

**GREATER TOMPKINS COUNTY MUNICIPAL
HEALTH INSURANCE CONSORTIUM**

Ithaca, New York

FINANCIAL REPORT

**For the Years Ended
December 31, 2020 and 2019**



Certified Public Accountants | Business Advisors

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Greater Tompkins County Municipal Health Insurance Consortium
Ithaca, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the Greater Tompkins County Municipal Health Insurance Consortium (the Plan or Consortium) as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Greater Tompkins County Municipal Health Insurance Consortium as of December 31, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-4o be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Plan's basic financial statements. The Schedules of Changes in Net Position and Claim Development Information on pages 15-16a are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedules of Changes in Net Position and Claim Development Information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules of Changes in Net Position and Claim Development Information are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2021 on our consideration of the Greater Tompkins County Municipal Health Insurance Consortium's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
April 21, 2021

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2020 AND 2019

The following Management's Discussion and Analysis (MD&A) provides a comprehensive overview of the financial position of the Greater Tompkins County Municipal Health Insurance Consortium (the Plan) as of December 31, 2020 and 2019, and its results of operations for the years then ended. Because the MD&A is designed to focus on current operations, it should be read in conjunction with the audited financial statements and related footnotes.

Financial Highlights

For the year ended December 31, 2020, the Plan's net position increased by \$672,166. For the year ended December 31, 2019, the Plan's net position increased by \$3,684,251. For the year ended December 31, 2018, the Plan's net position increased by \$319,806. Increases in net position are mainly attributable to an excess of revenues received over claims and claims administrative expenses.

The Plan's net position consists of the following:

	2020	2019	2018
Restricted for Contingency Reserve	\$ 2,409,497	\$ 2,514,837	\$ 2,120,085
Catastrophic Claims Reserve	5,032,220	2,800,000	2,000,000
Rate Stabilization Reserve	3,391,769	2,184,812	2,100,000
Unrestricted - Undesignated Net Position	<u>15,166,694</u>	<u>17,828,365</u>	<u>15,423,678</u>
Total Net Position	<u>\$ 26,000,180</u>	<u>\$ 25,328,014</u>	<u>\$ 21,643,763</u>

A summary of operating and nonoperating revenues and expenses follows:

	2020	2019	2018
Premiums	\$ 48,189,940	\$ 50,296,736	\$ 42,401,705
Nonoperating Revenues - Interest Earnings	266,205	456,386	21,938
Nonoperating Revenues - Unrealized Gain	56,800	8,715	
Nonoperating Revenues - Other	4,535		
Total Revenues	<u>48,517,480</u>	<u>50,761,837</u>	<u>42,423,643</u>
Operating Expenses	47,653,672	46,361,258	40,738,584
Nonoperating Expenses		10,895	1,390
Total Expenses	<u>47,653,672</u>	<u>46,372,153</u>	<u>40,739,974</u>
Adjustment for Incurred But Not Reported Claims	<u>(191,642)</u>	<u>(705,433)</u>	<u>(1,363,863)</u>
Increase in Net Position	<u>\$ 672,166</u>	<u>\$ 3,684,251</u>	<u>\$ 319,806</u>

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2020 AND 2019

Financial Statement Overview

The financial statements of the Greater Tompkins County Municipal Health Insurance Consortium have been prepared in accordance with accounting principles generally accepted in the United States of America, and related standards prescribed by the Governmental Accounting Standards Board (GASB).

The financial statements presented include Statements of Net Position; Statements of Revenues, Expenses, and Changes in Net Position; and Statements of Cash Flows. These statements provide information about the Plan's financial position, its results of operations, and cash flows for the periods presented.

The Statements of Net Position are similar to a balance sheet in that they include the Plan's assets and liabilities. Unlike a balance sheet, liabilities are subtracted from total assets to present what is referred to as "net position."

The Statements of Net Position classify all assets and liabilities as either current or noncurrent. Current assets are assets that will be recognized within the following twelve months. Similarly, current liabilities are those obligations that will be liquidated within the following twelve months. Over time, changes in net position may indicate strength or deterioration in the Plan's financial position.

The Statements of Revenues, Expenses, and Changes in Net Position reflect all operating and nonoperating revenues and expenses for the periods presented, the change in net position based on those revenues and expenses, any adjustments to net position, and beginning and ending net position. Revenue is reported in this statement when it is earned, and expenses are recorded when the obligation has been incurred.

The Statements of Cash Flows provide information on major sources and uses of cash during the year. The cash flow statement portrays net cash provided or used in operations, investing, capital, and noncapital financing activities.

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2020 AND 2019

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, 2020, 2019, and 2018. The following table reflects, in summary, the financial position of the Plan at December 31,:

	2020	2019	2018
Current Assets	\$ 16,087,981	\$ 18,295,478	\$ 16,554,798
Noncurrent Assets	17,423,808	13,784,629	10,509,101
Total Assets	<u>33,511,789</u>	<u>32,080,107</u>	<u>27,063,899</u>
Current Liabilities	7,511,609	6,752,093	5,420,136
Total Liabilities	<u>7,511,609</u>	<u>6,752,093</u>	<u>5,420,136</u>
Net Position	<u>\$ 26,000,180</u>	<u>\$ 25,328,014</u>	<u>\$ 21,643,763</u>

The increases in total assets are mainly due to the Plan's operating results and additional funding of the reserves. The increases in current liabilities are primarily due to increased unearned premiums.

Statements of Revenues, Expenses, and Changes in Net Position

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

Revenue Overview

	2020	2019	2018
Premiums	\$ 48,189,940	\$ 50,296,736	\$ 42,401,705
Interest Earnings	266,205	456,386	21,938
Unrealized Gain	56,800	8,715	
Nonoperating Revenues - Other	4,535		
Total Revenues	<u>\$ 48,517,480</u>	<u>\$ 50,761,837</u>	<u>\$ 42,423,643</u>

The decrease in premium revenue for 2020 is primarily the result of the waiving of one month of premiums to be more closely aligned with actual medical claims expense. Premiums from four new municipalities were added in 2020. The increases in premium revenues for 2019 and 2018 are primarily the result of the addition of municipalities participating in the Plan along with premium increases necessitated by the rising cost of health care. The decrease in interest earnings in 2020 is mostly due to decreased interest rates. The increases in interest earnings in 2019 and 2018 are the result of maintaining additional cash balances in interest earning bank accounts each year as well as the addition of investments for 2019, which led to the recognition of unrealized gains for 2019 and additional interest income. The current year increase in unrealized gains is a result of market conditions.

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2020 AND 2019

Expense Overview

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

	2020	2019	2018
Claims Expense	\$ 44,913,878	\$ 43,340,299	\$ 38,991,995
Salaries and Benefits	208,209	121,481	
Reinsurance Expenses, Net of Recoveries	234,193	641,621	(10,448)
Insurance	43,612	40,114	33,139
Claims Administrative Fees	1,616,236	1,468,608	1,169,230
Aggregate Write-ins for Other Expenses	637,544	749,135	554,668
Other Expenses		10,895	1,390
Total Expenses	<u>\$ 47,653,672</u>	<u>\$ 46,372,153</u>	<u>\$ 40,739,974</u>

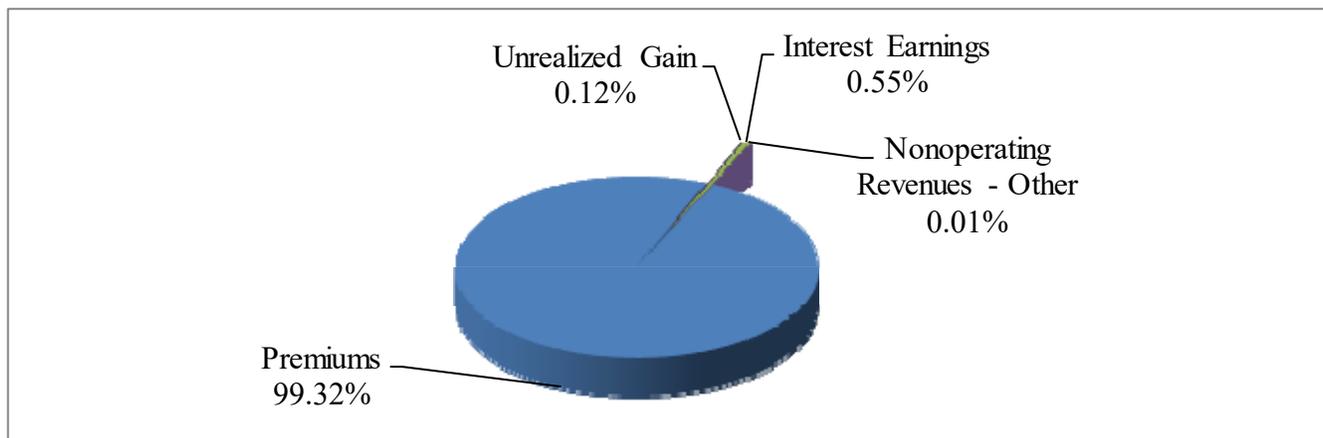
The increases in claims expense are primarily a result of increased insurance claims paid for participating municipality employees and the addition of new participating municipalities into the Plan. The increase in claims administrative and other expenses is primarily due to increased costs associated with adding new municipalities into the Plan. The changes in reinsurance are primarily due to timing of reimbursement payouts and the cost of reinsurance.

Schedules of Changes in Net Position

The Schedules of Changes in Net Position represent the changes in Plan reserves, incurred claims, and unrestricted net position for the years ended December 31, 2020 and 2019.

The following are graphic illustrations of revenues by source:

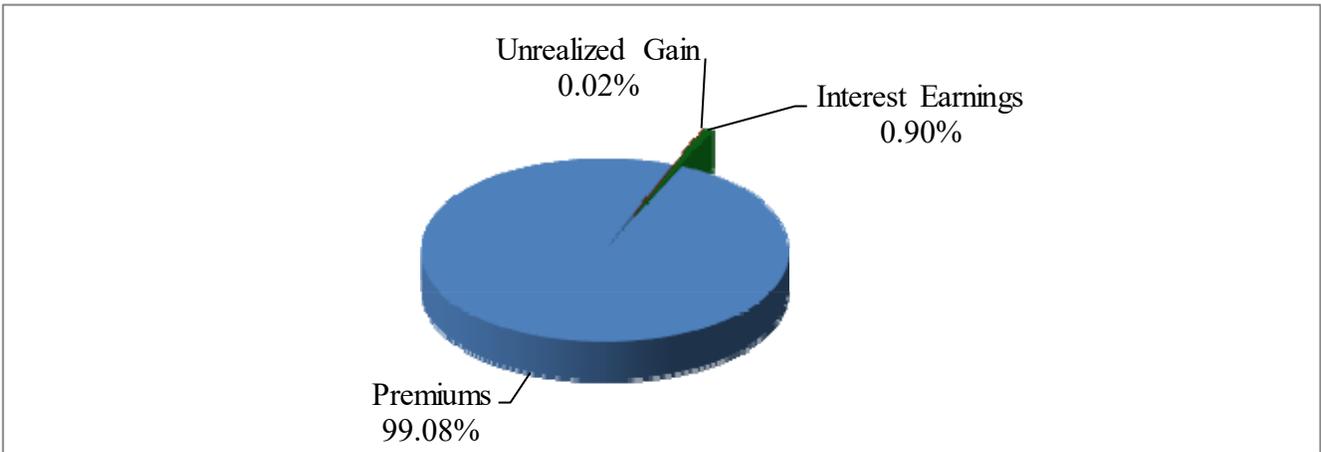
**Sources of Revenue
2020**



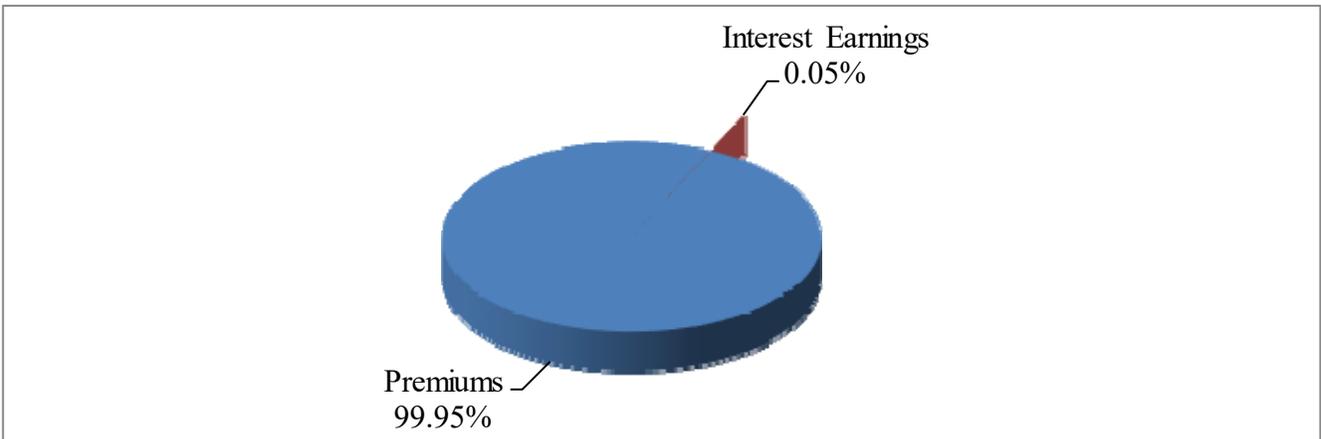
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020 AND 2019**

**Sources of Revenue
2019**



**Sources of Revenue
2018**

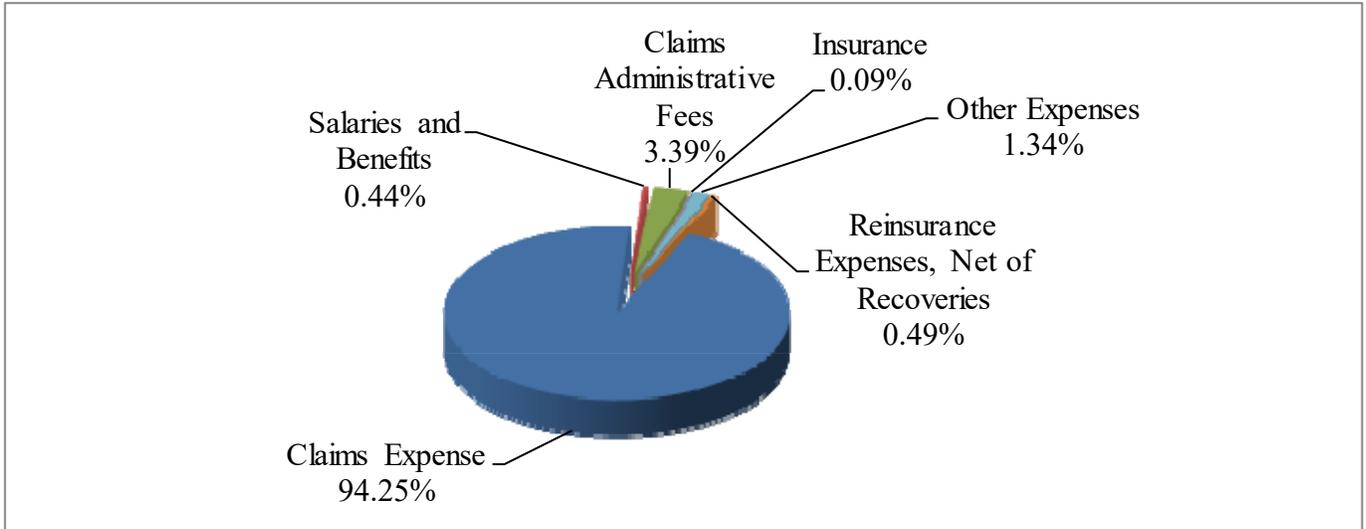


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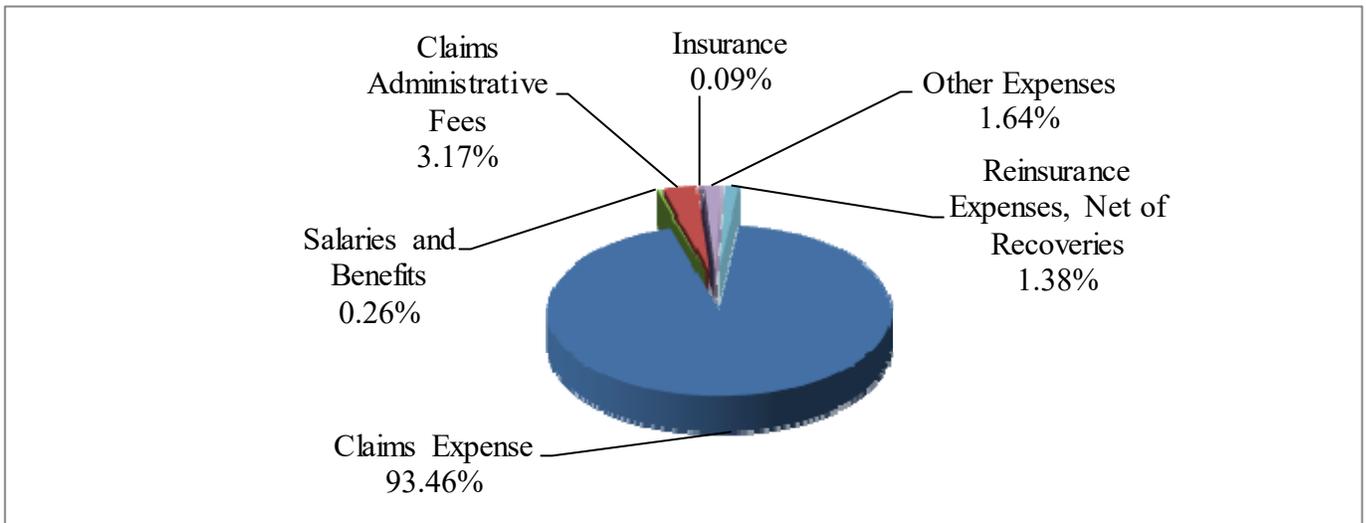
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020 AND 2019

The following are graphic illustrations of operating expenses by source:

Operating Expenses 2020



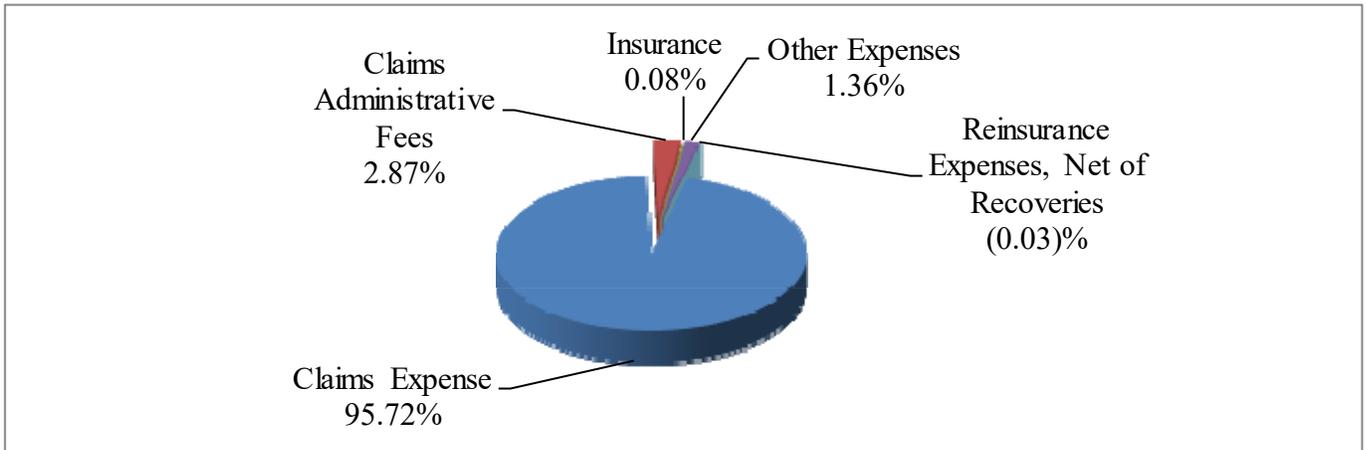
Operating Expenses 2019



GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2020 AND 2019

Operating Expenses 2018



Economic Factors Affecting the Future

COVID-19 Pandemic

The ongoing COVID-19 (coronavirus) pandemic has had a major impact on all of us and the Consortium's operations during the 2020 Fiscal Year were no exception. With the onset of the pandemic, the Consortium started to see the impact the pandemic had on the medical community when physicians and hospitals cancelled or delayed non-critical and/or non-essential appointments and/or procedures. These actions resulted in a noticeable downturn in the paid claims of the Consortium as noted in the following chart:

Medical Plan Claims Budget		\$37,198,413.76			
Date	Monthly Budgeted Claims	Monthly Actual Paid Claims	Cumulative Budgeted Claims	Cumulative Actual Paid Claims	% Difference
Jan-20	\$3,099,867.81	\$2,907,506.99	\$3,099,867.81	\$2,907,506.99	-6.21%
Feb-20	\$3,099,867.81	\$2,581,412.07	\$6,199,735.63	\$5,488,919.06	-11.47%
Mar-20	\$3,099,867.81	\$2,747,771.34	\$9,299,603.44	\$8,236,690.40	-11.43%
Apr-20	\$3,099,867.81	\$2,389,246.06	\$12,399,471.25	\$10,625,936.46	-14.30%
May-20	\$3,099,867.81	\$2,131,515.78	\$15,499,339.07	\$12,757,452.24	-17.69%
Jun-20	\$3,099,867.81	\$2,128,414.82	\$18,599,206.88	\$14,885,867.06	-19.97%
Jul-20	\$3,099,867.81	\$3,109,442.72	\$21,699,074.69	\$17,995,309.78	-17.07%
Aug-20	\$3,099,867.81	\$2,657,196.85	\$24,798,942.50	\$20,652,506.63	-16.72%
Sep-20	\$3,099,867.81	\$2,718,618.64	\$27,898,810.32	\$23,371,125.27	-16.23%
Oct-20	\$3,099,867.81	\$3,562,407.31	\$30,998,678.13	\$26,933,532.58	-13.11%
Nov-20	\$3,099,867.81	\$2,752,585.94	\$34,098,545.94	\$29,686,118.52	-12.94%
Dec-20	\$3,099,867.81	\$3,140,277.58	\$37,198,413.76	\$32,826,396.10	-11.75%
Totals	\$37,198,413.76	\$32,826,396.10			

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2020 AND 2019

The Consortium finished the 2020 Fiscal Year approximately \$4.37 million below budget in hospital, medical, and surgical paid claims. This much lower than expected paid claims result created a substantive increase in the Consortium's unencumbered or unrestricted fund balance position.

In response to this better than anticipated result in the paid claims, the Board of Directors agreed to forego the billing and payment of the monthly premiums for the month of December 2020. While this action reduced the overall revenue of the Consortium, it maintained the unencumbered or unrestricted fund balance at a level near what it was at the close of the 2019 Fiscal Year.

Looking forward, the Consortium feels it is well positioned from a reserve and overall asset position to deal with the anticipated impact some compression on the hospital, medical, and surgical claims will likely have in the short-term. 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 possible "hyper-inflation" which may occur as the medical community looks 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 manner.

Specific Stop-Loss Insurance

The Catastrophic Claims Reserve was initially established during the 2014 Fiscal Year at approximately \$600,000 to create a reserve fund designed to protect the Consortium's financial integrity when the specific stop-loss risk retention (deductible) was increased from \$250,000 to \$300,000. Over the years, to manage the annual increase in the specific stop-loss insurance premium expense, the Consortium Board has steadily and regularly increased the specific deductible. Each time the deductible has been raised the Board, in response to the increase in risk, has also augmented the Catastrophic Claims Reserve to provide additional cash flow protection to the Consortium.

Specifically, for the 2020 Fiscal Year, the Board of Directors approved a specific stop-loss insurance policy which included a standard deductible of \$1,000,000 and one separate or "laser" deductible of \$1,200,000. "Laser" deductibles are placed on covered members who present a substantially higher-level risk as determined by a review of their medical claims history and their prognosis. Based on the risk associated with this higher standard deductible and the presence of two individual "laser" deductibles of \$1 million and \$1.2 million, the Board of Directors made the decision to increase the Catastrophic Claims Reserve by another \$1,700,000, bringing the reserve balance up to \$4,500,000. An additional \$532,220 was added to this Reserve to recognize the difference (\$498,115) between the 2020 budgeted amount for stop-loss insurance premium and the actual paid premium for the year, and the interest income earned on this Reserve (\$34,105); thus, the total for the Catastrophic Claims Reserve at year-end was \$4,500,000. An additional \$532,220 was added to this Reserve to recognize the difference (\$498,115) between the 2020 budgeted amount for stop-loss insurance premium and the actual paid premium for the year, and the interest income earned on this Reserve (\$34,105); thus, the total for the Catastrophic Claims Reserve at year-end was \$5,032,220.

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2020 AND 2019

As part of the 2020 budget deliberations, the Consortium's Audit & Finance Committee reviewed multiple specific stop-loss insurance quotations. The Committee reviewed the complete history of large loss claimants (covered members with total annual claims greater than \$100,000). In addition, the Committee reviewed various specific stop-loss insurance quotes at varying deductible levels. Based on this review, the Committee recommended to the Board of Directors that they approve a specific stop-loss insurance policy with a standard deductible of \$1,000,000 and a "laser" deductible of \$1,200,000 on one covered member.

In addition, as part of the overall budget process, the Consortium established a Catastrophic Self-Insurance Pool which converted the Catastrophic Claims Reserve into a fund which will be used to cover paid losses for covered members who have paid claims expenses which exceed \$500,000 up to the specific stop-loss insurance deductible of \$1,000,000. The only exceptions to this payment are the two claimants who would have had a "laser" deductible placed on them at \$1.0 million and \$1.2 million, respectively.

In addition to the funds from the Catastrophic Claims Reserve, this Pool will be further funded with the variance between the budgeted premium for a specific stop-loss insurance policy at the \$600,000 deductible level and with the interest earned on the Pool each year.

For the 2020 Fiscal Year, this collective decision resulted in the lowering of the budgeted specific stop-loss insurance premium expense by approximately \$500,000 and the Consortium did not incur any claims which needed to be paid by the Pool. As a result of this positive outcome, the Consortium has chosen to continue this strategy for the 2021 Fiscal Year. Please refer to the chart on the following page for a summary of the 2020 Fiscal Year Results:

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2020 AND 2019

		2020 Fiscal Year
Budgeted Premium	\$600,000 Deductible	\$762,505.96
Actual Premium Paid	\$1,000,000 Deductible	\$264,390.72
Premium Savings		\$498,115.23
Member #000001179452	Deductible	\$1,000,000.00
	Actual Claims Paid	\$798,198.02
	Catastrophic Claims Pool	\$0.00
Member #	Deductible	\$500,000.00
	Actual Claims Paid	
	Catastrophic Claims Pool	\$0.00
Member #	Deductible	\$500,000.00
	Actual Claims Paid	
	Catastrophic Claims Pool	\$0.00
Member #	Deductible	\$500,000.00
	Actual Claims Paid	
	Catastrophic Claims Pool	\$0.00
Member #	Deductible	\$500,000.00
	Actual Claims Paid	
	Catastrophic Claims Pool	\$0.00
Net Impact on Fund Balance		\$498,115.23

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 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 2020 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. This action has reduced the Consortium's expenses by approximately \$70,000 per annum.

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2020 AND 2019

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 \$3,391,769 at the close of the 2020 Fiscal Year. With the positive results for the 2020 Fiscal Year and in recognition of some of the additional risk the Consortium was taking on, the Board of Directors agreed to continue to set the Rate Stabilization Reserve at 7.5% of the expected paid claims for the 2021 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 2020 Fiscal Year was 5.48%. 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 credible data demonstrating the IBNR Reserve at 12% is very conservative and amply protects the Consortium for its claims' liabilities.

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2020 AND 2019

Patient Protection and Affordable Care Act

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 which is now expected to be in place through the 2029 Fiscal Year. A history of this fee is provided below:

Policy End Date	Applicable Fiscal Year	Filing Deadline	Payment Fiscal Year	PCORI Rate (Per Life)	% Increase	Average Annual Covered Lives	Annual Fee
12/31/2012	2012	7/31/2013	2013	\$1.00	n/s	4,448	\$4,448.00
12/31/2013	2013	7/31/2014	2014	\$2.00	100.00%	5,126	\$10,252.46
12/31/2014	2014	7/31/2015	2015	\$2.08	4.00%	5,015	\$10,431.20
12/31/2015	2015	7/31/2016	2016	\$2.17	4.33%	5,024	\$10,902.08
12/31/2016	2016	7/31/2017	2017	\$2.26	4.15%	5,063	\$11,442.38
12/31/2017	2017	7/31/2018	2018	\$2.39	5.75%	5,172	\$12,361.08
12/31/2018	2018	7/31/2019	2019	\$2.45	2.51%	5,201	\$12,742.45
12/31/2019	2019	7/31/2020	2020	\$2.57	5.00%	6,174	\$15,882.62
12/31/2020	2020	7/31/2021	2021	\$2.70	5.00%	6,344	\$17,135.94
12/31/2021	2021	7/30/2022	2022	\$2.84	5.00%	6,344	\$17,992.73
12/31/2022	2022	7/30/2023	2023	\$2.98	5.00%	6,344	\$18,892.37
12/31/2023	2023	7/30/2024	2024	\$3.13	5.00%	6,344	\$19,836.99
12/31/2024	2024	7/30/2025	2025	\$3.28	5.00%	6,344	\$20,828.84
12/31/2025	2025	7/30/2026	2026	\$3.45	5.00%	6,344	\$21,870.28
12/31/2026	2026	7/30/2027	2027	\$3.62	5.00%	6,344	\$22,963.79
12/31/2027	2027	7/30/2028	2028	\$3.80	5.00%	6,344	\$24,111.98
12/31/2028	2028	7/30/2029	2029	\$3.99	5.00%	6,344	\$25,317.58

* PCORI Fee Estimates Use Current Average Covered Lives Count of 6,344

** Red Font = Estimated Values

In addition to the ACA PCORI Fee, during the 2014, 2015, and 2016 Fiscal Years, the Consortium was subject to the ACA Transitional Reinsurance Program Fee. This ACA Transitional Reinsurance Program Fee has now sunset.

The Board of Directors is monitoring the effects of the continuation of some of the Patient Protection and Affordable Care Act. Although ACA fees have declined substantially with the sunset of the Transitional Reinsurance Program, the Board is actively monitoring its position relative to any changes which could negatively impact the finances of the Consortium.

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2020 AND 2019

Escalating Cost of Prescription Medications

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 prescription filled for 2020 was \$147.94 as compared to five (5) years earlier in 2016 when the average cost was \$95.03 per prescription filled according to ProAct, Inc. This equates to a 5-year increase of approximately 57%. These increases are present across all tiers of medications with significant growth in specialty pharmaceuticals purchased by covered members. In fact, over this same 5-year period, specialty medications went from 34.55% of the plan spend to 47.93% of the plan spend. This increase was a combination of an increase in average cost of approximately 34.5% per prescription and an increase of more than 35% in the number of prescriptions filled during this same 5-year window in time. This increase in expense is somewhat countered by an increase in prescription drug rebates passed through to the Consortium by our Prescription Benefits Manager, Proact. During the 2020 Fiscal Year, the total prescription drug rebates received totaled approximately \$1.98 million, which equals approximately 14.2% of the prescription drug claims paid for the year.

In 2017, the Board of Directors approved CanaRx as an international pharmacy for covered members to use for brand name maintenance medications. The approved medication list is contained on the CanaRx formulary, which is managed by the Consortium in conjunction with its Prescription Benefit Manager (PBM) ProAct, Inc. Subscribers contract directly with CanaRx for their prescriptions which are shipped from countries which include, but may not be limited to Canada, the United Kingdom, New Zealand, and Australia. These pharmaceuticals have no copayment associated with them and can save the Consortium substantive dollars in cost as compared to the same drugs dispensed by pharmacies located in the United States of America.

The Board will continue to work with ProAct, Inc. and its other advisors to try and mitigate the rate of growth in this area while maintaining the benefits guaranteed to employees and retirees pursuant to their various labor agreements, personnel policies, and legislative resolutions.

Continued Growth

In 2010, the Greater Tomkins 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. The Consortium has seen its list of municipal partners grow from its original thirteen (13) members to forty-three (43) municipal partners at the close of the 2020 Fiscal Year.

In the fall of 2019, the Consortium approved four (4) new municipal partners that began coverage in 2020: The Towns of Horseheads and Spencer, the Village of Watkins Glen, and the Lansing Library.

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2020 AND 2019

Board of Directors and Consortium Staffing

In 2018, the Board of Directors approved the creation of a new full time Executive Director position for the Consortium. After a comprehensive search, a new director (Elin Dowd) was hired in April of 2019 and commenced work for the Consortium. Other positions created in 2019 included a full-time administrative assistant position and the direct hiring of a part time Clerk of the Board who had previously served as a consultant. Even with these additional overhead expenses, the Consortium continues to operate at an extremely efficient level with 93.51% of all expenses going directly to cover claims expenses.

With the commencement of securing in house staff to effectively manage the business of the Consortium efforts are ongoing to review the dynamic of responsibilities placed on employees and when to secure value added services from consultants or related service contracts. Towards that end the Operations Committee reviewed and approved a new staffing plan with the Executive Director in 2020 to have four staff members in place by the end of 2021. These positions would include the Executive Director, a full time Clerk of the Board, a Finance Manager, and a part-time benefit specialist. The full-time administrative assistant position will remain unfilled. Hiring a Finance Manager will allow responsibilities for accounting and finance to transition away from the Tompkins County contracted staff members to the Consortium employees.

In 2020, the Board of Directors approved an amended Municipal Cooperative Agreement that would change the governance model to include putting additional responsibilities on an Executive Committee comprised of up to 15 members. The newly expanded Executive Committee to commence January 2021 will conduct business according to its bylaws within its delegated authority, subject to approval and/or ratification of its actions at the next scheduled Board meeting, manage the Consortium between meetings of the Board, subject to such approval by the Board, establish administrative guidelines for the efficient operation of the Consortium and take all necessary action to ensure the Consortium is operated and administered in accordance with the laws of the State of New York. Under this new model of governance, the Board of Directors will only meet two times per year to approve any benefit plan changes, premium levels, elect officers, and approve the annual budget. To keep Board members engaged throughout the year additional work will take place at the committee level and both the Nominations and Engagement and the Claims and Appeals Committees have been expanded to include additional responsibilities.

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2020 AND 2019

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 \$443,164 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 were below the prior year. 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.

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 5-year average increase is a very modest 4.8%.

Contacting the Plan's Financial Management

This financial report is designed to provide the Plan's member municipalities, Plan participants, and other stakeholders with a general overview of the Plan's finances and to demonstrate the Plan's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Greater Tompkins County Municipal Health Insurance Consortium, at 215 N Tioga Street, Ithaca, New York, 14850.

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM

STATEMENTS OF NET POSITION DECEMBER 31,

	2020	2019
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 8,343,168	\$ 11,304,684
Unrestricted Investments	7,686,088	6,340,983
Accrued Interest	58,725	141,159
Accounts Receivable - Stop Loss and Drug Rebates	-	380,746
Premiums Receivable	-	127,906
Total Current Assets	16,087,981	18,295,478
OTHER ASSETS		
Noncurrent Assets		
Premium Claims Deposit	761,400	647,700
Restricted Investments	16,662,408	13,136,929
Total Noncurrent Assets	17,423,808	13,784,629
Total Assets	33,511,789	32,080,107
LIABILITIES		
Current Liabilities		
Incurred Claims Liability	5,828,922	5,637,280
Accounts Payable	610,385	605,015
Unearned Premiums	1,072,302	509,798
Total Current Liabilities	7,511,609	6,752,093
Total Liabilities	7,511,609	6,752,093
NET POSITION		
Restricted		
Restricted for Contingency Reserve - §4706(a)(5)	2,409,497	2,514,837
Unrestricted - Board Designated		
Catastrophic Claims Reserve	5,032,220	2,800,000
Rate Stabilization Reserve	3,391,769	2,184,812
Total Unrestricted - Board Designated	8,423,989	4,984,812
Unrestricted - Undesignated	15,166,694	17,828,365
Total Net Position	\$ 26,000,180	\$ 25,328,014

See Notes to Financial Statements

***GREATER TOMPKINS COUNTY MUNICIPAL
HEALTH INSURANCE CONSORTIUM***

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31,**

	<u>2020</u>	<u>2019</u>
Operating Revenues		
Premiums	<u>\$ 48,189,940</u>	<u>\$ 50,296,736</u>
Total Operating Revenues	<u>48,189,940</u>	<u>50,296,736</u>
Operating Expenses		
Claims Expense	44,913,878	43,340,299
Salaries and Benefits	208,209	121,481
Reinsurance Expenses, Net	234,193	641,621
Insurance	43,612	40,114
Claims Administrative Fees	1,616,236	1,468,608
Aggregate Write-ins for Other Expenses	<u>637,544</u>	<u>749,135</u>
Total Operating Expenses	<u>47,653,672</u>	<u>46,361,258</u>
Excess of Operating Revenues Before Nonoperating Revenue (Expense)	536,268	3,935,478
Nonoperating Revenue (Expense)		
Interest Earnings	266,205	456,386
Unrealized Gain	56,800	8,715
Other Revenues (Expenses)	<u>4,535</u>	<u>(10,895)</u>
Total Nonoperating Revenue (Expense)	<u>327,540</u>	<u>454,206</u>
Change in Net Position	863,808	4,389,684
Net Position, January 1,	<u>25,328,014</u>	<u>21,643,763</u>
Adjustment for Incurred But Not Reported Claims	<u>(191,642)</u>	<u>(705,433)</u>
Net Position, December 31,	<u><u>\$ 26,000,180</u></u>	<u><u>\$ 25,328,014</u></u>

See Notes to Financial Statements

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31,

	2020	2019
Cash Flows From Operating Activities		
Premiums Collected from Municipal Corporations	\$ 48,880,350	\$ 50,856,749
Rebates and Reimbursements	2,385,757	1,812,994
Premium Claims Deposit	(113,700)	-
Claims Paid	(46,889,594)	(44,937,713)
Operating Expenses Paid	(2,763,719)	(3,058,192)
Net Cash From Operating Activities	1,499,094	4,673,838
Cash Flows From Noncapital Financing Activities		
Other Revenues (Expenses)	4,535	(10,895)
Net Cash From Noncapital Financing Activities	4,535	(10,895)
Cash Flows From Capital and Related Financing Activities		
Restricted Cash and Cash Equivalents (Increase) Decrease	-	9,861,401
Net Cash Provided (Used) by Capital and Related Financing Activities	-	9,861,401
Cash Flows From Investing Activities		
Purchase of Investments	(32,995,272)	(48,937,186)
Proceeds from Sale of Investments	28,181,488	29,467,989
Interest Earnings	348,639	315,227
Net Cash Provided (Used) by Investing Activities	(4,465,145)	(19,153,970)
Net Change in Cash and Cash Equivalents	(2,961,516)	(4,629,626)
Cash and Cash Equivalents, January 1,	11,304,684	15,934,310
Cash and Cash Equivalents, December 31,	\$ 8,343,168	\$ 11,304,684
Reconciliation of Excess Operating Revenues Over Operating (Expenses) to Net Cash Provided (Used) by Operating Activities		
Excess Operating Revenues Over Operating (Expenses)	\$ 536,268	\$ 3,935,478
(Increase) Decrease in Accounts Receivable	380,746	61,601
(Increase) Decrease in Premiums Receivable	127,906	50,235
(Increase) Decrease in Premium Claims Deposit	(113,700)	-
Increase (Decrease) in Accounts Payable	5,370	116,746
Increase (Decrease) in Unearned Premiums	562,504	509,778
Increase (Decrease) in Incurred Claims Liability	191,642	705,433
Adjustment for Incurred But Not Reported Claims	(191,642)	(705,433)
Net Cash From Operating Activities	\$ 1,499,094	\$ 4,673,838

See Notes to Financial Statements

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

***Note 1* Summary of Significant Accounting Policies**

The financial statements of the Greater Tompkins County Municipal Health Insurance Consortium (the Plan) have been prepared in conformity with U.S. generally accepted accounting principles (U.S. GAAP) as applied to government units engaged only in Business-type Activities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Description of the Plan

The Greater Tompkins County Municipal Health Insurance Consortium was organized in 2010 as an Article 5-G General Municipal Law (GML) municipal corporation to provide health insurance benefits for its member municipalities. The term "Municipal Corporation," as defined by §119-N of the GML, includes a county, city, town, or village. The Plan's general objectives are to formulate, develop, and administer, on behalf of the member participants, an adequate program of insurance in a cost effective manner. Municipalities joining the Plan must remain members for a minimum of three years; a participant may withdraw with written notice prior to October 3 of each Plan year. Municipalities applying for membership in the Plan may do so with two-thirds approval of the Board. Plan underwriting and rate setting policies have been established after consultation with third party administration. Plan members are subject to supplemental assessment in the event of deficiencies. Premium assessments are determined annually, and should assets of the Plan be exhausted, members would be responsible for the Plan's liabilities. The Plan added four new participating municipalities: the Towns of Horseheads and Spencer; the Village of Watkins Glen and Lansing Community Library. The new members added new contracts to the pool and provide a cushion in maintaining the required 2,000 covered lives threshold under Article 47 of New York State Insurance Law. Plan membership currently includes 43 municipalities.

Basis of Accounting/Measurement Focus

Basis of accounting refers to when revenues and expenses and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus. Measurement focus is the determination of what is measured, such as expenditures or expenses.

- **Accrual Basis:** Activities of the Plan are accounted for on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded when incurred.

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

***Note 1* Summary of Significant Accounting Policies - Continued**

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reinsurance

The Plan uses reinsurance agreements to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from the reinsurer, although it does not discharge the primary liability of the Plan as direct insurer of the risks reinsured. The Plan does not report reinsured risks as liabilities unless it is probable those risks will not be covered by the reinsurer.

Unpaid Claims Liabilities

The Plan establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. Because actual claim costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are periodically recomputed to produce current estimates that reflect recent settlements and other factors and are adjusted annually to approximate 12% of claim expenditures. Adjustments to claims liabilities are adjustments to net position and charged or credited to expense in the periods in which they are made.

Incurred But Not Reported Claims Liability Reserve

The Plan has established a liability reserve required by §4706(a)(1) of the New York State Insurance Law. The New York State Department of Financial Services has allowed the Plan to utilize a factor of 12% of expected incurred claims as the estimate of this liability (see Unpaid Claims Liabilities note above). The estimate of expected incurred claims is actuarially determined.

Net Position - Restricted

- Restricted for Contingency Reserve: A contingency reserve of 5% of current year premiums was established in accordance with New York State Insurance Law, §4706 (a)(5).

Net Position - Unrestricted - Board Designated

- Rate Stabilization Reserve: A reserve equal to approximately 7.5% of the expected incurred/paid claims for the fiscal year.

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

***Note 1* Summary of Significant Accounting Policies - Continued**

Net Position - Unrestricted - Board Designated - Continued

- **Catastrophic Claims Reserve:** A discretionary reserve reviewed annually by the Board of Directors to provide financial support for the additional exposure the Plan acquires by increasing the Specific Stop-Loss Insurance Policy deductible and the additional risk of specific Stop-Loss deductible established by the Stop-Loss carrier for certain subscribers.

Net Position - Unrestricted - Undesignated

If a surplus of assessments exists after the close of the Plan year, after provision for payment of all known unsettled claims, and after receipt of an annual independent financial audit, the Board may retain from such surplus an amount sufficient to establish and maintain a claim contingency fund. Surplus funds in excess of the amount transferred to, or included in, said contingency fund shall be applied in reduction of the next annual assessment or to the billing of Plan participants. Unrestricted - undesignated net position represents an appropriation of this excess for this purpose. Any deficit net position balance will need to be recovered from future premium adjustments.

Related Parties

The Plan is currently made up of 43 participating municipal corporations, with four new participating municipalities joining the Plan in 2020. Representatives of each participating municipal corporation serve on the Board and premiums are collected from the municipal corporations. Six new municipalities are scheduled to join the Plan in 2021.

Concentration of Credit Risk

The Plan maintains its cash balances at two financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2020 and 2019, all accounts were fully insured and/or collateralized.

Concentration of Operating Revenues

The Plan received 99.3% and 99.1% of its revenues from premiums collected for the years ended December 31, 2020 and 2019, respectively.

Cash Equivalents

For financial statement purposes, the Plan considers all highly liquid investments of three months or less as cash equivalents.

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Note 2 Cash and Investments

The Plan's investment policies are governed by state statutes. Plan monies must be deposited in FDIC-insured commercial banks or trust companies located within the state. The Chief Fiscal Officer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, obligations of New York State or its localities, and repurchase agreements.

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities, school districts, and BOCES.

Deposits are valued at cost. Total financial institution (bank) balances at December 31, 2020 and 2019, were \$8,875,765 and \$11,349,656, respectively. Carrying values at December 31, 2020 and 2019 were \$8,343,168 and \$11,304,684, respectively.

Restricted investments of \$16,662,408 at December 31, 2020, represent funds set aside to fully fund the \$2,409,497 restricted contingency reserve; the \$5,032,220 catastrophic claims and \$3,391,769 rate stabilization board designated reserves; and \$5,828,922 of the incurred but not reported claims liability. Restricted investments of \$13,136,929 at December 31, 2019, represent funds set aside to fully fund the \$2,514,837 restricted contingency reserve; the \$2,800,000 catastrophic claims and \$2,184,812 rate stabilization board designated reserves; and \$5,637,280 of the incurred but not reported claims liability.

Note 3 Investments

The following represents investments at December 31, 2020:

	2020		
	Cost	Fair Value	Unrealized Gain (Loss)
Fixed Income Securities			
U.S. Treasury Bonds	\$ 11,956,626	\$ 12,022,141	\$ 65,515
U.S. Treasury Bills	12,326,355	12,326,355	-
	\$ 24,282,981	\$ 24,348,496	\$ 65,515
Total	\$ 24,282,981	\$ 24,348,496	\$ 65,515

***GREATER TOMPKINS COUNTY MUNICIPAL
HEALTH INSURANCE CONSORTIUM***

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

Note 3 Investments - Continued

The following represents investments at December 31, 2019:

	2019		
	Cost	Fair Value	Unrealized Gain (Loss)
Fixed Income Securities			
U.S. Treasury Bonds	\$ 4,545,038	\$ 4,553,753	\$ 8,715
U.S. Treasury Bills	14,924,159	14,924,159	-
Total	\$ 19,469,197	\$ 19,477,912	\$ 8,715

Market Risk

Future changes in market prices may make a financial instrument less valuable. Ownership interest is subject to the risk of loss from a decrease in value due to interest rate fluctuations that may result in a decline that is other than temporary.

Note 4 Fair Value Measurements

The Plan categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Plan has the following recurring fair value measurements as of December 31, 2020:

- U.S. Treasury securities of \$24,348,496 are valued using quoted market prices (Level 1 inputs).

The Plan has the following recurring fair value measurements as of December 31, 2019:

- U.S. Treasury securities of \$19,477,912 are valued using quoted market prices (Level 1 inputs).

**GREATER TOMPKINS COUNTY MUNICIPAL
HEALTH INSURANCE CONSORTIUM**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

Note 5 Reinsurance Expense, Rebates, and Reimbursements

Reinsurance expense is shown net of reimbursements and rebates. Gross amounts and rebates are as follows at December 31,:

	2020	2019
Reinsurance Expense	\$ 263,488	\$ 685,186
Reimbursements and Rebates	(29,295)	(43,565)
Reinsurance Expense, Net	\$ 234,193	\$ 641,621

Note 6 Restricted for Contingency Reserve

A contingency reserve of 5% of current year premiums was established in accordance with New York State Insurance Law, §4706(a)(5). The reserve balance was as follows at December 31,:

	2020	2019
Contingency Reserve	\$ 2,409,497	\$ 2,514,837

Note 7 Contingencies

Claims Liability

The BlueCross/BlueShield payments include claims paid for the years ended December 31, 2020 and 2019, and an adjustment to account for the BlueCross/BlueShield financing arrangement of billing actual claims paid one week in arrears. This one week delay requires the Plan to fund approximated costs (“Cash Advance”) as actual claim payments are charged one week later. No significant differences have been experienced or are expected between monthly adjusted paid claims billings and actual monthly settlements in succeeding billings.

The Plan also maintains specific stop-loss insurance coverage. This insurance policy provides unlimited coverage to the Plan for paid claims which exceed the policy deductible during the policy period. The policy period in the fiscal years audited included claims incurred during each calendar year and paid within each calendar year and the first three months of the subsequent calendar year. The policy deductible was \$1,000,000 and \$600,000 for the specific stop-loss insurance coverage for the fiscal years ending December 31, 2020 and 2019, respectively. It should also be noted that the coverage included unique deductibles (“laser deductibles”) for one individual at \$1.2 million for the fiscal year ending December 31, 2020 and for two individuals at \$1 million and \$1.2 million, respectively for the fiscal year ending December 31, 2019.

***GREATER TOMPKINS COUNTY MUNICIPAL
HEALTH INSURANCE CONSORTIUM***

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

Note 8 **Incurred Claims Liability**

As discussed in Note 1, the Plan establishes a liability for both reported and unreported insured events which includes estimates of both future payments of losses and related claim adjustment expenses.

The following represents changes in those aggregate liabilities:

	<u>2020</u>	<u>2019</u>
Liability for Unpaid Claims - Beginning of Year	\$ 5,637,280	\$ 4,931,847
Incurred Claims and Claim Adjustment:		
Claims Expense	44,913,878	43,340,299
Claims Paid	(46,889,594)	(44,937,713)
Prescriptions Rebate	1,975,716	1,597,414
Adjustment for Incurred But Not Reported Claims	<u>191,642</u>	<u>705,433</u>
Liability for Unpaid Claims - End of Year	<u><u>\$ 5,828,922</u></u>	<u><u>\$ 5,637,280</u></u>

***GREATER TOMPKINS COUNTY MUNICIPAL
HEALTH INSURANCE CONSORTIUM***

**SCHEDULES OF CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31,**

	2020				
	Restricted	Board Designated		Unrestricted	Total
	Contingency Reserve	Catastrophic Claims Reserve	Rate Stabilization Reserve	Unrestricted	
	Reserve	Reserve	Reserve	Reserve	
Reserve	Reserve	Reserve	Reserve		
Balances at January 1, 2020	\$ 2,514,837	\$ 2,800,000	\$ 2,184,812	\$ 17,828,365	\$ 25,328,014
Change in Net Position				863,808	863,808
Reclassifications	(105,340)	2,232,220	1,206,957	(3,333,837)	-
Incurred Claims Adjustment				(191,642)	(191,642)
Balances at December 31, 2020	\$ 2,409,497	\$ 5,032,220	\$ 3,391,769	\$ 15,166,694	\$ 26,000,180
	2019				
	Restricted	Board Designated		Unrestricted	Total
	Contingency Reserve	Catastrophic Claims Reserve	Rate Stabilization Reserve	Unrestricted	
	Reserve	Reserve	Reserve	Reserve	
	Reserve	Reserve	Reserve	Reserve	
Balances at January 1, 2019	\$ 2,120,085	\$ 2,000,000	\$ 2,100,000	\$ 15,423,678	\$ 21,643,763
Change in Net Position				4,389,684	4,389,684
Reclassifications	394,752	800,000	84,812	(1,279,564)	-
Incurred Claims Adjustment				(705,433)	(705,433)
Balances at December 31, 2019	\$ 2,514,837	\$ 2,800,000	\$ 2,184,812	\$ 17,828,365	\$ 25,328,014

***GREATER TOMPKINS COUNTY MUNICIPAL
HEALTH INSURANCE CONSORTIUM***

**CLAIM DEVELOPMENT INFORMATION
DECEMBER 31,**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
1. Net Earned Required Contribution Revenues	\$ 48,189,940	\$ 50,296,736	\$ 42,401,705	\$ 40,774,492
2. Unallocated Expenses - N/A	-	-	-	-
3. Estimated Incurred Claims and Expense: End of Year	44,913,878	43,340,299	38,991,995	35,828,612
4. Paid (Cumulative) as of: End of Policy Year	(46,889,594)	(44,937,713)	(41,703,672)	(35,936,454)
5. Reestimated Incurred Claims and Expense: End of Policy Year	44,913,878	43,340,299	38,991,995	35,828,612
6. Change in Estimated Incurred Claims Expense:	-	-	-	-

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 38,519,955	\$ 37,587,353	\$ 36,063,291	\$ 34,507,670	\$ 28,575,531	\$ 25,794,917
-	-	-	-	-	-
34,999,888	28,750,405	29,755,490	28,013,757	24,799,035	25,136,185
(34,300,059)	(28,650,014)	(30,568,724)	(28,346,330)	(24,759,996)	(22,092,803)
34,999,888	28,750,405	29,755,490	28,013,757	24,799,035	24,800,072
-	-	-	-	-	(336,113)



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Greater Tompkins County Municipal Health Insurance Consortium
Ithaca, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Greater Tompkins County Municipal Health Insurance Consortium (the Plan), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements, and have issued our report thereon dated April 21, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Plan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of Plan's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
April 21, 2021