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**Board of Directors**

**June 26, 2014**

**5:30 p.m.**

**Scott Heyman Conference Room**

Approved 8-28-2014

***Municipal Representatives: 14***

Jared Pittman, City of Ithaca; Mack Cook, City of Cortland; Anita Fitzpatrick, Tompkins County; John Fracchia, Town of Caroline; Laura Shawley, Town of Danby; Mary Ann Sumner, Town of Dryden; Herb Masser, Town of Enfield; Judy Drake, Town of Ithaca; Kathy Miller, Town of Lansing; Richard Goldman, Town of Ulysses; Peter Salton, Village of Cayuga Heights; Michael Murphy, Village of Dryden; Chuck Rankin, Village of Groton (arrived at 5:35 p.m.); Rordan Hart, Village of Trumansburg

***Voting Union Representatives: 1***

Scott Weatherby, Chair, Joint Committee on Plan Structure and Design

***Absent: 2***

Glenn Morey, Town of Groton; Doug Perine, President, Tompkins County White Collar, CSEA

***Others in attendance:***

Steve Locey, Locey & Cahill; Rick Snyder, Tompkins County Finance Director; Sharon Dovi, TC3 Human resources Manager; Jerry Mickelson, Ciaschi, Dietershagen, Little and Mickelson (CDLM); Margaret Gannon, CSEA Health Benefits Department; Ashley Masucci, ProAct; Joe Mareane, Tompkins County Administrator

**Call to Order**

Ms. Drake, Vice Chair, called the meeting to order at 5:30 p.m.

**Approval of Minutes – April 24, 2014**

It was MOVED by Ms. Sumner, seconded by Ms. Shawley, and unanimously adopted by voice vote by members present, to approve the minutes of April 24, 2014 as submitted. MINUTES APPROVED.

**Changes to the Agenda**

There was a re-ordering agenda, placing the report by the Joint Committee on Plan Structure and Design to follow the report by the Owning Your Own Health Committee.

Mr. Rankin arrived at this time.

**Chair's Report**

Ms. Drake reported there are two outstanding municipal resolutions that are needed to finalize the changes to the Municipal Cooperative Agreement. When those are received the changes will go into effect. She announced the Retreat has been set for September 15<sup>th</sup> at 5 p.m. and asked members to make sure this is on their calendars as participation is greatly encouraged. She reminded members the deadline for signing up for flu clinics is June 30<sup>th</sup>.

Ms. Drake reported she and Beth Miller visited with many of the municipalities earlier in the month to go over the new enrollment packets and the upcoming recertification process. She thanked municipalities for welcoming them and said it was a good experience.

### **Report from Nominating Committee**

#### **RESOLUTION NO. 009-2014 - AMENDMENT TO RESOLUTION NO. 007-2013 - ELECTION OF OFFICERS FOR 2014**

MOVED by Mrs. Shawley, seconded by Mr. Cook, and unanimously adopted by voice vote by members present.

WHEREAS, due to a vacancy of the position of Chair, the 2014 Nominating Committee has reconvened and has proposed a change in the positions of Chair and Vice Chair of the Board of Directors, now therefore be it

RESOLVED, That the Board of Directors elects Judith Drake to serve as Chair and Rordan Hart to serve as Vice Chair of the Board of through the remainder of 2014.

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### **Presentation of External Audit for the Year ending December 31, 2013**

Mr. Mickelson reported a meeting was held twice with the Audit Committee prior to commencement of the Audit and they reviewed draft financial statements and an overview of the audit process. He said their primary responsibility is to conduct a financial statement audit and to represent that the Consortium, assets, liabilities, net position, revenues, expenses, and changes, disclosures, and information used in the actuarial report is consistent. At this time Mr. Mickelson reviewed the contents of the audit report and noted the most significant estimate required is the IBNR (Incurred But Not Reported) claims as of December 31<sup>st</sup>.

Mr. Mickelson said in the first two audits there were a number of comments contained in the Management Comment letter of which many were included in the audit conducted by the New York State Department of Financial Services. He stated they were pleased to see the resolution of a great number of those comments and that the Consortium had a very successful year.

During his report Mr. Mickelson noted the following:

- There were no material weaknesses in the Consortium's internal control environment and there were no significant deficiencies being reported;
- The Consortium's net assets have increased from \$1.249 million in 2011 up to \$4.626 million;
- The Consortium's net position continued to grow to \$7.048,883 at December 31, 2013, even with the refund of the Capitalization Reserve back to the participating members with interest;

- A catastrophic claims reserve was created with an initial balance of \$600,000;
- The difference between the actuarial report for the IBNR and the 12% of last year's claims were factored as a negative adjustment of \$824,000 which will be posted to the equity section;
- The unassigned net position is \$5.548 million which is up from \$3.197 last year;
- Premiums totaled \$34,507,000 which was up from \$28,575,000 (includes the addition of the Town of Lansing and the City of Cortland);
- Operating expenses of which the majority was claims totaled \$29,875,306;
- The Consortium's overall net position increased by \$2,422,691;
- An analysis of what the paid claims liability was estimated to be at the beginning of each of the years was \$3,082,421; claims expense was \$28,013,757. The actual claims paid was \$28,346,330 and a statutory adjustment was made of \$824,545 to bring claims up to the required IBNR amount of 12%;
- As reported in the Audit Committee the Consortium is very fortunate to have been able to successfully negotiate to have the IBNR liability percentage be 12%; other plans they audit are as high as 25%.

**MOTION NO. 004-2014 – Acceptance of the Independent Auditor's Report for the Year ending December 31, 2013 by Ciaschi, Dietershagen, Little, and Mickelson**

MOVED by Ms. Drake, seconded by Mr. Cook, and unanimously adopted by voice vote by members present. MOTION CARRIED.

**Report from the Consultant**

Mr. Locey provided a report on the Consortium's year-to-date financial results through May 31, 2014. He commented that medical claims were significantly down for a couple of months during the initial stages of 2014 and this had to do with programming issues with the claims system at Blue Cross Blue Shield but that backlog has been cleaned up and year-to-date numbers are in extremely good shape. Through the first five months of 2014 the Consortium's net income is slightly below \$2 million; revenues are just shy of \$15.5 million and expenses are a little over \$13.5 million. He stated that after meeting the full reserve requirements and having paid back the initial assessments to municipalities the Consortium has an unencumbered balance.

He reported premium income is down a little (1.6% below budget) which has to do with a change in census as there has been a slight decrease in enrollment and there were also a couple of entities that negotiated a change in benefit. Mr. Locey said medical claims were .04% below budget and prescription drug claims were 1.35% above budget, noting May was a five payment month. At this time claims are 93.44% of the total budget, leaving 6.6% to pay for everything else, including administrative fees paid to ProAct and Excellus, professional services for accounting, actuarial services, consultant expenses, Stop Loss insurance, and other taxes and fees. From a financial efficiency perspective this shows the Consortium is extremely efficient in terms of money being paid towards benefits and how few little is being used to pay overhead expenses.

2015 Budget

Mr. Locey based on the information provided for the first five months of 2014 Mr. Locey reviewed preliminary numbers for preparing a budget forecast for the 2015-2017 years and the following assumptions:

1. Premium revenue increased by 5.0% with a goal maintain this level for three years;
2. Interest income = last two years average;
3. Prescription drug rebates = \$250,000;
4. Paid claims trend = 8.85%;
5. Administrative fees per agreement with Excellus BCBS then increased by 3% per annum;
6. NYS GME increased by 5%;
7. Specific Stop Loss insurance increased by 20%;
8. Aggregate Stop Loss insurance increased by 5%;
9. Surety Bond Fee/Loan Interest estimated at 3% of Principle balance;
10. All other fees increased by 3%;
11. Capitalization Repayment includes annual interest of 3%; and
12. Beginning balance and ending balance includes advance deposit held at Excellus BCBS as a pre-payment of claims (\$798,600 as of 12-31-2012)

He said the medical community is going to start to stiffen up about negotiations on fees and he expects to see a major hospital network or physician network in the next couple of years cancel with an insurance carrier as a way to get more leverage to get more revenue.

Mr. Salton spoke his frustration with the recommended five percent premium rate increase as well as the overall rate of increasing healthcare costs. Mr. Cook spoke of a survey being run on health insurance increases in city governments and said entities outside the Consortium are looking at a range of increases from 11 to 18%.

Mr. Goldman spoke of the amount the Consortium is raising as income and said there will likely be a time when it doesn't all need to be kept in a fund balance. Mr. Locey said the Finance Committee has discussed what level of fund balance should be maintained and how it should be dispersed back in future budgets, returned as a credit on premium payment, or as a rebate. The difficult part about returning it as a rebate is the monies that have been paid in and have generated the unencumbered balance are not necessarily from the same pot of money. Some includes employer, employee, and retiree contributions, as well as if it is returned later some of those who contributed may no longer be with the Consortium or weren't in the Consortium when it was generated. He said the ideal way to deal with it is to set a reasonable limit and to use anything in excess of that to mitigate future year increases. Some can also be used for increasing the catastrophic claims reserve or to offset the Stop Loss expense. Mr. Locey said a recommendation on this will be part of the budget adoption.

Medicare Supplement Rate

**MOTION NO. 005-2014 – Approval of Medicare Supplement Plan Rate as Described in attached spreadsheet (INSERT SPREADSHEET)**

MOVED by Ms. Drake, seconded by Mr. Cook, and unanimously adopted by voice vote by members present. MOTION CARRIED.

It was noted that any municipality interested in offering this would need to notify Mr. Locey and Ms. Miller as soon as possible.

**Committee on Organizational Structure Report**

Ms. Fitzpatrick, Chair, provided an overview of the resolution and explained that at the time the actions contained in the resolution were taken Don Barber was the Chair of the Board of Directors and as part of the RFP process he was participating as a potential responder. She stated that upon consultation with the attorney for the Consortium it was advised that this Board approve a resolution affirming the actions that were taken from May, 2013 to the present time as they relate to that process so that it is affirmed now that Mr. Barber is not a sitting member, nor Chair of the Board of Directors.

**RESOLUTION NO. 010-2014 - AFFIRMING ACTIONS RELATED TO THE ORGANIZATIONAL STRUCTURE AND EXECUTIVE DIRECTOR POSITION**

MOVED by Ms. Fitzpatrick, seconded by Ms. Sumner.

Ms. Sumner asked if Mr. Barber participated in the development of the RFP. Ms. Drake said he participated in the discussions of whether the Executive Director position should be an employee or an independent contractor but not in the development of the RFP.

A voice vote resulted as follows: Ayes – 14, Noes – 0, Excused – 2 (Morey and Perine); Abstentions – 1 (Salton). RESOLUTION ADOPTED.

WHEREAS, by Motion No. 6 of May 23, 2013 the Board of Directors created a Committee on Organizational Structure charged with developing the organizational structure of the Consortium and to consider the creation of an Executive Director position, and

WHEREAS, the Committee on Organizational Structure held several meetings to examine the increased responsibilities being placed upon the Consortium by the State and Federal governments, particularly associated with requirements of the New York State Department of Financial Services, the Affordable Care Act, and the managing of an increased number of consulting contracts, and

WHEREAS, after careful consideration that included exploration of whether an Executive Director should be an employee of the Consortium or a consulting arrangement it was recommended by the Committee and authorized by the Board by Motion No. 3 of February 27, 2014 to issue a Request for Proposals for an Executive Director, now therefore be it

RESOLVED, That the Board of Directors reaffirms its support of Motion No. 6 of 2013 and Motion No. 3 of 2014 and the process that followed those actions.

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**RESOLUTION NO. 011-2014 - AUTHORIZING A TWO-YEAR CONTRACT WITH DONALD L. BARBER FOR EXECUTIVE DIRECTOR SERVICES**

MOVED by Ms. Fitzpatrick, seconded by Mrs. Shawley.

Mr. Goldman said the RFP does not contain a provision in the event the arrangement does not work out or what the causes of termination would be. He noted he has no issues with Mr. Barber but believes these clauses are important. He questioned the process of approving

this resolution before Board members have had an opportunity to review the contract. Mr. Mareane said the contract will contain out clauses and there is a termination period included. He said typically the Board Chair is given authorization to review and sign the contract; however, the contract can be circulated to the Board and a reasonable time allotted to respond to it. Mr. Goldman and others were in agreement with adding language “upon review of the Board of Directors for a ten-day period” as this would allow the process to keep moving forward and not cause a delay until the August Board meeting. If there are substantive comments the Board agreed to meet in July.

Mr. Hart asked if information could be shared on the other RFP responses. Mr. Mareane said there were other responders and the one major factor between the finalists was a significant difference in cost.

Mr. Snyder said the Internal Revenue Service has a twenty question test that determines whether a position is an employee or contractor and would like to see that reviewed and to also have the auditor review it as well. Ms. Drake said the Executive Committee will be meeting with Mr. Barber tomorrow to review a work plan and will look those questions at that meeting.

Mr. Salton said he came into the process after discussions had begun but cannot imagine a \$37 million company operating with no employees. He supports Mr. Barber but does not support him not being an employee for reasons of accountability and control. He said it is an important position and intermunicipal types of arrangements are going to continue to expand.

Mr. Hart said he does not disagree with Mr. Salton’s statement about the importance of the position; however, due to structure of municipal law makes it preferable for a position if possible to be a contractor and not an employee. Ms. Drake said this is a trial on both sides; she believes Mr. Barber is very invested in making sure the Consortium works and thinks he will be honest in the evaluation of this down the road and whether it should be a contractor or an employee. Other members agreed with this approach and spoke of the difficulty in the termination of a Civil Service employee. Ms. Fitzpatrick noted that while the Consortium is a \$37 million organization 93% of each dollar goes to pay claims.

It was suggested that the position be reviewed during the second quarter of 2015.

A voice vote resulted as follows: Ayes – 14, Noes – 0, Excused – 2 (Morey and Perine); Abstentions – 1 (Salton). RESOLUTION ADOPTED.

WHEREAS, over the course of its four years of operation, the Greater Tompkins County Municipal Health Insurance Consortium (“Consortium”) has grown to be a \$35 million, self-sufficient enterprise made up of 15 municipalities from two counties dedicated to providing cost-effective, quality health benefits to their employees and retirees, and

WHEREAS, the complexities of managing the Consortium have grown with the rise in membership, the number of advisory committees required by State regulation, the number of consultants retained to assist with specific mandated tasks, and significant changes occurring in the health care industry that have a direct or indirect impact on the Consortium, and

WHEREAS, the Consortium’s Board of Directors (“Board”) has concluded that the watchful and pro-active administration of the Consortium has grown to be beyond the capacity of a volunteer board, and that a part-time Executive Director, retained on a contractual basis and reporting directly to the Board, is both necessary and appropriate at this time, and

WHEREAS, the Board issued a request for proposals seeking contractors who could fulfill the responsibilities of an Executive Director, and appointed a Committee on Organizational Structure ("Committee") to review responses and make recommendations to the Board regarding its preferred candidate, and

WHEREAS, the Committee reviewed the four responses received, interviewed two finalists, and has recommended the Board enter into a professional services contract with Donald Barber of Caroline, New York, to undertake a scope of work, attached to this resolution, that is consistent with the Board's expectations of an Executive Director, and

WHEREAS, Mr. Barber has represented that he can ably fulfill the scope of work in an average of 54 hours per month, consistent with the Board's preference that the work of the contracted Executive Director be undertaken on a part-time basis, now therefore be it

RESOLVED, on recommendation of the Organizational Structure Committee, That the Board of Directors of the Greater Tompkins County Municipal Health Insurance Consortium does hereby authorize the Chair to execute a contract upon review by the Board of Directors for a ten-day period with Donald Barber to serve as Executive Director for the period July 1, 2014 through June 30, 2016 at a rate of \$45.00 per hour plus reasonable expenses, provided that the total annual cost of this service shall not exceed \$35,000,

RESOLVED, further, That the consultant shall report to, and be solely accountable to, the Board

RESOLVED, further, That the Consortium's Treasurer is authorized to increase the 2014 budget for consultant services by an appropriate pro rata share of the annual maximum expense in order to support the cost of services provided in the balance of 2014, and to recognize and support the full annual cost of this contract when developing the Consortium's 2015 budget and premium equivalents,

RESOLVED, further, That the Chair of the Consortium's Board of Directors is authorized to approve the contracted Executive Director's work log and requests for payment.

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### **Audit Committee Report**

Mrs. Shawley reported the Committee was charged with selecting a company to audit medical claims and after an extensive process the Committee has selected BMI Audit Services. At the last meeting a budget of \$60,000 was approved for this process and next year the Consortium will undertake a process for auditing prescription drug claims.

### **RESOLUTION NO. 012-2014 – MERGING OF AUDIT COMMITTEE AND FINANCE COMMITTEE**

MOVED by Mrs. Shawley, seconded by Mr. Salton, and unanimously adopted by voice vote by members present.

WHEREAS, the Board of Directors by Resolution Nos. 7 and 15 of 2012 created the Audit Committee and Finance Committee and charged each committee with a list of tasks to respond to recommendations made by the New York State Department of Financial Services Audit, and

WHEREAS, each committee has held monthly meetings and has completed several tasks, including but not limited to:

- became familiar with the New York State Department of Financial Services Audit;
- reviewed the external audit function;
- developed the Wrongful Conduct (Whistleblower) Policy, Code of Ethics and Conflict of Interest Policy, Privacy Policy, Procurement Policy and Request for Proposal Guidelines;
- developed and issued a Request for Proposals for Medical and Prescription Claims Auditing Services;
- provided oversight of the transition to Quick Books;
- reviewed and recommended a Medicare supplement,
- reviewed a Stop Loss retention strategy,
- reviewed financial reports and filings, audit policies and procedures to be sure they are in compliance with Article 47 and the Certificate of Authority;
- reviewed quarterly and annual financial filings (JURAT reports); and
- recommended the final accounting a payout of the initial payout by municipalities

, and

WHEREAS, there are many ongoing responsibilities that overlap both committees, and

WHEREAS, it has been determined that many of the ongoing responsibilities overlap the work of both committees and there no longer is a need for two separate committees, now therefore be it

RESOLVED, That the Board of Directors hereby merges the two committees into one Audit and Finance Committee,

RESOLVED, further, That membership shall include the Chief Financial Officer (Steve Thayer) with no set term and the following membership with two-year staggered terms:

- Labor representative (Scott Weatherby); term expires December 31, 2015
- Charles Rankin – term expires December 31, 2015
- Glenn Morey – term expires December 31, 2015
- Peter Salton – term expires December 31, 2016
- Laura Shawley – term expires December 31, 2016
- Mack Cook – term expires December 31, 2016

RESOLVED, further, That the Chair for the remainder of 2014 shall be Steve Thayer.

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### **Owning Your Own Health Committee Report**

Mr. Cook, Chair, reported on the health screening program and said the six-week program is moving forward; the City of Ithaca has 30 participants and the City of Cortland has five participants. A pre-participation survey and a post-participation survey has been developed and are in use.



### **Joint Committee on Plan Structure and Design Report**

Mr. Weatherby, Chair, reported the Committee met and considered a resolution to add a standard Platinum Plan with a 90% actuarial value. He said he made a motion to table the resolution for further review and that motion was defeated. The resolution was then voted upon and defeated.

Mr. Weatherby read an article that appeared in 2009 in the Ithaca Times in which it was stated: "through economies of scale, lower administration fees and greater financial control the program is projected to save municipalities without diminishing benefits. Legislator Luz Herrera asserted the claim that the Consortium would force the County to assume more risk and County Administrator, Joe Mareane denied this, stating there would be no reduction in benefits and neither the County nor unions will seek power to negotiate benefits".

He further stated that on page 3 of the minutes of the Joint Committee on Plan Structure and Design it states: "some employers have said they want to have an option available for full-time employees who are not currently offered coverage that is in addition to existing plans. The plans would be available for all parties to negotiate but would not replace anything that is currently being offered. They would like to see the Consortium has other available plan designs in terms of tools for municipalities and bargaining units other than existing plan designs."

Mr. Weatherby questioned who the employers are that want additional plans. Ms. Fitzpatrick asked for clarification and whether the question being asked is which employers with representatives on the Board of Directors are interested in adding additional plan options to the menu of plan options that currently exist in the Consortium. She said there is no question that if there are collective bargaining arrangements with employees the terms and conditions of employment must be bargained for. Mr. Weatherby said he is asking whether employers want these plans to diminish benefits of employees. He stated the goal of the Consortium is not to reduce or diminish benefits and he will not support adding a tool that would do that.

Mr. Hart said the question of whether a municipality wants more plans as a negotiating tool to a Board member is not proper. He stated this should be asked of municipal boards as a whole because a member of this Board is not empowered to say what the entire board would like to do.

Mr. Cook said in order for the Consortium to stay relevant to its people it has to stay in existence and to stay in existence there has to be flexibility to manage, market, and offer products at different price points in the markets. He said everyone in this room should be focused on the wellbeing of the Consortium and not individual municipalities or unions. He said there has to be an ability to grow and to reach out to municipalities that are not members and to have flexibility to meet their requirements and demands.

Ms. Shawley said as a group the Consortium has accomplished some amazing things and has to take a look at what is going on in society and that includes the metal level plans. He said if the Consortium wants to grow adding additional options will only make it stronger.

Mr. Fracchia said there are many financial considerations and as the governing body this Board has to do its due diligence and at least be willing to look at other options. His preference would to never see benefits for employees go down but doesn't believe members should not be willing to look at what other options exist.

Mr. Murphy said he was in attendance at the Joint Committee meeting that was referenced by Mr. Weatherby. He thinks the biggest stumbling block was that the first plan offered was the Platinum Plan which is the closest to what currently exists and what seemed to be a ploy to have a negotiating tool. The Committee seemed willing to add a Silver Plan or Bronze Plan to allow another municipality to join. He suggested there be discussion of all four of the metal level plans and that one not be introduced until they are all available.

Mr. Pittman agreed with Mr. Cook and Ms. Shawley and said more options and more flexibility is rarely a bad thing.

Ms. Fitzpatrick said there are changes in benefits that occur all of the time; changes have been negotiated and will continue to be negotiated. She said before the Consortium existed the County made an effort to allow people to move to a Comprehensive Value Plan which has a different exposure than other current plans. She said they went to the Unions as they are now saying they wanted to add that as an option and they agreed to add the plan to the menu of options. She said there has to be negotiation if there is impact but bringing an option in has been done and will continue to be done by the County.

Mr. Masser said the way the Consortium was presented to his town board was that the benefits would be equal or better to what employees already have. He said this is a common statement, however, for the first time this group has met the burden of providing equal or better benefits. There are many different political views on this Board but that does not enter the discussions because the Consortium is in existence to provide a service to the people and is doing that.

Ms. Drake said she was also in attendance at the Joint Committee meeting and responded to the question of why only the Platinum Plan was being presented. She said at several meetings prior to that the Committee was presented with information on all four of the metal level plans and it seemed to be confusing to members. After consulting with Mr. Locey on how to keep the discussions moving forward she suggested moving forward with considering one at a time and chose the Platinum Plan since it was closest to what is currently offered by many employers.

She summarized the comments and discussion by the Board and said it appears the consensus is that the Board would like to consider different plans and would like to encourage the Joint Committee on Plan Structure and Design to continue having discussions on plan designs. There are strategic decisions that have to be made to keep the Consortium operating and although it is important to have Excellus at the table they are still a competitor and municipalities do not have to stay in the Consortium. There needs to be a way to keep municipalities in the Consortium as well as add members and a way to do that is to offer plans that other municipalities can look at.

### **Adjournment**

On motion the meeting adjourned at 7:20 p.m.

Respectfully submitted by Michelle Pottorff, Administrative Clerk