

**Audit and Finance Committee
Minutes – APPROVED
June 23, 2020
Meeting Held Remotely via Zoom**

Present: Mack Cook, Eric Snow, Rordan Hart, Peter Salton, Steve Thayer, Jason Cole, Jon Munson (arrived at 3:44 p.m.), Bud Shattuck, Laura Shawley
Guests: Judy Drake, Board of Directors Chair; Elin Dowd, Executive Director; Don Barber, Consultant; Rick Snyder, Treasurer; Steve Locey, Robert Spenard, Locey and Cahill; Michelle Cocco, Clerk of the Board; Debra Meeker, Administrative/Computer Assistant

Call to Order

Mr. Cook, Chair, called the meeting to order at 3:35 p.m.

Changes to the Agenda

There were no changes to the agenda. Mr. Cook suggested including the subject of premium relief on the July agenda for a recommendation by the Committee.

Approval of Minutes of May 26, 2020

It was MOVED by Mr. Snow, seconded by Mr. Hart, and unanimously adopted by voice vote by members present, to approve the minutes of May 26, 2020 as submitted. MINUTES APPROVED.

Executive Director's Report

COVID-19

Ms. Dowd said the Consortium continues to operate under COVID-19 conditions. To date, Excellus reports show \$200,000 being spent on expenses related to test, diagnose, or treat the Coronavirus. She said it is too early to know the full impacts of the pandemic and noted there is a possibility of a second wave of the virus in the fall. Arrangements are being made to invite providers to meet with the Executive Committee to talk about the pandemic and how it may impact the Consortium. She reported the Consortium has been covering copays for mental health services for essential workers and there may be additional State mandates coming forward.

Department of Financial Services (DFS)

Ms. Dowd reported conversations continue with DFS on the Municipal Cooperative Agreement (MCA). Once the MCA is approved a new Certificate of Authority (COA) will be pursued.

Benefit Plan Updates

Ms. Dowd said Directors will be presented with changes to benefit plans at it's meeting this week as a result of actuarial value calculations. She reported on an issue that was created due to a disconnect in the accumulator function between Excellus and ProAct that involved 30 individuals. They are meeting weekly and working to resolve the issue.

Prescription Drug Claims Audit

Since the last meeting she and Mr. Locey have met to discuss concerns that came up in the audit. They will be meeting with ProAct going forward on very specific claims issues that arose. The biggest area of concern within the audit relates to the rebate reconciliation process and the lack of a system at ProAct to ensure the Consortium is receiving all of the rebates it should be receiving. She expects a formal report to be presented at the next meeting.

Mr. Barber said this is an area that has been previously mentioned and something that could be considered in a secondary audit. He suggested looking at industry data to see where the Consortium fits in to see if a second audit would be worthwhile.

Premium Relief

Ms. Dowd said it is still too early in 2020 to make a decision about premium relief for this year and noted a team has begun working on developing budget recommendations for the 2021 budget that includes discussion of premium relief. She noted there are many unknown and unpredictable outcomes of the pandemic and will be gathering information in advance of the Executive Committee meeting on July 7th when representatives from Excellus will be in attendance.

Mr. Munson arrived at this time.

Mr. Salton referenced Ms. Dowd's comment and asked who is working on the budget preparation. She responded that group includes Steve Locey, Don Barber, Judy Drake, and herself. They have traditionally worked on the budget in the past and are trying to garner feedback from the Executive Committee and other Directors. Mr. Salton expressed concern that at this time there are municipalities that are struggling. He isn't clear where their concerns fit into the process and questioned if the opportunity will pass before feedback is provided. Ms. Dowd said the Board will be asked for feedback at this week's meeting. Mr. Salton said at the last meeting he indicated there were differing sets of issues depending on the size of the organization and asked that this be considered while due diligence is being done in consideration of premium relief.

Ms. Dowd acknowledged the varying issues that exist among different municipalities and said after receiving feedback from the Board, the Executive Committee will be better-positioned for its discussion. All suggestions are still being welcomed and will be considered.

Invoice Approval

Without objection, the final invoice dated May 21, 2020 from Insero and Co. was approved for payment.

Financial Update

Mr. Locey reviewed financial results through May 31, 2020 and reported with respect to income the Consortium was 1.29% above budget which was partially due having more contracts over last year but also the movement of some members into lower-cost plans. He reported interest income was 30% over budget but it is expected that will level off through the remainder of the year. Prescription drug rebates in the amount of \$.5 million was received year-to-date.

With respect to expenses, medical claims were 14.8% below budget with the majority being a result of the pandemic; prescription drug expenses were 5.3% below budget. In summary, Mr. Locey said the Consortium is \$3.4 million below budget overall year-to-date and \$.94 cents of each dollar being used to pay claims and 6% being used for everything else. He will be working on the PCORI (Patient Centered Outreach Research Institute) fee that was supposed to end but has been extended thru 2029. Elective surgeries are now taking place and it is expected there may be many scheduled in advance of a potential outbreak of COVID-19 in the Fall. There have not been any large losses year-to-date; the largest loss to-date did not exceed \$250,000.

Mr. Locey said the Consortium has \$35 million in net income in terms of net assets or reserve funds (not including advance deposit funds at Excellus). The total unencumbered balances equals \$17.3 million and this represents approximately 33% of premium income for the year.

Accounts Receivable

Mr. Locey reported TC3 is having difficulty and is behind in premium payments; this warrants further conversations. There are no other areas of concern in the report.

RESOLUTION NO. – 2020 – ADOPTION OF CATASTROPHIC CLAIMS RESERVE POLICY

Ms. Dowd said the Consortium has been budgeting at the lower deductible levels with a higher premium and there has been discussion of moving funding from the \$4.5 million level to the \$6 million level. She asked if there is interest in continuing this practice for 2021 and how it should be reflected in the budget. She asked for direction as to what level the Catastrophic Claims Reserve should be at in the long-term.

Mr. Hart said he supports moving this reserve to the \$6 million level and to also standardize the way that number is derived.

It was MOVED by Mrs. Shawley, seconded by Mr. Shattuck, and unanimously adopted by voice vote by members present, to approve the following resolution.

WHEREAS, the Greater Tompkins County Municipal Health Insurance Consortium (“GTCMHIC”) has been issued a Certificate of Authority to operate as a New York State Insurance Law Article 47 Municipal Cooperative Health Benefit Plan, and

WHEREAS, Section 4707(a)(2) of the New York State Insurance Law requires the GTCMHIC to purchase “specific stop-loss coverage with a specific retention amount or attachment point not greater than four percent of the amount certified by a qualified actuary to represent the plan’s expected claims for the current fiscal year”, and

WHEREAS, 4% of the GTCMHIC’s expected claims for the 2020 Fiscal Year equals approximately \$2,048,000 ($\$51,200,000 \times .04$), and

WHEREAS, the GTCMHIC Board of Directors issued a Request for Quote (RFQ) to licensed, reputable insurance carriers seeking quotes for specific stop-loss insurance at various deductible levels and with certain required coverage parameters, and

WHEREAS, the GTCMHIC Board of Directors has agreed to purchase specific stop-loss insurance from Excellus BlueCross BlueShield (“Excellus”) with a policy period deductible of \$1,000,000 for all covered insured members with the exception of one member who has a separate deductible of \$1,200,000, and

WHEREAS, the GTCMHIC Board of Directors recognizes the purchasing of specific stop-loss insurance at a \$1,000,000 deductible level increases the amount of risk that the Consortium retains as a primarily self-insuring entity, and

WHEREAS, the GTCMHIC maintains a Catastrophic Claims Reserve of \$4,500,000 to help cover large dollar claimant expenses, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee, That the GTCMHIC Board of Directors hereby adopts the following policies with respect to the Catastrophic Claims Reserve for the 2020 Fiscal Year:

1. Interest income earned on funds held in the Catastrophic Claims Reserve shall be retained within same, as they are earned.

2. The GTCMHIC Treasurer is directed to, on a quarterly basis and within 60 days of the end of said quarter, transfer from the Catastrophic Claims Reserve to the general operating fund of the GTCMHIC a dollar amount equal to any claims paid in excess of \$500,000 but less than \$1,000,000 per member, excepting:
 - a. The one member identified by Excellus as having a separate deductible of \$1,200,000. For this member, funds will be transferred from the Catastrophic Claims Reserve to the general operating fund for any claims incurred above \$500,000 but less than \$1,200,000.
3. The foregoing provisions apply only to claims incurred between January 1, 2020 and December 31, 2020 and paid between January 1, 2020 and March 31, 2021.
4. This policy shall be reviewed and amended as necessary, on an annual basis in coordination with the GTCMHIC budget process and the purchase of specific stop-loss insurance coverage as required by statute.

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RESOLUTION NO. -2020 – ADOPTION OF POLICY DEFINING PURPOSE OF RATE STABILIZATION RESERVE

MOVED by Mr. Salton, seconded by Mr. Snow. Following discussion, the resolution was revised to include statement and language stating the purpose is to provide predictable and stable premium increases. It was noted the intent is not to have zero premium increases. The resolution was unanimously adopted by voice vote by members present.

WHEREAS, the Consortium’s vision statement reads: The Greater Tompkins County Municipal Health Insurance Consortium is an efficient inter-municipal cooperative that provides high-quality, cost-stable health insurance for members and their employees and retirees, and

WHEREAS, Resolution No. 019-2014 adopted the 2015 Budget and established a Rate Stabilization Reserve at \$1.64 million “to protect the cash flow position of the Consortium should there be a year when claims cost exceed the prediction, and

WHEREAS, Resolution No. 034-2019 increased the funding level for the Rate Stabilization Reserve to 7.5% of expected claims, and

WHEREAS, financial pressures placed on municipalities as a result of the COVID-19 pandemic has resulted in several discussions and a need to adopt a formal policy of the Board defining the purpose of the Rate Stabilization Reserve, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee, that the Board of Directors amends resolution 19-2014 to define the purpose and use of the Rate Stabilization Reserve to be: *“The Rate Stabilization Reserve is established to sustain predictable and stable premium increases.”*

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Discontinuance of Gold Plan Discount

Ms. Drake said in 2016 when the Metal Level Plans were established a decision was made whereby if the actuarial value changes on a plan that the percentage increase would be

discounted. For example, in 2020 the Board adopted a 5% premium rate increase; however, the Gold Plan only received a 4.4% increase. She said this has been a practice and not a policy and asked if members wished to provide input to the Executive Committee on this and whether the practice should continue going forward.

Mr. Locey provided additional information on this practice, stating the intent was that if the actuarial value range of a Metal Plan was exceeded a modification would be made to the benefit plan and if there was a benefit change there would be a commensurate discount on the increase on the premium associated with the program. It was a reflection that the members' benefits on a specific plan were changing when everyone else's were not. He said it was also a selling point with all of the unions when the Consortium first started, and although not part of a written agreement it was the spirit of the discussions that took place.

Ms. Drake expressed concern that as move members move into the Metal Level Plans there will less increasing at the 5% rate.

Mr. Shattuck said it's a big deal when the actuarial value changes as often as it does and he likes having a way to offset the cost. He also sees this as potentially being helpful when new municipalities come into the Consortium. Mr. Shattuck expressed concern with how often plans have to be changed as a result of falling outside of the actuarial values and asked if there is anything that can be done about that.

Mr. Cook spoke of the difficulty in telling people their benefits will change every year or two and said it helps to offset it and doesn't think the Consortium should walk away from this sense of fairness. Changing benefits is not well-understood among municipal or unionized employees.

Ms. Drake said the Consortium needs to acknowledge this practice and if it will continue there should be a policy. This is something that will continue to be discussed at the Executive Committee.

Next Agenda Items

The Committee will continue discussion of providing relief to municipalities, budget assumptions and planning, and an update on the premium discount item after discussion at the Executive Committee.

Adjournment

The meeting adjourned at 4:54 p.m.