



## Greater Tompkins County Municipal Health Insurance Consortium

125 East Court Street • Ithaca, New York 14850 • (607)274-5590  
www.healthconsortium.net • consortium@tompkins-co.org

*"Individually and collectively we invest in realizing high quality, affordable, dependable health insurance."*

Greater Tompkins County Municipal Health Insurance Consortium

### Audit and Finance Committee

#### Agenda

May 28, 2019 – 3:30 p.m.

Legislature Chambers

1. Call to Order (3:30) M. Cook
2. Changes to Agenda (3:30)
3. Approve Minutes of April 23, 2019 (3:32)
4. Executive Director's Report (3:35) E. Dowd
  - a. DFS Communications
  - b. Reports from Other Committees
  - c. Update on Prescription Drug Claims Audit Process
  - d. Staff and Consultant contract update
  - e. Update on Medicare Advantage RFP
  - f. Invoices:
    1. Info. only: Wellness Consultant – April 2019; Insero & Co. – April 2019; Hancock Estabrook – May 2019
    2. Approval Req'd: Final Segal Consulting Invoice dated April 25, 2019
6. Financial Update (3:55) S. Locey
  - a. Fiscal Year Results to Date
  - b. Report on Large Loss Claim Activities
  - c. Plan Underwriting Review Update
7. Update on BMI Medical Claims Audit Findings (4:10) E. Dowd
8. Discussion: Insero & Co. Proposals (4:20) E. Dowd
9. **Resolution:** Chemung County Soil and Water Conservation District (4:30) E. Dowd
10. **Resolution:** Board Policy Regarding Compliance with Section A.3. of MCA (4:35) D. Barber
11. **Resolution:** Amendment to Resolution Nos. 2 of 2015 and 7 of 2018 – Application Materials Municipalities Must Present for Application to Join the Consortium and Recommended Municipal Resolution Language (4:45) D. Barber
12. Discussion: Policy to Determine Departing Municipality's Pro Rata Share of Assets (4:55) D. Barber
13. Next meeting Agenda Topics (5:15)
13. Adjourn (5:15)

Next Meeting: June 25, 2019

**Audit and Finance Committee  
Minutes - Draft  
April 23, 2019  
Old Jail Conference Room**

Present: Mack Cook, Bud Shattuck, Olivia Hersey, Steve Thayer, Chuck Rankin, Laura Shawley, Peter Salton (arrived at 3:32 p.m.)  
Excused: Rordan Hart, Ann Rider  
Guests: Judy Drake, Board of Directors Chair; Elin Dowd, Executive Director; Don Barber, Consultant; Rick Snyder, Treasurer; Steve Locey, Robert Spenard, Locey and Cahill; Mimi Theusen, Conrad Whyte, Patrick, Jordan, Insero and Co.; Kat McCarthy, Cortland Common Council

**Call to Order**

Mr. Cook, Chair, called the meeting to order at 3:30 p.m.

**Changes to the Agenda**

Mr. Barber added an item to the end of the agenda relating to the underwriting of plans.

**Approval of Minutes of March 26, 2019**

It was MOVED by Mr. Shattuck, seconded by Mr. Rankin, and unanimously adopted by voice vote by members present, to approve the minutes of March 26, 2019 as corrected. MINUTES APPROVED.

Mr. Salton arrived at this time.

**Presentation of 2018 External Audit Report**

Ms. Theusen said the Consortium's audit process went well again this year; she introduced her colleagues at Insero & Co. who presented the highlights of the audit report. Mr. Whyte reviewed the contents of the Executive Summary and stated there were no concerns related to compliance or internal controls and no deficiencies or material weaknesses were identified.

Mr. Jordan reviewed financial highlights contained in the report. He stated the Consortium's net position as of December 31, 2018 was \$ 21,643,763; the net position for 2017 was \$ 21,323,957. For the year ending December 31, 2018, the Plan's net position increased by \$319,806. For the year ending December 31, 2017, the Plan's net position increased by \$2,322,672. For the year ending December 31, 2016, the Plan's net position increased by \$1,173,320. Increases in net position are mainly attributable to an excess of revenues received over claims and administrative expenses. The increases in claims expense are primarily a result of increased insurance claims paid for participating municipality employees and the addition of new participating municipalities into the Plan. The increase in administrative and other expenses is primarily due to increased cost associated with adding new municipalities into the Plan. The changes in reinsurance are primarily due to timing of reimbursement payouts and the cost of reinsurance.

Ms. Theusen said a question was raised concerning having a contracted Executive Director versus an employee and said the only impact will be a change in the Consortium having to pay benefit expenses, federal and state states, and the usual employer-related record keeping. Mr. Snyder noted the position will be administered through the Town of Ithaca; Ms. Theusen said what may be audited are the expenses paid to the Town on behalf of the

Consortium. It should not have any other impact on the Consortium. A copy of the full audit is available on the Consortium's website.

Mr. Cook said there is \$26.1 million in the Consortium's Fund Balance and asked if local governments could report their equity position in their financial statements which would increase their fund balance. Mr. Salton said he thinks it might be allowed to be included on a financial statement but including it on a balance sheet could be a conflict with Insurance Law. Mr. Locey said the MCA stipulates that the Consortium owns those funds; however, the one thing that has yet to be defined is what a surplus is. He said if a municipality were to withdraw it would get surplus funds. For this reason he thinks municipalities could include the surplus amount in their financial statements.

Mr. Cook said this could be a benefit to members and asked if others were also of this opinion and if this Committee would be interested in engaging the accountants to look into this. Mr. Salton said this relates to the discussions that have taken place with regard to entry and exit from the Consortium, therefore, he support looking into this further and in tandem with those discussions.

Mr. Cook requested with no objection from the Committee, for Insero & Co. to look into this and present the Executive Director with a quote on what this would cost.

**RESOLUTION NO. CA001 - 2019 – ACCEPTANCE OF 2018 EXTERNAL AUDIT REPORT PERFORMED BY INSERO & CO.**

It was MOVED by Mr. Thayer, seconded by Mrs. Shawley, and unanimously adopted by voice vote by members present.

WHEREAS, the Board of Directors entered into a contract for auditing services with Insero & Co. (CDLM), for the purpose of conducting an external audit of the Consortium's financial records for fiscal year 2018, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee, That the 2018 external audit report prepared and presented to the Audit and Finance Committee by Insero & Co. (CDLM) is hereby accepted.

\* \* \* \* \*

**Executive Director's Report**

Ms. Dowd reported the annual filing is complete and she and Mr. Barber are communicating follow-up questions to the Department of Financial Services (DFS). Specifically, they are looking for direction on the format of the three-year financial proforma that is a requirement of the Aggregate Stop Loss waiver.

**Reports from other Committees**

She reported the Governance Structure Committee is looking at changes to the MCA and creating Bylaws to create an 11 to 15-member Executive Committee that would act on behalf of the Board of Directors. The Owing Your Own Health Committee met last week and is continuing to make progress on a branding image for the program. They also heard a report on Seneca County's wellness program and an update that 89 members had enrolled in the Blue4U Program. Currently, 66 members have enrolled in the Telemedicine program and there have been two visits. Ms. Dowd said now that the external audit has been completed she will be working with Mr. Barber on developing the Consortium's annual report. She will also be working with ProAct on initiating the Prescription Drug Audit.

Ms. Drake requested a copy of the information on Seneca County's Wellness Program be circulated to the Board of Directors.

### **Prescription Drug Claims Audit**

Mr. Barber raised the question of whether the Committee wished to proceed with conducting the prescription drug claims audit or if members were interested in issuing a Request for Proposals (RFP) for the service. Following a brief discussion there was consensus to proceed with the audit and to begin a process in the summer or initiating an RFP for the biannual audits of both medical claims and prescription drug claims.

#### **Invoices**

The following invoices were presented for information only:

Armory Associates – March, 2019  
Wellness Consultant – March, 2019  
Hancock Estabrook – April, 2019  
Bonadio – March, 2019

It was MOVED by Mr. Cook, seconded by Ms. Hersey, and unanimously adopted by voice vote by members present, to approve a final invoice from BMI dated April 10, 2019 in the amount \$8,500. MOTION CARRIED.

### **JURAT Filing**

Mr. Snyder reviewed pages from the annual financial filing and explained how figures contained in the document relate to the information presented in the audit that was reported on earlier in the meeting.

### **Financial Update**

Mr. Locey reviewed first quarter 2019 budget versus actual results. He commented that premium revenue is slightly below (1.7%) budget. Interest income earned to date in 2019 is \$81,000; this compares to a total of \$22,000 for 2018. Paid claims are well-below budget; however, this was expected for the first quarter due to some claims not yet being mature. Mr. Locey said at this time the Consortium has positive results in net income in the amount of \$1.7 million. The expense distribution chart showed the Consortium being a 93.33% of total expense going towards the payment of claims and 6.7% going to pay for all expenses. These are outstanding results for the first quarter.

Mr. Locey reviewed an accounts receivable report summary with the financial report and noted there are only two entities that are between 31-60 days aging (TC3 Culinary and Farming programs). Mr. Snyder read a communication from his staff in which it was stated they think overall accounts receivable are in good standing and that it is typical that the majority of payments are received from municipalities during the first week of the month which would be technically late; also, some municipalities are mailing their payments by the first of the month. The letter suggested the Committee consider a practice by which a past due list be sent only for those that are late upon the 10<sup>th</sup> day of the month and to also consider a ten-day grace period.

Mr. Barber thanked Mr. Snyder for bringing this forward and called attention to language contacted in Article L. PREMIUMCALCULATIONS/PAYMENT:

“3. Each Participant's monthly premium equivalent, by enrollee classification, shall be paid by the first day of each calendar month during the Plan Year. A late payment charge of one

percent (1%) of the monthly installment then due will be charged by the Board for any payment not received by the first of each month, or the next business day when the first falls on a Saturday, Sunday, legal holiday or day observed as a legal holiday by the Participants. The Consortium may waive the first penalty once per Plan Year for each Participant, but will strictly enforce the penalty thereafter. A repeated failure to make timely payments, including any applicable penalties, may be used by the Board as an adequate justification for the expulsion of the Participant from the Consortium.”

Mr. Snyder said there is a process in place for imposing a late fee but he and his staff look into each situation and work with municipalities and impose a penalty in cases where it is reasonable to do so. Mr. Barber agreed the MCA is not specific on what the term “paid by” means, noting it could include being placed in the mail by this date. This is something that may need further discussion during review of the MCA; the Committee supported Mr. Snyder’s office continuing to work with municipalities and wished to have reports continue to be provided.

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Mr. Locey commented that for 2018 the average covered life under the Consortium for a plan payment was \$7,600 and the average out-of-pocket cost per member was \$333. Covered lives are up by 18% and contracts are up by 17%.

**RESOLUTION NO. - 2019 – RECOMMEND ADJUSTMENTS TO THE PREMIUM EQUIVALENT RATES FOR THE CITY OF ITHACA PROFESSIONAL FIRE- FIGHTERS UNIT**

MOVED by Mr. Shattuck, seconded by Mr. Rankin.

Ms. Dowd reported the City of Ithaca Firefighters have bargained to change their contract and as a result it will increase their premiums. Mr. Locey said when they originally negotiated to move into the Plan the Arbitrator ruled that it wasn’t clear that they were going to be subject to Step Therapy and Prior Authorization and that this is a right of collective bargaining and as a result they do not have these in place. As a result their claims expense will likely be higher and after consultation with Excellus it was determined what the anticipated impact of this would be on the drug portion of the rate.

Mr. Barber commented that currently only the active firefighters have had this change and are receiving the benefit. They are working with ProAct and Excellus to develop another Rx group for the Chiefs and retirees,

The resolution was unanimously adopted by voice vote by members present.

WHEREAS, by Arbitration Ruling the City of Ithaca Professional Fire Fighters unit were able to remove the step-therapy, prior authorization, and quantity limit edits from their prescription drug plans resulting in a 12.5% increase on the pharmacy portions of the premium equivalent rates, and

WHEREAS, changes to the pharmacy rates result in an overall premium rate increase of 3.4%, now therefore be it

RESOLVED, That the Audit and Finance Committee recommends that the Board of Directors approves an adjustment to the City of Ithaca Professional Fire Fighters Unit to increase individual monthly premium equivalent rates by 3.4% to \$1058.15 for individual coverage and \$2292.59 for family coverage effective January 1, 2019.

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### **Compliance with Section A.3 of MCA**

Mr. Barber said this item relates to adverse risk selection and making sure all employers in the Consortium have all of their potential participants in the Plan. Mr. Salton said the annual cost for the Village of Cayuga Heights to comply with Section A.3 is \$60,000 and he doesn't believe the Village will support that expense. He said there are 8 impacted employees that are on the Teamsters' family plan. Mr. Barber noted there has been no direct comparison of the plans, therefore, a determination cannot be made as to whether the plans are identical. Mr. Locey agreed that a comparison needs to be done; he will develop a full analysis for both the Village of Cayuga Heights and the Teamsters and will present it to the Committee.

Ms. Hersey spoke of when the Consortium was created and said it was a very long and involved process that resulted in every plan that was created being equal or better to what everyone had. Mr. Locey spoke to the plan costs for the Teamsters and said because they don't include retirees their cost structure is significantly less. Mr. Cook said when the City of Cortland joined the Consortium it brought all of its groups in and there was a cost to the City to do so but in the long-term the City experienced a cost reduction. Mr. Thayer commented that a valued benefit the City of Ithaca has experienced by being a member of the Consortium is rate stabilization.

Ms. Drake commented that this is what was presented to municipalities that came into the Consortium this year and said the question before the Committee is whether this should be the policy going forward. She suggested the Committee could take action on the policy and then make a decision on the Village of Cayuga Heights when information is presented. Mr. Cook said he would like the Village of Cayuga Heights to get the information before this Committee takes action. He will support this being deferred to the next meeting but no later.

There was consensus to include this on the May agenda of the Committee.

### **Discussion of New Member Application Process**

Mr. Barber explained the work involved in collecting information from municipalities applying for membership into the Consortium and spoke of the Excellus and ProAct timelines that are also an important part of the process. He spoke of the issues that occurred last year and explained how the proposed application process and timeline should prevent the same issues going forward. He highlighted one substantive change in the process and said instead of applying for a waiver, municipalities applying for membership will submit payment of the surplus reserve fee as required by Article 47 by November 1<sup>st</sup>. If all steps in the application process are completed on time that payment would be credited towards the municipality's first month of premium.

Mr. Locey said the Chemung County Soil and Water Conservation District has made an inquiry into joining the Consortium. The Consortium's legal counsel has confirmed they are eligible to join as a result in the change to General Municipal Law allowing districts to be considered a Municipal Corporation. The complication is that they are not a taxing authority; he asked if there should be discussion of requiring an additional security up-front in case they couldn't pay their premium at some point. He said in other Consortia they work with they have groups that are required to put up some security to cover their Incurred But Not Reported liability. They are allowed to put up their share of the IBNR in a secure bank account that Excellus could have access to in the event of payment default or issue a surety bond or line of credit in the amount of the liability. He suggested that language be added to this policy to let entities know they would be responsible for any liability. Mr. Barber will add language to the proposed new member resolution outlining the requirements for districts.

Ms. Drake suggested and the Committee agreed to change the reference in the draft resolution relating to the Chemung County Soil and Water Conservation District for the “number of covered employees” be changed to “the number of eligible employees”.

### **Summary of BMI Medical Claims Audit**

Mr. Locey said BMI identified a total of 66 claims with issues of which Excellus agreed to nine. They are working through the remaining claims and will alert Excellus on items where further discussion is needed.

Mr. Barber said there have been several discussions over recent months about retiree rates. He requested approval from the Committee to request Locey and Cahill to perform an underwriting of the Consortium’s plans to make sure they are where they should be in advance of discussions on 2020 premium rates. The Committee supported this suggestion and authorized Locey and Cahill to proceed with this work.

### **Next Agenda Items**

The following items will be included on the next agenda:

- Resolution - New Member Process
- Resolution - Chemung County Soil and Water Conservation District
- Resolution Approving Compliance with Section A.3 of MCA
  - Comparison of Village of Cayuga Heights and Teamsters
- Resolution – Policy to Determine Departing Municipality’s Pro Rata Share of Assets
- Medicare Advantage RFP
- Consortium Staffing Costs
- BMI Medical Claims Audit

### **Adjournment**

The meeting adjourned at 5:12 p.m.



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**RESOLUTION NO.       – 2019 - RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE GREATER TOMPKINS COUNTY MUNICIPAL  
HEALTH INSURANCE CONSORTIUM TO CONSIDER  
MEMBERSHIP BY THE CHEMUNG COUNTY SOIL AND WATER  
CONSERVATION DISTRICT**

WHEREAS, the *Chemung County Soil and Water Conservation District* (the “Chemung County SWCD”) has expressed interest in joining the *Greater Tompkins County Municipal Health Insurance Consortium* (the “Consortium”) as a new participating municipality, and

WHEREAS, the Chemung County SWCD is eligible under § 4702(f) of the New York Insurance Law to apply for membership as a participant in the Consortium subject to the Board’s unlimited discretion; and

WHEREAS, the Chemung County SWCD satisfies the geographic membership requirements set forth in Section A.2 of the currently-operative Municipal Cooperative Agreement (“MCA”); and

WHEREAS, the MCA requires that any new applicant to provide “satisfactory proof of its financial responsibility” to ensure that its added membership will not negatively impact or threaten the fiscal integrity of the Consortium; and

WHEREAS, the Board wishes to fully and diligently consider the financial health, security, and responsibility of the Chemung County SWCD prior to voting on its candidacy, now therefore be it

RESOLVED, That the Audit and Finance Committee recommends that the Board direct the Audit and Finance Committee to:

1. Be responsible for fully investigating and providing the Board with an evaluation and recommendation of the financial health, security, and responsibility of the Chemung County SWCD.
2. Request such information from the Chemung County SWCD as is necessary to fully investigate and evaluate this issue, including but not limited to:
  - a. SWCD internal governance documents and/or rules such as by-laws;
  - b. at least five years of annual financial statements;
  - c. confirmation of funding sources, funding mechanisms, account balances, assets, and investments;
  - d. the existence of all other contractual obligations;
  - e. the existence of any debts, contingent liabilities, or lawsuits;
  - f. the number of eligible employees, family members, and retirees; and
  - g. The County resolution creating the SWCD.
3. Make a written recommendation to the Board and Executive Committee within 60 days as to whether the Chemung County SWCD possesses sufficient indicia of financial responsibility to become a participating member of the Consortium without unduly or unnecessarily threatening its fiscal integrity. The recommendation *may* also include recommendations regarding the provision of additional security by the applicant, if that is deemed to be necessary and advisable.





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**RESOLUTION NO.            - 2019 - RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE GREATER TOMPKINS COUNTY MUNICIPAL  
HEALTH INSURANCE CONSORTIUM – POLICY TO COMPLY  
WITH SECTION A.3 OF THE MUNICIPAL COOPERATIVE  
AGREEMENT**

WHEREAS, Section A.3. of the Greater Tompkins County Municipal Health Insurance Consortium's (the "Consortium") current Municipal Cooperative Agreement (MCA) states:

"Participation in the Plan(s) by some, but not all, collective bargaining units or employee groups of a Participant is not encouraged and shall not be permitted absent prior Board approval. Further, after obtaining approval, any Participant which negotiates an alternative health insurance plan offering other than the plan offerings of the Consortium with a collective bargaining unit or employee group may be subject to a risk charge as determined by the Board.", and

WHEREAS, two of our current municipal Participants do not have all of their active subscribers enrolled in the Consortium Plan and one of them has, by municipal resolution, agreed to bring those subscribers into the Consortium within 3 years; and

WHEREAS, except for one instance, the non-participation of these employee groups has not been ratified by Board approval; and

WHEREAS, the Consortium wishes to otherwise bring all Participants into compliance with Section A.3 of the MCA with respect to their active enrollees, now therefore be it

RESOLVED, That the Audit and Finance Committee recommends the Board adopt the following policy:

1. that municipal Participants with *active employees* not enrolled in Consortium benefit plan options, must, within 3 years of the date of this resolution, fully enroll all of their active employees on Consortium plan options or otherwise seek Board Approval as required by Section A.3, or they will be subject to termination of their further participation in the Consortium

\* \* \* \* \*

**RESOLUTION NO. - 2019 – AMENDMENT TO RESOLUTION NO. 007 OF 2018 - APPLICATION MATERIALS MUNICIPALITIES MUST PRESENT FOR APPLICATION TO JOIN THE CONSORTIUM AND RECOMMENDED MUNICIPAL RESOLUTION LANGUAGE**

WHEREAS, the Greater Tompkins County Municipal Health Insurance Consortium (“Consortium”) Board of Directors adopted resolution #002-2015 and then amended that resolution with resolution #007-2018 to provide guidance to eligible employers, as defined in §4702 (f) of Article 47 of the New York State Insurance Law (“Municipal Corporations”), applying for membership in the Consortium, and

WHEREAS, the Consortium is experiencing rapid growth of Municipal Corporations applying to join the Consortium, and

WHEREAS, the Consortium has instituted several policies, not stated in the Municipal Cooperative Agreement (“MCA”), that prospective Municipal Corporations are required to comply with as part of their application process, now therefore be it

RESOLVED, That the Consortium’s Audit and Finance Committee, recommends the following Policy for Municipal Corporations seeking membership in the Consortium:

1. Submit by September 1<sup>st</sup>, a municipality board resolution authorizing application for membership.
2. Submit by September 1<sup>st</sup> the Municipal Corporation’s required financial and operational documents, as follows:
  - a. for Municipal Corporations with taxing authority (county, city, town, or village), two years of State Comptroller AUD reports; or
  - b. for Municipal Corporations without taxing authority:
    - i. five years of audited financial statements;
    - ii. internal governance documents and/or rules such as bylaws, resolutions, and/or statutes creating the Municipal Corporation; and
    - iii. financial documents confirming funding sources, funding mechanisms, account balances, assets, investments, contractual obligations, and any debts, contingent liabilities, and/or lawsuits.
3. Submit the Municipal Corporation’s most recent monthly premium billing statements from all health insurance carriers providing benefits to all active employees and retirees by September 1<sup>st</sup>.

Said premium billing statements should include the name of the Municipal Corporation and the month for the which the billing is related. In addition, said premium bills must include the number of contracts (employee, employee + spouse, employee + child (children), and family) and the monthly premium rate for each plan of benefit.

4. For Municipal Corporations who are currently experience-rated or who operate a self-insured employer-sponsored health insurance plan, they must submit a minimum of three (3) years of monthly paid claims (medical and pharmacy separately) data and monthly covered lives counts.
6. Submit payment by November 1<sup>st</sup> to the Consortium of the Municipal Corporation's proportionate share of the Surplus Account Reserve (5% of annualized premium) as determined by the GTCMHJIC and as required by Article 47 of the New York State Insurance Law and the GTCMJHIC's Municipal Cooperative Agreement.
7. Notify the GTCMHIC's Executive Director in writing by October 1<sup>st</sup> regarding which GTCMHIC health benefit insurance plan the Municipal Corporation's employees and retirees will be participating in upon the effective date of participation in the GTCMHIC.
8. Sign and submit to the Consortium the Municipal Cooperative Agreement of the GTCMHIC upon notification that the GTCMHIC Board of Directors has approved the Municipal Corporation's application to become a Participant in the GTCMHIC by October 15<sup>th</sup>.
9. Confirm by October 25<sup>th</sup>, with the Medical Claims Administrator the names of all employees, retirees, and dependents to be covered in the Consortium's health insurance plans. A list of those enrolled will be sent to the Municipal Corporation by the Medical Claims Administrator by no later than October 15<sup>th</sup>.
10. By November 1<sup>st</sup>, submit a municipal resolution appointing the Director and Alternate to the Consortium.
11. By November 1<sup>st</sup>, notify the GTCMHIC of the name and contact information for the person within your organization for benefit administration; and who will attend a new member orientation during the 1<sup>st</sup> quarter of the next year.
12. By November 1<sup>st</sup>, notify the GTCMHIC of the Municipal Corporation's commitment to utilize the GTCMHIC's on-line enrollment process or to authorize the GTCMHIC to provide, for the Municipal Corporation's employees and retirees, this function.
13. By November 1<sup>st</sup>, provide the Consortium with a secure financial instrument equal to the value of 25% of the estimated annual premium as determined by the Consortium as protection against expulsion or cancellation due to a default in premium payment. ***Municipal Corporations with taxing authority (county, city, town, or village) will be exempt from this provision.*** Said financial instrument may include the following:
  - a. A Secured Bank Account;
  - b. Letter of Credit; or
  - c. Surety Bond
14. By December 15<sup>th</sup>, take the necessary steps to comply with the GTCMHIC's dependent verification process.
15. Provided the Municipal Corporation completes all the requirements set forth in this Resolution by the due dates indicated; the Surplus Account Reserve payment defined in

Item 3 above will be credited against the Municipal Corporation's January premium invoice from the Consortium.

16. Municipal Corporation is hereby advised that missing any of these steps by the due date indicated will result in the Municipal Corporation not being accepted into the Consortium for the upcoming year and will result in the forfeiture of the Municipal Corporation's Surplus Account Reserve payment.

To: Audit and Finance Committee  
From: Don Barber, Executive Director  
Date: September 22, 2018

Topic: Establishing Policy for Return of Surplus for Withdrawing Participants of the Consortium

As the Consortium grows, the possibility of a Participant deciding to leave increases. When that event occurs, because they are co-owner, they expect and the MCA states they will receive their portion of the Consortium's equity that developed during their tenure. Both the Consortium and the departing Participant are well served if the methodology for determining each Participants portion of the Consortium's equity is clearly stated.

To frame our thinking, Section P.3 &4 of MCA reads as follows:

3. Any withdrawing Participant shall be responsible for its pro rata share of any Plan deficit that exists on the date of the withdrawal, subject to the provisions of subsection "4" of this Section. The withdrawing Participant shall be entitled to any pro rata share of surplus that exists on the date of the withdrawal, subject to the provisions of subsection "4" of this Section. **The Consortium surplus or deficit shall be based on the sum of actual expenses and the estimated liability of the Consortium as determined by the Board.** These expenses and liabilities will be determined one (1) year after the end of the Plan Year in which the Participant last participated.
4. The surplus or deficit shall include recognition and offset of any claims, expenses, assets and/or penalties incurred at the time of withdrawal, but not yet paid. **Such pro rata share shall be based on the Participant's relative premium contribution to the Consortium as a percentage of the aggregate premium contributions to the Consortium during the period of participation.** This percentage amount may then be applied to the surplus or deficit which existed on the date of the Participant's withdrawal from the Consortium. Any pro rata surplus amount due the Participant shall be paid to the Participant one year after the effective date of the withdrawal. Any pro rata deficit amount shall be billed to the Participant by the Consortium one year after the effective date of the withdrawal and shall be due and payable within thirty (30) days after the date of such bill.

I have attached a spreadsheet prepared by Locey and Cahill which has been shared with at least a portion of the Consortium's Board entitled "2017 Retained Equity and Liability Analysis by Participant". I have also attached page 3 of the executive summary from the 2017 financial audit by Insero. You will notice that the Net Position number is the total "equity" of the spreadsheet.

The MCA recognizes that a departing Participant leaves behind IBNR liability. Determining that liability seems straight forward. If during a Participants tenure there was little or no growth in the surplus, then what would this liability be credited against? If the Participant stayed, that liability is covered by the IBNR. By including prorata share of IBNR in the surplus calculation, the withdrawing Participant is at least ensured there are some assets to credit against this liability. (Note Insero's net position does not include IBNR as an asset.)

Other sectors of Consortium assets are: Surplus Reserve, other discretionary reserves, and fund balance. The Surplus Reserve is set by statute to be 5% of total annual premium. When a Participant departs, the Surplus Reserve will decrease by that Participants prorata share. The Surplus Reserve would seem a natural part of the “surplus” calculation.

Also, the amount that the fund balance changed during the Participant’s tenure would also seem appropriate to include. It is important to recognize that, with the current large fund balance, the Board has and most likely will continue for a few years to budget no grow of the fund balance.

Rate Stabilization Reserve: This reserve was established in 2015 and has been funded ever since to a level to equal 5% of paid claims. The initial funding of \$1,471,821 came from fund balance of 2015. Since subsequent funding of this reserve is done as a function of operations for all Participants, it would be possible to track a Participants prorata contribution and remove it, provided that the share of the fifteen 2015 Participants was calculated separate. But, should this fund be used to offset premium increases, it would be for a specific point in time and would make accounting for that reduction and most likely subsequent replenishment extremely hard to track for a prorata calculation.

Catastrophic Claims Reserve is a fixed amount established to offset additional liability taken on by higher specific stop-loss deductible. One could think of this reserve as not being included in net assets for four reasons:

1. all Participants have already received their prorata share of savings from this reserve based the reduced Stop-Loss Premium
2. A reduction in this reserve due to a departing Participant would require the remaining Participants to either make up this reduced portion from their share of fund balance or decrease Stop-Loss deductible which then increases stop-loss premium.
3. This reserve was created from fund balance at certain points in time. Participants have non-prorata share in the funds used in this reserve.
4. Should portions this fund be used, it would be for a specific point in time and would make accounting for that reduction and most likely subsequent replenishment extremely hard to track for a prorata calculation.

I offer this memo to seed your thinking for these questions:

1. Should the Consortium develop a policy for calculating surplus or deficit before that event occurs.
2. What should be the policy should the calculation be a “deficit”?
3. If there is a desire to develop the policy for determining surplus or deficit, how should the methodology for that calculation?

# GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM

## 5 YEAR FINANCIAL STATEMENT ANALYSIS

	<u>DECEMBER 31, 2017</u>	<u>DECEMBER 31, 2016</u>	<u>DECEMBER 31, 2015</u>	<u>DECEMBER 31, 2014</u>	<u>DECEMBER 31, 2013</u>
<b>ASSETS</b>					
Cash and investments	\$ 25,125,286	\$ 23,487,426	\$ 21,566,522	\$ 13,911,691	\$ 9,511,052
Receivables	879,536	211,479	59,900	576,616	715,902
Prepaid expenses		64,491		997	
Premium claims deposit	526,300	527,500	527,500	953,700	908,100
<b>Total Assets</b>	<b>\$ 26,531,122</b>	<b>\$ 24,290,896</b>	<b>\$ 22,153,922</b>	<b>\$ 15,443,004</b>	<b>\$ 11,135,054</b>
<b>LIABILITIES</b>					
Incurred claims liability	\$ 4,540,654	\$ 4,430,732	\$ 3,631,889	\$ 3,800,339	\$ 3,574,393
Accounts payable and accruals	494,991	497,510	441,191	386,786	315,382
Unearned revenues	171,520	361,369	252,877	355,180	196,396
<b>Total Liabilities</b>	<b>5,207,165</b>	<b>5,289,611</b>	<b>4,325,957</b>	<b>4,542,305</b>	<b>4,086,171</b>
<b>NET POSITION</b>					
Restricted	2,038,725	1,925,998	1,879,368	1,803,165	1,725,384
Board designated	3,218,819	2,808,496	2,563,287	606,898	600,000
Unrestricted	16,066,413	14,266,791	13,385,310	8,490,636	4,723,499
<b>Total Net Position</b>	<b>21,323,957</b>	<b>19,001,285</b>	<b>17,827,965</b>	<b>10,900,699</b>	<b>7,048,883</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 26,531,122</b>	<b>\$ 24,290,896</b>	<b>\$ 22,153,922</b>	<b>\$ 15,443,004</b>	<b>\$ 11,135,054</b>
<b>REVENUES</b>					
Premiums	\$ 40,774,492	\$ 38,519,955	\$ 37,587,353	\$ 36,063,291	\$ 34,507,670
Aggregate write-ins for other revenue	145,643	131,974	128,523	134,659	146,563
Interest earnings	17,702	16,533	13,526	12,641	9,871
<b>Total Revenues</b>	<b>40,937,837</b>	<b>38,668,462</b>	<b>37,729,402</b>	<b>36,210,591</b>	<b>34,664,104</b>
<b>EXPENSES</b>					
Claims expense	35,828,612	34,999,888	28,750,405	29,755,490	28,013,757
Reinsurance expenses, net	771,527	692,329	706,517	836,935	310,713
Administrative fees	1,105,738	1,046,447	1,003,466	988,796	939,946
Aggregate write-ins for other expenses	691,524	657,464	610,589	562,919	610,890
Interest expense					119,426
<b>Total Expenses</b>	<b>38,397,401</b>	<b>37,396,128</b>	<b>31,070,977</b>	<b>32,144,140</b>	<b>29,994,732</b>
<b>Excess of Revenues (Expenses)</b>	<b>2,540,436</b>	<b>1,272,334</b>	<b>6,658,425</b>	<b>4,066,451</b>	<b>4,669,372</b>
<b>Contributed capital return</b>					<b>(1,422,136)</b>
<b>Adjustment for incurred but not reported claims</b>	<b>\$ (217,764)</b>	<b>\$ (99,014)</b>	<b>\$ 268,841</b>	<b>\$ (214,635)</b>	<b>\$ (824,545)</b>

Note: Abstracted from audited financials - See audit reports for complete information



Greater Tompkins County Municipal Health Insurance Consortium

2017 Financial Results by Participant

Retained Earnings/Fund Balance	\$2,322,672.00
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Accrual

Municipality Name	Effective Date	Prior Year's Equity	Number of Covered Lives	2017 % of Premiums Paid	2017 % of Covered Lives	2017 Net Equity Share	2017 Net Equity Payments	Estimated Total Net Equity
City of Cortland	1/1/2013	\$1,420,972.94	6,178	10.18%	9.96%	\$231,252.80	\$0.00	\$1,652,225.75
City of Ithaca	1/1/2011	\$6,041,633.28	16,864	30.22%	27.18%	\$631,247.53	\$0.00	\$6,672,880.81
County of Tompkins	1/1/2011	\$9,516,710.47	29,958	47.28%	48.28%	\$1,121,377.70	\$0.00	\$10,638,088.17
Town of Aurelius	1/1/2017	\$0.00	144	0.14%	0.23%	\$5,390.16	\$0.00	\$5,390.16
Town of Caroline	1/1/2011	\$84,237.88	288	0.42%	0.46%	\$10,780.32	\$0.00	\$95,018.20
Town of Cincinnatus	1/1/2017	\$0.00	54	0.05%	0.09%	\$2,021.31	\$0.00	\$2,021.31
Town of Danby	1/1/2011	\$93,456.21	322	0.44%	0.52%	\$12,052.99	\$0.00	\$105,509.20
Town of Dryden	1/1/2011	\$313,505.49	1,035	1.64%	1.67%	\$38,741.77	\$0.00	\$352,247.26
Town of Enfield	1/1/2011	\$41,638.67	100	0.19%	0.16%	\$3,743.17	\$0.00	\$45,381.84
Town of Groton	1/1/2011	\$62,276.03	222	0.34%	0.36%	\$8,309.83	\$0.00	\$70,585.86
Town of Homer	1/1/2018	\$0.00	0	0.00%	0.00%	\$0.00	\$0.00	\$0.00
Town of Ithaca	1/1/2011	\$669,778.11	2,460	3.44%	3.96%	\$92,081.89	\$0.00	\$761,860.00
Town of Lansing	1/1/2013	\$154,433.00	913	1.22%	1.47%	\$34,175.11	\$0.00	\$188,608.10
Town of Marathon	1/1/2016	\$732.91	74	0.10%	0.12%	\$2,769.94	\$0.00	\$3,502.85
Town of Montezuma	1/1/2017	\$0.00	54	0.08%	0.09%	\$2,021.31	\$0.00	\$2,021.31
Town of Moravia	1/1/2017	\$0.00	136	0.18%	0.22%	\$5,090.71	\$0.00	\$5,090.71
Town of Newfield	1/1/2018	\$0.00	0	0.00%	0.00%	\$0.00	\$0.00	\$0.00
Town of Owasco	1/1/2018	\$0.00	0	0.00%	0.00%	\$0.00	\$0.00	\$0.00
Town of Preble	1/1/2017	\$0.00	36	0.04%	0.06%	\$1,347.54	\$0.00	\$1,347.54
Town of Scipio	1/1/2017	\$0.00	109	0.12%	0.18%	\$4,080.05	\$0.00	\$4,080.05
Town of Springport	1/1/2017	\$0.00	48	0.08%	0.08%	\$1,796.72	\$0.00	\$1,796.72
Town of Truxton	1/1/2016	\$1,632.07	108	0.13%	0.17%	\$4,042.62	\$0.00	\$5,674.69
Town of Ulysses	1/1/2011	\$107,406.96	288	0.34%	0.46%	\$10,780.32	\$0.00	\$118,187.28
Town of Virgil	1/1/2016	\$2,253.14	262	0.17%	0.42%	\$9,807.10	\$0.00	\$12,060.23
Town of Willet	1/1/2015	\$5,645.56	99	0.13%	0.16%	\$3,705.73	\$0.00	\$9,351.29
Village of Cayuga Heights	1/1/2011	\$183,789.84	690	0.98%	1.11%	\$25,827.85	\$0.00	\$209,617.69
Village of Dryden	1/1/2011	\$79,509.71	213	0.32%	0.34%	\$7,972.94	\$0.00	\$87,482.66
Village of Groton	1/1/2011	\$90,907.71	431	0.61%	0.69%	\$16,133.05	\$0.00	\$107,040.76
Village of Homer	1/1/2015	\$29,365.06	224	0.26%	0.36%	\$8,384.69	\$0.00	\$37,749.75
Village of Trumansburg	1/1/2011	\$101,399.96	541	0.72%	0.87%	\$20,250.53	\$0.00	\$121,650.49
Village of Union Springs	1/1/2017	\$0.00	200	0.16%	0.32%	\$7,486.33	\$0.00	\$7,486.33
<b>GTCMHIC Totals</b>		<b>\$19,001,285.00</b>	<b>62,051</b>	<b>100.00%</b>	<b>100.00%</b>	<b>\$2,322,672.00</b>	<b>\$0.00</b>	<b>\$21,323,957.00</b>
			<b>5,171</b>					