

**MINUTES
Joint Meeting
Audit and Finance Committees
February 26, 2014 – 9:30 p.m.
Scott Heyman Conference Room**

Present: Don Barber, Mack Cook, Peter Salton, Glen Morey
Audit Committee: Judy Drake, Laura Shawley, Chuck Rankin
Excused: Scott Weatherby, Jared Pittman, Steve Thayer
Guests: Rick Snyder, Steve Locey, Ashley Ahmadipour

Call to Order

Mr. Barber called the meeting to order at 9:30 a.m.

Approval of Finance Committee Minutes of February 26, 2014

It was MOVED by Mr. Morey, seconded by Mr. Cook, and unanimously adopted by voice vote by members present, to approve the minutes of the February 26, 2014 meeting. MINUTES APPROVED.

Approval of Audit Committee Minutes of March 20, 2014

It was MOVED by Ms. Drake, seconded by Ms. Shawley, and unanimously adopted by voice vote by members present, to approve the minutes of the March 20, 2014 meeting. MINUTES APPROVED.

Financial Update

Mr. Locey reported the year-end financial results are complete. For the 2013 fiscal year there was a total surplus of \$4.7 million after accounting for all liabilities and reserved and the Fund Balance is up from \$3.2 million 2012. Noteworthy items include is is a \$1.5 million increase in the Consortium's unencumbered surplus and at the same time \$1.5 million was paid back of the initial assessments that were paid into the Consortium by municipalities. From a financial perspective the Consortium is extremely healthy and has met all of the requirements of the New York State Department of Financial Services. Mr. Locey said there were a lot of discussions about how reserves were going to be classified in the annual report, particularly because of the new reporting system. A full report will be provided to the Board of Directors at its meeting next week.

Mr. Locey spoke of the new reporting system and said he believes a process is now in place to move forward and the old system will no longer be used.

Year-end Utilization Report by ProAct

Ms. Ahmadipour distributed copies of the prescription benefit plan review for 2013 that included a benchmark for a similar client type. She reviewed the report and noted that if anyone would like to see any of the information broken out further ProAct can do that. The following is a performance summary of the period January 1, 2013-December 31, 2013:

- Eligible Member Months 5,094
- Average Utilizing Member Months 2,293
- Number of prescriptions dispensed 76,539 (includes 90 day supply)

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- Number of prescriptions normalized 104,455
- Approved ingredient cost \$7,510,175
- Total fill fee \$ 107,758
- Total member paid \$ 598,483
- Other amount paid \$ 2,291
- Total paid by plan \$7,017,157

- Number of Rx's Per Member Per Month 1.71
- Avg. Amt Paid PMPM \$114.79
- % of generic Rx's filled 78% (in-line with other groups; however, Ms. Ahmadipour would like to see this at 80%)
- Average amt paid for generic Rx's \$17.92 (much lower than what other municipal groups are paying)
- % of Brand Rx's filled 22%
- Average amount paid for brand name Rx's \$245.70 (slightly higher and likely due to the number of specialty drugs)
- % Formulary Rx's 94%
- Average approved ingredient cost per RX \$70.90
- Average fill fee/RX \$1.03 (slightly higher and likely due to 6% mail order utilization which is low for mail order and mail order has no fill fees. She also stated there is no incentivizing for mail order in the plan.)
- Average total cost/RX \$72.93
- Other payment amount/RX \$.02
- Average amount paid/RX \$67.18

On average, 2% of the prescriptions being filled have a generic equivalent and people are choosing to fill with the brand drug; generally. Ms. Ahmadipour said anything under 3% is considered to be good as some people will always choose the brand drug over a generic.

Ms. Ahmadipour reviewed the pharmacy eligible members and demographic information, age groupings, and the average plan spend per member. Also presented was a therapeutic drug category analysis along with popular diagnosis, drugs, and use of brand name and generic drugs prescribed for categories of diagnosis. A separate document was provided on specialty drug usage. There were 110 specialty drug users with a total amount spent on specialty drugs of \$1,773,081 by the plan and \$10,534 spent by members on specialty drugs. Only 1.05% of total claims were for specialty drugs; however, this represented 25.27% of the total dollars spent. ProAct is expecting this figure to increase by 20% in 2014.

Other areas included in the report was a home delivery analysis, a generic patent expiration list, mail order usage, and a list of additional strategies to reduce overall prescription spend.

In discussing the patent expiration list Mr. Locey said once a brand name loses a patent it takes about six months for the price to come down.

There was a brief discussion concerning the increasing usage of specialty drugs. Ms. Ahmadipour suggested this could be a topic for discussion by the Joint Committee on Plan Structure and Design. *Mr. Barber asked Ms. Ahmadipour to break out the specialty drugs by demographic groups. Mr. Locey asked that the number of people be added to the top 25 pharmacy list.*

She will plan to come back in July to review the six-month utilization report for 2014.

Mr. Cook said the Governor's budget states that in order for local governments to qualify in year two for their citizens to receive a rebate it has to be shown that there is a sharing of services and certain thresholds have to be met. He would like to demonstrate that a municipality's membership in the Consortium goes towards meeting those thresholds. Mr. Locey will look into this further. He believes a look would need to be taken at the Consortium's net cost through the Consortium versus what each entity would have been paid to an outside plan for similar benefits.

Plan Designs

Mr. Locey said a resolution is being presented to the Board of Directors next week on a Medicare Supplement option. The Joint Committee has not yet made a recommendation on the medal level plans but that will need to move through the process as soon as possible because there are requests being made for different plan designs. There was a brief discussion about the Cadillac Tax and the impact it will have on the Consortium in 2018. Mr. Locey said this could be a real issue for the Consortium because all but one plan within the Consortium are at the Platinum level.

Medical and Prescription Claims Auditing RFP Process

Mr. Locey said the review committee agreed to have conference interviews with finalists; however, this has not yet been coordinated. He suggested developing a resolution authorizing the Audit Committee to select a firm to do the medical claims review with a capped amount for the contract. This would allow the process to move forward without waiting until the June Board meeting. Ms. Drake asked if funds were budgeted for this. Mr. Locey said there is not a line item in the budget; however, there are enough funds in the budget to absorb the cost of this. Mr. Locey said he would expect to conduct this audit every two to three years. Mr. Locey will prepare a resolution that will also address the funding for this for consideration by the Board.

Adjournment

The meeting adjourned at 10:52 a.m.

Respectfully submitted by Michelle Pottorff, Administrative Clerk