

**GREATER TOMPKINS COUNTY MUNICIPAL  
HEALTH INSURANCE CONSORTIUM**

**Ithaca, New York**

**FINANCIAL REPORT**

**For the Years Ended  
December 31, 2022 and 2021**



Certified Public Accountants | Business Advisors

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# ***GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM***

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Greater Tompkins County Municipal Health Insurance Consortium  
Ithaca, New York

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying financial statements of the Greater Tompkins County Municipal Health Insurance Consortium (the Consortium), as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Consortium's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Consortium, as of December 31, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Consortium, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Consortium's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Consortium's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Consortium's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Consortium's basic financial statements. The Schedules of Changes in Net Position and Claim Development Information are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The Schedules of Changes in Net Position and Claim Development Information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedules of Changes in Net Position and Claim Development Information are fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2023, on our consideration of the Consortium's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Consortium's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Insero & Co. CPAs, LLP  
Certified Public Accountants

Ithaca, New York  
April 24, 2023

# **GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2022 AND 2021**

The following Management's Discussion and Analysis (MD&A) provides a comprehensive overview of the financial position of the Greater Tompkins County Municipal Health Insurance Consortium (the Consortium) as of December 31, 2022 and 2021, and its results of operations for the years then ended. Because the MD&A is designed to focus on current operations, it should be read in conjunction with the audited financial statements and related footnotes.

### **Financial Highlights**

For the year ended December 31, 2022, the Consortium's net position decreased by \$228,696. The decrease in net position is mainly attributable to an excess of claims and claims administrative expenses over revenues received. For the year ended December 31, 2021, the Consortium's net position decreased by \$3,749,339. For the year ended December 31, 2020, the Consortium's net position increased by \$672,166. Decreases in net position are mainly attributable to an excess of claims and claims administrative expenses over revenues received.

The Consortium's net position consists of the following:

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Restricted for Contingency Reserve	\$ 2,729,555	\$ 2,669,495	\$ 2,409,497
Catastrophic Claims Self-Insurance Fund	4,808,739	4,642,294	5,032,220
Rate Stabilization Reserve	3,892,443	4,004,101	3,391,769
Unrestricted - Undesignated Net Position	<u>10,591,408</u>	<u>10,934,951</u>	<u>15,166,694</u>
<b>Total Net Position</b>	<b><u>\$ 22,022,145</u></b>	<b><u>\$ 22,250,841</u></b>	<b><u>\$ 26,000,180</u></b>

A summary of operating and nonoperating revenues and expenses follows:

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Premiums	\$ 54,591,095	\$ 53,389,902	\$ 48,189,940
Nonoperating Revenues - Interest Earnings	111,585	99,529	266,205
Nonoperating Revenues - Gain on Investments	-	-	56,800
Nonoperating Revenues - Other	-	-	-
<b>Total Revenues</b>	<u>54,702,680</u>	<u>53,489,431</u>	<u>48,512,945</u>
Operating Expenses	54,677,053	55,984,642	47,653,672
Nonoperating Expenses - Loss on Investments	436,765	193,376	-
Nonoperating Expenses - Other	11,503	23,066	(4,535)
<b>Total Expenses</b>	<u>55,125,321</u>	<u>56,201,084</u>	<u>47,649,137</u>
Adjustment for Incurred But Not Reported Claims	<u>193,945</u>	<u>(1,037,686)</u>	<u>(191,642)</u>
<b>(Decrease) Increase in Net Position</b>	<b><u>\$ (228,696)</u></b>	<b><u>\$ (3,749,339)</u></b>	<b><u>\$ 672,166</u></b>

# ***GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM***

## **MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2022 AND 2021**

### **Financial Statement Overview**

The financial statements of the Greater Tompkins County Municipal Health Insurance Consortium have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), and related standards prescribed by the Governmental Accounting Standards Board (GASB).

The financial statements presented include Statements of Net Position; Statements of Revenues, Expenses, and Changes in Net Position; and Statements of Cash Flows. These statements provide information about the Consortium's financial position, its results of operations, and cash flows for the periods presented.

The Statements of Net Position are similar to a balance sheet in that they include the Consortium's assets and liabilities. Unlike a balance sheet, liabilities are subtracted from total assets to present what is referred to as "net position."

The Statements of Net Position classify all assets and liabilities as either current or noncurrent. Current assets are assets that will be recognized within the following twelve months. Similarly, current liabilities are those obligations that will be liquidated within the following twelve months. Over time, changes in net position may indicate strength or deterioration in the Consortium's financial position.

The Statements of Revenues, Expenses, and Changes in Net Position reflect all operating and nonoperating revenues and expenses for the periods presented, the change in net position based on those revenues and expenses, any adjustments to net position, and beginning and ending net position. Revenue is reported in this statement when it is earned, and expenses are recorded when the obligation has been incurred.

The Statements of Cash Flows provide information on major sources and uses of cash during the year. The cash flow statement portrays net cash provided or used in operations, investing, capital, and noncapital financing activities.

# **GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2022 AND 2021**

### **Statements of Net Position**

The Statements of Net Position represent the financial position of the Greater Tompkins County Municipal Health Insurance Consortium at December 31, 2022, 2021, and 2020. The following table reflects, in summary, the financial position of the Consortium at December 31,:

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Current Assets	\$ 12,849,975	\$ 12,420,780	\$ 16,087,981
Noncurrent Assets	<b>18,892,500</b>	18,904,898	17,423,808
<b>Total Assets</b>	<b>31,742,475</b>	<b>31,325,678</b>	<b>33,511,789</b>
Current Liabilities	<b>9,720,330</b>	9,075,637	7,511,609
<b>Total Liabilities</b>	<b>9,720,330</b>	<b>9,075,637</b>	<b>7,511,609</b>
<b>Net Position</b>	<b>\$ 22,022,145</b>	<b>\$ 22,250,041</b>	<b>\$ 26,000,180</b>

The increase in total assets in 2022 is mainly due to increased premiums receivable. The decrease in total assets in 2021 is mainly due to decreased cash and unrestricted investments as a result of the operating results for 2021. The increases in current liabilities are primarily due to increased unearned premiums in 2022 and increased incurred claims liability in 2021.

### **Statements of Revenues, Expenses, and Changes in Net Position**

The Statements of Revenues, Expenses, and Changes in Net Position present the results of operations of the Consortium for the years ended December 31,:

#### **Revenue Overview**

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Premiums	\$ 54,591,095	\$ 53,389,902	\$ 48,189,940
Interest Earnings	<b>111,585</b>	99,529	266,205
Gain on Investments	-	-	56,800
Nonoperating Revenues - Other	-	-	4,535
<b>Total Revenues</b>	<b>\$ 54,702,680</b>	<b>\$ 53,489,431</b>	<b>\$ 48,517,480</b>

The increase in premium revenue for 2022 is primarily the result of 4 new municipalities joining the Consortium along with premium increases necessitated by the rising cost of health care. The increase in premium revenue for 2021 was primarily the result of 6 new municipalities joining the Consortium along with premium increases necessitated by the rising cost of health care. The decreases in interest earnings are mostly due to decreased interest rates. Prior investment gains are a result of market conditions.



# **GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2022 AND 2021**

### **Expense Overview**

The following table summarizes expenses by function for the years ending December 31,:

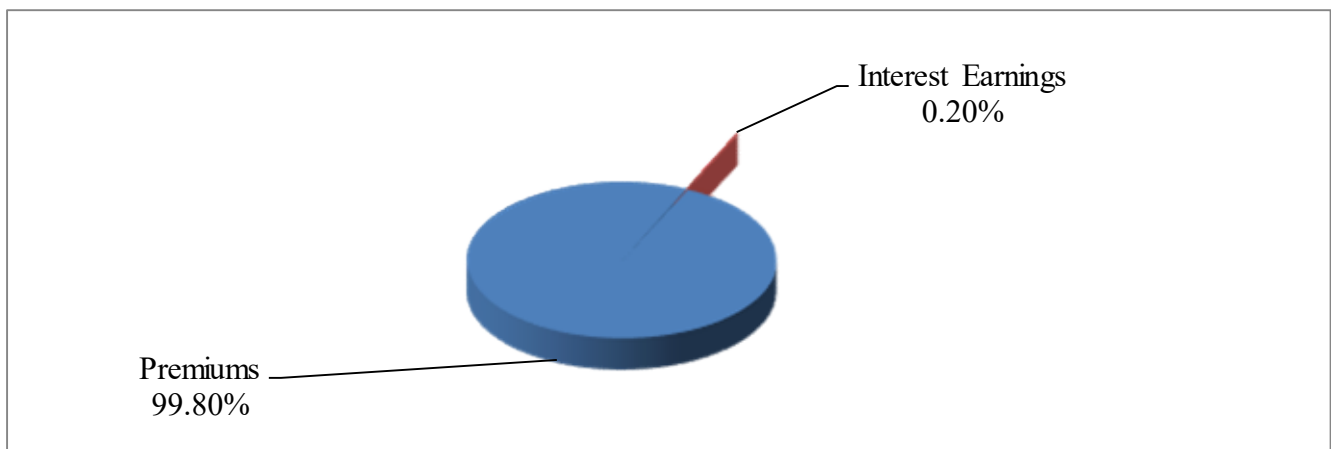
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Claims Expense	\$ 51,505,375	\$ 53,024,900	\$ 44,933,332
Compensation	420,883	402,891	303,208
Professional and Consulting	157,032	165,655	216,269
Reinsurance Expenses, Net of Recoveries	303,595	270,471	234,193
Insurance	50,588	50,588	43,612
Claims Administration Fees	1,813,731	1,678,883	1,596,782
Aggregate Write-ins for Other Expenses	425,849	391,254	326,276
Loss on Investments	436,765	193,376	-
Other Expenses	11,503	23,066	-
<b>Total Expenses</b>	<b>\$ 55,125,321</b>	<b>\$ 56,201,084</b>	<b>\$ 47,653,672</b>

The decrease in claims expense for 2022 is primarily a result of medical claims being 8.36% below budgeted levels due to member participation in lower cost health insurance plans. The increase in claims expense for 2021 is primarily a result in increased insurance claims paid for participating municipality employees and the addition of new participating municipalities into the Consortium. The increases in claims administrative and other expenses are primarily due to increased costs associated with adding new municipalities into the Consortium. The changes in reinsurance are primarily due to timing of reimbursement payouts and the cost of reinsurance. Loss on investments is a result of market conditions.

### **Sources of Revenue and Expenses for the years ended December 31, 2022, 2021, and 2020.**

The following are graphic illustrations of revenues by source:

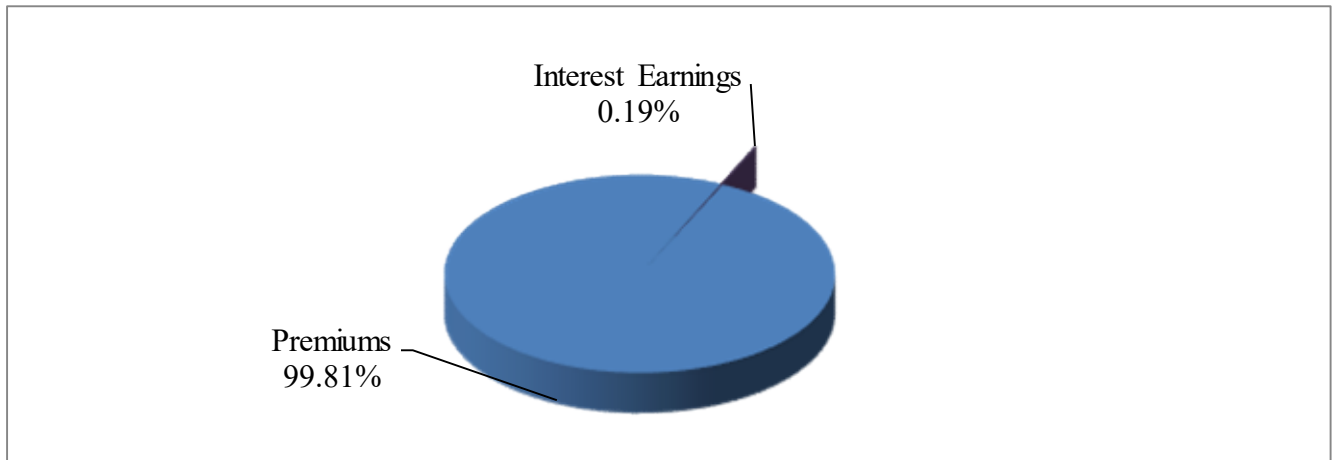
**Sources of Revenue  
2022**



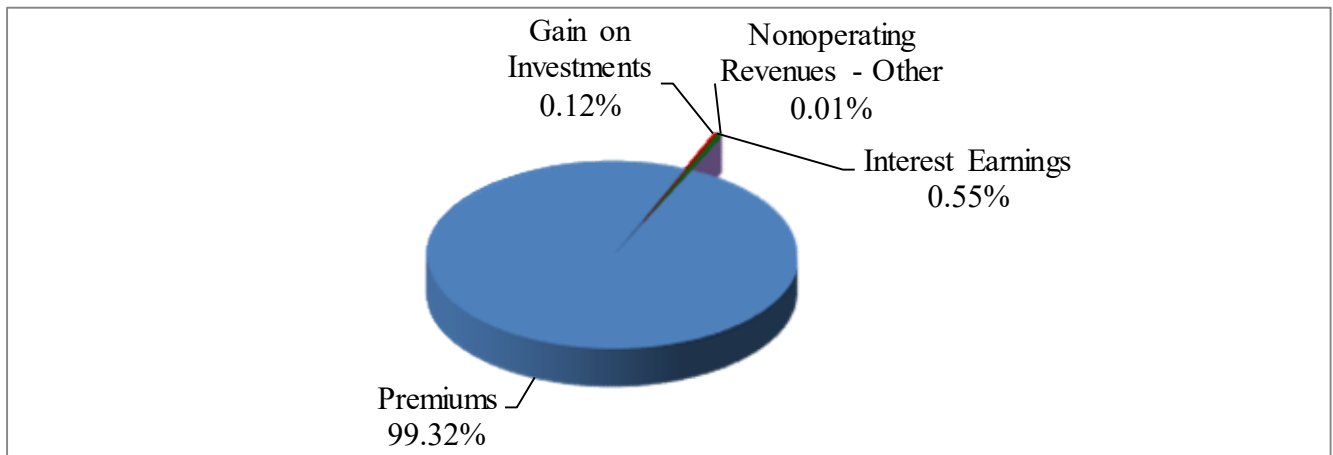
# **GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2022 AND 2021**

**Sources of Revenue  
2021**



**Sources of Revenue  
2020**

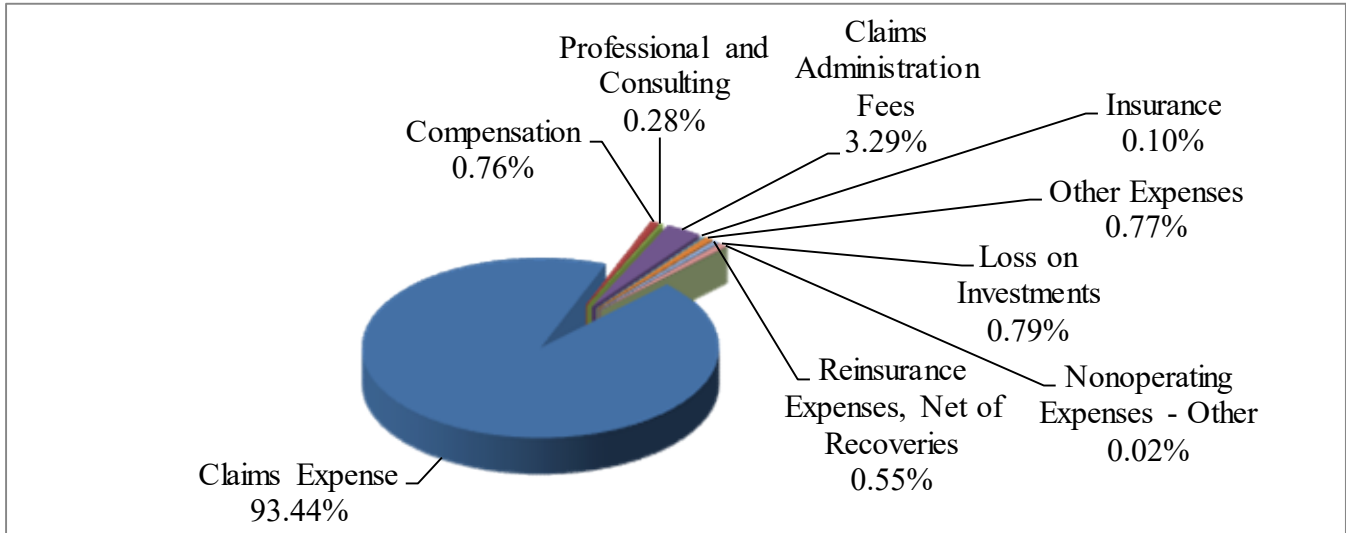


# **GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM**

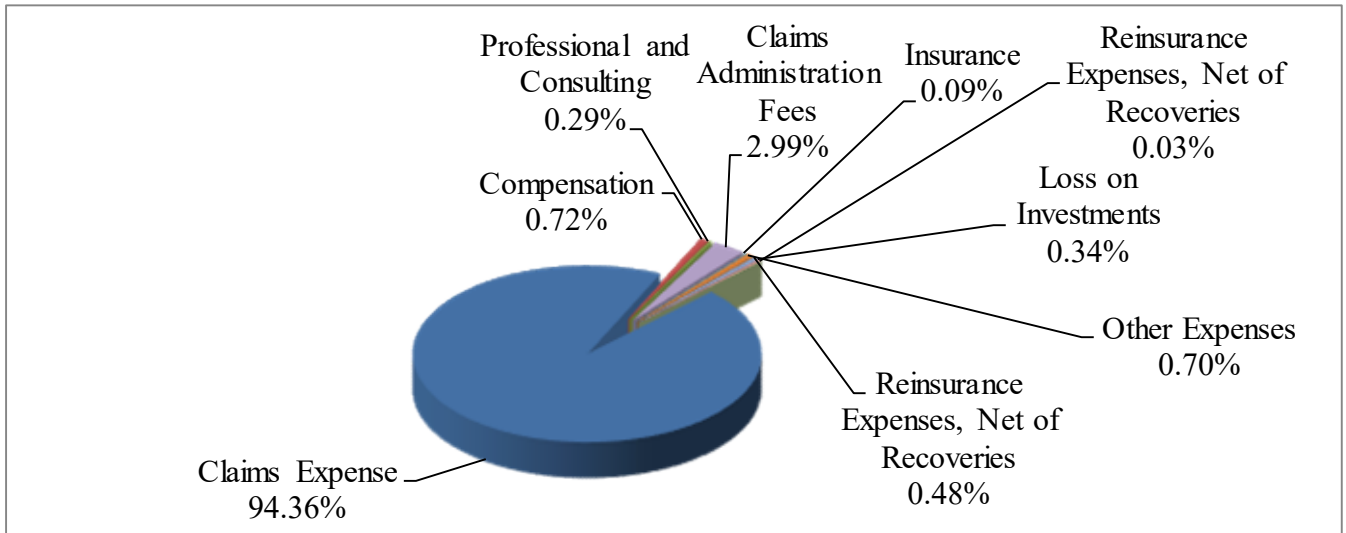
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2022 AND 2021**

The following are graphic illustrations of operating expenses by source:

## **Operating Expenses 2022**



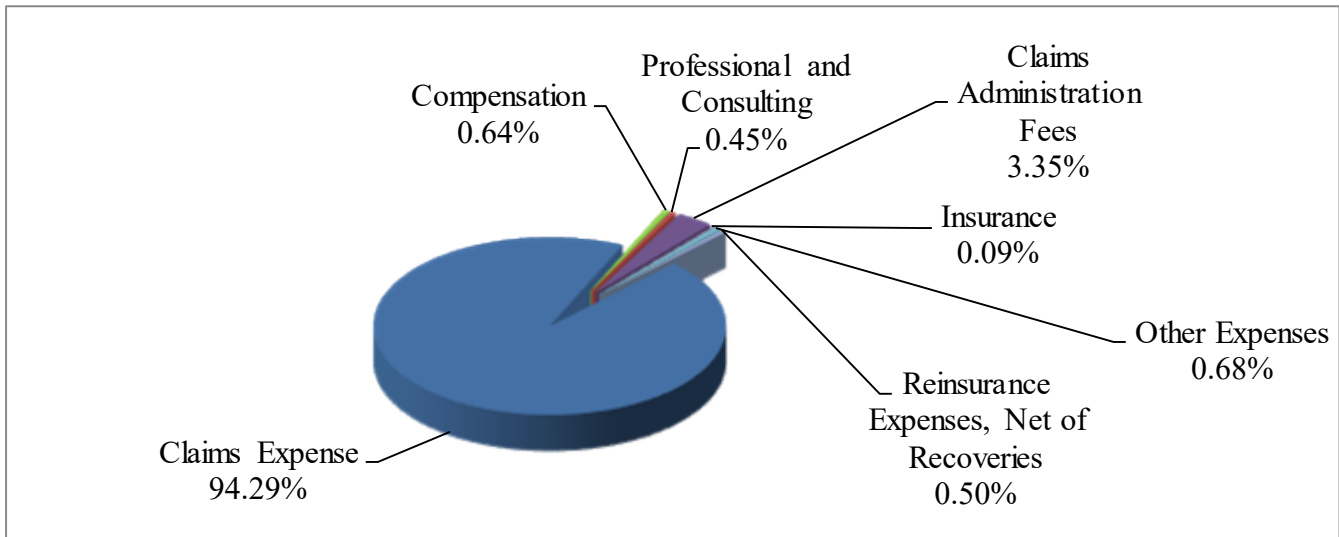
## **Operating Expenses 2021**



# **GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2022 AND 2021**

## **Operating Expenses 2020**



### **Economic Factors Affecting the Future**

#### **Consortium Overview**

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 which was started from “the ground up” since the law’s effective date in the early 1990’s.

In the fall of 2021, the Board of Directors approved four (4) new municipalities to join the Consortium in 2022. The new members were the Towns of Erwin and Throop and the Villages of Minoa and Fayetteville. With these new municipalities, the Consortium has seen its list of municipal partners grow from its original thirteen (13) members to fifty-three (53) municipal partners at the close of the 2022 Fiscal Year.

# **GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2022 AND 2021**

In the fall of 2022, the Board of Directors approved an additional eight (8) new municipal partners that began coverage on January 1, 2023. Unfortunately, the Town of Onondaga withdrew their application after they had been accepted as a new participant. The other seven (7) participants that joined included the Towns of Camillus, DeRuyter, Dewitt and Hastings; the Villages of Camillus and Skaneateles; and the Dewitt Fire District. Please refer to the following for a complete list of the Participating Municipalities as of December 31, 2022:

Municipality Name	Effective Date
City of Ithaca	1/1/2011
County of Tompkins	1/1/2011
Town of Caroline	1/1/2011
Town of Danby	1/1/2011
Town of Dryden	1/1/2011
Town of Enfield	1/1/2011
Town of Groton	1/1/2011
Town of Ithaca	1/1/2011
Town of Ulysses	1/1/2011
Village of Cayuga Heights	1/1/2011
Village of Dryden	1/1/2011
Village of Groton	1/1/2011
Village of Trumansburg	1/1/2011
City of Cortland	1/1/2013
Town of Lansing	1/1/2013
Town of Willet	1/1/2015
Village of Homer	1/1/2015
Town of Marathon	1/1/2016
Town of Truxton	1/1/2016
Town of Virgil	1/1/2016
* Founding Members	

Municipality Name	Effective Date
Town of Aurelius	1/1/2017
Town of Cincinnatus	1/1/2017
Town of Montezuma	1/1/2017
Town of Moravia	1/1/2017
Town of Preble	1/1/2017
Town of Scipio	1/1/2017
Town of Springport	1/1/2017
Village of Union Springs	1/1/2017
Town of Homer	1/1/2018
Town of Newfield	1/1/2018
Town of Owasco	1/1/2018
County of Seneca	1/1/2019
Town of Big Flats	1/1/2019
Town of Mentz	1/1/2019
Town of Niles	1/1/2019
Town of Sennett	1/1/2019
Village of Freeville	1/1/2019
Village of Horseheads	1/1/2019
Village of Lansing	1/1/2019
Town of Horseheads	1/1/2020

Municipality Name	Effective Date
Town of Spencer	1/1/2020
Village of Watkins Glen	1/1/2020
Lansing Library	1/1/2020
Town of Catharine	1/1/2021
Town of Cuyler	1/1/2021
Town of Dix	1/1/2021
Town of Hector	1/1/2021
Town of Tioga	1/1/2021
Village of Owego	1/1/2021
Town of Erwin	1/1/2022
Town of Throop	1/1/2022
Village of Minoa	1/1/2022
Village of Fayetteville	1/1/2022

The Consortium has petitioned the NYS Department of Financial Services to expand its geographical boundaries to include Livingston and Monroe Counties. As a result of this expected growth, the Consortium continues to look at strategic objectives that will maintain rate stabilization for its members and prudently manage the increased level of risk associated with growing membership levels.

To ensure premiums continue to support our growth a consultant was secured at the end of 2022 to audit our premium equivalent rates. Coincidentally the NYS Department of Financial Services notified the Consortium at the end of 2022 that it would be examining our plan and focus on risk management. The audit commenced and has continued into 2023.

The goal is to keep premium increases as low as possible while continuing to ensure all reserves are funded to a reasonable and prudent level.

# **GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2022 AND 2021**

In-house staffing levels were maintained by the Consortium in 2022. When the Consortium Treasurer retired at the end of 2022, the Finance Manager took on all responsibilities relative to that position. The Consortium then amended the Municipal Cooperative Agreement to include eliminating the Treasurer position going forward as those duties have been assumed by the in-house Finance Manager.

The following chart demonstrates how the Consortium continues to be financially efficient while it enhances the services it provides to the participating municipalities and keeps overall administrative costs at less than 7.0% of total Consortium expenses:

<b>Expense Category</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>Medical and Rx Paid Claims</b>	95.31%	93.96%	95.09%	94.89%	93.79%
<b>Claims Administration Fees</b>	2.48%	2.88%	2.82%	2.88%	3.11%
<b>Stop-Loss Insurance</b>	0.95%	1.27%	0.47%	0.46%	0.51%
<b>Taxes and Fees</b>	0.53%	0.68%	0.57%	0.62%	0.68%
<b>Professional Services</b>	0.43%	0.54%	0.41%	0.28%	0.27%
<b>Insurance/Internal Fees (Staffing)</b>	0.29%	0.63%	0.63%	0.82%	0.90%
<b>Other/Miscellaneous Fees</b>	0.01%	0.05%	0.02%	0.05%	0.75%
<b>Total Cash Assets</b>	100.00%	100.00%	100.00%	100.00%	100.00%

### **Escalating Cost of Medical Services and Prescription Medications**

Medical claims for 2022 were 8.36% below budgeted levels primarily due to member participation in lower cost health insurance plans. Prescription drug costs were 3.53% over budget in 2022, an increase of 5.36% from the previous year. This upward movement lead to adjustments to our trend models during the budget development process for the 2023 fiscal year.

As with all health insurance plans, the growth in the cost of prescription drug claims is an ongoing concern as the cost for new drugs are being introduced at unprecedented levels. Two such drugs introduced in 2022, Skysona and Zolgensma, each came to the market at a cost exceeding \$2M per treatment. The Consortium will continue to work closely with our plan consultants and Pharmacy Benefit Manager to monitor pharmacy paid claims trends to ensure the premium rates keep pace with the growth in the paid claims cost each year.

The Consortium Staff, Audit & Finance Committee, and Board of Directors continually monitors the paid claims trends as developed by the Plan's Consultant, Locey & Cahill, LLC, to ensure the Consortium's budget and premium equivalent rates are adequate. Over the years of operation, the Consortium's total paid claims have come in 3.62% below the budgeted amount.

# **GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM**

## **MANAGEMENT’S DISCUSSION AND ANALYSIS DECEMBER 31, 2022 AND 2021**

The chart below shows the Consortium’s budgeted paid claims versus the Consortium’s actual paid claims for each year of operation:

Fiscal Year	Budget Claims			Actual Results			Variance (Budgeted Claims -v- Actual Results)	
	Medical Claims	Rx Claims	Total Claims	Medical Claims	Rx Claims	Total Claims	Total Claims	
2011	\$ 15,947,080.94	\$ 5,828,602.12	\$ 21,775,683.06	\$ 15,685,691.75	\$ 6,504,972.43	\$ 22,190,664.18	\$ 414,981.12	1.91%
2012	\$ 19,674,216.88	\$ 6,496,006.90	\$ 26,170,223.78	\$ 18,085,105.63	\$ 6,683,363.26	\$ 24,768,468.89	\$ (1,401,754.89)	-5.36%
2013	\$ 21,415,385.07	\$ 7,070,903.51	\$ 28,486,288.58	\$ 21,606,445.39	\$ 6,881,127.63	\$ 28,487,573.02	\$ 1,284.44	0.00%
2014	\$ 22,817,790.22	\$ 7,294,687.16	\$ 30,112,477.38	\$ 22,323,357.41	\$ 7,388,617.00	\$ 29,711,974.41	\$ (400,502.97)	-1.33%
2015	\$ 25,019,785.25	\$ 7,995,686.92	\$ 33,015,472.17	\$ 20,488,247.86	\$ 8,513,468.25	\$ 29,001,716.11	\$ (4,013,756.06)	-12.16%
2016	\$ 24,721,129.41	\$ 9,112,459.27	\$ 33,833,588.68	\$ 24,569,270.48	\$ 10,190,718.01	\$ 34,759,988.49	\$ 926,399.81	2.74%
2017	\$ 27,333,613.53	\$ 12,004,678.56	\$ 39,338,292.09	\$ 25,776,547.72	\$ 11,109,131.73	\$ 36,885,679.45	\$ (2,452,612.64)	-6.23%
2018	\$ 27,872,149.95	\$ 12,314,156.34	\$ 40,186,306.29	\$ 29,703,463.95	\$ 10,863,475.35	\$ 40,566,939.30	\$ 380,633.01	0.95%
2019	\$ 35,347,255.37	\$ 13,835,185.90	\$ 49,182,441.27	\$ 31,928,669.77	\$ 12,835,335.59	\$ 44,764,005.36	\$ (4,418,435.91)	-8.98%
2020	\$ 37,198,413.76	\$ 14,009,165.32	\$ 51,207,579.08	\$ 32,826,396.10	\$ 14,301,339.57	\$ 47,127,735.67	\$ (4,079,843.41)	-7.97%
2021	\$ 38,838,424.24	\$ 15,355,131.00	\$ 54,193,555.24	\$ 39,054,847.14	\$ 16,173,194.34	\$ 55,228,041.48	\$ 1,034,486.24	1.91%
2022	\$ 40,846,245.45	\$ 16,506,765.82	\$ 57,353,011.27	\$ 37,431,000.68	\$ 17,089,766.29	\$ 54,520,766.97	\$ (2,832,244.30)	-4.94%
Totals	\$ 337,031,490.07	\$ 127,823,428.82	\$ 464,854,918.89	\$ 319,479,043.88	\$ 128,534,509.45	\$ 448,013,553.33	\$ (16,841,365.56)	-3.62%

### New Mandates

The Federal No Surprises Act with new protections for end consumers commenced January 2022 and protects subscribers from surprise medical bills and makes it easier to understand the costs of health care services before services are secured. In addition, health care providers will be required to give a good faith estimate of the cost of the services prior to treatment and provide a pricing tool to compare prices for services. Also passed in 2022 was the Inflation Reduction Act that lowered out of pocket expenses for Medicare eligible individuals. New legislation mandating cost of coverage and those requiring administration and additional technology to manage contributes to the escalating cost of healthcare.

### COVID-19 Pandemic Level

Several of the benefits mandated during the COVID-19 Public Health Emergency continued through 2022. Although the Consortium started to see subscribers non-critical and/or non-essential appointments and/or procedures return to pre-pandemic levels, our medical claims finished 8.21% below the budgeted amount for the 2022 Fiscal Year. We did not experience the “hyper-inflation” anticipated to combat the concern with medical care staffing shortages, the rise in inflation, increased demand for services, and previous losses incurred by medical care providers. However, we are monitoring claims costs as this is still a possibility in future fiscal years.



# ***GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM***

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2022 AND 2021**

## **Specific Stop-Loss Insurance**

Section 4707(a)(2) of the New York State Insurance Law requires the Consortium to purchase “specific stop-loss coverage with a specific retention amount or attachment point not greater than four percent of the amount certified by a qualified actuary to represent the plan’s expected claims for the current fiscal year.” The Consortium Board of Directors passed Resolution No. 040-2020 authorizing the purchase of a specific stop-loss insurance policy from Excellus BlueCross BlueShield (“Excellus”) with a policy period deductible of \$1,000,000 for all covered insured members. The purchasing of specific stop-loss insurance at a \$1,000,000 deductible level creates a substantive risk to the Consortium and its financial stability and a policy was created for balancing the Catastrophic Claims Reserve with the predicted risk. The Catastrophic Self-Insurance Claims Pool was funded at the \$4,808,739.38 level at the close of the 2022 Fiscal Year.

The Catastrophic Self-Insurance Pool which converted the Catastrophic Claims Reserve into a fund that will be used to cover eligible expenses for covered members who have paid claims which exceed \$500,000 up to the specific stop-loss insurance deductible of \$1,000,000. The only exceptions to this payment are claimants who have a “laser” deductible placed on them. In addition to the funds from the Catastrophic Claims Pool, this Pool will be further funded with the variance between the quoted premium for a specific stop-loss insurance policy at the \$600,000 deductible level and the \$1,000,000 deductible level and with the interest earned on the Pool each year.



# **GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2022 AND 2021**

For the 2022 Fiscal Year, the Consortium experienced 4 claimants which needed to be funded by the Pool. Please refer to the chart below for the 2022 Fiscal Year Results as of December 31, 2022:

		<b>2022 Fiscal Year</b>
<b>Budgeted Premium</b>	<b>\$600,000 Deductible</b>	\$723,382.00
<b>Actual Premium Paid</b>	<b>\$1,000,000 Deductible</b>	\$295,916.60
<b>Premium Savings</b>		<b>\$427,465.40</b>
<b>Member # 000001179452</b>	<b>Deductible (Laser Applied)</b>	\$700,000.00
	<b>Actual Claims Paid</b>	\$702,073.85
	<b>Prior Year Lag Claims</b>	\$0.00
	<b>Catastrophic Claims Pool</b>	<b>\$2,073.85</b>
<b>Member # 000014335319</b>	<b>Deductible</b>	\$500,000.00
	<b>Actual Claims Paid</b>	\$0.00
	<b>Prior Year Lag Claims</b>	\$419.30
	<b>Catastrophic Claims Pool</b>	<b>\$0.00</b>
<b>Member # 000014235037</b>	<b>Deductible</b>	\$500,000.00
	<b>Actual Claims Paid</b>	\$629,589.83
	<b>Prior Year Lag Claims</b>	\$42.02
	<b>Catastrophic Claims Pool</b>	<b>\$129,589.83</b>
<b>Member # 00000346623</b>	<b>Deductible</b>	\$500,000.00
	<b>Actual Claims Paid</b>	<b>\$604,696.17</b>
	<b>Prior Year Lag Claims</b>	<b>\$0.00</b>
	<b>Catastrophic Claims Pool</b>	<b>\$104,696.17</b>
<b>Catastrophic Claims Self-Insurance Pool Claims</b>		<b>\$236,359.85</b>
<b>Net Impact on Fund Balance</b>		<b>\$191,105.55</b>
<b>Interest Earnings on Reserve</b>		<b>\$27,149.63</b>

This is an area which will be reviewed by the Board of Directors on an annual basis to ensure a tolerable balance is achieved between risk and the cost of stop-loss insurance.

# ***GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM***

## **MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2022 AND 2021**

### **Aggregate Stop-Loss Insurance**

We are pleased to report that the New York State Department of Financial Services continues to honor the waiver granted on December 5, 2017 to the Consortium relative to the requirement to purchase aggregate stop-loss insurance as found in §4707 of the New York State Insurance Law for 2021 and the foreseeable future. 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 was a reasonable approach. Waiving aggregate stop-loss insurance allows the Consortium to save annually on related premiums.

### **Rate Stabilization Reserve**

With paid claims and expense results below budget in the initial years of operation, the Board of Directors decided during the 2015 Fiscal Year, 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 originally set at 5% of the expected/paid claims expense for the year. However, with recent results performing better than expected, this reserve was increased to 7.5% of the expected/paid claims for the year. These funds are available to mitigate premium rate increases at budget time. 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 had a total balance of \$3,892,443.28 at the close of the 2022 Fiscal Year. The Board of Directors agreed to continue to set the Rate Stabilization Reserve at 7.5% of the expected paid claims for the 2022 Fiscal Year.

### **Incurred But Not Reported (IBNR) Claims Liability Reserve**

The Consortium continues to see a decrease in the IBNR calculation 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 the 2022 Fiscal Year was 5.72%. While this does not directly impact the mandated 12% of expected incurred 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 claims' liabilities.

### **Investment of Reserves**

During the 2018 Fiscal Year, the Board of Directors adopted an Investment Policy for the Consortium which included seeking assistance from outside professionals. The Consortium's Audit & Finance Committee interviewed several firms who specialize in Investment Management for the limited investment vehicles available to municipal cooperatives. The decision was made to contract with Wilmington Trust at the end of the 2018 Fiscal Year. At the direction of the Audit & Finance Committee, the Consortium's Chief Fiscal Officer, and the Consortium's Treasurer, funds were moved to Wilmington Trust in February of 2019. This action resulted in a significant increase in earned interest income as the Consortium saw its investments in 2019 create an additional \$443,163.55 in interest earnings as compared to the 2018 Fiscal Year. Unfortunately, with the economic impact of the COVID-19 pandemic, the interest earnings in 2022 were below previous years. The Consortium Leadership will continue to monitor and review the investment strategy on an ongoing basis to ensure the Consortium is maximizing its interest income whenever possible.

# **GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2022 AND 2021**

The Consortium, through its investment advisor Wilmington Trust, utilizes a mark to market accounting practice to record the value of its investments as determined by current market conditions. The market value is determined based on what the Consortium's investments are worth if they were sold at that point in time. At the end of the fiscal year, the Consortium's financial statements reflect the current market value of its investments, including investment gains and losses for the fiscal year end.

### **Patient Protection and Affordable Care Act**

The Affordable Care Act's (ACA's) ongoing implementation since its inception in 2010 has resulted in increased costs to the Consortium, including the Patient Centered Outcomes Research Institute (PCORI) Fee which is now expected to be in place through the 2029 Fiscal Year. A history of this fee is provided below:

Applicable Fiscal Year	Filing Deadline	Payment Fiscal Year	PCORI Rate (Per Life)	% Increase	Average Annual Covered Lives	Annual Fee
2012	7/31/2013	2013	\$1.00	n/s	4,448	\$4,448.00
2013	7/31/2014	2014	\$2.00	100.00%	5,126	\$10,252.46
2014	7/31/2015	2015	\$2.08	4.00%	5,015	\$10,431.20
2015	7/31/2016	2016	\$2.17	4.33%	5,024	\$10,902.08
2016	7/31/2017	2017	\$2.26	4.15%	5,063	\$11,442.38
2017	7/31/2018	2018	\$2.39	5.75%	5,172	\$12,361.08
2018	7/31/2019	2019	\$2.45	2.51%	5,201	\$12,742.45
2019	7/31/2020	2020	\$2.54	3.67%	6,174	\$15,681.96
2020	7/31/2021	2021	\$2.66	4.72%	6,275	\$16,691.50
2021	7/30/2022	2022	\$2.79	4.89%	6,303	\$17,585.37
2022	7/30/2023	2023	\$2.93	5.00%	6,330	\$18,543.74
2023	7/30/2024	2024	\$3.08	5.00%	6,330	\$19,470.92
2024	7/30/2025	2025	\$3.23	5.00%	6,330	\$20,444.47
2025	7/30/2026	2026	\$3.39	5.00%	6,330	\$21,466.69
2026	7/30/2027	2027	\$3.56	5.00%	6,330	\$22,540.03
2027	7/30/2028	2028	\$3.74	5.00%	6,330	\$23,667.03
2028	7/30/2029	2029	\$3.93	5.00%	6,330	\$24,850.38

\* PCORI Fee Estimates Use Current Average Covered Lives Count of 6,330

\*\* Red Font = Estimated Values

In addition to the ACA PCORI Fee, during the 2014, 2015, and 2016 Fiscal Years, the Consortium was subject to the ACA Transitional Reinsurance Program Fee. This ACA Transitional Reinsurance Program Fee has now sunset.

# ***GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM***

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2022 AND 2021**

The Board of Directors is monitoring the effects of the continuation of some 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.

## **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 year to ensure all claims are being adjudicated according to our plan documents and with proper medical and clinical oversight. After a request for proposal process was undertaken by the Claims and Appeals Committee it was determined that we remain with BMI, Inc. to conduct our claims audits and the medical claims audit for plan years 2020 and 2021 commenced at the end of the 2022 Fiscal year.

## **Premium Rate Increases**

A thorough review of the Consortium's finances and paid claims trends during budget preparations resulted in a premium increase recommendation of 5.00% for the 2022 Fiscal Year. This recommendation brings the overall average increase down to 6.08% since the Consortium's inception and the 5-year average increase is a very modest 4.80%.

## **Contacting the Plan's Financial Management**

This financial report is designed to provide the Plan's member municipalities, Plan participants, and other stakeholders with a general overview of the Plan's finances and to demonstrate the Plan's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Greater Tompkins County Municipal Health Insurance Consortium in writing at 215 N Tioga Street, Ithaca, New York, 14850.

**GREATER TOMPKINS COUNTY MUNICIPAL  
HEALTH INSURANCE CONSORTIUM**

**STATEMENTS OF NET POSITION  
DECEMBER 31,**

	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 6,501,940	\$ 6,169,222
Unrestricted Investments	5,787,212	6,068,128
Accrued Interest	57,178	9,434
Premiums Receivable	503,441	21,430
Prepaid Expenses	204	152,566
<b>Total Current Assets</b>	<b>12,849,975</b>	<b>12,420,780</b>
<b>OTHER ASSETS</b>		
<b>Noncurrent Assets</b>		
Premium Claims Deposit	788,300	722,400
Security Deposit	800	800
Restricted Investments	18,103,400	18,182,498
<b>Total Noncurrent Assets</b>	<b>18,892,500</b>	<b>18,905,698</b>
<b>Total Assets</b>	<b>31,742,475</b>	<b>31,326,478</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Incurred Claims Liability	6,672,663	6,866,608
Accounts Payable	1,491,872	1,442,679
Unearned Premiums	1,555,795	766,350
<b>Total Current Liabilities</b>	<b>9,720,330</b>	<b>9,075,637</b>
<b>Total Liabilities</b>	<b>9,720,330</b>	<b>9,075,637</b>
<b>NET POSITION</b>		
<b>Restricted</b>		
Restricted for Contingency Reserve - §4706(a)(5)	2,729,555	2,669,495
<b>Unrestricted - Board Designated</b>		
Catastrophic Claims Self-Insurance Fund	4,808,739	4,642,294
Rate Stabilization Reserve	3,892,443	4,004,101
<b>Total Unrestricted - Board Designated</b>	<b>8,701,182</b>	<b>8,646,395</b>
<b>Unrestricted - Undesignated</b>	<b>10,591,408</b>	<b>10,934,951</b>
<b>Total Net Position</b>	<b>\$ 22,022,145</b>	<b>\$ 22,250,841</b>

*See Notes to Financial Statements*

***GREATER TOMPKINS COUNTY MUNICIPAL  
HEALTH INSURANCE CONSORTIUM***

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

	<b>2022</b>	<b>2021</b>
<b>Operating Revenues</b>		
Premiums	<b>\$ 54,591,095</b>	<b>\$ 53,389,902</b>
<b>Total Operating Revenues</b>	<b>54,591,095</b>	<b>53,389,902</b>
<b>Operating Expenses</b>		
Claims Expense	51,505,375	53,024,900
Compensation	420,883	402,891
Professional and Consulting	157,032	165,655
Reinsurance Expenses, Net	295,917	270,471
Insurance	58,266	50,588
Claims Administrative Fees	1,813,731	1,678,883
Aggregate Write-ins for Other Expenses	425,849	391,254
<b>Total Operating Expenses</b>	<b>54,677,053</b>	<b>55,984,642</b>
Excess (Deficiency) of Operating Revenues Before Nonoperating Revenue (Expense)	<b>(85,958)</b>	<b>(2,594,740)</b>
<b>Nonoperating Revenue (Expense)</b>		
Interest Earnings	111,585	99,529
Gain (Loss) on Investments	(436,765)	(193,376)
Other Revenues (Expenses)	(11,503)	(23,066)
<b>Total Nonoperating Revenue (Expense)</b>	<b>(336,683)</b>	<b>(116,913)</b>
Change in Net Position	<b>(422,641)</b>	<b>(2,711,653)</b>
Net Position, January 1,	<b>22,250,841</b>	<b>26,000,180</b>
Adjustment for Incurred But Not Reported Claims	<b>193,945</b>	<b>(1,037,686)</b>
<b>Net Position, December 31,</b>	<b>\$ 22,022,145</b>	<b>\$ 22,250,841</b>

*See Notes to Financial Statements*

# **GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM**

## **STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31,**

	<u>2022</u>	<u>2021</u>
<b>Cash Flows From Operating Activities</b>		
Premiums Collected from Municipal Corporations	\$ 54,898,529	\$ 53,062,520
Rebates and Reimbursements	3,189,533	2,385,591
Premium Claims Deposit	(65,900)	39,000
Claims Paid	(54,694,908)	(55,410,491)
Payments to Employees	(420,883)	(402,891)
Operating Expenses Paid	<u>(2,549,240)</u>	<u>(1,877,923)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>357,131</u>	<u>(2,204,194)</u>
<b>Cash Flows From Noncapital Financing Activities</b>		
Other Revenues (Expenses)	<u>(11,503)</u>	<u>(23,066)</u>
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<u>(11,503)</u>	<u>(23,066)</u>
<b>Cash Flows From Capital and Related Financing Activities</b>	<u>-</u>	<u>-</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of Investments	(6,051,560)	(18,485,024)
Proceeds from Sale of Investments	5,974,809	18,389,518
Interest Received	<u>63,841</u>	<u>148,820</u>
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>(12,910)</u>	<u>53,314</u>
<b>Net Change in Cash and Cash Equivalents</b>	<u>332,718</u>	<u>(2,173,946)</u>
Cash and Cash Equivalents, January 1,	<u>6,169,222</u>	<u>8,343,168</u>
<b>Cash and Cash Equivalents, December 31,</b>	<u>\$ 6,501,940</u>	<u>\$ 6,169,222</u>
<b>Reconciliation of Excess Operating Revenues Over</b>		
<b>Operating (Expenses) to Net Cash Provided (Used) by Operating Activities</b>		
Excess Operating Revenues Over Operating (Expenses)	\$ (85,958)	\$ (2,594,740)
(Increase) Decrease in Prepaid Expenses	152,362	(152,566)
(Increase) Decrease in Premiums Receivable	(482,011)	(21,430)
(Increase) Decrease in Premium Claims Deposit	(65,900)	39,000
(Increase) Decrease in Security Deposit	-	(800)
Increase (Decrease) in Accounts Payable	49,193	832,294
Increase (Decrease) in Unearned Premiums	789,445	(305,952)
Increase (Decrease) in Incurred Claims Liability	(193,945)	1,037,686
Adjustment for Incurred But Not Reported Claims	<u>193,945</u>	<u>(1,037,686)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 357,131</u>	<u>\$ (2,204,194)</u>

*See Notes to Financial Statements*

# ***GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM***

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021**

### ***Note 1* Summary of Significant Accounting Policies**

The financial statements of the Greater Tompkins County Municipal Health Insurance Consortium (the Consortium) have been prepared in conformity with U.S. generally accepted accounting principles (U.S. GAAP) as applied to government units engaged only in Business-type Activities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

#### **Description of the Consortium**

The Greater Tompkins County Municipal Health Insurance Consortium was organized in 2010 as an Article 5-G General Municipal Law (GML) municipal corporation to provide health insurance benefits for its member municipalities. The term "Municipal Corporation," as defined by §119-N of the GML, includes a county, city, town, or village. The Consortium's general objectives are to formulate, develop, and administer, on behalf of the member participants, an adequate program of insurance in a cost-effective manner. Municipalities joining the Consortium must remain members for a minimum of three years; a participant may withdraw with written notice prior to October 3 of each Plan year. Municipalities applying for membership in the Consortium may do so with two-thirds approval of the Board. Consortium underwriting and rate setting policies have been established after consultation with third party administration. Consortium members are subject to supplemental assessment in the event of deficiencies. Premium assessments are determined annually, and should assets of the Consortium be exhausted, members would be responsible for the Consortium's liabilities. The Consortium added four new participating municipalities: the Towns of Erwin, Throop and the Villages of Minoa and Fayetteville. The new members added new contracts to the pool and provide a cushion in maintaining the required 2,000 covered lives threshold under Article 47 of New York State Insurance Law. Consortium membership currently includes 53 municipalities.

#### **Basis of Accounting/Measurement Focus**

Basis of accounting refers to when revenues and expenses and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus. Measurement focus is the determination of what is measured, such as expenditures or expenses.

- **Accrual Basis:** Activities of the Consortium are accounted for on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded when incurred.

#### **Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.



# ***GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM***

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021**

### ***Note 1* Summary of Significant Accounting Policies - Continued**

#### **Reinsurance**

The Consortium uses reinsurance agreements to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from the reinsurer, although it does not discharge the primary liability of the Consortium as direct insurer of the risks reinsured. The Consortium does not report reinsured risks as liabilities unless it is probable those risks will not be covered by the reinsurer.

#### **Unpaid Claims Liabilities**

The Consortium establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. Because actual claim costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are periodically recomputed to produce current estimates that reflect recent settlements and other factors and are adjusted annually to approximate 12% of claim expenditures. Adjustments to claims liabilities are adjustments to net position and charged or credited to expense in the periods in which they are made.

#### **Incurred But Not Reported Claims Liability Reserve**

The Consortium has established a liability reserve required by §4706(a)(1) of the New York State Insurance Law. The New York State Department of Financial Services has allowed the Consortium to utilize a factor of 12% of expected incurred claims as the estimate of this liability (see Unpaid Claims Liabilities note above). The estimate of expected incurred claims is actuarially determined.

#### **Net Position - Restricted**

- Restricted for Contingency Reserve: A contingency reserve of 5% of current year premiums was established in accordance with New York State Insurance Law §4706 (a)(5).

#### **Net Position - Unrestricted - Board Designated**

- Rate Stabilization Reserve: A reserve equal to approximately 7.5% of the expected incurred/paid claims for the fiscal year.
- Catastrophic Claims Self-Insurance Fund: A discretionary reserve reviewed annually by the Board of Directors to provide financial support for the additional exposure the Consortium acquires by increasing the Specific Stop-Loss Insurance Policy deductible and the additional risk of specific Stop-Loss deductible established by the Stop-Loss carrier for certain subscribers.

# ***GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM***

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021**

### ***Note 1* Summary of Significant Accounting Policies - Continued**

#### **Net Position - Unrestricted - Undesignated**

If a surplus of assessments exists after the close of the Plan year, after provision for payment of all known unsettled claims, and after receipt of an annual independent financial audit, the Board may retain from such surplus an amount sufficient to establish and maintain a claim contingency fund. Surplus funds in excess of the amount transferred to, or included in, said contingency fund shall be applied in reduction of the next annual assessment or to the billing of Consortium participants. Unrestricted - undesignated net position represents an appropriation of this excess for this purpose. Any deficit net position balance will need to be recovered from future premium adjustments.

#### **Related Parties**

The Consortium is currently made up of 53 participating municipal corporations, with four new participating municipalities joining the Consortium in 2022. Representatives of each participating municipal corporation serve on the Board and premiums are collected from the municipal corporations. Seven new municipalities are scheduled to join the Consortium in 2023.

#### **Concentration of Credit Risk**

The Consortium maintains its cash balances at two financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2022 and 2021, all accounts were fully insured and/or collateralized.

#### **Concentration of Operating Revenues**

The Consortium received 99.8% and 99.8% of its revenues from premiums collected for the years ended December 31, 2022 and 2021.

#### **Cash Equivalents**

For financial statement purposes, the Consortium considers all highly liquid investments of three months or less as cash equivalents.

### ***Note 2* Cash and Investments**

The Consortium's investment policies are governed by state statutes. Consortium monies must be deposited in FDIC-insured commercial banks or trust companies located within the state. The Chief Fiscal Officer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, obligations of New York State or its localities, and repurchase agreements.

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities, school districts, and BOCES.

# **GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM**

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021**

**Note 2 Cash and Investments - Continued**

Deposits are valued at cost. Total financial institution (bank) balances at December 31, 2022 and 2021, were \$6,570,905 and \$6,184,156, respectively. Carrying values at December 31, 2022 and 2021 were \$6,501,940 and \$6,169,222, respectively.

Restricted investments of \$18,103,400 at December 31, 2022, represent funds set aside to fully fund the \$2,729,555 restricted contingency reserve; the \$4,808,739 catastrophic claims and \$3,892,443 rate stabilization board designated reserves; and \$6,672,663 of the incurred but not reported claims liability. Restricted investments of \$18,182,498 at December 31, 2021, represent funds set aside to fully fund the \$2,669,495 restricted contingency reserve; the \$4,642,294 catastrophic claims and \$4,004,101 rate stabilization board designated reserves; and \$6,866,608 of the incurred but not reported claims liability.

**Note 3 Investments**

The following represents investments at December 31,:

	2022		
	Cost	Fair Value	Unrealized Gain (Loss)
<b>Fixed Income Securities</b>			
U.S. Treasury Bonds	\$ 23,815,578	\$ 23,890,612	\$ 75,034
<b>Total</b>	<b>\$ 23,815,578</b>	<b>\$ 23,890,612</b>	<b>\$ 75,034</b>
	2021		
	Cost	Fair Value	Unrealized Gain (Loss)
<b>Fixed Income Securities</b>			
U.S. Treasury Bonds	\$ 24,381,649	\$ 24,250,626	\$ (131,023)
<b>Total</b>	<b>\$ 24,381,649</b>	<b>\$ 24,250,626</b>	<b>\$ (131,023)</b>

**Market Risk**

Future changes in market prices may make a financial instrument less valuable. Ownership interest is subject to the risk of loss from a decrease in value due to interest rate fluctuations that may result in a decline that is other than temporary.

# **GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM**

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021**

**Note 4 Fair Value Measurements**

The Consortium categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Consortium has the following recurring fair value measurements as of December 31, 2022:

- U.S. Treasury securities of \$23,890,612 are valued using quoted market prices (Level 1 inputs).

The Consortium has the following recurring fair value measurements as of December 31, 2021:

- U.S. Treasury securities of \$24,250,626 are valued using quoted market prices (Level 1 inputs).

**Note 5 Reinsurance Expense, Rebates, and Reimbursements**

Reinsurance expense is shown net of reimbursements and rebates. Gross amounts and rebates are as follows at December 31,:

	<b>2022</b>	<b>2021</b>
Reinsurance Expense	\$ 295,917	\$ 270,471
Reimbursements and Rebates	-	-
<b>Reinsurance Expense, Net</b>	<b>\$ 295,917</b>	<b>\$ 270,471</b>

**Note 6 Restricted for Contingency Reserve**

A contingency reserve of 5% of current year premiums was established in accordance with New York State Insurance Law §4706(a)(5). The reserve balance was as follows at December 31,:

	<b>2022</b>	<b>2021</b>
Contingency Reserve	\$ 2,729,555	\$ 2,669,495

**GREATER TOMPKINS COUNTY MUNICIPAL  
HEALTH INSURANCE CONSORTIUM**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**Note 7 Contingencies**

**Claims Liability**

The BlueCross/BlueShield payments include claims paid for the years ended December 31, 2022 and 2021, and an adjustment to account for the BlueCross/BlueShield financing arrangement of billing actual claims paid one week in arrears. This one week delay requires the Consortium to fund approximated costs (“Cash Advance”) as actual claim payments are charged one week later. No significant differences have been experienced or are expected between monthly adjusted paid claims billings and actual monthly settlements in succeeding billings.

The Consortium also maintains specific stop-loss insurance coverage. This insurance policy provides unlimited coverage to the Consortium for paid claims which exceed the policy deductible during the policy period. The policy period in the fiscal years audited included claims incurred during each calendar year and paid within each calendar year and the first three months of the subsequent calendar year. The policy deductible was \$1,000,000 for the specific stop-loss insurance coverage for the fiscal years ending December 31, 2022 and 2021. It should also be noted that the coverage included unique deductibles (“laser deductibles”) for one individual at \$1 million for the fiscal year ending December 31, 2022 and for one individual at \$1 million for the fiscal year ending December 31, 2021.

**Note 8 Incurred Claims Liability**

As discussed in Note 1, the Consortium establishes a liability for both reported and unreported insured events which includes estimates of both future payments of losses and related claim adjustment expenses.

The following represents changes in those aggregate liabilities:

	<u>2022</u>	<u>2021</u>
<b>Liability for Unpaid Claims - Beginning of Year</b>	<b>\$ 6,866,608</b>	<b>\$ 5,828,922</b>
Incurred Claims and Claim Adjustment:		
Claims Expense	51,505,375	53,024,900
Claims Paid	(54,694,908)	(55,410,491)
Prescriptions Rebate	3,189,533	2,385,591
Adjustment for Incurred But Not Reported Claims	<u>(193,945)</u>	<u>1,037,686</u>
<b>Liability for Unpaid Claims - End of Year</b>	<b><u>\$ 6,672,663</u></b>	<b><u>\$ 6,866,608</u></b>

**GREATER TOMPKINS COUNTY MUNICIPAL  
HEALTH INSURANCE CONSORTIUM**

**SCHEDULES OF CHANGES IN NET POSITION  
FOR THE YEARS ENDED DECEMBER 31,**

	<b>2022</b>				
	<u>Restricted</u>	<u>Board Designated</u>		<u>Unrestricted</u>	
		<b>Catastrophic</b>			
	<b>Contingency Reserve</b>	<b>Claims Self-Insurance Fund</b>	<b>Rate Stabilization Reserve</b>	<b>Unrestricted</b>	<b>Total</b>
<b>Balances at January 1, 2022</b>	<b>\$ 2,669,495</b>	<b>\$ 4,642,294</b>	<b>\$ 4,004,101</b>	<b>\$ 10,934,951</b>	<b>\$ 22,250,841</b>
Change in Net Position	-	-	-	(422,641)	(422,641)
Reclassifications	60,060	166,445	(111,658)	(114,847)	-
Incurred Claims Adjustment	-	-	-	193,945	193,945
<b>Balances at December 31, 2022</b>	<b><u>\$ 2,729,555</u></b>	<b><u>\$ 4,808,739</u></b>	<b><u>\$ 3,892,443</u></b>	<b><u>\$ 10,591,408</u></b>	<b><u>\$ 22,022,145</u></b>
	<b>2021</b>				
	<u>Restricted</u>	<u>Board Designated</u>		<u>Unrestricted</u>	
		<b>Catastrophic</b>			
<b>Contingency Reserve</b>	<b>Claims Self-Insurance Fund</b>	<b>Rate Stabilization Reserve</b>	<b>Unrestricted</b>	<b>Total</b>	
<b>Balances at January 1, 2021</b>	<b>\$ 2,409,497</b>	<b>\$ 5,032,220</b>	<b>\$ 3,391,769</b>	<b>\$ 15,166,694</b>	<b>\$ 26,000,180</b>
Change in Net Position	-	-	-	(2,711,653)	(2,711,653)
Reclassifications	259,998	(389,926)	612,332	(482,404)	-
Incurred Claims Adjustment	-	-	-	(1,037,686)	(1,037,686)
<b>Balances at December 31, 2021</b>	<b><u>\$ 2,669,495</u></b>	<b><u>\$ 4,642,294</u></b>	<b><u>\$ 4,004,101</u></b>	<b><u>\$ 10,934,951</u></b>	<b><u>\$ 22,250,841</u></b>

***GREATER TOMPKINS COUNTY MUNICIPAL  
HEALTH INSURANCE CONSORTIUM***

**CLAIM DEVELOPMENT INFORMATION  
DECEMBER 31,**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
1. Net Earned Required Contribution Revenues	<b>\$ 54,591,095</b>	\$ 53,389,902	\$ 48,189,940	\$ 50,296,736	\$ 42,401,705	\$ 40,774,492	\$ 38,519,955	\$ 37,587,353	\$ 36,063,291	\$ 34,507,670
2. Unallocated Expenses - N/A	-	-	-	-	-	-	-	-	-	-
3. Estimated Incurred Claims and Expense: End of Year	<b>51,505,375</b>	53,024,900	44,933,332	43,353,569	38,991,995	35,828,612	34,999,888	28,750,405	29,755,490	28,013,757
4. Paid (Cumulative) as of: End of Policy Year	<b>(54,694,908)</b>	(55,410,491)	(46,909,048)	(44,937,713)	(41,703,672)	(35,936,454)	(34,300,059)	(28,650,014)	(30,568,724)	(28,346,330)
5. Reestimated Incurred Claims and Expense: End of Policy Year	<b>51,505,375</b>	53,024,900	44,933,332	43,353,569	38,991,995	35,828,612	34,999,888	28,750,405	29,755,490	28,013,757
6. Change in Estimated Incurred Claims Expense:	-	-	-	-	-	-	-	-	-	-

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
Greater Tompkins County Municipal Health Insurance Consortium  
Ithaca, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Greater Tompkins County Municipal Health Insurance Consortium (the Consortium), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Consortium's basic financial statements, and have issued our report thereon dated April 24, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Consortium's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Consortium's internal control. Accordingly, we do not express an opinion on the effectiveness of Consortium's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Consortium's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Consortium's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Consortium's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Consortium's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Insero & Co. CPAs, LLP  
Certified Public Accountants

Ithaca, New York  
April 24, 2023