

**Minutes – Approved 9-22-2015**  
**Audit and Finance Committee**  
**August 25, 2015**  
**2:30 p.m.**  
**Old Jail Conference Room**

Present: Steve Thayer, Kathy Miller, Mack Cook, Chuck Rankin, Phil Vanwormer  
Absent: Laura Shawley, Peter Salton  
Guests: Don Barber, Judy Drake, Rick Snyder, Steve Locey

**Call to Order**

Mr. Thayer called the meeting to order at 2:30 p.m.

**Approval of Minutes of July 21, 2015**

It was MOVED by Mr. Cook, seconded by Mr. Rankin, and unanimously adopted by voice vote by members present, to approve the minutes of July 21, 2015 as corrected. MINUTES APPROVED.

**Executive Director's Report**

Mr. Barber thanked Mr. Vanwormer volunteering to serve on this Committee. He reported although their municipal boards have not taken action yet the Towns of Newfield, Virgil, and Cortlandville have expressed strong interest in joining the Consortium and currently have the Silver metal level plan. The Town of Truxton has also expressed some interest. The Cities of Elmira and Norwich will not be moving forward at this time.

Mr. Barber reported on HIPPA requirements and the Consortium handling information in a secure manner. With the assistance of the County's Information Technology Department a secure solution has been found to transit information. New e-mail addresses have been created for the Consortium and Executive Director under the County's e-mail program. Mr. Locey suggested making an announcement at the next Board meeting that Excellus has way to communicate through a secure e-mail message that can be replied to securely.

Invoices

Mr. Snyder said the August 13, 2015 invoice for the Bonadio Group in the amount of \$2,220 will bring the total amount paid to date to \$21,000. The contract for the year is \$22,000; he asked that the Committee consider increasing the budget by \$2,500 as the final quarter has yet to be billed. The second invoice was for Hancock Estabrook in the amount of \$881.25. It was not felt that the budget needed to be amended if the cost for the Bonadio Group exceeded the budgeted amount as there are sufficient funds in the budget.

It was MOVED by Ms. Miller, seconded by Mr. Rankin, and unanimously adopted by voice vote by members present, to approve the above invoices. MOTION CARRIED.

**TC3 Billing**

Mr. Snyder provided an update on the TC3 billing issue and said good progress has been made towards resolving the outstanding payments. At this time the total outstanding amount has been brought down from \$82,400 at the last meeting to \$18,282.

Mr. Locey suggested the College pay the full bill and then be responsible to take care of the internal mechanism to collect funds from within the four units itself rather than involve the Consortium. Mr. Snyder said he is working towards making this happen.

**Code of Ethics**

**RESOLUTION NO.            2015 - AMENDMENT TO GREATER TOMPKINS COUNTY  
MUNICIPAL HEALTH INSURANCE CONSORTIUM CODE  
OF ETHICS POLICY AND DESIGNATING COMMUNITY  
DISPUTE RESOLUTION CENTER AS NEUTRAL THIRD  
PARTY**

MOVED by Mr. Rankin, seconded by Mr. Thayer, and unanimously adopted by voice vote by members present.

WHEREAS, Section 15 of the GTCMHIC Board of Directors Resolution 001-2014 regarding adoption of Code of Ethics reads as follows:

*“Reporting of Ethics Violations. When becoming aware of a possible violation of the Consortium’s Code of Ethics, employees, Board of Directors, employees of members, and the public may report the matter to the Consortium Attorney-in-fact, John Powers, Esq.. In reporting the matter, members may choose to go on record as the complainant or report the matter on a confidential basis.”*

WHEREAS, the Consortium’s Attorney-In-Fact is willing to receive a report of a potential Code of Ethics violation, he feels that the process for resolving if any violation has occurred and the possible remedy is codified in the Article V of the Municipal Cooperative Agreement (MCA), and

WHEREAS, the Code of Ethics is silent on the process for resolving if any violation has occurred and the possible remedy, and

WHEREAS the 2015 Amended Municipal Cooperative Agreement amends Article V to include Board Member or Committee Person in addition to Participant stated in the previous MCA, and

WHEREAS, the Audit and Finance has determined that Disputes arising within the Code of Ethics could involve persons which is not accounted for in MCA Article V and that with persons, as opposed to “Participants” (entities), mediation is a common and often productive intermediate step to resolution and agreement ahead of a formal finding and Board of Directors determination of a ruling, and

WHEREAS, a neutral third party is desired to mediate and, if needed, conduct the review process, and make a recommendation for resolution to the Executive Committee as stated in 2015 Amended MCA Article V.3.a.(i), and

WHEREAS, the Community Dispute and Resolution Center of Tompkins County provides such services and is willing to serve in the neutral third party role for any Greater Tompkins County Municipal Health Insurance Company reported ethics violations, now therefore be it

RESOLVED, That the Audit and Finance Committee of the GTCMHIC Board of Directors hereby recommends that section 15 of the adopted Code of Ethics be amended to read:

“15. Reporting of Ethics Violations. When becoming aware of a possible violation of the Consortium’s Code of Ethics, employees, Board of Directors, employees of members, and the public may report the matter to the Consortium Attorney-in-fact, John Powers, Esq.. In reporting the matter, members may choose to go on record as the complainant or report the matter on a confidential basis. **The Attorney-In-Fact will collect all information presented regarding the matter and send that information to the neutral third party designation by the Board of Directors for mediation and conduct the review process, and make a recommendation for resolution to the Executive Committee as stated in 2015 Amended MCA Article V.3.a.(i)**”

RESOLVED, further, That the Community Dispute and Resolution Center of Tompkins County is designated as the neutral third party in the event of requested ethics review.

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### **Financial Update**

Mr. Locey distributed financial information through July and also a paid claims analysis. He said financial report through July will be revised to reflect a payment for the NYS Graduate Medical expense that has been paid. Net income to date is slightly over \$4 million. In terms of claims payments in July medical claims were under \$1.2 million and drug claims was under \$400,000. He noted these were very light in comparison with normal months and expects some catch up in August. Total revenue to date is approximately 1% below budget which is predominantly because a prescription drug rebate has not been received yet. Claims expenses are significantly below budget; medical claims are 19.5% below budget (\$14.6 million was budgeted and claims through July were \$11.8 million). With regard to drug claims, they are 4.44% below budget. The Consortium now has \$4.6 million in income which is more than \$3 million more than anticipated for this time but something that needs to be monitored.

Mr. Thayer asked what is driving the low claims. Mr. Locey said large losses are a major factor. He distributed a Stop Loss Claims History for 2011-2014 and noted there was only one large loss claims in 2014. There were three claims in each of the years 2011, 2012, and 2013. In 2014 there was one claim. In comparing 2015 to 2014 there have been even lighter claims. Last year there was a laser and that case only produced claims in the amount of \$175,000 when the Stop Loss carrier even expected a claim of over \$1 million. He has not looked into other claims to see if there may be other causes. He said he is interested if the new arrangement Cayuga Area Physicians has with Excellus has had any impact and will see if he can get any information on this.

Mr. Locey said the recent trend in claims has lowered the overall trend in claims is slightly over 6%. This will provide an opportunity to do something better than had previously been projected in terms of setting the 2016 budget.

He reviewed a spreadsheet showing 2014-2019 budget projections containing a 4% premium rate increase for 2016 and 5% for 2017-2019, noting that even with those progressions in premium the information still shows an \$8 million unencumbered balance which is over the 18% target that will be discussed later as a target fund balance. A full report will be made available at the next meeting.

Ms. Drake said it hasn't been the usual practice to set rates when the Consortium adopts its budget; however, it appears this may need to be done given the metal level plans. Mr. Locey said no changes are being made to the metal level plan benefits in 2016 so they will receive the same increase as the other plans. In 2016 the rates will need to be developed for the 2017 budget and everything will need to be approved at the same time. Ms. Drake asked if this could be done for the 2016 budget. Mr. Locey said this can be done and will prepare the information for Committee's next meeting and subsequent approval by the Board of Directors.

Mr. Barber asked if Mr. Locey is comfortable with numbers presented on the Stop Loss. He said he was although it is difficult to translate the Stop Loss information that is contained on the Treasurer's report to the spreadsheet he prepares. Mr. Snyder will show Mr. Locey how information comes in for the Treasurer's report in comparison to how it is presented on the JURAT.

### **BMI Audit Recommendations**

Mr. Locey distributed a memorandum dated August 25, 2014 containing a response to the BMI Audit Findings. He reviewed the areas of findings Locey and Cahill compiled into different categories and will keep the Committee updated. The Committee was in agreement with the information and plan outlined in Mr. Locey's memorandum.

### **Prescription Drug Claims Audit**

Mr. Locey reported after negotiation BMI has reduced its price for the prescription drug claims audit down from \$35,000 to \$27,500. They will be forwarding details and a contract for signature. He will work with Lisa Christian to break out the Audit fees in the budget and the budget memo will contain a description of each.

### **Wellness Component for Metal Level Plans**

Mr. Cook said the metal level plans call for a wellness component that is not yet in effect. After several months of discussion the Owing Your Own Health Committee has recommended the Blue4U Program. The financial impact of this is \$150 per participant who avails themselves of the opportunity to participate in the program. After discussion with Mayor Suits of the Village of Homer it is expected that municipality which has the Platinum Plan will have ten participants and an projected expense of \$1,500. He said Mayor Suits has done some research on this and she would like to do an analysis on what the impact on claims will be on that small group. He said there will not be a significant financial impact on the Consortium by adding this wellness component and believes there would be an advantage to moving forward with a proactive preventive wellness component.

Mr. Locey said anyone coming into one of the metal level plans in the Consortium already has a wellness component so replicating that within the Consortium is something that needs to be done.

### **Review of Process for Making Changes to the Actuarial Value of Benefit Plans**

Mr. Locey walked the Committee through the effects of changes being made to different elements within the Gold metal level plan with a goal to stay within the standard deviation of 2%. He said the deductible is the biggest driver in the actuarial value and demonstrated how a change to this can impact the actuarial value; he noted changes are restricted to certain increments. Areas where changes can be made include the deductible, coinsurance, out-of-

pocket maximum, and various benefit co-pays; however, changing areas such as co-pays would require a significant increase in comparison to changing the deductible. He demonstrated how all of the items within a plan have different co-pays that impact the calculation in different strengths. As he made changes to different plan parameters he ran the calculation and called attention to the impact elements can have on the actuarial value and whether it stayed within the standard deviation. It was also noted that this information and process is also being shared with the Joint Committee on Plan Structure and Design.

Mr. Barber asked if Mr. Locey had run numbers for 2014 and 2015 to see the impact of the federal data change; he said he did not but would do that. Mr. Barber suggested also looking at what Excellus has done with its plans; Mr. Locey said he has asked for this information.

Mr. Cook suggested consideration be given to adding a fourth tier to the prescription plan that would include men's high-cost performance enhancing drugs that are not medically necessary. He said he is not in favor of moving biologics into a fourth tier but would support moving elective performance drugs into a fourth tier as this would not impact medical care. Mr. Locey said an actuary could be asked to prepare a report on things that are typically looked at that would include what the impact would be based on usage and the Consortium's performance. It would be a lot of work but is possible.

### **Establishing Fund Balance Target**

Mr. Barber presented projected fund balance numbers from a calculation he performed:

2015 – 29.4%  
2016 – 32.5%  
2017 – 32.9%  
2018 – 28.2%  
2019 – 19.9%

It was MOVED by Mr. Rankin, seconded by Mr. Vanwormer, and unanimously adopted by voice vote by members present to approve the following Motion: "Resolved, That when conducting the five-year pro-forma budget analysis that the Audit and Finance Committee of the Greater Tompkins County Municipal Health Insurance Consortium will endeavor to maintain a fund balance of 18% of predicted premium. MOTION CARRIED.

This does not require action by the Board of Directors but will be reported on at the next meeting.

### **Next Agenda Items**

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

Approve the 2016 Budget and Premium Equivalent Rates  
Adopt metal level plan rates;  
BMI Update

### **Adjournment**

The meeting adjourned at 4:10 p.m.

Audit and Finance Committee  
August 25, 2015

Respectfully submitted by Michelle Pottorff, Administrative Clerk