

**Audit and Finance Committee
Minutes - Approved
February 26, 2019
Old Jail Conference Room**

Present: Mack Cook, Rordan Hart, Laura Shawley, Bud Shattuck, Ann Rider, Olivia Hersey (by phone), Steve Thayer, Peter Salton (arrived at 3:37 p.m.)

Excused: Chuck Rankin

Guests: Rick Snyder, Treasurer; Andrew Braman, Tompkins County Deputy Finance Director; Steve Locey, Robert Spenard, Locey and Cahill; Judy Drake, Board Chair; Peter Adams, Town of Sennett Director (by phone); Lisa Holmes, Deputy Tompkins County Administrator

Call to Order

Mr. Cook, Chair, called the meeting to order at 3:31 p.m. Mr. Snyder introduced Andrew Braman, recently appointed Tompkins County Deputy Finance Director.

Changes to the Agenda

The following items were added to the agenda:

Request for Chair of the Board to sign a letter of engagement for the Consortium's annual external audit; and

Request for purchase of a laptop by the Finance Director for an employee to do Consortium-related work from home.

Approval of Minutes of January 22, 2019

It was MOVED by Mr. Shattuck, seconded by Ms. Rider, and unanimously adopted by voice vote by members present, to approve the minutes of January 22, 2019 as presented. MINUTES APPROVED.

Executive Director's Report

Mr. Cook read from Mr. Barber's submitted report:

Reports from other Committees

The Joint Committee on Plan Structure and Design received presentations on CanaRX, the Telemedicine benefit, and the Blue4U Program. The Committee will be looking at Metal Plans for actuarial compliance. The Governance Structure Committee is charged with presenting an alternative model of Governance for the Consortium and is looking to reduce the size of the governing body that is involved with day-to-day decisions in a way that values each municipality having a say in several key decisions. The Committee is exploring the Statewide Cooperative Health Plan (SWSCHP) which is also an Article 47 that was grandfathered in 1993. The Executive Director Employment Committee has received 14 applications for the Executive Director position and all are very impressive. Ms. Drake said the Committee will meet this week to select five to seven for interviews that will begin the following week. The Committee's goal is to make a recommendation at the March 28 Board of Directors meeting. The Owing Your Own Health Committee is working with Excellus and Wellness Consultant to increase awareness of the opportunity for Telemedicine sign-up. It is also monitoring Blue4U roll-out which has been delayed for Seneca and Tompkins Counties for two weeks to a February 15 kick-off; and all others for a March 1 kick-off.

Mr. Cook announced the Educational Retreat will be held on May 30th in the Sprole Conference Room at TC3.

Invoices

It was MOVED by Mrs. Shawley, seconded by Mr. Thayer, and unanimously adopted by voice vote by members present, to approve an invoice from Career Builder dated January 2019 for the advertising of the Executive Director position. MOTION CARRIED.

The following invoices were presented for information only:

Hancock Estabrook – February 5 and 11, 2019

Armory Associates – January 31, 2019

BMI – January 2019

Segal Consulting – January 31, 2019

Courtney Consulting Enterprises – January 2019

Treasurer's Report

Mr. Snyder distributed a proposed timeline for completion of the year-end JURAT that will lead to a presentation of the report at the Committee's April 23rd meeting. He also presented a copy of an e-mail he sent to Mr. Barber concerning fund transfers. He said the Consortium has established a new Super Savings account at Tompkins County Trust Company and is earning 1.2% interest with a balance of \$6 million with another checking account having \$2 million. The remaining funds were placed with Wilmington Trust in three separate accounts (IBNR Reserve with \$5 million; Capital Surplus Reserve with \$2.56 million; and an Unrestricted account with \$10.933 million). He will monitor all accounts closely and evaluate whether additional funds can be moved to Wilmington Trust for investment in treasury bonds.

Authorization to Sign Audit Engagement Letter

It was MOVED by Mr. Salton, seconded by Mr. Shattuck, and unanimously adopted by voice vote by members present, to authorize the Chair of the Board of Directors to sign a letter of engagement to begin the process of the external audit of the Consortium's 2018 financial statement. MOTION CARRIED.

Request for Laptop Purchase

Mr. Snyder said he received a request from Jessica Hobart for a laptop to be able to do Consortium-related work at home and commented that the Administrative Clerk's laptop was purchased by the Consortium. Ms. Drake said there will be additional equipment expenses related to the hiring of an Executive Director and asked if that should become part of this request. Mr. Cook suggested that request come back at the next meeting. Mr. Locey commented that the Consortium does not have a line item in its budget for any fixed costs like this and should create a new category for this purpose. Ms. Drake said there will be other lines needed as well that relate to personnel expenses. The Committee agreed.

It was MOVED by Mr. Shattuck, seconded by Mrs. Shawley, and unanimously adopted by voice vote by members present, to authorize Mr. Snyder to purchase one laptop for use by Jessica Hobart in the Finance Department to do Consortium work at home. No additional software licenses would be needed. MOTION CARRIED.

Financial Update

Mr. Locey distributed the Treasurer's Report and noted final information relating to ProAct claims has not been received but financial results for the first month looks good. He said medical and prescription drug claims are down overall. This is primarily due to mature claims from Seneca

County not being in at this point; this will take a couple of months. There was approximately \$240,000 in net income in the first month. He said called attention to the reserve accounts and said they have been amended for 2019 and resulted in a slight decrease in the unencumbered balance that should move back up through the year.

He distributed an aging premium report as of February 1st. All entities over 30 days late were from TC3 with the exception of the Town of Newfield. He said a meeting was recently held at TC3 to discuss this; the College was presented with some labor relations and retiree benefit suggestions and are trying to address this.

Mr. Spenard distributed and reviewed a high cost claim report for claims incurred during the period January 1, 2018 thru December 31, 2018 and paid January 1, 2018 thru March 31, 2019. He said in 2017 there were 12 claims that exceeded \$200,000 and in 2018 there were 10. Mr. Locey referred to the Catastrophic Claim History report and said for only the second time since the Consortium began it received more back from Stop Loss than was paid in premium; in other years much more premium was paid than what was paid back. Mr. Locey said because Excellus is now the Stop Loss carrier and Medical Plan Administrator that he would like to explore moving the claims incurred date beyond 15 months although he said it is unlikely any unpaid claims would extend beyond 90 days.

Retiree Drug Subsidy – Locey and Cahill Proposal

Mr. Locey said another question that has come up has to do with Retire Drug Subsidy Program. He explained that when the Medicare Modernization Act of 2003 was passed there was a provision built in not only to develop the Medicare Part D Prescription Drug coverage to be offered to Medicare-age retirees, but an incentive was also built in for employers to try to keep employer-retiree programs in tact so that they wouldn't cancel their programs and force retirees onto Medicare to be covered for drugs. He said employers receive a percentage of the dollars spent by Medicare-age retirees for prescription drugs back from the Federal government on an annual basis. The amount returned is typically \$600 per covered life for Medicare-age retiree which can include spouses. It is an employer-driven program and in the past some municipalities in the Consortium, including the City of Cortland and Tompkins County, have participated in.

Mr. Locey said there has been discussion of having a more formal and coordinated program that would allow employers to participate in the program; he said Locey and Cahill could do the application that includes a required actuarial attestation, cost reporting, the year-end reconciliation, and any other required reports. They would help with the submission of the retiree list but it would be up to the employer to make sure it is updated. He said it is not an issue for the smaller employers as it is a timely process and would not be cost effective. He provided members with a sample agreement and said Locey and Cahill currently coordinates RDS applications for approximately 150 municipal entities across the State and charges a set application fee for each employer. The proposal he presented was for \$2,500 for an employer per year that would include the actuarial attestation cost. This could be done and paid for by the Consortium or set up through the Consortium with the cost passed through to employers. Mr. Locey said currently there are six or seven municipalities that would take advantage of this; the total cost would be approximately \$15,000.

There was discussion of the whether this is an expense that should be paid for by the Consortium. Mr. Cook said an argument for the Consortium to do this could be because the large employers with the large retiree base do provide a subsidy to the Consortium as a whole this could be one way to compensate them. Mr. Locey said there are some small municipalities that are participating in the program that do not have their retirees in the Consortium and they are benefitting from the Consortium's global rate that includes the entire cross-section of the demographic population which lowers their costs.

Ms. Drake questioned whether the funds coming back would go to the Consortium or the municipality. Mr. Locey said with the way the program is set up the money would go back to the employer. She said she still isn't supportive of the Consortium paying for a municipality's actuarial valuation as it is a municipal expense. Mr. Cook noted he is not pushing for this but said half of the City of Cortland's premium goes to retirees and that group provides a sizable subsidy to the Consortium as a whole and this may be a way to get equity for those municipalities that have not pulled their retirees out of the Consortium.

In response to Ms. Drake, Mr. Locey said a municipality would need over ten Medicare-age retirees for this to be worthwhile; a municipality that has Medicare Advantage would not be using this program.

Mr. Cook suggested discussion continue at the next meeting and asked Mr. Thayer to look at whether the RDS program would work for the City of Ithaca's retiree base.

Departing Municipality's Pro Rata Share

At Mr. Cook's suggestion, this item was deferred to the next meeting when Mr. Barber is attendance and to allow enough time to discuss other agenda items.

Medicare-Eligible Financial Impact

Mr. Cook said the purpose of this discussion is decide what the Consortium's position is relative to allowing future enrollees to carve out retirees from their group. Ms. Drake said the Town of Enfield does not support the Consortium assessing a fee for keeping retirees who are on Medicare Advantage out of the Consortium.

Mr. Salton said these dollars are hard to track and everything he has read indicate that it is not possible to concisely quantify the cost implication of this. Mr. Cook said he has raised this as an issue in the past because 51% of the City of Cortland's premium dollars equal over \$2 million per year paid for and he has felt aggrieved that other entities have been able to carve them out. He said as required by the MCA the City has not and would not carve them out and there is a certain unfairness in that. He said there is a subsidy coming from the over 65 Medicare-eligible population back to the Consortium that accrues to the benefit of active employees.

Mr. Locey explained the retiree population in the Consortium and said medical expenses for retirees over 65 are dramatically lower than other age bands due to Medicare involvement and have less than \$200 per month per covered life in medical costs; their prescription drug expenses are quite higher and continue to increase. He said they tend to be of similar cost to the Consortium as other groups. However, he said active employees who are over age 65 but not eligible for Medicare on a primary basis because they are still working. Even if they sign up for Medicare, their employer plan stays primary because they are still working; this group produces very large expenses. Those retirees who are under age 65 tend to be second highest group in terms of cost. He said those municipalities that are carving out those Medicare-age retirees and putting them in a Medicare Advantage Program outside of the Consortium are leaving behind employees who tend to be of higher cost and this is the inequity that is trying to be addressed. This is combined with another inequity in that all municipalities do not deal with retirees in the same way with some employees having to pay more of the premium than others. Mr. Locey suggested reaching out to municipalities to find out how each deal with retirees. He said at this time it does not have a large impact; however, if a large municipality were to take its retiree based out of the Consortium it could produce a significant impact.

Mr. Cook said it would be unfair to assess a fee on those municipalities that are already doing this but is concerned for the Consortium as it continues to grow. He believes a firm decision needs to be made on how this will be addressed in the future. Mr. Cook said the Consortium offers an alternative to employers who want to keep people out and noted the Consortium's lower Metal Level Plans are almost benefit and cost efficient with supplemental plans.

Mr. Hart suggested developing a projection that goes out 20 years for someone who is Medicare age today through life expectancy and seeing what would be saved by a municipal employer who is now saving on the Medicare Advantage versus saving an 8-9% increase on a new hire through their retirement age. He thinks there would be more long-term premium savings by being in the Consortium than having a retiree on a Medicare Advantage plan. Mr. Hart said the Consortium is at a point where it doesn't need new members but thinks this calculation would be useful to have and will show that money saved on premium for actives now will outweigh the Medicare Advantage plan going forward.

Mr. Cook asked the Committee if members want to address this issue in the current year and if so, what information is needed in order to make a recommendation to the Board of Directors.

Ms. Drake suggested addressing this in two parts. The first would be that any new municipality coming into the Consortium in 2020 would be required to bring in their entire group or would be given an assessment although her preference would be to require all new participants to bring all employee groups in. The second step could grandfather all municipalities currently in the Consortium without all employee groups and allowing them to keep retirees in a Medicare Advantage plan. Mr. Salton said before making a decision he would like to see numbers and have some analysis done. Mrs. Shawley agreed and said municipalities need to be provided with documentation to show the worth of the rate stabilization and that its benefits are worthwhile to keep retirees in the Consortium. Mr. Locey suggested surveying existing municipalities to find out where everyone is with retirees.

Mr. Cook said he will include a proposal on the next agenda recommending all new participants without exception, to bring all employee groups into the Consortium. This would not impact any existing entity and would therefore have no aggrieved party. Mr. Hart said he would like a proposal to include an analysis of impact of pulling Medicare-age retirees out on active employees. Mr. Hart suggested the analysis include what a municipality's current costs are versus projected costs going forward by pulling out retirees as well as what their collectively what their costs would be with Medicare Advantage and the Consortium going forward with an adjustment. A third analysis could show what would happen if an entity left what their savings would be on a Medicare Advantage versus their premium for the rest of employees on the open market.

Mr. Locey responded to a question concerning an earlier comment he made about a school consortium he works with enacting a policy requiring new members to bring in all employee groups and said since that time there have been two entities have joined.

Continued Discussion of Internal Captive

Due to time constraints this item was deferred to the next agenda.

Next Agenda Items

The following items will be included on the next agenda:

Cyber Security update;
Formal resolution adopting an application fee that (5% of Capital Reserve that can be credited against a municipality's premium bill once a member);
Resolution approving policy with regard to perspective members bringing all employee groups into the Consortium;
Departing Municipality's Pro Rata Share; and
Continued Discussion of Internal Captive.

Adjournment

The meeting adjourned at 5:12 p.m.