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**Greater Tompkins County Municipal Health Insurance Consortium
Board of Directors
April 29, 2010
Old Jail Conference Room
Agenda ******

DRAFT
(minutes)

1. Approve March 2010 Minutes
2. Financial Update
3. Reserving requirements/ Financial instruments
4. Union participation/ Joint Committee Update
5. Public Officials insurance and Errors and Omissions insurance update

****Disclaimer: While these items have been discussed, NONE of them have been voted on or finalized. All plans are in the DRAFT phase.*

Present:

Municipalities:

Steve Thayer- City of Ithaca , Anita Fitzpatrick -County of Tompkins , Don Barber -Town of Caroline , Laura Shawley- Town of Danby, Mary Ann Sumner -Town of Dryden, Judith Drake -Town of Ithaca , Kate Supron- Village of Cayuga Heights, Charles V. Rankin- Village of Groton

Union:

CSEA - Chantalse Demarco, President TC3 PAA - Darlene Finn,

Absent:

Town of Enfield, Town of Ulysses, Town of Groton, Village of Dryden, Village of Trumansburg

In attendance:

Steve Locey & David M Sanders-Locey & Cahill, Sharon Dovi -TC3 , Joe Mareane, & David Squires- Tompkins County, Greg Stevenson & David Teeter-Ithaca Paid Fire Fighters Association

Consortium Members:

County of Tompkins ~ City of Ithaca ~ Town of Caroline ~
Town of Danby ~ Town of Dryden ~ Town of Enfield ~ Town of Groton ~ Town of Ithaca ~
Town of Ulysses ~ Village of Cayuga Heights ~ Village of Dryden ~ Village of Groton ~ Village of Trumansburg

Welcome Agenda

Chair Don Barber called the meeting to order at 5:38pm.

1. Approval of March 2010 Minutes

March minutes were reviewed by the Board of Directors.

Motion: Mary Ann Sumner

Second: Charles V. Rankin

Discussion: Change the word "delusion" to "dilution" with several minor typos.

Carried: Unanimously

2. Financial Update

After a long and at times petulant communication with the NYS Insurance Department, an understanding has been reached. Mr. Locey provided the BODs a copy of a five year estimated fiscal forecast, in order to reveal the consortiums estimated future budgets.

There were two main areas of disagreement with the NYSID.

The first area are the Paid Claims Numbers.

Mr. Locey still does not agree with the State's figures, however they make the rules and we follow. The following document has been amended to match the NYSID's methodology.

Expense	Original Estimate	Revised Estimate
Paid Claims	\$17,569,409.00	\$20,005,221.00
Admin. Fee	\$693,168.00	\$686,112.00
Specific Stop Loss	\$259,938.00	\$381,672.00
Aggregate Stop Loss	\$75,000.00	\$32,521.00
Surety Bond fee/ interest	n/a	\$66,000.00
Total Expense	\$19,024,398.00	\$21,598,409.00
Ending balance	\$5,490,310.93	\$2,916,299.93

Second area of dispute is Liabilities. Mr. Locey reviewed the consortium liability numbers, determined by the State and presented in our existing budget estimates.

Liability	Original Estimate	Revised Estimate
IBNR Reserve	\$3,422,509.95	\$3,946,592.07
Rate Stabilization Reserve	\$1,223,735.45	\$1,223,735.45

Unencumbered Fund Bal.	\$844,065.54	<-\$2,254,027.58>
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The <-\$2,254,027.58> deficit will need to be guaranteed by some method, according to the NYS Insurance Department. The new line item, **Surety Bond fee/ interest**, reflects the amount of \$66,000.00, which is an estimated three percent interest on a 2.2 million dollar surety bond.

Mr. Locey stated that this entire process is based on assumptions; his professional opinion is that there will be a greater amount of cash flow at the end of the budget year. Only after the consortium's first year will "real" costs be exposed, determining our Net Income, Fund Balance, Income and Expenses. The newest model changes are made in order to provide and satisfy the NYS Insurance Department's interpretation of Article 47.

Mr. Locey provided the BOD a five year fiscal forecast from 2011 to 2015, with a list of ten assumptions, which he covered in detail. Each provides an array of changing expenses and income amounts via a multitude of changes from year to year. The end result is a positive balance of \$744,802.69 following the 2015 budget year.

When asked for his professional opinion of the actual IBNR that will be experienced by the consortium, Mr. Locey stated 7-9%. The State is asking us to use 17%, which has been lowered from the original amount of 25%. Mr. Locey's estimates are compiled from data contributed by the City, County and Town of Ithaca, which represent over ninety percent of the entire consortium covered. Excellus BCBS, indirectly, has confirmed Mr. Locey's estimates as they are asking for only 1.9 million to cover the consortium's run out. Mr. Locey believes that the States numbers are very conservative and in effect count two million dollars worth of expenses twice, once in paid claims and than again in run-out.

Cash Flow

The NYS Insurance Department is concerned that on day one, the consortium does not have any capital. The consortium is being treated as a small insurance company, not a municipal entity, which doesn't have business-like capacities. At the very least the consortium will need 1.9 million (Rate Stabilization Reserve) in order to start, according to the NYSID. Mr. Locey proposed that it is estimated the consortium will bring in 2 million dollars a month (through collecting premiums) and that by doubling the first month's premiums the reserve would be reached. According to Mr. Locey after year one the consortium will have nearly three million dollars above expenses. However, interpretation of Article 47 by NYS Insurance Department differs significantly.

3. Reserving requirements/ financial instruments

Mr. Barber summarized to date, the communication with the NYSID on reserve

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requirements section 1300 of Article 47. The meeting discussed the Municipal Cooperative Agreement (MCA) obligations, moral commitment, and the proposed usage of a surety Bond, to cover liabilities if the consortium were to disband prior to positive cash flow.

NOTE: The MCA describes in detail who, how and what obligations each entity is responsible for in such an event.

The NYSID Commissioner has, to date, not provide the Consortium with an opinion on the use of a Surety Bond. Mr. Barber assures the BOD that he calls on a regular basis, hoping to bring to a successful end to the last two remaining issues, which include Reserve Requirement and Unions Participation.

A long brainstorming session began which expressed several possible reserving options needed to cover the 2.2 million dollar deficit as described by the NYSID methodology, they include:

- Donating capital similar to that of NYMIR (New York Municipal Insurance Reciprocal) for Municipalities that are fiscally able to contribute. Constitutional issues and concerns will be explored and studied.
- Venture capital, lending the consortium money with a three percentage interest rate.
- Letter of Credit (LOC) possibly the best option, but unfortunately not a viable one, since the consortium doesn't have financial statements. LOC is half the cost of a Surety Bond.
- MCA obligation and taxing power, what type of collateral does that provide?
- Increase premiums by 9 %, not a practical option.
- Contact the State Comptroller in order to solidify an appropriate path.

Bottom line, according to Mr. Locey the NYSID wants 5.5 millions to cover 2 millions dollars worth of liability, although our estimates will illustrate deficits, and our "true" numbers will be much less. Per Mr. Barber, do we wait for the NYSID to make a decision or do we become proactive and attempt to solve the issue ourselves.

4. Union participation/ Joint Committee Update

Ms. Demarco stated that the Unions are scheduled to meet on Monday, May 3rd. They will concentrate on some revisions, which focus on the following area; language/ collective bargaining topics, number of Unions representatives, increasing comfort with changes in the voting rights definition, and determining Union verses Bargaining Unit issues.

5. Public Officials insurance and Errors and Omissions insurance update

Mr. Locey provided the following quotes:

Public Officials Insurance -cost \$11,500 –covers the consortium negligence e.g.: did not pay a claim that was disputed.

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Errors and Omissions cost- \$9,000 -covers individual Board members for decisions made.

Both insurance coverage is necessary, which would increase the budget by about \$10,000.

Additional Agenda items

Effect on Community rating changes.

Questions arose to the status of the Town of Groton, who has not had regularly attended the BOD meetings to date. Mr. Don Barber stated that he has not heard anything which would leave him to believe that the Town of Groton was no longer a member of the Consortium, but that he would contact their Town Supervisor to confirm their status.

Adjournment 6:42

Motion: Kate Supron

Second: Laura Shawley

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Greater Tompkins County Municipal Health Insurance Consortium
2010 Fiscal Year Preliminary Budget Estimates

	Original Estimates	Revised Estimates	Future Estimates	Future Estimates	Future Estimates	Future Estimates	Future Estimates	Future Estimates
	2010 Fiscal Year	2010 Fiscal Year	2011 Fiscal Year	2012 Fiscal Year	2013 Fiscal Year	2014 Fiscal Year	2015 Fiscal Year	2015 Fiscal Year
Beginning Balance	\$0.00	\$0.00	\$2,982,299.93	\$3,585,881.34	\$4,465,794.18	\$5,662,109.66	\$7,219,603.54	\$7,219,603.54
Income								
Premium	\$24,474,708.93	\$24,474,708.93	\$26,799,806.28	\$29,345,787.87	\$32,133,637.72	\$35,186,333.31	\$38,529,034.97	\$38,529,034.97
Interest	\$40,000.00	\$40,000.00	\$29,823.00	\$35,858.81	\$44,657.94	\$56,621.10	\$72,196.04	\$72,196.04
Other	\$0.00	\$0.00	\$150,000.00	\$150,000.00	\$150,000.00	\$150,000.00	\$150,000.00	\$150,000.00
Total Income	\$24,514,708.93	\$24,514,708.93	\$26,979,629.28	\$29,531,646.69	\$32,328,295.66	\$35,392,954.40	\$38,751,231.01	\$38,751,231.01
Expenses								
Paid Claims	\$17,569,409.00	\$20,005,221.00	\$24,745,094.38	\$26,935,035.24	\$29,318,785.86	\$31,913,498.40	\$34,737,843.01	\$34,737,843.01
Admin. Fees	\$693,168.00	\$686,112.00	\$713,556.48	\$713,556.48	\$713,556.48	\$713,556.48	\$713,556.48	\$713,556.48
NYS Graduate Medical Exp.	\$231,883.00	\$231,883.00	\$243,477.15	\$255,651.01	\$268,433.56	\$281,855.24	\$295,948.00	\$295,948.00
Specific Stop-Loss (Ded. \$250K)	\$259,938.00	\$381,672.00	\$438,922.80	\$504,761.22	\$580,475.40	\$667,546.71	\$767,678.72	\$767,678.72
Aggregate Stop-Loss (125%)	\$75,000.00	\$32,521.00	\$34,147.05	\$35,854.40	\$37,647.12	\$39,529.48	\$41,505.95	\$41,505.95
Legal Fees	\$25,000.00	\$25,000.00	\$25,750.00	\$26,522.50	\$27,318.18	\$28,137.72	\$28,981.85	\$28,981.85
Consultant Fees	\$50,000.00	\$50,000.00	\$51,500.00	\$53,045.00	\$54,636.35	\$56,275.44	\$57,963.70	\$57,963.70
Audit Fees	\$5,000.00	\$5,000.00	\$5,150.00	\$5,304.50	\$5,463.64	\$5,627.54	\$5,796.37	\$5,796.37
Insurances (Directors & Officers)	\$10,000.00	\$10,000.00	\$10,300.00	\$10,609.00	\$10,927.27	\$11,255.09	\$11,592.74	\$11,592.74
Internal Coordination (Finance)	\$57,000.00	\$57,000.00	\$58,710.00	\$60,471.30	\$62,285.44	\$64,154.00	\$66,078.62	\$66,078.62
Internal Coordination (Support)	\$43,000.00	\$43,000.00	\$44,290.00	\$45,618.70	\$46,987.26	\$48,396.88	\$49,848.79	\$49,848.79
Other Expenses	\$5,000.00	\$5,000.00	\$5,150.00	\$5,304.50	\$5,463.64	\$5,627.54	\$5,796.37	\$5,796.37
Total Expenses	\$19,024,398.00	\$21,532,409.00	\$26,376,047.86	\$28,651,733.85	\$31,131,980.18	\$33,835,460.53	\$36,782,590.61	\$36,782,590.61
Net Income	\$5,490,310.93	\$2,982,299.93	\$603,581.41	\$879,912.84	\$1,196,315.48	\$1,557,493.87	\$1,968,640.40	\$1,968,640.40
Ending Balance	\$5,490,310.93	\$2,982,299.93	\$3,585,881.34	\$4,465,794.18	\$5,662,109.66	\$7,219,603.54	\$9,188,243.93	\$9,188,243.93
Liabilities								
IBNR Reserve	\$3,422,509.95	\$3,935,372.07	\$4,483,928.14	\$4,870,794.75	\$5,292,436.63	\$5,752,028.29	\$6,253,040.40	\$6,253,040.40
Rate Stabilization Reserve	\$1,223,735.45	\$1,223,735.45	\$1,339,990.31	\$1,467,289.39	\$1,606,681.89	\$1,759,316.67	\$1,926,451.75	\$1,926,451.75
Unencumbered Fund Balance	\$844,065.54	-\$2,176,807.58	-\$2,238,037.11	-\$1,872,289.96	-\$1,237,008.85	-\$291,741.42	\$1,008,751.78	\$1,008,751.78

Assumptions 2011 to 2014 Fiscal Years

1. Premium Revenue Increased by 9.5%
2. Interest Income = 1% of Beginning Balance
3. Prescription Drug Rebates = \$150,000
4. Paid Claims Trend = 8.85%
5. Administrative Fees Per Agreement with Excellus BCBS
6. NYS GME Increased by 5%
7. Specific Stop-Loss Insurance Increased by 15%
8. Aggregate Stop-Loss Insurance Increased by 5%
9. All other Fees Increased by 3%

1/12/10

Consortium Reserving

One of the final sticking points for getting the Greater Tompkins County Health Insurance Consortium (Consortium) Certificate of Authority is getting enough reserves to meet the requirements of Article 47.

For background, the Consortium has been in regular contact with NYSID about this issue for 4 months now. For the first half of this time, the Consortium did not understand that the pro-forma analysis, which shows plenty of cash flow to cover all immediate liabilities, was not satisfactory to NYSID to show that the Consortium would be solvent. Once this was made crystal clear, the Consortium was faced with three options- raise premiums to a rate much higher than the private sector rates even for "community rated" plans; collect capitalization funds from local governments; or ask NYSID to consider other options not covered under Article 47.

The Consortium rejected the first option for a number of reasons including the effect on current budgets which have been set since last November and the impact on our employees that often share some of the premium expense.

The Consortium is currently working on the second option, but with the stress on local governments to use fund balances to cover shortfall in State aid (revenue sharing), most local governments do not have excess funds in unreserved fund balance. So we might be able to make up some of the reserving requirements right now, it is clear that we will not be able to make up the entire \$2.2 million, which means that we need find other funds. The Consortium Board has met and will continue to meet on this option.

For the third option, the Consortium has asked NYSID to consider a Surety Bond to cover any shortfall between admitted assets and the reserving requirement. We recognized that this is not an avenue articulated in Article 47, but we also know that the Insurance Commissioner has some discretionary latitude. Knowing that anticipated health insurance premiums can be counted as an admitted asset, the Consortium felt that purchasing an insurance policy that would pay the claims costs, in the unlikely event that the reserves were inadequate, would provide security for the program. The Consortium has explained to NYSID that finding \$2.2 Million in actual cash from 13 municipalities is very hard. We are waiting for the Commissioner to be briefed on this issue by his staff.

A fourth alternative has recently surfaced where by the municipalities pledge to pay their share of the reserves over a 5 year period. This would allow the municipalities to develop the funds needed through the taxing power they have and not cause havoc with cash availability in one calendar year. The Board will discuss this and we have broached this idea with NYSID. NYSID has allowed this model to be used in the case of NYMR, a property/casualty municipal insurance reciprocal.

Two final statements that should be made to complete the picture.

One: Article 47 requires 25% reserving for IBNR. The Consortium has actual claim data for 85% of the population and the actual experience is 10% IBNR. NYSID has dropped the IBNR Reserving

requirement to 17%. This has helped, but it is with the 17% IBNR that we are now at a \$2.2 million reserve deficit.

Two: the Consortium has a concurrent threshold to meet besides reserving. That threshold is to satisfy Article 47 requirement of union representation. This issue is in productive negotiations.

If you have further questions or need clarification please contact either myself, Don Barber chair of Consortium Board of Directors or our consultant: Steve Locey of Locey and Cahill

Sincerely,

Don Barber