

**Audit and Finance Committee
Minutes - Approved
June 25, 2019
Old Jail Conference Room**

Present: Mack Cook, Bud Shattuck, Rordan Hart, Ann Rider Olivia Hersey, Peter Salton, Chuck Rankin, Laura Shawley (arrived at 3:37 p.m.), Steve Thayer (arrived at 3:43 p.m.)

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

Call to Order

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

Approval of Minutes of May 28, 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 May 28, 2019 as corrected. MINUTES APPROVED.

Mrs. Shawley arrived at this time.

Changes to the Agenda

There were no changes to the agenda.

Executive Director's Report

Ms. Dowd reported she and Mr. Snyder met yesterday with Jerry Mickelson regarding several items including an adjustment of fees for auditing of the 2019 financial statements. The adjustment reflects an increase of \$1,500 from the original contract and is attributable to the increase in participants and plan growth since 2017. Insero & Co. offered a courtesy discount for 2018 but has requested the increase for 2019.

RESOLUTION NO. - 2019 – APPROVAL OF ADJUSTMENT OF FEE FOR AUDITING CONSORTIUM'S 2019 FINANCIAL STATEMENTS – INSERO & CO. LLP

MOVED by Mr. Shattuck, seconded by Ms. Rider, and unanimously adopted by voice vote by members present.

WHEREAS, the Board of Directors by Resolution No. 026 of 2017 approved a contract with Insero & Co. LLP for auditing of the Consortium's financial records for fiscal years 2017, 2018, and 2019, and

WHEREAS, due to the increased number of municipal participants that have entered the Consortium since 2017 and the resulting significant plan growth, Insero & Co. LLP has presented the Consortium with a proposal to amend the 2019 approved fee for audit services in the amount of \$11,500 to \$13,000, now therefore be it

RESOLVED, That the Audit and Finance Committee, recommends that the Board of Directors approve an adjustment to the fee for auditing the 2019 Consortium's financial statements as presented by Insero & Co. LLP in the amount of \$13,000, RESOLVED, further,

That the Chair of the Board is hereby authorized to sign the 2019 Audit Engagement Letter with Insero & Co. LLP.

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Ms. Dowd had nothing new to report from the Department of Financial Services.

She reported the educational retreat was held on May 30th and good information was presented around the Excellus AQCA program (Affordable Cost and Quality Arrangements) and about prescription cost savings. She has been exploring ways to address low attendance at the retreat and is open to suggestions. The annual report has been provided to all Directors; the Newsletter has been distributed and is posted on the Consortium's website. Ms. Dowd said the Administrative Computer Assistant position job has been posted and applications are currently being reviewed.

Mr. Thayer arrived at this time.

Ms. Dowd reported on interest expressed by municipalities in joining the Consortium and said she and Mr. Barber have been in discussions with municipalities, including the Towns of Hector, Horseheads, Catlin, and the Village of Watkins Glen. John Powers has been asked to provide an opinion on whether the Lansing Library can join. The Chemung Soil and Water Conservation District has withdrawn from applying in 2020 and may come forward at a later time.

Reports from other Committees

She reported the Governance Structure Committee has been focusing on the Bylaws and MCA changes and is also putting forward a resolution to the Board asking that the Committee be tasked with the overall MCA review that is required every five years.

The Owing Your Own Health Committee is addressing changes as Michelle Courtney Berry has declined to renew her Wellness Consultant contract as of June 30th. At the last meeting the Committee began discussions of how it will move forward and will start to utilize Consortium staff and Excellus resources to advance wellness initiatives. She is also encouraging the Committee to agree on an annual campaign that can be followed. She expects the July meeting to be a planning meeting with discussions focused on moving forward.

Over the last two months the Joint Committee on Plan Structure and Design has received both medical and prescription drug utilization reports. The Committee was also brought up-to-date on changes that will be brought forward to the Executive Committee bylaws and corresponding MCA changes.

The Executive Committee has been working on changes to the membership process and on a policy to address compliance with Section A.3 of the Municipal Cooperative Agreement.

Staffing

Ms. Dowd said after discussion it was felt the appropriate action to take would be to create an Administrative Computer Assistant and Clerk of the Board position which would allow Ms. Cocco to be brought to the Consortium from being under the umbrella of Locey and Cahill.

RESOLUTION NO. – 2019 – CREATION OF POSITIONS: ADMINISTRATIVE/COMPUTER ASSISTANT AND CLERK OF THE GTCMHIC BOARD OF DIRECTORS

It was MOVED by Ms. Rankin, seconded by Ms. Hersey, and unanimously adopted by voice vote, to enter into executive session at 3:55 p.m. to discuss a particular personnel matter.

During executive session the following action was taken:

It was MOVED by Mr. Shattuck, seconded by Mrs. Shawley, and unanimously adopted by voice vote by members present, to amend the hourly rate for the Clerk of the Board position from \$26.50 to \$34 per hour and to approve the resolution.

WHEREAS, in 2011 the Board of Directors authorized the hiring of an Administrative Clerk on an hourly basis through its contract arrangement with Locey & Cahill LLC, to perform administrative duties for the Consortium, and

WHEREAS, Michelle Cocco has held the position of Administrative Clerk since April 11, 2011, and

WHEREAS, the administrative work and responsibilities of one part-time position have increased exponentially as the Consortium has grown and is no longer sustainable under the current arrangement, and

WHEREAS, the Executive Committee has discussed the staffing needs of the Consortium and has directed the Board Chair to work with the Executive Director to create a staffing proposal that will meet the increasing administrative demands and ensure the Consortium maintains a strong administrative foundation, now therefore be it

RESOLVED, That the Audit and Finance Committees recommends the Board of Directors of GTCMHIC hereby create the following positions effective July 1, 2019:

- Administrative/Computer Assistant – Civil Service Competitive Class (\$25-\$26 per hour); to be filled by the Executive Director; and
- Clerk of the GTMHIC Board – Exempt Class (\$26.50 per hour); to be appointed by and serve at the pleasure of the Board of Directors I believe this amount was changed.

RESOLVED, further, That due to the nature of responsibilities and the Board of Directors being comprised of elected and appointed officials from municipal corporations, the Board directs the Chair of the Board to work with the Tompkins County Department of Human Resources to formally request an exempt classification for the Clerk of the Board of Directors position from New York State Civil Service.

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The meeting returned to open session at 4:15 pm.

Medicare Advantage Request for Proposals

Ms. Dowd reported responses to the Medicare Advantage RFP are due by the end of this week and following a review the information will be presented to the Joint Committee on Plan Structure and Design in August. Mr. Cook said this will not have to be presented to the Audit and Finance Committee as it would be a pass-through and would have no financial impact on the Consortium.

Invoices

The following invoices received during May 2019 were presented for information only:

Michelle Courtney Berry, Wellness Consultant; Don Barber, Consultant; Armory Associates; Bonadio & Co.; Tompkins Cortland Community College Catering; Newsletter software; Wilmington Trust; and Hancock Estabrook

Financial Update

Mr. Locey reviewed a financial update through May 31, 2019 and highlighted new categories added to the report that will be tracked going forward such as internal coordination, Town of Ithaca, marketing expenses, IT services, and investment management fees. Mr. Locey reported the Consortium is slightly below budget on premium and this is due to a number of members moving to the Platinum Plan; he noted there should be a commensurate reduction in claims as well. He said the Consortium is in really good financial shape overall with \$1 million in net income.

Mr. Locey distributed a document showing large loss claims through May and said although the number has increased there has been a slight decrease in the number per covered lives. He also reported only one of the individuals with the \$1M deductible shows up on the report.

Plan Underwriting

Mr. Locey spoke of the process and said this year the Consortium is at approximately \$51.2 million in total revenue that has to be collected in premium. He said they have been doing an analysis per covered life for the medical and prescription drug cost and then will be looking at what the cost is for the largest population in a single plan; once that is determined a look can be taken at whether to change benefits. He said at the end of the process there will rates that go up and others that go down but the Consortium will need to end up collecting \$51 million; he noted this could impact what people are paying in terms of premium out of their paycheck. He recommended this be taken to the Joint Committee on Plan Structure and Design in August once information is compiled to make sure everyone has a clear understanding of the impact. He will have information to present at the next meeting.

Ms. Drake urged caution in how this is approached and suggested only taking it to the Joint Committee if there is a recommendation being made. Mr. Locey noted there are 55 subgroups that have 5 different indemnity plans. There are 4 PPO plans (\$10,\$15, \$20) and a Teamsters look-alike program with 37 subgroups in a PPO plan. There is a Comprehensive Plan, six Medicare Supplement plans, 3 two-tiered drug options, 8 three-tiered drug options, and 4 Metal Level plans. He said part of the discussion will include that rates are not only driven by what the true cost is but also related to plans there is a desire drive people to or away from.

The Committee will have a thorough discussion of this at the next meeting.

Accounts Receivable Report

Mr. Locey reported there were only three entities that were slow in paying invoices this month: TC3, Village of Dryden, and the Town of Newfield. Mr. Snyder will look into why the Town of Newfield was late and will report back.

Medical Claims Audit

Ms. Dowd provided a progress report on the outstanding items related to the Medical Claims Audit performed by BMI. Excellus will be discussing this audit and the Segal audit with the Consortium at a meeting scheduled in July. Ms. Dowd said there may be some practices,

Discussion of New Member Application Process

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

MOVED by Ms. Hersey, seconded by Ms. Rider. Ms. Dowd reviewed minor changes that have been made to the resolution since it was presented at the last meeting. Mr. Hart spoke of the amount of work that goes into the review process and asked if any thought has been given to including a meaningful application fee to accompany the initial resolution from an entity requesting to join. Following a brief discussion Mr. Cook suggested approving the resolution and over the next year to take a look at cost and procedures and consider incorporating a fee at a later time based on information gathered. There was agreement with this suggestion.

A voice vote resulted as follows: Ayes – 9, Noes – 0. MOTION CARRIED.

WHEREAS, the Greater Tompkins County Municipal Health Insurance Consortium (“Consortium”) Board of Directors adopted Resolution No. 002-2015 and then amended that resolution with Resolution No. 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 possible membership in the Consortium:

1. Submit by **September 1st**, a municipality board resolution authorizing application for membership along with the GTCMHIC new group member application.
2. As soon as practicable, preferably by July 1st, but no later than **September 1st**, submit 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. As soon as practicable, preferably by July 1st, but no later than **September 1st**, submit the Municipal Corporation’s most recent monthly premium billing statements from all health insurance carriers providing benefits to all active employees and retirees.

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 as soon as practicable, preferably by **July 1st**, but not later than September 1st, a minimum of three (3) years of monthly paid claims (medical and pharmacy separately) data and monthly covered lives counts.
5. Sign 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 15th**. The resolution authorizing the Municipal Corporation's Chief Officer to sign the MCA must also clearly state which GTCMHIC health benefit insurance plan or plans the Municipal Corporation's employees and retirees will be participating in upon the effective date of participation in the GTCMHIC.
6. Confirm by **October 25th**, 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 **November 15th** for verification purposes.
7. By **November 1st**, 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 between November 15 and December 15.
8. By **November 1st**, 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.
9. By **November 1st**, for Municipal Corporations **without taxing authority**, 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. Said financial instrument may include the following:
 - a. A Secured Bank Account;
 - b. Letter of Credit; or
 - c. Surety Bond

Please note, municipal corporations with taxing authority (county, city, town, or villages) will be exempt from this provision.

10. Submit payment by **November 1st** to the Consortium of the Municipal Corporation's proportionate share of the Surplus Account Reserve (5% of annualized premium) as determined by the GTCMHIC and as required by Article 47 of the New York State Insurance Law and the GTCMHIC's Municipal Cooperative Agreement.
11. By November 1st, submit a municipal resolution appointing the Director and Alternate to the Consortium.
12. By **November 30th**, take the necessary steps to comply with the GTCMHIC's dependent verification process.
13. Provided the Municipal Corporation applying for Membership in the GTCMHIC 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.

14. All Municipal Corporations applying for Membership in the GTCMHIC are 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.

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RESOLUTION NO. – 2019 – ADOPTION OF ROUNDING METHOD FOR ADJUSTMENTS TO THE STANDARD DEVIATION OF ACTUARIAL VALUES

MOVED by Mr. Shattuck, seconded by Mr. Rankin, and unanimously adopted by voice vote by members present.

WHEREAS, the term actuarial value references the share of health care expenses the plan covers for a typical or average group of enrollees within a standard deviation of + or – 2%.

WHEREAS, actuarial values can change at a percentage rate greater or less than whole numbers.

RESOLVED, on recommendation of the Joint Committee on Plan Structure and Design That the Audit and Finance Committee recommends That the Board of Directors approve an adjustment to the actuarial value utilizing the standard method of rounding to the nearest whole percentage effective July 1, 2019.

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RESOLUTION NO. – 2019 – APPROVAL OF CONTRACT FOR CONSULTING SERVICES – DONALD L. BARBER

MOVED by Mr. Salton, seconded by Ms. Shawley, and unanimously adopted by voice vote. MOTION CARRIED.

WHEREAS, it was determined in 2013 that based on the increased responsibilities placed on the Consortium by the State and Federal governments, the Affordable Care Act, and the managing of an increased number of contracts it was in the Consortium's best interest to contract for services of an Executive Director, and

WHEREAS, following the issuance of a request for proposals in 2014 seeking contractors who could fulfil the responsibilities of Executive Director a contract was entered into with Donald L. Barber in 2014 and extended in 2016 and 2018, and

WHEREAS, in 2018 the Consortium entered into a process to hire its first full-time Executive Director, Elin Dowd, who began employment on April 15, 2019, and

WHEREAS, the Executive Committee believes Mr. Barber can continue to provide valuable and important services to the Consortium and wishes to retain Mr. Barber as a Consultant, providing the following services under his contract and any others as the Executive Director may, from time-to-time, deem necessary, including:

- A. Providing historical information of the operations, vision, operations strategy, and member/associates relations.
- B. Assuming responsibility for specific projects as delegated by the Executive Director.
- C. Serving as primary interface with municipal corporations that seek information and process guidance for joining the Consortium.
- D. Attending Board and Committee meetings as directed by the Executive Director.

- E. In concert with the Executive Director providing useful and timely information to Board members, employees, retirees, and other interested parties
- F. Assisting with the preparation of the Consortium's annual operating budget.

RESOLVED, on recommendation of the Executive and Audit and Finance Committees, That a contract for Consulting Services with Donald L. Barber be approved through December 31, 2020 under the terms and conditions in the recommended contract.

RESOLVED, further, That the Board of Directors hereby authorizes the Chair of the Board sign a contract with Donald Barber for Consulting Services.

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Internal Captive

Mr. Hart said this item is being discussed now due to there being possible implications for the 2020 budget as well as political implications. He provided an overview of the topic and said the question is whether the Consortium continues to pay premiums for insurance which covers high cost claims over a particular deductible as deductibles are raised. In speaking with other similar type organizations he said Mr. Barber learned others are not experiencing the number of individual lasers the Consortium is. Mr. Barber's theory, which he believes is a good one, is because the Consortium has been increasing the deductible level the Stop Loss insurers have been lasering those risks in order to make additional money.

Mr. Hart said it seems reasonable that if there was a lower deductible and a much higher premium could be charged they may not laser out those individuals. In order to lower premiums to a certain level and increase deductibles the Consortium will also pick up ancillary cost through risk. He raised the question of whether the Consortium has its own finances available to be its own Captive such as what Mr. Barber explored last year. He said all of the spreadsheets he compiled show that the Consortium has a lot of money in the bank and does have the necessary finances. He said if there was a high enough deductible to pay a low enough premium and the Consortium invests enough of the differences the question is raised as to whether the Consortium would make back enough in interest an amount equal or more that would be paid out by the Consortium in high cost claims. He believes the answer is yes; the only other question is whether the desire exists to do that since the mechanism to do this is in place. He said this raises a political issue as it means the Consortium would have to retain more cash and would not be cutting back on premium increases with the use of fund balance as it has done in the past. This would allow the Catastrophic Claims Reserve to be kept at a high enough level so that if there is enough to pay any high cost claims and to make sure funds can earn enough over time to make it financially worthwhile. He believes the argument is an easy one to make; the political will is what would be a hurdle.

Mr. Locey said this could be done by starting out small and suggested doing in interim step. The Consortium currently has \$2.8 million in the Catastrophic Claims Reserve that is earning 2.8% interest (\$150,000 annually). The Consortium could consider insuring a certain amount and ceding out an amount to a traditional Stop Loss carrier. In the good years the Consortium wouldn't pay any money out and would continue to pool that money and put more money and interest in; the \$2.8 million would continue to grow and at some point it could reach a level to consider increasing to eliminating the higher-end protection and cede some of the risk back to the Consortium.

Mr. Locey spoke of the delicate balance of the Department of Financial Services believing the more money in the bank the better as opposed to the Comptroller not wanting excess municipal funds retained. Mr. Hart responded that this is the only model he has ever witnessed that is making a difference with health care and health insurance.

Mr. Barber said he believes the reason the Consortium is experiencing lasers is due to the low number of covered lives compared to larger entities. He said if the Consortium moved to a \$1 million deductible individuals may still be lasered because of the size of the risk pool. He spoke to Mr. Locey's suggestion and said it makes sense and provides flexibility and noted the Consortium is required through Article 47 to purchase Stop Loss; the deductible cannot be more than 4½% of incurred claims.

Mr. Cook asked Mr. Locey to develop a formal plan to present for discussion at the next meeting to demonstrate that the Consortium would experience a meaningful result to its advantage. Mr. Locey will develop a memo and proforma to outline how this would work and forecast out for the next four to five years. Mr. Snyder suggested if the Consortium were to move into a more refined Catastrophic Claims Reserve to consider setting up a fourth subcategory to segregate out Wilmington Trust.

Policy to Determine Departing Municipality's Pro Rata Share of Assets

Mr. Locey said premium information was received from Insero & Co. on both an accrual and paid basis. He distributed an updated calculation and said the share of reserves are not the IBNR reserves. Up to this point what has been tracked are the total cash assets less the IBNR Reserve being the retained earnings and those earnings were apportioned out to each municipal partner for each year they have been in the program based on what was earned during their years of participation. He said it is up to the Board of Directors to decide what retained earnings or fund balance would be credited back to anyone who withdraws. He spoke of his history working with other consortiums and said he has experienced only three withdrawals and it did not go well. In those situations, the withdrawing entity was only allowed to have back the net assets less the IBNR reserve. Mr. Barber said his recommendation would be to include only the Fund Balance and Surplus Reserve in the calculation. Mr. Locey said if the Consortium has a well-thought-out position that is well-defined the Consortium should be protected; however, there is always the potential for an entity to bring forward legal action.

Mr. Locey recommended the Board adopt a policy by resolution and not include in the MCA as it will allow for flexibility for change. He said he spoke with John Powers at length about this and he was inclined to not have a formal definition; however, Mr. Locey feels there it is less likely to have a problem in the future if there is a written policy. It was also noted that it is important the auditors be able to review the policy as the terms must mirror what is contained in the audited financial statements.

Next Agenda Items

The following items will be included on the next agenda:

- Report from Wilmington Trusts
- Continued Discussion of Internal Captive
- Resolution – Policy to Determine Departing Municipality's Pro Rata Share of Assets
- Medicare Advantage RFP Update
- Plan Underwriting Review
- BMI Medical Claims Audit Update

In response to a question previously asked as to whether a municipality can book equity as an asset in its financial statements, Mr. Snyder said after discussion with the Consortium's auditors, a municipality cannot do this.

Adjournment

The meeting adjourned at 5:41 p.m.