



Greater Tompkins County Municipal Health Insurance Consortium

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"Individually and collectively we invest in realizing high quality, affordable, dependable health insurance."

2018 Greater Tompkins County Municipal Health Insurance Consortium Annual Report

The Greater Tompkins County Municipal Health Insurance Consortium (The Consortium) closed out 2018 in a strong financial position. After eight years of operations we continue to provide affordable health care security for our subscribers and premium rate stability for our municipal members. The Consortium's Board of Directors, claims administrators, and consultants work together to create a lean organization and provide quality services.

Operationally we continue to be a model for health insurance in New York State with an efficiency rate of 95%, meaning 95% of our expenses are directed to pay subscriber claims. Our revenue has grown to \$42.6 million. This growth continues from two main sources: member premiums and the addition of new municipal partners. We continue to be prudent financial stewards of our financial reserves by not only increasing our statutory responsibilities of Surplus and Incurred But Not Reported Reserves (IBNR), but also holding rate stabilization and catastrophic claims reserves.

Our success has also come from the strong partnerships we have grown with our medical claim's administrator, Excellus, and our Prescription Benefits Manager, ProAct. Excellus has committed to finding system solutions to increase customer service and reduce unnecessary claims expense while promoting a culture of wellness, making resources readily available and assisting subscribers with finding affordable access to quality care. ProAct also offers our subscribers a network of providers conveniently located across our region and they continue to secure and pass along pharmaceutical manufacturer rebates which reduces costs.

The Consortium is a self-funded, self-insured Article 47 municipal cooperative which writes medical and prescription drug health insurance benefit plans, collects premiums, and pays medical and pharmaceutical claims for its covered members. The Consortium began its operations in 2011 with thirteen municipal partners. With the addition of three new municipal members for 2018, the consortium had thirty-one (31) municipal partners and five labor Directors; covering approximately 2,500 employee and retiree contracts with more than 5,250 lives.

Operations Highlights:

- In 2018 the Consortium collected \$42.6 million in premiums and paid \$40.9 million in total expenses, resulting in \$319,806 net income after funds were added to reserves.
- With the continued strong fund balance from this additional net income, the board approved a relatively small 5% premium rate increase for 2019. The Consortium has averaged a conservative 6% increase in the last nine years compared to a 10% average rate increase for the same period in the private health insurance sector.
- The Consortium continues to be the model for operational efficiency, with claims costs a 95% of total expenses.
- In the fall of 2017, the Consortium welcomed three (3) additional municipalities: Towns of Newfield, Homer and Owasco for coverage beginning in 2018. In fall of 2018, the Consortium

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welcomed eight (8) new municipal partners for 2019: Seneca County, Towns of Big Flats, Mentz, Niles and Sennett, and Villages of Horseheads, Freeville, and Lansing.

- In 2018 The Consortium Board hired a Wellness Consultant, Michelle Berry, to raise awareness of the benefits of preventative health care and boost participation in wellness opportunities.
- During 2018, the Board adopted their Investment Policy and secured an Investment Management Firm, Wilmington Trust, to help garner the greatest return through the limited investment vehicles available to municipal cooperatives.
- The Consortium also launched a new website in 2018.
- For Flu season 2017-2018, 28% of consortium subscribers had flu vaccines.
- The Consortium held its fifth educational retreat “Our Health Care Trends”.

Committees:

The Consortium’s Board of Directors is supported by standing and special committees that perform in-depth research and deliberations of operations matters and opportunities for the Consortium. These committees propose policies, products, and process improvements to benefit the operations, services and financial position of the Consortium.

The Audit and Finance Committee is chaired by Mack Cook. In 2018, in addition to its annual task of developing next year’s budget and premium rates, this committee reviewed several contracts with all our vendors and new contracts including the hiring of a wellness consultant. Changes to our stop loss insurance program and silver plan actuarial values were reviewed and advanced for Board approval. Furthermore, a new conflict of interest policy and investment management policy were created, and an investment manager was secured.

The Owing Your Own Health Committee was chaired by Ted Schiele and Kathy Servoss. In 2018 OYOH supported the creation of the goals and objectives of the new wellness consultant; and along with the consultant, advanced participation in both flu vaccination clinics and Blu4U metal plan participation.

The Joint Committee on Plan Structure and Design is chaired by Olivia Hershey. In 2018, due to municipal partner growth, the Consortium labor representation increased to five representatives. The committee reviewed changes to the ProAct management of claims by introducing formulary edits of step therapy and prior authorization. After a review of actuarial values, a change was recommended to the Silver Plan to remain in compliance.

The Website Committee was chaired by Ted Schiele and successfully launched our new stand-alone website with new domain name <http://healthconsortium.net>.

Financial Highlights:

For the year ending December 31, 2018, the Plan’s net position increased by \$319,806. Increases in net position is the excess of revenues over claims and administrative expenses less funds added to reserves.

The Plan’s net position, in comparison with the two previous years, consists of the following:

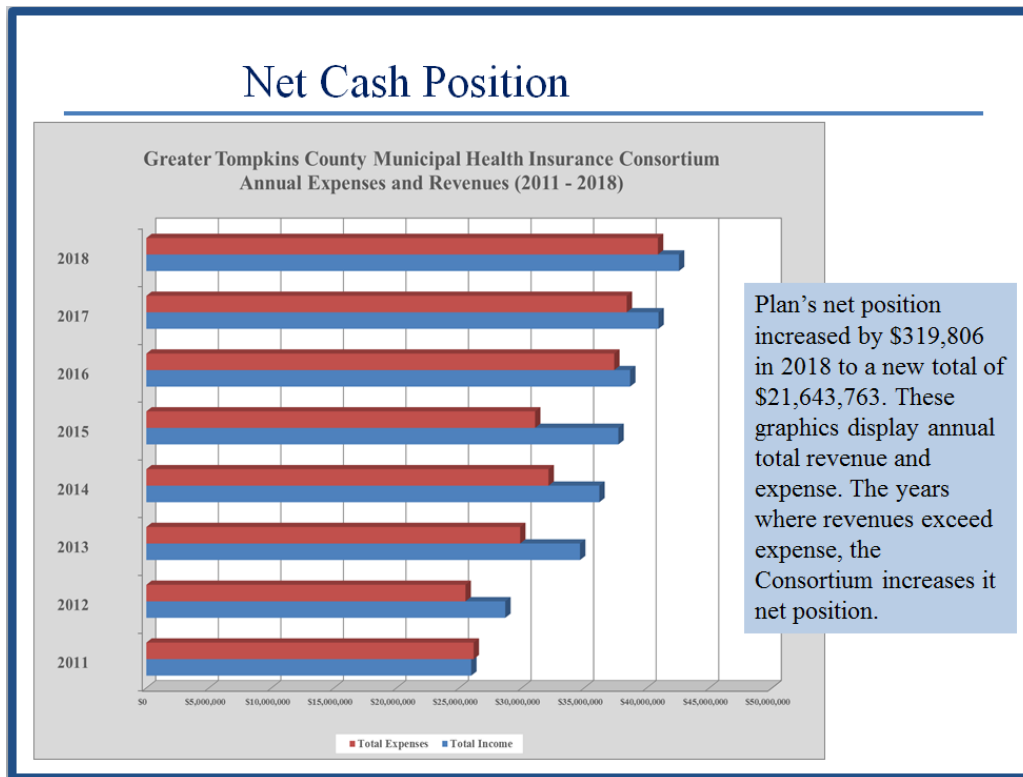
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Restricted for Contingency Reserve	\$2,120,085	\$2,038,725	\$1,925,998
Catastrophic Claims Reserve	2,000,000	1,350,000	1,050,000
Rate Stabilization Reserve	2,100,000	1,868,819	1,758,496
Unrestricted New Position	<u>15,423,678</u>	<u>16,066,413</u>	<u>14,266,791</u>
TOTAL NET POSITION	\$21,643,763	\$21,323,957	\$19,001,285

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A summary of operating and nonoperating revenues and expenses follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Premiums	\$ 42,401,705	\$40,774,492	\$ 38,519,955
Aggregate Write-ins for Other Reserves	150,959	145,643	131,974
Nonoperating Revenues – interest	21,938	17,702	16,533
Total revenue	<u>42,574,602</u>	<u>40,937,837</u>	<u>38,668,462</u>
Claims and Related Expense	38,991,995	35,828,612	34,999,888
All Other Expenses	1,898,938	2,568,789	2,396,240
Total Expenses	40,890,933	38,397,401	37,396,128
Adjusted for Incurred by Not Reported Claims	<u>(1,363,863)</u>	<u>(217,764)</u>	<u>(99,014)</u>
Increase in New Position	<u>\$ 319,806</u>	<u>\$2,322,672</u>	<u>\$1,173,320</u>

The following Chart shows the growth of the Plan's Net Position.



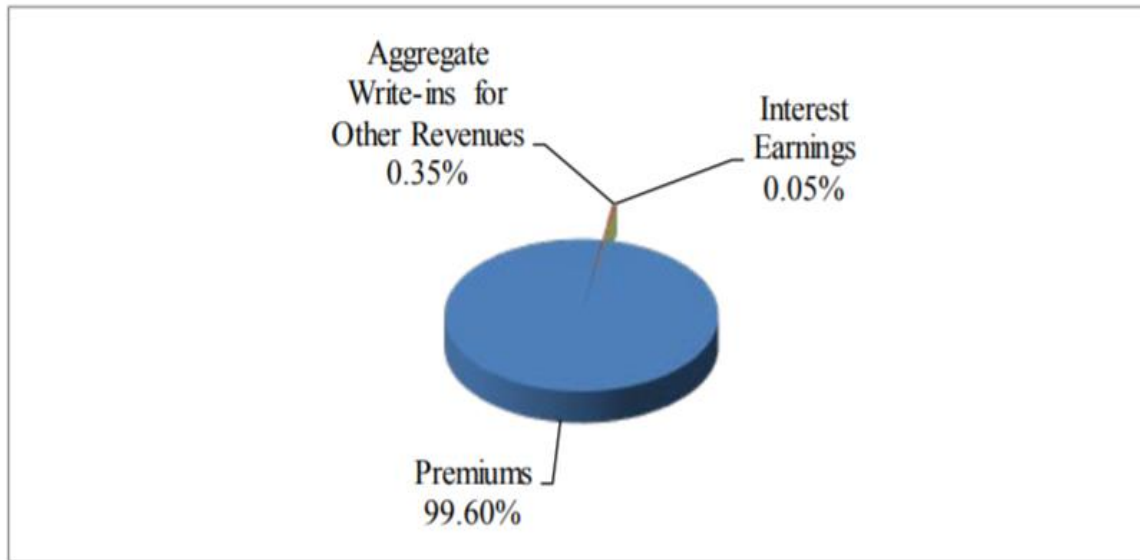
Revenue:

The increases in premium **revenues** is the result of a 4% premium increase and the addition of three new municipalities participating in the Plan. Other revenues had minimal impact on total revenues.

Revenue Overview

	2018	2017	2016
Premiums	\$ 42,401,705	\$ 40,774,492	\$ 38,519,955
Aggregate Write-ins for Other Revenues	150,959	145,643	131,974
Interest Earnings	21,938	17,702	16,533
Total Revenues	\$ 42,574,602	\$ 40,937,837	\$ 38,668,462

Sources of Revenue for 2018



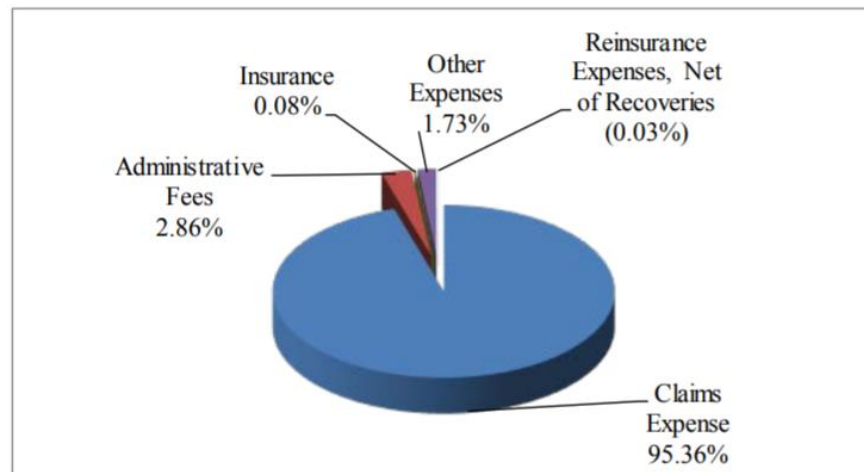
Expenses

The increases in claims **expense** are primarily a result of medical cost inflation and increased utilization of health care services by growing risk pool. The increase in administrative and other expenses is primarily due to increased cost associated with growth in membership. Reinsurance is the net of premium paid and reimbursements. Other expenses consist mainly of professional support and ancillary benefits expense.

Expense Overview

	2018	2017	2016
Claims Expense	\$ 38,991,995	\$ 35,828,612	\$ 34,999,888
Reinsurance Expenses, Net of Recoveries	(10,448)	738,388	661,426
Insurance	33,139	33,139	30,903
Administrative Fees	1,169,230	1,105,738	1,046,447
Aggregate Write-ins for Other Expenses	554,668	538,103	523,450
Other Expenses	152,349	153,421	134,014
Total Expenses	\$ 40,890,933	\$ 38,397,401	\$ 37,396,128

**Operating Expenses
2018**



Stop-Loss Insurance

The Plan purchases Stop-Loss Insurance to reduce its liability for large claims. Stop-Loss insurance has a deductible which sets the maximum liability for any individual claim. Claims that exceed to deductible are first paid by the Consortium and then reimbursed for the excess of deductible by the Stop-Loss carrier. Stop-Loss premium can be managed by increasing specific claim deductible. The plan reserves assets conservatively to mitigate unexpected catastrophic claim exposure and Stop-Loss deductible liability.

Aggregate Stop-Loss Insurance

The New York State Department of Financial Services put in place for 2018 and going forward a waiver to purchase additional stop-loss insurance as found in §4707 of the New York State Insurance Law. This waiver does not create a substantive risk to the Consortium or its members, as the Consortium maintains reserves and fund balance which protects the financial integrity of the Consortium and the New York State Department of Financial Services agreed. This action reduced the Consortium's expense by approximately \$70,000 in 2018.

Reserves

This is an area which is reviewed by the Board of Directors on an annual basis to ensure funds are available to cover anticipated risk. The Consortium establishes adequate reserves to provide security for subscribers and municipal members for the foreseeable future. Both the IBNR and Surplus Reserves and their amount are required by statute.

Incurred But Not Reported (IBNR) Claims Liability Reserve

The IBNR Reserve is required by Section 4706(a)(1) of the New York State Insurance Law. The New York State Department of Financial Services allows the Plan to utilize a factor of 12% of total annual incurred claims to establish the amount of this reserve.

However, the Consortium continues to see a decrease in its calculated IBNR as determined by the Consortium's Actuaries, Armory Associates, LLC. At the close of the 2011 Fiscal Year, the Consortium's calculated IBNR was 10.15% of paid claims. The IBNR calculation for 2018 was 6.76%. While this does not directly impact the mandated 12% of actual paid claims reserve required by the NYS Department of Financial Services, it does provide creditable data demonstrating the IBNR Reserve at 12% is very conservative and amply protects the Consortium for its claim's liability.

Surplus Reserve:

The 2018 financial report reflects a Contingency (Surplus) Reserve of 5% of current year premiums in accordance with New York State Insurance Law, Section 4706 (a)(5).

Catastrophic Claims Reserve

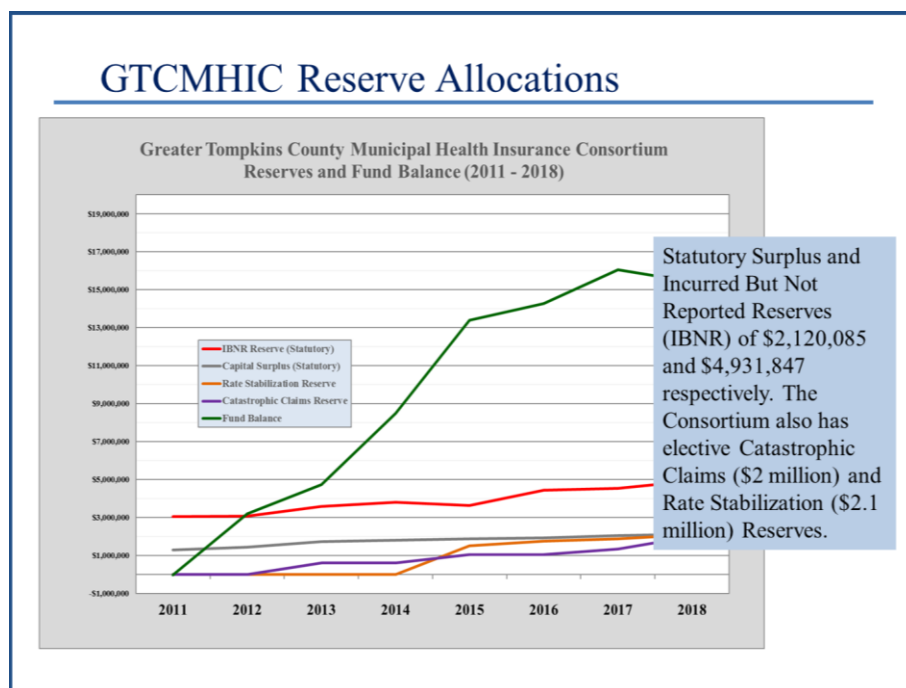
The Catastrophic Claims Reserve was initially established during the 2014 Fiscal Year at approximately \$600,000 to create financial resources when the Stop-Loss risk retention (deductible) was increased from \$250,000 to \$300,000. To manage Stop-Loss premium expense the Consortium Board has steadily increased the specific deductible and Catastrophic Claims Reserve. For the 2018 Fiscal Year, the Board of Directors approved an increase in the Stop-Loss deductible to \$600,000. The increased deductible, along with a separate deductible of \$1,000,000 on one subscriber who represents a substantially higher risk based on medical claim history, led to the decision to increase the Catastrophic Claims Reserve by \$650,000 to \$2,000,000.

During deliberations of the Audit and Finance Committee regarding stop-loss insurance quotations for 2019, the Consortium was presented with two individuals with separate deductibles of \$1,000,000 and \$1,400,000 respectively. The Committee reviewed the complete history of large loss claims (over \$100,000), determined maintaining the deductible at \$600,000 was an acceptable risk, and agreed to the higher deductible on the two individuals. This resulted in lower than budgeted premium expense for 2019, but also greater risk retention. The Board of Directors agreed with maintaining the \$600,000 deductible and further determined the Catastrophic Claims Reserve of \$2,800,000 was adequate for the 2019 Fiscal Year.

Rate Stabilization Reserve

With better than expected paid claims and expense results in 2015, the Board of Directors decided to establish a Claims/Rate Stabilization Reserve to further protect the Consortium’s cash flow and provide additional financial stability. The level of this reserve was set at 5% of the expected/paid claims expense for the year. These funds are available to mitigate premium rate increases should there be a sharp uptick in expenses.

- The Consortium’s goal is to maintain reasonable, prudent, and modest premium increases for the foreseeable future. This reserve grows each year as the level of claims increases and was at \$2.1 million at the close of the 2018 Fiscal Year.



Additional Economic Factors Affecting the Future

Patient Protection and Affordable Care Act

The Board of Directors is monitoring the effects of the potential dismantling of some or all of the Patient Protection and Affordable Care Act. Although ACA fees have declined substantially with the sunset of the Transitional Reinsurance Program, the Board is actively monitoring its position relative to any changes which could negatively impact the finances of the Consortium.

Escalating Cost of Prescription Medications

Another area which has drawn the attention of the Consortium's Board of Directors is the significant increase in the cost of prescription medications on a per fill basis. The cost per fill for 2017 was 24% greater than 2015. These increases are present across all tiers of medications with significant growth in specialty pharmaceuticals purchased by covered members. This increase in expense is somewhat countered by an increase in prescription drug rebates passed through our Prescription Benefits Manager, ProAct. For 2018, this offsetting income was \$1.7 million.

In 2017, the Board of Directors approved CanaRx as a pharmacy for our members to use for maintenance medications on the CanaRx formulary, which is managed in conjunction with ProAct. Subscribers contract directly with CanaRx for their prescriptions which are made and shipped from Canada, the United Kingdom, New Zealand, and Australia. These pharmaceuticals have \$-0- copay for the subscriber and in aggregate saved the Consortium 35% over US made drugs. The Board will continue to work with ProAct, Inc. and its other associates to mitigate the rate of growth in this area.

Continued Growth

In 2010, the Greater Tompkins County Municipal Health Insurance Consortium became the first municipal cooperative health benefits plan organized pursuant to Article 47 of the New York State Insurance Law to be made up of local municipalities, started from "the ground up", since the law's enactment in 1993. The Consortium has seen its list of municipal partners grow from its original thirteen (13) members to thirty-one (31) municipal partners for fiscal year 2018.

In the Fall of 2017, the Consortium welcomed three (3) additional municipalities: Towns of Newfield, Homer, and Owasco for coverage beginning in 2018. In the fall of 2018, the Consortium welcomed eight (8) new municipal partners that will begin coverage in 2019: Seneca County, Towns of Big Flats, Mentz, Niles and Sennett, and Villages of Horseheads, Freeville, and Lansing. As additional municipalities show interest in joining the Consortium, the Board of Directors is taking the steps necessary to ensure future growth is controlled and premium rates are fair for all municipal partners.

Monitoring Claims Adjudication

The Board annually contracts with a third party to audit the hospital, medical, and surgical claims adjudication practices of Excellus one year and the pharmaceutical claims practices of ProAct the next to ensure all claims are being adjudicated according to our plan documents and with proper medical and clinical oversight.

Communication and Information

The Consortium launched a new website, publishes a quarterly newsletter, and annually hosts an educational retreat. All communication pieces have a goal of engaging subscribers and members with the latest information about Consortium activities and milestones as well as helpful hints on proactively accessing the health care system.

The Consortium's vision is to create a culture of preventative health care. To that end, the Board annually conducts on-site flu clinics and has established a biometric screening wellness program with our "metal" plans. For 2017-2018 flu season, 28% of Consortium subscribers had flu vaccines from our onsite flu clinics, pharmacy, and primary care physicians. This rate, according to Excellus, is more than double that

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of other groups in our region. Also, over 80% of our subscribers have a Primary Care Physician. This is critical for one to proactively manage one's health. Healthy subscribers have lower claims costs. In 2018, the Consortium Board hired a Wellness Consultant to raise awareness of the benefits of preventative health care and boost participation in wellness opportunities.

Investment of Reserves

During 2018, the Board of Directors adopted their Investment Policy and then interviewed several firms who specialize in Investment Management for the limited investment vehicles available to municipal cooperatives. The decision to contract with Wilmington Trust was made at the end of the year. We anticipate significant interest income from U.S. Treasury investments in 2019.

**STATEMENTS OF NET POSITION
DECEMBER 31,**

	2018	2017
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 15,934,310	\$ 18,905,139
Accounts Receivable - Stop Loss and Drug Rebates	442,347	406,929
Premiums Receivable	178,141	472,607
Total Current Assets	16,554,798	19,784,675
OTHER ASSETS		
Noncurrent Assets		
Premium Claims Deposit	647,700	526,300
Restricted Cash and Cash Equivalents	9,861,401	6,220,147
Total Noncurrent Assets	10,509,101	6,746,447
Total Assets	27,063,899	26,531,122
LIABILITIES		
Current Liabilities		
Incurred Claims Liability	4,931,847	4,540,654
Accounts Payable	488,269	494,991
Unearned Revenues	-	8,603
Unearned Premiums	20	162,917
Total Current Liabilities	5,420,136	5,207,165
Total Liabilities	5,420,136	5,207,165
NET POSITION		
Restricted		
Restricted for Contingency Reserve - Section 4706(a)(5)	2,120,085	2,038,725
Board Designated		
Catastrophic Claims Reserve	2,000,000	1,350,000
Rate Stabilization Reserve	2,100,000	1,868,819
Total Board Designated	4,100,000	3,218,819
Unrestricted	15,423,678	16,066,413
Total Net Position	\$ 21,643,763	\$ 21,323,957

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31,**

	2018	2017
Operating Revenues		
Premiums	\$ 42,401,705	\$ 40,774,492
Aggregate Write-ins for Other Revenues	150,959	145,643
Total Operating Revenues	42,552,664	40,920,135
Operating Expenses		
Claims Expense	38,991,995	35,828,612
Reinsurance Expenses, Net	(10,448)	738,388
Insurance	33,139	33,139
Administrative Fees	1,169,230	1,105,738
Aggregate Write-ins for Other Expenses	554,668	538,103
Total Operating Expenses	40,738,584	38,243,980
Excess of Operating Revenues Before Nonoperating Revenue (Expense)	1,814,080	2,676,155
Nonoperating Revenue (Expense)		
Interest Earnings	21,938	17,702
Other (Expenses) Revenues	(152,349)	(153,421)
Total Nonoperating (Expense)	(130,411)	(135,719)
Change in Net Position	1,683,669	2,540,436
Net Position, January 1,	21,323,957	19,001,285
Adjustment for Incurred but Not Reported Claims	(1,363,863)	(217,764)
Net Position, December 31,	\$ 21,643,763	\$ 21,323,957

Accomplished Goals for 2018:

- Responded to recommendations from the Department of Financial Services second audit
- Produced and delivered 5th annual education retreat entitled “Our Health Care Trends”
- Established implementation of Online Enrollment process
- Developed remote meeting access for Board of Directors and committee members
- Created investment policy and secured new Investment Management firm to maximize returns
- Restructured stop loss contract deductibles and high claim exclusions to manage stop-loss premium costs
- Expanded wellness culture of subscribers and employers by hiring wellness consultant
- Developed new website – www.healthconsortium.net

Goals for 2019:

- Hire a full-time Executive Director
- Become compliant with NYS Cybersecurity requirements
- Propose new Governance Structure to accommodate growing number of partners
- Refine new member application process with Excellus and ProAct
- Continue to monitor operations for efficiency while provide quality subscriber service

**Greater Tompkins County Municipal Health Insurance Consortium
Board of Directors – 2018**

(1) Steven Thayer	City of Ithaca
(2) Mack Cook	City of Cortland
(3) Amy Guereri	Tompkins County
(4) Alex Patterson	Town of Aurelius
(5) John Fracchia	Town of Caroline
(6) LuAnn King	Town of Cincinnatus
(7) Laura Shawley	Town of Danby
(8) Kathrin Servoss	Town of Dryden
(9) Ann Rider	Town of Enfield
(10) Chuck Rankin	Town of Groton
(11) Kevin Williams	Town of Homer
(12) Judy Drake	Town of Ithaca
(13) Charmagne Rumgay	Town of Lansing
(14) Thomas Adams	Town of Marathon
(15) John Malenick	Town of Montezuma
(16) Terrance Baxter	Town of Moravia
(17) Christine Laughlin	Town of Newfield
(18) Ed Wagner	Town of Owasco
(19) Jim Doring	Town of Preble
(20) Gary Mutchler	Town of Scipio
(21) David Schenck	Town of Springport
(22) Tom Brown	Town of Truxton
(23) Richard Goldman	Town of Ulysses
(24) Eric Snow	Town of Virgil
(25) Alvin Doty, Jr.	Town of Willet
(26) Peter Salton	Village of Cayuga Heights
(27) Michael Murphy	Village of Dryden
(28) Nancy Niswender	Village of Groton
(29) Kristen Case	Village of Homer
(30) Rordan Hart	Village of Trumansburg
(31) Bud Shattuck	Village of Union Springs
(32) Olivia Hersey	Labor Rep #1 (Chair, Joint Comm. On Plan Structure & Design)
(33) Jim Bower	Labor Rep #2
(34) Zack Nelson	Labor Rep #3
(35) Doug Perine	Labor Rep #4
(36) Tim Farrell	Labor Rep #5
Labor Alternate – Jeanne Grace	

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Consortium e-mail: consortium@tompkins-co.org

Respectfully submitted:

Judy Drake
Chair of Board of Directors

Don Barber
Executive Director