

Greater Tompkins County Municipal Health Insurance Consortium 2021 Annual Report



Mission Statement:

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.

Elin R. Dowd
Executive Director

Judith Drake
Chair, Board of Directors

2021: A Year in Review

Letter from the Executive Director

Economist, Mohamed A. El-Erian said: “The world is on a bumpy journey to a new destination and a New Normal.”

As far as the new normal goes for the Consortium, we are tracking like our old normal with a few exceptions. Although the pandemic is by no means over, we did see claims return in 2021 to pre-pandemic levels as subscribers returned to doctors’ offices and scheduled more non-essential procedures. Our changes came primarily in the administration of the organization as we transitioned away from utilizing outside consultants to hiring full-time staff members. In addition, the Board met much less frequently in 2021 with the expansion of the Executive Committee’s responsibility and size to help advance the ongoing mission through regular meetings and oversight of organizational needs.

The Consortium continues to partner with Excellus BlueCross BlueShield for medical claims adjudication and ProAct for Pharmacy Benefit Management (PBM.) A request for proposals was conducted in 2021 to determine if we would renew our PBM contract with ProAct as our third-party administrator. After a very careful market analysis of plans and administrators, it was determined to remain with ProAct. The process resulted in better overall pricing and an increase in prescription drug rebates.

When reviewing the annual audit, please note for the first time in a long time the net fund balance decreased substantially. As a strategic initiative of the Audit and Finance Committee and the Board of Directors, the net fund balance decreased from \$15.1 million to \$10.9 million. The objective to reduce the unrestricted fund balance was in recognition that by fully-funding both statutory and discretionary reserves that the fund balance could decrease to a lower approved level as to not hold onto municipal funds unnecessarily.

Good news arrived mid-year when the Department of Financial Services approved our Certificate of Authority to expand the Consortium’s service area to nine new counties for a total of sixteen counties. As the Consortium grew so did our program offerings. Improvements have been made to our billing system and our wellness program has expanded. There were minimal changes to our health plans in 2021 and our larger members continued to migrate their employees to metal level and Medicare supplement plans.

Overall, the Consortium’s new normal means continuing to advance our mission by providing a cost stable health care program with access to affordable care while working with exceptional partners to deliver the programs and services our members want and need. The Annual Report outlines primarily the financial performance of 2021, but also provides some narrative to the decisions made by our staff, committees, and Board members.

Elin R. Dowd – Executive Director

Economic Factors

Economic Factors Affecting the Future

In 2010, the Greater Tompkins County Municipal Health Insurance Consortium became the first municipal cooperative health benefits plan organized pursuant to Article 47 of the New York State Insurance Law to be made up of local municipalities which was started from “the ground up” since the law’s effective date in the early 1990s.

In the fall of 2020, the Board of Directors approved six (6) new municipalities to join the Consortium in 2021. The new members were the Towns of Catharine, Cuyler, Dix, Hector, and Tioga along with the Village of Owego. With these new municipalities the Consortium has seen its list of municipal partners grow from its original thirteen (13) members to forty-nine (49) municipal partners at the close of the 2021 Fiscal Year.

In 2021, the Consortium received approval from the New York State Department of Financial Services to increase its operating territory under its Certificate of Authority to sixteen counties throughout the Southern Tier and Central New York regions of New York State. The Consortium can now serve municipal corporations located in Broome, Cayuga, Chenango, Chemung, Cortland, Madison, Onondaga, Ontario, Oswego, Tioga, Tompkins, Schuyler, Seneca, Steuben, Wayne, and Yates Counties.

As the Consortium grows it is exploring the best way to have conversations about setting a long-term business plan that will ensure the organization continues to act as a prudent fiscal steward and sets a roadmap for how it will operate in terms of growth and governance going forward. The Executive Committee will continue to explore the best way to lead the Consortium in conversations regarding setting its strategic initiatives in consideration of the level of growth and the Consortium’s appetite for risk.

In the fall of 2021, the Board of Directors approved four (4) new municipal partners that began coverage in 2022. These municipalities are the Towns of Erwin and Throop and the Villages of Fayetteville and Minoa.

With this growth and expected additional growth, the Consortium continues to bring talent in-house and rely less on outside resources. Two new full-time employees were added to the Consortium’s staff in 2021. In addition to the Clerk of the Board and the Executive Director, the Consortium now employs a full-time Finance Manager and Benefits Specialist. The transition to employing full-time regular staff allows the Consortium to build and maintain its institutional knowledge without increasing administrative costs to our members. Even with these additional overhead expenses, the Consortium continues to operate at an extremely efficient level with 98.23% of all expenses going directly to cover claims expenses in 2021.

The Finance Manager took on all responsibilities relative to the Consortium’s outside accountant and has also picked up other responsibilities from the other members of the Finance Team. The transition of responsibility continues and came full circle when the Consortium filed its Annual Statement with the New York State Department of Financial Services and closed its Annual Audit. In the process the Finance Manager has improved many of the Consortium’s systems to include on-line billing, eliminating the need for manual journal entries, and has pursued the Department of Financial Services for answers to ongoing reporting problems. The Finance Manager will continue to streamline the Consortium’s invoice payment process and will work with the Treasurer on reconciling all bank transactions. By setting up new systems and streamlining processes and procedures, the Finance Manager is well-poised to take on new members without additional time and effort as the Consortium grows.

The Benefits Specialist is key to daily problem resolution, especially for the Consortium's smaller members who generally are without full-time human resource departments. The Benefits Specialist is also working on documenting institutional knowledge to help the organization remain stable when outside vendors have staffing changes or when their files are not current with the Consortium's plans. The Benefits Specialist is also tasked with creating a strong wellness program in response to an initiative that has been supported by the Consortium for several years to create a culture of healthy lifestyles.

Also, in 2021 the Municipal Cooperative Agreement of the Greater Tompkins County Municipal Health Insurance Consortium (GTCMHIC) provided for the creation of an Executive Committee with powers and duties to conduct certain business operations on behalf of the Consortium, as delegated from time-to-time, by the Board of Directors. The Consortium will remain diligent to review the new governance model to make sure lines of communication with the Board of Directors remain open and the Executive Committee can move swiftly to react to changes in the marketplace affecting the organization's lines of business and/or operations.

Escalating Cost of Medical Services and Prescription Medications

Medical claims are returning to pre-pandemic levels and prescription drug claims costs increased by 9.6% in 2021 from the previous year. Due to this growth, the Consortium Leadership will carefully monitor claims activity and will utilize all resources available to control costs.

The Consortium finished the 2021 Fiscal Year approximately \$200K above budget in hospital, medical, and surgical paid claims. In addition, the prescription drug claims finished the year approximately \$800K over budget.

There is a concern that with medical care staffing shortages, the rise in inflation, increased demand for services, and previous losses incurred by medical care providers, that the paid claims may experience a greater than average increase over the next year or two. However, as the Consortium looks long-term, it is the Board of Director's opinion that the Consortium is in a good place financially to respond to any additional "hyper-inflation" which may occur as the medical community continues to rebound from heavy losses which were incurred in 2020 and the beginning of 2021. The goal is to keep premium increases as low as possible while continuing to ensure all reserves are funded to a reasonable and prudent level.

Specific Stop-Loss Insurance

Section 4707(a)(2) of the New York State Insurance Law requires the Consortium 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." The Consortium Board of Directors passed Resolution No. 040-2020 authorizing the purchase of a specific stop-loss insurance policy from Excellus BlueCross BlueShield ("Excellus") with a policy period deductible of \$1,000,000 for all covered insured members. The purchasing of specific stop-loss insurance at a \$1,000,000 deductible level creates a substantive risk to the Consortium and its financial stability and the need for a policy for balancing the Catastrophic Claims Reserve with the predicted risk. Therefore, a new policy was created, the Catastrophic Self-Insurance Claims Pool, that articulates how the pool would be calculated and used.

The Pool includes any annual premium savings and interest earned on the Reserve throughout the year, bringing the Reserve balance up to \$4,642,294.00 at the close of the 2021 Fiscal Year. The Pool will be used to cover eligible expenses for covered members who have paid claims which exceed \$500,000 up to the specific stop-loss insurance deductible of \$1,000,000. The only exceptions to this payment are claimants who have a "laser" deductible placed on them. In addition to the funds from the Catastrophic Claims Pool, this Pool will be further funded with the variance between the quoted

premium for a specific stop-loss insurance policy at the \$600,000 deductible level and the \$1,000,000 deductible level and with the interest earned on the Pool each year.

Aggregate Stop-Loss Insurance

We are pleased to report that the New York State Department of Financial Services continues to honor the waiver granted on December 5, 2017 to the Consortium relative to the requirement to purchase aggregate stop-loss insurance as found in §4707 of the New York State Insurance Law for 2021. This waiver does not create a substantive risk to the Consortium or its members, as the Consortium maintains reserves and fund balance which protects the financial integrity of the Consortium and the New York State Department of Financial Services agreed this was a reasonable approach. Waiving aggregate stop-loss insurance allows the Consortium to save annually on related premiums.

Rate Stabilization Reserve

With paid claims and expense results below budget in the initial years of operation, the Board of Directors decided 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 originally set at 5% of the expected/paid claims expense for the year. However, with recent results performing better than expected, this Reserve was increased to 7.5% of the expected/paid claims for the year. These funds are available to mitigate premium rate increases at budget time. The Consortium's goal is to maintain reasonable, prudent, and modest premium increases for the foreseeable future. This Reserve grows each year as the level of claims increases; there was a total balance of \$4,004,100.60 at the close of the 2021 Fiscal Year. The Board of Directors agreed to continue to set the Rate Stabilization Reserve at 7.5% of the expected paid claims for the 2022 Fiscal Year.

Incurred But Not Reported (IBNR) Claims Liability Reserve

The Consortium continues to see a decrease in the IBNR calculation as determined by the Consortium's Actuaries, Armory Associates, LLC. At the close of the 2011 Fiscal Year, the Consortium's calculated IBNR was 10.15% of paid claims. The IBNR calculation for the 2021 Fiscal Year was 5.68%. While this does not directly impact the mandated 12% of expected incurred claims reserve required by the NYS Department of Financial Services, it does provide creditable data demonstrating the IBNR Reserve at 12% is very conservative and amply protects the Consortium for its claims' liabilities.

Investment of Reserves

During the 2018 Fiscal Year, the Board of Directors adopted an Investment Policy directing how our Investment Manager would invest in the limited vehicles available to municipal cooperatives. This action resulted in a significant increase in earned interest income as the Consortium saw its investments in 2019 create an additional \$443,163.55 in interest earnings as compared to the 2018 Fiscal Year. Unfortunately, with the economic impact of the COVID-19 pandemic, the interest earnings in 2020 and 2021 were below previous years. The Consortium Leadership will continue to monitor and review the investment strategy on an ongoing basis to ensure the Consortium is maximizing its interest income whenever possible.

Monitoring Claims Adjudication

The Board annually contracts with a third party to audit the hospital, medical, and surgical claims adjudication practices of Excellus one year and the pharmaceutical claims practices of ProAct the next year to ensure all claims are being adjudicated according to our plan documents and with proper medical and clinical oversight.

Premium Rate Increases

A thorough review of the Consortium's finances and paid claims trends during budget preparations resulted in a premium increase recommendation of 5% for the 2021 Fiscal Year. This recommendation brings the overall average increase down to 6.18% since the Consortium's inception and the five-year average increase is a very modest 4.8%.

Statement of Position – December 31, 2021

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 6,169,222	\$ 8,343,168
Unrestricted Investments	6,068,128	7,686,088
Accrued Interest	9,434	58,725
Premiums Receivable	21,430	-
Prepaid Expenses	152,566	-
Total Current Assets	<u>12,420,780</u>	<u>16,087,981</u>
OTHER ASSETS		
Noncurrent Assets		
Premium Claims Deposit	722,400	761,400
Security Deposit	800	-
Restricted Investments	18,182,498	16,662,408
Total Noncurrent Assets	<u>18,905,698</u>	<u>17,423,808</u>
Total Assets	<u>31,326,478</u>	<u>33,511,789</u>
LIABILITIES		
Current Liabilities		
Incurred Claims Liability	6,866,608	5,828,922
Accounts Payable	1,442,679	610,385
Unearned Premiums	766,350	1,072,302
Total Current Liabilities	<u>9,075,637</u>	<u>7,511,609</u>
Total Liabilities	<u>9,075,637</u>	<u>7,511,609</u>
NET POSITION		
Restricted		
Restricted for Contingency Reserve - §4706(a)(5)	2,669,495	2,409,497
Unrestricted - Board Designated		
Catastrophic Claims Reserve	4,642,294	5,032,220
Rate Stabilization Reserve	4,004,101	3,391,769
Total Unrestricted - Board Designated	<u>8,646,395</u>	<u>8,423,989</u>
Unrestricted - Undesignated	<u>10,934,951</u>	<u>15,166,694</u>
Total Net Position	<u>\$ 22,250,841</u>	<u>\$ 26,000,180</u>

Net Position Summary

Statements of Net Position

The Statements of Net Position represent the financial position of the Greater Tompkins County Municipal Health Insurance Consortium at December 31, 2021, 2020, and 2019. The following table reflects, in summary, the financial position of the Plan at December 31, 2021:

	2021	2020	2019
Restricted for Contingency Reserve	\$ 2,669,495	\$ 2,409,497	\$ 2,514,837
Catastrophic Claims Reserve	4,642,294	5,032,220	2,800,000
Rate Stabilization Reserve	4,004,101	3,391,769	2,184,812
Unrestricted - Undesignated Net Position	<u>10,934,951</u>	<u>15,166,694</u>	<u>17,828,365</u>
Total Net Position	<u>\$ 22,250,841</u>	<u>\$ 26,000,180</u>	<u>\$ 25,328,014</u>

The decrease in total assets in 2021 is mainly due to the Consortium's operating results, decreased unrestricted investments, and additional prepaid expenses. The increase in 2020 total assets is mainly due to the Consortium's operating results and additional funding of the reserves. The increases in current liabilities are primarily due to increased incurred claims liability.

Revenue

Revenue Overview

	2021	2020	2019
Premiums	\$ 53,389,902	\$ 48,189,940	\$ 50,296,736
Interest Earnings	99,529	266,205	456,386
Gain on Investments	-	56,800	8,715
Nonoperating Revenues - Other	<u>-</u>	<u>4,535</u>	<u>-</u>
Total Revenues	<u>\$ 53,489,431</u>	<u>\$ 48,517,480</u>	<u>\$ 50,761,837</u>

The increase in premium revenue for 2021 is primarily the result of 6 new municipalities joining the Consortium along with premium increases necessitated by the rising cost of health care. The decrease in premium revenues for 2020 is primarily the result of waiving of one month of premiums to be more closely aligned with actual medical claims expense. The decreases in interest earnings are mostly due to decreased interest rates. Prior investment gains are a result of market conditions.

Expenses

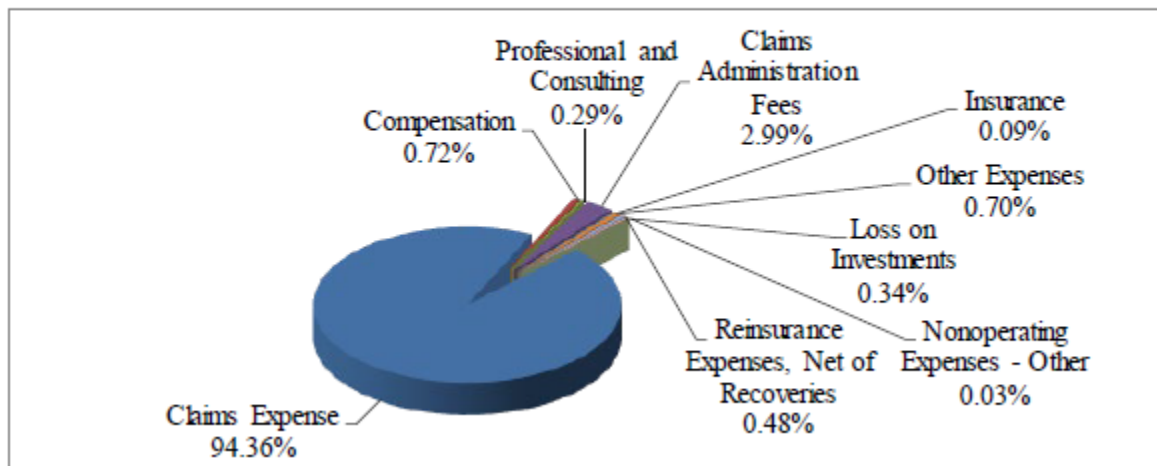
Expense Overview

The following table summarizes expenses by function for the years ending December 31, 2021:

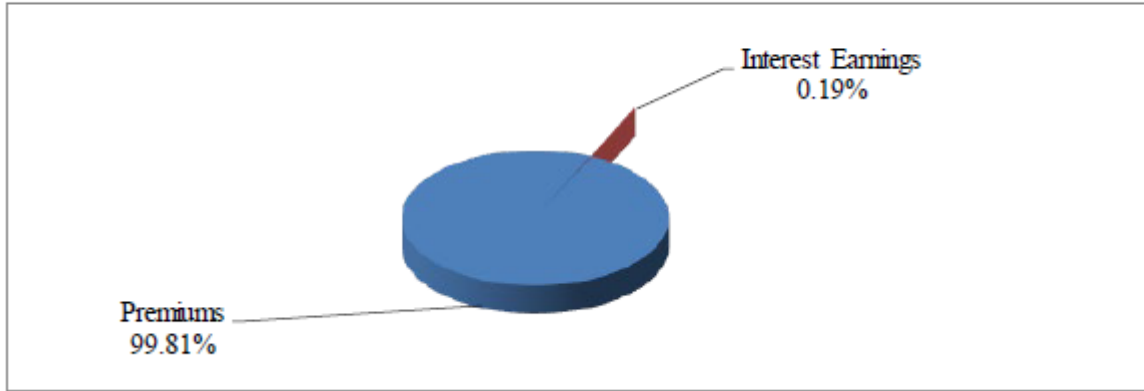
	2021	2020	2019
Claims Expense	\$ 53,024,900	\$ 44,933,332	\$ 43,353,569
Compensation	402,891	303,208	269,873
Professional and Consulting	165,655	216,269	237,302
Reinsurance Expenses, Net of Recoveries	270,471	234,193	641,621
Insurance	50,588	43,612	40,114
Claims Administration Fees	1,678,883	1,596,782	1,455,338
Aggregate Write-ins for Other Expenses	391,254	326,276	363,441
Loss on Investments	193,376	-	-
Other Expenses	23,066	-	10,895
Total Expenses	\$ 56,201,084	\$ 47,653,672	\$ 46,372,153

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 Consortium. The changes in reinsurance are primarily due to timing of reimbursement payouts and the cost of reinsurance. Loss on Investments is a result of market conditions.

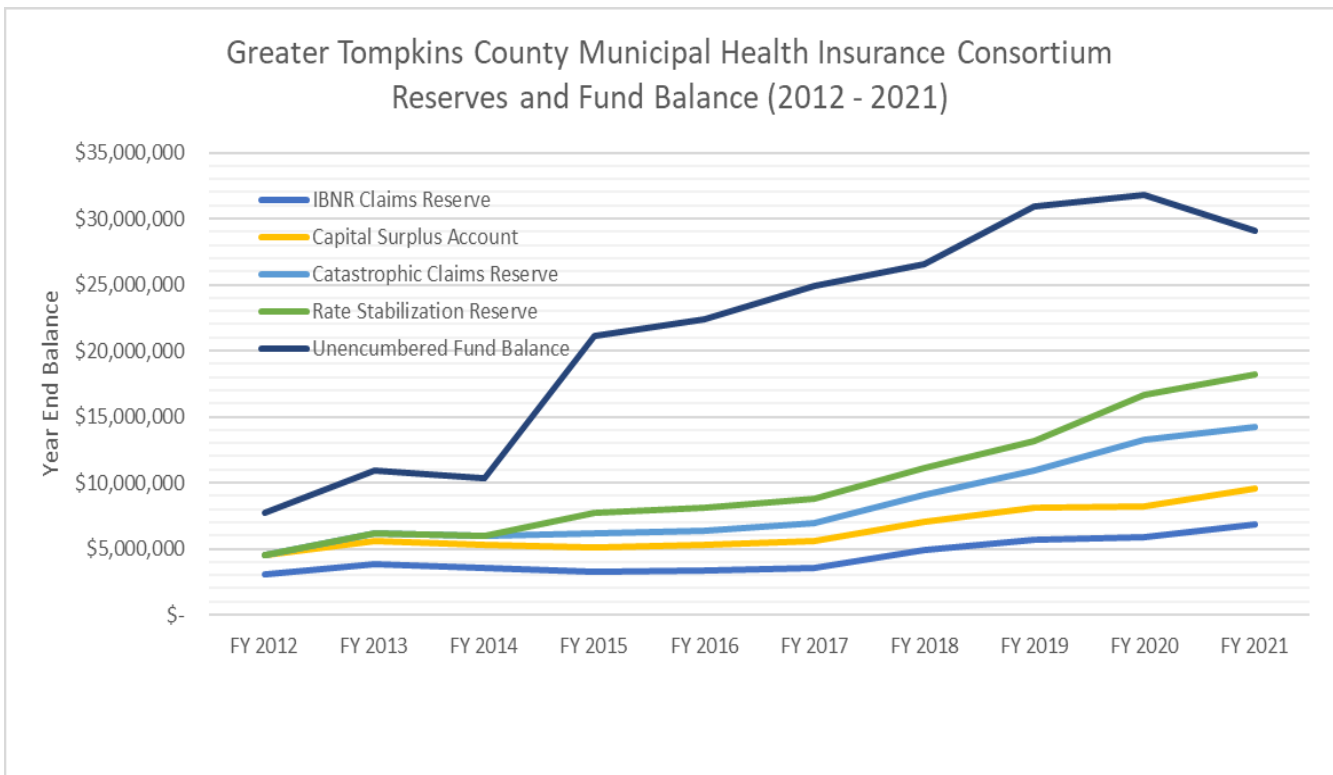
**Operating Expenses
2021**



Sources of Revenue 2021



Reserves and Fund Balance



Membership and Effective Date

Town of Caroline	1/1/2011	Town of Montezuma	1/1/2017
Town of Danby	1/1/2011	Town of Newfield	1/1/2018
Town of Dryden	1/1/2011	Town of Homer	1/1/2018
Town of Enfield	1/1/2011	Town of Owasco	1/1/2018
Town of Groton	1/1/2011	Village of Horseheads	1/1/2019
Town of Ithaca	1/1/2011	Town of Big Flats	1/1/2019
Town of Ulysses	1/1/2011	Village of Freeville	1/1/2019
Village of Cayuga Heights	1/1/2011	Village of Lansing	1/1/2019
Village of Dryden	1/1/2011	Town of Niles	1/1/2019
Village of Groton	1/1/2011	Seneca County	1/1/2019
Village of Trumansburg	1/1/2011	Town of Sennett	1/1/2019
Tompkins County	1/1/2011	Town of Mentz	1/1/2019
City of Ithaca	1/1/2011	Village of Watkins Glen	1/1/2020
City of Cortland	1/1/2013	Town of Horseheads	1/1/2020
Town of Lansing	1/1/2013	Lansing Community Library	1/1/2020
Village of Homer	1/1/2015	Town of Spencer	1/1/2020
Town of Willet	5/1/2015	Village of Owego	1/1/2021
Town of Virgil	1/1/2016	Town of Catharine	1/1/2021
Town of Truxton	1/1/2016	Town of Cuyler	1/1/2021
Town of Marathon	1/1/2016	Town of Dix	1/1/2021
Town of Moravia	1/1/2017	Town of Hector	1/1/2021
Town of Preble	1/1/2017	Town of Tioga	1/1/2021
Town of Scipio	1/1/2017	Town of Erwin	1/1/2022
Town of Springport	1/1/2017	Town of Throop	1/1/2022
Village of Union Springs	1/1/2017	Village of Minoa	1/1/2022
Town of Cincinnatus	1/1/2017	Village of Fayetteville	1/1/2022
Town of Aurelius	1/1/2017		

2021 Board of Directors

	Name		Member
1	Steven Thayer	CFO - **	City of Ithaca
2	Mack Cook	*	City of Cortland
3	Lisa Holmes	*	Tompkins County
4	Laura Granger		Seneca County
5	Alex Patterson		Town of Aurelius
6	Edward Fairbrother	*	Town of Big Flats
7	Mark Witmer		Town of Caroline
8	Richard Lewis		Town of Catharine
9	LuAnn King		Town of Cincinnatus
10	Lou Anne Randall		Town of Cuyler
11	Laura Shawley		Town of Danby
12	David Hertel		Town of Dix
13	Leonardo Vargas-Mendez		Town of Dryden
14	Stephanie Redmond		Town of Enfield
15	Chuck Rankin		Town of Groton
16	Alvin White		Town of Hector
17	Kevin Williams		Town of Homer
18	Donald Fischer		Town of Horseheads
19	Judy Drake	Chair - **	Town of Ithaca
20	Charmagne Rumgay		Town of Lansing
21	Thomas Adams		Town of Marathon
22	Richard Nielens Jr.		Town of Mentz
23	John Malenick		Town of Montezuma
24	Terrance Baxter		Town of Moravia
25	Christine Laughlin		Town of Newfield
26	Joan Jayne		Town of Niles
27	Ed Wagner		Town of Owasco
28	Jim Doring		Town of Preble
29	Gary Mutchler	*	Town of Scipio
30	Tom Gray		Town of Sennett
31	Ray Bunce		Town of Spencer
32	David Schenck		Town of Springport
33	Loren Zorn		Town of Tioga
34	Tom Brown		Town of Truxton
35	Mary Bouchard		Town of Ulysses
36	Eric Snow	*	Town of Virgil

	Name		Member
37	Alvin Doty Jr		Town of Willet
38	Peter Salton	Secretary - **	Village of Cayuga Heights
39	Michael Murphy		Village of Dryden
40	Miles McCarthy		Village of Freeville
41	Nancy Niswender		Village of Groton
42	Tanya DiGennaro		Village of Homer
43	Donna Dawson		Village of Horseheads
44	Ronny Hardaway		Village of Lansing
45	Mike Baratta		Village of Owego
46	Rordan Hart	Vice Chair - **	Village of Trumansburg
47	Bud Shattuck	*	Village of Union Springs
48	Lonnie Childs		Village of Watkins Glen
49	Darcey Rigdon		Lansing Community Library
50	Nancy Webster		Labor Rep #1
51	Jim Bower	*	Labor Rep #2 (Chair, JCPSD)
52	Zack Nelson		Labor Rep #3
53	Doug Perine		Labor Rep #4
54	Ian Tompkins		Labor Rep #5
55	Carol Sosnowski		Labor Rep #6
56	Kate DeVoe		Labor Rep #7
	Jeanne Grace		Labor Rep Alternative
	Rick Snyder	Treasurer	

** - Officer

• - Executive Committee Member

The **Health Consortium** launched in 2009 in Tompkins County, with a GML 5-G shared service agreement, and has now expanded to sixteen contiguous counties in upstate NY. The goal of the **Health Consortium** remains the same as when it began, to provide competitive health insurance premiums to our members. The Health Consortium is jointly owned by its municipal partners and writes its own benefit plans. We pride ourselves in providing high-quality, trustworthy, cost stable, responsive service for our subscribers.