

Insurance Audit Committee  
January 24, 2020

The State, Local Education, and Local Government Insurance Audit Committee met on January 24, 2020 in Conference Room N, South Conference Center, Third Floor, William R. Snodgrass Tennessee Tower, Nashville, TN.

Committee Members attending:

Treasurer David Lillard, Chair  
Rob Chance, State Insurance Committee representative  
Kevin Krushenski, Local Government Insurance Committee representative

Treasurer Lillard called the meeting to order at 11:00 am and noted that a quorum was present.

**Agenda Item 1 – Approval of Minutes of October 24, 2019**

Mr. Krushenski made a motion that the minutes of the October 24, 2019 meeting be approved as presented. Treasurer Lillard seconded the motion which passed with a unanimous voice vote.

**Agenda Item 2 – Calendar Year 2020 Calendar of Events**

Christa Martin, Director of Financial Management and Program Integrity, Benefits Administration (BA), presented the Calendar Year 2020 Audit Committee Calendar of Events for approval.

Treasurer Lillard made a motion to approve the Calendar of Events as presented. Mr. Krushenski seconded the motion which passed with a unanimous voice vote.

**Agenda Item 3 – Introduction of Josh Burns, Director of Risk Management**

Ms. Martin advised members that the State Insurance Committee had approved this additional position at its meeting of May 23, 2019. Ms. Martin introduced John Burns who was hired into that position with 14 years of state service; 6 of which has been in BA. Mr. Burns' education and experience were shared with the Committee.

**Agenda Item 4 – Financial Activity Report Review**

Ms. Martin presented the Financial Activity Report for the period July 1, 2019 through November 30, 2019. Focusing on the Net Revenue/Expenditures, members were advised that for the State Plan, the report indicated a \$3.1 million deficit which was expected as the State Plan has implemented a plan to spend down excess reserves above the solvency reserve. The

State OPEB fund is in the process of building its assets to account for expenses which will be paid for future retiree costs. The Local Education Plan shows revenue approximately \$1.4 million above expenditures while the Local Government Plan expenditures are relatively the same as its revenues. For the Medicare Supplement Plan, the revenues are exceeding the expenditures by approximately \$1.7 million.

#### **Agenda Item 5 – Review of Performance Audit (As It Pertains to BA)**

Ms. Martin advised members that the Division of State Audit has conducted a Performance Audit of F & A for the period September 1, 2015 through June 30, 2019. It was noted that the audit, as it pertained to BA, did not contain any findings or observations for improvements. Additionally, the last Performance Audit findings related to BA have been corrected.

#### **Agenda Item 6 – Updates**

##### Sample Methodology Changes for the Pharmacy Benefit Manager (PBM) Retail Pharmacy Pricing and Retail Transparency Audits

Ms. Martin noted that at the last meeting of the Audit Committee, members recommended changes to the sample methodology. Previously, for the PBM Retail Pharmacy Pricing Audit, the top 25 drugs were reviewed. BA will expand that audit to cover all drugs unless there was limited utilization. The sample size will increase from 25 to between 150 and 175 which is close to 100% of drugs. Additionally, for the Retail Transparency Audit, there will be a 100% comparison between what CVS Caremark sent to pharmacy and what we pay. These methodology changes should be effective July 1 with no delay in deliverables and an estimated cost of \$10,000 per year.

##### OPEB Trust Engagement

Ms. Martin reported that work continues on the OPEB Trust Engagement. BA has received no indication of issues from State Audit.

##### Comprehensive Annual Financial Report (CAFR) Related Audits

There were no findings, discrepancies or observations. Ms. Martin advised that the management representation letter for the Local Education and Local Government plans has been signed.

##### OPEB Census

Ms. Martin reported that a new OPEB Census is beginning. Work will be performed by the Division of State Audit. BA has an internal team that is producing data. This function is utilizing the additional positions that were approved by the State Insurance Committee last year. This is a routine audit and no test work or engagement has occurred with BA at this time.

At this point in the meeting, the audience was dismissed for a confidential discussion of Internal Risk Factors, Assessment and Evaluation.

There being no further business, the meeting was adjourned at 11:40 a.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Laurie S. Lee". The signature is written in a cursive, flowing style.

Laurie S. Lee