

**Audit and Finance Committee
Minutes - Approved
April 24, 2018
Old Jail Conference Room**

Present: Mack Cook, Bud Shattuck, Peter Salton, Rordan Hart, Laura Shawley, Steve Thayer
Excused: Ann Rider, Chuck Rankin, Olivia Hersey
Guests: Judy Drake, Board of Directors Chair; Don Barber, Executive Director; Marty Cahill, Locey and Cahill; Beth McGee, Town of Enfield; Rick Snyder, Treasurer; Jerry Mickelson, Mimi Theusen, Insero & Co., LLP; Corey Prashaw, ProAct (via conference call)

Call to Order

Mr. Cook, Chair, called the meeting to order at 3:34 p.m.

Presentation of 2017 External Audit

Mr. Mickelson provided the Committee with an overview of the audit performed on the Consortium's financial statements for the year ending December 31, 2017. The unmodified opinion states that the financial statements present the Consortium's financial position fairly, and its assets, liabilities, net position, and expenses for the year are in conformance with the annual Jurat. Mr. Mickelson noted the supplementary information is consistent with the financials. He stated only one adjustment was required due to the arrival of late reimbursement that was not initially recorded. With regard to internal control and financial reporting they found no material weaknesses or significant weaknesses to report. Mr. Mickelson said the audit is a good, positive report, and commended the Consortium for work done over the last few years on external validations (claims auditing) and conducting a member census.

Ms. Theusen thanked Mr. Snyder and his staff and Locey and Cahill for providing information and being helpful throughout the process. She called attention to the Executive Summary which was put together for the first time this year and provides a five-year look at the balance sheet, income statement, net position, and statement of activity. She reviewed the five-year financial statement analysis and stated the Consortium's net position has continued to grow and revenues and expenses have continued to be consistent.

Mr. Cook spoke of a recent meeting he attended with municipal leaders from Cortland County and said a town supervisor stated that he was advised by his broker that the Consortium is in a very poor financial position. Mr. Mickelson stated the liquidity of Plan is outstanding and suggested Mr. Cook advise the Supervisor contact Mr. Barber who could provide documented information on the Consortium's financial position.

**RESOLUTION TO ACCEPT 2017 EXTERNAL AUDIT REPORT
PERFORMED BY INSERO & CO.**

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

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 2017, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee, That the 2017 external audit report prepared and presented to the Audit and Finance Committee by Insero & Co. (CDLM) is hereby accepted.

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Review of the 2017 Year-end Jurat

Mr. Snyder provided a brief review of the 2017 year-end Jurat for the purpose of demonstrating the similarities and differences between this document and the Consortium's financial statements included in the external audit. From the previous year, he stated the Consortium's total assets were up by 9.2% and total liabilities decreased by \$82,446 (1.6%). The aggregate write-ins for special surplus funds was \$3.2 million; total capital and surplus equals the auditor's net position amount of \$21,323,957 (an increase of \$2,322,671). Total revenues are \$40,920,000 (an increase of \$2,268,206 or 5.9%); and claims expenses were \$36,094,000 (an increase of \$925,825 or 2.6%). Total net income was up \$1,268,101 (an increase of 99.7%).

Mr. Shattuck called attention to a slight discrepancy in the information provided to the Committee and numbers Mr. Snyder quoted. Mr. Snyder will follow-up on this after the meeting to ensure the correct information is submitted to the Department of Financial Services.

Approval of March 20, 2018 Minutes

It was MOVED by Mr. Shattuck, seconded by Mr. Thayer, and unanimously adopted by voice vote by members present, to approve the minutes of March 20, 2018 as submitted. MINUTES APPROVED.

Changes to the Agenda

An invoice from Catalog and Commerce Solutions, LLC for expenses related to development of the Consortium's new website was added to the agenda for information only.

Executive Director's Report

Prescription Drug Claims Audit

Mr. Barber said as a result of the prescription drug audit there were a few outstanding items concerning prior authorization and step therapy that needed to be resolved and as a result of conversations he and Mr. Locey had with ProAct a pathway has been identified. Mr. Prashaw explained that a prior authorization is an edit that puts a stop on medication to allow a pharmacist at ProAct to look at the medication to ensure it is being used for an FDA approved reason and it is closest to the next cost of therapy. Step Therapy requires a look be taken when a step two prescription is issued whether a step one drug had been considered.

Mr. Prashaw said these are things that should have been in place since ProAct became the Prescription Drug Manager for the Consortium; a decision has been made to grandfather-in existing members who are taking drugs that would require step therapy. There are approximately 500 members belonging to tier 3 plans that will be grandfathered and will not see any interruption. However, the Prior Authorization limits will be held in place and will begin on July 1st and the prescriptions will be allowed to be filled one more time. He said they don't want to discourage someone from continuing their therapy or from being adherent but want to make sure someone isn't taking a drug they should or if there is a lower cost alternative they will be able to have a conversation with the doctor.

Mr. Prashaw said they will send out a general letter to every member belonging to a 3-tier plan for education about step therapy and prior authorizations and will then send a separate letter to members who will have to go through a prior authorization giving them the instructions well ahead of time for what they need to do. He will provide a copy of the letters to the Consortium for approval to being mailed.

Mr. Barber explained that when BMI performed the audit they found some edits that were not taking place that the Plans said should be taking place. Mr. Locey and his staff looked into this and found when the Consortium changed from Medco to ProAct these edits did not move over and now a correction needs to take place with a plan developed to move forward that includes educating members. Mr. Prashaw did not have the total number of prescriptions that would be impacted from the 500 members; however, Mr. Cahill noted the majority of the people who are already on prescriptions are likely on a generic or preferred drug already and those who are on a non-preferred drug will be grandfathered in. The process for prior authorization is to make sure those people who are on drugs that their doctor wants them to be on. Mr. Prashaw stated ProAct will work directly with the doctor and the large majority of people who are on drugs that will require the prior authorization process will probably continue with the drug.

DFS Communications

Mr. Barber reviewed the summary of comments and recommendations that were included in the DFS Audit.

A. Corporate Governance

i. It is recommended that the board members who are unable or unwilling to consistently attend meetings resign or be replaced.

ii. It is recommended that the Plan comply with Section 4709(c) of the New York Insurance Law by including the required wording within its Plan Document and Summary Plan Description.

iii. It is recommended that the Plan comply with Section 4709(a) of the New York Insurance Law by preparing and having approved unique plan documents and summary plan descriptions for all eligible members, to include both retirees and employees.

B. Conflict of Interest Policy It is recommended that, as a good business practice, the Plan's board members, officers and key employees sign the established conflict of interest/code of ethics forms annually.

C. Utilization Review

i. It is recommended the Plan ensure that all utilization review agents that perform medical necessity reviews for its claimants comply with the filing requirements of Sections 4901(a) and (b) of the New York Insurance Law.

ii. It is recommended the Plan ensure that all utilization review agents that perform medical necessity reviews for its claimants comply with the written acknowledgement of the appeal time frame requirement of Section 4904(c) of the New York Insurance Law. 18 Public Agenda Packet Page

D. Record Retention

It is recommended that the Plan comply with Part 243.2(b)(2) of Insurance Regulation No. 152 and maintain all applications for coverage, regardless of whether a policy was actually issued. Such applications should be maintained for six calendar years or until after the filing of the report on examination in which the record was subject to review.

Ms. Drake said item D is of great concern and causes privacy issues as these are not records the Consortium handles. Members shared her concern and felt this regulation was not

written with an understanding of an Article 47 but an insurance company. Mr. Cahill said the Consortium could respond that it will take time to look into this and commented that there is a chance this regulation will not exist in a few years due to technology. Mr. Barber said this recommendation would be very difficult for the Consortium to implement and will bring it up at a meeting he has scheduled this week with Senator Seward's staff.

Mr. Shattuck spoke concerning the recommendation relating to attendance by Directors at Board meetings. He said as the Consortium grows it will continue to be an issue and suggested the Governance Structure Committee may want to re-examine this. Mr. Barber noted that the Consortium cannot dictate to a municipality what to do with regard to its appointed Director other than point out MCA language that they signed.

It was noted that all of the items contained in the audit are recommendations; there are no mandates.

Other Committees

Mr. Barber reported work is being done by the Consultant to move content into the new website. Once ready, interested Board and committee members will have an opportunity to review and provide feedback on the site.

The Joint Committee on Plan Structure and Design met and reviewed potential changes to bring the actuarial value for the Silver Metal Plan back into the required range. A recommendation will be made by the June meeting and then presented to this Committee.

The Owning Your Own Health Committee met and reviewed the first-year work plan for the Wellness Consultant. The respondent to the RFP has reviewed the work plan and provided a contract proposal that is being reviewed by the County's Contracts Coordinator.

Director's and Officer's Liability and Errors and Omissions Policies

Mr. Barber called attention to a response received from Hayor, Freyer, and Coon to questions that came up at the last meeting and also a letter from John Powers, the Consortium's legal counsel, responding to that letter and questions that were raised at the meeting.

Invoices

It was MOVED by Mr. Shattuck, seconded by Mr. Salton, and unanimously adopted by voice vote by members present, to approve payment of the invoice dated March 30, 2018, to Insero and Co. LLP in the amount of \$7,500. MOTION CARRIED.

It was MOVED by Mr. Salston, seconded by Mr. Thayer, and unanimously adopted by voice vote by members present, to approve payment of the invoice dated March 31, 2018, to Bonadio & Co. in the amount of \$11,550. MOTION CARRIED.

The following invoice was presented for information only:

Catalog and Commerce Solutions, LLC dated April 20, 2018	\$1,925.00
Hancock and Estabrook dated	\$ 838.75

Mr. Barber reminded members that the Retreat will be held on April 26th at TC3.

Financial Update

Mr. Cahill provided an overview of financial results thru March 31, 2018 and said revenue is on budget; medical claims are 3% below budget and prescription drug claims are 8.6% below budget. He said the CanaRx utilization is significant below budget and commented that as generic utilization gets higher there are less opportunities to use CanaRx. He further stated that instead of being at the budgeted amount of \$216,000 there is a positive balance of \$630,000.

Mr. Barber noted a correction to be made on the Budget Performance Analysis: the Catastrophic Claims Reserve should be \$2.0 million and not \$2.3 million.

New Member Application

Mr. Cook said the Consortium received an extensive request for information from Cortland County and Mr. Locey provided a thorough response to that request. Mr. Cook said there has been discussion of how to consider admittance of a large municipality and there is a potential for that needing to be addressed soon.

Mr. Cahill said health insurance can be very regional depending on the providers that are utilized. He said when considering a large employer that uses different providers the Consortium may need to be prepared to make adjustments based on the cost of that. He said there can be a different administrative structure on establishing premiums if service is being provided in a different region where costs are fundamentally different. Mr. Cahill said Locey and Cahill can do a cost analysis for a large municipality and additional data may be needed for large groups to do that analysis.

Mr. Cook said something that needs to be considered is that large employers would likely come into the Consortium with a number of bargaining units and a look should be taken at the cooperation of those units. He specifically mentioned the dependent recertification process and questioned whether a municipality could make a decision without concurrence of the bargaining unit. He referred to a PERB ruling and suggested this could be something discussed by the Joint Committee. Mr. Barber suggested the Executive Committee would be the appropriate committee to discuss this but noted that any new members would need to supply information when coming in; therefore, the recertification process should not be an issue. Sample resolutions included in the agenda packet will be brought back for consideration at the June meeting.

Request for Proposals - Investment Management Services

Mr. Barber reviewed changes that have been made to the RFP since the last meeting.

Mr. Hart referred to Section 1.e. and said he would like the responder to provide both Part 1 and Part 2 of the firm's most recent ADV and to add "historical" to the beginning of the second bullet under Vendor Selection Criteria.

It was MOVED by Mr. Shattuck, seconded by Mrs. Shawley, and unanimously adopted by voice vote by members present, to authorize the release of the Request for Proposals for Investment Management Services. MOTION CARRIED.

The following individuals volunteered to serve on the RFP Review Committee: Rordan Hart, Rick Snyder, Steve Thayer, and Peter Salton.

RESOLUTION NO. – EXTENSION OF CONTRACT FOR EXECUTIVE DIRECTOR SERVICES – DONALD L. BARBER

MOVED by Mr. Hart, seconded by Mr. Thayer, and unanimously adopted by voice vote by members present. Members commented that Mr. Barber does an outstanding job as Executive Director.

WHEREAS, it was determined in 2013 that based on the increased responsibilities placed on the Consortium by the State and Federal governments, the Affordable Care Act, and the managing of an increased number of contracts it was in the Consortium's best interest to contract for services of an Executive Director, and

WHEREAS, following the issuance of a request for proposals in 2014 seeking contractors who could fulfil the responsibilities of Executive Director a contract was entered into with Donald L. Barber in 2014 and was extended in 2016, and

WHEREAS, the extended contract will expire on June 30, 2018, and

WHEREAS, the Consortium's Executive Committee which meets with Mr. Barber quarterly to review a work plan and the Consortium's operations believes the Executive Director services provided to the Consortium by Mr. Barber are valuable and important for the Consortium's stability, and has recommended the contract be continued for a two-year period, now therefore be it

RESOLVED, on recommendation of the Executive and Audit and Finance Committees, That the contract for Executive Director Services with Donald Barber be extended through June 30, 2020 under the terms and conditions in the recommended contract.

Retiree Drug Subsidy and 1094 and 1095 Reporting

Mr. Cook said these items are not time-sensitive and deferred them to the next meeting.

Next Agenda Items

The following items will be included on the next agenda:

- Resolution approving new member policy;
- Discussion of 2018 medical claims audit;
- A recap of the concerns expressed earlier in the meeting relating to labor representatives on the Board and indemnification of Directors; and
- Retiree Drug Subsidy and 1094 and 1095 Reporting

An update on Investment Policy Request for Proposals will be included on the June agenda.

Adjournment

The meeting adjourned at 5:09 p.m.