



Greater Tompkins County Municipal Health Insurance Consortium

P.O. Box 7 • Ithaca, New York 14851 • (607) 274-5590

Headquarters: 215 N. Tioga Street, Ithaca, NY 14850

www.healthconsortium.net • consortium@tompkins-co.org

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

Audit and Finance Committee

Agenda – September 12, 2023

3:00 PM

Town of Ithaca – Aurora Conference Room

1. Call to Order (3:00) J. Drake
2. Changes to Agenda
3. Approve Minutes – August 22, 2023
4. Executive Director (3:05) E. Dowd
 - a. Report
5. Resolutions (3:10) J. Drake
 - a. **Resolution:** Annual Premium Increase Target and Utilization of the Rate Stabilization Reserve
 - b. **Resolution:** Acceptance that the GTCMHIC No Longer Will Provide a Premium Discount When Making Adjustments Due to the Actuarial Value Calculator
6. 2024 Budget (3:40) Locey & Cahill
 - a. Budget Presentation
 - b. **Resolution:** Adoption of Budget, Premium Rates, and Reserve Amounts for 2024
7. Next Meeting Agenda Topics (4:00)
8. Adjourn (4:05)

Next Meeting: October 24, 2023

Audit and Finance Committees
August 22, 2023
Town of Ithaca - Aurora Room
MINUTES – DRAFT

Present: Judith (Judy) Drake*; Rordan Hart*; Eric Snow*; Bud Shattuck; Peter Salton*; Scott Steve* Amanda Anderson (*arrived 3:16p*); Steve Thayer

Excused:

Absent: Kate DeVoe; Lorie Corsette

Staff/Guests: Elin Dowd, Executive Director; Lynne Sheldon, Clerk of the Board; Teri Apalovich, Finance Manager; Kylie Rodrigues, Benefits Specialist (*arrived 3:40p*); Paul Pelton, Rob Spenard, Locey and Cahill

* Attended via Remote Zoom

Call to Order

Ms. Drake called the meeting to order at 3:04 p.m.

Changes to the Agenda

Ms. Dowd said she would like to add to the discussion an amendment to Resolution: Acceptance of Application by the City of Geneva. Also, a corrected copy of a Resolution was sent to the committee via an email earlier that day, to replace Resolution: Utilization of the Rate Stabilization Reserve with Resolution: Annual Premium Increase Target and Utilization of the Rate Stabilization Reserve.

Approve Minutes – July 25, 2023

It was MOVED by Mr. Snow, seconded by Mr. Shattuck and unanimously adopted by voice vote by members present, to approve the minutes as corrected of July 25, 2023. MINUTES APPROVED.

Executive Director Report

Ms. Dowd referred to her August Executive Directors Report sent with the agenda and inquired if any questions. She also announced that the Board of Directors Educational Session was to be held later in the week. The session will cover items that will be voted on and presented at the Board of Directors Annual Meeting.

Resolutions

(The following three resolutions were voted unanimously as one vote, including the amended resolution-made to City of Geneva's Acceptance to add waiver – see red-lines)

Ms. Dowd said Town of Locke will be joining the Consortium with all their actives eligible. They do not have any retirees, nor offer retirement insurance.

**RESOLUTION NO. XXX- 2023 - ACCEPTANCE OF APPLICATION BY THE TOWN OF
LOCKE, TO BECOME A PARTICIPANT IN THE GREATER
TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE
CONSORTIUM EFFECTIVE JANUARY 1, 2024**

MOVED by Mr. Shattuck, seconded by Mr. Snow. This resolution was unanimously adopted by voice vote of members present, and visibly seen members via remote locations to approve the following resolution to submit to the Board of Directors.

WHEREAS, by Resolution No.16 of 2019 the Consortium Board of Directors adopted a policy outlining a process of applying for membership to the Consortium, and

WHEREAS, the Town of Locke, has submitted an official application authorizing the joining of Consortium in accordance with the terms and conditions outlined in the Municipal Cooperative Agreement, and

WHEREAS, this applicant has complied with membership process and has submitted copies of financial reports which have been evaluated by the Finance Manager, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee, That the Board of Directors hereby accepts and welcomes the Town of Locke, as a Municipal Participant in the Consortium, with health insurance coverage beginning January 1, 2024, pending receipt, additional analysis, and approval of all required documentation.

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**RESOLUTION NO. XXX- 2023 - ACCEPTANCE OF APPLICATION BY THE CITY OF GENEVA,
TO BECOME A PARTICIPANT IN THE GREATER TOMPKINS
COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM
EFFECTIVE JANUARY 1, 2024 (*resolution amended at A&F
Committees meeting 8.22.23 – red-lined*)**

MOVED by Mr. Shattuck, seconded by Mr. Snow. This resolution was unanimously adopted by voice vote of members present, and visibly seen members via remote locations to approve the following resolution to submit to the Board of Directors.

WHEREAS, by Resolution No.16 of 2019 the Consortium Board of Directors adopted a policy outlining a process of applying for membership to the Consortium, and

WHEREAS, the City of Geneva, has submitted an official application authorizing the joining of Consortium in accordance with the terms and conditions outlined in the Municipal Cooperative Agreement, and

WHEREAS, this applicant has complied with membership process and has submitted copies of financial reports which have been evaluated by the Finance Manager, and

WHEREAS, the City of Geneva will be not be enrolling aged 65+ retirees who are already enrolled on a Medicare Advantage Plan, and

WHEREAS, Section A (5.) of the 2022 Amendment to the Municipal Cooperative Agreement (MCA) clarifies retirees in relation to the MCA states that "Participation in the Medical Plan(s) by some, but not all, collective bargaining units or employee groups of a Participant shall not be permitted without a Board approved waiver", now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee, That the Board of Directors hereby accepts and welcomes the City of Geneva, as a Municipal Participant in the Consortium, with health insurance coverage beginning January 1, 2024, pending receipt, additional analysis, and approval of all required documentation.

FURTHER RESOLVED, That the City of Geneva will request an additional three-year extension with the GTCMHIC to be waived of compliance with section A.5. for all age 65+ retirees only of the GTCMHIC's 2023 MCA, effective through December 31, 2027.

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RESOLUTION NO. XXX- 2023 - ACCEPTANCE OF APPLICATION BY THE VILLAGE OF FAIR HAVEN, TO BECOME A PARTICIPANT IN THE GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM EFFECTIVE JANUARY 1, 2024

Ms. Dowd said the Village of Fair Haven will also be joining the Consortium with all their actives eligible. They do not have any retirees, nor offer retirement insurance.

MOVED by Mr. Shattuck, seconded by Mr. Snow. This resolution was unanimously adopted by voice vote of members present, and visibly seen members via remote locations to approve the following resolution to submit to the Board of Directors.

WHEREAS, by Resolution No.16 of 2019 the Consortium Board of Directors adopted a policy outlining a process of applying for membership to the Consortium, and

WHEREAS, the Village of Fair Haven, has submitted an official application authorizing the joining of Consortium in accordance with the terms and conditions outlined in the Municipal Cooperative Agreement, and

WHEREAS, this applicant has complied with membership process and has submitted copies of financial reports which have been evaluated by the Finance Manager, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee, That the Board of Directors hereby accepts and welcomes the Village of Fair Haven, as a Municipal Participant in the Consortium, with health insurance coverage beginning January 1, 2024, pending receipt, additional analysis, and approval of all required documentation.

* * * * *

2024 Budget Review Recommendations

Ms. Dowd stated that there have been some changes, including moving from cash to accrual so all reports now match up. She said there have been recommendations regarding reserves, utilizing reserves and our premium levels. Mr. Pelton said that the current premium numbers reflect 32 weeks and YTD performance was used to project an annualized number.

(Ms. Anderson arrived 3:16pm)

Mr. Pelton clarified as he shared the preliminary 2024 budget spreadsheet, along with continuity of data, that the cash to accrual doesn't change the budget numbers, however, does change the bottom-line unencumbered fund balance and reserve funds. He said the premium increase percentage has changed from the July presentation from 8.5% to 8% for 2024, which includes utilization of some of the rate stabilization reserve fund for a few years, and increased rebates based on some updated projections.

Mr. Pelton also said to keep in mind that the rebate projection proposal for Excellus' hasn't been built into the budget as it is a proposal, not a guarantee and not paid out until the third year. Excellus feels strongly that the Consortium will save 1% to 5% of claims reduction. He also reminded us of their administrative fee waiver guarantee. Mr. Pelton also added a 10% increase to the stop loss insurance what was quoted this year versus going off the previous budget.

Mr. Pelton said the Consortium is budgeting a deficit, therefore utilizing the fund balance, and reducing funding the rate stabilization reserve to 2.5% for 2024, 2025, 2026, and 5% for 2027, and then hitting 7.5%, (*current level*), in 2028. He said the resolution the Consortium is presenting at this meeting is asking to consider increasing that target potentially to 10%. He said Locey & Cahill suggests these numbers a balance for utilizing the Rate Stabilization Reserve Fund, which is the purpose it was put in place, but building a plan that will get the Consortium fully funded in the next 4 or 5 years.

Ms. Drake asked Mr. Pelton how much of a contributing factor were individuals moving to a Medicare supplement, or individuals changing from plans, such as individuals having been on a family plan. Ms. Dowd said that this year, the Consortium did have movement to the Medicare supplement at the end of last year and may not been included in the budget amendment. She also said that the Consortium held a dependent audit this year which may have caused some movement. In addition, one union had employees move to the Platinum plan mid-year and some did not continue to carry their dependents on the new plan.

Mr. Shattuck asked about the percentages projected for the next four years and if Locey & Cahill has investigated ramifications of different plan rate structures of members moving from single and family to multiple options.

Mr. Pelton said there will most likely be ramifications, such as having an increase in the family policy premium cost to offset some of the premium that would be lost from going to a two-person policy cost. He said using claim amount, knowledge of how much is needed for premiums, and then making changes of how that would be divvied up.

Ms. Dowd also added that looking at premiums next year, the Consortium should be mindful of the Platinum Plan. She said the Platinum Plan is currently underpriced, and if the Consortium must make a change due to the actuarial value, the Consortium should start looking at projecting premiums to help support the Platinum Plan and not discount it more.

Resolution: Annual Premium Increase Target and Utilization of the Rate Stabilization Reserve

The committee had an in-depth discussion regarding the resolution to be used as a tool for future annual budget processes. Mr. Salton voiced concern about how this resolution will affect the future.

Mr. Shattuck said that the resolution will help set the rules and regulations for the next new Board of Directors or committee members, as they have something in place and show the balance of what the Consortium is doing, what the Consortium wants to do, and the direction the Consortium wants to go.

Ms. Dowd explained that the rate stabilization reserve was set up in 2015 funding it at a dollar amount. In 2020, that amount was moved to 7.5% of the annual premiums, but it was never determined how the Consortium was going to use that percentage. She said the resolution presented is also authorizing the establishment of an annual premium increase target.

Ms. Hart added the resolution accomplishes developing rules when the rate stabilization is used. He said it intentionally closes the door on premium increases of less than 5%. He said looking back at the history of the Consortium, there have been 3 times when the Consortium had rate increases less than 5%. Twice were actual year-over-year premium increases of less than 5%, and the third was the premium holiday during COVID. He said had the Consortium not done those, the Consortium would not need to consider a 9% premium increase this year. He said the Rate Stabilization structure helps so that we can tell Consortium members that they will never see a large increase.

Ms. Anderson asked if the resolution contents would address every budget year and be changed if needed. Ms. Drake concurred and said the recommendation would need to go to the Board of Directors and the Board of Directors would ultimately vote to change the resolution. Mr. Salton said the Consortium may want to review this resolution annually to use reserves in a different way each year.

RESOLUTION NO. XXX-2023 – Annual Premium Increase Target and Utilization of the Rate Stabilization Reserve *(This resolution was amended at the meeting to include additional information – see red-lines)*

WHEREAS, Resolution No. 019-2014 adopted the 2015 Budget and established a Rate Stabilization Reserve at \$1.64 million “to protect the cash flow position of the Consortium should there be a year when claims cost exceed the prediction”; and

WHEREAS, The Rate Stabilization Reserve was updated to be funded at 7.5% of annual premiums with Resolution No. 034-2019; and

WHEREAS, It is the desire of the Audit and Finance Committees to define when and how the Rate Stabilization Reserve should be utilized and subsequently refunded; and

WHEREAS, It is the desire of the Audit and Finance Committees to refer to said resolution on an annual basis or deemed necessary during the yearly budget process, and shall approve any revisions by formal resolution; now therefore

BE IT RESOLVED, on recommendation of the Audit and Finance Committees, and the Executive Committee, that the Board of Directors authorizes the establishment of an Annual Premium Increase Target of 5% - 8%; and be it further

RESOLVED, that Resolution No. 034-2019 is amended to set a target for the Rate Stabilization Reserve of 10% of annual premiums; and be it further

RESOLVED, that when budgeted premium increases exceed 8%, a budget will be developed that funds the Rate Stabilization Reserve at a level less than the 10%-of-premium target, but no lower than 2.5%-of-premium level, with the goal of meeting all other budget requirements as outlined in Resolution No. 015-2020; and be it further

RESOLVED, that when the Rate Stabilization Reserve is funded below the 10%-of-premium target, the budget that is developed as a result will be created to support returning to the 10%-of-premium target funding level in subsequent years and as quickly as possible; and be it further

RESOLVED, that on behalf of the Audit and Finance Committees, and the Executive Committee, that the Board of Directors authorizes the Greater Tompkins County Municipal Health Insurance Consortium to set an Annual Premium Increase Target and Utilization of the Rate Stabilization Reserve as listed.

* * * * *

Discussion: Metal Level Plan Premium Discounting

Ms. Dowd shared a draft resolution with the Committee. Ms. Drake said that the Consortium has had a practice of discounting the metal level plan premiums. She said this should be addressed as the Gold and Silver level plans are at a 1% difference next year.

Ms. Dowd said based on the analysis of the metal level plans, the Consortium might want to consider doing away with the discount and allow these plans to get closer to paying for themselves.

Mr. Shattuck said it's important that the rates are equal across the board. Mr. Salton asked how many individuals would be affected. Ms. Dowd said it's limited to approximately 15 smaller municipalities.

Mr. Spenard added to keep in mind the members are picking up more of the total cost of care with the adjustments that are being made, which has been common practice to help offset the difference to ensure the plans stay within range of the parameters, especially with the Silver plan. He said the Consortium will be increasing the Silver

deductible and increasing the out-of-pocket maximum and have assisted in terms of co-insurance.

RESOLUTION NO. XXX- 2023 - ACCEPTANCE THAT THE GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM (GTCMHIC) NO LONGER WILL PROVIDE A PREMIUM DISCOUNT WHEN MAKING ADJUSTMENTS DUE TO ACTUARIAL VALUE CALCULATOR

MOVED by Ms. Drake, seconded by Mr. Hart. This resolution was unanimously adopted by voice vote of members present, and visibly seen members via remote locations to approve the following resolution.

WHEREAS, It has been a practice of the GTCMHIC to discount premium increases for plans experiencing adjustments due to actuarial value calculator compliance, and

WHEREAS, when The Segal Group, Inc., was engaged by the GTCMHIC to conduct an independent review of its medical and prescription drug plans and conduct a parallel rating analysis to aid the Consortium's leadership in understanding the influence each plan offered has on its financial position, the results showed the trending for metal level plans that the premiums were no longer supporting claims activities and other plans were supplementing their costs,

WHEREAS, the GTCMHIC continues to have significant migration to the metal level plans, especially the Platinum Plan, and it would be prudent to migrate towards a model that has the premium for each plan more closely supporting the financial experience for that plan, now therefore be it,

RESOLVED, on recommendation of the Audit and Finance Committee, and Executive Committee on behalf of the Board of Directors hereby accepts that the metal level plans no longer provide a premium discount when adjusting due to actuarial value calculator, rather they too experience the full recommended premium increase suggested for all GTCMHIC plans.

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Abstract Approval

Ms. Drake presented and reviewed the August 2023 monthly financial abstract; there were no questions or concerns. It was MOVED by Mr. Hart and seconded by Mr. Shattuck, and unanimously adopted by voice vote by members present and present via remotely, to approve the August 2023 monthly abstract. MOTION CARRIED.

Budget Performance Report/Reserve Accounts

Mr. Pelton referred to the monthly Budget Performance Report, as of July 31, 2023 and covered the following key facts:

1. Locey & Cahill continue to work with the Consortium's Executive Director and Financial Team to fine tune budget allocations and improve detailed reporting of expenses. This was done to provide a more detailed and accurate summary of the internal and external professional support costs. The amended budget updated some of the budget numbers based on the addition of new members and changes in enrollment by existing members.
2. Seven months into the fiscal period many of the expense items are below budget. Some items are annual expenses that have not been billed to the Consortium or are planned furniture and equipment purchases that have yet to be made. We anticipate these items will be more in line with the budget as the Consortium works its way through the fiscal year.
3. For new members added to the Consortium, most paid claims matured around the beginning of the 3rd month or so as the "run-out" claims (claims incurred on or before December 31, 2022) are the responsibility of their prior insurance carrier.
4. Medical Paid Claims in the first 7-months were 1.61% over the amended budget, including the advanced deposit, for the fiscal year. This is up from 1.24% last month.

Other factors include:

- An increase in the covered lives (↑9.26%) and in the number of contracts (↑8.98%) skews the early 2023 medical paid claims due to the "run-in lag".
 - Increased member participation in lower cost health insurance plans, like the Platinum Plan and the Medicare Supplement Plan by several employer groups.
 - The continuation of identifying the "new normal" of elective and/or minor medical procedures being performed following COVID-19 pandemic.
 - Locey & Cahill continues to monitor the impact of inflation on the medical community.
5. Rx Paid Claims were 10.16% over budget for the first 7-months of the 2023 Fiscal Year. This is up from 7.80% last month. Locey & Cahill continue to monitor pharmacy paid claims trend closely as pharmacy claims become a greater contributor to the number of large loss claims they are seeing across the entire book of business.

Report on Large Loss Claim Activity

Mr. Spenard reported stop loss insurance report through June 2023. He said that there are 26 individuals above \$100,000 in pending claims currently that's going to be billed to the Consortium for \$24.5 million. He said at this point last year through June 2022, the Consortium had 21 members in their claims, total, 3.6 million. Mr. Spenard indicated that the Consortium is starting to see an uptick in medical claims as the large loss claims are currently medical large loss claims. About 69% of the large lost claims paid are medical compared to only 31% of those being prescription drug claims.

Next Meeting Agenda Topics

2024 Budget

Adjourn

The meeting was adjourned at 4:43 p.m.

Respectfully submitted by Lynne Sheldon, Clerk of the Board



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RESOLUTION NO. XXX-2023 – Annual Premium Increase Target and Utilization of the Rate Stabilization Reserve

WHEREAS, Resolution No. 019-2014 adopted the 2015 Budget and established a Rate Stabilization Reserve at \$1.64 million "to protect the cash flow position of the Consortium should there be a year when claims cost exceed the prediction"; and

WHEREAS, The Rate Stabilization Reserve was updated to be funded at 7.5% of annual premiums with Resolution No. 034-2019; and

WHEREAS, It is the desire of the Audit and Finance Committees to define when and how the Rate Stabilization Reserve should be utilized and subsequently refunded; and

WHEREAS, It is the desire of the Audit and Finance Committees to refer to said resolution on an annual basis or deemed necessary during the yearly budget process, and shall approve any revisions by formal resolution; now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committees, and the Executive Committee, that the Board of Directors authorizes the establishment of an Annual Premium Increase Target of 5% - 8%; and

RESOLVED FURTHER, that Resolution No. 034-2019 is amended to set a target for the Rate Stabilization Reserve of 10% of annual premiums; and

RESOLVED FURTHER, that when budgeted premium increases exceed 8%, a budget will be developed that funds the Rate Stabilization Reserve at a level less than the 10%-of-premium target, but no lower than 2.5%-of-premium level, with the goal of meeting all other budget requirements as outlined in Resolution No. 015-2020; and

RESOLVED FURTHER, that when the Rate Stabilization Reserve is funded below the 10%-of-premium target, the budget that is developed as a result will be created to support returning to the 10%-of-premium target funding level in subsequent years and as quickly as possible; and

RESOLVED FURTHER, that on behalf of the Audit and Finance Committees, and the Executive Committee, that the Board of Directors authorizes the Greater Tompkins County Municipal Health Insurance Consortium to set an Annual Premium Increase Target and Utilization of the Rate Stabilization Reserve as defined in this resolution.

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WHEREAS, It has been a practice of the GTCMHIC to discount premium increases for plans experiencing adjustments due to actuarial value calculator compliance, and

WHEREAS, when The Segal Group, Inc., was engaged by the GTCMHIC to conduct an independent review of its medical and prescription drug plans and conduct a parallel rating analysis to aid the Consortium's leadership in understanding the influence each plan offered has on its financial position, the results showed the trending for metal level plans that the premiums were no longer supporting claims activities and other plans were supplementing their costs,

WHEREAS, the GTCMHIC continues to have significant migration to the metal level plans, especially the Platinum Plan, and it would be prudent to migrate towards a model that has the premium for each plan more closely supporting the financial experience for that plan, now therefore be it,

RESOLVED, on recommendation of the Audit and Finance Committee, and Executive Committee on behalf of the Board of Directors hereby accepts that the metal level plans no longer provide a premium discount when adjusting due to actuarial value calculator, rather they too experience the full recommended premium increase suggested for all GTCMHIC plans.

* * * * *



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RESOLUTION NO. XXX-2023 – ADOPTION OF BUDGET, PREMIUM RATES, AND RESERVE AMOUNTS FOR 2024

(Red-lined per outcome of EC meeting or
possible omits)

WHEREAS, the Audit and Finance and Executive Committees have had detailed discussions and have considered the Consortium's 2024 budget and premium rates, and

WHEREAS, the Board of Directors has adopted a policy that provides guidance on targets for net income, fund balance, and both statutory and discretionary reserve levels, in addition to creating a mechanism by which excess net income/fund balance can be returned to members,

WHEREAS, the 2024 proposed budget reflects the adopted budget guidelines (Resolution No. 015-2020) as follows:

- Maintain Incurred But Not Reported Claims Reserve at 12% of total claims;
- Maintain the Surplus Account at 5% of the annual premium of the Consortium in compliance with §4706(a)(5) of the New York State Insurance Law;
- Fund the Rate Stabilization Reserve at a level less than the 10%-of-premium target, but no lower than 2.5%-of-premium level,
- Set Catastrophic Claims Reserve to 2023 beginning balance of \$4,808,739.38 plus any earned interest and Stop Loss Insurance premium savings (between \$600,000 policy and the \$1,000,000 policy costs) in 2023 less any large claims between \$500,000 and \$1,000,000 for 12 months of 2023.
- If unencumbered fund balance goes less than 12% of expected premium, it will be returned to nothing less than 12% of expected premium by year four of the annual proforma calculation;
- Set the annual budget to accomplish a zero to two percent (2%) net income level; and
- Increase Premium Revenue by 8% in 2024 across all benefit plans, except for the Silver and Gold Plans which will be a Premium Revenue Increase of 6.89% and 6.83% respectively; now therefore be it

RESOLVED, on recommendation of the Audit and Finance and Executive Committees, That the Consortium's attached 2024 budget including premium equivalent rates and reserve amounts are hereby adopted by the Greater Tompkins County Municipal Health Insurance Consortium Board of Directors.

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