REPORT ON EXAMINATION

OF THE

CHAUTAUQUA COUNTY SCHOOL DISTRICTS'

MEDICAL HEALTH PLAN

AS OF

JUNE 30, 2017

DATE OF REPORT **MAY 22, 2018**

EXAMINER **CHARLES J. McBURNIE**

TABLE OF CONTENTS

NEW YORK STATE
DEPARTMENT*of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Maria T. Vullo
Superintendent

May 22, 2018

Honorable Maria T. Vullo
Superintendent of Financial Services
Albany, New York 12257

Madam:

Pursuant to the requirements of the New York Insurance Law and acting in accordance with the instructions contained in Appointment Number 31641, dated June 8, 2017, attached hereto, I have made an examination into the condition and affairs of Chautauqua County School Districts' Medical Health Plan, a municipal cooperative health benefit plan certified pursuant to the provisions of Article 47 of the New York Insurance Law, as of June 30, 2017, and respectfully submit the following report thereon.

The examination was conducted at the administrative office of Chautauqua County School Districts' Medical Health Plan located at 7 West Third Street, Jamestown, New York.

Wherever the designations the "Plan" or "CCSDMHP" appear herein, without qualification, they should be understood to indicate the Chautauqua County School Districts' Medical Health Plan.

Wherever the designation the "Department" appears herein, without qualification, it should be understood to indicate the New York State Department of Financial Services.

1. SCOPE OF THE EXAMINATION

The previous examination was conducted as of June 30, 2012. This examination of the Plan was a combined (financial and market conduct) examination and covered the five-year period from July 1, 2012 through June 30, 2017. The financial component of the examination was conducted as a financial examination as defined in the National Association of Insurance Commissioners ("NAIC") *Financial Condition Examiners Handbook, 2017 Edition* (the "Handbook"). The examination was conducted observing the guidelines and procedures in the Handbook. Where deemed appropriate by the examiner, transactions occurring subsequent to June 30, 2017 were also reviewed.

The financial portion of the examination was conducted on a risk-focused basis in accordance with the provisions of the Handbook, which provides guidance for the establishment of an examination plan based on the examiner's assessment of risk in the Plan's operations and utilized that evaluation in formulating the nature and extent of the examination. The examiner planned and performed the examination to evaluate the Plan's current financial condition, as well as identify prospective risks that may threaten the future solvency of CCSDMHP.

The examiner identified key processes, assessed the risks within those processes and assessed the internal control systems and procedures used to mitigate those risks. The examination also included an assessment of the principles used and significant estimates made by management, an evaluation of the overall financial statement presentation, and determined management's compliance with the Department's statutes and guidelines, and annual statement instructions.

Information concerning the Plan's organizational structure, business approach and control environment were utilized to develop the examination approach. The examination evaluated the Plan's risks and management activities in accordance with the NAIC's nine branded risk categories.

These categories are as follows:

- Pricing/Underwriting
- Reserving
- Operational
- Strategic
- Credit
- Market
- Liquidity
- Legal
- Reputational

The examination also evaluated the Plan's critical risk categories in accordance with the NAIC's ten critical risk categories. These categories are as follows:

- Valuation/Impairment of Complex or Subjectively Valued Invested Assets
- Liquidity Considerations
- Appropriateness of Investment Portfolio and Strategy
- Appropriateness/Adequacy of Reinsurance Program
- Reinsurance Reporting and Collectability
- Underwriting and Pricing Strategy/Quality
- Reserve Data
- Reserve Adequacy
- Related Party/Holding Company Considerations
- Capital Management

CCSDMHP was audited annually, for fiscal years 2012 through 2017, by the accounting firm Bahgat and Laurito-Bahgat, CPAs, PC ("CPA"). The Plan received an unmodified opinion in each of those years. However, the CPA did note two areas of internal control weakness during its review: improper segregation of duties and failure to perform bank reconciliations on a monthly

basis. Certain audit work papers of Bahgat and Laurito-Bahgat CPAs, PC., were reviewed and relied upon in conjunction with this examination.

This report on examination is confined to financial statements and comments on those matters which involve departure from laws, regulations or rules, or which require explanation or description.

The examiner reviewed the corrective actions taken by the Plan with respect to the recommendations contained in the prior report on examination. The results of the examiner's review are contained in Item No. 5 of this report.

2. DESCRIPTION OF THE PLAN

CCSDMHP is a New York Insurance Law Article 47 municipal cooperative health benefits plan. The Plan was issued a certificate of authority by the Superintendent on December 1, 2001. Pursuant to such certificate of authority and in accordance with the Municipal Cooperative Agreement, each of the participants of the plan have agreed to share the costs and assume the liabilities for medical, hospital, surgical, and prescription drug benefits provided to covered employees (and retirees) and their dependents under the Plan.

There are currently eighteen school districts and one BOCES participating in the Plan. As of June 30, 2017, the nineteen (19) municipalities participating in the Plan were as follows:

Bemus Point Central Schools District	Frewsburg Central Schools District
Brocton Central Schools District	Jamestown City Schools District
Cassadaga Valley Central Schools District	Panama Central Schools District
Chautauqua Lake Central Schools District	Pine Valley Central Schools District

Clymer Central Schools District
Dunkirk City Schools District
Erie2 Chautauqua Cattaraugus BOCES
Falconer Central Schools District
Forestville Central Schools District
Fredonia Central Schools District
Ripley Central Schools District
Sherman Central Schools District
Silver Creek Central Schools District
Southwestern Central Schools District
Westfield Central Schools District

A. Corporate Governance

Pursuant to the Municipal Cooperative Agreement, management of the Plan is to be vested in a governing board, comprised of one representative from each participating School District, including the BOCES. The governing board of the Plan as of June 30, 2017, was as follows:

Name and Residence	Principal Affiliation
Bert Lictus Panama, NY	Business Personnel, Panama Central Schools
Benjamin Spitzer Mayville, NY	Superintendent, Chautauqua Lake Central Schools
Bert Lictus Clymer, NY	Superintendent, Clymer Central Schools
Charles Leichner Fredonia, NY	Superintendent, Cassadaga Valley Central Schools
David Davison Cattaraugus, NY	Superintendent, Westfield Central Schools
David O'Rourke Silver Creek, NY	Superintendent, Erie 2 Chautauqua Cattaraugus BOCES Board of Cooperative Education Services
Dr. James Tracy Fredonia, NY	Superintendent, Dunkirk City Schools
Paul DiFonzo Westfield, NY	Superintendent Fredonia Central Schools

Name and Residence	Principal Affiliation
Jason Delcamp Dewittville, NY	Superintendent, Brocton Central Schools
Kaine Kelly Jamestown, NY	Superintendent, Sherman Central Schools
Lauren Ormsby Westfield, NY	Superintendent, Ripley Central Schools
Maureen Donahue Lakewood, NY	Superintendent, Southwestern Central Schools
Renee Garrett Forestville, NY	Superintendent, Forestville Central Schools
Scott Payne Williamsville, NY	Superintendent, Pine Valley Central Schools
Michael Mansfield Fredonia, NY	Superintendent, Bemus Point Central Schools
Shelly O'Boyle Jamestown, NY	Superintendent, Frewsburg Central Schools
Silvia Root Arcade, NY	Superintendent, Jamestown City Schools
Stephen Penhollow Sinclairville, NY	Superintendent, Falconer Central Schools
Todd Crandall Portland, NY	Superintendent, Silver Creek Central Schools

According to its Municipal Cooperative Agreement, the Governing Board of the Plan is to meet (quarterly) in the months of October, January, April and July. The time and the place within New York State of such meetings shall be provided in a written notice to the Board members provided by the Chairman, Secretary or their designee.

The minutes of all meetings of the Governing Board were reviewed. Such meetings were generally well attended; however, it was noted that one board member failed to attend at least one-half of the board meetings they were eligible to attend.

Members of the Board have a fiduciary responsibility and must evince an ongoing interest in the affairs of the Plan. It is essential that Board members attend meetings consistently and set forth their views on relevant matters so that appropriate decisions may be reached by the Board.

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

Section 2.3. (a) of the Plan's Municipal Cooperative Agreement states the following.

> The following officers of the Health Plan Committee shall be elected annually at the April meeting and shall have the duties set forth below:
>
> (i) Chairman: The chairman shall have general supervisory responsibilities for the Plan and the Health Plan Committee.
>
> (ii) Secretary: The Secretary's duties shall include (A) maintaining and distributing minutes of all Health Plan Committee meetings and (B) conducting correspondence as prescribed by the Health Plan Committee.
>
> (iii) Treasurer: The Treasurer shall be appointed by the Chairman and shall serve as the chief fiscal officer of the Plan.

Review of the meeting minutes of the Health Plan Committee noted that the Plan failed to appoint the Chairman, Secretary and Treasurer, as is required by Section 2.3.(a) of the Plan's Municipal Cooperative Agreement.

It is recommended that the Plan comply with Section 2.3.(a) of its Municipal Cooperative Agreement, by electing the Chairman, Secretary, and Treasurer, in accordance with the Plan's Municipal Cooperative Agreement.

Section 3224-a (j) of the New York Insurance Law states in part:

> "(j) An insurer or an organization or corporation licensed or certified pursuant to article forty-three or forty-seven of this chapter or article forty-four of the public health law or a student health plan established or maintained pursuant to section one thousand one hundred twenty-four of this chapter shall accept claims submitted by a policyholder or covered person, in writing, including through the internet, by electronic mail or by facsimile.

A review of the Plan's Summary Plan Document found that it did not contain the provision that a policyholder or covered person may submit claims via internet, electronic mail, paper or facsimile, in accordance with Section 3224-a(j) of the New York Insurance Law.

It is recommended that the Plan, include in its Summary Plan Document, that a policyholder or covered person may submit claims via internet, electronic mail, paper or facsimile, in accordance with Section 3224-a(j) of the New York Insurance Law.

The principal officers of the Plan as of June 30, 2017 were as follows:

Officers	Title
William Thiel	President
Kim Oehlbeck	Secretary
Annette Rhebergen	Chief Financial Officer

The Governing Board of the Plan designated Hodgson Russ LLP as the Attorney-in-Fact, who is authorized to receive service on a summons or other legal paper in any action, suit or proceeding arising out of any contract, agreement or transaction involving the Plan.

B. Territory and Plan of Operation

The Plan provides medical, hospital, surgical, prescription and drug benefits to eligible members and retirees of the participating school districts in Chautauqua County and BOCES. The Plan reported annual written premiums of $51,355,345 for the fiscal year ending June 30, 2017. The Plan's enrollment as of June 30, 2017 was 3,403.

Below is a summary of the Plan's annual premium writings and corresponding member enrollment for the six fiscal-year period covering years 2012 through 2017.

Year	2012	2013	2014	2015	2016	2017
Premiums Written	$49,328,223	$48,832,869	$48,214,333	$49,809,684	$51,076,136	$ 51,355,345
Increase/ (Decrease)		$ (495,354)	$ (618,536)	$ 1,595,351	$ 1,266,452	$ 279,209
% Change		(1.00%)	(1.27%)	3.2%	2.5%	.55%

Year	2012	2013	2014	2015	2016	2017
Enrollment	3,708	3,615	3,474	3,429	3,429	3,403
% Change		(2.51%)	(3.90%)	(1.30%)	0%	(0.76%)

The Plan's written premium increased between the period 2012 through 2017 by a total of $2,027,122 or 4.11%. Such increases were attributable to annual rate increases during the examination period. Conversely, the member enrollment in the Plan decreased by a total of 305 members or 8.23% from 2012 through 2017 due to both consolidations of some job positions within the Plan's participating school districts and some vacant positions not being replaced.

C. Stop-loss Coverage

As required by Section 4707 of the New York Insurance Law, the Plan maintains both aggregate stop-loss coverage and specific stop-loss coverage. The issuer of the stop-loss coverage, Sun Life and Health Insurance Company (U.S.), is authorized in New York State. The following is a summary of the Plan's stop-loss coverage program as of June 30, 2017:

Type	Limits
Excess-of-loss (one layer)	100% of excess of $300,000 per member, per contract year.
Aggregate excess-of-loss	$1,000,000 excess of the annual aggregate attachment point (100% of incurred claims expenses), for the current contract period.

The stop-loss coverage agreement in effect at January 1, 2017 included the wording prescribed by Section 1308(a)(2)(A)(i) of the New York Insurance Law.

D. Administrative Services Agreements

The Plan entered into contractual agreements with the following vendors that provided various administrative services to the Plan:

HealthNow New York Inc., d/b/a Blue CrossBlue Shield of Western New York (BCBSWNY)

- Preparation and distribution of identification cards;
- Maintenance of appropriate records of each Plan participant;
- Preparation and distribution of enrollment forms and benefit claim forms;
- Access to HealthNow's network of participating providers;
- Notification to the Plan's claimant of denials, the basis for the denials and the claimant's right to appeal the denials;
- Utilizations review services.

Northwest Insurance Services

- Updates the Summary Plan Document ("SPD");
- Provides local health care trends to the Plan's governing board;
- Monitors plan administration to ensure claims are paid in accordance with the Summary Plan Description;
- Provides compliance services that include filing Quarterly and Annual statements, corresponding with the Department and facilitating external audits;
- Develops benefit plan announcements, prepares plan packets consisting of plan details and enrollment applications, claim forms, claim filing instructions and contact information;
- Provides access to benefit counselors to resolve claim and coverage issues and assist in the grievance and appeal procedure.

Express Scripts, Inc. ("ESI") and Express Scripts Senior Care, Inc.

- Pharmacy benefits administrative services;
- Rebate and reporting services to Medicare D plans;
- Pharmacy network contracting, claims processing services for covered drugs, perform standard concurrent utilization review analysis and formulary management services;
- First level review of written requests for appeal from members or participating pharmacies that consist of ministerial verification that claim(s) were processed in accordance with the Plan's benefits package member eligibility.

Effective January 1, 2015, the Plan contracted with HealthNow of New York Inc., for the processing of claims services related to prescription claim dispensing.

HealthNow of New York Inc., processes claims received from Participating Pharmacies and Plan Participants, and determines whether such claims qualify for reimbursement in accordance with the terms of the applicable Benefit Plan.

Vision Service Plan, Inc. ("VSP")

- Enrollment of eligible enrollees and provide the Plan with vision care brochures that summarize the terms and conditions of the vision plan;
- Provide access to its network of member doctors defined as an optometrist or ophthalmologist licensed and otherwise qualified to practice vision care that have contracted with VSP;
- Furnish benefit authorization prior to the covered person obtaining plan benefits from a member doctor;
- Provide utilization review services to the Plan relative to such vision benefits.

The Guardian Life Insurance Company of America ("Guardian")

- Assists in the design of the Plan's dental benefit structure;
- Provide eligibility determinations for program benefits, process claims, provide access to network providers, and perform utilization review services;
- Furnish the Plan with benefit booklets, enrollment cards, claim forms, and other supplies for the administration of the dental benefit plan.

Milliman, Inc. ("Milliman")

- Provides annual actuarial certification of compliance regarding the Plan's premium rating and claims reserve process and stop-loss requirement as required by Article 47 of the New York State Insurance Law.

Hodgson Russ LLP

- Provides outside General Counsel Services to the Plan.

Bahgat and Laurito-Bahgat, P.C.

- Serves as the Plan's Certified Public Accountant (CPA) providing financial audit services to the Plan.

During the course of the examination, it was noted that the contract between the Chautauqua County Schools Districts' Medical Health Plan and HealthNow New York, Inc., ("HealthNow") for processing of hospital and medical claims was properly executed; nevertheless the following was noted with regard to the implementation of the contract.

The agreement between the Plan and HealthNow included a provision for the Plan to audit or have a third-party audit HealthNow's compliance with its obligations under the contract to determine that HealthNow has properly and accurately administered the financial aspect of the agreement. However, the Plan did not use this provision and no internal audit of the services performed by HealthNow was conducted during the examination period.

Section 8 of the Plan's claims management agreement, states in part:

> "(8.8) Subject to the provisions of this Section 8.8, the Plan may audit HealthNow's compliance with its obligations under this Agreement and HealthNow shall supply the Plan with access to information acquired or maintained by HealthNow in performing services under this agreement subject to the provisions of Section 4.5. HealthNow shall be required to supply only such information which is in its possession and which is reasonably necessary for the Plan to audit HealthNow's compliance with its obligations under this Agreement, provided that such disclosure is not prohibited by any third-party contracts to which HealthNow is a signatory or any requirements of law."

It is recommended that the Plan initiate audits of all services including claims processing provided by its contracted third-party administrator, HealthNow New York, Inc., in accordance with the stated agreement.

Effective January 1, 2015, HealthNow d/b/a Blue Cross Blue Shield of Western New York ("BCBSWNY") replaced Express Scripts as Chautauqua County School Districts' Medical Health Plan's pharmacy benefit manager. It was noted that CCSDMHP did not approve the revised administrative services agreement between the Plan and BCBSWNY, which designated BCBSWNY the Plan's pharmacy benefit manager.

It is recommended that the Plan amend its current administrative services agreement with Blue Cross Blue Shield of Western New York for hospital and medical claims processing to include BCBSWNY as the Plan's pharmacy benefit manager.

Blue Cross Blue Shield of Western New York learned in mid-March of 2015 that Premera, a BlueCross BlueShield licensee, was the target of a sophisticated, external cyber-attack. Upon receipt and review of further information provided to BCBSWNY by Premera, BCBSWNY became aware that members of BCBSWNY who received care in Premera markets through the BlueCard program may have been victims of this attack. Correspondingly, BCBSWNY became

aware that members insured by Chautauqua County School Districts' Medical Health Plan were impacted by the breach. As required by contract, BCBSWNY sent a letter alerting Chautauqua County School Districts' Medical Health Plan that certain of its current or former members were victims of the breach and further informed Chautauqua County School Districts' Medical Health Plan that Premera would be sending letters to the Plan's impacted members.

E. Accounts and Records

During the review of the CPA's audit report, workpapers, and analysis of the Plan's general ledger and internal controls. The following was noted:

The Plan's records were not being updated contemporaneously with the Plan's activities, and additionally, the bank reconciliations were not performed on a monthly basis. The bank reconciliation is an important internal control feature that when performed timely could disclose possible irregularities.

It is recommended that the Plan's books are maintained as transactions occur, and that bank reconciliations are completed and reviewed on a monthly basis.

It was also noted that the same individual has check signing authority, the ability to perform bank transfers, full access to the general ledger, and also records the journal entries.

The America Institute of Certified Public Accountants (AICPA) notes that Segregation of Duties (SOD) is a basic building block of sustainable risk management and internal controls for a business. The principle of SOD is based on shared responsibilities of a key process that disperses the critical functions of that process to more than one person or department. SOD therefore

attempts to ensure no single individual has the authority to execute two or more conflicting sensitive transactions with potential to impact financial statements.

SOD dictates that problems such as fraud, material misstatement and financial statement manipulation have the potential to arise when the same individual is allowed to execute two or more conflicting sensitive transactions. Sensitive transactions drive processes with the potential to impact a company's financial statements, operational activities or market reputation. Without this separation in key processes, fraud and error risk are far less manageable.

It is recommended that the Plan separate the check signing authority, bank transfer authority, access to the general ledger, and journal entry recording function.

3. FINANCIAL STATEMENTS

The following statements show the assets, liabilities and surplus as of June 30, 2017, as contained in the Plan's 2017 filed annual statement, a condensed summary of operations, and a reconciliation of the surplus account for each of the years under examination. The examiner's review of a sample of transactions did not reveal any differences which materially affected the Plan's financial condition as presented in its June 30, 2017 financial statements.

The firm of Bahgat and Laurito-Bahgat, P.C. was retained by the Plan to audit the Plan's combined statutory-basis statements of financial position as of June 30th of each year in the examination period, and the related statutory-basis statements of operations, surplus, and cash flows for the year then ended.

Bahgat and Laurito-Bahgat, P.C. concluded that the statutory financial statements presented fairly, in all material respects, the financial position of the Plan at the respective audit dates. Balances reported in these audited financial statements were reconciled to the corresponding year's annual statements with no discrepancies noted.

A. Balance Sheet

Assets

Cash and cash equivalents	$29,159,035
HealthNow NY, Inc. prepaid claims	111,000
Total assets	$29,270,035

Liabilities

Claims payable	$ 3,676,000
Reserve required by Section 4706(a)(1)	5,407,666
Unearned premiums	1,302,998
Total liabilities	$10,386,664

Surplus

Unassigned funds (Surplus)	16,315,604
Surplus per Section 4706(a)(5)	2,567,767
Total surplus	$18,883,371
Total liabilities and surplus	$29,270,035

B. Statement of Revenue and Expenses and Surplus

Surplus increased $4,216,201 during the five-year examination period, July 1, 2012 through June 30, 2017, detailed as follows:

Revenue		
Premiums	$249,288,367	
Change in unearned premium reserves	(164,290)	
Investment income	143,312	
Aggregate write-ins for other revenue	1,489,705	
Total revenue		$ 250,757,094
Expenses		
Hospital and medical claims	$ 152,024,089	
Drug claims	65,934,129	
Aggregate-write-ins for other Hospital and Medical expenses	11,144,573	
Claims subtotal	$229,102,791	
Claims adjustment expenses	13,232,437	
Net claims incurred	$242,335,228	
Administrative expenses	2,536,363	
Aggregate-write-ins	1,669,302	
Total expenses		246,540,893
Net income		$ 4,216,201

Surplus, per report on examination, as of June 30, 2012			$14,667,170
	Gain in Surplus	Loss in Surplus	
Net income	$4,216,201		
Net increase in surplus			$4,216,201
Surplus, per report on examination, as of June 30, 2017			$18,883,371

4. MARKET CONDUCT ACTIVITIES

In the course of this examination, a review was made of the manner in which the Plan conducts its business practices and fulfills its contractual obligations to subscribers and claimants. The review was general in nature and is not to be construed to encompass the more precise scope of a market conduct examination.

The general review was directed at practices of the Plan in the following areas:

A Claims processing
B Utilization review

A. Claims Processing

i. Standards for Prompt, Fair and Equitable Settlement of Claims for Health Care and Payments for Health Care Services ("Prompt Pay Law")

A review to test for compliance with the requirements of Section 3224-a(a) of the New York Insurance Law ("Prompt Pay Law"), was performed by using a statistical sampling

methodology covering medical, hospital, pharmacy, dental and vision claims submitted to the Plan during the period July 1, 2016 through June 30, 2017.

Potential violations of Section 3224-a of the New York Insurance Law were reviewed through the isolation of claims that took more than 30 days to pay (45 days if a paper claim), to deny or request additional information regarding the claim. The result of the examiner's analysis revealed a population of 5,583 possible violations out of a total population of 220,895 claims. A sample of 167 claims were extracted from the total claims population, and reviewed.

The review of the sampled claims found no material violation of Section 3224-a of the New York Insurance Law.

ii. Preventive Care Claims

Section 3221(l)(8)(A)(E) and (F) of the New York Insurance Law states in part the following:

> "Every insurer issuing a group policy for delivery in this state that provides medical, major-medical or similar comprehensive-type coverage shall provide coverage for the provision of preventive and primary care services…
>
> "(E) In addition to subparagraph (A), (B), (C) or (D) of this paragraph, every group policy that provides hospital, surgical or medical care coverage, except for a grandfathered health plan under subparagraph (G) of this paragraph, shall provide coverage for the following preventive care and screenings for insureds, and such coverage shall not be subject to annual deductibles or coinsurance:
>
> > (i) evidence-based items or services for preventive care and screenings that have in effect a rating of 'A' or 'B' in the current recommendations of the United States preventive services task force…
> >
> > (iv) with respect to women, such additional preventive care and screenings not described in item (i) of this subparagraph and as provided for in comprehensive guidelines supported by the health resources and services administration."

> "(F) The requirements of this paragraph shall also be applicable to a blanket policy of hospital, medical or surgical expense insurance covering students pursuant to subparagraph (C) of paragraph three of subsection (a) of section four thousand two hundred thirty-seven of this chapter."

A sample of 30 preventive care claims processed from July 1, 2016 through June 30, 2017 were reviewed to determine if the Plan incorrectly applied cost share to the claims. The review found that cost share was applied incorrectly to 9 of the claims sampled.

The errors were found to be caused by incorrect logic in the claim system. All claims affected were from one school district and a total of 388 claims were affected.

It is recommended that the Plan ensure that its third-party administrator correct the logic in its claim system to ensure that cost sharing is not incorrectly applied to the Plan's members on preventive care claims in order to comply with Section 3221(l)(8)(A)(E) and (F) of the New York Insurance Law.

It is also recommended that the above 388 claims be reprocessed and that members out of pocket expenses be reimbursed, with interest, when applicable.

B. Utilization Review ("UR")

Blue Cross Blue Shield of Western New York was also designated as one of the Plan's utilization review agents. A review of appeals administered by BCBSWNY on behalf of the Plan's members, indicated that the company did not provide written acknowledgment of the filing of the appeal to the appealing party within fifteen days of such filing in two cases reviewed, in violation of Section 4904(c) of the New York Insurance Law.

Section 4904(c) of the New York Insurance Law states in part:

> "…The utilization review agent must provide written acknowledgment of the filing of the appeal to the appealing party within fifteen days of such filing and shall make a determination with regard to the appeal within sixty days of the receipt of the necessary information to conduct the appeal.…"

It is recommended that 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.

5. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination included eleven (11) recommendations detailed as follows (page number refers to the prior report on examination):

ITEM NO.		PAGE NO.
	Corporate Governance	
1.	It is recommended that, if it is the intention of the Plan to continue to charge interest relative to late premium payments, that the Plan amends its Municipal Cooperative Agreement to reflect such interest payment provision	9
	The Plan has complied with this recommendation.	
2.	It is recommended that the Plan amend its Summary Plan Description to disclose the fact that the Plan's provider network does not exist in all geographic areas where the Plan's POS product is marketed. .	9
	The Plan has complied with this recommendation.	
3.	It is also recommended that as a prudent business practice, the Plan's governing board adopt written procedures that define the duties and responsibilities of the Plan's treasurer.	10
	The Plan has complied with this recommendation.	
4.	It is recommended that board members who are unable or unwilling to attend meetings consistently resign or be replaced.	7
	The Plan did not comply with this recommendation. *A similar recommendation is being made in this report.*	
	Claims Processing- Prompt Payment Review	
5.	It is recommended that the Plan take steps to ensure compliance with Section 3224-a(b) of the New York Insurance Law	21
	The Plan has complied with this recommendation	

ITEM NO.		PAGE NO.
11.	It is recommended that the Plan monitors the activities of Express Scripts, Inc. and ensure that the third party administrator is properly adhering to the grievance procedures mandated by Section 4802(n) of the New York Insurance Law. *The Plan no longer contracts with Express Scripts, Inc*.	26

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

Respectfully submitted,

_____

Charles J. McBurnie
Insurance Examiner

STATE OF NEW YORK)
) SS.
)
COUNTY OF NEW YORK)

Charles J. McBurnie**,** being duly sworn, deposes and says that the foregoing submitted report is true to the best of his knowledge and belief.

_____

Charles J. McBurnie

Subscribed and sworn to before me
This _____ day of _____2018

APPOINTMENT NO. **31641**

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, ***MARIA T. VULLO****, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:*

Charles McBurnie

as a proper person to examine the affairs of

Chautauqua County School Districts' Medical Health Plan

and to make a report to me in writing of the condition of said

Municipal Cooperative Health Benefit Plan

with such other information as he shall deem requisite.

In Witness Whereof, I have hereunto subscribed my name and affixed the official Seal of the Department at the City of New York

this 8th day of June, 2017

MARIA T. VULLO
Superintendent of Financial Services

By: _____

Lisette Johnson
Bureau Chief
Health Bureau