

**Audit and Finance Committee
Minutes - APPROVED
February 28, 2023
Town of Ithaca Aurora Room**

Present: Steve Thayer, Chair; Eric Snow*; Kate DeVoe (*arrived 3:05p*); Amanda Anderson*; Bud Shattuck*; Scott Steve*; Peter Salton
Excused: Rordan Hart
Absent: Lorie Corsette
Staff/Guests: Elin Dowd, Executive Director; Lynne Sheldon, Clerk of the Board; Steve Locey, Paul Pelton, Rob Spenard, Locey and Cahill*; Judy Drake, Board Member, Teri Apalovich, Finance Manager; Kylie Rodrigues, Benefit Specialist

*Remote due to extraordinary circumstances

Call to Order

Mr. Thayer, Chair, called the meeting to order at 3:01p.m.

Changes to the Agenda

There were no changes to the agenda.

Approval of Minutes of December 6, 2022

It was MOVED by Mr. Thayer, seconded by Mr. Shattuck, and unanimously adopted by voice vote of members present via remotely, to approve the minutes of December 6, 2022, as submitted.
MINUTES APPROVED

Ms. DeVoe arrived (3:05p)

Executive Director Report

Ms. Dowd reported the Consortium did not have much to report in February due to lack of meetings. She referred to her [January Executive Director Report](#), but advised that the Consortium has held a Joint Committee meeting after this report was written. The Joint Committee has requested the Consortium to prepare a Request for Proposal (RFP) for an employee assistance program (EAP) that could be a pass-through benefit for members.

Ms. Dowd reported congratulatory news that Ms. Rodrigues passed the Benefits Specialist civil service exam and will no longer be an employee on probational status. A resolution will be prepared.

Ms. Dowd advised that the ProAct and Excellus utilization report will be presented at the next Joint Committee meeting.

Ms. Dowd updated the Committee regarding the audit currently being performed by the Department of Financial Services (DFS). Four officers had been asked to be interviewed by the Department. Those interviews are now complete. DFS also has all documents they have requested; however, they have advised they will have additional questions forthcoming. Ms. Dowd explained that currently, DFS has two items they have brought to attention:

1. Non-Compliance as Labor Representation of the Joint Committee is not matching our Municipal Cooperative Agreement (MCA) due to lack of volunteering from labor representatives to attend board meetings. Ms. Dowd provided a response to this

notification and advised the Consortium will secure individual(s) at the next Joint Committee Meeting and secure all required seats moving forward.

A brief discussion arose regarding the possible revisions to the MCA and Mr. Salton asked if the DFS is referring to statutory or regulatory requirements. Ms. Dowd spoke of efforts shown in meeting minutes of the Consortium's persistence of members to fill all required seats. Ms. Drake added that the Consortium has been able to get the MCA requirements down to 10 labor representatives for the Board of Directors.

2. When the Audit Committee combined with the Finance Committee, a new charter was never completed for the newly formed Audit and Finance Committee. The Consortium will be creating one and will bring forward to the Committee at the next meeting.

Lease Update

Ms. Dowd spoke of the Consortium's current lease and potential future location. The Town of Ithaca has agreed to continue to lease space to the Consortium on a month-month basis starting in April. She said that the staff and Chair have looked at a larger new build location in Cayuga Heights that will also be able to accommodate the Consortium's meetings. The Consortium has already sent a letter of interest to the landlord. There are negotiations in place currently, and Ms. Dowd hopes to have an answer and a lease resolution at the next Committee meeting. Ms. Dowd also added that there are changes to be discussed at this meeting to the budget amendment that approves additional funding for the potential lease.

2023 Amended Budget

Ms. Apalovich and Locey & Cahill presented the [amended budget](#). Mr. Locey explained that there was an adjustment made to medical claims and drug claims. Some of this increase is mainly due to the overall census count increase. There is an increase in the overall count by just under 600 lives, which is a little over 9% of the total covered lives for the Consortium. Mr. Locey said that for the budget purposes, they looked at updated claims trend data, and used some of the additional covered lives.

Ms. Apalovich reviewed the Consortium has added another BMI claims audit of which the medical claims audit is in progress now, and RX claims audit will follow. There will be an additional expense for cybersecurity as well as consultant fees and preparation of plan documents. Mr. Pelton noted the strategic planning line item went up by \$80,000, and the furniture and fixtures one up by \$50,000 for the potential new lease.

Mr Locey also noted when originally projecting the budget, there was about \$28.6 million in the fund balance from the year before. Since the budget was set in September, at end of the year, the Consortium was over \$30 million, which is what is reflected in the amended budget. He explained that even though the net income is a greater negative, instead of being \$1 million, it's \$1.4 million.

Mr. Pelton added the net deficit projected for the year, increased by about \$384,000. He said \$270,000 attributed to the increase in the advanced deposit over what was budgeted, which is required by the Excellus contract.

RESOLUTION NO. XXX- 2023 – ADOPTION OF AMENDMENTS TO THE 2023 BUDGET

MOVED by Mr. Snow, seconded by Mr. Salton. The resolution was unanimously adopted by voice vote of members present, and visibly seen members via remote locations due to extraordinary circumstances to approve the following resolution to submit to the Executive Committee.

WHEREAS, The Board of Directors adopted the 2023 Budget, Reserve amounts, and Premium Equivalent Rates on September 22, 2022, and

WHEREAS, The 2023 budget has been impacted by several factors including new members and changes to contracts renewed after September, and

WHEREAS, There is a need to amend budget lines in order to ensure the Consortium operates with a budget that reflects actual performance for the year, now therefore be it

RESOLVED, On recommendation of the Audit and Finance Committee, That the Executive Committee, on behalf of the Board of Directors, hereby approves amendments to the Consortium's 2023 budget,

RESOLVED, Further, That a copy of the amended budget shall be made available on the Consortium's website and will be reviewed as part of the regular monthly Audit and Finance Committee reports.

Mr. Salton asked Locey & Cahill what the trend on paid claims is. Mr. Pelton responded that they have been using for most of their budgeting is 5 to 5.5% for medical, depending on the plan, and then 7 to 7.5% for RX, depending on the plan.

Ms. Dowd reported that there are new regulatory issues coming out, especially in a bill called the No Surprise Act. This bill is requiring administrators to change their systems to provide medical pricing, so people can make decision before they go for medical services. They can look online to shop around. Costs of these new systems will be passed on to the end consumer.

Payment Procedure Change

Ms. Apalovich explained that since Rick Snyder retired, the Consortium is down to two signers on the checking account. Since the Consortium needs a third signer, if the Executive Director is not available, it has been decided that the Human Resource Manager in addition to the Chief Financial Officer will also be approved to sign the checks.

It was agreed by the Committee to accept the red-line corrections on the [GTCMHIC Invoice Approval Procedure](#), with one change to the final sentence to indicate that the reconciliation process of all related financial statements will be brought to the Audit and Finance Committee for final review.

RESOLUTION NO. XXX– 2023 – AMENDMENT TO RESOLUTION 034-2021 ADOPTION OF AMENDED INVOICE PAYMENT PROCEDURE (REPLACING PROCEDURE ADOPTED DECEMBER 15, 2021, BY THE AUDIT AND FINANCE

MOVED by Mr. Thayer, seconded by Mr. Shattuck. The resolution was unanimously adopted by voice vote of members present, and visibly seen members via remote locations due to extraordinary circumstances to approve the following resolution to submit to the Executive Committee.

WHEREAS, The Audit and Finance Committees was presented with recommendations of Consortium staff for streamlining current invoice payment procedures, and

WHEREAS, The Audit and Finance Committee will initiate appropriate action and to monitor and approve expenditures and contractual agreements, and

WHEREAS, If the Audit and Finance Committee will not be meeting by the time the invoice becomes due, the Executive Director will first petition the contractor for a time extension until the Audit and Finance Committee meets. Should that petition be denied, the invoice will be paid and reported to the Committee at the next meeting, and

WHEREAS, The Monthly Financial Abstract Report detailing monthly expenditures will be presented at each Audit and Finance Committee meeting for review. All invoices approved by the Audit and Finance Committee will have checks prepared by the Finance Department and signed by the Executive Director. If the Executive Director is not available, then the Human Resource Manager or Chief Financial Officer will sign the checks for payment, and

WHEREAS, After the bank statements have been received the Finance Department will reconcile all related financial statements, and

WHEREAS, The Audit and Finance Committees has reviewed and recommended an amended Invoice Payment Procedure be approved by Executive Committee, now therefore be it

RESOLVED, On recommendation of the Audit and Finance Committees, That the Executive Committee, on behalf of the Board of Directors, hereby approves the following amended Invoice Payment Procedure effective April 6, 2023 to replace the procedure approved December 15, 2021 by the Audit and Finance Committee.

Update on Regional Pricing

Locey & Cahill was asked to present an update on Regional Pricing. Mr. Locey explained the Consortium has expanded from its original Tompkins County territory to a total of 16 counties. Since the Consortium is moving away from its core, the question is how this is affecting the Consortium's rates. Mr. Locey provided a [presentation](#) for the Committee's review. He explained that the New York State Insurance Laws allow the Consortium to establish its community rates based on sub-sets of the Consortium's entire pool of risks (regions or counties). However, these premium rates cannot segregate the population based on age, sex, health status or occupation. In addition, the premium rate model cannot provide any refunds, rebates, credits, or dividends based upon age, sex, health status or occupation. All members must be treated equally when it comes to the premium rate setting model with the following exceptions:

1. The Consortium is allowed to establish different premium rates for individuals as opposed to family units; and

2. The Consortium is allowed to create separate community rates for reasonable geographic regions, which in certain circumstances may, include individual counties. These premium rate regions would have to be approved by the Superintendent of the New York State Department of Financial Services.

Mr. Locey explained since the Consortium's conception, it has utilized a single risk pool which includes all the contracts and paid claims data for the entire Consortium in determining the premium rates for each plan design offered by the Consortium. To date, there has not been any

variance in premium rate based on the location of the employer due mainly to the lack of credible data outside the Tompkins County region.

Currently, the Consortium's total population (3,401 contracts, and 7,005 covered lives) is considered 100% credible. Locey & Cahill broke down data by County, only Tompkins County (2,681 contracts and 5,386 lives) has enough enrollment and claims data to be considered 100% credible.

Locey & Cahill recommends that our current practice continue for the foreseeable future as there is a lack of credible data outside the Tompkins County region. As the Consortium continues to grow, Locey & Cahill will continue to monitor the credibility of the various counties and/or regions along with the geographical variances in cost to ensure the premium rates continue to be fair and equitable for all members of the Consortium.

Locey & Cahill also prepared and presented a 2023 Platinum PPO Plan Rate vs. Excellus BCBS Standard Platinum Plan [Comparison sheet](#) and where it compares rate wise to all their counties as well as when it comes to other rating regions.

Finance Update

Ms. Apalovich reported the abstract contains 3 months of abstract. (December 2022 through February 2023).

Abstract Approval

Ms. Apalovich presented and reviewed the December 2022 through February 2023 monthly financial abstract; there were no questions or concerns. It was MOVED by Mr. Thayer, seconded by Ms. Salton, and unanimously adopted by voice vote by members present, to approve the December 2022 – February 2023 monthly abstract. MOTION CARRIED.

Budget Performance Report

Mr. Pelton referred to the monthly [Budget Performance Report](#) as of December 31, 2022 and covered the following:

- 1. Total Income was 1.85% below the amended budget, with premium income being 2.41% below the amended budget for the fiscal year.*
- 2. The overall revenue of the Consortium is 1.37% below budget for the fiscal year ended December 31, 2022. The management of the cash assets by the Consortium's Financial Team, in collaboration with Wilmington Trust, continues to see improvement with the current market conditions.*
- 3. The combined **Medical and Rx Paid Claims were 4.94% below budget** for the fiscal year ended December 31, 2022. Locey & Cahill will continuously monitor how paid claims continue to evolve. Historically, the claims paid during the latter part of the Calendar Year tend to be a bit higher as annual deductibles and out-of-pocket maximums are met in the early months.*
- 4. Overall, the Greater Tompkins County Municipal Health Insurance Consortium exceeded its budget projections for the fiscal year ended December 31, 2022. We will need to continue to monitor overall claim trends, especially as we continue to expand our membership and look to amend 2023 budget. While we experienced a positive claims trend for 2022, we need to remain diligent in our analysis to allow the Consortium to maintain modest premium*

increases for future budget years, providing stability to municipalities' budgets.

5. *The results experienced by the Consortium for 2022 support the Board of Director's decision to increase premium rates, by a modest 5%, for the 2022 Fiscal Year. With careful planning and monitoring, it may allow for some additional premium relief to assist the Participating Municipalities during potential difficult financial times as COVID relief monies dry up.*
6. *It is important to monitor the impact of the new accounting for gains and losses on investments, and how that reporting impacts the actual vs. budget comparisons. The current impact of these transactions as of December 31, 2022, is a net loss of \$435,891.37.*

Mr. Spenard reported on large loss claim activity through December 2022. He said the Consortium has a 15 months/January-March policy with a 3-month run-out of any lag of any paid claim. He reported that through December 2022, the Consortium had 69 individuals above \$100,000. Those total claims were \$13.4 million over the course of 12 months. Current data shows 72 individuals above \$100,000 totaling approximately \$15 million.

Mr. Spenard also reported the Consortium has a pending claim for an individual of approximately \$236,000 that is still pending with Excellus. It's under review with their claims department and has not been billed to the Consortium yet.

Mr. Spenard noted the Excellus claims for catastrophic losses totaled \$7.5 million. Last year the medical claims were \$8.2 million. The opposite was discovered for drug claims. This year through December, drug claims were at \$5.8 million. Last year claims were at \$5.1 million. He said there is a definite increase of drug spending, of which they will be keeping an eye on.

Next Meeting Agenda Topics

Lease Update
Audit & Finance Charter

Adjournment

The meeting adjourned at 4:14 p.m.

Next Meeting March 28, 2023

Respectfully submitted by Lynne Sheldon, Clerk of the Board