

**Audit and Finance Committee
Minutes – APPROVED
January 26, 2021
Meeting Held Remotely via Zoom**

Present: Mack Cook, Bud Shattuck, Eric Snow, Rordan Hart, Peter Salton, Steve Thayer, Jon Munson, Laura Shawley (arrived at 3:38 p.m.), Jason Molino (arrived at 4:05 p.m.)

Staff/ Guests: Elin Dowd, Executive Director; Michelle Cocco, Clerk of the Board; Judy Drake, Board of Directors Chair; Steve Locey, Robert Spenard Locey and Cahill; Rick Snyder, Treasurer; Don Barber, Consultant

Call to Order

Mrs. Shawley called the meeting to order at 3:31 p.m.

Changes to the Agenda

The order of the agenda was changed, deferring discussion of TC3 payments to later in the meeting.

Approval of Minutes of December 8, 2020

It was MOVED by Mr. Snow, seconded by Mr. Thayer, and unanimously adopted by voice vote by members present, to approve the minutes of December 8, 2020 as submitted. MINUTES APPROVED.

Executive Director Report

Financial Update

Ms. Dowd reported the 2020 unaudited financial results were just received and distributed to the Committee. The results are good; however, As COVID 19 clearly helped our bottom line in 2020, she is waiting to see how Covid-19 will impact the Consortium going forward. She said the Finance Manager position opening has been posted; Ms. Drake is accepting applications at this time. The Operations Committee approved the Consortium's Cyber Security Risk Assessment that was just performed with Greg Potter, Director of Tompkins County Information Services. That Assessment will be filed with Department of Financial Services (DFS) before the February 15 deadline.

Ms. Dowd reported the Consortium successfully onboarded its six new members without any major issues. She said there are a few things that can be improved upon and year-end procedures are being reviewed so that improvements can be made for next year. She reported the annual Jurat preparation is underway and the presentation of the external audit report will be scheduled for an upcoming meeting.

The medical claims audit being done by BMI is moving along the timeline; she expects by the end of the quarter feedback will be received. The Operations Committee has started work on the Request for Proposals for Prescription Drug Management Services. That process is being led by Mr. Locey and will be done in the first two quarters of the year with an award at the Board of Directors meeting in the Fall.

Ms. Dowd reported a suggestion was made at the Executive Committee meeting to talk to State representatives about the HCRA (Health Care Reform Act) tax and other restrictions that preclude the Consortium from doing business in the most effective way. She has asked Don Barber to help with the communication and moving this along but suggested a prioritized list of items to be developed.

Ms. Shawley arrived at this time.

Mr. Cook said four years ago the Consortium took on seeking an exemption from the HCRA tax which is 2% of premium (approximately \$1 million). This is a tax that based upon the premiums and goes into the State's General Fund revenue but comes out almost immediately to fund old programs of member items in the Assembly and Senate and does not always go to State services. At one point, former Senator Seward Chaired the insurance committee and although he tried, Mr. Cook said it takes many tries to get anything through the State Legislature. Mr. Cook stated our argument has been that taxpayers actually are the source of the premiums paid so the State is taxing the residents through a back-door tax. He said we were not seeking a complete repeal of the entire program, just an exemption for Article 47.

Mr. Locey said this tax equated to just under \$1 million in 2020 but was \$1.1 million in the two years prior. In terms of overall impact, it would be a 2% reduction in overall premium if there could be an exemption from municipal cooperatives having to pay this tax.

Mr. Barber added that although the HCRA tax has been misused by the State Legislature the strong point to argue is that it is double taxation. There are many school districts and self-funded counties being double taxed as well so there is a broader community that can be brought into this.

There was consensus to begin pursuing this and for Ms. Dowd to work with Mr. Barber to develop a timeline and plan to approach this that will include a list of individuals to make contact with. Mr. Hart suggested reaching out to Senators O'Mara and Helming. Mr. Shattuck noted that Ms. Drake established contacts when she presented to the State last year and said they may be a resource. It was also stated that Senator Breslin is the Chair of the New York Senate Insurance Committee and is very much aware of the Consortium.

Financial Update

Mr. Locey reviewed the preliminary 2020 year-end results and reported information is being gathered for year-end reporting to DFS; the Incurred But Not Reported (IBNR) information was sent to actuaries and they are working on that information. He made the following points in his report:

- The Consortium took in \$50.6 million in total income; income is down from budget due to premium holiday;
- Interest income for nine months of the year were hit hard by the pandemic but the Consortium still generated \$321,000 in net income;
- Prescription drug rebates were substantially higher than budget (\$1.976 million; compared to \$1.4 million budgeted for the year);
- In terms of revenue; a little Stop Loss recovery was received from 2019; there were no recoveries in 2020; there was some minimal finance charge income of \$30,000 (premium late fee reimbursements);

Mr. Locey noted that if not for the Rx rebates, the premium would have had to be about

4% higher than it was. These rebates help keep rates down and savings is spread across the entire population.

On the expense side, Mr. Locey noted the following points:

- Medical paid claims were 12% (\$4.3 million) below budget. This is due to the pandemic and there not being the large losses that were seen in previous years; and
- Prescription drug claims were above budget by 3.2%. Adjustments have been made for 2021.

Overall, \$50.2 million was spent in 2020, compared to the expected amount of spend \$55 million; \$346k net income is currently being shown.

Mr. Molino arrived at this time.

Mr. Locey commented that the HCRA tax discussed earlier is buried in paid claims expense as it is paid by Excellus back to the State. He summarized that in aggregate the Consortium was 7.55% cumulatively below budget for the year and this is what generated the funds that were used for the premium holiday.

Mr. Locey said Stop Loss was significantly below budget which was the result of the decision to raise the deductible from \$600,000 to \$1 million for the year and reduced that premium by \$.5 million. The premium savings for 2020 warrants the additional amount that would be paid back for claims. He reviewed large losses and noted the Consortium only had two claimants that exceeded \$500,00 and will pay out less than \$100,000 in claim reimbursement. In summary, he said for 2020 it was a solid decision to move in this direction.

Mr. Locey provided an Excellus Stop Loss report, a vendor payment, and an accounts receivable aging report as of January 15, 2021. At that time no entity was in arrears by 30 days or more.

Discussion of Process for Making Budget Modifications

Ms. Dowd said since the budget was adopted by the Board of Directors there have been some modifications such as those related to new members and this raises the question of how mid-year budget changes should be made.

Mr. Snyder suggested simple budget transfers could be provided to this Committee for information purposes and setting a threshold, such as \$10,000 for adjustments that would need approval by this Committee and/or the Executive Committee.

Following discussion, there was consensus that for transparency purposes a policy should be drafted that includes a mechanism to communicate any modifications that are substantial in nature to the Board of Directors. An example of a substantial changes would be anything that impacted premium. Other changes could be approved by the Executive Committee.

Ms. Dowd will develop a draft policy for discussion and consideration.

Ms. Drake suggested there be another column on the budget spreadsheet that shows a modified budget based on new members.

Discussion of TC3 Payments

Ms. Dowd said following submission of the financial filing, DFS came back with questions about accounts that are in arrears and we have continued to talk about those entities that are unable to pay premiums on time and it was recommended that we look at some form of action. A suggestion has been made to consider revisiting the MCA and whether the charge of 1% is enough and perhaps a higher percentage would be in order for those that are delinquent. Another idea presented was that as the Consortium takes on the accounting for the Consortium that when an employer doesn't pay its portion of the premium, that it pay the employee portion.

Mr. Salton said he understands why TC3 has been treated the way it has but questioned as this Consortium grows whether those who reside in other counties that utilize other community colleges will be fairly treated with this practice. He also questioned why Tompkins County doesn't put TC3 accounts receivable in its books.

Mr. Cook said TC3 is not late with payments at this time and suggested this discussion be deferred. Ms. Dowd said she would like to look at a policy that is not centric to TC3 along with the question of whether a one percent fee is enough and if consideration should be given to changing the MCA relating to this. Also, whether employers should at least be paying the portion of the premium employees have paid.

Mr. Munson was excused at this time.

Mr. Hart said he would advocate for increasing the late penalty above 1%; the Consortium is in a position where it could float members in a cash flow crunch but thinks the Consortium should receive payment for doing this. He said the Consortium should allow for partial payments; however, he doesn't think the Consortium should dictate to employers what to do with their revenues.

Mr. Molino agreed this needs to be approached from a global perspective and noted some employers don't have employee contributions. With respect the interest rate, he thinks there could be a cushion period whereby interest rates would increase. All of the Consortium's customers are municipalities and most try to pay in good faith and on time so leniency is more relevant due to whatever strains they are experiencing. Mr. Molino said he would be willing to join a subcommittee to discuss this and also commented that making partial payments might present a challenge to TC3. He said the order in which things are paid are critically important; it can probably be done but a process would need to be worked out.

Next Agenda Items

HCRA tax exemption for local governments;
Process for budget amendments;
Interest rates on late premium payments;

Mr. Barber suggested for future reports adding a column include the large loss and claims history to show what was set up to offset claims cost as it will inform members going forward.

Mr. Shattuck spoke of whether the Consortium should be looking at hospitals trying to recoup costs they have lost during the pandemic. Mr. Locey added other areas that need to be

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considered are lost revenues, additional expenses, negotiations between Excellus BlueCross BlueShield and the provider community going forward, increased mandates, and vaccination costs. He said looking from 2022 into 2023 he is concerned there will be some hyperinflation but there are many unknowns at this time.

Adjournment

The meeting adjourned at 4:52 p.m.

Respectfully submitted by Michelle Cocco, Clerk of the Board