

Greater Tompkins County Municipal Health Insurance Consortium 2022 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

Rordan Hart
Chair, Board of Directors

2022: A Year in Review

Letter from the Executive Director

True stability results when presumed order and presumed disorder are balanced. A truly stable system expects the unexpected, is prepared to be disrupted, waits to be transformed.

-Tom Robbins

As I prepare this letter and we wrap up the final reports for 2022 the COVID -19 Public Health Emergency (PHE) is coming to an end. The end of the PHE means we are back to administering our plan as it was designed and treating COVID-19 claims just like we have with any influenza or respiratory disease. Our claims have been unpredictable in the last three years. Performing first well below plan in 2020 as members delayed care, then we spiked at the end of 2021 with several unexpected high-cost claims, and by the end of 2022 we performed within the expectations of our plan. By creating reserve funds and planning our budget properly it means we have been able to keep our rates stable, even though claims are volatile.

Overall, the Consortium exceeded its budget projections for the fiscal year ended December 31, 2022. A large part of the variance was due to medical and prescription paid claims combined being 4.94% below budget. Although we experienced a positive claims trend for 2022 we need to remain diligent in working with our plan consultant to understand how local and national claims trending will affect our overall budget going forward. Prescription drug costs continue to skyrocket and exceed budget expectations as new medications are introduced and expensive brands continue to be in the market without generic alternatives. Analysis has already begun to make sure our catastrophic claims pool is funded at the appropriate level to protect us from additional unexpected claims costs.

The NYS Department of Financial Services commenced a review of our plan at the end of 2022. It is apparent from the Department's feedback that future budgets will include cyber security mitigation costs and some additional expenses relative to insurance and municipal law compliance. The Department has focused their audit on risk management, and we look forward to hearing their findings so we can plan accordingly.

Our request to grow into two new counties, Livingston, and Monroe, is still pending. However, we are excited about our recent market expansion and the members and applicants from the new counties approved in 2021. We will also remain mindful that we want to grow cautiously as not to outpace our ability to manage claim costs effectively.

The Consortium team is constantly looking for new ways to enhance your customer service experience and we hope you and your staff are taking advantage of our webinars, benefit clerk training, and participating in our monthly wellness challenges. Education on utilizing the plan to remain healthy and living a lifestyle of preventive health is one of the best ways we can continue to control costs.

As you review the attached formal audit prepared by Insero & Co., CPAs, LLP, and the Executive Summary below, we hope you will call us with any questions. We also hope you will consider getting more involved in helping us advance the mission of the organization by becoming a committee member or through attending regularly scheduled meetings.

Respectfully submitted,



Elin R. Dowd
Executive Director

Economic Factors Affecting the Future

Consortium Overview

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 1990’s.

In the fall of 2021, the Board of Directors approved four (4) new municipalities to join the Consortium in 2022. The new members were the Towns of Erwin and Throop and the Villages of Minoa and Fayetteville. With these new municipalities, the Consortium has seen its list of municipal partners grow from its original thirteen (13) members to fifty-three (53) municipal partners at the close of the 2022 Fiscal Year.

In the fall of 2022, the Board of Directors approved an additional eight (8) new municipal partners that began coverage on January 1, 2023. Unfortunately, the Town of Onondaga withdrew their application after they had been accepted as a new participant. The other seven (7) participants that joined included the Towns of Camillus, DeRuyter, Dewitt, and Hastings; the Villages of Camillus and Skaneateles; and the Dewitt Fire District.

The Consortium has petitioned the NYS Department of Financial Services to expand its geographical boundaries to include Livingston and Monroe Counties. As a result of this expected growth, the Consortium continues to look at strategic objectives that will maintain rate stabilization for its members and prudently manage the increased level of risk associated with growing membership levels.

To ensure premiums continue to support our growth a consultant was secured at the end of 2022 to audit our premium equivalent rates. Coincidentally, the NYS Department of Financial Services notified the Consortium at the end of 2022 that it would be examining our plan and focus on risk management. The audit commenced and has continued into 2023.

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.

In-house staffing levels were maintained by the Consortium in 2022. When the Consortium Treasurer retired at the end of 2022, the Finance Manager took on all responsibilities relative to that position. The Consortium then amended the Municipal Cooperative Agreement to include eliminating the Treasurer position going forward as those duties have been assumed by the in-house Finance Manager.

The Consortium continues to be financially efficient while it enhances the services it provides to the participating municipalities and keeps overall staffing, consultant, and administrative costs at less than 2.0% of total Consortium expenses.

Escalating Cost of Medical Services and Prescription Medications

Medical claims for 2022 were 8.36% below budgeted levels primarily due to member participation in lower cost health insurance plans. Prescription drug costs were 3.53% over budget in 2022, an increase of 5.36% from the previous year. This upward movement led to adjustments to our trend models during the budget development process for the 2023 fiscal year.

As with all health insurance plans, the growth in the cost of prescription drug claims is an ongoing concern as the cost for new drugs are being introduced at unprecedented levels. Two such drugs introduced in 2022, Skysona and Zolgensma, each came to the market at a cost exceeding \$2M per treatment. The Consortium will continue to work closely with our plan consultants and Pharmacy Benefit Manager to monitor pharmacy paid claims trends to ensure the premium rates keep pace with the growth in the paid claims cost each year.

The Consortium Staff, Audit & Finance Committee, and Board of Directors continually monitors the paid claims trends as developed by the Plan's Consultant, Locey & Cahill, LLC, to ensure the Consortium's budget and premium equivalent rates are adequate. Over the years of operation, the Consortium's total paid claims have come in 3.62% below the budgeted amount.

New Mandates

The Federal No Surprises Act added new protections for end consumers commenced January 2022 and protects subscribers from surprise medical bills and makes it easier to understand the costs of health care services before services are secured. In addition, health care providers will be required to give a good faith estimate of the cost of the services prior to treatment and provide a pricing tool to compare prices for services. Also passed in 2022 was the Inflation Reduction Act that lowered out of pocket expenses for Medicare eligible individuals. New legislation mandating cost of coverage and those requiring administration and additional technology to manage contributes to the escalating cost of healthcare.

COVID-19 Pandemic Level

Several of the benefits mandated during the COVID-19 Public Health Emergency continued through 2022. Although the Consortium started to see subscribers non-critical and/or non-essential appointments and/or procedures return to pre-pandemic levels, our medical claims finished 8.21% below the budgeted amount for the 2022 Fiscal Year. We did not experience the "hyper-inflation" anticipated to combat the concern with medical care staffing shortages, the rise in inflation, increased demand for services, and previous losses incurred by medical care providers. However, we are monitoring claims costs as this is still a possibility in future fiscal years.

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 a policy was created for balancing the Catastrophic Claims Reserve with the predicted risk. The Catastrophic Self- Insurance Claims Pool was funded at the \$4,808,739.38 level at the close of the 2022 Fiscal Year.

The Catastrophic Self-Insurance Pool which converted the Catastrophic Claims Reserve into a fund that 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. For the 2022 Fiscal Year, the Consortium experienced 4 claimants which needed to be funded by the Pool. 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.

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 and the foreseeable future.

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 and had a total balance of \$3,892,443.28 at the close of the 2022 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 2022 reserve Fiscal Year was 5.72%. While this does not directly impact the mandated 12% of expected incurred claims required by the NYS Department of Financial Services, it does provide credible 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 for the Consortium which included seeking assistance from outside professionals. The Consortium's Audit & Finance Committee interviewed several firms who specialize in Investment Management for the limited investment vehicles available to municipal cooperatives. The decision was made to contract with Wilmington Trust at the end of the 2018 Fiscal Year. At the direction of the Audit & Finance Committee, the Consortium's Chief Fiscal Officer, and the Consortium's Treasurer, funds were moved to Wilmington Trust in February of 2019.

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 2022 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.

The Consortium, through its investment advisor Wilmington Trust, utilizes a mark to market accounting practice to record the value of its investments as determined by current market conditions. The market value is determined based on what the Consortium's investments are worth if they were sold at that point in time. At the end of the fiscal year, the Consortium's financial statements reflect the current market value of its investments, including investment gains and losses for the fiscal year end.

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.

After a request for proposal process was undertaken by the Claims and Appeals Committee it was determined that we remain with BMI, Inc. to conduct our claims audits and the medical claims audit for plan years 2020 and 2021 commenced at the end of the 2022 Fiscal year.

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 5.00% for the 2022 Fiscal Year. This recommendation brings the overall average increase down to 6.08% since the Consortium’s inception and the 5-year average increase is a very modest 4.80%.

***GREATER TOMPKINS COUNTY MUNICIPAL
HEALTH INSURANCE CONSORTIUM***
STATEMENTS OF NET POSITION
DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 6,501,940	\$ 6,169,222
Unrestricted Investments	5,787,212	6,068,128
Accrued Interest	57,178	9,434
Premiums Receivable	503,441	21,430
Prepaid Expenses	204	152,566
Total Current Assets	<u>12,849,975</u>	<u>12,420,780</u>
OTHER ASSETS		
Noncurrent Assets		
Premium Claims Deposit	788,300	722,400
Security Deposit	800	800
Restricted Investments	18,103,400	18,182,498
Total Noncurrent Assets	<u>18,892,500</u>	<u>18,905,698</u>
Total Assets	<u>31,742,475</u>	<u>31,326,478</u>
LIABILITIES		
Current Liabilities		
Incurred Claims Liability	6,672,663	6,866,608
Accounts Payable	1,491,872	1,442,679
Unearned Premiums	1,555,795	766,350
Total Current Liabilities	<u>9,720,330</u>	<u>9,075,637</u>
Total Liabilities	<u>9,720,330</u>	<u>9,075,637</u>

NET POSITION

Restricted

Restricted for Contingency Reserve - §4706(a)(5)	<u>2,729,555</u>	<u>2,669,495</u>
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Unrestricted - Board Designated

Catastrophic Claims Self-Insurance Fund	4,808,739	4,642,294
Rate Stabilization Reserve	<u>3,892,443</u>	<u>4,004,101</u>
Total Unrestricted - Board Designated	<u>8,701,182</u>	<u>8,646,395</u>

Unrestricted - Undesignated

	<u>10,591,408</u>	<u>10,934,951</u>
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Total Net Position

	<u>\$ 22,022,145</u>	<u>\$ 22,250,841</u>
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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, 2022, 2021, and 2020. The following table reflects, in summary, the financial position of the Consortium at December 31,:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Current Assets	\$ 12,849,975	\$ 12,420,780	\$ 16,087,981
Noncurrent Assets	<u>18,892,500</u>	<u>18,904,898</u>	<u>17,423,808</u>
Total Assets	<u>31,742,475</u>	<u>31,325,678</u>	<u>33,511,789</u>
Current Liabilities	<u>9,720,330</u>	<u>9,075,637</u>	<u>7,511,609</u>
Total Liabilities	<u>9,720,330</u>	<u>9,075,637</u>	<u>7,511,609</u>
Net Position	<u>\$ 22,022,145</u>	<u>\$ 22,250,041</u>	<u>\$ 26,000,180</u>

The increase in total assets in 2022 is mainly due to increased premiums receivable. The decrease in total assets in 2021 is mainly due to decreased cash and unrestricted investments as a result of the operating results for 2021. The increases in current liabilities are primarily due to increased unearned premiums in 2022 and increased incurred claims liability in 2021.

Revenue

Revenue Overview

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Premiums	\$ 54,591,095	\$ 53,389,902	\$ 48,189,940
Interest Earnings	111,585	99,529	266,205
Gain on Investments	-	-	56,800
Nonoperating Revenues - Other	<u>-</u>	<u>-</u>	<u>4,535</u>
Total Revenues	<u>\$ 54,702,680</u>	<u>\$ 53,489,431</u>	<u>\$ 48,517,480</u>

The increase in premium revenue for 2022 is primarily the result of 4 new municipalities joining the Consortium along with premium increases necessitated by the rising cost of health care. The increase in premium revenue for 2021 was primarily the result of 6 new municipalities joining the Consortium along with premium increases necessitated by the rising cost of health care. The decreases in interest earnings are mostly due to decreased interest rates. Prior investment gains are a result of market conditions.

Expenses

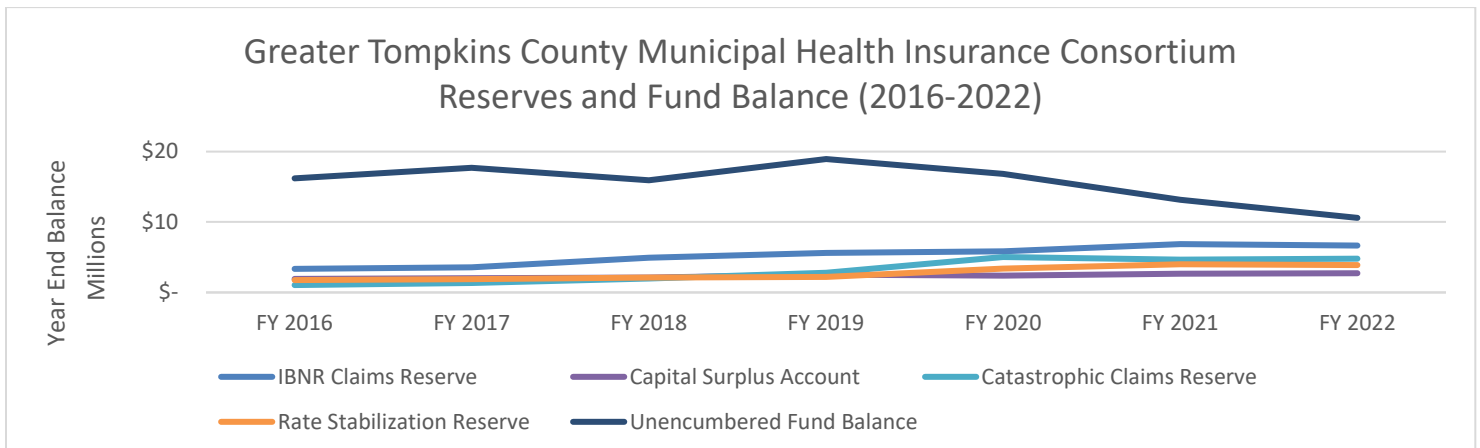
Expense Overview

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

	2022	2021	2020
Claims Expense	\$ 51,505,375	\$ 53,024,900	\$ 44,933,332
Compensation	420,883	402,891	303,208
Professional and Consulting	157,032	165,655	216,269
Reinsurance Expenses, Net of Recoveries	303,595	270,471	234,193
Insurance	50,588	50,588	43,612
Claims Administration Fees	1,813,731	1,678,883	1,596,782
Aggregate Write-ins for Other Expenses	425,849	391,254	326,276
Loss on Investments	436,765	193,376	-
Other Expenses	<u>11,503</u>	<u>23,066</u>	<u>-</u>
Total Expenses	<u>\$ 55,125,321</u>	<u>\$ 56,201,084</u>	<u>\$ 47,653,672</u>

The decrease in claims expense for 2022 is primarily a result of medical claims being 8.36% below budgeted levels due to member participation in lower cost health insurance plans. The increase in claims expense for 2021 is primarily a result in increased insurance claims paid for participating municipality employees and the addition of new participating municipalities into the Consortium. The increases in claims administrative and other expenses are primarily due to increased costs associated with adding new 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.

Reserves and Fund Balances



The Board of Director's decision to host a premium one-month holiday in 2020 and budget for a net loss in 2021 and 2022 has helped the Consortium attain our goal of bringing the Consortium's unencumbered fund balance down to within the parameters of our reserve level policy. The Consortium continues to analyze claim trends to determine if the Consortium wishes to resume the practice of depleting the unencumbered fund balance.

Consortium Municipalities/Effective Dates

Municipality Name	Effective Date
City of Ithaca	1/1/2011
County of Tompkins	1/1/2011
Town of Caroline	1/1/2011
Town of Danby	1/1/2011
Town of Dryden	1/1/2011
Town of Enfield	1/1/2011
Town of Groton	1/1/2011
Town of Ithaca	1/1/2011
Town of Ulysses	1/1/2011
Village of Cayuga Heights	1/1/2011
Village of Dryden	1/1/2011
Village of Groton	1/1/2011
Village of Trumansburg	1/1/2011
City of Cortland	1/1/2013
Town of Lansing	1/1/2013
Town of Willet	1/1/2015
Village of Homer	1/1/2015
Town of Marathon	1/1/2016
Town of Truxton	1/1/2016
Town of Virgil	1/1/2016
Town of Aurelius	1/1/2017
Town of Cincinnatus	1/1/2017
Town of Montezuma	1/1/2017
Town of Moravia	1/1/2017
Town of Preble	1/1/2017
Town of Scipio	1/1/2017
Town of Springport	1/1/2017

Municipality Name	Effective Date
Village of Union Springs	1/1/2017
Town of Homer	1/1/2018
Town of Newfield	1/1/2018
Town of Owasco	1/1/2018
County of Seneca	1/1/2019
Town of Big Flats	1/1/2019
Town of Mentz	1/1/2019
Town of Niles	1/1/2019
Town of Sennett	1/1/2019
Village of Freeville	1/1/2019
Village of Horseheads	1/1/2019
Village of Lansing	1/1/2019
Town of Horseheads	1/1/2020
Town of Spencer	1/1/2020
Lansing Library	1/1/2020
Village of Watkins Glen	1/1/2020
Town of Catharine	1/1/2021
Town of Cuyler	1/1/2021
Town of Dix	1/1/2021
Town of Hector	1/1/2021
Town of Tioga	1/1/2021
Village of Owego	1/1/2021
Town of Erwin	1/1/2022
Town of Throop	1/1/2022
Village of Minoa	1/1/2022
Village of Fayetteville	1/1/2022

Municipality Name	Effective Date
Town of Camillus	1/1/2023
Town of DeRuyter	1/1/2023
Town of Dewitt	1/1/2023
Town of Hastings	1/1/2023
Village of Camillus	1/1/2023
Village of Skaneateles	1/1/2023
Dewitt Fire District	1/1/2023

GTCMHIC 2022 Board of Directors

Name	Key Below	Member
Steven Thayer	CFO - **	City of Ithaca
Scott Steve		City of Cortland
Lisa Holmes	*	Tompkins County
Laura Granger		Seneca County
Alex Patterson		Town of Aurelius
Edward Fairbrother	*	Town of Big Flats
Mark Witmer		Town of Caroline
Richard Lewis		Town of Catharine
LuAnn King		Town of Cincinnatus
Lou Anne Randall		Town of Cuyler
Laura Shawley		Town of Danby
David Hertel		Town of Dix
Leonardo Vargas-Mendez		Town of Dryden
Stephanie Redmond		Town of Enfield
Rita McCarthy		Town of Erwin
Don Scheffler		Town of Groton
Justin Boyette		Town of Hector
Kevin Williams		Town of Homer
Donald J. Fischer		Town of Horseheads
Judy Drake	Chair - **	Town of Ithaca
Mary Ellen Albrecht		Town of Lansing
Timothy Elliot		Town of Marathon
Mark Emerson		Town of Mentz
David Corey		Town of Montezuma
Terrance Baxter		Town of Moravia
Christine Laughlin		Town of Newfield
Joan Jayne		Town of Niles
Ed Wagner		Town of Owasco
Jim Doring		Town of Preble
Gary Mutchler	*	Town of Scipio
Thomas Blair		Town of Sennett
Ray Bunce	*	Town of Spencer
David Schenck		Town of Springport
Lewis Zorn		Town of Tioga
Eric J. Ridley		Town of Throop
Tom Brown		Town of Truxton

GTCMHIC 2022 Board of Directors

Name	Key Below	Member
Richard Goldman		Town of Ulysses
Eric Snow	*	Town of Virgil
Alvin Doty, Jr.		Town of Willet
Peter Salton	Secretary - **	Village of Cayuga Heights
Michael Murphy		Village of Dryden
Lorie Corsette		Village of Fayetteville
Miles McCarthy		Village of Freeville
Nancy Niswender		Village of Groton
Tanya DiGennaro		Village of Homer
Donna Dawson		Village of Horseheads
Ronny Hardaway		Village of Lansing
Lisa DeVona		Village of Minoa
Mike Baratta		Village of Owego
Rordan Hart	Vice Chair - **	Village of Trumansburg
Bud Shattuck	*	Village of Union Springs
Fred Warrick		Village of Watkins Glen
Darcey Rigdon		Lansing Community Library
Rick Snyder		Treasurer
Jim Bower		Labor Rep #1 (resigned 7/22)
Kate DeVoe	*	Labor Rep #2 (Chair, Joint Comm. On Plan Structure & Design)
Zack Nelson		Labor Rep #3
Vacancy		Labor Rep #4
Ian Tompkins		Labor Rep #5
Carol Sosnowski		Labor Rep #6
Jeanne Grace		Labor Rep #8
Vacancy		Labor Rep #9

** - Officer

*- Executive Committee Member

The **Health Consortium** launched in 2009 in Tompkins County, with a GML 5-G shared service agreement, has now expanded to sixteen contiguous counties in Upstate, New York. 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 provide ourselves in providing high-quality, trustworthy, cost stable, responsive service for our subscribers.