

**Minutes – Approved
Audit and Finance Committee
April 28, 2015
2 p.m.
Old Jail Conference Room**

Present: Steve Thayer, Mack Cook, Peter Salton, Laura Shawley (arrived at 2:10 p.m.), Chuck Rankin

Excused: Kathy Miller

Absent: S. Weatherby

Guests: Steve Locey, Locey & Cahill; Don Barber, Executive Director; Rick Snyder, Consortium Treasurer; Judy Drake, Board of Directors Chair; Mimi Theusen, Ciaschi, Dietershagen, Little and Mickelson

Call to Order

Mr. Thayer called the meeting to order at 2:03 p.m.

Approval of Minutes of March 24, 2015

It was MOVED by Mr. Rankin, seconded by Mr. Cook, and unanimously adopted by voice vote by members present with Mr. Salton abstaining, to approve the minutes of the March 24, 2015 meeting as submitted. MINUTES APPROVED.

Executive Director's Report

Mr. Barber reported on the medical claims audit and said BMI has communicated with Excellus and a final report should be complete by the end of next week. They will attend the next meeting to present the report. He said one of the Board members has filed a Code of Ethics complaint against another Board member and when looking at the Ethics policy it was discovered there was no process included for reviewing complaints other than referring it to the Consortium's attorney. He said the County has an Ethics Advisory Board and a process that can be shared. An option for the Consortium is to have that Board review Consortium cases as they are authorized to review other municipal ethics complaints. The current procedure is outlined in the Municipal Cooperative Agreement and directs the Executive Committee to review information presented and the Board has the final decision on a current ethics case. Mr. Thayer suggested the Committee review the County's Ethics Policy and consider amending Consortium's policy to have that Board review Complaints filed with the Consortium.

Mr. Barber reported on the work of the MCA Review Committee and said there are a few issues that have been referred to the Consortium's attorney. There are other issues that were requested by the New York State Department of Financial Services that are also under consideration. They include articulating which municipalities can join the Consortium, allowing Board members to attend meetings via alternate means (i.e. Skype), defining the role of the Secretary, and including the Secretary on the Executive Committee. The Committee is planning to have a recommendation for the Board at its May 28th meeting.

Mr. Barber said he was approached by Aflac Insurance for doing telemedicine. He contacted Excellus and was told they do have a request for proposals out to consider having doctors available for telemedicine and they have asked that the Consortium hold off on this until they have something to bring forward.

He provided an update on the Recertification process and said the Town of Danby has completed its process; the two Cities and the County are not yet complete. To date 4% of covered lives were found to be ineligible and have been removed.

Approval of Invoices for Legal Services

It was MOVED by Ms. Shawley, seconded by Mr. Salton, and unanimously adopted by voice vote by members present, to approve the invoice in the amount of \$495. MOTION CARRIED.

It was MOVED by Mr. Salton, seconded by Mr. Rankin, and unanimously adopted by voice vote by members present with Mr. Cook abstaining, to approve the invoice in the amount of \$275. MOTION CARRIED.

2014 Audit Report

Ms. Theusen distributed copies of the 2014 Audit Report prepared by CDLM. She described the process and said it went very smooth and thanked Mr. Snyder and his staff for their cooperation. Comments included in the audit were as follows:

Unassigned Net Asset Position:

Finding: During the review of current year minutes discussion was noted recommending the establishment of a “targeted fund balance” (unencumbered funds) level. They felt this was a good idea and recommended the Board establish a “targeted fund balance: level.

Incurred Claims Liability:

Finding: During prior year audits, no formal documentation was available stating that liability for claims and expenses shall be 12% of annual total expenses. The liability had been calculated at approximately 12% of expected total incurred claims expense but no formal documentation from the Department of Financial Services was in place regarding this provision. The recommended formal documentation be obtained. It was noted annual reports have been submitted and accepted by the Department of Financial Services based on the 12% factor. This is also supported by the Actuarial Report determinations.

Audit of Medical Claims:

Finding: During prior year audits medical claims paid were not audited. They recommended an independent firm be engaged to perform audits of medical claims paid. It was noted an independent firm was engaged to perform audits of medical claims paid. Mr. Locey said the Board will be engaging a firm to conduct an audit of prescription drug claims.

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 funds. They recommended consideration of this plan provision. It was noted that a \$600,000 catastrophic claims reserve was established during 2013 and a claims/rate stabilization reserve will be established in 2016.

In 2011 the State requested an independent firm look at the policies and procedures adopted and implemented by the Consortium be reviewed. CDLM looked at the policies, billing practices, procurement practices and expenditures, and banking procedures and found no issues. They looked extensively at revenues and sent out letters to municipalities to verify premiums that were paid and recorded and found no issues. Ms. Theusen explained the testing procedures that were used in cash receipt testing and cash disbursement testing and found no instance of non-compliance. She noted review of the Consortium's policies is not part of the usual audit process and was in response to the request by the State. She said this review of policies is not a standard audit process and suggested in the future that only new policies be reviewed.

She reviewed the official audit report and financial statements and said it is the opinion of CDLM that the financial statements are fairly presented in all material respects. Mr. Barber provided the Committee with copies of the Actuarial Report which shows 9% as what the IBNR level should be; therefore, the 12% level the Consortium uses is adequate.

It was MOVED by Mr. Cook, seconded by Mr. Thayer, and unanimously adopted by voice vote by members present, to accept the audit report as presented. MOTION CARRIED.

Review of 2014 JURAT

Mr. Snyder reviewed the contents and explained how calculations were made that are contained in the 2014 JURAT (annual financial filing). Mr. Locey said the Department of Financial Services is now requiring prescription drug premiums to be broken out separately in the document.

Financial Report

Mr. Locey reviewed the contents of the first quarter financial results for the Consortium for the period ending March 31, 2015. Total income was \$9,632,546; expenses were \$7,250,146. The net income for the period was \$2,382,398. It was noted that medical claims are running noticeably under budget.

Review of Responses from RFP for Prescription Drug Claims Audit

The Committee discussed a summary of quotes that had previously been received to a request for proposals for auditing of prescription drug claims. This process will be held off until the medical claims audit is complete.

Financial Impact of Excellus Behavior Coverage Lawsuit

The Committee reviewed information contained in an e-mail from Beth Miller that provided an overview of the investigation and a response to the question surrounding the cost associated with AG investigation with BH services clinical review criteria.

The document contained the following information:

1. On March 26, 2015, Excellus BlueCross BlueShield received approval from the Office for Alcoholism and Substance Abuse Services (OASAS) to use the Interqual clinical review criteria, with certain documented changes and conditions, in its review of substance use disorder

treatments in accordance with Chapter 41 of the Laws of 2014. Excellus BCBS will apply this criteria when reviewing requests for coverage of substance use disorder treatments under the Greater Tompkins County Municipal Health Insurance Consortium benefit plan. Attached is the approval letter submitted to Excellus.

2. The cost for the Federal Mental Health Parity Act (FMH) is calculated by our underwriting department and is included in the benchmark rates supplied during the renewal process. The rate supplied for FMH will accommodate the change in clinical criteria required by the mandate. Your administrative rate is not impacted.

3. Claim utilization due to change in policy or clinical criteria requirements is addressed during the renewal process of rate increase or decrease, which is approved the Board of Directors.

This item was presented for information only; no action by the Committee was necessary.

Next Agenda Items

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

- BMI audit findings
- Code of Ethics process
- Introduce Gold and Silver plans

Adjournment

The meeting adjourned at 3:42 p.m.

Respectfully submitted by Michelle Pottorff, Administrative Clerk