

**Audit and Finance Committee
April 25, 2023
Town of Ithaca Aurora Room
MINUTES – APPROVED**

Present: Rordan Hart*; Eric Snow*; Amanda Anderson; Bud Shattuck; Peter Salton (*arrived at 3:04p*); Steve Thayer, Kate DeVoe

Excused:

Absent: Lorie Corsette, Scott Steve

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; Patrick Jordan, Conrad Whyte*, Insero & Co.

*Remote due to extraordinary circumstances

Call to Order

Mr. Thayer called the meeting to order at 3:02p.m.

Changes to the Agenda

There were no changes to the agenda.

Approve Minutes – March 28, 2023

It was MOVED by Mr. Shattuck, seconded by Mr. Snow, and unanimously adopted by voice vote by members present, to approve the minutes of March 28, 2023 as submitted. MINUTES APPROVED.

Review and Approval Annual External Independent Audit

Mr. Jordan and Mr. Whyte from Insero & Co., joined the Consortium to present the annual External Audit Report. Mr. Whyte indicated that Ms. Apalovich was able to get them everything that they needed for the audit within time to be able to present to the Consortium today. He said that all the numbers sent were excellent in his opinion. Nothing seemed to be a miss or needing any adjustment for this year. He also said that they reconcile to the NYS mandated Jurat. The report that was presented is a 5-year condensed trend analysis from 2018 to 2022.

Preliminary Documentations Presented by Insero & Co.

#1 Preliminary Draft

#2 Executive Summary Draft

#3 Financial Report Draft

#4 Management Letter

Ms. Dowd thanked Insero for attending and presenting at the meeting. She said that she would have final copies sent out to the committee this week and this audit would also be accepted at the Board of Directors meeting in September. This report will be sent out to the Department of Financial Services (DFS) with the Jurat.

RESOLUTION NO. XXX-2023 – ACCEPTANCE OF 2022 EXTERNAL AUDIT REPORT PERFORMED BY INSERO & CO

MOVED by Mr. Shattuck, seconded by Ms. DeVoe. 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, That one of the responsibilities of the Greater Tompkins County Municipal Health Insurance Consortium (GTCMHIC) Board of Directors is to audit receipts and disbursements of the Consortium and provide for independent audits, and periodic financial and operational reports to Participants in accordance with N.Y. Insurance Law § 4705 (e)(1), and

WHEREAS, N.Y. Insurance Law § 4705 (e)(1) includes the following provisions:

(e) The municipal cooperation agreement shall provide for the following to be prepared and furnished to the governing board, to participating municipal corporations, to unions which are the exclusive bargaining representatives of employees covered by the plan and to the superintendent:

- (1) an annual audit, and opinions thereon, by an independent certified public accountant, of the financial condition, accounting procedures and internal control systems of the municipal cooperative health benefit plan;
- (2) an annual report and quarterly reports describing the plan's current financial status; and

WHEREAS, the Board of Directors entered into a contract for auditing services with Insero & Co., for the purpose of conducting an annual audit of the Consortium's financial records for fiscal year 2022, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee, that the 2022 annual audit report prepared and presented to the Audit and Finance Committee by Insero & Co. is hereby accepted.

Executive Director Report

Ms. Dowd reported that the previous day there was a meeting of the Operations Committee. The Operations Committee asked if this committee could review a proposal from Excellus BCBS to be the Consortium's Pharmacy Benefit Manager. Excellus presented how the process would differentiate from ProAct vs. Excellus, especially communication on file feeds, prior authorizations and accumulators. Ms. Dowd said Locey & Cahill provided a summary of the financial ramifications of the proposal which was sent to the board the previous evening for review. This topic will be discussed again at the next Audit & Finance Committee meeting. Mr. Salton requested a full Executive Summary to be composed for review. Ms. Dowd expressed that during the Operations Meeting, Mr. Pelton summarized in detail the presentation with Excellus and the financial numbers Excellus supplied for the Consortium. Mr. Pelton said that there is a high chance that there's going to be some type of savings but may not be as significant of a savings as Excellus may have indicated in their proposal. He said the presentation did not discuss the cost of drugs, however, discussed the offsets to the cost of drugs and reduced administrative fees.

Ms. Drake added that the Operations Committee was looking at this more from the benefits administration side and the Audit and Finance Committee is responsible for looking at the finance piece. Ms. Dowd said more will be discussed regarding the financial aspect at the next Audit and Finance Committee Meeting.

Ms. Drake also asked Mr. Pelton regarding the numbers for open formulary and disruption and if they were average numbers. Mr. Pelton responded that they have done many studies for local groups, and there is a small percentage of prescription drug fills that are impacted, he said that he will research further, and report what percentage of the Consortium percentage of total population, not just the users of pharmacies.

DFS Audit Update and Required Action

Ms. Dowd stated that the Consortium is still working with DFS since the audit commenced at the end of 2022. To date, the Consortium has not received an invoice from DFS. She will ask them about the status of their billing. DFS is also still requesting additional information and making recommendations. One recommendation is for the Consortium to create a new Charter for the Audit & Finance Committee combination. A Charter currently exists for the Audit Committee set up in 2014, but not for the Audit & Finance that merged in 2020. DFS is continuing to make recommendations, so the Consortium has decided to hold off on the Charter until the recommendations are complete. DFS has informed us that the Consortium must follow NYS regulations stating no officer, such as Mr. Thayer, can Chair or vote as our Chief Financial Officer in Audit & Finance.

Ms. Dowd said that the Consortium is also working on clarifying other officers' roles with DFS as the Consortium's officers are volunteers, not staff. The Consortium may review this information with a legal counsel.

Establishing Reserves for 2022

Ms. Dowd said that during the last AFC meeting when the committee discussed closing the 2022 books, it was recommended we take a look at reserve percentages and possibly restructure the rate stabilization and catastrophic claims reserves. She said that will be something to work on over the next few months as the Committee starts building the 2024 budget. Mr. Shattock expressed concern as the recent audit showed the rate stabilization fund declining as the Consortium gains more members.

Abstract Approval

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

Bank Reconciliation

Ms. Apalovich stated that the new Chief Financial Officer will be commence approving the reconciliations as a secondary signature once they are hired. In the meantime, our current CFO, Steve Thayer will review and approve any pending reconciliations.

Budget Performance Report

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

1. The overall revenue of the Consortium is slightly below budget as of March 31, 2023. As the enhanced pharmaceutical manufacturer rebates and interest earnings, especially when longer term investments mature, will help the Consortium to stay close to its targeted budget number.
2. The combined Medical and Rx Paid Claims were 2.91% below budget through the first 3-months of the 2023 Fiscal Year. Locey & Cahill is keeping a close eye on the paid claims and how they evolve during the “new normal” post COVID-19 pandemic. 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.
3. Overall, the Greater Tompkins County Municipal Health Insurance Consortium is performing better than projected through the first 3-months of the 2023 Fiscal Year. With only three months “in the books”, the financial indicators are pointing toward a positive fiscal year. In the end, we are hopeful that this positive result will allow the Consortium to maintain modest premium increases for the next several fiscal years and/or provide premium relief to the Participating Municipalities.
4. The fiscal results experienced by the Consortium as of March 31, 2023, support the Board of Director’s decision to increase premium rates by 6.5% for the 2023 Fiscal Year. With careful planning and monitoring, especially when experiencing growth of membership, the focus will be on providing stability in future budgets and premium increases. In addition to also fund reserves at both State mandated, and policy approved levels.

Report on Large Loss Claim Activity

Mr. Spenard reported that as in 2022, the Consortium had 73 individuals above \$100,000 for the stop loss assurance policy that totaled over \$14 million dollars. This is the most claimants the Consortium has had above \$100,000 in the Consortium’s existence. Mr. Spenard did want to note that the Consortium has increased its covered lives count, so the Consortium is taking on more claims, which is potentially more risk.

Mr. Spenard said that in terms of calendar year 2023, the Consortium has currently 3 members over \$100,000, totaling \$444,000. He also noted that 0.63% of the covered lives account for 18.63% of paid claims.

Mr. Shattuck asked if the Consortium has moved any money into New York Class and if so, where are the transactions reflected in the reports. Ms. Apalovich responded that these are reflected in the Consortium’s cash accounts.

Next Meeting Agenda Topics

Reserve Policy Updates
Lease Update – 408 East Upland Road
Amortization Policy
Excellus vs. ProAct
AFC Charter Updates

Adjournment

The meeting was adjourned at 4:15 p.m.

Next Meeting May 23, 2023

Respectfully submitted by Lynne Sheldon, Clerk of the Board