



Greater Tompkins County Municipal Health Insurance Consortium

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

Greater Tompkins County Municipal Health Insurance Consortium 2016 Annual Report

May 2017

For the Greater Tompkins County Municipal Health Insurance Consortium (GTCMHIC), 2016 was highlighted by a collaborative process to change benefit levels for all metal level plans (Platinum, Gold, Silver, and Bronze) to maintain actuarial value, we formally adopted our mission and vision statements, welcomed eight (8) new members, and conducted an extensive search for the best Prescription Benefits Manager going forward. This search resulted in the Consortium remaining with ProAct. 2016 net income was \$1.85 million and marked the completion of the Greater Tompkins County Municipal Health Insurance Consortium's sixth financially successful year. While the result was positive, the net income was \$525 thousand less than budgeted due to a sharp increase in pharmacy claim costs. The main factor was not an increase in usage but rather exponential growth in the cost of Specialty medicines.

GTCMHIC is an Article 47 municipal cooperative health benefits plan that creates hospital, medical, surgical, and prescription drug plans, collects premiums, and pays medical and pharmaceutical claims for its covered members. The Consortium began its operations in 2011 with thirteen municipal partners. With the 2016 addition of the Cortland Towns of Preble and Cincinnatus and Cayuga County towns of Moravia, Aurelius, Montezuma, Scipio, Springport, and Village of Union Springs, the Consortium now has twenty-eight (28) municipal partners and five labor Directors; covering approximately 2,350 employee and retiree contracts and more than 5,000 covered lives.

The Consortium is also responsible for establishing adequate reserves to provide security for members and municipal partners for the foreseeable future. The Consortium has statutory Surplus and Incurred But Not Reported Reserves of \$1,925,998 and \$4,430,732 respectively. The Consortium also has elective Catastrophic Claims (\$1.05M) and Rate Stabilization (\$1.76M) Reserves.

Operations Highlights:

- In 2016, the Consortium received \$38.5 million in premiums with total expenses of \$37.4 million.
- The Board used some of that net income and fund balance to moderate medical inflation of roughly 8% in approving a 5% premium rate increase for 2017; except for metal plans which had lower increases and in some cases, decreases due to benefit changes to remain within their actuarial value (see below).
- The Consortium continues to operate very efficiently with 93.58% of its expenses going to pay claims.
- Two Cortland County towns and six Cayuga County municipalities joined the Consortium in 2016.
- All four metal level plans Platinum, Gold, Silver, and Bronze had grown outside their actuarial value limits. Through a collaborative process carried out by the Joint Committee on Plan Structure and Design, the plan benefits were changed to bring them back. Rather than the 5% premium increase of the other plans, these plans had premium increases of Platinum 3.5%, Gold 0.3%, Silver -3.5%, and Bronze -1.7%.
- For the third year, the Consortium offered flu clinics. In 2016, they were conducted in six locations to 245 members. Additionally, 218 members received flu vaccines at their pharmacy and 838 received flu vaccines at other locations like their doctor's office. In total 26% of our members received flu vaccines.

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- The Consortium participants completed certifying dependents as eligible. The process netted an annual savings of approximately \$280,000.
- A Consortium-wide educational retreat on Developing Premiums was conducted on May 10, 2016. It is available on the website.
- The Consortium created and distributed a quarterly newsletter to the employees of the participating municipalities in the Consortium.
- The Consortium continued auditing third party claim administration processes to ensure their practice meets our benefit plan description.

Committees:

The Greater Tompkins Consortium Board is supported by several special committees that perform the in-depth research and deliberation to propose policies, products, and process improvements to benefit the operation of the Consortium.

- In 2016, the Audit and Finance Committee, chaired by CFO Steve Thayer, in addition to its annual task of developing the next year's budget and premium rates, completed the prescription claims audit process of ProAct and began the medical claims audit of Excellus. The Audit and Finance Committee collaborates closely with Steve Locey, the Consultant, and Rick Snyder, Treasurer, to monitor the budget and spending trends while maintaining a strong reserving policy.
- The Owning Your Own Health (OYOH) Committee, chaired by Ted Schiele, monitored the Excellus Blue4U program to fill the wellness component of our benefit plans that require it, they provide valuable input for the quarterly newsletter, and they coordinated Flu Clinics with ProAct.
- The Joint Committee on Plan Structure and Design, chaired by Director Phil VanWormer, reviewed and recommended changes to the metal plans that were out of range for actuarial value. In addition, they deliberated on the concept of using CanaRx as a pharmacy for 90 brand name maintenance medicines and recommended the Consortium agree to use this pharmacy.

Financial Highlights:

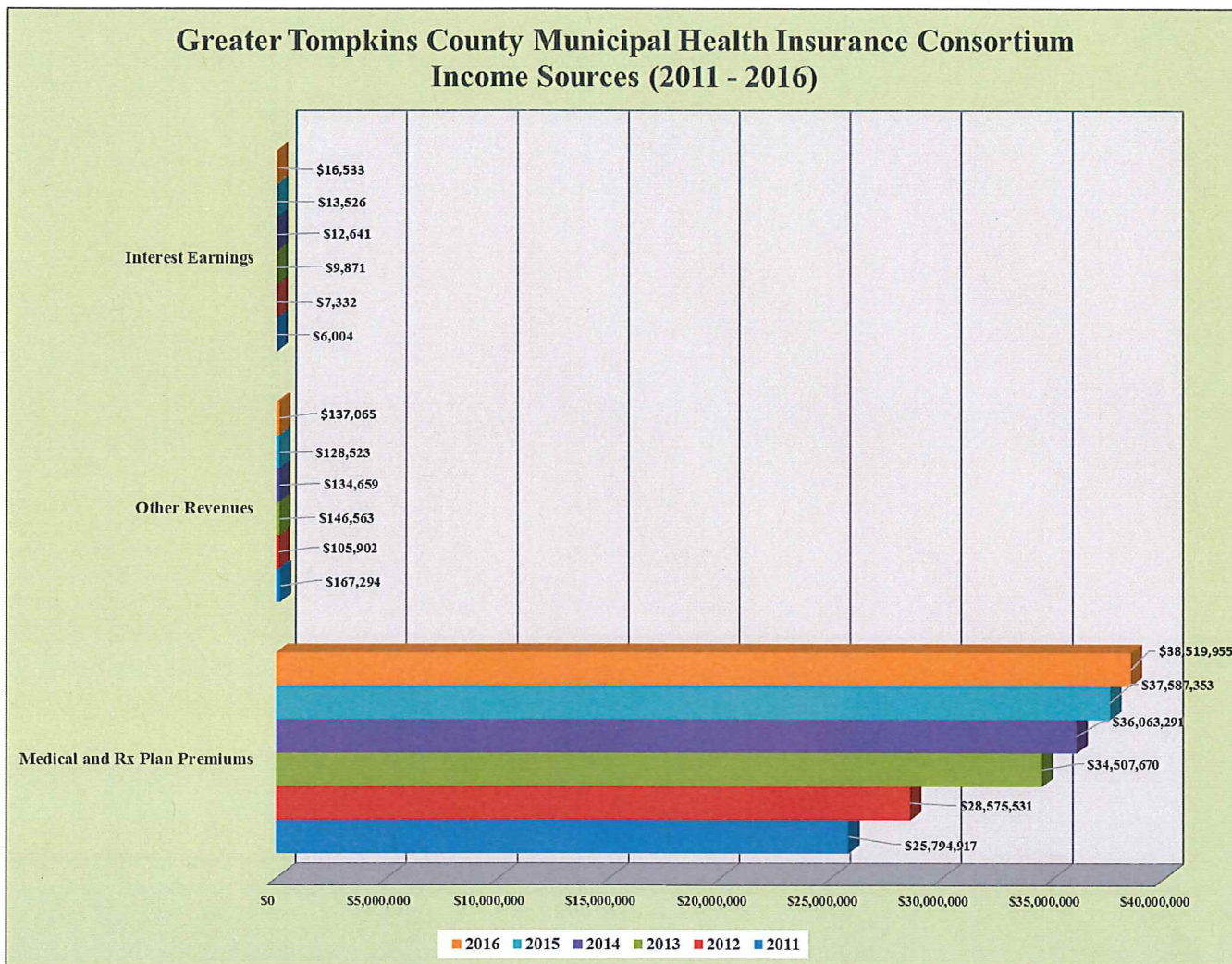
Net position:

For the year ending December 31, 2016, the Plan's net position has increased by \$1,173,320 to a new total of \$19,001,285. The GTCMHIC Board of Directors has been consciously building reserves starting in year one (2011) when required to post the Incurred But Not Reported Reserve (IBNR) of \$3.0 million and Surplus reserve of \$1.3 million. In subsequent years, additional reserves were created to protect the Consortium against any abnormal claims activity which is a statistical possibility. For instance, the "Catastrophic Claims Reserve" is established to protect the Consortium with the retention of the first \$400,000 of a specific claim. This larger claim retention reduced the Stop-Loss Insurance premium. The Board of Directors, with this 2016 posting of net position, determined that fund balance could be used to offset premiums which resulted in a 5% increase in premiums when compared to the industry average medical inflation of roughly 8%.

Statements of Revenues and Expenses - The Statements of Revenues, Expenses, and Changes in Net Position present the results of operations of the Plan for the years ending December 31:

Revenue Overview

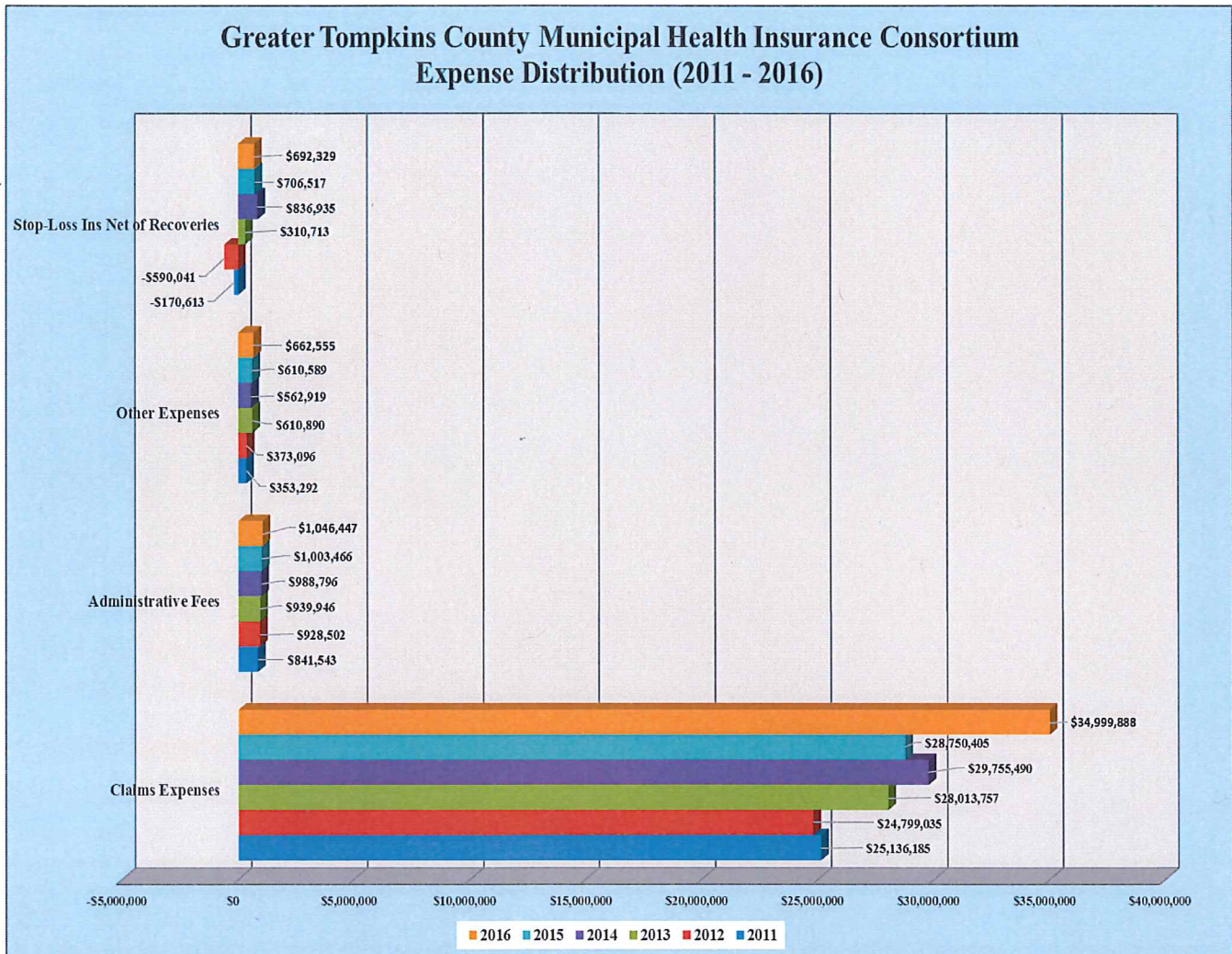
	2016	2015	2014
Premiums	\$ 38,519,955	\$ 37,587,353	\$ 36,036,291
Aggregate write-ins for other revenues	137,065	128,523	134,659
Interest earnings	16,533	13,526	12,641
Total Revenues	\$ 38,673,553	\$ 37,729,402	\$ 36,210,591



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Expense Overview - The following table summarizes expenses by function for the years ending December 31:

	2016	2015	2014
Claims expense	\$ 34,999,888	\$ 28,750,405	\$ 29,755,490
Administrative fees (3 rd party administrators)	1,046,447	1,003,466	988,796
Other expenses	662,555	610,589	562,919
Reinsurance expenses, net of recoveries	692,329	706,517	836,935
Total Expenses	\$ 37,401,219	\$ 31,070,977	\$ 32,144,140



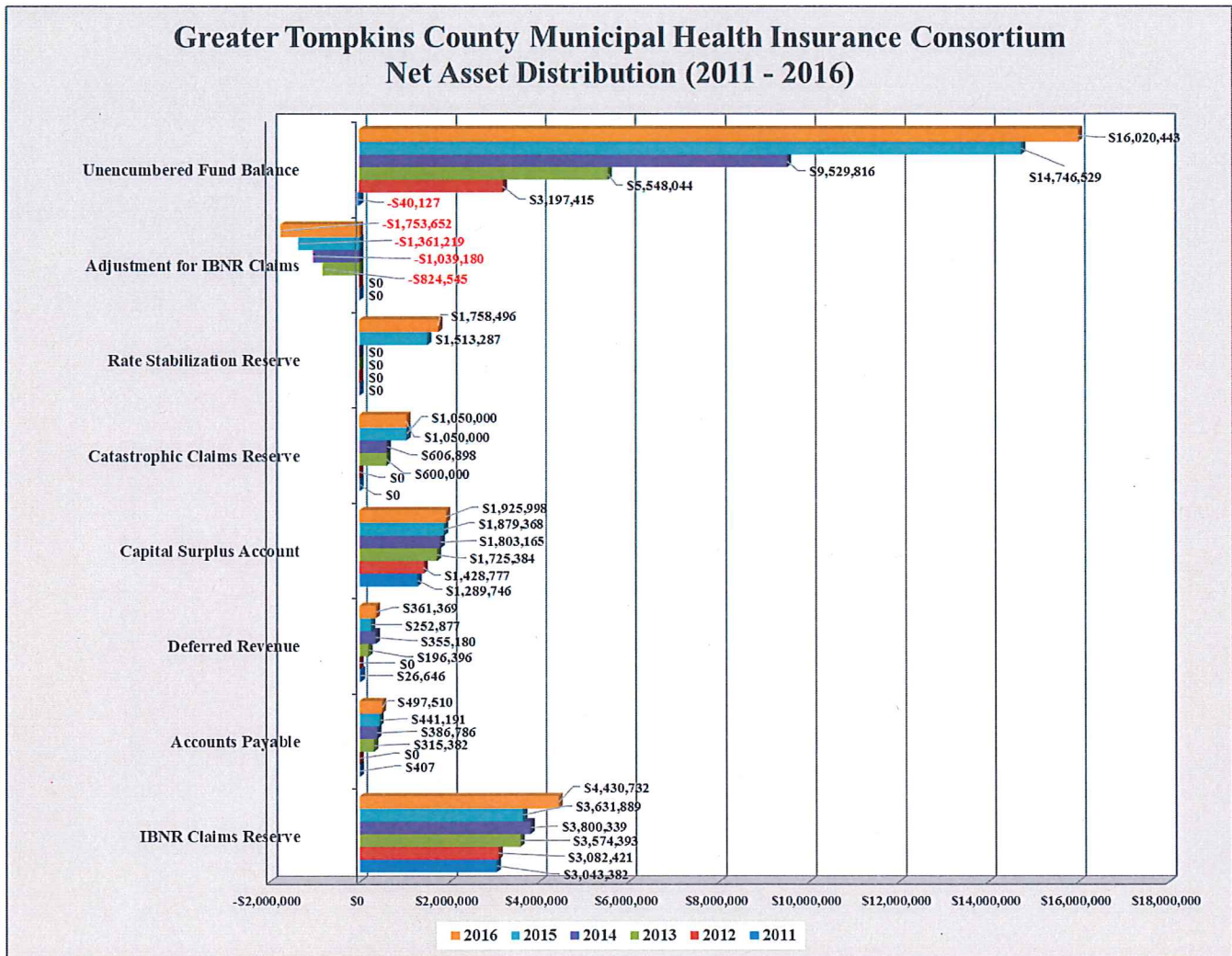
Please note the expense summation above shows a very efficient structure with >93.6% of expenses going to pay claims in 2016.

Reserving for the Future:

Article 47 of the New York State Insurance Law requires its certificate holders to maintain a Surplus Reserve equal to 5% of premiums each year. In addition, this legislation requires municipal cooperative health benefit plans to maintain an Incurred But Not Reported Claims (IBNR) Reserve of 12% of the expected paid claims each year.

To add more protection and stability to the Consortium's financial position, in 2013 the Board of Directors established a "Catastrophic Claims Reserve" which equaled \$1,050,000 in 2015. This reserve was established to provide resources for the risk of the specific stop-loss insurance deductible at \$400,000 per covered life for the contract period (claims incurred annually from January to December and paid from January to March of the next year).

As a result of the positive financial position the Consortium has developed over the last several years, the Board of Directors looked to further strengthen the Consortium's long-range financial position by establishing a rate stabilization reserve set at 5% of the expected claims cost for the year. This reserve is available to be used to off-set those times when the paid claims exceed the expected result and provide the Consortium with time to build a financial plan to recover from unexpected losses.



Economic Factors Affecting the Future:

❖ Prior to the start of the 2016 Fiscal Year, the Consortium renewed its specific stop-loss insurance maintaining the \$400,000 deductible level which was initiated prior to the 2015 Fiscal Year. This increase in deductible was done in an effort to keep the premium increase at a reasonable level. The increased deductible does create an additional level of risk associated with the Consortium’s operations. However, the Consortium experienced fewer catastrophic losses during the 2013 through 2016 Fiscal Years. This contributed to the better than expected paid claims result which allowed the Consortium Board of Directors to establish and maintain a Catastrophic Claims Reserve to help off-set the increased risk associated with the higher deductible. The Catastrophic Claims Reserve was initially established during the 2014 Fiscal Year at approximately \$600,000 to create financial resources when the stop-loss risk retention (deductible) was increased from \$250,000 to \$300,000. During the 2015 budget development process, the Board again agreed to increase the specific stop-loss insurance deductible to its current level of \$400,000. This resulted in an additional increase in exposure and lower premium expense. To help protect the Consortium’s financial position, the Board of Directors voted to increase the Catastrophic Claims Reserve to \$1,050,000 for the 2015 Fiscal Year. During deliberations of the Audit and Finance Committee regarding the stop-loss insurance deductible amount for 2017, the Committee reviewed the complete history of large loss claims (over \$100,000) and determined that increasing the deductible to \$450,000 was an acceptable risk. This will result in lower premium for 2017 than budgeted. The Audit and Finance Committee further determined the Catastrophic Claims Reserve of \$1,050,000 was adequate for 2017. This is an area which will be reviewed by the Board of Directors on an annual basis to ensure a tolerable balance is achieved between risk and the cost of stop-loss insurance.

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- ❖ With better than expected paid claims and expense results in the initial years of operation of the Consortium, the Board of Directors made the decision, during the 2015 Fiscal Year, to establish a Claims/Rate Stabilization Reserve to further protect the Consortium's cash flow and provide additional financial stability. The level of this reserve was set at 5% of the expected/paid claims expense for the year. These funds will be used to mitigate premium rate increases if claim projections are exceeded. The Consortium's goal is to maintain reasonable, prudent, and modest premium increases for the foreseeable future. This reserve grows each year with the growth in total premiums earned.
- ❖ The Affordable Care Act's (ACA's) ongoing implementation since its inception in 2010 has resulted in increased costs to the Consortium, including the Patient Centered Outcomes Research Institute (PCORI) Fee. This fee which was \$4,448.00 in 2013 more than doubled in cost for the 2014 Fiscal year, with the \$10,252 payment made in July 2014. In 2015, this fee rose to \$2.08 per covered life and in 2016 this fee was \$2.17 per covered life. Starting with the 2017 Fiscal Year, the PCORI fee will continue to increase each year by an inflationary escalator as determined by the United States Internal Revenue Service until 2019.

In addition to the ACA PCORI Fee, the Consortium was subject to the ACA Transitional Reinsurance Program Fee which required the Consortium to pay \$316,764 during the 2014 Fiscal Year, \$221,100 during the 2015 Fiscal Year, and \$138,188 during the 2016 Fiscal Year. This particular fee has now sunset and will not impact the Consortium's financial performance going forward.

- ❖ The Board of Directors is also keeping a close eye on the effects of potential dismantling of some or all of the Patient Protection Affordable Care Act. Fees and taxes are at 0.8% of the total expenses. Should fees and taxes be altered by either increase or decrease, they can be managed in future budgets with little impact on premium equivalent rates.
- ❖ Another area which has drawn the attention of the Consortium's Board of Directors is the significant increase in the cost of prescription medications on a per fill basis. The cost per fill for 2016 was 17% greater than 2015. These increases are being seen across all tiers of medications with significant growth in specialty pharmaceuticals purchased by covered members. The cost per fill of Specialty medications increased 29% between 2015 and 2016. The Board was informed that much of this increase were claims for hepatitis medicines which can only be given once and will not be recurring. The Board of Directors will continue to work with ProAct, Inc. and its other advisors to mitigate the rate of growth in this area.
- ❖ The Consortium continues to see a decrease in Incurred But Not Reported (IBNR) actuarial findings. For 2011, the Consortium's calculated IBNR was 10.15% of paid claims. The IBNR calculation for 2016 is 7.45%. While this does not affect the mandated 12% of actual paid claims reserve required by the NYS Department of Financial Services, it does provide sound data that the 12% IBNR will not be increased in the foreseeable future.
- ❖ The Town of Marathon, the Town of Virgil, and the Town of Truxton joined the Plan on January 1, 2016. In addition, on January 1, 2017, the Town of Aurelius, Town of Cincinnatus, Town of Montezuma, Town of Moravia, Town of Preble, Town of Scipio, Town of Springport, and Village of Union Springs joined the Consortium. The Consortium continues to gain interest from neighboring municipalities.



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Statement of Position

Greater Tompkins County Municipal Health Insurance Consortium
 Statements of Net Position - December 31,

	2016	2015
ASSETS		
Current Assets:		
Cash and cash equivalents	\$17,270,389	\$15,353,516
Accounts receivable - stop loss and drug rebates	166,253	13,034
Premiums receivable	45,226	46,866
Prepaid expenses	64,491	-0-
Total Current Assets	17,546,359	15,413,416
OTHER ASSETS		
Noncurrent Assets:		
Premium claims deposit	527,500	527,500
Restricted cash and cash equivalents	6,217,037	6,213,006
Total Other Assets	6,744,537	6,740,506
Total Assets	24,290,896	22,153,922
LIABILITIES		
Current Liabilities:		
Incurring claims liability	4,430,732	3,631,889
Accounts payable	497,510	441,191
Unearned revenues	361,369	252,877
Total Current Liabilities	5,289,611	4,325,957
Total Liabilities	5,289,611	4,325,957
NET POSITION		
Restricted		
Restricted for contingency reserve - Section 4706(a)(5)	1,925,998	1,879,368
Adjustment for incurred but not reported claims	(1,753,652)	(1,361,219)
Subtotal	172,346	568,149
Board Designated	1,050,000	1,050,000
Catastrophic claims reserve	1,758,496	1,513,287
Rate Stabilization Reserve	1,758,496	1,513,287
Subtotal	2,808,496	2,563,287
Unrestricted	16,020,443	14,746,521
Net Position	19,001,285	17,827,965

Statements of Revenues, Expenses, and Changes in Net Position

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For the Years Ended December 31,

	2016	2015
Operating Revenues:		
Premiums	\$38,519,955	\$37,587,353
Aggregate write-ins for other revenues	137,065	128,523
Total Operating Revenues	38,657,020	37,715,876
Operating Expenses:		
Claims expense	34,999,888	28,750,405
Reinsurance expenses, net	692,329	706,517
Administrative fees	1,046,447	1,003,466
Aggregate write-ins for other expenses	662,555	610,589
Total Operating Expenses	37,401,219	31,070,977
Excess of Operating Revenues		
Before Non-Operating Revenue (Expense)	1,255,801	6,644,899
Non-operating Revenue (Expense):		
Interest earnings	16,533	13,526
Change in Net Position	1,272,334	6,658,425
Net Position, January 1,	17,827,965	10,900,699
Adjustment for incurred but not reported claims	(99,014)	268,841
Net Position, December 31,	\$19,001,285	\$17,827,965

Accomplished Goals for 2016:

- Produced quarterly newsletters
- Completed Dependent Verification Process
- Produce and delivered 3rd annual training entitled “Establishing Premium Rates”
- Develop benefit changes for all four “Metal level plans” to maintain Actuarial Value
- Transition eight new municipal partners into Consortium
- Requested proposals for Prescription Benefits Manager and decided to remain with ProAct
- Identified and investigated two strategies to manage Prescription claims cost: Approving CanaRx for certain brand name maintenance medicines and Copay Assistance for Specialty Medicines

Goals for 2017:

Complete claims audit of both medical and prescriptions claims administration

- Respond to recommendations from the Department of Financial Services second audit
- Consortium-wide awareness of CanaRx pharmacy benefits to subscribers
- Produce and deliver 4th annual training entitled “Role of Subscribers in Managing Health Care Costs”
- Develop and implement an enrollment process that defines responsibilities and timeline for the Consortium and its third-party administrators

2017 Board of Directors

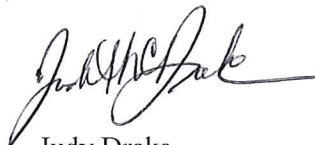
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| 1. Judith Drake, Chair | Town of Ithaca |
| 2. Rordan Hart, Vice Chair | Village of Trumansburg |
| 3. Steven Thayer, Chief Fiscal Officer | City of Ithaca |
| 4. Charles Rankin, Secretary | Village of Groton |
| 5. Amy Guereri | Tompkins County |
| 6. Mack Cook | City of Cortland |
| 7. John Fracchia | Town of Caroline |
| 8. LuAnn King | Town of Cincinnatus |
| 9. Laura Shawley | Town of Danby |
| 10. Kathrin Servoss | Town of Dryden |
| 11. Herb Masser | Town of Enfield |
| 12. Don Scheffler | Town of Groton |
| 13. Charmagne Rungay | Town of Lansing |
| 14. Thomas Adams | Town of Marathon |
| 15. Vacancy | Town of Montezuma |
| 16. Gary Hatfield | Town of Moravia |
| 17. Jim Doring | Town of Preble |
| 18. Gary Mutchler | Town of Scipio |
| 19. David Schenck | Town of Springport |
| 20. Tom Brown | Town of Truxton |
| 21. Richard Goldman | Town of Ulysses |
| 22. Eric Snow | Town of Virgil |
| 23. Alvin Doty, Jr. | Town of Willet |
| 24. Peter Salton | Village of Cayuga Heights |
| 25. Michael Murphy | Village of Dryden |
| 26. Vacancy | Village of Homer |
| 27. Bud Shattuck | Village of Union Springs |
| 28. Phil VanWormer | Chair, Joint Comm. on Plan Structure and Design |
| 29. Jim Bower | 2 nd Labor Representative |
| 30. Olivia Hersey | 3 rd Labor Representative |
| 31. Doug Perine | 4 th Labor Representative |
| 32. Tim Farrell | 5 th Labor Representative |

Consortium website: www.tompkinscountyny.gov/hconsortium

Executive Director: Don Barber – edconsortium@tompkins-co.org

Consortium e-mail: consortium@tompkins-co.org

Respectfully submitted:



Judy Drake
Chair of Board of Directors



Don Barber
Executive Director