

**GREATER TOMPKINS COUNTY MUNICIPAL  
HEALTH INSURANCE CONSORTIUM**

**Ithaca, New York**

**FINANCIAL REPORT**

**For the Years Ended  
December 31, 2021 and 2020**



Certified Public Accountants | Business Advisors

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# ***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 Audit of the Financial Statements**

#### **Opinion**

We have audited the accompanying financial statements of the Greater Tompkins County Municipal Health Insurance Consortium (the Consortium), as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Consortium's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Consortium, as of December 31, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Consortium, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Consortium's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Consortium's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Consortium's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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 GAAS, 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.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Consortium's basic financial statements. The Schedules of Changes in Net Position and Claim Development Information are presented for the purpose 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. The 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 GAAS. 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 basic 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, 2022, on our consideration of the Consortium's internal control over financial reporting and 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 the 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 Consortium's internal control over financial reporting and compliance.

Respectfully submitted,



Insero & Co. CPAs, LLP  
Certified Public Accountants

Ithaca, New York  
April 21, 2022

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

## **MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2021 AND 2020**

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 Consortium) as of December 31, 2021 and 2020, 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, 2021, the Consortium's net position decreased by \$3,749,339. The decrease in net position is mainly attributable to an excess of claims and claims administrative expenses over revenues received. For the year ended December 31, 2020, the Consortium's net position increased by \$672,166. For the year ended December 31, 2019, the Consortium's net position increased by \$3,684,251. Increases in net position are mainly attributable to an excess of revenues received over claims and claims administrative expenses.

The Consortium's net position consists of the following:

	<b>2021</b>	<b>2020</b>	<b>2019</b>
Restricted for Contingency Reserve	\$ 2,669,495	\$ 2,409,497	\$ 2,514,837
Catastrophic Claims Reserve	4,642,294	5,032,220	2,800,000
Rate Stabilization Reserve	4,004,101	3,391,769	2,184,812
Unrestricted - Undesignated Net Position	<u>10,934,951</u>	<u>15,166,694</u>	<u>17,828,365</u>
<b>Total Net Position</b>	<b><u>\$ 22,250,841</u></b>	<b><u>\$ 26,000,180</u></b>	<b><u>\$ 25,328,014</u></b>

A summary of operating and nonoperating revenues and expenses follows:

	<b>2021</b>	<b>2020</b>	<b>2019</b>
Premiums	\$ 53,389,902	\$ 48,189,940	\$ 50,296,736
Nonoperating Revenues - Interest Earnings	99,529	266,205	456,386
Nonoperating Revenues - Gain on Investments	-	56,800	8,715
Nonoperating Revenues - Other	-	4,535	-
Total Revenues	<u>53,489,431</u>	<u>48,517,480</u>	<u>50,761,837</u>
Operating Expenses	55,984,642	47,653,672	46,361,258
Nonoperating Expenses - Loss on Investments	193,376	-	-
Nonoperating Expenses - Other	23,066	-	10,895
Total Expenses	<u>56,201,084</u>	<u>47,653,672</u>	<u>46,372,153</u>
Adjustment for Incurred But Not Reported Claims	<u>(1,037,686)</u>	<u>(191,642)</u>	<u>(705,433)</u>
<b>(Decrease) Increase in Net Position</b>	<b><u>\$ (3,749,339)</u></b>	<b><u>\$ 672,166</u></b>	<b><u>\$ 3,684,251</u></b>

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

## **MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2021 AND 2020**

### **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 (U.S. GAAP), 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 Consortium'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 Consortium'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 Consortium'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, 2021 AND 2020**

### **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, 2021, 2020, and 2019. The following table reflects, in summary, the financial position of the Consortium at December 31,:

	<b>2021</b>	<b>2020</b>	<b>2019</b>
Current Assets	\$ 12,420,780	\$ 16,087,981	\$ 18,295,478
Noncurrent Assets	18,905,698	17,423,808	13,784,629
<b>Total Assets</b>	<b>31,326,478</b>	<b>33,511,789</b>	<b>32,080,107</b>
Current Liabilities	9,075,637	7,511,609	6,752,093
<b>Total Liabilities</b>	<b>9,075,637</b>	<b>7,511,609</b>	<b>6,752,093</b>
<b>Net Position</b>	<b>\$ 22,250,841</b>	<b>\$ 26,000,180</b>	<b>\$ 25,328,014</b>

The decrease in total assets in 2021 is mainly due to the Consortium's operating results, decreased unrestricted investments, and additional prepaid expenses. The increase in 2020 total assets is mainly due to the Consortium's operating results and additional funding of the reserves. The increases in current liabilities are primarily due to increased incurred claims liability.

### **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 Consortium for the years ended December 31,:

#### **Revenue Overview**

	<b>2021</b>	<b>2020</b>	<b>2019</b>
Premiums	\$ 53,389,902	\$ 48,189,940	\$ 50,296,736
Interest Earnings	99,529	266,205	456,386
Gain on Investments	-	56,800	8,715
Nonoperating Revenues - Other	-	4,535	-
<b>Total Revenues</b>	<b>\$ 53,489,431</b>	<b>\$ 48,517,480</b>	<b>\$ 50,761,837</b>

The increase in premium revenue for 2021 is primarily the result of 6 new municipalities joining the Consortium along with premium increases necessitated by the rising cost of health care. The decrease in premium revenues for 2020 is primarily the result of waiving of one month of premiums to be more closely aligned with actual medical claims expense. The decreases in interest earnings are mostly due to decreased interest rates. Prior investment gains are a result of market conditions.

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

## **MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2021 AND 2020**

### **Expense Overview**

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

	<b>2021</b>	<b>2020</b>	<b>2019</b>
Claims Expense	\$ 53,024,900	\$ 44,933,332	\$ 43,353,569
Compensation	402,891	303,208	269,873
Professional and Consulting	165,655	216,269	237,302
Reinsurance Expenses, Net of Recoveries	270,471	234,193	641,621
Insurance	50,588	43,612	40,114
Claims Administration Fees	1,678,883	1,596,782	1,455,338
Aggregate Write-ins for Other Expenses	391,254	326,276	363,441
Loss on Investments	193,376	-	-
Other Expenses	23,066	-	10,895
<b>Total Expenses</b>	<b><u>\$ 56,201,084</u></b>	<b><u>\$ 47,653,672</u></b>	<b><u>\$ 46,372,153</u></b>

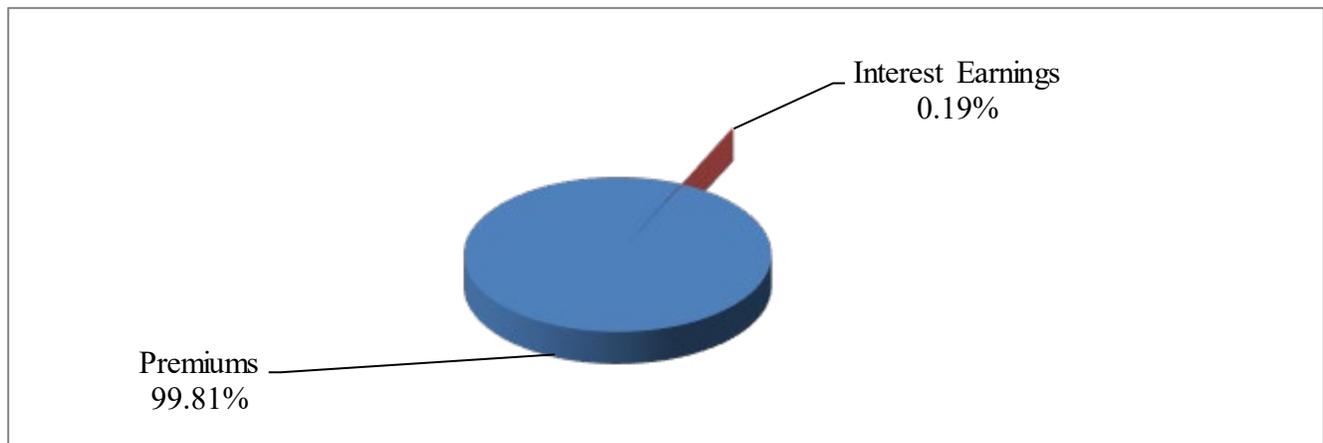
The increases in claims expense are primarily a result of increased insurance claims paid for participating municipality employees and the addition of new participating municipalities into the Consortium. The increases in claims administrative and other expenses are primarily due to increased costs associated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

### **Schedules of Changes in Net Position**

The Schedules of Changes in Net Position represent the changes in Consortium reserves, incurred claims, and unrestricted net position for the years ended December 31, 2021 and 2020.

The following are graphic illustrations of revenues by source:

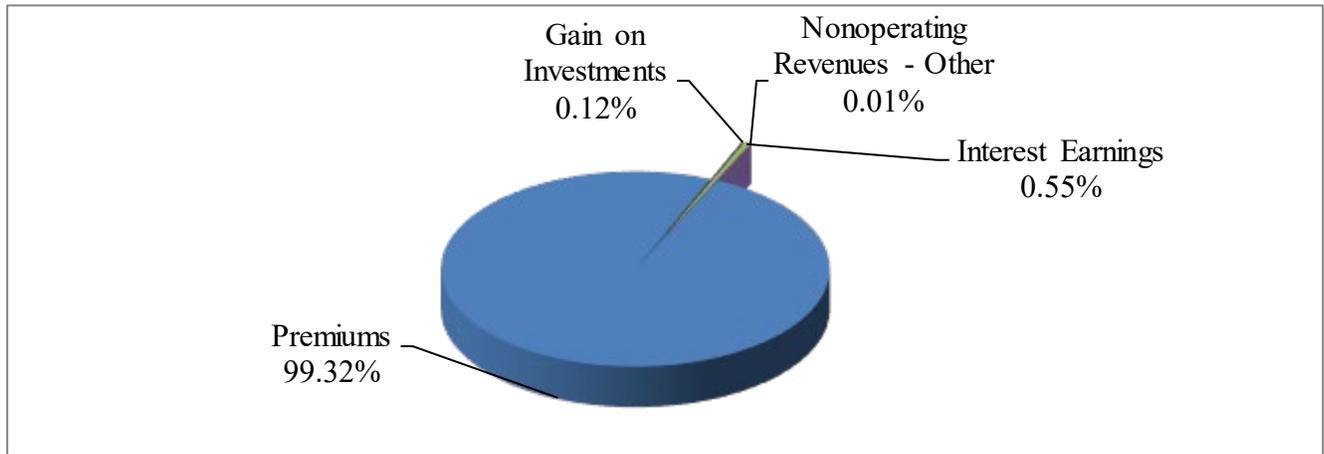
**Sources of Revenue  
2021**



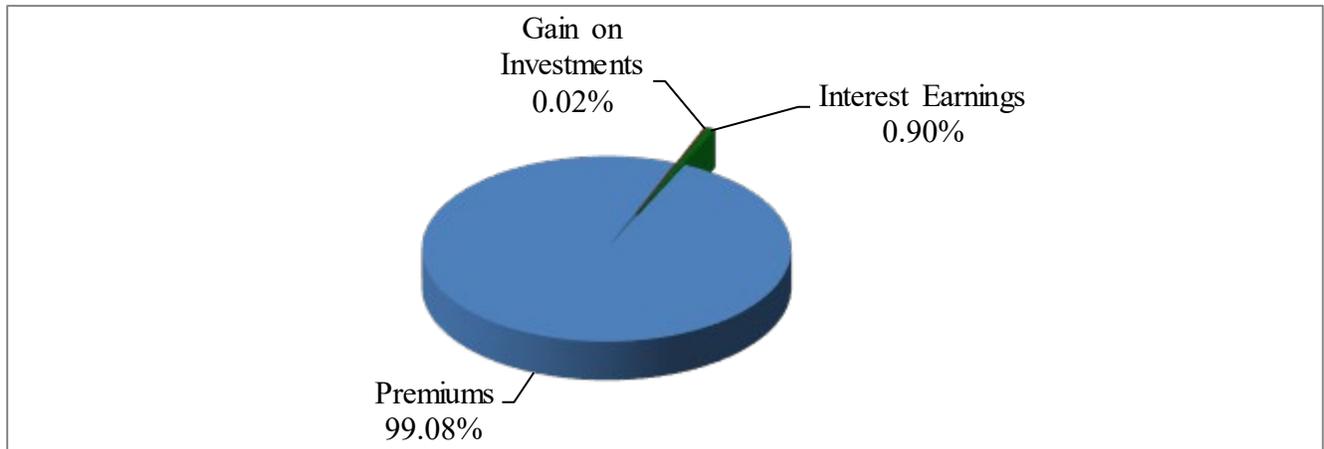
# **GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2021 AND 2020**

**Sources of Revenue  
2020**



**Sources of Revenue  
2019**

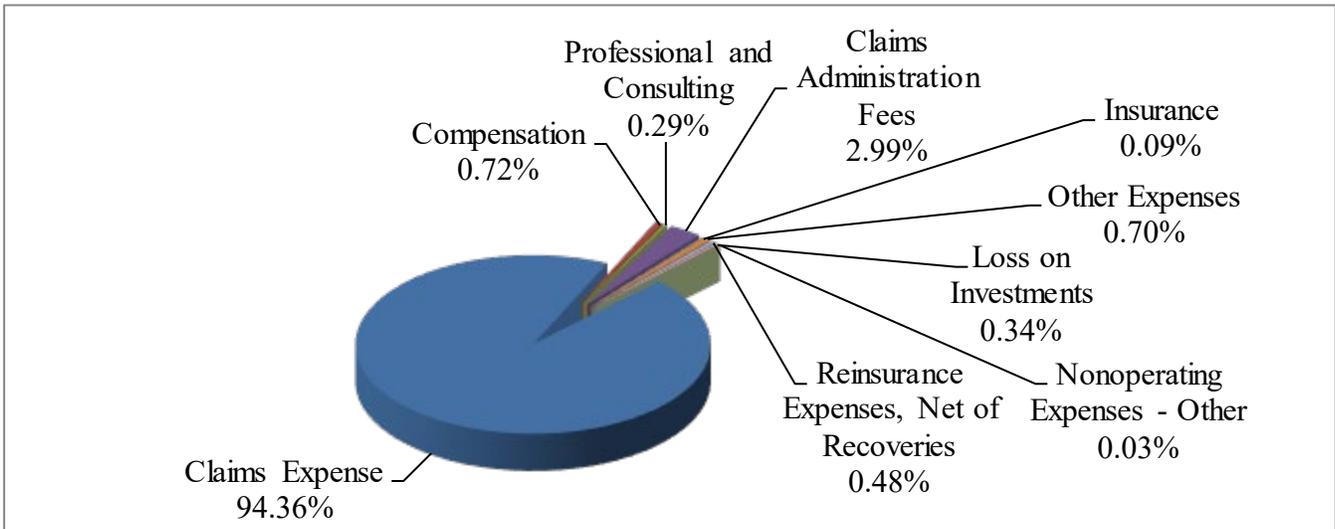


# **GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM**

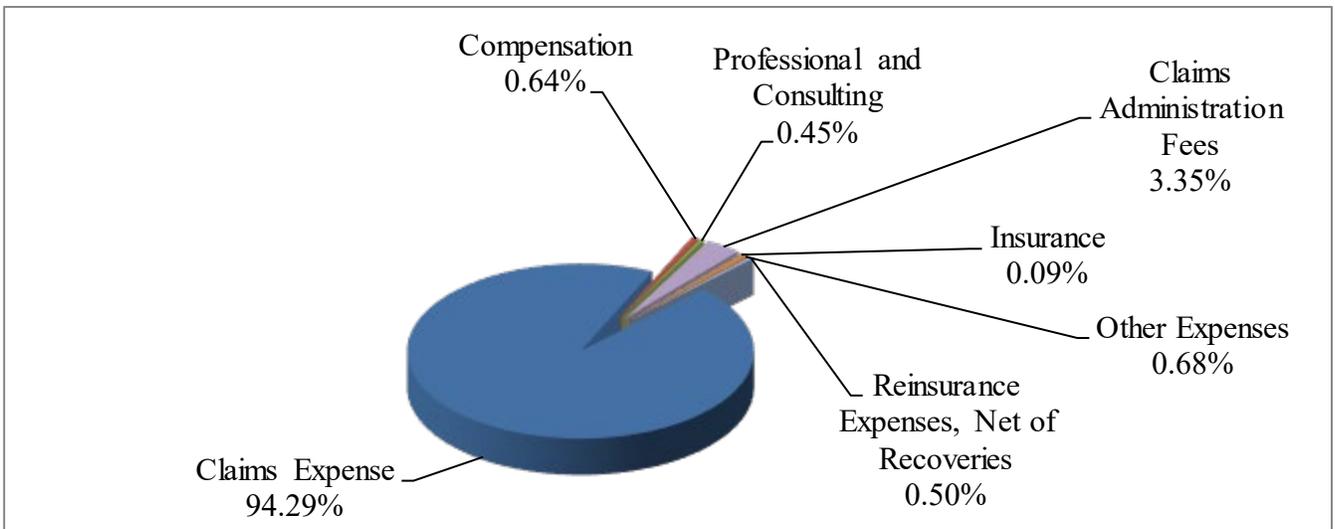
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2021 AND 2020**

The following are graphic illustrations of operating expenses by source:

**Operating Expenses  
2021**



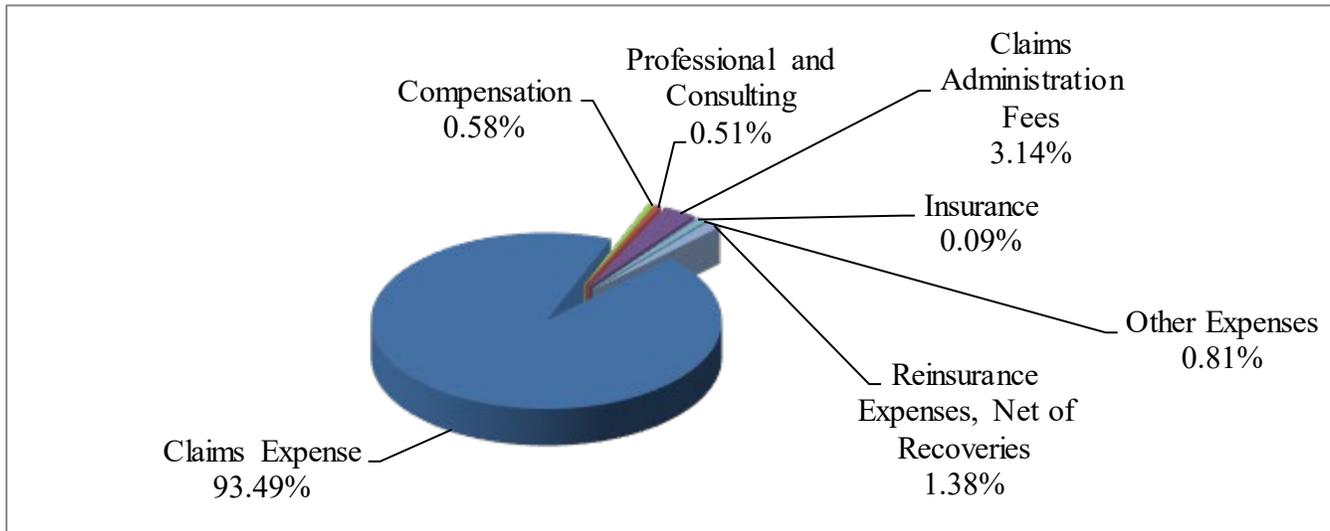
**Operating Expenses  
2020**



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2021 AND 2020**

## **Operating Expenses 2019**



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

#### **Consortium Overview**

In 2010, the Greater Tompkins 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 1990s.

In the fall of 2020, the Board of Directors approved six (6) new municipalities to join the Consortium in 2021. The new members were the Towns of Catharine, Cuyler, Dix, Hector, and Tioga along with the Village of Owego. With these new municipalities, the Consortium has seen its list of municipal partners grow from its original thirteen (13) members to forty-nine (49) municipal partners at the close of the 2021 Fiscal Year.

In 2021, the Consortium received approval from the New York State Department of Financial Services to increase its operating territory under its Certificate of Authority to sixteen counties throughout the Southern Tier and Central New York regions of New York State. The Consortium can now serve municipal corporations located in Broome, Cayuga, Chenango, Chemung, Cortland, Madison, Onondaga, Ontario, Oswego, Tioga, Tompkins, Schuyler, Seneca, Steuben, Wayne, and Yates Counties. As the Consortium grows it is exploring the best way to have conversations about setting a long-term business plan that will ensure the organization continues to act as prudent fiscal stewards and sets a roadmap for how it will operate in terms of growth and governance going forward. The Executive Committee will continue to explore the best way to lead the Consortium in conversations regarding setting its strategic initiatives in consideration of the level of growth and the Consortium’s appetite for risk.

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

## **MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2021 AND 2020**

In the fall of 2021, the Board of Directors approved four (4) new municipal partners that began coverage in 2022: These municipalities are the Towns of Erwin and Throop and the Villages of Fayetteville and Minoa. Please refer to the following for a complete list of the current Participating Municipalities:

Municipality Name	Effective Date
City of Ithaca	1/1/2011
County of Tompkins	1/1/2011
Town of Caroline	1/1/2011
Town of Danby	1/1/2011
Town of Dryden	1/1/2011
Town of Enfield	1/1/2011
Town of Groton	1/1/2011
Town of Ithaca	1/1/2011
Town of Ulysses	1/1/2011
Village of Cayuga Heights	1/1/2011
Village of Dryden	1/1/2011
Village of Groton	1/1/2011
Village of Trumansburg	1/1/2011
City of Cortland	1/1/2013
Town of Lansing	1/1/2013
Town of Willet	1/1/2015
Village of Homer	1/1/2015
Town of Marathon	1/1/2016
Town of Truxton	1/1/2016
Town of Virgil	1/1/2016
* Founding Members	

Municipality Name	Effective Date
Town of Aurelius	1/1/2017
Town of Cincinnatus	1/1/2017
Town of Montezuma	1/1/2017
Town of Moravia	1/1/2017
Town of Preble	1/1/2017
Town of Scipio	1/1/2017
Town of Springport	1/1/2017
Village of Union Springs	1/1/2017
Town of Homer	1/1/2018
Town of Newfield	1/1/2018
Town of Owasco	1/1/2018
County of Seneca	1/1/2019
Town of Big Flats	1/1/2019
Town of Mentz	1/1/2019
Town of Niles	1/1/2019
Town of Sennett	1/1/2019
Village of Freeville	1/1/2019
Village of Horseheads	1/1/2019
Village of Lansing	1/1/2019
Town of Horseheads	1/1/2020

Municipality Name	Effective Date
Town of Spencer	1/1/2020
Village of Watkins Glen	1/1/2020
Lansing Library	1/1/2020
Town of Catharine	1/1/2021
Town of Cuyler	1/1/2021
Town of Dix	1/1/2021
Town of Hector	1/1/2021
Town of Tioga	1/1/2021
Village of Owego	1/1/2021
Town of Erwin	1/1/2022
Town of Throop	1/1/2022
Village of Minoa	1/1/2022
Village of Fayetteville	1/1/2022

With this growth and expected additional growth, the Consortium continues to bring talent in-house and rely less on outside resources. Two new full-time employees were added to the Consortium's staff in 2021. In addition to the full-time Clerk of the Board and the Executive Director, the Consortium now employs a full time Finance Manager and Benefits Specialist. The transition to employing full-time regular staff allows the Consortium to build and maintain its institutional knowledge without increasing administrative costs to our members. Even with these additional overhead expenses, the Consortium continues to operate at an extremely efficient level with 98.23% of all expenses going directly to cover claims expenses in 2021.

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

## **MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2021 AND 2020**

The Finance Manager took on all responsibilities relative to the Consortium's outside accountant and has also picked up other responsibilities from the other members of the Finance Team. The transition of responsibility continues and will come full circle when the Consortium files its Annual Statement with the New York State Department of Financial Services and closes its Annual Audit. In the process the Finance Manager has improved many of the Consortium's systems to include on-line billing, eliminating the need for manual journal entries and has pursued the Department of Financial Services for answers to ongoing reporting problems. The Finance Manager will continue to streamline the Consortium's invoice payment process and will work with the Treasurer on reconciling all bank transactions. By setting up new systems and streamlining processes and procedures, the Finance Manager is well poised to take on new members without additional time and effort as the Consortium grows.

The Benefit Specialist is key to daily problem resolution, especially for the Consortium's smaller members who generally are without full-time human resource departments. The Benefit Specialist is also working on documenting institutional knowledge to help the organization remain stable when outside vendors have staffing changes or when their files are not current with the Consortium's plans. The Benefit Specialist is also tasked with creating a strong wellness program in response to an initiative that has been supported by the Consortium for several years to create a culture of healthy lifestyles.

Also in 2021, the Municipal Cooperative Agreement of the Greater Tompkins County Municipal Health Insurance Consortium (GTCMHIC) provided for the creation of an Executive Committee with powers and duties to conduct certain business operations on behalf of the Consortium, as delegated from time to time, by the Board of Directors. The Consortium will remain diligent to review the new governance model to make sure lines of communication with the Board of Directors remain open and the Executive Committee can move swiftly to react to changes in the marketplace affecting the organization's lines of business and/or operations.

The following chart demonstrates how the Consortium continues to improve services while keeping overall administrative costs less than 4.5% of total Consortium expenses

<b><i>Expense Category</i></b>	<b><i>2017</i></b>	<b><i>2018</i></b>	<b><i>2019</i></b>	<b><i>2020</i></b>	<b><i>2021</i></b>
<b>Medical and Rx Paid Claims</b>	94.08%	94.84%	93.69%	94.49%	94.89%
<b>Claims Administration Fees</b>	2.76%	2.72%	3.03%	3.16%	2.88%
<b>Stop-Loss Insurance</b>	1.68%	1.03%	1.34%	0.52%	0.46%
<b>Taxes and Fees</b>	0.65%	0.58%	0.72%	0.64%	0.62%
<b>Professional Services</b>	0.55%	0.53%	0.61%	0.46%	0.28%
<b>Insurance/Internal Fees(Staffing)</b>	0.23%	0.25%	0.56%	0.70%	0.82%
<b>Other/Miscellaneous Fees</b>	0.05%	0.05%	0.05%	0.03%	0.05%
<b>Total Expenses</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

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

## **MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2021 AND 2020**

### **Escalating Cost of Medical Services and Prescription Medications**

Medical claims are returning to pre-pandemic levels and prescription drug claims cost increased by 9.6% in 2021 from the previous year. Due to this growth, the Consortium Leadership will carefully monitor claims activity and utilize all resources available to control costs. The chart below shows the Consortium's budgeted paid claims versus the Consortium's actual paid claims for each year of operation:

<i>Fiscal Year</i>	<i>Budgeted Claims</i>			<i>Actual Results</i>			<i>Variance (Budgeted Claims -v- Actual Results)</i>	
	<i>Medical Claims</i>	<i>Rx Claims</i>	<i>Total Claims</i>	<i>Medical Claims</i>	<i>Rx Claims</i>	<i>Total Claims</i>	<i>Total Claims</i>	
<i>2011</i>	\$15,947,080.94	\$5,828,602.12	\$21,775,683.06	\$15,685,691.75	\$6,504,972.43	\$22,190,664.18	\$414,981.12	1.91%
<i>2012</i>	\$19,674,216.88	\$6,496,006.90	\$26,170,223.78	\$18,085,105.63	\$6,683,363.26	\$24,768,468.89	-\$1,401,754.89	-5.36%
<i>2013</i>	\$21,415,385.07	\$7,070,903.51	\$28,486,288.58	\$21,606,445.39	\$6,881,127.63	\$28,487,573.02	\$1,284.44	0.00%
<i>2014</i>	\$22,817,790.22	\$7,294,687.16	\$30,112,477.38	\$22,323,357.41	\$7,388,617.00	\$29,711,974.41	-\$400,502.97	-1.33%
<i>2015</i>	\$25,019,785.25	\$7,995,686.92	\$33,015,472.17	\$20,488,247.86	\$8,513,468.25	\$29,001,716.11	-\$4,013,756.06	-12.16%
<i>2016</i>	\$24,721,129.41	\$9,112,459.27	\$33,833,588.68	\$24,569,270.48	\$10,190,718.01	\$34,759,988.49	\$926,399.81	2.74%
<i>2017</i>	\$27,333,613.53	\$12,004,678.56	\$39,338,292.09	\$25,776,547.72	\$11,109,131.73	\$36,885,679.45	-\$2,452,612.64	-6.23%
<i>2018</i>	\$27,872,149.95	\$12,314,156.34	\$40,186,306.29	\$29,703,463.95	\$10,863,475.35	\$40,566,939.30	\$380,633.01	0.95%
<i>2019</i>	\$35,347,255.37	\$13,835,185.90	\$49,182,441.28	\$31,928,669.77	\$12,835,335.59	\$44,764,005.36	-\$4,418,435.92	-8.98%
<i>2020</i>	\$37,198,413.76	\$14,009,165.32	\$51,207,579.08	\$32,826,396.10	\$14,301,339.57	\$47,127,735.67	-\$4,079,843.41	-7.97%
<i>2021</i>	\$38,838,424.24	\$15,355,131.00	\$54,193,555.24	\$39,054,847.14	\$16,173,194.34	\$55,228,041.48	\$1,034,486.24	1.91%
<i>Totals</i>	<i>\$296,185,244.61</i>	<i>\$111,316,663.02</i>	<i>\$407,501,907.63</i>	<i>\$282,048,043.20</i>	<i>\$111,444,743.16</i>	<i>\$393,492,786.36</i>	<i>-\$14,009,121.27</i>	<i>-3.44%</i>

Towards that end, in 2021 Locey & Cahill helped the Consortium review a Request for Proposal for the Consortium's Prescription Benefit Manager. A subcommittee reviewed at least eight proposals and identified three finalists. In addition to making sure the organization continued to have access to convenient retail pharmacies, a robust formulary, and affordable administrative fees, the Consortium was also very concerned about the increased cost in specialty drugs and managing cost through manufacturer's rebates.

A new contract was signed with ProAct as they have changed their rebate platform and were able to secure better rebates for our program. The Consortium won't see the full benefit of this renewal until 2022, but the Consortium was able to decrease overall administrative costs and increase its rebates to \$2,385,590.60, a 21% increase from the previous year. Each year this program will be monitored to ensure the Consortium and ProAct are effectively managing the high cost of prescription drug claims while maintaining the benefits guaranteed to employees and retirees pursuant to their various labor agreements, personnel policies, and legislative resolutions.

The Consortium continues to offer access to the CanaRx program approved in 2017, an international pharmacy which covered members may use for brand name maintenance medications. The approved medication list is contained on the CanaRx formulary. Renewed effort is being made to improve communication on the availability of this program which can save significant costs for Consortium members and can also mitigate some costs for the Consortium.

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

## **MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2021 AND 2020**

### COVID-19 Pandemic

The COVID-19 (coronavirus) pandemic continued to impact all of us and the Consortium's operations during the 2020 and 2021 Fiscal Years were no exception. With the continuation of the pandemic, the Consortium has started to see previously cancelled or delayed non-critical and/or non-essential appointments and/or procedures return to pre-pandemic levels. These actions have resulted in a rise in medical paid claims of the Consortium as noted in the following chart:

<b>Date</b>	<b>Monthly Budgeted Claims</b>	<b>Monthly Actual Paid Claims</b>	<b>Actual Paid vs Budget Variance</b>
<b>Jan-20</b>	\$3,099,867.81	\$2,907,506.99	<b>(\$192,360.82)</b>
<b>Feb-20</b>	\$3,099,867.81	\$2,581,412.07	<b>(\$518,455.74)</b>
<b>Mar-20</b>	\$3,099,867.81	\$2,747,771.34	<b>(\$352,096.47)</b>
<b>Apr-20</b>	\$3,099,867.81	\$2,389,246.06	<b>(\$710,621.75)</b>
<b>May-20</b>	\$3,099,867.81	\$2,131,515.78	<b>(\$968,352.03)</b>
<b>Jun-20</b>	\$3,099,867.81	\$2,128,414.82	<b>(\$971,452.99)</b>
<b>Jul-20</b>	\$3,099,867.81	\$3,109,442.72	\$9,574.91
<b>Aug-20</b>	\$3,099,867.81	\$2,657,196.85	<b>(\$442,670.96)</b>
<b>Sep-20</b>	\$3,099,867.81	\$2,718,618.64	<b>(\$381,249.17)</b>
<b>Oct-20</b>	\$3,099,867.81	\$3,562,407.31	\$462,539.50
<b>Nov-20</b>	\$3,099,867.81	\$2,752,585.94	<b>(\$347,281.87)</b>
<b>Dec-20</b>	\$3,099,867.81	\$3,140,277.58	\$40,409.77
<b>Jan-21</b>	\$3,236,535.35	\$2,183,108.24	<b>(\$1,053,427.11)</b>
<b>Feb-21</b>	\$3,236,535.35	\$2,858,426.78	<b>(\$378,108.57)</b>
<b>Mar-21</b>	\$3,236,535.35	\$3,796,744.06	\$560,208.71
<b>Apr-21</b>	\$3,236,535.35	\$3,281,765.09	\$45,229.74
<b>May-21</b>	\$3,236,535.35	\$3,461,576.16	\$225,040.81
<b>Jun-21</b>	\$3,236,535.35	\$2,728,733.71	<b>(\$507,801.64)</b>
<b>Jul-21</b>	\$3,236,535.35	\$3,606,880.17	\$370,344.82
<b>Aug-21</b>	\$3,236,535.35	\$3,053,575.07	<b>(\$182,960.28)</b>
<b>Sep-21</b>	\$3,236,535.35	\$2,917,382.41	<b>(\$319,152.94)</b>
<b>Oct-21</b>	\$3,236,535.35	\$4,117,999.47	\$881,464.12
<b>Nov-21</b>	\$3,236,535.35	\$3,553,658.35	\$317,123.00
<b>Dec-21</b>	\$3,236,535.35	\$3,494,997.63	\$258,462.28
<b>Totals</b>	<b>\$76,036,838.00</b>	<b>\$71,881,243.24</b>	<b>(\$4,155,594.76)</b>

The Consortium finished the 2021 Fiscal Year approximately \$200K above budget in hospital, medical, and surgical paid claims. In addition, the prescription drug claims finished the year approximately \$800K over budget.

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

## **MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2021 AND 2020**

There is a concern that with medical care staffing shortages, the rise in inflation, increased demand for services, and previous losses incurred by medical care providers, that the paid claims may experience a greater than average increase over the next year or two. However, 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 additional "hyper-inflation" which may occur as the medical community continues 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 level.

### **Specific Stop-Loss Insurance**

Section 4707(a)(2) of the New York State Insurance Law requires the Consortium to purchase "specific stop-loss coverage with a specific retention amount or attachment point not greater than four percent of the amount certified by a qualified actuary to represent the plan's expected claims for the current fiscal year." The Consortium Board of Directors passed Resolution No. 040-2020 authorizing the purchase of a specific stop-loss insurance policy from Excellus BlueCross BlueShield ("Excellus") with a policy period deductible of \$1,000,000 for all covered insured members. The purchasing of specific stop-loss insurance at a \$1,000,000 deductible level creates a substantive risk to the Consortium and its financial stability and it needs a policy for balancing the Catastrophic Claims Reserve with the predicted risk. A new policy created the Catastrophic Self-Insurance Claims Pool articulating how the pool would be calculated and used.

The Pool includes any annual premium savings and interest earned on the reserve throughout the year bringing the reserve balance up to \$4,642,294.00 at the close of the 2021 Fiscal Year. The Pool will be used to cover eligible expenses for covered members who have paid claims which exceed \$500,000 up to the specific stop-loss insurance deductible of \$1,000,000. The only exceptions to this payment are claimants who have a "laser" deductible placed on them. In addition to the funds from the Catastrophic Claims Pool, this Pool will be further funded with the variance between the quoted premium for a specific stop-loss insurance policy at the \$600,000 deductible level and the \$1,000,000 deductible level and with the interest earned on the Pool each year.

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

## **MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2021 AND 2020**

For the 2021 Fiscal Year, the Consortium experienced 4 claimants which needed to be funded by the Pool. Please refer to the chart below for the 2021 Fiscal Year Results as of December 31, 2021:

		<i>Actual as of 12/31/2021</i>
		<b>2021 Fiscal Year</b>
Budgeted Premium	\$600,000	\$706,791.00
	Deductible	
Actual Premium	\$1,000,000	\$272,341.00
	Paid	
	Deductible	
Premium Savings		\$434,450.00
Interest Income		-\$19,009.15
	Deductible (Laser Applied)	\$1,000,000.00
	Actual Claims Paid	\$592,519.30
Member # 000001179452	Catastrophic Claims Pool	\$0.00
	Deductible	\$500,000.00
	Actual Claims Paid	\$686,798.19
Member # 000014335319	Catastrophic Claims Pool	<b>\$186,798.19</b>
	Deductible	\$500,000.00
	Actual Claims Paid	\$633,727.34
Member # 000014235037	Catastrophic Claims Pool	<b>\$133,727.34</b>
	Deductible	\$500,000.00
	Actual Claims Paid	\$836,622.21
Member # 000012168307	Catastrophic Claims Pool	<b>\$336,622.21</b>
	Deductible	\$500,000.00
	Actual Claims Paid	\$648,218.91
Member # 000001551134	Catastrophic Claims Pool	<b>\$148,218.91</b>
Net Impact on Fund Balance		<b>-\$389,925.80</b>

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 on December 5, 2017 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 2021 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. Waiving aggregate stop-loss insurance allows the Consortium to save annually on related premiums.

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

## **MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2021 AND 2020**

### **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 \$4,004,100.60 at the close of the 2021 Fiscal Year. The Board of Directors agreed to continue to set the Rate Stabilization Reserve at 7.5% of the expected paid claims for the 2022 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 2021 Fiscal Year was 5.68%. 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 creditable data demonstrating the IBNR Reserve at 12% is very conservative and amply protects the Consortium for its claims' liabilities.

### **Investment of Reserves**

During the 2018 Fiscal Year, the Board of Directors adopted an Investment Policy directing how our Investment Manager would invest in the limited vehicles available to municipal cooperatives. This action resulted in a significant increase in earned interest income as the Consortium saw its investments in 2019 create an additional \$443,163.55 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 and 2021 were below previous years. 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.

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

## **MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2021 AND 2020**

### **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:

Applicable Fiscal Year	Filing Deadline	Payment Fiscal Year	PCORI Rate (Per Life)	% Increase	Average Annual Covered Lives	Annual Fee
2012	7/31/2013	2013	\$1.00	n/s	4,448	\$4,448.00
2013	7/31/2014	2014	\$2.00	100.00%	5,126	\$10,252.46
2014	7/31/2015	2015	\$2.08	4.00%	5,015	\$10,431.20
2015	7/31/2016	2016	\$2.17	4.33%	5,024	\$10,902.08
2016	7/31/2017	2017	\$2.26	4.15%	5,063	\$11,442.38
2017	7/31/2018	2018	\$2.39	5.75%	5,172	\$12,361.08
2018	7/31/2019	2019	\$2.45	2.51%	5,201	\$12,742.45
2019	7/31/2020	2020	\$2.54	3.67%	6,174	\$15,681.96
2020	7/31/2021	2021	\$2.66	4.72%	6,275	\$16,691.50
2021	7/30/2022	2022	\$2.79	5.00%	6,303	\$17,604.28
2022	7/30/2023	2023	\$2.93	5.00%	6,423	\$18,836.41
2023	7/30/2024	2024	\$3.08	5.00%	6,423	\$19,778.23
2024	7/30/2025	2025	\$3.23	5.00%	6,423	\$20,767.14
2025	7/30/2026	2026	\$3.39	5.00%	6,423	\$21,805.50
2026	7/30/2027	2027	\$3.56	5.00%	6,423	\$22,895.78
2027	7/30/2028	2028	\$3.74	5.00%	6,423	\$24,040.56
2028	7/30/2029	2029	\$3.93	5.00%	6,423	\$25,242.59

\* PCORI Fee Estimates Use Current Average Covered Lives Count of 6,423

\*\* 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, 2021 AND 2020**

As additional municipalities show interest in joining the Consortium, the Board of Directors is taking the steps necessary to ensure future growth is controlled and premium rates are fair for all municipal partners.

## **Monitoring Claims Adjudication**

The Board annually contracts with a third party to audit the hospital, medical, and surgical claims adjudication practices of Excellus one year and the pharmaceutical claims practices of ProAct the next year to ensure all claims are being adjudicated according to our plan documents and with proper medical and clinical oversight.

## **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 five 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 in writing at 215 N Tioga Street, Ithaca, New York, 14850.

**GREATER TOMPKINS COUNTY MUNICIPAL  
HEALTH INSURANCE CONSORTIUM**

**STATEMENTS OF NET POSITION  
DECEMBER 31,**

	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 6,169,222	\$ 8,343,168
Unrestricted Investments	6,068,128	7,686,088
Accrued Interest	9,434	58,725
Premiums Receivable	21,430	-
Prepaid Expenses	152,566	-
<b>Total Current Assets</b>	<b>12,420,780</b>	<b>16,087,981</b>
<b>OTHER ASSETS</b>		
<b>Noncurrent Assets</b>		
Premium Claims Deposit	722,400	761,400
Security Deposit	800	-
Restricted Investments	18,182,498	16,662,408
<b>Total Noncurrent Assets</b>	<b>18,905,698</b>	<b>17,423,808</b>
<b>Total Assets</b>	<b>31,326,478</b>	<b>33,511,789</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Incurred Claims Liability	6,866,608	5,828,922
Accounts Payable	1,442,679	610,385
Unearned Premiums	766,350	1,072,302
<b>Total Current Liabilities</b>	<b>9,075,637</b>	<b>7,511,609</b>
<b>Total Liabilities</b>	<b>9,075,637</b>	<b>7,511,609</b>
<b>NET POSITION</b>		
<b>Restricted</b>		
Restricted for Contingency Reserve - §4706(a)(5)	2,669,495	2,409,497
<b>Unrestricted - Board Designated</b>		
Catastrophic Claims Reserve	4,642,294	5,032,220
Rate Stabilization Reserve	4,004,101	3,391,769
<b>Total Unrestricted - Board Designated</b>	<b>8,646,395</b>	<b>8,423,989</b>
<b>Unrestricted - Undesignated</b>	<b>10,934,951</b>	<b>15,166,694</b>
<b>Total Net Position</b>	<b>\$ 22,250,841</b>	<b>\$ 26,000,180</b>

*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,**

	2021	2020
<b>Operating Revenues</b>		
Premiums	<u>\$ 53,389,902</u>	<u>\$ 48,189,940</u>
<b>Total Operating Revenues</b>	<u>53,389,902</u>	<u>48,189,940</u>
<b>Operating Expenses</b>		
Claims Expense	53,024,900	44,933,332
Compensation	402,891	303,208
Professional and Consulting	165,655	216,269
Reinsurance Expenses, Net	270,471	234,193
Insurance	50,588	43,612
Claims Administrative Fees	1,678,883	1,596,782
Aggregate Write-ins for Other Expenses	<u>391,254</u>	<u>326,276</u>
<b>Total Operating Expenses</b>	<u>55,984,642</u>	<u>47,653,672</u>
Excess (Deficiency) of Operating Revenues Before Nonoperating Revenue (Expense)	<u>(2,594,740)</u>	536,268
<b>Nonoperating Revenue (Expense)</b>		
Interest Earnings	99,529	266,205
Gain (Loss) on Investments	(193,376)	56,800
Other Revenues (Expenses)	<u>(23,066)</u>	<u>4,535</u>
<b>Total Nonoperating Revenue (Expense)</b>	<u>(116,913)</u>	<u>327,540</u>
Change in Net Position	<u>(2,711,653)</u>	863,808
Net Position, January 1,	<u>26,000,180</u>	<u>25,328,014</u>
Adjustment for Incurred But Not Reported Claims	<u>(1,037,686)</u>	<u>(191,642)</u>
<b>Net Position, December 31,</b>	<u><u>\$ 22,250,841</u></u>	<u><u>\$ 26,000,180</u></u>

*See Notes to Financial Statements*

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

## **STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31,**

	<b>2021</b>	<b>2020</b>
<b>Cash Flows From Operating Activities</b>		
Premiums Collected from Municipal Corporations	\$ 53,062,520	\$ 48,880,350
Rebates and Reimbursements	2,385,591	2,385,757
Premium Claims Deposit	39,000	(113,700)
Claims Paid	(54,153,657)	(46,909,048)
Payments to Employees	(402,891)	(303,208)
Operating Expenses Paid	(3,134,757)	(2,441,057)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(2,204,194)</b>	<b>1,499,094</b>
<b>Cash Flows From Noncapital Financing Activities</b>		
Other Revenues (Expenses)	(23,066)	4,535
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>(23,066)</b>	<b>4,535</b>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Restricted Cash and Cash Equivalents (Increase) Decrease	-	-
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>-</b>	<b>-</b>
<b>Cash Flows From Investing Activities</b>		
Purchase of Investments	(18,485,024)	(32,995,272)
Proceeds from Sale of Investments	18,389,518	28,181,488
Interest Received	148,820	348,639
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>53,314</b>	<b>(4,465,145)</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(2,173,946)</b>	<b>(2,961,516)</b>
Cash and Cash Equivalents, January 1,	8,343,168	11,304,684
<b>Cash and Cash Equivalents, December 31,</b>	<b>\$ 6,169,222</b>	<b>\$ 8,343,168</b>
<b>Reconciliation of Excess Operating Revenues Over Operating (Expenses) to Net Cash Provided (Used) by Operating Activities</b>		
Excess Operating Revenues Over Operating (Expenses)	\$ (2,594,740)	\$ 536,268
(Increase) Decrease in Accounts Receivable	-	380,746
(Increase) Decrease in Prepaid Expenses	(152,566)	-
(Increase) Decrease in Premiums Receivable	(21,430)	127,906
(Increase) Decrease in Premium Claims Deposit	39,000	(113,700)
(Increase) Decrease in Security Deposit	(800)	-
Increase (Decrease) in Accounts Payable	832,294	5,370
Increase (Decrease) in Unearned Premiums	(305,952)	562,504
Increase (Decrease) in Incurred Claims Liability	1,037,686	191,642
Adjustment for Incurred But Not Reported Claims	(1,037,686)	(191,642)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (2,204,194)</b>	<b>\$ 1,499,094</b>

*See Notes to Financial Statements*

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

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020**

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

The financial statements of the Greater Tompkins County Municipal Health Insurance Consortium (the Consortium) 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 Consortium**

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 Consortium'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 Consortium 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 Consortium may do so with two-thirds approval of the Board. Consortium underwriting and rate setting policies have been established after consultation with third party administration. Consortium members are subject to supplemental assessment in the event of deficiencies. Premium assessments are determined annually, and should assets of the Consortium be exhausted, members would be responsible for the Consortium's liabilities. The Consortium added six new participating municipalities: the Towns of Catherine, Cuyler, Dix, Hector, and Tioga and the Village of Owego. 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. Consortium membership currently includes 49 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 Consortium are accounted for on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded when incurred.

#### **Use of Estimates**

The preparation of financial statements in conformity with 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.

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

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020**

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

#### **Reinsurance**

The Consortium 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 Consortium as direct insurer of the risks reinsured. The Consortium does not report reinsured risks as liabilities unless it is probable those risks will not be covered by the reinsurer.

#### **Unpaid Claims Liabilities**

The Consortium 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 Consortium 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 Consortium 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.
- Catastrophic Claims Reserve: A discretionary reserve reviewed annually by the Board of Directors to provide financial support for the additional exposure the Consortium 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.

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

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020**

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

#### **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 Consortium 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 Consortium is currently made up of 49 participating municipal corporations, with six new participating municipalities joining the Consortium in 2021. Representatives of each participating municipal corporation serve on the Board and premiums are collected from the municipal corporations. Four new municipalities are scheduled to join the Consortium in 2022.

#### **Concentration of Credit Risk**

The Consortium 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, 2021 and 2020, all accounts were fully insured and/or collateralized.

#### **Concentration of Operating Revenues**

The Consortium received 99.8% and 99.3% of its revenues from premiums collected for the years ended December 31, 2021 and 2020, respectively.

#### **Cash Equivalents**

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

### ***Note 2* Cash and Investments**

The Consortium's investment policies are governed by state statutes. Consortium 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.



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

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020**

**Note 4 Fair Value Measurements**

The Consortium 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 Consortium has the following recurring fair value measurements as of December 31, 2021:

- U.S. Treasury securities of \$24,250,626 are valued using quoted market prices (Level 1 inputs).

The Consortium 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).

**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,:

	<b>2021</b>	<b>2020</b>
Reinsurance Expense	\$ 270,471	\$ 263,488
Reimbursements and Rebates	-	(29,295)
Reinsurance Expense, Net	<b>\$ 270,471</b>	<b>\$ 234,193</b>

**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,:

	<b>2021</b>	<b>2020</b>
Contingency Reserve	\$ 2,669,495	\$ 2,409,497

**GREATER TOMPKINS COUNTY MUNICIPAL  
HEALTH INSURANCE CONSORTIUM**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**Note 7 Contingencies**

**Claims Liability**

The BlueCross/BlueShield payments include claims paid for the years ended December 31, 2021 and 2020, 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 Consortium 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 Consortium also maintains specific stop-loss insurance coverage. This insurance policy provides unlimited coverage to the Consortium 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 for the specific stop-loss insurance coverage for the fiscal years ending December 31, 2021 and 2020. It should also be noted that the coverage included unique deductibles (“laser deductibles”) for one individual at \$1 million for the fiscal year ending December 31, 2021 and for one individual at \$1.2 million for the fiscal year ending December 31, 2020.

**Note 8 Incurred Claims Liability**

As discussed in Note 1, the Consortium 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>2021</u>	<u>2020</u>
<b>Liability for Unpaid Claims - Beginning of Year</b>	<b>\$ 5,828,922</b>	<b>\$ 5,637,280</b>
Incurred Claims and Claim Adjustment:		
Claims Expense	53,024,900	44,933,332
Claims Paid	(55,410,491)	(46,909,048)
Prescriptions Rebate	2,385,591	1,975,716
Adjustment for Incurred But Not Reported Claims	<u>1,037,686</u>	<u>191,642</u>
<b>Liability for Unpaid Claims - End of Year</b>	<b><u>\$ 6,866,608</u></b>	<b><u>\$ 5,828,922</u></b>

**GREATER TOMPKINS COUNTY MUNICIPAL  
HEALTH INSURANCE CONSORTIUM**

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

	2021				
	<u>Restricted</u>	<u>Board Designated</u>		<u>Unrestricted</u>	
		Catastrophic	Rate		
	Contingency Reserve	Claims Reserve	Stabilization Reserve	Unrestricted	Total
<b>Balances at January 1, 2021</b>	<b>\$ 2,409,497</b>	<b>\$ 5,032,220</b>	<b>\$ 3,391,769</b>	<b>\$ 15,166,694</b>	<b>\$ 26,000,180</b>
Change in Net Position	-	-	-	(2,711,653)	(2,711,653)
Reclassifications	259,998	(389,926)	612,332	(482,404)	-
Incurred Claims Adjustment	-	-	-	(1,037,686)	(1,037,686)
<b>Balances at December 31, 2021</b>	<b>\$ 2,669,495</b>	<b>\$ 4,642,294</b>	<b>\$ 4,004,101</b>	<b>\$ 10,934,951</b>	<b>\$ 22,250,841</b>
	2020				
	<u>Restricted</u>	<u>Board Designated</u>		<u>Unrestricted</u>	
		Catastrophic	Rate		
Contingency Reserve	Claims Reserve	Stabilization Reserve	Unrestricted	Total	
<b>Balances at January 1, 2020</b>	<b>\$ 2,514,837</b>	<b>\$ 2,800,000</b>	<b>\$ 2,184,812</b>	<b>\$ 17,828,365</b>	<b>\$ 25,328,014</b>
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)
<b>Balances at December 31, 2020</b>	<b>\$ 2,409,497</b>	<b>\$ 5,032,220</b>	<b>\$ 3,391,769</b>	<b>\$ 15,166,694</b>	<b>\$ 26,000,180</b>

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

**CLAIM DEVELOPMENT INFORMATION  
DECEMBER 31,**

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
1. Net Earned Required Contribution Revenues	<b>\$53,389,902</b>	\$48,189,940	\$50,296,736	\$42,401,705	\$40,774,492	\$38,519,955	\$37,587,353	\$ 36,063,291	\$ 34,507,670	\$ 28,575,531
2. Unallocated Expenses - N/A	-	-	-	-	-	-	-	-	-	-
3. Estimated Incurred Claims and Expense: End of Year	<b>53,024,900</b>	44,933,332	43,353,569	38,991,995	35,828,612	34,999,888	28,750,405	29,755,490	28,013,757	24,799,035
4. Paid (Cumulative) as of: End of Policy Year	<b>(54,153,657)</b>	(46,909,048)	(44,937,713)	(41,703,672)	(35,936,454)	(34,300,059)	(28,650,014)	(30,568,724)	(28,346,330)	(24,759,996)
5. Reestimated Incurred Claims and Expense: End of Policy Year	<b>53,024,900</b>	44,933,332	43,353,569	38,991,995	35,828,612	34,999,888	28,750,405	29,755,490	28,013,757	24,799,035
6. Change in Estimated Incurred Claims Expense:	-	-	-	-	-	-	-	-	-	-

**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 Consortium), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Consortium's basic financial statements, and have issued our report thereon dated April 21, 2022.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Consortium's internal control over financial reporting (internal control) as a basis for designing 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 Consortium's internal control. Accordingly, we do not express an opinion on the effectiveness of Consortium'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.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Consortium'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 financial statements. 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, 2022