

**Audit and Finance Committee
Minutes - APPROVED
July 26, 2022
Town of Ithaca Aurora Room/Remote Zoom**

Present: Steve Thayer; Laura Shawley; Eric Snow; Rordan Hart; Lorie Corsette;
Amanda Anderson
Excused: Peter Salton, Bud Shattuck
Staff/Guests: Elin Dowd, Executive Director; Lynne Sheldon, Clerk of the Board; Rob Spenard,
Locey and Cahill; Paul Pelton, Locey and Cahill; Judy Drake, Board Chair; Teri
Apalovich, Finance Manager; Kate DeVoe, Tompkins County Public Library

Call to Order

Mr. Thayer, Chair, called the meeting to order at 3:06 p.m.

Changes to the Agenda

There were no changes to the agenda, however Ms. Dowd addressed a change to documentation provided for resolution: Rules Regarding Plan Options for the Small Municipal Employers. Current resolution documentation was provided earlier in the day via email to committee members showing the naming change of the resolution to: Rules Regarding Plan Options for Municipal Employers.

Approval of Minutes of June 28, 2022

It was MOVED by Mr. Thayer, seconded by Mr. Snow, and unanimously adopted by voice vote by members present, to approve the minutes of June 28, 2022, as submitted. MINUTES APPROVED.

Executive Director Report

Ms. Dowd began with two important dates: The RFP for Medicare Advantage was posted on BIDNET and moving forward. Also, Rick Snyder has announced his resignation as Tompkins County Finance Director, to include the Consortium's Treasurer, effective November of this year. She mentioned the Executive Committee will be discussing this upcoming open position, transition, and ramifications.

Ms. Dowd included that new member season has approached, and more information will be shared with the committee next month for approval. There are currently four or five potential new members who are to submit their applications by August 15, 2022. These members will bring the Consortium approximately 200 new members. A few of these potential members have asked Ms. Dowd to not speak publicly of their applications as they are currently finalizing information with their own board members and employees.

Ms. Dowd shared that Ms. Apalovich is looking at AUDs (Assets under Depository) for our Community Rated Plans and Locey & Cahill will look at any claims experience on experience related plans to help us prepare for any budget ramifications, and the Consortium staff also looking at administrative pieces of the incoming applications.

DFS Audit Update

Ms. Dowd announced that the DFS (Department of Financial Services) audit has begun starting with the IT aspect. A meeting has been held, with emphasis to DFS from our staff that the Consortium is different than an insurance company. The Consortium does not process claims or

control subscriber's data. Ms. Dowd added that the financial piece of the audit will not start until October.

Discussion of Resolution: Rules Regarding Plan Options for Municipal Employers

Ms. Dowd announced this resolution is open for discussion, with hopes that action is taken next month at the Audit & Finance Committee meeting. She noted that the resolution sent in the original agenda packet email did not have all the updates, and the more robust updated resolution was replaced in an email that was sent prior to this meeting. She continued to add that the application process hopes to pull some plans that the Consortium offers, bring new members into the Consortium, and how should we be managing those number of plans an entity can offer to their employees.

Ms. Dowd indicated that Locey & Cahill recommended dividing the Participating Municipal Corporations into two (2) groups for purposes of benefit plan selections; Small Employers and Large Employers in accordance with the New York State "Community-Rating Law" which currently defines Small Employers as those who employ less than one hundred (100) employees. Ms. Dowd covered the following information included in the resolution:

1. Small Employers:

- a. are limited to selecting one (1) plan of benefits per bargaining unit, employee group, or retiree group with all covered members of that population being covered by that specific health insurance plan offering.
- b. are further limited to a total of two (2) plans of benefits in total amongst all bargaining units, employee groups, and retiree groups.
- c. are further restricted from allowing individual employees or retirees the opportunity to select a health benefits plan from a menu of options. This would force selection.
- d. are precluded from purchasing or participating in any health insurance plan not offered through or endorsed by the GTCMHIC.

2. Large Employers:

- a. are limited to selecting one (1) plan of benefits per bargaining unit, employee group, or retiree group with all covered members of that population being covered by that specific health insurance plan offering.
- b. are further limited to a total of four (4) plans of benefits in total amongst all bargaining units, employee groups, and retiree groups.
- c. are further restricted from allowing individual employees or retirees the opportunity to select a health benefits plan from a menu of options.
- d. are precluded from purchasing or *participating* in any health insurance plan not offered through or endorsed by the GTCMHIC.

Ms. Dowd also added that that any GTCMHIC Participating Municipal Corporation not currently in compliance with these rules will have until January 1, 2025, to comply or be subject to

a risk assessment charge added to the monthly premium equivalent rates. The risk assessment will be a discussion with Executive Committee next week. A waiver would be approved yearly by the Board of Directors at the time of the approval of the budget and premium equivalent rates. Ms. Dowd asked committee for discussion.

Ms. Drake expressed she's in a unique situation having two separate bargaining units and two other groups that are non-collective bargaining units, she can tell them what their plan is. The Town of Ithaca would fall into the under 100 category and only having two plans might be difficult. She also expressed how previous discussions wrap around resolution talk regarding Medicare Advantage. She understands the desire not to have a bunch of plans, but stressed concerns of being placed as a small municipality group and how the resolution ties back to some of the waivers spoke of in other resolutions.

Ms. Dowd responded if a waiver was approved, there would be a risk assessment fee, so there will be a need to look at all resolutions that this will affect; Either we eliminate the waiver, implement the risk, or we approve the waiver with a risk assessment fee. There is concern of how these all fit together and it was appropriate to keep it with Community rating however, there have been some other municipalities who also don't think it can get down to two, especially if you offer a retirement, so it's offering a retirement plan and only one other plan, so that concern has come and a lot of these are woven together, we may want to put everything on one resolution instead of amending old resolutions.

Mr. Drake responded asking if there could be two plans, plus a retiree group. She expressed she and other municipalities are in the middle of contract negotiations. She would have to rid her PPO plan by 2025 and has retirees on the PPO until 65 years of age, and not close to age 65. There's a concern too that the Consortium might be controlling leading to possible negativity from municipalities of the consortium.

Mr. Hart commented that he favors the Consortium on limiting plans, however, he expressed high concerns that most municipalities or board members might be strongly opposed on the principal of the Consortium managing them or their bargaining units as to what they may offer.

Mr. Thayer stressed that the City of Ithaca is in constant negotiations, he does not know how it might be possible to make a change by January 1, 2025, with such limitations, it may be very difficult.

Ms. Shawley added that her small town will be in the process of negotiations, and due to the size of the town, picking one plan would work for them, but understands how larger municipalities may have issues with a 2025 change over date, and how some elected officials may not prefer the Consortium's limitations.

Mr. Snow questioned why we need a section for the small employees. He feels that it may be too complicated to come to a resolve.

Ms. Dowd replied having a small group which offers many plans, is costly. She added that Locey & Cahill's resolution draft is based on the discussion of the Consortium wanting to bring in more members without extra administrative fees and avoiding adverse selections. Mr. Spenard referenced a small consortium school district that offers a wide variety of plans. This small population district is seeing an impact as they are currently experiencing adverse selections, especially when setting their premium rates.

Ms. Drake added that many municipalities are offering multiple plans as they are trying to move people to other plans. She mentioned there is grandfathering happening as she has two plans that individuals are still on, but not necessarily offering to new employees. Ms. Drake encouraged to leave the retiree group as a separate stand-alone group, since we already have the Medicare Supplement Plan, we are bringing on a Medicare Advantage Plan. She notes that is a different group that happens in time, not really an offering, and wouldn't be beneficial to see municipality being limited as that being counted as a plan. Ms. Drake added the Consortium has been vulnerable to the mentions of administrative fees for several years, which will be discussed at the Executive Committee meeting.

Ms. Dowd thanked everyone and will use feedback in combination with the other resolutions coming forward. She added the Consortium will continue encouraging new groups to limit their plan offerings and inform others that this might be in the coming future. She mentioned this will affect only one of the four upcoming new applicants.

2023 Budget Discussion

Ms. Dowd and Ms. Apalovich have started working the preliminary 2023 budget. Ms. Dowd covered items considered in the preliminary budget to include:

- Looking at growth in the plan where do we anticipate going regarding headcount
- Keeping the unencumbered fund balance at least at the 12% level.
- Anticipate what will happen the 2nd half of the year being mindful to some of the catastrophic claims
- Audit fees based on other Article 47 entities, \$150,000 first year, and \$100,000 in 2023.
- New wage and salary schedule
- Anticipating some adjustments in investment management services charges.
- Anticipating outgrowing the space in Town of Ithaca and may want privacy. The market in Ithaca is \$24 per square foot, we may want to make decision on that in the next 6 months. If we do move, we need furniture or if we stay more privacy and more functional workspace.
- Marketing expenses and wellness cut significantly. Mileage was increased as well, but minor.
- Locey & Cahill working premiums and trending the initial budget premium increase of 6.5%. This does fund our reserves as well as keep unencumbered fund balance above 12%.

Ms. Anderson asked for clarification of the six and a half percent is that projected for premium increases also or is that just a general six and a half percent for some of the categories.

Mr. Pelton responded that six and half percent on the premium and the other categories are trended differently. The medical claims are trended at five percent (5%) and the RX claims are trended at seven and a half percent (7.5%)

Ms. Anderson raised concern as she is still in learning process and asking in terms of just making sure that we are responsibly raising these rates and providing the best rate for employees.

Mr. Pelton responded that Excellus rate of business was approved at eight to nine percent (8% - 9%) and the group has very competitive rates, especially looking at the Platinum Plans. He said the group has done a great job negotiating with Excellus and ProAct on Administrative fees. He added that looking at the financial report you'll see a significant portion nearly 93 cents on every dollar goes to pay directly to pay claims of people so you're leaving a very small percentage of this budget for all their costs, including administrative fees. Much of the money that we are collecting each year is going directly back out in Member benefits.

Ms. Dowd added that there are two ways Excellus affects our budget, they charge us an administrative fee to pay our claims and give us a provider network. The only way there would be an increase would be if our administrative fees go up, which is not what we are looking at here, or their contracts with providers go up, which we may see with the cost-of-living adjustments and higher expenses within the medical community. We are looking at the claims in making the 6.5 percent recommendation, how much we spend in claims, based on trends and Locey & Cahill's Upstate NY business.

Ms. Drake asked regarding medical paid claims for 2023 at \$40 million and questioned what percentage that was increasing. Medical claims is still trending at 5% and Rx at the 7.5% level.

Mr. Pelton added we had some strange times the last few years, so we kind of tried to trend it back up of 2019, which was our last real pre-COVID year. He said you trend that by 5%, but then you look at the fact that they added covered lives each year, but also build in some contract growth in some covered life growth into there.

Ms. Drake added she wasn't expecting large number increase compared to last year's budget year. She also questioned regarding the Medical and RX plan premiums and is the 6.5% increase over the amended budget which took into play the new people coming on, plans changing, is there anything in there with the expectation of losses of large municipalities.

Mr. Pelton responded that they built in some contract growth on the administrative fees and other items. It is decided until the applications come in, the average covered lives are frozen at 6,427, so six and a half percent is built in on the actual year to date estimate. The six and a half percent is simply a factor on top of the 6 months projected out through the end of the year, not actually the amended budget number because of running a little bit below budget.

Ms. Drake also questioned how much the budget go up with a half a percentage increase

Mr. Pelton responded with showing the budget spreadsheet and different scenarios. He expressed that the Board's goal with keeping the twelve percent (12%) unencumbered balance level and at the six and a half percent (6.5%), we are sure that we hit all the board targets. He added that our reserves are healthy, but it only takes a few off years to dive into those funds.

Ms. Drake confirmed they are not suggesting anything below six percent and six and half percent is high watermark. Mr. Locey concurred and added they are conservative on the claims side. 6 and a quarter percent (6.25%) keeps up above the 12 percent (12%) threshold.

Ms. Dowd included that at the end of 2021, the Consortium adopted Resolution 12-2021, Adoption of Budget Premium Rates and Reserve Amounts for 2022, so the Consortium is making sure we are watching the unencumbered fund balance, and funding reserves. Locey and Cahill is helping the Consortium with claims trending and acting conservatively.

Mr. Thayer added that we would like to have the percentage as low as possible, but anything under seven percent would be okay, but we also must take into consideration what we want to do with fund balance going forward.

Mr. Pelton stated that we would like to see once more quarter of Rx rebates to see if we can adjust the income level accordingly.

Mr. Thayer added that next Audit & Finance meeting we should have another month of data and see if that will change in a positive direction.

Abstract Approval

Ms. Apalovich **included the July monthly financial abstract in the agenda board packet**; there were no questions or concerns. It was MOVED by Mr. Thayer, seconded by Mr. Snow, and unanimously adopted by voice vote by members present, to approve the July 2022 monthly abstract. MOTION CARRIED.

Budget Performance Report

Mr. Pelton reviewed financial results through June 30, 2022, with key facts consisting of:

Income Budget vs. Actual (June 30, 2022)

Total Income was 1.81% below the amended budget, with premium income being 1.75% below the amended budget for the first half of the fiscal year. The amended budget reflects the changes in plan designs and demographics of the participants as detailed below:

1. There has been some additional movement of covered members from traditional Indemnity and PPO Plans to the Consortium's Platinum PPO Plan.
2. Changes in covered lives and contract counts.
3. Enhanced Rx Rebates will be in effect following the June 2022 payment.
4. The number of contracts insured by the Consortium increased by 2.90% and the number of covered lives grew by only 1.89%. The disparity in this number is primarily due to the County's move to the Consortium's Medicare Supplement Plan for their Medicare-aged retirees and their spouses.
5. The Consortium invests in notes/bonds which are held to maturity, but records gains and/or losses on a monthly basis ("mark to market"). Gains on investments are booked as revenues, while losses on investments are recorded as expenditures. The COVID-19 pandemic greatly reduced the Consortium's interest earnings potential.
6. There have been two pharmaceutical manufacturer rebate payments received from ProAct, Inc. for the 2022 Fiscal Year as of this report. The Consortium should experience enhanced RX Rebates based on the new agreement kicks in for the calendar year 2022. The January –March 2022 payment will be made in July and the April –June 2022 payment

will be made in October. As part of the PBM RFP, ProAct, Inc. estimated the new quarterly payments to be approximately \$1m based on prior usage.

7. The Consortium did not receive any reimbursements for claims which exceeded the Specific Stop-Loss Insurance Deductible of \$1 million. To date, there have been no claims in excess of \$1,000,000 for this year or the previous year.
8. There was no Finance Charge or Other Income as of June 30st. Even when the Consortium does register some miscellaneous income, the impact is negligible at best and has very little effect on the overall net position of the Consortium.

Expense Budget vs. Actual (June 30, 2022)

1. We continue to work with the Consortium's Executive Director and Financial Team to allocate budgeted funds into their correct expense line-item based on their code. This was done to provide a more detailed and accurate summary of the internal and external professional support costs. In addition, we updated some of the budget numbers based on the addition of new members and changes in enrollment by existing members.
2. Mid way through the fiscal year, the Consortium is tracking very close to budget projections, especially when considering the impact of the gains and losses on investments. Many of the expense items are below budget. As more annual expense items, that have not been billed to the Consortium, we anticipate those items to be more in line with the budget as the Consortium works its way through the fiscal year.
3. It is important to remember that when new members are added to the Consortium, their paid claims typically mature approximately by the 3rd month following the transition to the Consortium. The "run-out" claims (claims incurred on or before December 31st each year) are the responsibility of their prior insurance carrier.
4. Medical Paid Claims in the first 6-months were 8.77% below the amended budget for the Fiscal Year to Date. This is the result of an increase in the covered lives (↑1.89%) and in the number of contracts (↑2.90%) skews the early 2022 medical paid claims due to the "run-in lag".
5. Increased member participation in lower cost health insurance plans, like the Platinum Plan and the Medicare Supplement Plan by several employer groups.
6. A substantial decrease in elective and/or minor medical procedures being performed as a result of the impact of the COVID-19 pandemic on the medical community.
7. Rx Paid Claims were 2.34% below budget for the first 6-months of the 2022 Fiscal Year. As we stated last year, we were keeping a close eye on the pharmacy paid claims trend which led to adjustments to our trend models during the budget development process for the 2022 Fiscal Year. It should be noted that based on our analysis, the recent pandemic did not substantively change the cost of pharmaceutical claims and therefore we do not believe any prior deviation from the trend was related to COVID-19.

Next Agenda Topics

The following items will be included on the next agenda:

- 2023 Budget review
- Update of New York State Department of Financial Services audit activity
- Discussion of Resolution: Rules Regarding Plan Options for Municipal Employers

Adjournment

The meeting adjourned at 4:37 p.m.

Respectfully submitted by Lynne Sheldon, Clerk of the Board