

**Audit and Finance Committee  
Minutes - Approved  
October 23, 2018  
Old Jail Conference Room**

Present: Mack Cook, Rordan Hart, Steve Thayer, Bud Shattuck (excused at 5:05 p.m.), Peter Salton (arrived at 3:33 p.m.), Chuck Rankin, Olivia Hersey, Ann Rider (arrived at 3:45 p.m.)

Absent: Laura Shawley

Guests: Don Barber, Executive Director; Rick Snyder, Treasurer; Steve Locey, Consultant; Corey Prashaw, Chris Lavery, David Schryver, ProAct; Damon Hacker, Armory Associates; Judy Drake, Board Chair; Jason Molino, County Administrator; Lisa Holmes, Deputy County Administrator; Cathy Midolo, Beth Miller, Excellus; Mary Alice Avery, Dominick D'Eramo, Zia Qasim, Wilmington Trust

**Call to Order**

Mr. Cook called the meeting to order at 3:31 p.m.

**Changes to the Agenda**

The following items were added to the agenda:

Discussion with Armory Associates concerning GASB45; and  
Discussion of report from Segal on the Stop Loss insurance

Mr. Salton arrived at this time.

**Presentation on ACQA by Excellus**

Cathy Midolo, Director of Value Based Payment for Excellus, distributed an update on ACQA (Accountable Cost and Quality Agreement). She explained ACQA manages populations of health from both a quality and cost perspective. They are typically designed around clinically-integrated networks and look at populations in different ways to close gaps of care and coordinating health care through a plan and provider network. Ms. Midolo reviewed the internal support structure and stated through the ACQA programs they look at gaps of care and quality of care. She reviewed information demonstrating where there have been preventative screenings the ACQA outcomes are outperforming non-ACQA outcomes based on integration that is being done within practices and networks.

Ms. Rider arrived at this time.

The following points were made during Ms. Midolo's presentation:

- A majority of the Consortium's members fall within an ACQA arrangement;
- Guthrie is expected to be fully contracted by January 1, 2019;
- There has been a focus on looking at pharmaceutical costs and finding same efficacy, lower-cost alternatives. There has been a savings over a two-year period of \$10 million.

Mr. Locey spoke of a gap in the system whereby physicians do not have access to real-time pharmaceutical information which would allow them to prescribe lower-cost alternatives when appropriate and asked if this is being explored. Ms. Midolo agreed this would be valuable

and explained that while this is not in place now there are steps being taken that may eventually lead to this.

Ms. Midolo responded to a question from Mr. Locey concerning a lack of dialysis providers in the area and said this has raised concerns from both a quality of care and cost perspective. Efforts are underway currently as they are evaluating some innovative ways to handle this from where services can be delivered and how they are being delivered.

Mr. Salton said most providers have their own data system and asked if this requires a parallel system. Ms. Midolo explained they have a data aggregator that takes Excellus claims information with a physician's Electronic Health Record and meld the two to come up with aggregated results. This is not done in real-time but reports are given to providers. One of the conditions to being in an ACQA arrangement is that physicians work with Excellus on the data aggregation because it is key to driving outcomes.

At the request of Mr. Locey Ms. Miller will provide the Committee with a copy of the presentation.

#### **Approval of Minutes of September 25, 2018**

It was MOVED by Mr. Salton, seconded by Ms. Hersey, and unanimously adopted by voice vote by members present, to approve the minutes of September 25, 2017 as submitted. MINUTES APPROVED.

#### **ProAct Contract**

Mr. Prashaw addressed the Committee on issues related to the proposed ProAct contract that have raised questions, an increase in the administrative fee by 75% (\$80,000 annually), increased rebates, and a decrease in ingredient costs. He spoke of the value the Consortium has experienced to date from an account service perspective and announced new software systems that have been developed of which one relates to prior authorizations and the other being a pricing tool.

Mr. Schryver, Vice President of Operations for ProAct, said members were provided a price analysis and explained a Pharmacy Benefit Manager can price a client contract through a traditional contract or a spread-based contract. A PBM makes money in three ways – keeping a share of rebates, through an administrative fee (a per member per month fee), or through a Spread (a pharmacy is paid a rate and a client is billed another rate). The structure of the Consortium's contract with ProAct is purely an Admin. Fee with no Spread fee. A rebate share is the second area within the Consortium's contract and is a 100% pass-through to the Consortium. Mr. Schryver said this is a transparent contract; the only source of revenue for ProAct is through the Administrative fee. He explained the average market fee and how it compares to a much lower fee to the Consortium has had since being with ProAct. Mr. Schryver said ProAct values its contract with the Consortium and provided a detailed explanation of how it aggressively goes after rebates and discounts noted there are costs incurred in doing this. Mr. Schryver referred to the document and guaranteed the proposed savings of at least \$446,000 (net) annually with a two-year contract assuming no change in utilization, generic product availability, or inflation.

**RESOLUTION NO.     – 2018 - AUTHORIZE EXTENSION OF CONTRACT FOR  
PRESCRIPTION DRUG CLAIMS ADMINISTRATOR FOR  
2019-2020 – PROACT**

MOVED by Mr. Salton, seconded by Ms. Hersey, and unanimously adopted by voice vote by members present.

WHEREAS, the Board of Directors by Resolution No. 028-2016 awarded a one-year contract with ProAct for Prescription Benefits Manager services with the Consortium having the option to extend the contract annually for each of the next two years, and

WHEREAS, the Audit and Finance Committee has discussed and desires to extend the Prescription Benefits Manager services with ProAct for an additional two years pursuant to the Contract Addendum proposed September 19, 2018, now therefore be it

RESOLVED, That the Audit and Finance Committee, recommends the contract with ProAct for Prescription Benefits Manager services be extended for the period January 1, 2019 through December 31, 2020.

\* \* \* \* \*

**Wilmington Trust**

Mary Alice Avery, Vice President at Wilmington Trust, introduced Dominick D'Eramo, Head of Fixed Income; Zia Qasim, Senior Trust Manager, at Wilmington Trust and presented the Committee with an information booklet containing a Firm Overview and its Fixed Asset Management. Mr. D'Eramo said the intent of Wilmington Trust is not to sell a particular product but to develop a solution set that meets the Consortium's needs and described the process will be a "crawl-walk" to get started. He reviewed the three sample portfolios for the Consortium and said their objective is to constantly bring these back and understand the needs of the Consortium and to marry that to their market intelligence.

Mr. Barber said he and Mr. Snyder spoke to them last week about what works best for the Consortium as far accounting and with things such as the Jurat which is why there are the two different Surplus and IBNR funds; everything else would be in the other category. The Consortium would still keep some funds locally in an operating account; the Committee will need to discuss how much should be retained in that account. Everything that is not kept locally in a checking account would be kept in the funds being presented.

Mr. D'Eramo said the securities being proposed are part of the Investment Policy and are constantly liquid. They are not a broker; therefore, all of the activity they are transacting and the price that is executed is passed directly to the Consortium. With respect to liquidity, the greater the degree of communication there is the more they can maximize the opportunity set. He referred to the Unrestricted portfolio and said they begin with very near-term maturities at approximately one month. They are then extended to a year with a constant degree of investment period of 1-3 months. He said they focus on each of the four FLMC meetings that take place and the Federal Reserve has been consistent in raising rates over these key meetings. Three rate hikes are being advertised for early 2019 and they would like the Consortium's portfolio mature in and around those meetings and will quickly reset with new maturities relative to that rate hike. All of this will garner additional income for the Consortium. Mr. Snyder noted that regardless of the maturity date each one of the treasuries could be sold if the Consortium needed access to the money. He said this provides him good reassurance when it comes to measuring the liquidity side.

Ms. Avery clarified that there is no transaction fee; Wilmington Trust will make money off of only the market value. She addressed communication and said they are extremely accessible and someone will always be available to provide information. They typically meet to review the portfolio overview once a year and will talk about market activity, what is driving activity, what is anticipated, changes to strategy that is needed, etc. and will set the course for the next quarter. A report will be produced on a quarterly basis that will be accompanied by a conference call. Mr. D'Eramo said they would be available, however, whenever the Consortium needed. Mr. Locey suggested providing a report in July prior to budget adoption in September. Mr. Snyder said he is comfortable with this and how the arrangement is proposed to move forward.

Mr. Barber said Mr. Snyder will be the primary contact with Wilmington Trust and also recommended that a quarterly conference call with this Committee take place with a full presentation in July prior to the 2020 budget process.

**RESOLUTION NO.            - 2018 – RECOMMEND CONTRACT FOR INVESTMENT  
MANAGEMENT SERVICES – WILMINGTON TRUST –  
2019**

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

WHEREAS, the Consortium conducted a Request for Proposal process that netted six responses, and

WHEREAS, the Consortium appointed an Investment Management RFP Review Committee that interviewed three (3) highly qualified firms, and

WHEREAS, the Investment Management RFP Review Committee found that Wilmington Trust, a subsidiary of M&T Bank, had by far the largest volume of fixed income assets under management, and Wilmington offered a complete package of investment management and custodial services, and

WHEREAS, Wilmington Trust will deliver month updates, quarterly and annual reports and expressed willingness to attend meetings and educational retreats to raise our awareness of the investment management business, and Wilmington Trust agreed to complete Schedule B of our quarterly and annual JURAT financial filings with DFS (Department of Financial Services) which these investments would now require the Consortium to file as part of their services, and

WHEREAS, the Investment Management RFP Review Committee unanimously recommends the Consortium enter into a one-year contract Wilmington Trust for Investment Management Services, now therefore be it

RESOLVED, That the Audit and Finance Committee recommends the Board of Directors enter into a contract with Wilmington Trust for investment management services for a one-year term period January 1, 2019 through December 31, 2019.

\* \* \* \* \*

**Financial Update**

Mr. Locey reported the budget was in good shape as of September 30<sup>th</sup>. There was a \$1.7 million in net income and rebates were up to \$1.3 million, and in aggregate claims were just below budget. Medical claims were 2.5% over budget and prescription drug claims were

9% below budget. He asked that members let him know if there are any questions about the financial information he distributed prior to the meeting. He expects the Consortium to end the year with approximately \$2 million in net income which is significantly higher than the expected amount of \$.5 million.

Mr. Locey said in addition to doing the IBNR and premium rate attestations that the Consortium has to submit to the State, Armory Associates has been contracted over the last couple of years to do GASB45 and GASB75 actuarial studies for any of the municipalities in the Consortium that want those services. He said an area that can be improved is making new municipalities aware of services that are available through the Consortium such as preparing this report.

Mr. Hacker explained how Armory Associate was started 12 years ago to provide actuarial services to initially meet the demand when public employers were required to provide post-employment valuations. These valuations were previously called GASB45 and have now been replaced by GASB75. He said prior to the creation of the Consortium they had a long relationship with several employers that are now in the Consortium. In 2015 he responded to an RFP from the Consortium specific to providing actual attestation, IBNR (Incurred But Not Reported) analysis, and within the proposal also provided a group rate proposal to provide post-employment benefit plan valuations. He said although they had agreements with some of the employers within the Consortium they agreed to provide a group agreement where they would provide group discounts not only for the employers that they previously worked with but also for any other employer within the Consortium that was interested in the service. Since that time they have started working with the Towns of Ulysses and Lansing; however, those towns initially were not aware of their option to have this done through the Consortium at a discounted rate.

Mr. Snyder spoke of the benefits of having this service and said not only does this work produce a cost savings but it produces a savings in time at the administrative level. He said he would like the Consortium to place more effort in making all municipalities aware that this service is available. Mr. Cook asked if there is interest in expanding the services for those entities that are in the Retiree Drug Subsidy and have to have an actuarial valuation of their plan. Mr. Hacker will prepare a proposal to be considered at next month's meeting.

Mr. Shattuck was excused at this time.

Ms. Drake said upon reviewing an invoice she raised the question of why this would be a Consortium expense, particularly when additional municipalities are joining which would increase the expense. Mr. Hacker said all municipalities that are required to follow the Governmental Accountability Standards rules are required to do this. The cost to municipalities with under 100 members is \$3,200 every other year for the full valuation; the interim year cost is \$1,200. Mr. Locey said the budget could absorb this cost; however, the cost to do this for all municipalities in the Consortium would be approximately \$120,000 and has not been included in the budget. He referred to the school consortiums Locey and Cahill work with and said it was felt this is a health insurance-related expense and has been covered and by building it into the budget not only is the employer paying it but subscribers as well. Mr. Hacker explained the factors that are taken into consideration during the valuation and said the goal behind it is to assist the financial world to get a better understanding of each employer's financial obligations and liabilities. Ms. Drake said she is not opposed to the Consortium paying this but it needs to be budgeted for and advertised as a benefit.

**RESOLUTION NO. - 2018 – EXTENSION OF CONTRACT FOR PLAN CONSULTANT –  
LOCEY & CAHILL, LLC – 2019**

MOVED by Ms. Rider, seconded by Ms. Hersey. Mr. Barber said members were provided with a memorandum from Mr. Locey that outlines the scope of work that he has reviewed and finds it to be in line with the work being done by Locey and Cahill. He said there is an increase in the contract cost but there has also been an increase in the amount of time and work that is related to the growth of the Consortium. Mr. Salton commented that he found the information Mr. Locey provided to be informative and outlined a good rationale for the work they do and hope to do going forward.

The resolution was unanimously approved by members present.

Mr. Locey spoke of his appreciation in having been the Consultant for the Consortium since it first began operations.

WHEREAS, the Consortium requires ongoing Plan consulting services to continue its operations, and

WHEREAS, the Plan consulting services needed include: strategic planning, financial analysis, recommending a budget, producing and filing benefit plan documents, calculating premium equivalents, preparing a variety of internal reports and requests for proposals, attending Board and Committee meetings, claims trends and large loss analysis, assisting municipal partner with benefit and premium questions, and interfacing with third party administrators and ancillary benefit providers, and

WHEREAS, the Consortium by Resolution No. 17 of 2013 awarded a contract for Plan consultant services on December 19, 2013 to Locey & Cahill, LLC of Syracuse for the period January 1, 2014 through December 31, 2015 with the option to renew for three additional one-year terms, and

WHEREAS, the Executive Committee has discussed the need and scope of Benefit Plan Consultant Services and recommends that the Consortium retain Locey and Cahill, LLC for those services, and

WHEREAS, the Audit and Finance Committee has reviewed and discussed the terms of the Consortium's contract with Locey and Cahill, now therefore be it

RESOLVED, That the Audit and Finance Committee recommends the contract with Locey & Cahill, LLC be extended for an additional one-year term for the period January 1, 2019 through December 31, 2019.

\* \* \* \* \*

**RESOLUTION NO. - 2018 – AUTHORIZING INFORMATION TECHNOLOGY SERVICES  
AGREEMENT WITH TOMPKINS COUNTY – JANUARY 1,  
2019 THRU DECEMBER 31, 2019**

MOVED by Mr. Salton, seconded by Ms. Rider, and unanimously adopted by voice vote by members present.

WHEREAS, the Consortium has received technical assistance at no charge from the Tompkins County Information Technology Services Department (ITS) since beginning operations in 2011, and

WHEREAS, technical support has included website hosting and assistance, e-mail account technical support, audio and visual assistance, development of a secure online enrollment program, and general computer support, and

WHEREAS, the frequency of requests and time involved has increased as the Consortium has grown, and

WHEREAS, the Executive Committee has recommended that the Consortium provide compensation for work done by the Department on behalf of the Consortium, now therefore be it

RESOLVED, That the Audit and Finance Committee recommend the Board of Directors approve an agreement with Tompkins County Information Technology Services for 2019 based on a rate for an average of four (4) hours per month at \$60 per hour for ITS support provided to the Consortium from January 1, 2019 thru December 31, 2019 for a total of \$2,880,

RESOLVED, that the amount of \$2,880 will be submitted as a single invoice by ITS in January, 2019, and

RESOLVED, that ITS will invoice annually for the direct cost of the assigned Consortium Microsoft Office 365 licenses as procured under the Tompkins County Microsoft Office 365 tenant, and

RESOLVED, further, That this rate and hours associated with ITS support shall be reviewed annually to ensure that as the Consortium grows that it supports the assistance provided by the Department,

RESOLVED, further, that the TC Information Technology Services Agreement will be kept on file in the Consortium's records.

\* \* \* \* \*

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

#### **DFS Communications**

Mr. Barber reported an amended second quarter 2018 Jurat was submitted as requested by the Department of Financial Services. He said he received a communication from the Department stating the Consortium is not in compliance with cybersecurity requirements. He sent an e-mail in response to the Department outlining all of the work that was done 18 months ago along with a request and justification for why the Consortium should be exempt; however, no response was ever received to that request. He noted this is one of the items that were raised during the meeting with Troy Oeschner and also with Senator Seward.

Mr. Barber said language was developed to improve Article 47 and submitted to the Department with a request for a response. Also, the New York State Association of Counties is pushing for these changes to be made to Article 47 as it is included in the County's Shared Services Plan. He will continue to follow-up on this.

Reports from Other Committees

Mr. Barber reported there has been discussion between he and Mr. Snyder of how much funds the Consortium should keep liquid in its local account. They will be working with local banks to get proposals to inform a decision of which banks to keep funds.

The Owning Your Own Health Committee has been involved in benefit fairs and is wrapping up the Blue4You Program. Flu clinics are complete and a report will be coming to the committee on the participation rate. The Joint Committee has been discussing attendance and the sixth Labor Director seat it will have on the Board of Directors in 2018.

Health Care Financing Cooperative and Stop Loss Update

Mr. Barber said an RFQ (Request for Quotes) has been issued and quotes for stop loss insurance are being received. He has been working with the Consortium's legal counsel on matters relating to the Health Care Financing Cooperative and will be attending a meeting of the Cooperative tomorrow. He will report back to the Committee at the next meeting.

BMI Medical Audit

Mr. Barber said BMI has communicated to Excellus that it won't be looking at data until after the first of 2019. Excellus has responded that data is purged after two years; therefore, data from 2016 will not be available after January 1. Mr. Locey said it appears BMI has been experiencing staffing problems which has resulted in a delay. He will be working with BMI to see that data is accessed before that time as the agreement included an audit of the Consortium's 2016 data.

New Member Update

Mr. Barber reported he received a call from the Town of Covert Supervisor that the Town has decided not to join the Consortium as a result of receiving a revised and lower quote from its broker.

Mr. Hart suggested the Consortium consider building in a fee for an applicant that is denied or withdraws after being accepted into the Consortium.

Wellness Marketing Expense

Mr. Barber said there have been new expenses incurred related to marketing and said while they are well-justified and important it would be good to separate these out in a way that will allow them to be tracked. Members were supportive of tracking these expenses.

Committee Member Terms Expiring at Year-end

Mr. Barber reported on members listed on the agenda who have a term expiring at the end of the year and asked that anyone let him know if they are not interested in being reappointed.

**Invoice Approval**

The following invoices were presented for information only:

Armory Associates – September 30, 2018;  
Bonatio – September 30, 2018; and  
BOCES Printing – October 3, 2018



Segal Consulting

Mr. Barber provided copies and reviewed a report from Segal Consulting on its review and observations from an audit of the Consortium's 2018 Stop Loss contract with Highmark. The report didn't find anything that needed attention and suggested a couple of ideas for future contracts. Mr. Locey said he thought it was a good report and will be following-up on some of the items suggested for consideration.

Mr. Locey said at the next meeting the Committee will be presented with quotes for Stop Loss Insurance. Companies have been asked to quote \$500,000, \$600,000, \$700,000, and \$1 million. Mr. Hart asked if information could include a look back over the last eight years of what would have hit as a percentage loss number.

**Next Agenda Items**

The following items will be included on the next agenda:

Restricting Reserves from a Departing Municipality's Pro Rata Share;  
Fee for Withdrawal/rejected member; and  
Retiree Inclusion and Benefit Plan impact;  
Stop Loss insurance; and  
Excellus contract renewal

**Adjournment**

The meeting adjourned at 5:45 p.m.