



Municipalities building a  
stable insurance future.

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## Greater Tompkins County Municipal Health Insurance Consortium 2015 Annual Report

May 2016

During 2015, the Greater Tompkins County Municipal Health Insurance Consortium (GTCMHIC) adopted its statement of mission “To be an efficient inter-municipal cooperative that provides high-quality, cost-stable health insurance for members and their employees and retirees”. Also, 2015 marked the completion of the fifth and most financially successful year of Greater Tompkins County Municipal Health Insurance Consortium.

GTCMHIC is an Article 47 municipal cooperative health benefits plan that creates hospital, medical, surgical, and prescription drug plans, collects premiums, and pays medical and pharmaceutical claims for its covered members. The Consortium began its operations in 2011 with thirteen municipal partners. With the 2015 addition of the Cortland Towns of Marathon, Truxton, Willet, and Virgil the Consortium now has twenty municipal partners; covering approximately 2,300 employee and retiree contracts and more than 5,000 covered lives.

The Consortium is also responsible to establish adequate reserves to provide security for our members and municipal partners for the foreseeable future. The Consortium has statutory Surplus and Incurred But Not Reported Reserves of \$1,879,368 and \$3,631,889 respectively. The Consortium also has elective Catastrophic Claims (\$1.05M) and Rate Stabilization (\$1.5M) Reserves.

### Operations Highlights:

- In 2015, the Consortium received \$37.6 million in premiums with total expenses of \$31.0 million.
- The Board used some of that net income to offset area wide health cost inflation, of roughly 8%, in approving only a 3% premium rate increase for 2016.
- The Consortium continues to operate very efficiently with 92% of its expenses going to pay claims.
- The four Cortland County towns joined the Consortium in 2015.
- Three benefit plans were added -- the Gold, Silver, and Bronze Plans were added to the Consortium's offerings.
- For the second year, the Consortium offered flu clinics. In 2015, they were conducted in six locations to 243 members. Additionally, 259 members received flu vaccines at their pharmacy (a new option made available in 2015).
- The Consortium participants nearly completed certifying dependents as eligible. To date the process is netting an annual savings of approximately \$280,000.
- The Consortium adopted the Excellus Blue4U wellness program for benefit plans with a wellness component.
- A Consortium wide educational retreat on Building a Benefit Plan was conducted on June 12, 2015. It is available on the website.

- The Consortium partners reviewed, amended, and then adopted the amended Municipal Cooperative Agreement.
- The Consortium continued auditing third party claim administration processes to ensure their practice meets our benefit plan description.

#### **Committees:**

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

- In 2015, the Audit and Finance Committee, chaired by CFO Steve Thayer, in addition to its annual task of developing the next year's budget and premium rates, followed through with items identified by the medical claims auditor with Excellus and began the prescription claims audit process of ProAct. The Audit and Finance Committee collaborates closely with Steve Locey, the Consultant, and Rick Snyder Treasurer, to monitor the budget and spending trends while maintaining a strong reserving policy.
- The Owning Your Own Health (OYOH) Committee, chaired by Director Mack Cook, recommended the Excellus Blue4U program to fill the wellness component of our benefit plans that require it. They continue to explore wellness awareness programs and keep the cost controlled by utilizing existing community and vendor programs. For the second year, they coordinated Flu Clinics with ProAct.
- The Joint Committee on Plan Structure and Design, chaired by Director Scott Weatherby reviewed and provided input on three new products to the Consortium's menu of plan offerings. The Committee was active in understanding and preparing for benefit adjustments that may be required should the Platinum, Gold, Silver, and/or Bronze Plans need adjustment to meet their actuarial value requirements.

#### **Financial Highlights:**

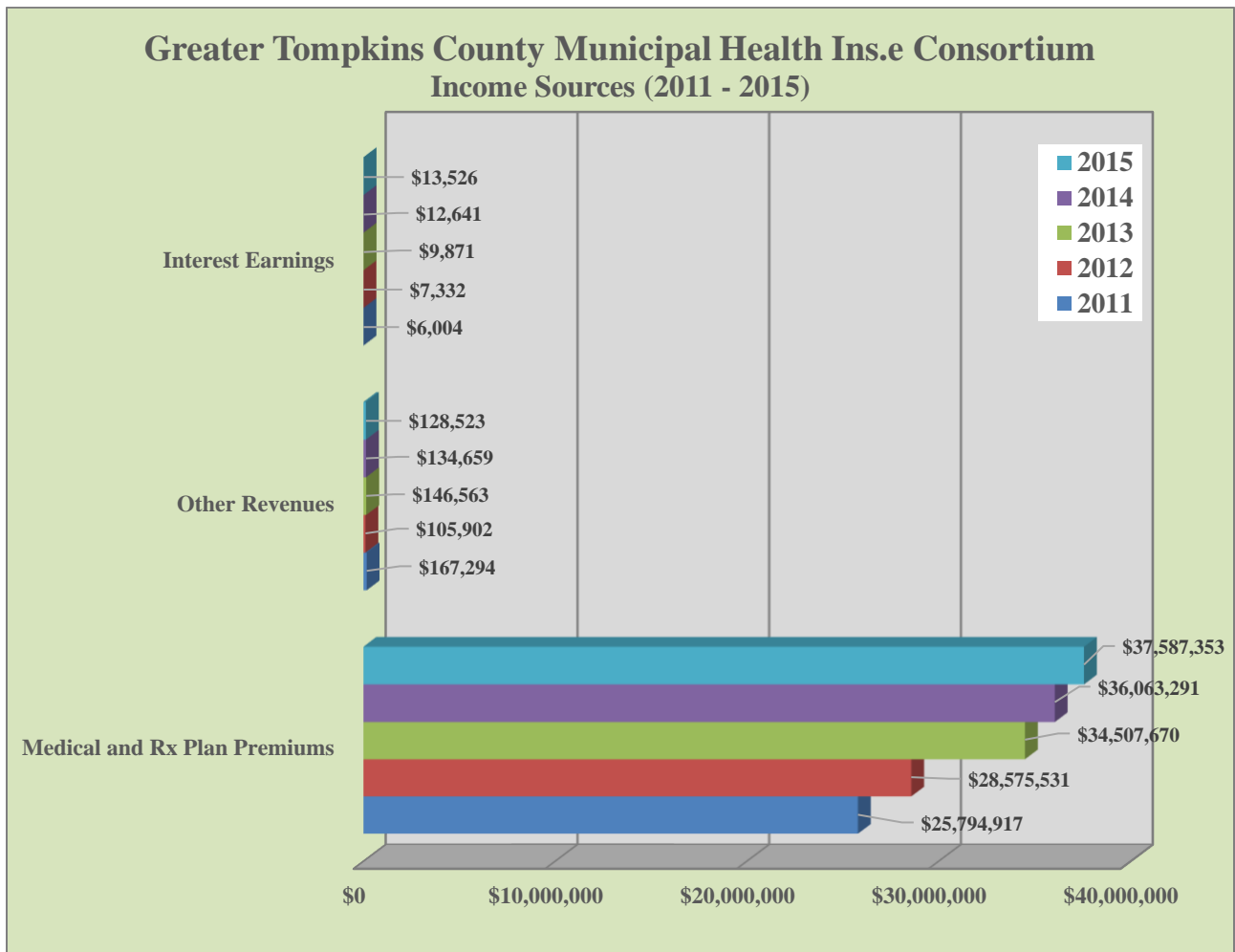
##### **Net position:**

For the year ending December 31, 2015, the Plan's net position has increased by \$6,927,266 to a new total of \$17,827,965. The GTCMHIC Board of Directors has been consciously building reserves starting in year one (2011) when required to post the Incurred But Not Reported Reserve (IBNR) of \$3.0 million and Surplus Reserve of \$1.3 million. In subsequent years, additional reserves were created to protect the Consortium against any abnormal claims activity which is a statistical possibility. For instance, the "Catastrophic Claims Reserve" was established to protect the Consortium with the retention of the first \$400,000 of a specific claim. This action reduced the Stop-Loss Insurance premium. The Board of Directors, with this 2015 posting of net position, determined that fund balance could be used to offset premiums which resulted in a 3% increase in premiums when compared to the industry average medical inflation of roughly 8%.

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

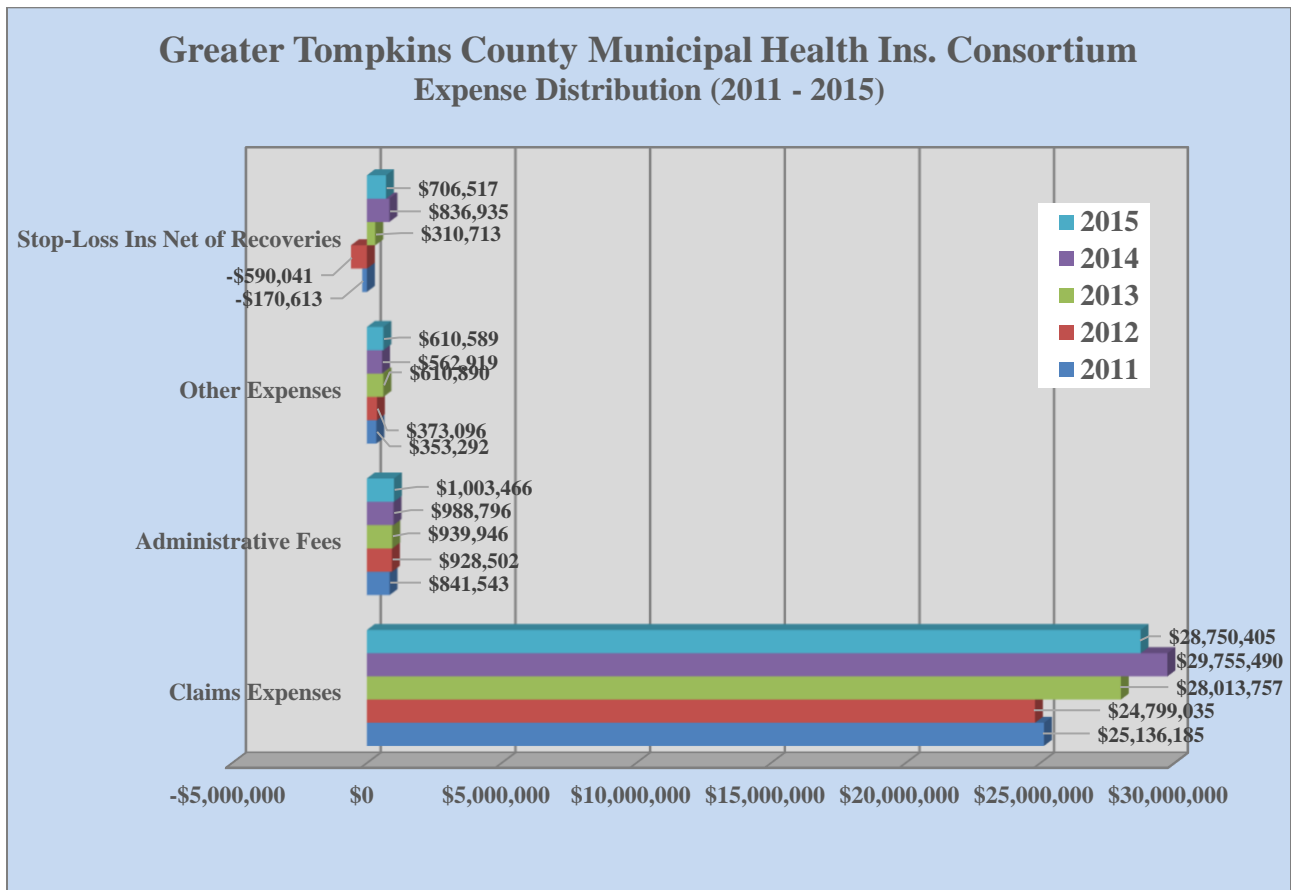
*Revenue Overview*

	2015	2014	2013
Premiums	\$ 37,587,353	\$ 36,036,291	\$ 34,507,670
Aggregate write-ins for other revenues	128,523	134,659	145,563
Interest earnings	13,526	12,641	9,871
<b>Total Revenues</b>	<b>\$ 37,729,402</b>	<b>\$ 36,210,591</b>	<b>\$ 34,664,104</b>



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

	2015	2014	2013
Claims expense	\$ 28,750,405	\$ 29,755,490	\$ 28,013,757
Administrative fees (3 <sup>rd</sup> party administrators)	1,003,466	988,796	939,946
Other expenses	610,589	562,919	610,890
Reinsurance expenses, net of recoveries	706,517	836,935	310,713
<b>Total Expenses</b>	<b>\$ 31,070,977</b>	<b>\$ 32,144,140</b>	<b>\$ 29,875,306</b>



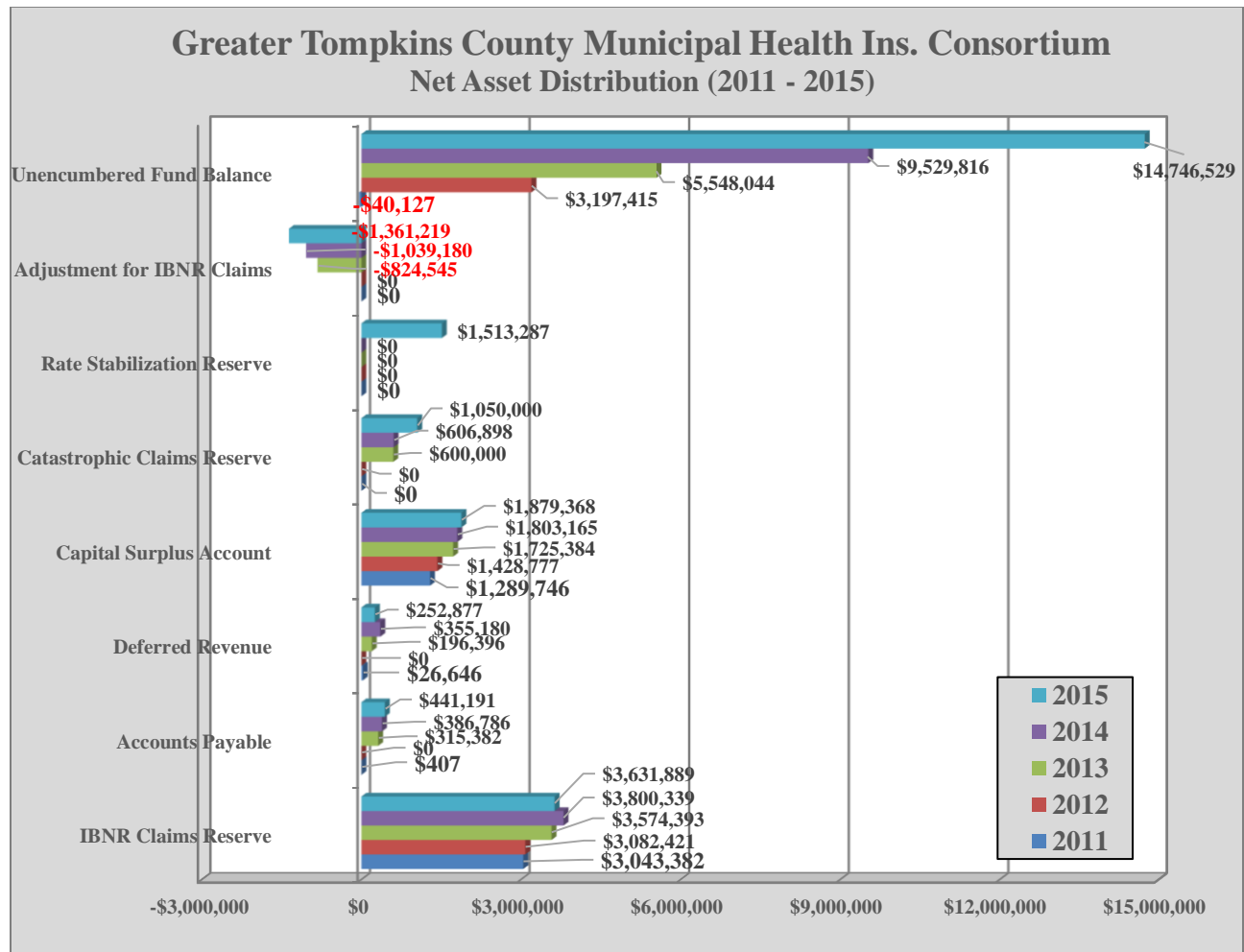
Please note the expense summation above shows a very efficient structure with >92.5% of expenses going to pay claims.

**Reserving for the Future:**

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

In an effort to add more protection and stability to the Consortium’s financial position, in 2013 the Board of Directors established a “Catastrophic Claims Reserve” which equaled \$1,050,000 in 2015. This reserve was established to provide resources for the risk of retaining \$100,000 more of claim costs associated with increasing the specific stop-loss insurance deductible to \$400,000 per covered life for the contract period (claims incurred annually from January to December and paid from January to March of the next year).

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



### **Economic Factors Affecting the Future:**

- ❖ Prior to the start of the 2015 Fiscal Year, the Consortium renewed its specific stop-loss insurance with an increased deductible level of \$400,000 in an effort to keep the premium increase at a reasonable level. This increased deductible does create an additional level of risk associated with the Consortium's operations. However, the Consortium experienced fewer catastrophic losses in 2013 and 2014. This contributed to the better than expected paid claims result which allowed the Consortium Board of Directors to establish and maintain a Catastrophic Claims Reserve to help off-set the increased risk associated with the higher deductible on the specific stop-loss insurance. For 2014 the Catastrophic Claims Reserve was established at approximately \$600,000 to create financial resources when the Consortium Board increased its specific stop-loss risk retention from \$250,000 to \$300,000. During the 2015 budget development process which occurred in the Fall of 2014, the Board of Directors again agreed to increase the specific stop-loss insurance deductible to its current level of \$400,000. This resulted in an additional increase in exposure and a lower premium expense. To help protect the Consortium's financial position, the Board of Directors voted to increase the Catastrophic Claims Reserve to \$1,050,000 for the 2015 Fiscal Year. The Board has since agreed to continue to fund this reserve at the \$1,050,000 level for the 2016 Fiscal Year. 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 the risk and cost of the stop-loss insurance.
- ❖ With the better than expected paid claims and expense results associated with the Consortium for the past couple of fiscal periods, the Board of Directors made the decision to establish a Claims/Rate Stabilization Reserve to further protect the Consortium's cash flow and provide additional financial stability. These funds will be used when claim projections are exceeded to mitigate spikes of premium rate increases. The goal of the Consortium is to maintain reasonable, prudent, and modest premium increases for the foreseeable future.
- ❖ The Affordable Care Act's (ACA's) ongoing implementation has resulted in some increased costs to the Consortium with the payment of the Patient Centered Outcomes Research Institute (PCORI) Fee in the amount of \$4,448 related to the 2012 Fiscal Year. This fee more than doubled in cost with the \$10,252.46 payment made during the 2014 Fiscal Year for 2013 Fee which was paid in July 2014. Starting with the 2014 PCORI fee, this fee will continue to increase each year by an inflationary escalator as determined by the United States Internal Revenue Service until the fee is no longer applicable in 2019. The increase in 2015 was 4% which required the Consortium to pay \$10,773.00 during the 2015 Fiscal Year. In addition to the PCORI fee, in 2014, the Consortium was subject to the ACA Transitional Reinsurance Program Fee which required the Consortium to pay \$316,764 during the fiscal year and another \$221,100 in the 2015 Fiscal Year. This additional ACA fee will cost the Consortium an additional \$138,187.50 in the 2016 Fiscal Year, which is the last year of this particular ACA fee.
- ❖ The Board of Directors is also keeping a close eye on the affects continuing decreases in Medicare and Medicaid reimbursements to medical facilities and practitioners will have on the Consortium's paid claims expenses. The main concern is that these same providers of care will seek higher reimbursements from the third party administrators and insurance companies to make up for the losses in Medicare and Medicaid revenue. It is likely that these pressures will lead to contentious negotiations on network reimbursement rates which could also impact the overall provider network. Although the Consortium does not foresee any immediate financial issues related to this situation, the Board of Directors will continue to monitor paid claims and other data to ensure they make well informed and educated decisions regarding the financial structure of the plans.

- ❖ 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. These increases are being seen across all tiers of medications with more significant growth in the generic drug class and even more substantial growth in the specialty pharmaceuticals purchased by covered members. The Board of Directors will continue to work with ProAct, Inc. and its other advisors to assess actions to mitigate the rate of growth in this area of the paid claims of the Consortium.
- ❖ The Consortium continues to see a decrease in actual Incurred But Not Reported (IBNR) actuarial findings. For 2011, the Consortium's calculated IBNR was 10.15% of paid claims. The IBNR calculation for 2015 is 7.86%. While this does not affect the mandated 12% of actual paid claims reserve required by the NYS Department of Financial Services, it does provide sound data that the 12% IBNR will not be increased in the foreseeable future.
- ❖ The Village of Homer plan joined the Plan on January 1, 2015 and the Town of Willet joined on May 1, 2015. In addition on January 1, 2016, the Consortium added the Town of Marathon, the Town of Virgil, and the Town of Truxton. The Consortium continues to gain interest from neighboring municipalities as it gains more history and the word of the success of the program spreads.

**Statement of Position**

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

	2014	2015
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$7,958,073	\$15,353,516
Accounts receivable - stop loss and drug rebates	540,237	13,034
Accounts receivable - ancillary benefits	-0-	-0-
Premiums receivable	36,379	46866
Prepaid expenses	997	-0-
Total Current Assets	8,535,686	15,413,416
<b>OTHER ASSETS</b>		
Noncurrent Assets:		
Premium claims deposit	953,700	527,500
Restricted cash and cash equivalents	5,953,618	6,213,006
Total Other Assets	6,907,318	6,740,506
Total Assets	15,443,004	22,153,922
<b>LIABILITIES</b>		
Current Liabilities:		
Incurred claims liability	3,800,339	3,631,889
Accounts payable	368,786	369,664
Unearned revenues	355,180	252,877
Total Current Liabilities	4,542,305	4,325,957
Total Liabilities	4,542,305	4,325,957
<b>NET POSITION</b>		
Restricted for contingency reserve - Section 4706(a)(5)	1,803,165	1,879,368
Catastrophic claims reserve	606,898	1,050,000
Adjustment for incurred but not reported claims	(1,039,180)	(1,361,219)
Subtotal	1,370,883	1,568,149
Unassigned	9,529,816	14,746,529
Total Net Position	\$10,900,699	\$17,827,965

Statements of Revenues, Expenses, and Changes in Net Position  
For the Years Ended December 31,

	2014	2015
Operating Revenues:		
Premiums	\$36,063,291	\$37,587,353
Aggregate write-ins for other revenues	134,659	128,523



Greater Tompkins County Municipal Health Insurance Consortium  
2015 Annual Report

Total Operating Revenues	36,197,940	37,715,876
Operating Expenses:		
Claims expense	29,755,490	28,750,405
Reinsurance expenses, net	836,935	706,517
Administrative fees	988,796	1,003,466
Aggregate write-ins for other expenses	562,919	610,589
Total Operating Expenses	32,144,140	31,070,977
Excess of Operating Revenues		
Before Non-operating Revenue (Expense)	4,053,810	6,644,899
Non-operating Revenue (Expense):		
Interest earnings	12,641	13,526
Change in Net Position	4,066,451	6,658,425
Net Position, January 1,	7,048,883	10,900,699
Adjustment for incurred but not reported claims	(214,635)	268,841
Net Position, December 31,	\$10,900,699	\$17,827,965

### Accomplished Goals for 2015:

- Creation of Gold, Silver, and Bronze look alike plans from Affordable Care.
- Complete required review and amendment of Municipal Cooperative Agreement.
- Continued review of reserve structure and development of fund balance target.
- Creative Wellness component to Platinum, Gold, Silver, and Bronze Plans.
- Created and distribute to partner municipalities the 2015 Orientation manual
- Created first Annual Report
- Produced and delivered 2<sup>nd</sup> annual training entitled “Building a Benefit Plan”
- Developed Mission and Vision Statement

### Goals for 2016:

- Produce quarterly newsletters
- Complete Dependent Verification Process
- Produce and delivered 3<sup>rd</sup> annual training entitled “Establishing Premium Rates”
- Develop benefit changes necessary for “Metal level plans” to maintain Actuarial Value

## 2016 Board of Directors

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Judith Drake, Chair  
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Steven Thayer, Chief Fiscal Officer  
Charles Rankin, Secretary  
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Mack Cook  
John Fracchia  
Deborah Cipolla-Dennis  
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Don Scheffler  
Thomas Adams  
Tom Brown  
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Alvin Doty, Jr.  
Michael Murphy  
Genevieve Suits  
Charmagne Rungay  
Peter Salton  
Laura Shawley  
Phil Vanwormer  
Jim Bower  
Olivia Hersey

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City of Ithaca  
Village of Groton  
Tompkins County  
City of Cortland  
Town of Caroline  
Town of Dryden  
Town of Enfield  
Town of Groton  
Town of Marathon  
Town of Truxton  
Town of Ulysses  
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Town of Willet  
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Village of Homer  
Town of Lansing  
Village of Cayuga Heights  
Town of Danby  
Chair, Joint Comm. on Plan Structure and Design  
2<sup>nd</sup> Labor Representative  
3<sup>rd</sup> Labor Representative

Consortium website: [www.tompkinscountyny.gov/hconsortium](http://www.tompkinscountyny.gov/hconsortium)  
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Respectfully submitted:

Judy Drake  
Chair of Board of Directors

Don Barber  
Executive Director