

MEMORANDUM

DATE: SEPTEMBER 24, 2018

FROM: LOCEY & CAHILL, LLC

**TO: THE BOARD OF DIRECTORS OF THE
GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM**

RE: 2019 FINAL HEALTH INSURANCE BUDGET RECOMMENDATION

Locey & Cahill, LLC is extremely pleased to be continuing our work with the Greater Tompkins County Municipal Health Insurance Consortium. As you may already be aware, Locey & Cahill, LLC is an independent consulting firm based in Syracuse, New York. Our company provides clients with state of the art advice and guidance, which assists them in the formation of strategies designed to pro-actively adjust to the employee benefits industry.

As part of the services we perform on behalf of the Consortium, we are charged with the development of the annual budget projections for the health insurance plans and the related premium equivalent rates. This task remains critical this year as Municipalities continue to face economic uncertainty with the tax cap being imposed on an annual basis by the State of New York. As a result, we are viewing the budget process as an opportunity to establish a plan to keep this expense as reasonable as possible while still maintaining the fiscal stability of the Consortium. This year's approach is, again, multi-faceted as we look to maximize revenue, minimize expense, and utilize existing financial resources to keep premium increases at a reasonable and prudent level. In doing so, we need to evaluate each of the major components of the budget (revenue, expenses, liabilities, and fund balance) to determine the best course of action. In the following, we have outlined our recommendations relative to each component of the 2019 Fiscal Year Budget which includes adjustments for the increase in covered lives expected with the addition of the County of Seneca and several other Towns and Villages. In addition, we have included some thoughts relative to the long range financial plan for the Consortium.

It is critical that everyone understand that these budget actions will have no impact on the primary expense category, paid claims. The paid claims total is only affected by negotiating the terms and conditions of the benefit plan, by reducing the use of medical services, or by getting the medical community to accept lower fees for services and materials, including prescription drugs, they provide and/or deliver. While we believe Excellus BlueCross BlueShield and ProAct are doing a good job in this regard, it is our opinion that we will not see a decline in the growth of this expense which accounts for approximately 95% of the total annual expenses of the Consortium. In furtherance, it should be noted that many of the Medicare and Medicaid cuts proposed by the Federal and State Governments could negatively affect the Consortium's expenses as medical providers look to recoup lost revenues from the "private sector" which includes all medical benefit insurance plans, like the Consortium.

If a Municipality is seeking to lower its expenses on paid claims, it can achieve this goal by negotiating to one of the alternative plan offerings which include a premium reduction. These options include items such as three-tier prescription drug benefit plans which are designed to change the purchasing habits of the consumer by having them seek lower cost alternatives. This has proven to be effective as the data shows a distinct difference in the purchasing habits of members in this type of plan versus the older style two-tier pharmacy benefit plans.

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INS. CONSORTIUM
BOARD OF DIRECTORS MEMORANDUM
RE: 2019 FINAL HEALTH INSURANCE BUDGET RECOMMENDATION
SEPTEMBER 24, 2018
PAGE 2

In addition, the Consortium offers “Standard Platinum, Gold, Silver, and Bronze Plans” modeled after ACA Plans available in the health insurance marketplace. These “metal level” plans have been established to meet a set Actuarial Value (percent of the average person’s medical care costs covered by the plan) which allows the benefits to be slightly modified on an annual basis to ensure the Actuarial Value is being met. When the plan’s Actuarial Value falls outside of its acceptable range, the benefits are modified to return the plan’s Actuarial Value to an acceptable level. When this occurs, the premium is slightly decreased to take into consideration the benefit change. As a result, these plans will increase in cost a slower pace than traditional health insurance plans.

With the above being said, we would like to review our recommendations for the 2019 Fiscal Year Budget:

REVENUE

During the first eight (8) months of the 2018 Fiscal Year, the revenue of the Consortium was divided into six (6) major categories; medical plan premiums, ancillary benefit plan premiums, interest, prescription drug rebates, stop-loss claim reimbursements, and other miscellaneous income. The 2018 Fiscal Year revenue versus budget is summarized in the chart below:

		<i>2018 Adopted Budget</i>	<i>2018 Year-to-Date</i>	<i>2018 Actual Results</i>	<i>Variance</i>	<i>% Difference</i>
Income						
	Medical Plan Premiums	\$42,527,371.07	\$28,351,580.71	\$28,314,322.76	-\$37,257.95	-0.13%
9000	Ancillary Benefit Plan Premiums	\$156,750.00	\$104,500.00	\$99,537.67	-\$4,962.33	-4.75%
	Interest	\$16,000.00	\$10,666.67	\$12,279.55	\$1,612.88	15.12%
9010	Rx Rebates	\$1,000,000.00	\$500,000.00	\$904,548.13	\$404,548.13	80.91%
9040	Stop-Loss Claim Reimbursements	\$0.00	\$0.00	\$8,294.21	\$8,294.21	n/a
9030	Other	\$4,120.00	\$2,746.67	\$174.58	-\$2,572.09	-93.64%
Total Income		\$43,704,241.07	\$28,969,494.05	\$29,339,156.90	\$369,662.85	1.28%

As you may note from the exhibit above, the interest income associated with the cash assets, accounted for \$12,279.55 of the total revenue for the year to date which is up a bit from last year.

The investment income on the reserves and other cash assets held by the Consortium does result in the premium equivalent rates being lower than would otherwise be required had this revenue source not been available. This revenue stream continues to be negatively impacted by the extremely low interest rates being paid by financial institutions on deposit and guaranteed interest accounts.

To combat the low earnings on the substantial cash assets of the Consortium, a Request for Proposal (RFP) was issued to seek investment advice from professionals who will be charged with maximizing the interest earnings while investing the funds in appropriate investment vehicles. Simultaneous to this process, the Consortium’s Treasurer has been working with the Consortium’s current banking partners to see if they can enhance the earnings and this has proven fruitful as well. We do anticipate some positive results and have amend the budget accordingly with a substantial increase in premium income for the years 2020 through 2023.

It should also be noted that this is a revenue source which does not exist in the traditional insurance market as the insurance companies earn the interest or investment income and do not provide clients with any credit associated with their returns on the employer’s renewals.

**GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INS. CONSORTIUM
BOARD OF DIRECTORS MEMORANDUM
RE: 2019 FINAL HEALTH INSURANCE BUDGET RECOMMENDATION
SEPTEMBER 24, 2018
PAGE 3**

The premium income for health insurance is derived from the payments made collectively by covered members and the employers to the Consortium. This revenue stream is determined by the number of covered members insured multiplied by the monthly premium equivalent rate for their particular classification and benefit plan design.

The next highest source of revenue to medical plan premiums for the past couple of years has been the category defined as prescription drug rebates. In the 2017 Fiscal Year, the Consortium's prescription drug rebate revenue accounted for 3.824% of the total medical plan revenue for the year which was sharply up from the prior year's results. One way to continue to increase the value of this revenue source is to have more Municipalities drop their old two-tier prescription drug plans and adopt one of the three-tier prescription drug formulary plans offered by the Consortium. ProAct passes along all rebates earned to the Consortium. However, they receive a significantly higher level of rebates for members who are Tier-3 medications. It is important to keep in mind that in a traditional insurance model, this revenue source is typically not factored into the premium renewal each year. This is one of many areas where participation in the Consortium proves to be a significantly more efficient plan structure from a financial perspective for the participating municipalities.

Stop-loss insurance reimbursements is another major source of revenue each year. These claims payments are being shown as a credit on the stop-loss insurance expense line as per the request of the New York State Department of Financial Services in their reporting. However, for our reporting purposes and budgeting purposes, we are showing the true stop-loss premium and any claim payments as an expense or a revenue, respectively.

Each year the Consortium purchases Specific Stop-Loss Insurance which is an insurance policy for catastrophic losses that exceed the deductible. This is a difficult item to project from year-to-year as these types of claims can fluctuate substantially. In fact, during the 2011 and 2012 Fiscal Years, the Consortium received no reimbursements. However, during the 2013 Fiscal Year, the Consortium has received \$1,055,847.97 in stop-loss reimbursements, much of which was related to claims which were incurred during the 2012 Fiscal Year. We typically do not build any reimbursements into future projections as it is our belief that the increase in paid claims associated with these types of large losses will off-set the effects of the stop-loss reimbursements received.

The last income source is the premium income associated with the ancillary benefit programs offered by the Consortium. During the development of the Consortium, it was determined that in order for some of the municipalities to join the Consortium we had to develop some additional plans of benefit to mirror the programs offered by the New York State Teamsters Benefit Fund. These plans included dental insurance, vision insurance, life insurance, disability insurance, a legal benefit (collectively referred to as "ancillary benefits"). The premiums associated with these benefit plans are passed through the Consortium as a courtesy to the affected municipalities. A committee has been formed to review these plans of benefit, the costs, and the logistics associated with the operation of these benefit plans.

Since the formation of the Consortium, the New York State Teamsters Benefit Fund has had different views on members would being allowed to participate in their ancillary benefits if they did not participate in the Teamsters Medical Plan. As a result, the Consortium has contracted with the CSEA Employee Benefits Fund for the next several years to provide dental and vision insurance which is comparable to that offered by the NUS Teamsters. The benefit plans will continue to be evaluated to ensure they are meeting the needs of the participating municipalities and will continue to be an alternative to the Teamsters programs to ensure municipal partners in the Consortium have access to the benefits they need and require.

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INS. CONSORTIUM
BOARD OF DIRECTORS MEMORANDUM
RE: 2019 FINAL HEALTH INSURANCE BUDGET RECOMMENDATION
SEPTEMBER 24, 2018
PAGE 4

EXPENSES

The expenses associated with the Greater Tompkins County Municipal Health Insurance Consortium are segregated into claim related expenses (medical paid claims and prescription drug paid claims) and “overhead” expenses (BlueCross BlueShield/ProAct administrative or “retention” fees, stop-loss insurance, audit fees, legal fees, consultant fees, and “other” expenses). Through the first eight (8) months of the 2018 Fiscal Year, the expense distribution was as follows:

<i>2018 GTCMHIC Actual Expenses as of 08/31/2018</i>		
8090	Medical Paid Claims	\$19,528,776.23
8120	Rx Paid Claims - ProAct	\$7,335,245.64
8121	Rx Paid Claims - CanaRx	\$99,720.80
8050	Medical Admin Fees	\$721,033.02
	Rx Admin Fees	\$55,569.00
8084	Flu Clinic Fees	\$0.00
8091	NYS Graduate Medical Exp.	\$158,907.58
9060	ACA PCORI Fee	\$12,361.08
8115	ACA Transitional Reins. Program Fees	\$0.00
8110	Stop-Loss Aggregate and Specific	\$294,799.57
	Advance Deposit / Pre-Paid Claims	\$0.00
8070	Legal Fees	\$6,987.50
8055	Executive Director Fees	\$31,243.22
8030	Consultant Fees	\$48,410.00
8000	Accounting Fees	\$17,415.00
8010	Actuarial Fees	\$12,600.00
8020	Audit Fees	\$17,325.00
8060	Insurances (D&O / Prof. Liability)	\$22,092.73
8041	Internal Coordination (Finance)	\$34,272.16
8042	Internal Coordination (Support)	\$14,202.90
	Surety Bond Fee / Loan Interest	\$0.00
	Payment Refund	\$0.00
9050	Ancillary Benefit Premiums	\$99,581.84
9060	Other Expenses / Supplies	\$7,642.21
Total Expenses		\$28,518,185.48

The medical and prescription drug paid claims, advance deposit, and other paid claim liability expenses collectively accounted for 94.55% of the total Consortium Expenses through the first eight (8) months of the 2018 Fiscal Year. The paid claims are a direct expense associated with the payment of services received by covered members (benefits) during the fiscal year. As we discussed earlier in this memorandum, the goal of this process is to identify ways to minimize the expenses of the Consortium while maintaining the benefits of the members which are guaranteed and protected by their respective collective bargaining agreements, personnel policies, and or employment contracts.

We also would like to point out that the 2018 Fiscal Year is the sixth year in which the Consortium is experiencing some of the direct financial impact associated with the ongoing implementation of the Patient Protection and Affordable Care Act (ACA). Recently the Consortium paid \$12,361.08 to cover the excise tax associated with the ACA Patient-Centered Outcomes Research Institute (PCORI) Fee. This is up slightly from the \$11,422.38 paid last year for this same fee. We will discuss more about this expense category and other impacts associated with the ACA later in this document.

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INS. CONSORTIUM
BOARD OF DIRECTORS MEMORANDUM
RE: 2019 FINAL HEALTH INSURANCE BUDGET RECOMMENDATION
SEPTEMBER 24, 2018
PAGE 5

Please refer to the following exhibit for a graphical representation of the expense data associated with the first eight (8) months of the 2018 Fiscal Year as compared to the budget which was established last year at this time:

		<i>2018 Year-to-Date</i>	<i>2018 Actual Results</i>	<i>Variance</i>	<i>% Difference</i>
Income					
	Medical Plan Premiums	\$28,351,580.71	\$28,314,322.76	-\$37,257.95	-0.13%
9000	Ancillary Benefit Plan Premiums	\$104,500.00	\$99,537.67	-\$4,962.33	-4.75%
	Interest	\$10,666.67	\$12,279.55	\$1,612.88	15.12%
9010	Rx Rebates	\$500,000.00	\$904,548.13	\$404,548.13	80.91%
9040	Stop-Loss Claim Reimbursements	\$0.00	\$8,294.21	\$8,294.21	n/a
9030	Other	\$2,746.67	\$174.58	-\$2,572.09	-93.64%
Total Income		\$28,969,494.05	\$29,339,156.90	\$369,662.85	1.28%
Expenses					
8090	Medical Paid Claims	\$18,581,433.30	\$19,528,776.23	\$947,342.93	5.10%
8120	Rx Paid Claims - ProAct	\$8,009,437.56	\$7,335,245.64	-\$674,191.92	-8.42%
8121	Rx Paid Claims - CanaRx	\$200,000.00	\$99,720.80	-\$100,279.20	-50.14%
8050	Medical Admin Fees	\$696,238.24	\$721,033.02	\$24,794.78	3.56%
	Rx Admin Fees	\$57,037.30	\$55,569.00	-\$1,468.30	-2.57%
8084	Flu Clinic Fees	\$6,666.67	\$0.00	-\$6,666.67	n/a
8091	NYS Graduate Medical Exp.	\$176,050.00	\$158,907.58	-\$17,142.42	-9.74%
9060	ACA PCORI Fee	\$12,259.93	\$12,361.08	\$101.15	0.83%
8115	ACA Transitional Reins. Program Fees	\$0.00	\$0.00	n/a	n/a
8110	Stop-Loss Aggregate and Specific	\$592,422.22	\$294,799.57	-\$297,622.65	-50.24%
	Advance Deposit / Pre-Paid Claims	\$100,000.00	\$0.00	-\$100,000.00	-100.00%
8070	Legal Fees	\$7,072.67	\$6,987.50	-\$85.17	-1.20%
8055	Executive Director Fees	\$22,660.00	\$31,243.22	\$8,583.22	37.88%
8030	Consultant Fees	\$39,606.93	\$48,410.00	\$8,803.07	22.23%
8000	Accounting Fees	\$20,600.00	\$17,415.00	-\$3,185.00	-15.46%
8010	Actuarial Fees	\$11,404.68	\$12,600.00	\$1,195.33	10.48%
8020	Audit Fees	\$56,650.00	\$17,325.00	-\$39,325.00	-69.42%
8060	Insurances (D&O / Prof. Liability)	\$24,302.01	\$22,092.73	-\$2,209.28	-9.09%
8041	Internal Coordination (Finance)	\$43,600.00	\$34,272.16	-\$9,327.84	-21.39%
8042	Internal Coordination (Support)	\$13,733.33	\$14,202.90	\$469.57	3.42%
	Surety Bond Fee / Loan Interest	n/a	\$0.00	n/a	n/a
	Payment Refund	n/a	\$0.00	n/a	n/a
9050	Ancillary Benefit Premiums	\$104,500.00	\$99,581.84	-\$4,918.16	-4.71%
9060	Other Expenses / Supplies	\$4,120.00	\$7,642.21	\$3,522.21	85.49%
Total Expenses		\$28,779,794.84	\$28,518,185.48	-\$261,609.36	-0.91%
Net Income		\$189,699.21	\$820,971.42		

In recognition of the fact that this budget process can have no direct impact on the level of paid claims associated with the Consortium's operations in 2018, we focused our attentions on the other areas of expense to see where we could reduce expenditures. That being said, the paid claims trend assumptions have a major impact on the overall budget and we have dedicated a section of this memo to the trend development process.

The next largest component of cost is the Excellus BlueCross BlueShield Administrative or Retention Fee identified above as "Medical Admin. Fee." This is the amount of money paid to Excellus for the overall management and operation of the health insurance plan. This includes, but is not limited to, claims adjudication, customer service, provider relations, provider contracting, member services, medical management, and insurance related services.

**GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INS. CONSORTIUM
BOARD OF DIRECTORS MEMORANDUM
RE: 2019 FINAL HEALTH INSURANCE BUDGET RECOMMENDATION
SEPTEMBER 24, 2018
PAGE 6**

During the first couple of years of operation, the Consortium's Board of Directors have done a very good job in limiting this aspect of expense on the overall budget. Today, the BlueCross BlueShield Administrative Fees account for 2.72% of total plan expenditures. This is a very modest amount and we will continue to work with the Consortium Board of Directors to keep any increases in these fees to a reasonable and acceptable level.

It should be noted that the current 2018 Fiscal Year is the year of a three-year agreement with Excellus BlueCross BlueShield relative to their administrative fees. The Consortium has agreed to retain Excellus through the 2020 Fiscal Year with Excellus receiving a 3.0%, 3.5%, and 3.5% increase in rate respectively for each rate year, respectively.

The next largest area of expense is associated with the purchase of Specific Stop-Loss Insurance. This type of insurance is purchased to protect the cash flow of the group when catastrophic losses are paid for an individual covered member. Currently, the deductible is \$600,000 per covered member for claims incurred during the 2018 Fiscal Year and paid in the 2018 Fiscal Year and the first three months of the 2019 Fiscal Year. This insurance policy will reimburse all expenses which exceed the deductible during the fiscal year with no limit. The cost for this insurance policy is approximately \$450,000 for the 2018 Fiscal Year which is a substantive decrease from what was paid during the 2017 Fiscal Year.

With the cash asset balance of the Consortium, the Board of Directors previously decided to increase the Specific Stop-Loss Insurance Deductible to keep premiums reasonable. In addition, based on our professional recommendation the Board of Directors voted to establish of a Catastrophic Claims Reserve at an initial level equal to the value of 2% of the expected paid claims total for the plan during the fiscal year (approximately \$600,000). For the 2018 Fiscal Year, this reserve was increased to \$2,000,000 to allow the Consortium the flexibility to raise the deductible even further to keep the premium costs down.

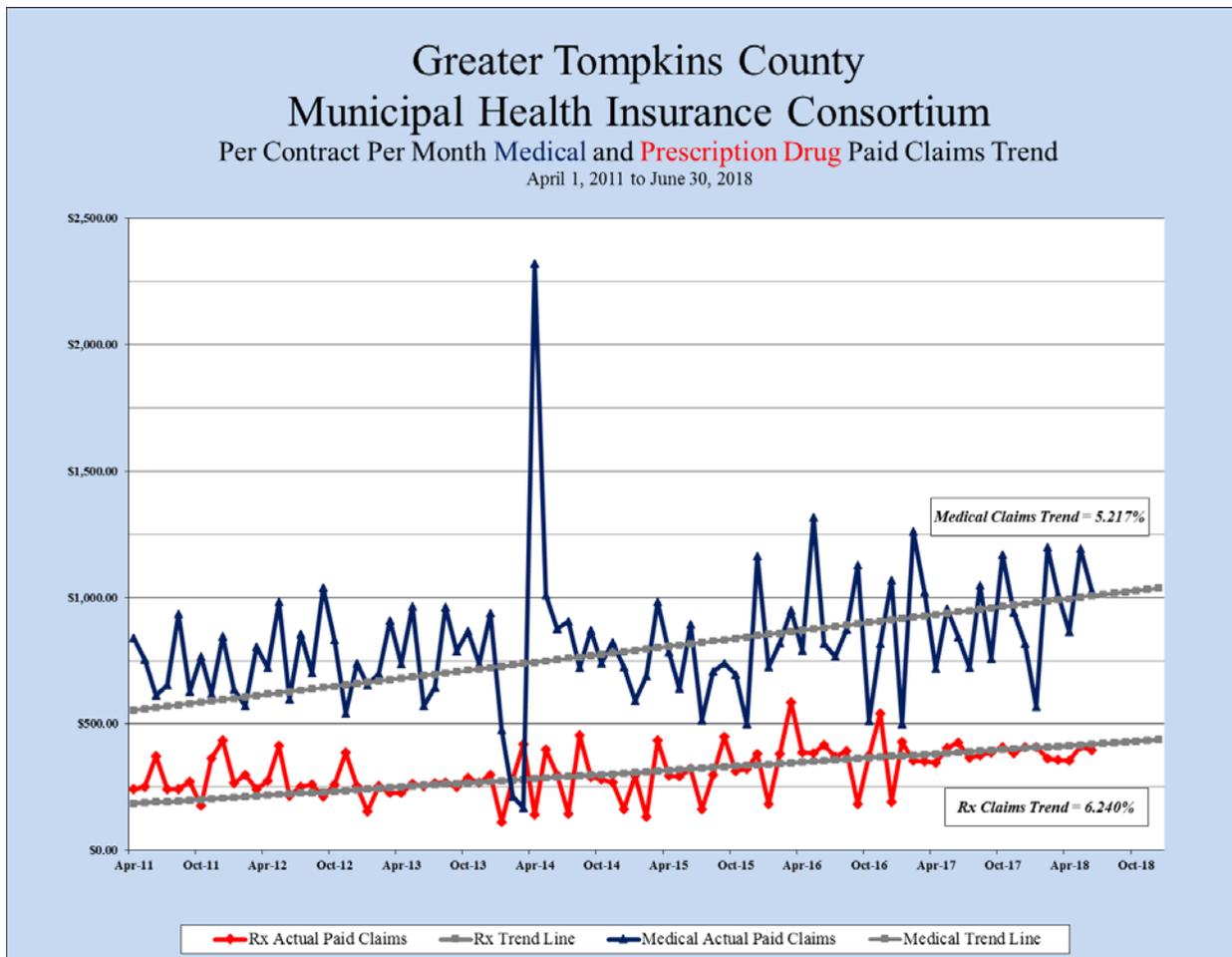
The end result of this action was a reclassification of a portion of the cash assets of the Consortium. It is our professional opinion that this action maintained the fiscal stability by continuing to protect the cash flow of the Consortium from the harmful effects of catastrophic claims while allowing the Board of Directors to keep this expense item at a more reasonable level.

In addition, due to the statutory requirements associated with Article 47 of the New York State Insurance Law, the Consortium was required to purchase Aggregate Stop-Loss Insurance which provided some limited protection to the Consortium's overall paid claims total for the year. This policy cost the Consortium approximately \$69,500 annually. It was and is our professional opinion that with the solid financial position of the Consortium and the level of reserves maintained by the Consortium that this is an unnecessary expenditure. Fortunately, the New York State Department of Financial Services finally agreed with us and have since allowed the Consortium to forego this insurance saving the Consortium a substantive amount of money each year.

The remaining expenses associated with the Consortium's operations could easily be classified as "other expenses." These expenses can include, but may not be limited to, Accountant Fees, Actuarial Fees, Consultant Fees, Legal Fees, Internal Coordination Fees, and other support services necessary for the smooth operation of the Consortium. This expense category accounts for approximately 0.73% of the total expenses associated with the Consortium's Health Insurance Plan on an annual basis. We will continue to work with the Consortium to ensure these expenses are appropriately classified, are reasonable, and are appropriate based on the services provided. In addition, we will work with the Board of Directors to ensure that any increase in the overhead fees is kept in line with expected inflationary increases in the years to come.

Paid Claims Trend

As we stated, the paid claims trends have a substantial impact on the overall budget process for the Consortium. To that end, we spend considerable time developing trending models and assumptions to determine the paid claims result for the current fiscal year and beyond. Part of this process involves analyzing paid claims on a per covered life basis



Based on the above analysis and other paid claims data we analyze on an annual basis relative to the Greater Tompkins County Municipal Health Insurance Consortium and our other municipal cooperative health benefit clients, we decided to utilize a medical paid claims trend factor of 6.8% and a prescription drug claims trend factor of 8.5% for this budget process. We made the decision to lower the paid claims trends from prior years based on the fact that we now have seven (7) years of data and our overall paid claims projections over the years have been approximately 3% greater than the actual result. In addition, we did add a modest margin into the calculations for the paid claims result for the remainder of this year to reflect a prior conservative approach and in recognition of the fact that the Consortium has experienced some activity relative to large losses in recent months. This is not an exact science and we do our best to provide a reasonable expectation of the paid claims results each year, but factors outside of our control can alter the equation substantially. This is why the Consortium has maintained other non-statutory reserves and has also retained a sizeable fund balance for cash flow purposes and to help mitigate rate increases when the paid claims exceed the expectation. It should be noted that a reasonable premium increase to keep pace with the claims trend is approximately 7% on an annual basis.

**GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INS. CONSORTIUM
 BOARD OF DIRECTORS MEMORANDUM
 RE: 2019 FINAL HEALTH INSURANCE BUDGET RECOMMENDATION
 SEPTEMBER 24, 2018
 PAGE 8**

ACA Fees on the Health Insurance Sector

We are pleased to report that there only remains one fee that the Greater Tompkins County Municipal Health Insurance Consortium is going to be charged in the upcoming fiscal year, the PCORI Fee.

1. Patient Centered Outcomes Research Trust Fund (PCORI) Fees:

This provision of the Affordable Care Act requires all health insurance plans, including self-insured plans, to pay a fee to the Federal Government to fund the development of a not-for-profit organization which will do research to evaluate and compare the health outcomes and the clinical effectiveness, risks and benefits of certain medical treatments, services, procedures, drugs and other techniques that will help treat, manage, diagnose, or prevent illness or injury. These research fees start with the plan or policy years ending on or after September 30, 2012, and ends with plan years or policy years ending before October 1, 2019.

This fee must be paid prior to July 31st of each year as a one time payment utilizing the IRS Form 720. It is our understanding that this fee is due as follows:

<i>Plan Year's Ending Between</i>	<i>Consortium Fiscal Year</i>	<i>PCORI Payment Due Date</i>	<i>Fee Amount Per Covered Life</i>
October 1, 2012 and September 30, 2013	2012	7/31/2013	\$1.00
October 1, 2013 and September 30, 2014	2013	7/31/2014	\$2.00
October 1, 2014 and September 30, 2015	2014	7/31/2015	\$2.08
October 1, 2015 and September 30, 2016	2015	7/31/2016	\$2.17
October 1, 2016 and September 30, 2017	2016	7/31/2017	\$2.26
October 1, 2017 and September 30, 2018	2017	7/31/2018	\$2.39
October 1, 2018 and September 30, 2019	2018	7/31/2019	TBD

This program will remain in effect through the 2019 Fiscal Year for this particular Consortium.

2. Transitional Reinsurance Program Fees:

The Affordable Care Act created a temporary (2014 to 2016) reinsurance program which required the Federal Government to collect payments from health insurers to provide payments to plans, both inside and outside the Health Insurance Exchanges that incur high claim costs from enrollees. This program was established by the Affordable Care Act to help the Health Insurance Exchanges and insurance carriers keep premiums affordable.

The assumption is that covered members of these plans will present a greater risk of claims cost as it is believed that many have not been receiving regular medical care. The result is a patient pool with a greater likelihood to have chronic and catastrophic medical conditions. This fee equaled \$5.25 per covered life per month (\$63.00 per covered life per year) for the 2014 Fiscal Year. This fee was reduced to \$44 per covered life per year for the 2015 Fiscal Year and to \$27.50 per covered life per year for the 2016 Fiscal Year. We are pleased to report that the Consortium made its final payment of this fee in the 2016 Fiscal Year and has now been removed from the expense budget for the 2017 Fiscal Year and beyond.

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INS. CONSORTIUM
BOARD OF DIRECTORS MEMORANDUM
RE: 2019 FINAL HEALTH INSURANCE BUDGET RECOMMENDATION
SEPTEMBER 24, 2018
PAGE 9

It should be noted that it is fee was based on enrollment data submitted to the Federal Government by November 15th of each year. The Federal Government then provided the insurance carrier or plan with the reinsurance contribution amount it owed by December 15th of the same year. The insurance carrier or plan had until January 15th of the following year to remit payment (30-days after notice is provided).

The above provides an overview of the substantive ACA changes which have occurred or will occur to health insurance plans which will ultimately affect the cost of health insurance. The Affordable Care Act fees will have a negligible impact on the Consortium's overall expenses in the next several fiscal years. That being said, we will continue to work to the best of our ability to keep the Board of Directors apprised of any new developments relative to the ACA to ensure adequate planning and management occurs.

LIABILITIES

The liabilities associated with the Consortium's operations are associated with covered medical benefits that are incurred by covered members which have yet to be received or paid by the insurance company or plan administrator. For example, if the Consortium were to end its operations on any given December 31st there are going to be covered medical services received by covered members on or before December 31st which will not be paid until sometime after December 31st. This is commonly referred to in the industry as an Incurred but Not Reported (IBNR) Claims Liability.

In recent years with the increases in technology associated with the billing and payment of medical benefit claims and with the increase in the volume of prescription drug claims which are inherently electronic in nature, the overall value of this liability has decreased as a percentage of expected/paid claims. In fact, twenty years ago, this liability equaled approximately the value of three months (24%) of annual expected/paid claims. Today, this value is closer to one month of expected/paid claims and we have estimated this liability for the 2018 Fiscal Year to equal less than 9.0% of the expected/paid claims estimate for the year.

The New York State Department of Financial Services has allowed the Greater Tompkins County Municipal Health Insurance Consortium to utilize a factor of 12.0% as the estimate of the paid claims liability since the Consortium's inception.

It should be noted that this is the only Consortium to receive such authority. We have been advised by the Department that all other Article 47 Municipal Cooperative Health Benefit Plans have been required to utilize a factor of 17.0% or higher in their budget computations.

As a point of reference, a 5% increase in the value of this liability would require the Consortium to set aside approximately \$2,000,000 in additional funds into the reserve associated with this liability. In the following, we will review the current and proposed reserve categories.

**GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INS. CONSORTIUM
BOARD OF DIRECTORS MEMORANDUM
RE: 2019 FINAL HEALTH INSURANCE BUDGET RECOMMENDATION
SEPTEMBER 24, 2018
PAGE 10**

RESERVES

The reserves held by the Consortium are the cash assets which have been assigned to cover a direct liability or to assist the Consortium with cash flow and provide protection during times when paid claim projections are exceeded. These cash assets have also been a great source of revenue to the Consortium which has allowed the Consortium to hold premium increases down over the years. Currently, the Consortium has two reserve accounts as mandated by Article 47 of the New York State Insurance Law and the Board of Directors has approved two additional reserve categories which were established for use in the 2015 Fiscal Year and are again being recommended for the 2019 Fiscal Year.

In terms of the statutory requirements, please refer to the following excerpt from Article 47 of the New York State Insurance Law:

NYS Insurance Law §4706

- (a) Notwithstanding any provision of law, the governing board of a municipal cooperative health benefit plan shall establish a reserve fund, and the plan's chief fiscal officer shall cause to be paid into the reserve fund the amounts necessary to satisfy all contractual obligations and liabilities of the plan, including:
- (1) a reserve for payment of claims and expenses thereon reported but not yet paid, and claims and expenses thereon incurred but not yet reported which shall not be less than an amount equal to twenty-five percent of expected incurred claims and expenses thereon for the current plan year, unless a qualified actuary has demonstrated to the superintendent's satisfaction that a lesser amount will be adequate;
 - (2) a reserve for unearned premium equivalents;
 - (3) a claim stabilization reserve;
 - (4) a reserve for other obligations of the municipal cooperative health benefit plan; and
 - (5) a surplus account, established and maintained for the sole purpose of satisfying unexpected obligations of the municipal cooperative health benefit plan in the event of termination or abandonment of the plan, which shall not be less than:
 - a. five percent of the annualized earned premium equivalents during the current fiscal year of a municipal cooperative health benefit plan which consists of five or more participating municipal corporations and covers two thousand or more employees and retirees; or

In recognition of the above and in consideration of the current cash asset position of the Consortium, it is the recommendation of Locey & Cahill, LLC that the following reserves be continued by the Greater Tompkins County Municipal Health Insurance Consortium for the remainder of the 2018 Fiscal Year and for the entirety of the 2019 Fiscal Year:

Incurred but Not Reported (IBNR) Claims Reserve

The IBNR Claims Reserve had been set at an amount equal to 12.0% of expected/paid claims consistent with the requirements of §4706(a)(1) and the direction provided to the Consortium by the New York State Department of Financial Services. This is a conservative estimate of the liability, but the New York State Department of Financial Services has always acted based on a very conservative approach regarding this statutory requirement. As an aside, the New York State Department of Financial Services did indicate in a recent teleconference that they are open to lowering this reserve requirement based on a qualified actuarial opinion and this is an item which we will be addressing with the Department in the near future.

In addition, it has been the position of the Board of Directors and it is our recommendation that the Consortium maintain this level reserve as we collectively never want any Municipality to be “locked-in” to the Consortium. If this reserve was established at an amount not sufficient to cover the liability, a Municipality could find itself owing a significant amount of money if they chose to leave the Consortium. We feel that a Municipality’s decision to leave or stay in the Consortium should not be affected by the Consortium’s lack of adequate reserve balances and this is a philosophy we would encourage the Consortium’s Board of Directors to continue to embrace, even during tough economic times. At the close of the 2017 Fiscal Year, this reserve equaled \$4,494,760.72 and it is projected to be \$5,901,892.95 for the 2019 Fiscal Year (12.0% of actual paid claims totaling \$49,182,441.28).

Surplus Account

This reserve is a statutory requirement of Article 47, §4706(a)(5), and this reserve was established by the Consortium Board of Directors as required. The intent of this reserve is to protect the Consortium from the ill effects associated with those times when the actual paid claims exceed the projections. This reserve is required to be maintained each year at a value equal to 5% of the annualized premium for that particular fiscal year. The Surplus Account for the 2019 Fiscal Year is estimated at a value of \$2,563,039.37 (5% of expected premiums equaling \$51,260,787.35).

Catastrophic Claims Reserve

This reserve is being recommended by Locey & Cahill, LLC to the Board of Directors to continue to protect the financial integrity of the Consortium. This recommendation is in response to the decision made by the Board of Directors to increase the Specific Stop-Loss Insurance Deductible in an effort to keep the insurance affordable. Currently, the Specific Stop-Loss Insurance Deductible is set at \$600,000 per covered member per policy period. This presents a sizeable exposure to the Plan as the deductible is equal to approximately 1% of our expected annual paid claims estimate for the 2018 Fiscal Year. This reserve is being recommended to remain at \$2,000,000 for the 2019 Fiscal Year to continue to allow the Board of Directors to consider further raising the deductible to keep the premium costs in check.

Claims/Rate Stabilization Reserve

This reserve is being recommended by Locey & Cahill, LLC to the Board of Directors in an effort to provide the Consortium with additional assets to be used when claim projections are substantially exceeded. These funds would be used to “bridge the gap” during an associated hyper-inflationary period relative to paid claims allowing the Board of Directors to establish a multiple year plan to adjust revenue (premiums) and preventing a significant increase in premium rates during one fiscal period. We are again recommending the Consortium maintain this reserve level at 5% of the expected/paid claims for the 2019 Fiscal Year, resulting in a reserve amount of \$2,459,122.06.

**GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INS. CONSORTIUM
BOARD OF DIRECTORS MEMORANDUM
RE: 2019 FINAL HEALTH INSURANCE BUDGET RECOMMENDATION
SEPTEMBER 24, 2018
PAGE 12**

In addition to the above reserve categories, Locey & Cahill, LLC will continue to review the overall financial results of the Consortium and will make additional recommendations to the Board of Directors and the Audit & Finance Committee as deemed necessary and prudent.

CONCLUSIONS/RECOMMENDATIONS:

Locey & Cahill, LLC is recommending a multi-faceted financial plan which will utilize the existing assets of the Consortium to minimize the increase in premiums paid by the Participating Municipalities and their covered members. This recommended plan has been developed in such a way as to protect the Consortium from having significant fluctuations in the level of premium increase in a given year.

We caution the Board of Directors to stay disciplined in their approach as we do not want to create a situation where we are forced to drastically raise premiums in the future to meet expenses and maintain the Consortium's financial stability. If the Consortium mitigates premium increases at an excessive level, you could compound your financial problems as you will have a situation where expenses are exceeding premium revenues, inflation continues to increase those expenses, you have potentially lost the interest income revenue source, and you may need to replenish reserve accounts to satisfy the statutory requirements of Article 47 of the New York State Insurance Law. This could result in premium increases exceeding 10% in a given year.

This approach may be viewed as conservative by some. However, it is our professional opinion and the opinion of the Audit & Finance Committee that a long-term planned use of budgeting strategies designed to minimize premium increases is in the best interest of the Consortium. As a result, we offer the following recommendations to the Board of Directors:

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 2019 Fiscal Year, is \$2,563,039.37. 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 \$5,901,892.95 for the 2019 Fiscal Year.
3. Continue to evaluate the stop-loss insurance policy which recently increased the deductible to \$600,000 for the 2019 Fiscal Year and maintain the Catastrophic Claims Reserve at an amount equal to \$2,000,000.00 for the 2019 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.

**GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INS. CONSORTIUM
BOARD OF DIRECTORS MEMORANDUM
RE: 2019 FINAL HEALTH INSURANCE BUDGET RECOMMENDATION
SEPTEMBER 24, 2018
PAGE 13**

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 5.0% increase in premiums for the 2019 Fiscal Year. As a point of information, a 1.0% increase in premiums paid equals approximately \$425,000 for the 2019 Fiscal Year.
8. It should be noted that the Consortium's Silver Plan's benefits did present an Actuarial Value which exceeded the set goal of 70% +/- a 2% standard deviation when it was calculated for the 2019 Plan Year. As a result, some benefit changes were made to the plan which will be effective on January 1, 2019. These benefit modifications lowered the Actuarial Value from 72.64% to 71.11% and will result in a premium increase of 3.47% on January 1 2019, based on the 5% recommendation listed above.

We have attached the 2019 Fiscal Year Budget Worksheet which includes a five-year projection of revenue and expenses to this memorandum for your reference and review. In addition, we have attached another spreadsheet which includes the adjustments made for the increased population expected to be added to the Consortium on January 1, 2019.

In conclusion, the final thought that we offer to the Board of Directors of the Greater Tompkins County Municipal Health Insurance Consortium at this time is to consider the views, opinions, and recommendations expressed above and to consider approving the recommended budget with a 5% increase in overall premium revenue.

We thank you for your time and cooperation. As always, should you have any questions or concerns, regarding this information or any other issues facing the Greater Tompkins County Municipal Health Insurance Consortium, please feel free to contact our office at 315-425-14

Greater Tompkins County Municipal Health Insurance Consortium

2018 - 2023 Fiscal Year Budget Projections (cash basis)

as of 08/31/2018

	Actual Results 2011 Fiscal Year	Actual Results 2012 Fiscal Year	Actual Results 2013 Fiscal Year	Actual Results 2014 Fiscal Year	Actual Results 2015 Fiscal Year	Actual Results 2016 Fiscal Year	Actual Results 2017 Fiscal Year	Projected Budget 2018 Fiscal Year	Updated Budget 2018 Fiscal Year	Projected Budget 2019 Fiscal Year	Projected Budget 2020 Fiscal Year	Projected Budget 2021 Fiscal Year	Projected Budget 2022 Fiscal Year	Projected Budget 2023 Fiscal Year
Average Covered Lives	4,400	4,448	5,077	5,012	5,021	5,063	5,178	5,204	5,204					
Beginning Balance	\$0.00	\$4,089,400.96	\$7,072,226.28	\$11,170,134.98	\$14,771,429.76	\$21,429,854.08	\$22,691,287.54	\$25,220,300.32	\$25,220,300.32	\$25,837,870.99	\$26,122,387.18	\$26,206,280.73	\$26,082,765.72	\$25,667,571.30
Income														
Medical Plan Premiums	\$26,035,368.00	\$28,567,618.73	\$34,457,014.15	\$36,065,655.25	\$37,587,352.74	\$38,519,955.42	\$40,774,492.36	\$42,527,371.07	\$42,491,758.83	\$44,616,346.77	\$47,739,491.05	\$51,081,255.42	\$54,656,943.30	\$58,482,929.33
Ancillary Benefit Plan Premiums	\$89,240.70	\$98,742.67	\$117,045.48	\$127,863.91	\$126,531.86	\$131,974.20	\$145,643.24	\$156,750.00	\$149,400.00	\$164,340.00	\$180,774.00	\$198,851.40	\$218,736.54	\$240,610.19
Interest	\$6,865.50	\$4,173.71	\$7,726.92	\$12,640.97	\$13,526.09	\$16,533.02	\$17,702.15	\$16,000.00	\$18,403.40	\$200,000.00	\$200,000.00	\$200,000.00	\$200,000.00	\$200,000.00
Capitalization Investment	\$1,223,736.00	\$3,158.21	\$2,144.49	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Rx Rebates	\$0.00	\$445,885.83	\$254,848.24	\$274,763.58	\$686,015.03	\$709,434.35	\$1,627,727.17	\$1,000,000.00	\$1,500,000.00	\$1,500,000.00	\$1,500,000.00	\$1,500,000.00	\$1,500,000.00	\$1,500,000.00
Stop-Loss Claim Reimbursements	\$0.00	\$0.00	\$1,055,847.97	\$75,613.28	\$185,043.15	\$242,573.70	\$431.14	\$0.00	\$20,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Other	\$339,872.80	\$308,233.39	\$172,894.50	\$6,825.34	\$1,991.55	\$5,091.35	\$279.82	\$4,120.00	\$5,000.00	\$5,150.00	\$5,304.50	\$5,463.64	\$5,627.54	\$5,796.37
Total Income	\$27,695,083.00	\$29,427,812.54	\$36,067,521.75	\$36,563,362.33	\$38,600,460.42	\$39,625,562.04	\$42,566,275.88	\$43,704,241.07	\$44,184,562.23	\$46,485,836.77	\$49,625,569.55	\$52,985,570.45	\$56,581,307.38	\$60,429,335.89
Expenses														
Medical Paid Claims	\$15,587,829.03	\$18,085,105.63	\$21,606,445.39	\$22,603,649.97	\$20,922,951.79	\$25,063,338.28	\$26,296,546.23	\$27,872,149.95	\$29,146,698.52	\$31,128,674.02	\$33,245,423.85	\$35,506,112.67	\$37,920,528.34	\$40,499,124.26
Rx Paid Claims	\$6,504,972.43	\$6,683,363.26	\$6,881,127.63	\$7,741,246.26	\$8,513,468.25	\$10,645,984.27	\$11,159,793.13	\$12,314,156.34	\$11,112,897.14	\$12,057,493.40	\$13,082,380.34	\$14,194,382.66	\$15,400,905.19	\$16,709,982.13
CanRx Paid Claims	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$148,053.38	\$160,637.92	\$174,292.14	\$189,106.97	\$205,181.07	\$222,621.46
Medical Admin Fees	\$635,499.09	\$710,466.20	\$842,848.88	\$876,163.66	\$912,356.19	\$958,835.65	\$1,015,646.99	\$1,044,357.36	\$1,077,392.92	\$1,109,714.71	\$1,143,006.15	\$1,177,296.33	\$1,212,615.22	\$1,248,993.68
Rx Admin Fees	\$142,368.35	\$147,748.58	\$73,334.36	\$79,130.00	\$85,035.00	\$81,486.00	\$83,611.02	\$85,555.95	\$83,566.00	\$149,722.91	\$154,214.60	\$158,841.04	\$163,606.27	\$168,514.46
Flu Clinic Fees	\$0.00	\$0.00	\$0.00	\$8,575.00	\$6,075.00	\$6,125.00	\$6,480.00	\$10,000.00	\$10,000.00	\$10,000.00	\$10,000.00	\$10,000.00	\$10,000.00	\$10,000.00
NYS Graduate Medical Exp.	\$188,960.03	\$208,358.96	\$233,822.97	\$241,281.61	\$237,220.98	\$259,070.84	\$248,694.28	\$264,075.00	\$240,000.00	\$252,000.00	\$264,600.00	\$277,830.00	\$291,721.50	\$306,307.58
ACA PCORI Fee	n/a	n/a	\$4,448.00	\$10,252.46	\$10,431.20	\$10,902.08	\$11,422.38	\$12,259.93	\$12,361.08	\$12,979.13	\$13,628.09	\$0.00	\$0.00	\$0.00
ACA Transitional Reins.Program Fee	n/a	n/a	n/a	\$316,764.00	\$221,320.00	\$136,512.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Specific Stop-Loss Insurance	\$359,003.40	\$311,346.57	\$532,068.69	\$648,053.59	\$575,201.18	\$700,056.79	\$669,388.38	\$888,633.32	\$442,210.46	\$530,652.55	\$636,783.06	\$764,139.67	\$916,967.61	\$1,100,361.13
Aggregate Stop-Loss Insurance	\$25,389.12	\$50,019.84	\$60,312.96	\$72,730.80	\$66,879.12	\$67,430.88	\$69,431.04	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Advance Deposit / Pre-Paid Claims	\$718,000.00	\$80,600.00	\$109,500.00	\$0.00	\$0.00	\$0.00	\$0.00	\$100,000.00	\$121,400.00	\$49,071.65	\$40,706.73	\$43,474.79	\$46,431.07	\$49,588.38
Legal Fees	\$0.00	\$82.50	\$220.00	\$6,201.25	\$17,149.37	\$6,745.00	\$7,178.66	\$10,609.00	\$10,609.00	\$10,927.27	\$11,255.09	\$11,592.74	\$11,940.52	\$12,298.74
Executive Director	\$0.00	\$0.00	\$0.00	\$14,351.25	\$24,932.45	\$27,745.94	\$33,737.05	\$33,990.00	\$47,000.00	\$150,000.00	\$154,500.00	\$159,135.00	\$163,909.05	\$168,826.32
Consultant Fees	\$0.00	\$58,612.06	\$114,110.74	\$63,501.70	\$69,940.90	\$56,084.00	\$56,700.00	\$59,410.40	\$56,700.00	\$85,000.00	\$87,550.00	\$90,176.50	\$92,881.80	\$95,668.25
Accounting Fees	\$0.00	\$0.00	\$0.00	\$58,599.48	\$23,940.00	\$20,335.00	\$19,672.50	\$30,900.00	\$30,900.00	\$31,827.00	\$32,781.81	\$33,765.26	\$34,778.22	\$35,821.57
Actuarial Fees	\$0.00	\$0.00	\$0.00	\$10,000.00	\$10,000.00	\$18,750.00	\$14,000.00	\$11,404.68	\$20,000.00	\$20,600.00	\$21,218.00	\$21,854.54	\$22,510.18	\$23,185.48
Audit Fees	\$0.00	\$12,000.00	\$37,027.19	\$29,800.00	\$50,700.00	\$74,082.24	\$88,027.62	\$63,785.45	\$64,000.00	\$93,420.00	\$96,222.60	\$71,609.28	\$73,757.56	\$75,970.28
Wellness Coordinator Fees	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$24,000.00	\$48,000.00	\$49,440.00	\$50,923.20	\$52,450.90	\$54,024.42
Insurances (D&O / Prof. Liab.)	\$22,211.00	\$21,139.41	\$22,211.00	\$53,116.40	\$28,159.80	\$30,992.74	\$33,139.11	\$36,453.01	\$33,139.11	\$36,453.02	\$40,098.32	\$44,108.16	\$48,518.97	\$53,370.87
Internal Coordination (Finance)	\$88,269.07	\$35,323.92	\$36,171.78	\$0.00	\$0.00	\$35,537.03	\$40,620.13	\$65,400.00	\$65,400.00	\$67,362.00	\$69,382.86	\$71,464.35	\$73,608.28	\$75,816.52
Internal Coordination (Support)	\$0.00	\$4,574.70	\$10,462.47	\$0.00	\$36,578.97	\$14,198.00	\$18,032.00	\$20,600.00	\$21,500.00	\$22,145.00	\$22,809.35	\$23,493.63	\$24,198.44	\$24,924.39
Surety Bond Fee / Loan Interest	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Payment Refund	\$0.00	\$13,146.84	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Ancillary Benefit Premiums	\$51,047.20	\$103,698.75	\$155,711.25	\$127,775.11	\$126,531.86	\$132,724.81	\$146,049.95	\$156,750.00	\$149,400.00	\$164,340.00	\$180,774.00	\$198,851.40	\$218,736.54	\$240,610.19
Capitalization Repayment	\$0.00	\$0.00	\$1,541,561.37	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Other Expenses	\$133.32	\$0.00	\$0.00	\$875.01	\$3,164.04	\$17,282.03	\$19,092.63	\$6,180.00	\$10,000.00	\$10,300.00	\$10,609.00	\$10,927.27	\$11,255.09	\$11,592.74
Total Expenses	\$24,323,682.04	\$26,525,587.22	\$32,261,384.68	\$32,962,067.55	\$31,942,036.10	\$38,364,128.58	\$40,037,263.10	\$43,086,670.40	\$42,927,227.61	\$46,201,320.59	\$49,541,675.99	\$53,109,085.47	\$56,996,501.80	\$61,187,602.86
Net Income	\$4,089,400.96	\$2,982,825.32	\$3,806,137.07	\$3,601,294.78	\$6,658,424.32	\$1,261,433.46	\$2,529,012.78	\$617,570.67	\$1,257,334.62	\$284,516.19	\$83,893.56	-\$123,515.01	-\$415,194.42	-\$758,266.97
Ending Balance	\$4,089,400.96	\$7,072,226.28	\$10,878,363.35	\$14,771,429.76	\$21,429,854.08	\$22,691,287.54	\$25,220,300.32	\$25,837,870.99	\$26,477,634.94	\$26,122,387.18	\$26,206,280.73	\$26,082,765.72	\$25,667,571.30	\$24,909,304.33
Liabilities and Reserves														
IBNR Reserve	\$3,043,382.00	\$3,183,070.47	\$3,418,508.76	\$3,641,387.55	\$3,532,370.40	\$4,285,118.71	\$4,494,760.72	\$4,822,356.76	\$4,831,151.48	\$5,182,340.09	\$5,559,336.50	\$5,964,059.44	\$6,398,572.02	\$6,865,092.77
Surplus Account	\$1,289,746.00	\$1,428,380.94	\$1,722,850.71	\$1,803,282.76	\$1,879,367.64	\$1,925,997.77	\$2,038,725.00	\$2,126,368.55	\$2,124,587.94	\$2,230,817.34	\$2,386,974.55	\$2,554,062.77	\$2,732,847.16	\$2,924,146.47
Claims / Rate Stabilization Reserve				\$0.00	\$1,471,821.00	\$1,785,466.13	\$1,868,819.00	\$2,009,315.31	\$2,012,979.78	\$2,159,308.37	\$2,316,390.21	\$2,485,024.77	\$2,666,071.68	\$2,860,455.32
Catastrophic Claims Reserve				\$606,897.92	\$1,050,000.00	\$1,050,000.00	\$1,350,000.00	\$2,000,000.00	\$2,000,000.00	\$2,000,000.00	\$2,000,000.00	\$2,000,000.00	\$2,000,000.00	\$2,000,000.00
Total Liabilities and Reserves	\$4,333,128.00	\$4,611,451.40	\$5,141,359.47	\$6,051,568.23	\$7,933,559.04	\$9,046,582.60	\$9,752,304.72	\$10,958,040.62	\$10,968,719.20	\$11,572,465.80	\$12,262,701.26	\$13,003,146.98	\$13,797,490.86	\$14,649,694.55
Unencumbered Fund Balance	-\$243,727.04	\$2,460,774.88	\$5,737,003.88	\$8,719,861.53	\$13,496,295.04	\$13,644,704.94	\$15,467,995.60	\$14,879,830.37	\$15,508,915.74	\$14,549,921.38	\$13,943,579.47	\$13,079,618.74	\$11,870,080.44	\$10,259,609.78
	-0.94%	8.61%	16.65%	24.18%	35.91%	35.42%	37.94%	34.99%	36.50%	32.61%	29.21%	25.61%	21.72%	17.54%

Assumptions 2019 to 2023 Fiscal Years

- Premium Revenue Increased by 4.0% in 2018, 5.0% in 2019, and 7.0% in 2020-2023
- Interest Income = Last 2 Years Average
- Prescription Drug Rebates = \$1,500,000
- Paid Claims Trend = Medical 6.8% and Rx 8.5%
- Administrative Fees Per Agreement with Excellus BCBS then Increased by 3% Per Annum
- NYS GME Increased by 5%
- Specific Stop-Loss Insurance trended by 20% each year.
- Aggregate Stop-Loss Insurance Removed Based on NYS DFS Approval.
- Loan Interest was Paid at 3% of Principle Balance
- All other Fees Increased by 3%
- Beginning Balance and Ending Balance includes Advance Deposit held at Excellus BCBS as a pre-payment of claims (\$647,700 as of 06-30-2018)

Greater Tompkins County Municipal Health Insurance Consortium

2018 - 2023 Fiscal Year Budget Projections (cash basis) as of 08/31/2018

Per Covered Life *Adjusted for*
New Members

	Projected Budget 2018 Fiscal Year	Updated Budget 2018 Fiscal Year	Projected Budget 2019 Fiscal Year	Projected Budget 2019 Fiscal Year	Projected Budget 2019 Fiscal Year	Projected Budget 2020 Fiscal Year	Projected Budget 2021 Fiscal Year	Projected Budget 2022 Fiscal Year	Projected Budget 2023 Fiscal Year
Average Covered Lives	5,204	5,204	5,204	5,204	5,979				
Beginning Balance	\$25,220,300.32	\$0.00	\$25,837,870.99	\$25,837,870.99	\$26,122,387.18	\$26,044,207.22	\$25,734,584.66	\$25,092,715.66	
Income									
Medical Plan Premiums	\$42,527,371.07	\$42,491,758.83	\$44,616,346.77	\$8,573.47	\$51,260,787.35	\$54,849,042.46	\$58,688,475.43	\$62,796,668.71	\$67,192,435.52
Ancillary Benefit Plan Premiums	\$156,750.00	\$149,400.00	\$164,340.00	\$31.58	\$164,340.00	\$180,774.00	\$198,851.40	\$218,736.54	\$240,610.19
Interest	\$16,000.00	\$18,403.40	\$200,000.00	\$38.43	\$200,000.00	\$200,000.00	\$200,000.00	\$200,000.00	\$200,000.00
Capitalization Investment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Rx Rebates	\$1,000,000.00	\$1,500,000.00	\$1,500,000.00	\$288.24	\$1,747,886.24	\$1,500,000.00	\$1,500,000.00	\$1,500,000.00	\$1,500,000.00
Stop-Loss Claim Reimbursements	\$0.00	\$20,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Other	\$4,120.00	\$5,000.00	\$5,150.00	\$0.99	\$5,150.00	\$5,304.50	\$5,463.64	\$5,627.54	\$5,796.37
Total Income	\$43,704,241.07	\$44,184,562.23	\$46,485,836.77	\$8,932.71	\$53,378,163.59	\$56,735,120.96	\$60,592,790.47	\$64,721,032.80	\$69,138,842.09
Expenses									
Medical Paid Claims	\$27,872,149.95	\$29,146,698.52	\$31,128,674.02	\$5,981.68	\$35,347,255.37	\$38,199,428.74	\$40,796,989.89	\$43,571,185.20	\$46,534,025.80
Rx Paid Claims	\$12,314,156.34	\$11,112,897.14	\$12,057,493.40	\$2,316.97	\$13,835,185.90	\$15,030,706.71	\$16,308,316.78	\$17,694,523.70	\$19,198,558.22
CanaRx Paid Claims	\$0.00	\$148,053.38	\$160,637.92	\$30.87	\$184,321.52	\$199,988.85	\$216,987.90	\$235,431.87	\$255,443.58
Medical Admin Fees	\$1,044,357.36	\$1,077,392.92	\$1,109,714.71	\$213.24	\$1,274,977.75	\$1,313,227.09	\$1,352,623.90	\$1,393,202.62	\$1,434,998.70
Rx Admin Fees	\$85,555.95	\$83,566.00	\$149,722.91	\$28.77	\$172,020.23	\$177,180.84	\$182,496.27	\$187,971.15	\$193,610.29
Flu Clinic Fees	\$10,000.00	\$10,000.00	\$10,000.00	\$1.92	\$11,489.24	\$10,000.00	\$10,000.00	\$10,000.00	\$10,000.00
NYS Graduate Medical Exp.	\$264,075.00	\$240,000.00	\$252,000.00	\$48.42	\$289,528.82	\$304,005.27	\$319,205.53	\$335,165.80	\$351,924.10
ACA PCORI Fee	\$12,259.93	\$12,361.08	\$12,979.13	\$2.49	\$14,912.04	\$15,657.64	\$0.00	\$0.00	\$0.00
ACA Transitional Reins.Program Fee	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Specific Stop-Loss Insurance	\$888,633.32	\$442,210.46	\$530,652.55	\$101.97	\$609,679.40	\$731,615.28	\$877,938.34	\$1,053,526.01	\$1,264,231.21
Aggregate Stop-Loss Insurance	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Advance Deposit / Pre-Paid Claims	\$100,000.00	\$121,400.00	\$49,071.65	\$9.43	\$32,054.91	\$54,849.49	\$49,953.10	\$53,349.91	\$56,977.70
Legal Fees	\$10,609.00	\$10,609.00	\$10,927.27	\$2.10	\$10,927.27	\$11,255.09	\$11,592.74	\$11,940.52	\$12,298.74
Executive Director	\$33,990.00	\$47,000.00	\$150,000.00	\$28.82	\$150,000.00	\$154,500.00	\$159,135.00	\$163,909.05	\$168,826.32
Consultant Fees	\$59,410.40	\$56,700.00	\$85,000.00	\$16.33	\$85,000.00	\$87,550.00	\$90,176.50	\$92,881.80	\$95,668.25
Accounting Fees	\$30,900.00	\$30,900.00	\$31,827.00	\$6.12	\$31,827.00	\$32,781.81	\$33,765.26	\$34,778.22	\$35,821.57
Actuarial Fees	\$11,404.68	\$20,600.00	\$20,600.00	\$3.96	\$20,600.00	\$21,218.00	\$21,854.54	\$22,510.18	\$23,185.48
Audit Fees	\$63,785.45	\$64,000.00	\$93,420.00	\$17.95	\$93,420.00	\$96,222.60	\$71,609.28	\$73,757.56	\$75,970.28
Wellness Coordinator Fees	\$0.00	\$24,000.00	\$48,000.00	\$9.22	\$48,000.00	\$49,440.00	\$50,923.20	\$52,450.90	\$54,024.42
Insurances (D&O / Prof. Liab.)	\$36,453.01	\$33,139.11	\$36,453.02	\$7.00	\$36,453.02	\$40,098.32	\$44,108.16	\$48,518.97	\$53,370.87
Internal Coordination (Finance)	\$65,400.00	\$65,400.00	\$67,362.00	\$12.94	\$67,362.00	\$69,382.86	\$71,464.35	\$73,608.28	\$75,816.52
Internal Coordination (Support)	\$20,600.00	\$21,500.00	\$22,145.00	\$4.26	\$22,145.00	\$22,809.35	\$23,493.63	\$24,198.44	\$24,924.39
Surety Bond Fee / Loan Interest	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Payment Refund	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Ancillary Benefit Premiums	\$156,750.00	\$149,400.00	\$164,340.00	\$31.58	\$164,340.00	\$180,774.00	\$198,851.40	\$218,736.54	\$240,610.19
Capitalization Repayment	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Other Expenses	\$6,180.00	\$10,000.00	\$10,300.00	\$1.98	\$10,300.00	\$10,609.00	\$10,927.27	\$11,255.09	\$11,592.74
Total Expenses	\$43,086,670.40	\$42,927,227.61	\$46,201,320.59	\$8,878.04	\$52,511,799.48	\$56,813,300.92	\$60,902,413.02	\$65,362,901.80	\$70,171,879.37
Net Income	\$617,570.67	\$1,257,334.62	\$284,516.19	\$54.67	\$866,364.10	-\$78,179.96	-\$309,622.55	-\$641,869.00	-\$1,033,037.28
Ending Balance	\$25,837,870.99	\$1,257,334.62	\$26,122,387.18		\$26,704,235.09	\$26,044,207.22	\$25,734,584.66	\$25,092,715.66	\$24,059,678.38
Liabilities and Reserves									
IBNR Reserve	\$4,822,356.76	\$4,831,151.48	\$5,182,340.09		\$5,901,892.95	\$6,387,616.25	\$6,852,636.80	\$7,351,885.07	\$7,887,910.08
Surplus Account	\$2,126,368.55	\$2,124,587.94	\$2,230,817.34		\$2,563,039.37	\$2,742,452.12	\$2,934,423.77	\$3,139,833.44	\$3,359,621.78
Claims / Rate Stabilization Reserve	\$2,009,315.31	\$2,012,979.78	\$2,159,308.37		\$2,459,122.06	\$2,661,506.77	\$2,855,265.33	\$3,063,285.45	\$3,286,629.20
Catastrophic Claims Reserve	\$2,000,000.00	\$2,000,000.00	\$2,000,000.00		\$2,000,000.00	\$2,000,000.00	\$2,000,000.00	\$2,000,000.00	\$2,000,000.00
Total Liabilities and Reserves	\$10,958,040.62	\$10,968,719.20	\$11,572,465.80		\$12,924,054.38	\$13,791,575.15	\$14,642,325.90	\$15,555,003.95	\$16,534,161.06
Unencumbered Fund Balance	\$14,879,830.37	-\$9,711,384.58	\$14,549,921.38		\$13,780,180.71	\$12,252,632.07	\$11,092,258.76	\$9,537,711.71	\$7,525,517.32
	34.99%	-22.85%	32.61%		26.88%	22.34%	18.90%	15.19%	11.20%

- Premium Revenue Increased by 4.0% in 2018, 5.0% in 2019, and 7.0% in 2020-2023
- Interest Income = Last 2 Years Average
- Prescription Drug Rebates = \$1,500,000
- Paid Claims Trend = Medical 6.8% and Rx 8.5%
- Administrative Fees Per Agreement with Excellus BCBS then Increased by 3% Per Annum

- NYS GME Increased by 5%
- Specific Stop-Loss Insurance trended by 20% each year.
- Aggregate Stop-Loss Insurance Removed Based on NYS DFS Approval.
- Loan Interest was Paid at 3% of Principle Balance
- All other Fees Increased by 3%
- Beginning Balance and Ending Balance includes Advance Deposit held at Excellus BCBS as a pre-payment of claims (\$647,700 as of 06-30-2018)