

**Audit and Finance Committee
Minutes - Approved
September 26, 2017
Old Jail Conference Room**

y

Present: Mack Cook, Bud Shattuck, Olivia Hersey, Chuck Rankin (arrived at 3:36 p.m.), Peter Salton (arrived at 3:55 p.m.), Steve Thayer (arrived at 4:12 p.m.)

Excused: Rordan Hart,

Absent: Laura Shawley

Guests: Don Barber, Executive Director; Rick Snyder, Treasurer; Steve Locey, Consultant; Paula Younger, Deputy County Administrator, Judy Drake, Board of Directors Chair (via conference call); Tom Burgess, Eric Lintala, Matt Blakesley Relph Benefit Advisors

Call to Order

Mr. Cook called the meeting to order at 3:30 p.m.

Changes to the Agenda

There were no changes made to the agenda.

Approval of Minutes of August 22, 2017

It was MOVED by Mr. Shattuck, seconded by Ms. Hersey, and unanimously adopted by voice vote by members present, to approve the minutes of August 22, 2017 as submitted. MINUTES APPROVED.

Executive Director's Report

CanaRx

Mr. Barber reported there were eight new subscribers to the CanaRX program in August, bringing the total number of subscribers to 15. He also reported ProAct sent another letter in September to inform subscribers who are receiving medications that they are eligible for the this program; ProAct will be sending this communication out quarterly. Mr. Locey questioned whether the budget will contain a separate line-item for this on the Treasurer's Report. Mr. Snyder said it has not been segregated up to this point but will begin to do so.

RX Claims Audit

Mr. Barber reported the audit is moving a long and is on schedule to be completed by year-end.

Mr. Rankin arrived at this time.

Mr. Locey suggested that BMI be alerted that the next time they perform an audit of prescription drug claims that they should be looking at both the ProAct and CanaRx programs.

Governance Structure Committee

Mr. Barber reported the Committee has received feedback on the survey from many Directors and based on that a proposal has developed with a general framework for a structure that would give more responsibility and authority to committees which may reduce the number of Board meetings. A full report will be presented to the Board of Directors at its meeting this week with a request for feedback.

Website Committee

The Committee has purchased a new domain name and has decided to continue working with E-gov for all activities involved in updating and maintaining the Consortium's website.

External Auditor Request for Proposals

Mr. Barber reported the RFP is out and questions are being received and responses prepared. Mr. Snyder said the Consortium is working in cooperation with the County on this RFP but it has been made clear that the Consortium's contract award would be based on a separate cost proposal and approved by a separate Board.

Newsletter

Mr. Barber reported the September issue of the Newsletter has been distributed.

Financial Update

Mr. Locey reviewed a financial update through the August 2017 and said there has been a net income of \$2.5 million. The Consortium is 4% above budget on overall revenue which is substantially better than expected. On the expense side, medical claims were 7% below budget and prescription drug claims were approximately 8.6% below budget.

Reimbursement of NYS Healthcare Surcharge

Mr. Locey said at the last meeting there was discussion of trying to get some relief from the New York State Healthcare Surcharge. He distributed and reviewed information showing the amounts paid and said last year the Consortium paid slightly under \$900,000 in HCRA (Health Care Reform Act) surcharges through the claims process to the State and this year will pay approximately \$950,000 and over \$1 million in 2018. This represents 2¼% of premium income for the year. The Surcharge was originally part of the inpatient hospital payment system with all of the hospitals paying it to the State. In 1997 it was placed on insurance carriers as a surcharge on claims and applies to Article 43 insurance companies and self-insured plans. It began at 8.81% and has risen to 9.63% on claims for services such as inpatient and outpatient hospital, diagnostic and treatment centers, and clinical laboratory services.

Mr. Locey distributed background information and said when it was originally formed it was supposed to be a pool of money to take care of indigent care. Since that need is no longer there the State has used it as an "off-the-books" slush fund to fund other things. It is a large part of the State budget and as a result is increasing insurance premiums more than they need to be. He doesn't think the State would eliminate this but thinks there should be further discussion, particularly with State legislative representatives, because it is not appropriate for the Consortium to be paying more in health insurance premium for a fund that no longer used for its original purpose and it is also not clear what funds are being used for. Mr. Barber said he is working on setting up a meeting with Senator Seward and will add this to the list of items to be discussed. He will share information with the Committee on the date and location of the meeting when it becomes available.

Mr. Salton arrived at this time.

2018 Budget

Mr. Locey spoke of the development of the proposed 2018 budget for the Consortium and noted that in the process Locey & Cahill has taken a look at over six years of financial data for the Consortium and other consortiums they work with. He reviewed information contained in the Budget Memorandum dated September 25, 2017 and explained that due to better-than-

expected results the recommended premium rate increase is 4% which is lower than the previous recommendation of 5%. He noted that when a percentage plan increase is approved the Gold Metal Level Plan will have a slightly different factor of .23% below the adopted percentage increase.

Mr. Locey highlighted the recommendations contained in the memo:

1. 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. The value of this reserve, as projected for the 2018 Fiscal Year, is \$2,126,368.55. This will maintain the financial stability of the Consortium and protect the Municipalities from the possibility of a mid-year assessment, if paid claims projections are exceeded.
2. Maintain the IBNR Claims Liability Reserve as required by §4706(a)(1) of the New York State Insurance Law at a value in line with the expected cost of "run-out" claims. We are recommending that this reserve continue to be funded at 12.0% of expected incurred claims consistent with the direction received by the Consortium from the New York State Department of Financial Services. This reserve would equal approximately \$4,822,356.76 for the 2018 Fiscal Year.
3. Continue to evaluate the stop-loss insurance policy which recently increased the deductible to \$450,000 for the 2017 Fiscal Year, and maintain the Catastrophic Claims Reserve at an amount equal to \$1,350,000 for the 2018 Fiscal Year. This reserve is specifically designed to protect the cash flow of the Consortium from the effects of a significant increase in the overall paid claims due to individual high dollar claimants.
4. Maintain the Claims/Rate Stabilization Reserve in an amount equal to 5% of expected paid claims. These funds could be used in future years to mitigate premium rate increases and to "soften the blow" from a period of hyper-inflation.
5. Continue to negotiate reasonable increases to the administrative fees paid to Excellus BlueCross BlueShield and ProAct, Inc. as part of the annual renewal process.
6. Establish an investment strategy designed to maximize the interest income earned while maintaining the flexibility in cash assets necessary for the prudent financial management of the Consortium.
7. In consideration of the overall financial position of the Greater Tompkins County Municipal Health Insurance Consortium and its goals and objectives, Locey & Cahill, LLC is recommending that the Board of Directors approve a 4.0% increase in premiums for the 2018 Fiscal Year. As a point of information, a 1.0% increase in premiums paid equals approximately \$410,000 for the 2018 Fiscal Year.

Mr. Locey noted this is a recommendation and it is a decision of the Board of Directors based on balancing the needs of the Consortium versus the needs of local municipalities and making a decision that not only helps local municipalities control costs while ensuring the Consortium is not placed in any financial jeopardy. He stated a one percent premium rate increase would represent a difference in net income at year-end of approximately \$410,000.

RESOLUTION NO. 016-2017 - ADOPTION OF 2018 BUDGET

MOVED by Ms. Hersey, seconded by Mr. Rankin,

Mr. Salton asked what the impact would be of having a zero rate increase. Mr. Locey said this would require more use of the Fund Balance more quickly. With the proposed budget the Consortium would end the year with \$600,000, and with a zero rate increase it would be approximately -\$1 million. Mr. Barber said although there would be relief in 2018 there would be

a significant impact in subsequent years. Mr. Cook spoke against reducing the rate increase below 4% and having to increase rates by a much higher percentage in subsequent years. He said there will be uncertainties next year with pension liabilities and said he greatly values the consistency of rate increases the Consortium provides.

Mr. Thayer arrived at this time.

Mr. Snyder reiterated a comment made by Mr. Barber about the paid claims trend being the primary driver, noting the prescription drug claims trend is 9.5% and medical claims 7.5% with an average of 8.11%. He said to the extent that the Consortium adopts a rate increase any lower than that, it would be drawing on reserves and prior good fortune and thinks the five-year budgets that have been prepared provide a solid path for going forward. He also believes many municipalities have developed budgets using a 5% rate increase. Mr. Locey commented that there is some conservancy built into the 8.11%; however, it is important to be conservative when planning a five-year budget.

Other members also spoke in support of having consistency in rate increases and Mr. Salton said he understood that point of view and raised the question to have a discussion of the impact.

A voice vote resulted as follows: Ayes – 6, Noes – 0, Excused – 1 (Hart), Absent – 1 (Shawley). MOTION CARRIED.

WHEREAS, the proposed 2018 budget was presented by the Consultant and was unanimously recommended by the Audit and Finance Committee at the September 28, 2017 meeting for submission to the Board for its review, and

WHEREAS, notable items included in the proposed budget are the following:

- Premium increase of 4% over 2017 rates, except for metal level plans which will experience reductions in actuarial value;
- 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.
- Maintain the Claims/Rate Stabilization Reserve in an amount equal to 5% of expected paid claims; and
- Catastrophic Claims Reserve will be increased by \$300,000 to \$1,350,000 now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee, That the attached 2018 budget and premium equivalent rates for the Greater Tompkins County Municipal Health Insurance Consortium is hereby approved.

* * * * *

Stop Loss Model

Mr. Barber said he has provided the Committee with detailed information on a Protected Cell Stop-Loss Model that is referred to as “ceding” a layer of Stop-Loss coverage to a second insurer and has the potential to yield savings by allowing the Consortium to co-manage stop-loss insurance and high cost claims with other partners in the model.

Mr. Lintala, Executive Benefit Consultant of Relph Benefit Advisors, said NYSAC has continued to observe and be part of the struggle to control healthcare costs and the NYSAC

Healthcare Financing Collective (HCFC) is designed around using the ability to work together in the stop-loss market to reduce those expenses and participate in a layer for reimbursement of premium to pay upon the group exposure. NYSAC has positioned the program to be a shared services initiative with the intent to enable municipalities with the large group limitations (100+ covered employees) that are self-insured. He said it is across counties and not within counties and the only way to bring in the smaller municipalities is to use a program like the Consortium; it is also based on a successful program being used by NYS colleges.

Mr. Lintala said the NYSAC Board approved the program in June and it has been brought forward to a few interested municipalities because three municipalities with a collective 3000+ lives are needed to create this collective. They are in negotiation with other counties and hope to have this running on January 1, 2018 and will present it to other municipalities at the late January NYSAC conference. He reviewed proposed premiums and fees and said the intent is to smooth out and remove the years of high cost claimants. It also provides a benefit of being a shared service. Following an overview of the program he said they are asking the Consortium to be a participant.

Mr. Cook referred to the response from John Powers, the Consortium's legal counsel, and said although he is reluctant to endorse this without support from Mr. Powers, but he is willing to explore it further. Mr. Barber said today's presentation provides further information that responds to some of Mr. Powers concerns and he will provide that information to him.

Mr. Lintala said the program is based on participants in New York State and NYSAC is sponsoring the organization. Three municipalities are needed as the starting point and they would have the opportunity of being a part of the governance board. He also said their entry point would be based upon their claims costs, benefit plans, and population and every group is individually underwritten based on their plan design.

Mr. Barber said there are a number of questions from the Consortium's legal counsel that he has asked Relph Benefits to respond to. He stated there are significant savings that could be achieved by moving forward and also a potential to address aggregate stop loss; however, there is a short window of time before the year ends and work that needs to take place before a decision can be made. The Committee expressed interest in continuing to discuss this at the next meeting.

**RESOLUTION NO. 019-2017 - ACCEPTANCE OF APPLICATION BY THE TOWN OF HOMER
TO BECOME A PARTICIPANT IN THE GREATER TOMPKINS
COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM**

MOVED by Mr. Cook, seconded by Ms. Hersey.

Mr. Cook expressed concern that eventually there will be a municipality that is financially acceptable to join the Consortium but may bring in a different census track than the Consortium currently has. Mr. Locey responded that is why the MCA set the region to restrict municipalities from joining to those with similar demographics and risk characteristics in terms of claims costs. It was suggested that the process be looked at prior to other municipalities request to join in 2019; Mr. Barber said this Board could adopt a resolution establishing what information is needed for an internal review and consideration. Mr. Locey will provide the Committee with information at the next meeting.

The resolution was unanimously adopted by voice vote by members present.

WHEREAS, by Resolution No. 005 of 2012 and amended by Resolution No. 27 of 2014 the Consortium Board of Directors adopted a policy outlining a process of applying for membership to the Consortium, and

WHEREAS, the Town of Homer has submitted an official resolution authorizing the Town of Homer to join the Consortium in accordance with the terms and conditions outlined in the Municipal Cooperative Agreement, and

WHEREAS, the Town of Homer has complied with membership process outlined in Resolution No. 005 of 2012 and amended by Resolution No. 027 of 2014 and has submitted copies of financial reports which have been reviewed and found acceptable by the Consortium's Treasurer, Chief Financial Officer and/or the Consortium's Auditor, now therefore be it

RESOLVED, That the Greater Tompkins County Municipal Health Insurance Consortium, accepts and welcomes the Town of Homer as the 30th municipal participant, with health insurance coverage beginning January 1, 2018,

RESOLVED, further, That the Board of Directors waives the requirement of payment of 5% of premium to the Surplus Reserve Account as requested by the Town of Homer,

RESOLVED, further, That the Board of Directors determines that the terms of assessing the pro rata share of any surplus or deficit to the applicant shall at the time the applicant leaves the Consortium or upon dissolution of the Consortium shall be based on their share of any deficit or being paid their share of any surplus that was generated during their years of participation. The Board of Directors would identify the surplus or deficit which exists on the date of entry and again on the date of withdrawal or dissolution and bill or pay the applicant accordingly,

Resolved, further, That the Administrative Clerk shall forward to the New York State Department of Financial Services a certified copy of the resolution authorizing the Town of Homer to become a participant in the Consortium and a certified resolution adopted by the GTCMHIC accepting the Town of Homer as a Participant in the Consortium.

* * * * *

**RESOLUTION NO. 020-2017 - ACCEPTANCE OF APPLICATION BY THE TOWN OF OWASCO
TO BECOME A PARTICIPANT IN THE GREATER TOMPKINS
COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM**

MOVED by Mr. Cook, seconded by Ms. Hersey, and unanimously adopted by voice vote by members present.

WHEREAS, by Resolution No. 005 of 2012 and amended by Resolution No. 27 of 2014 the Consortium Board of Directors adopted a policy outlining a process of applying for membership to the Consortium, and

WHEREAS, the Town of Owasco has submitted an official resolution authorizing the Town of Owasco to join the Consortium in accordance with the terms and conditions outlined in the Municipal Cooperative Agreement, and

WHEREAS, the Town of Owasco has complied with membership process outlined in Resolution No. 005 of 2012 and amended by Resolution No. 027 of 2014 and has submitted copies of financial reports which have been reviewed and found acceptable by the Consortium's Treasurer, Chief Financial Officer and/or the Consortium's Auditor,

WHEREAS, the Town of Owasco has requested as a condition of membership that all Medicare age employees and retirees maintain their current Medicare Advantage PPO benefit plan, a federally subsidized plan which the Consortium cannot offer, now therefore be it

RESOLVED, That the Greater Tompkins County Municipal Health Insurance Consortium, accepts and welcomes the Town of Owasco as the 31st municipal participant, with health insurance coverage beginning January 1, 2018,

RESOLVED, further, That the Board of Directors waives the requirement of payment of 5% of premium to the Surplus Reserve Account as requested by the Town of Owasco,

RESOLVED, further, That the Board of Directors determines that the terms of assessing the pro rata share of any surplus or deficit to the applicant shall at the time the applicant leaves the Consortium or upon dissolution of the Consortium shall be based on their share of any deficit or being paid their share of any surplus that was generated during their years of participation. The Board of Directors would identify the surplus or deficit which exists on the date of entry and again on the date of withdrawal or dissolution and bill or pay the applicant accordingly,

RESOLVED further. That the Board of Directors, in accordance with section A.3 of the Municipal Cooperative Agreement, allows the Town of Owasco's Medicare age employees and retirees to maintain their current Medicare Advantage PPO benefit plan, and

RESOLVED, further, That the Administrative Clerk shall forward to the New York State Department of Financial Services a certified copy of the resolution authorizing the Town of Owasco to become a participant in the Consortium and a certified resolution adopted by the GTCMHIC accepting the Town of Owasco as a Participant in the Consortium.

* * * * *

Excellus Contract Proposal

Mr. Barber reviewed information related to possible renewal of a contract with Excellus for medical claims administration. Mr. Locey will provide the Committee, at its next meeting, a history of rate increases and percentage of increases since the Consortium began.

Stop Loss Contract – Highmark

Mr. Locey reported a quote has been received from Highmark on renewal of stop loss insurance for 2018. He has asked Highmark to provide a quote at deductibles of \$750,000 ad \$1 million. The initial proposed rate represents an approximate 17% premium increase for stop loss and a premium decrease of 19% for aggregate stop loss at the current deductible levels.

Invoice Approval

It was MOVED by Mr. Salton, seconded by Mr. Thayer, and unanimously adopted by voice vote by members present, to approve payment of an invoice for the purchase of a new website domain for the Consortium. MOTION CARRIED.

Invoices were presented for information for:

Bonadio – August 31, 2017
Jensen, Newsletter production – September 7, 2017
Hancock Estabrook – September 21, 2017

BMI (RX Claims Audit progress payment) – September 19, 2017

Next Agenda Items

The following items will be included on the next agenda:

Stop Loss Model;
Excellus contract renewal; and
Begin discussion of applicant process

Adjournment

The meeting adjourned at 5:31 p.m.