

# Greater Tompkins County Municipal Health Insurance Consortium

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*“Individually and collectively we invest in realizing high quality, affordable, dependable health insurance.”*

## Board of Directors August 22, 2019 – 6:00 p.m. Approved TC3 Sprole Conference Room

### **Municipal Representatives: 30**

Steve Thayer, City of Ithaca  
Mack Cook, City of Cortland  
Greg Pelicano, Seneca County  
Lisa Holmes, Tompkins County  
John Fracchia, Town of Caroline  
Laura Shawley, Town of Danby  
Kathrin Servoss, Town of Dryden  
Don Scheffler, Town of Groton  
Kevin Williams, Town of Homer  
Judy Drake, Town of Ithaca  
Charmagne Rungay, Town of Lansing  
Tom Adams, Town of Marathon  
Mark Emerson, Town of Mentz  
Christine Laughlin, Town of Newfield  
Joan Jayne, Town of Niles

Jim Doring, Town of Preble  
Gary Mutchler, Town of Scipio  
David Schenck, Town of Springport  
Tom Brown, Town of Truxton (arrived at 6:15 p.m.)  
Nancy Zahler, Town of Ulysses  
Dale Taylor, Town of Virgil  
Peter Salton, Village of Cayuga Heights  
Michael Murphy, Village of Dryden  
Miles McCarty, Village of Freeville  
Nancy Niswender, Village of Groton  
Kristen Case, Village of Homer  
Donna Dawson, Village of Horseheads  
Ronny Hardaway, Village of Lansing  
Rordan Hart, Village of Trumansburg  
Bud Shattuck, Village of Union Springs

### **Labor Representatives: 4**

Olivia Hersey, 1<sup>st</sup> Labor Representative and Joint Comm. on Plan Structure & Design  
Jim Bower, 2<sup>nd</sup> Labor Representative  
Zack Nelson, 3<sup>rd</sup> Labor Representative  
Tim Farrell, 5<sup>th</sup> Labor Representative

### **Excused: 7**

Alex Patterson, Town of Aurelius  
Luann King, Town of Cincinnatus  
Ann Rider, Town of Enfield  
Doug Perine, 4<sup>th</sup> Labor Representative

Ed Fairbrother, Town of Big Flats  
John Malenick, Town of Montezuma  
Terrance Baxter, Town of Moravia

### **Absent: 4**

Edward Wagner, Town of Owasco  
Alvin Doty, Town of Willet

Peter Adams, Town of Sennett  
Carol Sosnowski 6<sup>th</sup> Labor Representative

### **Others in attendance:**

Elin Dowd, Executive Director  
Don Barber, Consultant  
Beth Miller, Excellus

Brittini Griep, Administrative Assistant  
Michelle Cocco, Clerk of the Board

### **Call to Order**

Ms. Drake, Chair, called the meeting to order at 6:06 p.m.

**Approval of Minutes – June 27, 2019**

It was MOVED by Ms. Hersey, seconded by Mr. Murphy, and unanimously adopted by voice vote by members present, to approve the minutes of June 27, 2019 as submitted. MINUTES APPROVED.

**Changes to the Agenda**

The presentation on CSEA Dental and Vision Benefits was deferred to the next meeting.

**Chair's Report**

Ms. Drake said committees have been very busy and a lot of time and work has gone into preparation of the 2020 budget. She introduced and all welcomed Brittni Griep, Administrative/Computer Assistant.

**Executive Committee**

**RESOLUTION NO. 019-2019 – RATIFICATION OF PROVISIONAL APPOINTMENT OF ADMINISTRATIVE/ COMPUTER ASSISTANT – BRITTNI GRIEP**

MOVED by Ms. Drake, seconded by Mr. Fracchia, and unanimously adopted by voice vote by members present.

WHEREAS, the Greater Tompkins County Municipal Health Insurance Consortium (GTCMHIC) created the Administrative Computer Assistant position by Resolution No. 011 on June 28, 2019, with the understanding that the Executive Director is authorized to appoint the position with a ratification at the next Board of Directors meeting on August 22, 2019, and

WHEREAS, the Selection Committee comprised of the Executive Director, Clerk of the GTCMHIC Board and Chair of the GTCMHIC Board has determined that Brittni Griep possesses the necessary knowledge and skills to satisfactorily perform the duties of the Administrative Computer Assistant position, and

WHEREAS, Brittni Griep was provisionally appointed by the GTCMHIC's Executive Director based on a full-time schedule of 37.5 hours per week, at the hourly rate of \$25.50 effective August 12, 2019 with full time benefits, now therefore be it

RESOLVED, That the Board of Directors hereby ratifies the Executive Director's provisional appointment of Brittni Griep as the Administrative Computer Assistant, effective August 12, 2019, pending results of the Civil Service exam for said position.

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**RESOLUTION NO. 020-2019 - RATIFICATION OF APPOINTMENTS TO THE CONSORTIUM'S OPERATIONS COMMITTEE**

MOVED by Ms. Niswender, seconded by Mr. Fracchia, and unanimously adopted by voice vote by members present.

WHEREAS, the Board of Directors, by Resolution No. 009-2019, created an Operations Committee and charged it with responsibility for the oversight of Consortium operations and the overall well-being of the organization. The Operations Committee may recommend changes that

Board of Directors  
August 22, 2019

will improve the efficiencies of the organization to practices, policies, procedures and organizational structure including personnel and staffing needs, and

WHEREAS, the Board authorized the Executive Committee to appoint members to the Operations Committee on an interim basis with appointments to be ratified at the August 22, 2019 Board of Directors meeting, now therefore be it

RESOLVED, on recommendation of the Executive Committee, That the following appointments to the Consortium's Operations Committee are hereby ratified:

Judy Drake  
Greg Pelicano  
Lisa Holmes  
Schelley Michel Nunn  
Edward Fairbothor  
Sunday Earle  
Doug Perine

RESOLVED, further, That additional appointments will be made by the Executive Committee and ratified by the Board of Directors at its next meeting.

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Ms. Drake reported the Committee has been looking into a Medicare Advantage Plan and the aspect that there are several municipalities that when they joined the Consortium had retirees covered by a Medicare Advantage Plan and the Consortium did not have a plan to offer. The Consortium issued an RFP (Request for Proposals) for a Medicare Advantage Plan and received a single response from Excellus. She said after evaluating the response it was recommended to move forward with Excellus and noted most of the municipalities that were offering a Medicare Advantage Plan are currently using Excellus. Two plans are being looked at and it appears a transition could happen easily. Those plans have been presented to the Joint Committee on Plan Structure and Design and the Audit and Finance Committee. At this time the plans would be offered on January 1, 2020 and only to municipalities that currently have retirees who are on a Medicare Advantage Plan and who have not been brought into the Consortium. Discussions will be taking place with the impacted municipalities; they would need to make a decision on which plan that would offer.

Mr. Brown arrived at this time.

Ms. Drake said discussions and research will continue on potentially offering a Medicare Advantage Plan to other groups in the Consortium.

**Executive Director's Report**

Ms. Dowd said she provided Directors with a written report in advance of this meeting and will be doing that going forward. She hopes Directors will find it useful and will present her with any questions.

She alerted the Board that this is the time of year when municipalities will need to present the Consortium with a resolution adopted by its governing board and notify the Consortium of any intended plan changes. Information will be sent out to municipalities about this soon; notification by municipalities should be done by mid-October. The Consortium will also be sending out a letter on the Medicare Advantage Plan and changes to the Gold Metal Level Plan.

Mr. Fracchia commented that he found Ms. Dowd's written report very helpful.

## **Financial Report**

Mr. Locey reviewed a detailed PowerPoint presentation on the preliminary 2020 budget. The narrative from the presentation follows; the full presentation containing all exhibits can be found on the Consortium's website: <http://healthconsortium.net/governance/financials>

### **2019 Income Budget vs Actual**

#### Key Facts:

1. Premium Income is lower than budgeted primarily due to more members participating in lower cost benefit packages, like the Platinum Plan.
  - a. The County of Tompkins had more than 100 employees move from higher cost Indemnity and PPO Plans into the lower cost Platinum PPO Plan.
  - b. The initial estimates used for the County of Seneca members was based on the average premium cost per covered life for the Consortium as a whole. The County ultimately enrolled their members in the Platinum PPO Plan which is a lower cost plan on average per covered life cost basis.
2. The ancillary benefits are more than 10% below budget due to less enrollment in these benefit options. Since this is a "pass-through" cost, it does not negatively impact the net position of the Consortium on an annual basis.
3. Interest Income is significantly above the budgeted amount as a direct result of interest rates increasing and the improved investment management strategies initiated by the Consortium's financial management team.
4. Rx Rebates are a bit below budget as a direct result of pharmaceutical claims being more than 10% below the expected level for the first 6-months of 2019.
5. To date, the Consortium has not had any claims which have exceeded the Specific Stop-Loss Insurance \$600,000 Deductible. As a result, the Consortium has not received any funds from Excellus BCBS related to this coverage.
6. "Other" Revenue is down a bit from the budgeted projection. However, the impact of this line-item is negligible at best and has very little impact on the overall net position of the Consortium.

### **2019 Expenses Budget vs Actual**

#### Key Facts:

1. Paid claims account for 93.59% of the total expenses for the GTCMHIC.
2. Medical Paid Claims are currently 6.34% below the projected budget for the year and this is the result of:
  - a) Significant increase in the covered lives (↑18.43%) and in the number of contracts (↑17.09%) skews the early 2019 medical paid claims due to the "run-in lag".
  - b) Increased member participation in lower cost health insurance plans, like the Platinum Plan at the Counties of Seneca and Tompkins.
  - c) Lower frequency of large dollar claimants through the first 6-months of 2019.
  - d) Rx Paid Claims are currently 10.22% below budget and this continues a trend in the past couple of years where the pharmacy claims have been consistently below budget. Unlike medical paid claims, there is almost no impact associated with "run-in lag" that impacts the pharmacy paid claims.

## 2020 GTCMHIC Budget - Assets

### Major Asset Categories:

1. **IBNR Claims Liability Reserve** – §4706(a)(1) of the New York State Insurance Law requires the Consortium to establish “a reserve for payment of claims and expenses thereon reported but not yet paid, and claims and expenses thereon incurred but not yet reported which shall not be less than an amount equal to twenty-five percent of expected incurred claims and expenses thereon for the current plan year, unless a qualified actuary has demonstrated to the superintendent’s satisfaction that a lesser amount will be adequate”.

As part of the Consortium’s initial application process approval and as verified in subsequent audits conducted by the New York State Department of Financial Services, the Consortium has been granted the authority to establish the IBNR Claims Liability Reserve at twelve percent (12%) of expected incurred claims.

It should be noted that the Consortium’s Actuaries, Armory Associates, LLC, have determined the IBNR Liability to equal less than 8% for the fiscal years of 2015, 2016, 2017, and 2018. This gives us the comfort in knowing the 12% required IBNR Claims Liability Reserve is a conservative amount.

2. **Surplus Account** – §4706(a)(5) of the New York State Insurance Law requires the Consortium to fund a “surplus account” for the “sole purpose of satisfying unexpected obligations of the municipal cooperative health benefit plan in the event of termination or abandonment of the plan, which shall not be less than:
  - a. five percent of the annualized earned premium equivalents during the current fiscal year of a municipal cooperative health benefit plan which consists of five or more participating municipal corporations and covers two thousand or more employees and retirees;”
3. **Catastrophic Claims Reserve** - This reserve was recommended by Locey & Cahill, LLC and established by the Consortium’s Board of Directors to continue to protect the financial integrity of the Consortium as decisions were made to increase the Specific Stop-Loss Insurance Deductible to keep the insurance affordable. Currently, the Deductible is set at \$600,000 per covered member with “laser” deductibles of \$1.0 million and \$1.2 million, respectively. This presents a sizeable exposure to the Plan which is being addressed through this reserve fund.
4. **Claims/Rate Stabilization Reserve** - This reserve was established at an amount equal to five percent (5%) of the expected premium income by the Board of Directors upon the recommendation of Locey & Cahill, LLC in an effort to provide the Consortium with additional assets to be used when claim projections are substantially exceeded. These funds would be used to “bridge the gap” during an associated hyper-inflationary period relative to paid claims allowing the Board of Directors to establish a multiple year plan to adjust revenue (premiums) and prevent a significant increase in premium rates during a single fiscal period.
5. **Unencumbered Fund Balance** - This is the amount of the net cash asset balance after all liabilities and reserves have been accounted for by the Consortium. In the GTCMHIC’s Audited Financial Report this is referred to as the Net Cash Assets. The Consortium’s Audit & Finance Committee has established 18% of expected annual premium as the target for these funds. As of the close of the 2018 Fiscal Year, the Consortium maintained

a Net Cash Asset position of approximately \$15.9 million which represented 37.53% of the premium income for the year.

**Major Income Sources:**

1. **Medical Plan Premiums** – this is the income derived from the health insurance premium payments made by each Participating Municipality in the Consortium. These dollars include any premium contributions made by employers, employees, COBRA members, and retirees.
2. **Ancillary Benefit Premiums** – this revenue source is associated with the Consortium’s fully-insured dental, vision, disability, accidental death & dismemberment, legal aid, and life insurance policies. These premiums are considered a “pass-through”.
3. **Interest Earnings** – this income line-item shows the return on investments associated with the Consortium’s cash assets which are deposited and invested based on the Consortium’s investment policy with the assistance of Wilmington Trust. Currently, the return on these investments is lowering the average annual premium increase by between 0.75% and 1.00%.
4. **Rx Rebates** – this represents the amount of income paid to the GTCMHIC from ProAct, Inc. associated with the pharmaceutical rebates ProAct, Inc. receives for purchases made by Consortium members.
5. **Stop-Loss Claim Reimbursements** – this income source is the result of members exceeding the specific stop-loss insurance deductible for the fiscal year. Monies received in stop-loss claim reimbursements are used to off-set the paid claims costs associated with high dollar claimants. Currently, the Consortium’s specific stop-loss deductible is \$600,000 with a couple of individuals who have “laser” deductibles of a \$1 million or more.
6. **Other Income** – this small revenue item is associated with any miscellaneous funds which may be received as refunds, credits, or some other kind of financial settlement. Since 2014 this revenue source has averaged less than \$6,000 per annum.

**Important Notes and Assumptions:**

1. Premium Income includes a 5.00% increase in the premium equivalent rates for the 2020 Fiscal Year. The 2021 through 2024 Fiscal Years include a premium increase of 7.0%. Please be aware, the premium income is based on the current population being enrolled in their current health insurance plans.
2. Ancillary Benefit Plan Premiums are a “pass-through” premium based on current insured populations in each program which have been trended by an aggregate 10% for the 2020 Fiscal Year through the 2024 Fiscal Year.
3. Interest Income has been calculated at 1.6% of Consortium Assets and is based on the most recent rates of return experienced by the Consortium.
4. Rx Rebates are the pharmaceutical rebates earned by the Consortium and the \$1.4 million is based on estimates as provided by ProAct, Inc. for the 2020 Fiscal Year.
5. “Other” Income is any miscellaneous revenue received by the Consortium and we utilized the most recent experience of the Consortium and applied that average going forward from the 2020 Fiscal Year through the 2024 Fiscal Year.

**Major Expense Categories:**

1. **Paid Claims** – this is a combination of hospital, medical, surgical, and pharmacy paid claims billed by the three (3) claims administrators; Excellus BlueCross BlueShield (hospital, medical, and surgical), ProAct, Inc. (domestic pharmaceuticals), and CanaRx (international pharmaceuticals). This category also includes any expenses associated with the flu clinics organized by the Consortium and any adjustments needed to the Cash Advance (1-week of expected paid claims) held by Excellus BCBS.

2. **Claims Admin. (Administration) Fees** – this is a combination of the monthly costs associated with the hospital, medical, surgical third-party administration services and the prescription benefit management services billed by Excellus BCBS and ProAct, Inc., respectively.
3. **Taxes and Fees** – this category of expenses includes any taxes and fees paid to either the Federal or State Government. Currently, this includes the New York State Covered Lives Assessment, and the Federal Patient Protection and Affordable Care Act (ACA) fees.
4. **Stop-Loss** – this represents the premiums paid for specific stop-loss insurance. In prior years, this category also included the premium paid for aggregate stop-loss insurance. However, the Consortium was granted a waiver by the New York State Department of Financial Services for the requirement of purchasing aggregate stop-loss insurance.
5. **Professional Services** – this is a combination of the monthly costs associated with the outside professional support the Consortium hires on an annual basis. Currently, this expense category includes fees associated with accounting, actuarial, auditing, consulting, investment management, legal, and wellness coordination services.
6. **Insurance/Internal Fees** – the money associated with this expense category includes the salary, fringe benefit, support, and insurance costs incurred by the Consortium or by a Participating Municipal Partner. These fees currently include the Consortium’s Executive Director, financial support staff, administrative support staff, IT support staff, marketing costs, and professional liability insurance costs.
7. **Ancillary Benefits** – this last expense category is associated with the “pass-through” premium costs associated with the Consortium’s ancillary benefits which currently include the following:
  1. Dental and Vision Insurance provided by the CSEA Employee Benefit Fund to include the Dutchess Dental Plan and the Platinum 12 Vision Plan.
  2. Life Insurance, Short-Term Disability Insurance, and Voluntary Life Insurance policies offered and administered by the Lincoln Financial Group.
  3. Legal Benefit Plan provided by the Upstate Union Health and Welfare Fund.

It should be noted that these ancillary benefits are available to any Participating Municipality in the Consortium separately or as a “package”. The costs associated with the program are the premiums charged by each company. The Consortium merely operates as a billing conduit for the services and all premium dollars collected by the Consortium are “passed-through” to the company for each benefit plan offered.

#### **Important Notes and Assumptions:**

1. The medical and pharmacy paid claims trends for the GTCMHIC from April 1, 2011 to June 30, 2019 has equaled 4.745% and 5.056%, respectively.
  - a) The Locey & Cahill, LLC Municipal Cooperative Health Benefit Plan Client paid claim trends models for medical and pharmacy claims produce an average annual cost increase of 3.321% and 6.378%, respectively.
  - b) The paid claims trends we utilized are based on a number of factors, including the trends noted above and Locey & Cahill, LLC’s 24+ years of experience working with Municipal Cooperative Health Benefit Plans like the GTCMHIC.
  - c) The 2020 Paid Claims trends utilized for the budget projections were 5.00% for medical claims and 6.50% for prescription drug claims based on an updated per covered life claims projection which includes data as of July 31, 2019.
  - d) The following charts provide some background and detail regarding the paid claims trend information and data used by Locey & Cahill, LLC in the development of this budget report.

2. The Excellus BlueCross BlueShield claims administrative fees are increased by 3.5% for the 2020 Fiscal Year and then are trended by 3.0% for each of the 2021 to 2024 Fiscal Years. The ProAct, Inc. claims administrative fees are increased by 3.0% per annum for the 2020 through 2024 Fiscal Years.
3. The Taxes and Fees include the New York State Covered Lives Assessment (Graduate Medical Expense) which is a per contract per month fee that has been forecasted to increase by 5% per annum. The Patient Protection and Affordable Care Act (ACA) Patient Centered Outcomes Research Institute (PCORI) fee is set to sunset in 2019. We have removed this expense from the 2020 through 2024 Fiscal Years.
4. The specific stop-loss insurance premiums have been forecasted to increase at a rate of 15% per annum based on our experience with this market in recent years. This sector of the insurance marketplace has been hit hard over recent years with significant increases in large dollar claimants resulting in escalating premiums. This is an area of operations which is being closely scrutinized to ensure the Consortium is protected at a reasonable cost going forward.
5. We have updated the 2020 Fiscal Year expected costs associated with all professional services provided to the Consortium based on information from the Consortium's Executive Director and Treasurer. These fees have been trended at an annual rate of 3% for the 2021 through 2024 Fiscal Years.
6. As with the professional services, the internal coordination fees and insurance costs have been updated based on information from the Consortium's Executive Director and Treasurer. These fees have been trended at an annual rate of 3% for the 2021 through 2024 Fiscal Years.
7. The ancillary benefits have been trended at a combined premium rate increase to match the premium income for the fully-insured dental, vision, short-term disability, life insurance, voluntary life insurance, and legal aid benefit plan.
8. The last major expense category is the "other" expenses which is for miscellaneous costs that do not fit in one of the other line-items cleanly. This is an extremely nominal expense item which has little impact on the overall budget. We trended this at 3% from the current cost projections.

Mr. Snyder addressed cash flow and said this year a decision was made to invest all of the reserves and keep \$6-\$8 million (two months of operating expenses) locally that can be accessed on a liquid basis and this will reflect a lot upon decisions the Board makes as to the appropriate level of reserves. He recommends always having two to three months of funds kept locally to cover operating expenses.

Ms. Dowd said the Consortium has traditionally forecasted a budget that shows it depleting the fund balance and asked why it has been the practice to show the Consortium depleting those funds going forward. Mr. Snyder said the Consortium's target fund balance is currently at 18% and as budgets have been put together the amount of the fund balance has always been over the target. In developing a five-year budget, a small amount of the fund balance has been used over the next four years to bring that down with a goal to eventually reaching the targeted fund balance. He said the Consortium has had several good years and has continued to build the fund balance.

Ms. Zahler asked if demographic information on the Consortium's covered lives is available. Mr. Locey said the average age is over 50; in general the average age is increasing due to the retiree population typically living longer. Ms. Dowd said this information is contained in the Excellus Utilization Report and available on the Consortium's website: [http://healthconsortium.net/sites/default/files/Financials/2018/2018%20Greater%20Tompkins%20Consortium%20Excellus%20Annual%20UR%20\(2018\)\\_0.pdf](http://healthconsortium.net/sites/default/files/Financials/2018/2018%20Greater%20Tompkins%20Consortium%20Excellus%20Annual%20UR%20(2018)_0.pdf)

Mr. Salton asked if it would be a good idea to look at different models containing a mix of variables. Mr. Locey responded that unless there is something seriously being considered on the horizon he thinks it is best to develop a budget based on what is known at the current time.

### **2020 Budget Recommendations**

1. Maintain the Surplus Account at 5% of the annual premium of the Consortium in compliance with §4706(a)(5) of the New York State Insurance Law. The value of this reserve, as projected for the 2020 Fiscal Year, is \$2,653,398.31. This will satisfy an Article 47 statutory reserve requirement.
2. Maintain the IBNR Claims Liability Reserve as required by §4706(a)(1) of the New York State Insurance Law at a value in line with the expected cost of “run-out” claims. We are recommending that this reserve continue to be funded at 12.0% of expected incurred claims consistent with the direction received by the Consortium from the New York State Department of Financial Services. Based on our projections, this reserve would equal approximately \$6,142,548.13 for the 2020 Fiscal Year.
3. Continue to evaluate the specific stop-loss insurance policy which recently increased the deductible to \$600,000 for the 2019 Fiscal Year and maintain the Catastrophic Claims Reserve at an amount equal to \$2,800,000.00 for the 2020 Fiscal Year. This reserve is specifically designed to protect the cash flow of the Consortium from the effects of a significant increase in the number of individual high dollar claimants.
4. Maintain the Claims/Rate Stabilization Reserve in an amount equal to 5% of expected paid claims (\$2,559,395.05). These funds could be used in future years to mitigate premium rate increases and to “soften the blow” from a period of hyper-inflation in the overall paid claims.
5. Continue to negotiate reasonable increases to the administrative fees paid to Excellus BlueCross BlueShield and ProAct, Inc. as part of the annual renewal process.
6. Monitor and update the investment strategies of the Consortium to continue to maximize the interest earnings associated with the reserve and surplus funds while maintaining the flexibility needed in cash flow to prudently manage the Consortium’s finances.
7. In consideration of the overall financial position of the Greater Tompkins County Municipal Health Insurance Consortium and its goals and objectives, Locey & Cahill, LLC is recommending that the Board of Directors approve a 5.0% increase in premiums for the 2020 Fiscal Year. As a point of information, a 1.0% increase in premiums paid equals approximately \$502,000 for the 2020 Fiscal Year.
8. In addition to the overall budget increase, Locey & Cahill, LLC is recommending an increase in the Gold Plan deductible to ensure the plan continues to meet the definition of a High Deductible Health Plan (HDHP). The deductible will need to increase to \$1,400 for individuals and \$2,800 for families. This change in benefit equaled a 0.52% differential in the plan’s Actuarial Value (AV). As a result, this recommendation would include a premium rate increase for the Gold Plan of 4.48% for the 2020 Fiscal Year.

Mr. Locey concluded the presentation asking that the Board consider the information and recommendations presented as a decision will need to be made at the September 26 Board of Directors meeting.

Mr. Murphy said the Consortium’s rate increases are typically below the industry average and asked that the current comparison would be. Mr. Locey said there is a wide variance; however, national averages are running at 7-9% depending on the plan type; BlueCross BlueShield’s community rating for a small group book of business is 6.3% for 2020. On average for the Southern Tier Region other Locey and Cahill groups are collectively looking at 5-6% over the last ten years. The only ones higher than that are those that are recouping a deficit.

**Report from the Governance Structure Committee**

Ms. Dowd reported the Committee will meet next on September 4<sup>th</sup> and will begin discussion of the five-year review of the Municipal Cooperative Agreement as required by New York State General Municipal Law Article 5G. The agenda includes a review of a draft letter notifying all Participants that this process is underway and to submit comments to the Committee for consideration. The review process will take place during 2020 and the amended MCA will go into effect on the review date in 2021.

**Audit and Finance Committee Presentation of Resolutions and Report**

**RESOLUTION NO. 021–2019 - ADOPTION OF POLICY FOR DETERMINING DEPARTING MUNICIPALITY’S PRO RATA SHARE OF ASSETS**

MOVED by Mr. Mutchler, seconded by Mrs. Shawley.

Ms. Drake noted the Committee was trying to be proactive and developed a policy at a time when there is no municipality is planning to leave. Mr. Locey said this policy applies to a voluntary withdrawal. Mr. Salton referred to information that was provided to the Committee that outlined each Participant’s share and suggested it be included in the resolution. Mr. Locey said this policy dictates only what the formula will be to calculate the share. Ms. Drake noted the numbers being referenced will change and the information contained in that document is available on the website and in the Consortium’s records.

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

WHEREAS, Section P.4.of the MCA provides guidance for determining member equity where it states:

“The surplus or deficit shall include recognition and offset of any claims, expenses, assets and/or penalties incurred at the time of withdrawal, but not yet paid. Such pro rata share shall be based on the Participant’s relative premium contribution to the Consortium as a percentage of the aggregate premium contributions to the Consortium during the period of participation. This percentage amount may then be applied to the surplus or deficit which existed on the date of the Participant’s withdrawal from the Consortium. Any pro rata surplus amount due the Participant shall be paid to the Participant one year after the effective date of the withdrawal. Any pro rata deficit amount shall be billed to the Participant by the Consortium one year after the effective date of the withdrawal and shall be due and payable within thirty (30) days after the date of such bill.”

, and

WHEREAS, the policy for which assets to include in calculating a member’s equity or deficit has not been established and the Audit and Finance Committee has deliberated on this policy, and

WHEREAS, the Audit and Finance Committee has found that the Unrestricted Funds should be included in the members equity calculation; and that “Change in Unrestricted Funds” are tracked annually allocated by the member’s aggregate premium contribution for that year; and the annual allocation of that year’s Unrestricted Fund equity is added to all previous year’s total (note this may not always be a positive number annually or tenure total), and

WHEREAS, the Audit and Finance Committee has found that the member's portion of the Surplus Reserve, which is also based on the member's aggregate premium contribution for that year should be included in the members equity calculation (note this will always be a positive number), and

WHEREAS, the Audit and Finance Committee has found that the Catastrophic Claims Reserve should not be included in the members equity calculation, because this reserve has been used to offset premiums which was a financial benefit to all members premium calculation, and

WHEREAS, the Audit and Finance Committee has found that the Rate Stabilization Reserve should be included in the members equity calculation, Changes in the Rate Stabilization Reserve are tracked annually allocated by the member's aggregate premium contribution for that year; and the annual allocation of that year's Rate Stabilization Reserve is added to all previous year's total (note this may not always be a positive number annually or tenure total), and

WHEREAS, the Audit and Finance Committee has found that the Incurred But Not Reported Reserve should not be included in the members equity calculation, because the departing member's portion of this IBNR Reserve will be applied toward that member's subscriber's tail of claims expense, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee, That the Board of Directors hereby adopts the following policy for calculating a departing member's equity:

**Determination of a departing Member's equity shall include the following:**

1. Unrestricted Funds: "Change in Unrestricted Funds" are tracked annually allocated by the member's aggregate premium contribution for that year; and the annual allocation of Unrestricted Fund equity is added to all previous year's total (note this may not always be a positive number annually or tenure total)
2. Surplus Reserve: at the time of departure, that year's Surplus Reserve is apportioned base on the member's aggregate premium contribution for that year (note this will always be a positive number)
3. Rate Stabilization Reserve: Changes in Rate Stabilization Reserve are tracked annually allocated by the member's aggregate premium contribution for that year; and the annual allocation of change in the Rate Stabilization Reserve is added to all previous year's total (note this may not always be a positive number annually or tenure total).

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**RESOLUTION NO. 015-2019 - ADOPTION OF POLICY TO COMPLY WITH SECTION A.3  
OF THE MUNICIPAL COOPERATIVE AGREEMENT**

Ms. Drake explained that this resolution did not pass at the last Board of Directors because the number of Directors in attendance only to reach quorum and there were not enough votes with the abstentions. The Audit and Finance Committee reviewed the resolution again and did not wish to make any changes.

It was MOVED by Mr. Shattuck, seconded by Mr. Thayer, to Reconsider Resolution No. 015-2019. A voice vote resulted as follows: Ayes – 33; Noes – 0, Abstentions – 1 (Salton), Excused or Absent: 11. MOTION TO RECONSIDER CARRIED.

Mr. Cook explained this is an attempt to provide guidance so that an entity that doesn't have all of its eligible employees in the Consortium are granted a three-year window of opportunity to do so or will need to seek a waiver from the Board of Directors. Mr. Barber noted this only impacts active employees.

It was MOVED by Mr. Mutchler, seconded by Mr. Murphy. A voice vote on the resolution resulted as follows: Ayes – 33, Noes – 0, Abstentions – 1 (Salton); Excused or Absent 11).  
RESOLUTION ADOPTED.

WHEREAS, Section A.3. of the Greater Tompkins County Municipal Health Insurance Consortium's (the "Consortium") current Municipal Cooperative Agreement (MCA) states:

"Participation in the Plan(s) by some, but not all, collective bargaining units or employee groups of a Participant is not encouraged and shall not be permitted absent prior Board approval. Further, after obtaining approval, any Participant which negotiates an alternative health insurance plan offering other than the plan offerings of the Consortium with a collective bargaining unit or employee group may be subject to a risk charge as determined by the Board.", and

WHEREAS, two of our current municipal Participants do not have all of their active subscribers enrolled in the Consortium Plan and one of them has, by municipal resolution, agreed to bring those subscribers into the Consortium within 3 years; and

WHEREAS, except for one instance, the non-participation of these employee groups has not been ratified by Board approval; and

WHEREAS, the Consortium wishes to otherwise bring all Participants into compliance with Section A.3 of the MCA with respect to their active enrollees, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee That the Board of Directors hereby adopts the following policy:

1. that municipal Participants with *active employees* not enrolled in Consortium benefit plan options, must, within 3 years of the date of this resolution, fully enroll all of their active employees on Consortium plan options or otherwise seek Board Approval as required by Section A.3, or they will be subject to termination of their further participation in the Consortium

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### **Report from the Joint Committee on Plan Structure and Design**

Ms. Hersey, Chair, reported at the last meeting the Committee recommended approval of the Medicare Advantage Plan and discussed increasing the deductible for the Gold Metal Level Plan. At the September meeting the Committee will consider a resolution on that and also a resolution to cap the number of Labor representatives on the Board of Directors as the Consortium grows.

Ms. Hersey announced she will be retiring in July 2020 but will not be seeking re-election to the union seat that expires at the end of October.

Board of Directors  
August 22, 2019

**Report from the Owning Your Own Health Committee**

Ms. Servoss, Chair, said the mission of the Committee is to reduce the overall cost of claims by creating and building a culture of wellness. She said she is looking to broaden representation on the Committee to include representatives from other municipalities within the Consortium and will be reaching out to find members. Ms. Servoss said flu clinics will be held in September; however, members are encouraged to also use pharmacies. Lastly, the Committee will be working on a wellness calendar and when created will highlight a particular topic each month.

**Adjournment**

The meeting adjourned at 7:55 p.m.