Executive Committee
Minutes – APPROVED
March 2, 2022 – 3:30 p.m.
Town of Ithaca/Zoom

Present:	Steve Thayer, Bud Shattuck, Peter Salton, Judy Drake, Rordan Hart (excused at 4:18 p.m.), Gary Mutchler, Lisa Holmes, Eric Snow, Ray Bunce (arrived at 3:50 p.m.)
Excused:	Jim Bower, Ed Fairbrother
Guests:	Rob Spenard, Paul Pelton Locey & Cahill; Andrew Braman, TC Finance Department
Staff:	Elin Dowd, Executive Director; Michelle Cocco, Clerk of the Board; Teri Apalovich, Finance Manager; Kylie Rodrigues, Benefits Specialist

Call to Order

Ms. Drake, Chair, called the meeting to order at 3:32 p.m.

Changes to the Agenda

There were no changes to the agenda.

Approval of Minutes of February 2, 2022

It was MOVED by Mr. Shattuck, seconded by Mr. Mutchler, and unanimously adopted by voice vote by members present, to approve the minutes of February 2, 2022 as submitted. MINUTES APPROVED.

Executive Director's Report

Ms. Dowd reported end-of-year financial reporting is in process and the audit is set to begin. Ms. Rodrigues has been busy working on resolving claims and systems issues with ProAct as well as working with our TPA partners to ensure everyone is coded in each system accurately.

RESOLUTION NO. 003 - 2022 – ADOPTION OF AMENDMENTS TO THE 2022 BUDGET

MOVED by Mr. Thayer, seconded by Mr. Shattuck. Mr. Thayer explained amendments to the budget are needed and are primarily due to the movement of many members to less-expensive plans.

The resolution was unanimously adopted by voice vote by members present.

WHEREAS, the Board of Directors adopted the 2022 Budget, Reserve amounts, and Premium Equivalent Rates on September 23, 2021, and

WHEREAS, the 2022 budget has been impacted by several factors and primarily from the movement of members from higher-cost health plans to Metal Level Plans, and

WHEREAS, there is a need to amend budget lines in order to ensure the Consortium operates with a budget that reflects actual performance for the year, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee, That the Executive Committee, on behalf of the Board of Directors, hereby approves amendments to the Consortium's 2022 budget,

RESOLVED, further, That a copy of the amended budget shall be made available on the Consortium's website.

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RESOLUTION NO. 004 – 2022 - RESCINDING RESOLUTION NO. 009-2020 AND RENAMING THE CATASTROPHIC CLAIMS RESERVE TO CATASTROPHIC CLAIMS SELF-INSURANCE POOL

MOVED by Mr. Salton, seconded by Mr. Thayer.

Ms. Dowd said this resolution clarifies that the Catastrophic Claims Pool (Reserve) will be calculated in 2022 the same way it was in 2021. She noted, however, there will be continued discussions of the best way to calculate this pool and other reserves going forward. She said this articulates not only how it will be funded but also the use of the pool when claims are received between $500,000 and $1 million.

In response to Ms. Holmes with regard to how a change can now be made for 2021, Ms. Dowd said a resolution was previously approved whereby 2020 was corrected and a model put into practice for 2021. This resolution reflects the same practice that was included in that resolution.

The resolution was unanimously adopted by voice vote by members present.

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

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

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

WHEREAS, the GTCMHIC Board of Directors 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, and

WHEREAS, the Executive Committee has accepted the 2020 Fiscal Year Catastrophic Claims Reserve Fund in the amount of $5,032,220.00 to help protect the Consortium from large dollar claimant expenses which may occur from time to time, and

WHEREAS, the GTCMHIC Board of Directors recognizes 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 it needs a policy for balancing the CCR with the predicted risk, now therefore be it

RESOLVED, the GTCMHIC Board of Directors hereby rescinds resolution 009-2020 Catastrophic Claims Reserve policy and replaces it with the following and clarifies the intent of the Consortium's Catastrophic Self-Insurance Claims Pool for the 2022 Fiscal Year as follows:

1. During the 2013 Fiscal Year the Consortium established a Catastrophic Claims Reserve in the amount of $600,000 to help protect the Consortium from financial harm caused by

large dollar claimants as the Consortium increased the Specific Stop-Loss Insurance Deductible from $250,000 to $300,000.

2. Over the years, as the Consortium Board of Directors made the decision to accept more risk by periodically raising the stop-loss insurance deductible. In concert with those decisions, the Consortium Board of Directors also periodically increased the amount of funds held in the Catastrophic Claims Reserve as noted in the chart below:

			2013	2014	2015	2016	2017	2018	2019
Traditional Stop-Loss Insurance	Specific Stop-Loss Deductible		$300,000.00	$300,000.00	$400,000.00	$400,000.00	$450,000.00	$600,000.00	$600,000.00
	Stop-Loss Insurance Premiums	+	$592,381.65	$720,784.39	$642,080.30	$766,281.18	$738,819.42	$442,185.54	$693,190.30
	Stop-Loss Insurance Claims Paid	-	$292,967.64	$184,734.14	$125,880.36	$242,433.49	$8,294.21	$453,672.85	$29,295.28
	Insurance Company Admin. &	=	$299,414.01	$536,050.25	$516,199.94	$523,847.69	$730,525.21	($11,487.31)	$663,895.02
			2013	2014	2015	2016	2017	2018	2019
Catastrophic Claims Reserve	Beginning Balance	+	$0.00	$600,000.00	$606,898.00	$1,050,000.00	$1,050,000.00	$1,350,000.00	$2,000,000.00
	Initial/Annual Investment	+	$600,000.00	$6,898.00	$443,102.00	$0.00	$300,000.00	$650,000.00	$800,000.00
	Ending Balance	=	$600,000.00	$606,898.00	$1,050,000.00	$1,050,000.00	$1,350,000.00	$2,000,000.00	$2,800,000.00

3. On June 25, 2020, the Board of Directors approved Resolution 009-2020, effectively converting the Catastrophic Claims Reserve into a Self-Insurance Pool as the Board wanted to use this reserve fund to offset high-cost claims that reach a captive layer between $500,000 and the stop-loss policy deductible. Resolution 009-2020 stated that funds used to seed the Catastrophic Claims Reserve was the combination of the $4,500,000 which was set by Board resolution in the Catastrophic Claims Reserve on that date; and the $34,105 in interest earned on the funds in this account during the 2020 Fiscal Year.

4. For the 2021 Fiscal Year and going forward, Catastrophic Claims Reserve will be renamed to be the Catastrophic Claims Self-Insurance Pool and will be funded through the following process:

a) The Consortium's Stop-Loss Insurance budget line will be for a policy at the $600,000 level.
b) Any premium savings realized by purchasing a Stop Loss Insurance policy for a deductible higher than the $600,000 level will be credited to the pool from the general fund on an annual basis.
c) Any interest earned by the Catastrophic Claims Self-Insurance Pool fund will be credited to the pool on an annual basis.
d) The Executive Committee, on advice from Audit and Finance Committee, will consider changing the amount of the Catastrophic Claims Self-Insurance Pool at the start of the budget year. The information to be used in that determination shall include at least the following:

    i) an assessment of the level of risk this "pool" is covering;
    ii) an assessment of the amount of funds that have and will be withdrawn from the previous year's high-cost claim activity in the captive layer between $500,000 and the Stop-Loss policy deductible;
    iii) the projected year-end Unappropriated Fund Balance

The following represents calculation for the year 2020, 2021 and 2022:

GTCMHIC Catastrophic Claims Pool

	Actual FY 2020	Actual FY 2021	Estimate FY 2022
Beginning Balance	$ 4,500,000.00	$ 5,032,220.00	$ 4,642,294.20
Interest Income	$ 34,105.00	$ (19,009.15)	$ 23,211.47 *
Stop Loss Premium Savings $1M-$600K	$ 498,115.00	$ 434,450.00	$ 436,366.00
Catastrophic Claims between $500K and $1M	$ -	$ (805,366.65)	$ -
Year End Balance	$ 5,032,220.00	$ 4,642,294.20	$ 5,101,871.67
Pool change Year over year		$ (389,925.80)	$ 459,577.47

*per Budget 0.5% of balance

5. As stated in resolution 009-2020 and going forward, funds will be transferred out of the now Catastrophic Claims Self-Insurance Pool to the Consortium's general operating fund to reimburse any covered member's claims costs, per Excellus BlueCross BlueShield's Specific Stop Loss Report, which exceed $500,000 but are less than the Stop-Loss deductible during the specific stop-loss insurance policy period.

6. The only exception, if the Consortium opted for a lower stop-loss insurance deductible, will be for any specific claimants who would have had a "laser" attached to them. We will continue the practice of applying the lasered deductible to those individuals. For example, if an individual has a laser deductible of $750,000, we will not utilize or transfer any funds from the Catastrophic Claims Self-Insurance Pool until that individual were to incur claims above $750,000, but less than the Stop Loss deductible.

7. To trigger the claims transfer, said claims must be incurred during that claim's Calendar Year and must be paid in the Calendar Year and the first 3-months of the subsequent Calendar Year.

8. Any fund transfers from the Catastrophic Claims Self-Insurance Pool to the Consortium's general operating fund will occur no more frequently than on a quarterly basis and/or no less than once per year with the timing of said transfers occurring as directed by the Consortium's Chief Fiscal Officer.

9. Each year the GTMCHIC Board of Directors will review this policy as part of the overall budget process to ensure it continues to meet the needs of the Consortium.

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Long-Term Planning

Ms. Drake said she would like the Committee to discuss areas within the outline and said the areas of Financial and Marketing areas were included in the agenda packet to begin with. She also suggested the May 4th meeting of the Committee be an in-person meeting. There was general support for an in-person meeting with a suggestion made to explore looking at a park.

Mr. Bunce arrived at this time.

A. <u>Financial</u>
   1. Ongoing Risk Assessment
   2. Growth/Expansion Expectations

Ms. Drake said a goal needs to be set as to what growth/expansion looks like from a number standpoint, noting there are two ways to measure growth: number of participants and number of contracts.

Ms. Dowd provided a brief overview of the history of how the Consortium has grown since it began. She said each year there is usually minimal percentage growth by total number of lives covered under the Plan. There are currently 6,303 lives covered (this includes the member, their spouse, and dependents). She said the Consortium has typically grown one percent or less each year; the years where there has been significant growth was in 2013 when the City of Cortland joined and in 2019 when Seneca County joined. The average number of contracts in 2021 was 3,035 which was very close to 2020. In looking at total participants (municipalities), there was an increase of 15% in 2013, 40% in 2017 and 25% in 2019, and 8.2% this year. Although the number of participants is higher, the Consortium is not significantly increasing the number of lives being added to the total contract count. Ms. Dowd recommended talking about the number of contracts when looking at growth and articulating growth.

Mr. Salton spoke of the impact on revenue the migration of subscribers from large employers to the Platinum Plan is having. He asked what would happen if a large employer decided to do something such as move to the Gold Plan and self-fund the out-of-pocket out of their budget. He said this is what the Village of Cayuga Heights is doing and expects could happen at some point with a large employer. Ms. Dowd responded that the Consortium has already seen the migration of retirees from Tompkins County to the Medicare Supplement Plan, which is one reason why the budget for 2022 is being amended. She stressed the importance in looking at both sides of the budget, including how these changes will impact claims, and said this is something Locey and Cahill continue to help the Consortium monitor and track. She said as the Consortium sees premiums decrease, it is a good time to talk about how the Consortium is increasing the whole pool so it only experiences a small percentage of decrease when there is movement by a large number of members.

Mr. Hart spoke to Mr. Salton's comments and said he thinks it would be interesting to run the numbers on a large employer in the Consortium moving to the Gold Plan. He said although it is very unlikely to happen, he thinks this would fall under the stress test concept of what would happen to the finances of the Consortium if a major unexpected event were to happen. He said this would be good information to have when others suggest that the Consortium is over-reserved or that fund balances are too high. He said he doesn't think the Consortium is funded nearly enough as an organization for the potential premium shocks that could come over the next decade.

Mr. Pelton said Locey and Cahill could easily go through this exercise. It was suggested that they use Seneca County and produce a scenario with them moving to the Gold Plan and showing the impact it would have on both the premium and expense side of the budget. Ms. Hart suggested the analysis also project forward how big reserves would need to be if that occurred in any single year over the next ten years in order for the Consortium to never see more than a five percent premium increase for the next twenty years.

Ms. Drake asked if there is consensus when talking about growth and expansion as a marketing effort, that the appropriate measurement tool is the number of contracts versus the number of municipal participants and what the goal for growth should be over the next ten years.

Mr. Shattuck noted the areas of finance and marketing in this case tie together. He said while he agrees there could be a chance of volatility but it is the only place where you could markedly increase the number of covered lives. Ms. Drake said if the Consortium brought in a large group such as a county they would come into a metal plan; there would not be another situation where a large group of members moved from an indemnity-type plan to the Platinum Plan.

Mr. Hart noted the Consortium could grow by both contracts and/or participants. He said as you look at what is going on with medical providers in the area competing for geographic position, all things matter when it comes to pricing power. He thinks any growth is good but covered lives is the better overall metric. However, since the Consortium has no control over this, municipal participants should be added as another measure to look at.

Ms. Drake said one of the things that can be looked at is what is a reachable and smart goal for the Consortium to have as parameters are being set.

There was consensus that there is a desire for the Consortium to grow and to set a growth target based on both the number of contacts and the number participants.

Ms. Dowd spoke of the Consortium growing into new regions and looking at pricing within new regions. She said the Consortium doesn't have enough contracts at this time to go to a regional pricing model but when the Consortium grows to a number such as 1,000 covered lives in each county this type of thing can be looked at.

Ms. Drake addressed the ongoing risk assessment and "how to articulate that risk going forward", including what data to use going forward, the Consortium's data or industry data, and what tools are in place to make sure make sure the Consortium's claims don't outpace its premiums.

Ms. Dowd said there are some tools in place and this is something that continues to be looked at in financial reports. The ongoing analysis of the claims experience is what Locey and Cahill looks closely at and includes not only the total cost but the fluctuations and why they are occurring is an important piece of the equation. Mr. Pelton agreed and said they will continue their modeling on a covered life per month basis; he further stated it is important to monitor the fluctuations that happen when there is movement of members to different plans as well as when new members enter the plan.

Ms. Drake said from the comments made there are two measurements that are already happening: the paid claims per covered life and a new project that includes what happens if large groups shift plans the way that has happened from 2021-2022. She asked if having enough fund balance would also be included in the risk category. Mr. Hart said it is not possible to quantify all risk but having an idea of where risks lie and what the financial impact would be then a discussion could take place on numbers and how to defend against those risks.

Mr. Shattuck spoke of the importance of the Rate Stabilization Reserve and said when new members approach the Consortium they want to know the rates have remained stable. Ms. Holmes said municipalities typically operate within a unionized environment and said information on when contract terms and expiration dates can be part of identifying risk. Ms. Drake said it is important to maintain good relationships with municipalities and provide them with the tools they need during negotiations.

Mr. Hart said another risk to consider would be what if a large municipality decided to leave the Consortium.

Mr. Pelton said another tool that would be helpful would be a listing of all municipalities and any labor contracts, along with when they are due to be negotiated. Ms. Dowd said a list was just compiled that identifies all of the labor groups within municipalities in the Consortium.

B. Marketing

Ms. Dowd said ideally, it would be good to try to continue the model that started in Tompkins County whereby many of the municipalities and the County came in together; however, if that isn't possible she said from an administrative standpoint it would make sense to aim towards large municipalities as they would provide the most benefit by increasing the risk pool and would secure additional premiums.

Ms. Holmes agreed with Ms. Drake that it may take many attempts over time to bring a municipality in and questioned who in the past within a municipality the Consortium has marketed (administration, finance, human resources). Ms. Dowd said the Consortium hasn't done a lot of specific target marketing but up to this point has typically worked with the Chief Elected Official; once more interest was expressed the administrative staff from the municipality has been brought in.

Ms. Drake spoke of how elections can result in turnover and said it is important to have constant education and an effort to remarket to existing municipalities to ensure the Consortium doesn't lose existing members. She said what is marketed to a large group is different from a small group and suggested what is presented to these two groups can be different. She asked if there should be efforts to reach out to the new territory.

Mr. Shattuck spoke of upcoming meetings he will be attending and said he will be discussing the Consortium. He gave this as an example of how elected officials can speak to others and share and promote the Consortium. Ms. Dowd agreed and said staff is updating materials that members can take and share at these types of meetings. Ms. Holmes suggested continuing to utilize members and the various positions they hold within their municipality and the connections they have within the region to help make personal connections.

Mr. Mutchler said when the Town of Scipio joined the Consortium in 2017 it saved $13,000 which was substantial for a municipality that had only a few employees. He said he has had conversations with other municipalities and agreed with earlier comments that elections may be a factor and changes in leadership may provide new opportunities.

Ms. Drake said another question is what to do with municipalities that want to come in but want to bring in a number of plans. Although the Consortium wants them to join, there needs to be discussion and consideration of what limitations should be in place, such as how many plans they may have. Ms. Dowd said Locey and Cahill has recommended that small groups with under 50 employees come in and have only one plan; anything other than that is not cost effective from an administrative standpoint. She said it also comes down to looking at adverse selection and making sure plans and premiums remain competitive.

Ms. Dowd commented that counties that have a strong Council of Governments in place is helpful as every group within a county can hear the message at once. Ms. Drake said as time moves away from Covid there may be opportunities to schedule in-person events where information can be presented.

Mr. Hart said the Consortium doesn't have a lot of experience marketing because decisions haven't been made on how to handle growth. If there is a sense of how fast the Consortium should grow and what reserving needs to look like it does become more of an approach of targeting those municipalities that would be quicker to join. While he thinks larger municipalities should be targeted there are small groups that could be brought in to achieve a regular growth rate over time.

Ms. Drake asked if members felt it makes sense to get in front of groups or organizations that work with municipalities on a regular basis.

Ms. Drake spoke to premium rating and said she has always questioned whether the premiums are where they should be and whether they are covering the full cost which would involve a full actuarial study. She specifically would like to know as more members move to the Platinum Plan if the current rate is covering expenses. She said if it is determined that premiums have to be changed it will be important to know strategically how that would be done.

Ms. Drake would like to have discussion of the premium rate structure as the Consortium continues to market and is faced with not reaching some of the municipalities because they have different rate structures in place such as two-person. This also comes back to having an actuarial assessment of premiums. Mr. Mutchler said he would like to see information on two-person rates.

Ms. Drake asked what resources the Committee feels it needs that could provide education of what the Committee should be looking at.

Mr. Shattuck said the federal government supported the health care industry during Covid and said it is possible when those funds go away there will be increased costs that end up coming back to the health insurance industry. He referenced information that was given to the Consortium in the past from Cayuga Medical Center on new diseases, treatments, and cures, and said these things could change rates at any time. Ms. Drake said this raises the issue of whether to bring in outside resources to assist the Committee. She asked that members provide feedback on how they feel the Committee is progressing through this long-term planning.

Next Meeting

At the next meeting the Committee will discuss:

- premium rate structure (individual/family/tier structure);
- actuarial assessment or premiums; and
- marketing

Adjournment

The meeting adjourned at 5:01 p.m.