProAct Utilization Report**

Ms. Feeley provided a high-level overview of the Utilization Report. In 2016 there was a 25% increase in plan spend from 2015 bringing the total to \$10,645,000 which was not inclusive of rebates received in the amount of \$1,105,739 (total plan spend with rebates was \$9.5 million. The increase was largely due to members using the drug, Harvoni which is used to treat hepatitis. It is a three-month treatment with six utilizing members. There were a couple prescriptions filled in 2017 but that number should decline as it is a one-time treatment.

During presentation of the report, the following points were noted of changes from 2015:

- Rx count and Plan cost:

	(# of Rx)	
Tier 1 Generic	62,992	\$2,215,262.93
Tier 2 Preferred Brand	9,412	\$3,597,705.74
Tier 3 Non-Preferred Brand	3,425	\$1,155,278.09
Specialty	934	\$3,677,737.51

- The number of prescriptions dispensed decreased by 3%; however, prescription costs which included fill fees, ingredient costs, and dispensing fees, increased by 23.59%;
- Membership cost increased by 3.49% and the total cost paid by the Consortium increased by 53% (primarily due to Harvoni and specialty prescriptions);
- Although up slightly, mail order utilization was lower than a similar client type. Ms. Feeley suggested additional efforts could be placed on increasing mail order utilization and offered to provide suggestions.
- There were 2,323 contracts with a total of 5,045 eligible members in the plan; an increase of .08% from 2015;
- Costs paid by the plan were – 39% for age 50-64; 31% for age 65+; 18% for ages 35-49; 7% for age 20-34; and 5% for age under 1-19.

Specialty drug utilizing members increased from 81 to 105 (29.63%); total prescriptions dispensed increased from 785 to 934. The member cost increased by 16.34%; the plan cost increased by 53.21%. At the request of Mr. Locey, Ms. Feeley will look into drugs that may now or will soon have a generic available.

### **Pharmaceutical Claims Audit Update**

Mr. Barber said at the last meeting the Committee directed that a quote be obtained from BMI to perform another medical claims audit; a proposal was received today for less than the last contract. Mr. Locey said he believes further negotiation can be done on the rebate portion of the contract. He will be in contact with BMI and will bring a proposal for the Committee to consider at the next meeting. Mr. Barber noted that there will no longer be rebates on prescriptions filled by. Ms. Drake asked if the Consortium will receive information about what is going through CanaRX. Mr. Locey said it is his understanding that CanaRX will be sending utilization data to ProAct and ProAct will be populating its system with that information. There should be a reduction in plan spend. Mr. Locey said there will be reduction in member copay and the loss of rebates that will need to be considered into the calculation of savings from moving to the CanaRX program. Mr. Salton requested that a rebate report be brought back to the next meeting. Mr. Locey will also ask ProAct for a quarterly update on the formulary.

### **Invoice Payment Procedure**

Mr. Barber said Mr. Snyder has not had an opportunity to review the latest version of the proposed invoice payment procedure. It was suggested that the Committee move this forward pending a review by Mr. Snyder. It was MOVED by Mr. Salton, seconded by Mr. Cook, and unanimously adopted by voice vote by members present, to approve the following invoice payment procedure contingent upon a review by Mr. Snyder. MOTION CARRIED.

Mr. Barber noted this is an internal procedure and will not require approval by the Board of Directors.

#### GTCMHIC Invoice payment procedure

This procedure does not include: payment of claims invoices and admin fees including flu clinic fees from our medical and prescription benefits managers, State and Federal taxes and fees, stop-loss, D&O and E&O insurance invoices, internal compilation and coordination expenses, and ancillary benefit premiums. Invoices for these items are considered ready for payment when received. These transactions are shown in the monthly financial report.

Invoices for the following items shall be paid according to the process described below:

- A. Contract progress payment invoices (e.g. Actuary, Claims Auditor) upon receipt will be reviewed by Treasurer and then sent to Executive Director and Board Chair for approval. Upon approval will be returned to Treasurer for payment. Copies of the paid invoice will become part of agenda packet of the Audit and Finance Committee at their next most immediate meeting.
- B. Contract final invoices (e.g. Actuary, Auditor, Claims Auditor) upon receipt will be reviewed by Treasurer and then will become part of agenda packet of the Audit and Finance Committee at their next most immediate meeting for approval. Administrative Clerk will apprise the Treasurer of the approval will be returned to Treasurer for payment. In the event that the Audit and Finance Committee will not be meeting by the time the final invoice becomes due, the Executive Director will first petition the contractor for a time extension until the Audit and Finance Committee meets. Should that petition be denied, the invoice must be approved by the Executive Director, Board Chair, and Finance Committee chair. Copies of the paid invoice will become part of agenda packet of the Audit and Finance Committee at their next most immediate meeting.
- C. Invoices for non-fixed price contract payment under \$10,000 (e.g. consultants, newsletter production, photography, and printing) upon receipt will be reviewed by Treasurer and then sent to Executive Director and Board Chair for approval. Upon approval will be returned to Treasurer for payment. Copies of the paid invoice will become part of agenda packet of the Audit and Finance Committee at their next most immediate meeting.
- D. Invoices for non-fixed price contract payment over \$ 10,001 (e.g. financial auditor, Bonadio, consultants) upon receipt will be reviewed by Treasurer and then will become part of agenda packet of the Audit and Finance Committee at their next most immediate meeting for approval. Administrative Clerk will apprise the Treasurer of the approval will be returned to Treasurer for payment. In the event that the Audit and Finance Committee will not be meeting by the time the final invoice becomes due, the Executive Director will first petition the contractor for a time extension until the Audit and Finance Committee meets. Should that petition be denied, the invoice must be approved by the Executive Director, Board Chair, and Finance Committee chair. Copies of the paid invoice will become part of agenda packet of the Audit and Finance Committee at their next most immediate meeting.
- E. Invoices for services not previously approved by contractual arrangement (e.g. DFS audit)

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### **Approval of Invoices**

The Committee reviewed and authorized payment for the following invoices:

BOCES – March 2017 newsletter printing  
Bonadio invoice dated March 31, 2017  
Armory Associates invoice dated March 31, 2017  
Insero & Co. LLP invoice dated March 31, 2017  
Hancock Estabrook invoice dated April 14, 2017  
NYS Department of Financial Services audit invoice dated April 19, 2017

### **Next Agenda Items**

The following items will be included on the next agenda:

Impact of multiple plans on Excellus and ProAct;  
Review of rebate report;  
Resolution to approve contract for pharmaceutical claims audit;  
Examining Utilization of other groups joining and Mandated Shared Services Initiative;  
Enrollment Process Timeline

### **Adjournment**

The meeting adjourned at 5:02 p.m.

GREATER TOMPKINS COUNTY - REBATES PAID TO CLIENT

Date Paid	Total Paid	1Q2013	2Q2013	3Q2013	4Q2013	1Q2014	2Q2014	3Q2014	4Q2014	1Q2015	2Q2015	3Q2015	4Q2015	1Q2016	2Q2016	3Q2016	4Q2016	1Q2017
8/28/2013	2,585.87	2,585.87																
11/27/2013	172,277.64	109,182.66	63,094.98															
3/14/2014	136,577.41	16,439.62	49,125.96	71,011.83														
6/6/2014	187,851.01	1,920.76	41,668.78	59,142.44	85,119.03													
8/29/2014	160,307.10	3,485.85	350.58	45,243.42	57,816.60	53,410.65												
12/5/2014	206,891.88	(96.69)	2,237.39	(238.99)	25,610.26	82,838.30	96,541.61											
3/6/2015	208,345.21	(2.80)	69.21	530.84	8,039.49	30,164.96	65,511.17	104,032.34										
6/4/2015	231,361.91	(47.77)	(129.22)	3,506.53	3,863.92	3,058.77	21,950.97	84,321.85	114,836.86									
8/26/2015	222,160.06	402.29	219.17	99.42	7,539.77	515.81	1,124.14	16,571.74	75,950.90	119,736.82								
11/30/2015	232,493.06	323.08	425.86	219.96	(32.83)	383.84	794.38	578.48	21,624.15	64,306.15	143,869.99							
3/5/2016	217,274.81	0.58	13.34	140.18	56.99	7,721.62	10,034.54	(6.17)	679.53	19,777.12	42,614.04	136,243.04						
6/5/2016	216,906.68		0.03		28.93	149.66	(4.53)	5,142.52	825.07	(7,041.07)	25,076.32	62,245.81	130,483.95					
8/31/2016	275,252.86			0.76					2,022.15	9,074.58	10,566.92	33,363.99	113,126.02	107,098.43				
	396,304.81				\$ 94.19	\$ (88.41)		\$ 0.17	\$ (89.46)	\$ 446.07	\$ (78.54)	\$ 322.09	\$ 1,668.59	\$ 218,139.56	\$ 175,890.54			
3/8/2017	224,317.53					\$ 60.14	\$ 64.59	\$ 134.32	\$ 171.75	\$ (24.83)	\$ 6.56	\$ 1,002.49	\$ 714.41	\$ 6,904.35	\$ 121,399.99	\$ 93,883.76		
<b>Total</b>	<b>3,090,907.84</b>	<b>134,193.45</b>	<b>157,076.08</b>	<b>179,656.39</b>	<b>188,136.35</b>	<b>178,215.34</b>	<b>196,016.87</b>	<b>210,775.25</b>	<b>216,020.96</b>	<b>206,274.84</b>	<b>222,055.28</b>	<b>233,177.43</b>	<b>245,992.97</b>	<b>332,142.34</b>	<b>297,290.53</b>	<b>93,883.76</b>	<b>-</b>	<b>-</b>

Brand Claims	4,028	4,260	4,157	4,121	3,938	3,923	3,731	3,744	3,648	3,412	3,345	3,644	3,424	3,435	3,329	3,359	3,248
Rate Per Brand Claims	33.32	36.87	43.22	45.65	45.26	49.97	56.49	57.70	56.54	65.08	69.71	67.51	97.00	86.55	77.00	77.00	77.00

Estimated Remaining\*\*\* \$ 671,188.24 - 162,449.24 258,643.00 250,096.00

Rebates as of 3/31/17	3,762,096.08	134,193.45	157,076.08	179,656.39	188,136.35	178,215.34	196,016.87	210,775.25	216,020.96	206,274.84	222,055.28	233,177.43	245,992.97	332,142.34	297,290.53	256,333.00	258,643.00	250,096.00
Rebates paid by 3/31/17	3,090,907.84	134,193.45	157,076.08	179,656.39	188,136.35	178,215.34	196,016.87	210,775.25	216,020.96	206,274.84	222,055.28	233,177.43	245,992.97	332,142.34	297,290.53	93,883.76	-	-

GTC Rebate Rec. 3/31/17 \$ 671,188.24 - 162,449.24 258,643.00 250,096.00

\*\*\* Please note that Rebate amounts are not guaranteed and this is an estimate based on past payments and drug utilization.

Actual  
Projected



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- A. **Contract progress payment invoices (e.g. Actuary, Claims Auditor):** upon receipt, invoice will be ~~reviewed by Treasurer and then~~ sent to Executive Director for advisement and the Board Chair for approval. (Does the Committee want to include CFO in this approval chain so there are two sets of eyes and an option should one not be able to be contacted? **Probably not.**) Notice of approval will be returned to ~~Treasurer~~ Account Clerk for payment. Copies of the paid invoice will become part of agenda packet of the Audit and Finance Committee at their next most immediate meeting.
- B. **Contract final invoices (e.g. Actuary, Auditor, Claims Auditor):** upon receipt, invoice will be sent to Executive Director for advisement ~~and reviewed by Treasurer~~ and then will become part of agenda packet of the Audit and Finance Committee at their next most immediate meeting for approval. Administrative Clerk will appraise the ~~Treasurer of Committee~~ Account Clerk approval for payment. In the event that the Audit and Finance Committee will not be meeting by the time the final invoice becomes due, the Executive Director will first petition the contractor for a time extension until the Audit and Finance Committee meets. Should that petition be denied, the invoice must be approved by the Board Chair and Finance Committee chair. Copies of the paid invoice will become part of agenda packet of the Audit and Finance Committee at their next most immediate meeting.
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- E. **Invoices for non-fixed price contract payment with Executive Director, Benefit Plan Design Consultant, and Treasurers Office:** upon receipt, invoice will be ~~reviewed by Treasurer and then~~ sent to Executive Director for advisement and the Board Chair for approval. (Does the Committee want to include CFO in this approval chain so there are two sets of eyes and an option should one not be able to be contacted? **Probably not.**) Notice of approval will be returned to ~~Treasurer~~ Account Clerk for payment. In order to protect possible sensitive information that could affect future firms acting in these roles, invoice will not become part of agenda. (Does the Committee want a total paid summary presented or is monthly financial statement suffice? **Probably not; monthly financial statement should suffice.**)
- F. **Invoices for services not previously approved by contractual arrangement (e.g. DFS audit)** upon receipt, invoice will be ~~reviewed by Treasurer and then~~ will become part of agenda packet of the Audit and Finance Committee at their next most immediate meeting for approval. Administrative Clerk will appraise the ~~Treasurer of Committee~~ Account Clerk of approval for payment. In the event that the Audit and Finance Committee will not be meeting by the time the final invoice becomes due, the Executive Director will first petition the contractor for a time extension until the Audit and Finance Committee meets. Should that petition be denied, the invoice must be approved by the Board Chair and Finance Committee chair. Copies of the paid invoice will become part of agenda packet of the Audit and Finance Committee at their next most immediate meeting.

All invoices shall be reviewed by the Treasurer prior to issuance of the vendor check.

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