



Greater Tompkins County Municipal Health Insurance Consortium

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

Greater Tompkins County Municipal Health Insurance Consortium

Audit and Finance Committee

Agenda

January 22, 2019 – 3:30 p.m.

Legislature Chambers

1. Call to Order (3:30) M. Cook
2. Changes to Agenda (3:30)
3. Approve Minutes of November 27 and December 11, 2018 (3:32)
4. Executive Director’s Report (3:35) D. Barber
 - a. DFS Communications
 - b. Reports from Other Committees
 - c. BMI Audit of Medical Claims
 - d. 2019 Start-Up
 - e. Operations Audit Update
 - f. Invoices:
 - a. Haylor Freyer and Coon – January 4, 2019 (Approval Required)
 - b. BOCES – Newsletter printing – January 2018 (Info. Only)
 - c. Discover eGov-Website Maintenance – January 2018 (Info. Only)
 - d. Wellness Consultant – December 2018 (Info. Only)
5. Treasurer’s Report (3:50) R. Snyder
 - a. Investment Management
 - b. Operations Bank Selection
 - e. Budget adjustments – Employee Benefits, Marketing Materials
6. Financial Update & High Cost Claim Report (4:05) S. Locey
 - a. Accounts Receivable- TC3 and Others
 - b. Municipal Invoices
7. Retiree Drug Subsidy (RDS) – Locey and Cahill Proposal (4:10) S. Locey
8. Departing Municipality’s Pro Rata Share (4:15) D. Barber
9. Medicare Eligible Financial Impact (4:25) Barber/Locey
10. Internal Stop-Loss Captive (4:45) R. Hart
11. Next Agenda Items (5:00)
12. Adjourn (5:00)

Next Meeting February 26, 2019

**Audit and Finance Committee
Minutes - Draft
November 27, 2018
Old Jail Conference Room**

Present: Mack Cook, Rordan Hart, Laura Shawley, Bud Shattuck (excused at 5:00 p.m.),
Chuck Rankin (arrived at 3:33 p.m.), Ann Rider (arrived at 3:42 p.m.)

Excused: Olivia Hersey, Steve Thayer, Peter Salton

Guests: Don Barber, Executive Director; Rick Snyder, Treasurer; Steve Locey, Consultant;
Judy Drake, Board Chair; Beth Miller, Excellus (via conference call), Eric Lintala,
Relph Benefit Advisors; Rob Peeples, Berkley Group

Call to Order

Mr. Cook called the meeting to order at 3:33 p.m.

Changes to the Agenda

Mr. Barber announced the Segal invoice is not an information item and needs Committee approval.

Executive Director's Report

Mr. Barber reported he received a notice from the Department of Financial Services (DFS) that the Consortium has not been in compliance with cybersecurity requirements. He responded that he has asked for direction from DFS on this 18 months ago but did not receive a response. Mr. Barber said he has met with Greg Potter, Director of Information Technology Services (ITS) for Tompkins County, who is willing to handle much of this responsibility for the Consortium as it is an area that Department is familiar with. Mr. Barber said he will be asking that the resolution and agreement with Tompkins County ITS that the Committee acted upon previously be amended to include this. There has been no other communication from the Department.

Mr. Rankin arrived at this time.

Update on Committees

Mr. Barber reported the Joint Committee on Plan Structure and Design learned about the Telemedicine Program at its November meeting. The Committee is taking a break and will not meet in December. The Owing Your Own Health Committee has been working with the Wellness Consultant. The number of flu clinics was increased this year; however, the number of vaccinations at the sites was relatively the same. More information is forthcoming on how many vaccinations were received at pharmacies and physician offices. He and Ms. Berry were invited to the County's Benefit's Day and said it was a positive effort to spread information about the Consortium. Ms. Berry has joined him in meeting with benefit clerks to orient them to the Consortium and has also been working on the Blue4You program. He said they were pleased to learn that Seneca County has a very robust wellness program and have invited Ms. Berry to help with new initiatives they are moving forward.

Blue4You Program

Ms. Miller provided an update on the Blue4You Program with is the value-added biometric screening that is available to the Metal Level Plans that are available. She announced as a result of a Request for Proposals the vendor will be changing from Interactive Health Solutions to IH-21. All of the same programs will be in place, however, members will be receiving fresher, new reporting and access to web technical services and the actual bio-screening venipuncture tests has gone from \$150 to \$90 for the claim. This will be rolled out

before the new year. Mr. Barber noted the Consortium pays this cost and there is no co-pay for subscribers for this benefit.

Telemedicine

Ms. Miller provided an overview on Telemedicine, a program that will be available to all Consortium members, on January 1, 2019. Telemedicine is a visit by a patient to a physician remotely by means of telecommunications technology. She said this has been around for a while and it had an additional cost. However, this year Excellus made a decision to add the benefit to the group at no cost. Telemedicine visits are billed through the computer just as a regular office visit claim with the member responsible for the same copay or coinsurance as any other office visit. The program opens up Emergency Rooms so there is less waiting times and gets minor situations taken care of quickly and cost effectively. A lot of information will be disseminated at the beginning of the year as they will be focusing on getting members signed up. Mr. Barber said information will be included in the next Newsletter.

BMI Audit

Mr. Barber said at the last meeting there was concern that BMI would not be able access 2016 data; issues have been resolved and they will have that information.

Ms. Rider arrived at this time.

Town of Covert

Mr. Barber said since the time the Board of Directors approved the Town's participation in the Consortium, the Town of Covert withdrew it's membership that was to begin in 2019. In response to Mr. Shattuck, Mr. Barber said discussions on recouping costs to the Consortium when this type of thing happens should and will continue to be discussed. He said he instructed the Town of Covert of steps the Town would need to take and to commit if they chose to apply in the future.

Operations Audit Update

Mr. Barber said he provided members with information from Segal on the PBM audit. The Executive Committee will be working on this and there are a number of things within the document that can be used to tighten contracts going forward. He has asked ProAct for data that can be used with the benchmarks that Segal provided and said more discussion will follow.

Mr. Barber said the Executive Committee will be working on this and there are a number of things within the document that can be used to tighten contracts going forward.

Wilmington Trust Contract Update

Mr. Snyder provided an update on this explained that under the code the Consortium would be restricted from having a money market fund account but can have a money market account. In order to set this up they directed that the Consortium work with M&T Bank and now all paperwork has been completed. He commented that he has experience working with these banks and would prefer not issuing a Request for Proposals due the time involved with that process. He circulated and reviewed two competitive quotes for the Consortium's checking account that were received from two banks the Consortium does business with. Mr. Shattuck referred to the information and said Key Bank is offering 1% on everything over \$180,000 and once the balance drops below \$5 million with the Trust Company it drops down to 4/10 of a percent. Mr. Hart suggested Mr. Snyder speak to the Trust Company to see if they would be willing to aggregate dollars held by other Consortium members that have accounts at the Trust Company in order to maintain the balance over the minimum level required to receive the higher rate amount in its quote and to also extend that rate to those municipalities.

There was discussion of issuing an RFP (Request for Proposals) instead of asking for quotes. Mr. Snyder spoke of the amount of time involved in an RFP process and said it is an exhaustive process that could add six months to the process. Mr. Barber recommended the Consortium enter into that process and to reach out to other banks in the area. He also noted it has been eight years since the Consortium issued an RFP for banking services. Mr. Hart also felt an RFP should be issued while also reaching out to the Trust Company as he suggested earlier. Mr. Shattuck also supported issuing an RFP. Mrs. Shawley suggested looking at ways an RFP process could be simplified.

Due to the length of the agenda it was agreed that this item would be deferred to the next meeting. It was suggested that in the meantime Mr. Snyder reach out to the banks that submitted quotes to see if there was room for negotiation of the quotes that were submitted.

Committee Membership

Members present with terms expiring at the end of the year each indicated they would be willing to be reappointed to the Committee. Mr. Barber will follow-up with those members not in attendance.

Invoices

The following invoices were presented for information only:

Hancock Estabrook – October 25, 2018
Armory Associates – October 31, 2018
Michelle Courtney Berry – October, 2018

It was MOVED by Mr. Rankin, seconded by Mr. Shattuck, and unanimously adopted by voice vote by members present, to approve an invoice to Segal Consulting dated October 31, 2018 for an amended amount of \$7,000 as recommended by Mr. Barber. Mr. Locey suggested Segal Consulting be asked to sign an acknowledgement and acceptance of the amended amount.

Financial Update

Mr. Locey reviewed financial results through October 2018 and said there was a large loss that spiked up claims. He referenced the 2018 Budget Performance Analysis and said to date the Consortium has received approximately \$8,300 in Stop Loss reimbursements and since the report an additional \$433,000 in additional Stop Loss reimbursements that will help offset medical claims. Income was 1.21% above budget and medical claim expenses were approximately 8.5% over budget and prescription drug claims were 9% below budget. Expenses were over budget by approximately 4%.

Mr. Locey said CanaRx continues to underperform and this may be something that should be discussed by the Joint Committee on Plan Structure and Design. This is due to many of the drugs now being available in a generic form and many of the new drugs being specialty drugs. There is not a lot of new brand name drugs coming into the market which provides less opportunity for use of the program. Mr. Locey said overall the budget is where it was expected to be with an unencumbered balance of \$15 million and with all reserves accounted for. Total expenses being paid for benefits for members represent 94.62% of the budget.

Mr. Snyder reported on receivables and said there are a couple of small municipalities that are late but the primary group is Tompkins Cortland Community College which is 2½ months late. He said meetings have been held with the College to discuss this cash flow

problem but thinks the only way to not have this continual shortfall during the months of November and December may be for the College to take out a loan. Mr. Locey spoke of additional municipalities joining the Consortium in the future. He suggested when there is discussion of legislation being passed that to allow other quasi agencies to join the Consortium include what types of financial requirements should be placed on groups.

Mr. Locey reviewed a high cost claimant report showing claims in excess of \$100,000. He commented that claims of 29 individuals account for \$6 million in expenses. Mr. Cook commented that he was asked to relay a message from someone who is one of those 29 that the individual is very appreciative of the Consortium during this time.

Mr. Locey said there are a couple of municipalities that are currently doing a retiree drug subsidy and several others that could. He commented on prior discussion about having this offered as a service through the Consortium. There are steps in the process that include an application process that can be done by anyone but it must include an actuarial attestation stating the municipality's benefit plan is equal to or better than the Medicare Part D coverage. A subsidy is approximately \$600 for each Medicare-age retiree per year per covered life. The actual attestation would be \$1,000 for any entity with less than 100 employees and \$2,000 for any entity above 100. He said Locey and Cahill performs this service for others and informed the Committee that the service could be provided by the Consortium on a municipality's behalf.

Stop Loss Insurance

Mr. Barber provided a memo to members regarding Stop Loss insurance and said Berkley and Highmark have expressed some concern about bringing in a large number of contracts from community-rated plans. A spreadsheet prepared by Mr. Locey showed the amount that the Consortium has paid and received in rebates. It shows that over the long-run it has paid more in premiums than it has received in benefit with the exception of this year and 2012. He reviewed what each of the proposals entailed, noting that Berkley is underwriting for the Cooperative as a whole which has 6,785 contracts as opposed to the Consortium's 2,400. Mr. Barber said if the Consortium decides to join the Cooperative the agreement with Green Mountain the agreement cannot be finalized until the Consortium knows the financial implications and who is in the program.

Mr. Lintala commented that to start the Municipal Financing Collective there needs to be three municipalities and at this time there are commitments from two. He said the Stop Loss quote from Berkley will stand with or without the Collective going live. It was clarified that if the Consortium did not wish to enter into a contract for the Collective for 2019 it could move forward with only the Stop Loss for 2019. Mr. Barber said the contract with Green Mountain has been reviewed by John Powers, the Consortium's legal counsel. Comments by Mr. Powers were passed on to Green Mountain and they have amended their contract with almost everything that he asked for and provided good and sound reasons for changes they could not make.

Mr. Barber also called attention to information provided to members from Excellus stating that if the Consortium were to move to a Captive model that they would no longer be the administrator and would have to switch the Consortium's administrator to Lifetime Benefit Solutions (LBS). The response he received from Excellus as to why it was felt the Captive Manager would have some control over payment of claims. There are two other groups that are joining the MFC that received this same information. The MHFC had asked Relph Benefits to advocate on the behalf of all parties but he has sent information showing that Berkely is covering everything and that Green Mountain is only a bank; they make no decisions on underwriting or paying claims. He said Excellus has experience with this and there is no

additional risk; he has not received any communication from Excellus telling what its final position is on this. He recommended that if Excellus says that the Consortium has to go to LBS that the Consortium not join the Cooperative.

RESOLUTION NO. - 2018 – AUTHORIZE PURCHASE OF STOP LOSS INSURANCE FOR 2019 WITH EXCELLUS AND INCREASE CATASTROPHIC CLAIMS RESERVE

MOVED by Mr. Cook, seconded by Mr. Shattuck, and unanimously adopted by voice vote by members present.

WHEREAS, the Consortium must select stop loss insurance, as required by Section 4707 of New York State Insurance Law, and

WHEREAS, the Audit and Finance Committee has received three (3) proposals for 2019 Stop-Loss insurance and has considered the variations of Stop Loss insurance models and level of deductible, now therefore be it

RESOLVED, That the Audit and Finance Committee recommends the Board of Directors enter into a contract with Berkley Insurance Company that contains these terms,

RESOLVED, further, That the Stop Loss contract will have a deductible of \$600,000, and

RESOLVED, on recommendation of the Audit and Finance Committee, That the Board of Directors hereby establishes the Catastrophic Claims Reserve at \$2.8 million,

RESOLVED, further That the Plan Consultant is directed to provide the Administrative Clerk of the Consortium with a copy of said policy.

Mr. Barber said the Agreements with Relph Benefits Advisors and Green Mountain needs to be approved before being considered by the Board of Directors and asked for direction of the Committee of which committee should consider this. Also, a new member resolution that requires specific census data for 2019 going forward to be supplied to the Stop Loss carrier for any group on a community-rated plan needs to be approved as well.

RESOLUTION NO. - 2018 - APPROVAL OF AMENDMENT TO MATERIALS MUNICIPALITIES MUST PRESENT IN THEIR APPLICATION TO JOIN THE CONSORTIUM

MOVED by Mrs. Shawley, seconded by Mr. Shattuck. Concern was expressed with regard to asking an individual to fill out a form that will be used to evaluate the Consortium's Stop Loss insurance. Members felt that this will not be acceptable to bargaining units and consensus that it will be a requirement that will likely create complications in the process of gathering information that is already required by municipalities joining the Consortium. A friendly amendment was accepted to add the words "if available" at the end of the fifth paragraph.

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

WHEREAS, Board Resolution No. 002-2015 provided guidance to municipal corporations applying for Consortium membership, and

WHEREAS, that Resolution was further expanded with Board Resolution No. 007-2018 to include expanded list of materials necessary to provide for application and subsequent information to be supplied to the Consortium as well as template language for municipal resolution designating their application for membership, and

WHEREAS, Stop-Loss carriers have found it difficult to properly underwrite additional covered lives that are accepted into the Consortium but which have no claims experience data due to coming from community rated plans, now therefore be it

RESOLVED, That the Audit and Finance Committee recommends the Board of Directors adopt the following language to be added to the required resolutions, included in Board Resolution 007-2018, to be adopted by the municipal corporation seeking membership with the Consortium:

If requested by a Stop-Loss carrier seeking to underwrite the next year's Stop-Loss, submit the any of the following data as available:

- Current monthly premium rates
- Benefit Plan Summary
- Census Report of Employees/Retirees to be covered and their dependent that includes: Gender, Date of Birth, Plan type (Single/Family), and Plan name
- Complete for each covered life a Medical Underwriting Questionnaire MUQ). Note that individuals that don't complete the MUQ will not be covered until the MUQ has been submitted and accepted.

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**RESOLUTION NO. 2018 - AUTHORIZATION TO PURCHASE INSURANCE POLICIES:
 ERRORS AND OMISSIONS, AND DIRECTORS AND
 OFFICERS LIABILITY COVERAGE**

MOVED by Mr. Rankin, seconded by Mr. Shattuck. A friendly amendment was accepted to add "and Employment Protection Liability at \$1,000,000 limit" to the second bullet.

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

WHEREAS, it is the desire of the Board of Directors to ensure liability coverage for the Consortium, the Board of Directors personally and professionally, and the participating municipalities, now therefore be it

RESOLVED, upon recommendation of the Plan Consultant, Locey & Cahill, LLC, the Tompkins County Risk Manager, the Audit and Finance Committee, recommends that the Consortium shall purchase coverage for these policies from the following for the period January 1, 2019 thru December 31, 2019:

- Errors and Omissions Insurance with the Darwin Group at \$1,000,000 limit with \$25,000 retention (placed by insurance agent Haylor, Freyer and Coon);
- Directors and Officers Liability Insurance with the Darwin Group at \$1,000,000 limit with \$25,000 retention and Employment Protection Liability at \$1,000,000 limit (placed by insurance agent Haylor, Freyer and Coon)

RESOLVED, further, That the Plan Consultant is directed to provide the Administrative Clerk of the Consortium with a copy of each policy.

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RESOLUTION NO. - 2018 – AUTHORIZING FINANCIAL SERVICES AGREEMENT WITH TOMPKINS COUNTY – JANUARY 1, 2019 THRU DECEMBER 31, 2019

MOVED by Mrs. Shawley, seconded by Ms. Rider, and unanimously adopted by voice vote by members present.

WHEREAS, the Consortium initially formalized a contract with the Office of the Tompkins County Finance Director for the performing Consortium Treasurer functions on July 27, 2018, and

WHEREAS, the Consortium wishes to continue this contract arrangement, now now therefore be it

RESOLVED, That the Audit and Finance Committee recommends That the Board of Directors authorize the Chair of the Board to sign the Financial Services Agreement with Tompkins County for a term commencing January 1, 2019 through December 31, 2019,

RESOLVED, further, that the Financial Services Agreement will be kept on file in the Consortium's records.

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RESOLUTION NO. - 2018 - AMENDMENT TO RESOLUTON NO. 008-2013 - DESIGNATION OF BANKING INSTITUTIONS

MOVED by Mr. Shattuck, seconded by Mr. Hart, and unanimously adopted by voice vote by members present.

WHEREAS, Consortium Treasurer must choices of approved banking institutions to conduct financial transactions on behalf of the Consortium, now therefore be it

RESOLVED, That the Audit and Finance Committee, recommends that Resolution No. 008-2013 be amended to include M&T Bank as a designated banking institution for the Consortium.

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Mr. Shattuck was excused at this time.

RESOLUTION NO. 036 - 2018 - APPROVAL OF RENEWAL OF ADMINISTRATIVE SERVICES CONTRACT WITH EXCELLUS BLUECROSS BLUE SHIELD FOR MEDICAL CLAIMS ADMINISTRATION

MOVED by Mr. Cook, seconded by Ms. Rider, and unanimously adopted by voice vote by members present.

WHEREAS, the Greater Tompkins County Municipal Health Insurance Consortium (GTCMHIC) is a self-insured municipal cooperative health benefit plan operating pursuant to a

Certificate of Authority issued by the New York State Department of Financial Services pursuant to Article 47 of the New York State Insurance Law, and

WHEREAS, Section E Paragraph 11 of the current GTCMHIC Municipal Cooperative Agreement defines the actions to be taken by the GTCMHIC Board of Directors to include the approval of contracts with third parties for the furnishing of goods and services, and

WHEREAS, the Audit and Finance Committee has determined that it is in the Consortium's best interest to continue its relationship with Excellus Blue Cross Blue Shield for the administration of the Consortium's medical claims, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee That the Board of Directors approves renewal of the Administrative Services Contract with Excellus BlueCross BlueShield for Medical Claims Administration with fees of \$36.87 PMPM for 2019 (3.5%), and \$38.17 PMPM for 2020 (3.5%),

RESOLVED, further, That the Chair of the Board is authorized to execute said contract on behalf of the Consortium

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Next Agenda Items

The following items will be included on the next agenda:

Discussion of RFP Process for banking services;
Fee for Withdrawal/rejected member; and

Next Meeting

A special meeting was scheduled for December 11th at 3:30 p.m. to discuss Stop Loss.

Adjournment

The meeting adjourned at 5:30 p.m.

**Audit and Finance Committee
Minutes - Draft
December 11, 2018
Legislature Chambers**

Present: Mack Cook, Chuck Rankin, Ann Rider, Rordan Hart, Steve Thayer (arrived at 3:35 p.m.), Bud Shattuck, Laura Shawley (arrived at 4:07 p.m.)
Excused Peter Salton, Olivia Hersey
Guests: Don Barber, Executive Director; Steve Locey, Consultant; Judy Drake, Board Chair; Beth Miller, Excellus

Call to Order

Mr. Cook called the meeting to order at 3:32 p.m.

Changes to the Agenda

There were no changes to the agenda at this time. Later in the meeting the resolution entitled "Resolution of the Audit and Finance Committee – Join Municipal Healthcare Financing Cooperative" was withdrawn from the agenda.

Revisit of Stop Loss Resolution

Mr. Cook said at the last meeting the Committee recommended approval of a Stop Loss contract; however, information received after that time warrants a revisit of the resolution. Mr. Barber further stated that a discussion to weigh additional premium and laser quotes that have been received since that time is the primary purpose of this meeting. He said the Committee has also received information from Mr. Locey that contains a recommendation that the action taken at the last meeting be amended.

Mr. Thayer arrived at this time.

Mr. Shattuck asked for an explanation of the statement contained in Mr. Locey's memo: "We also typically do not recommend having the claims administrator or insurance company also act as the stop-loss insurance carrier due to the possible conflict of interest which could exist". Mr. Locey said the Consortium's policy is that claims have to be incurred during the calendar year and have to be paid within the calendar year or two months after. When the claims administrator also handles the stop-loss insurance there is a possibility that an administrator could drag a contract over into the next contract period or miss the contract period completely if it is not processed and paid within the two-month window at the end of the year. He said Locey and Cahill has a history of working with Excellus; this has never been an issue and the Consortium is also auditing them through its medical claims auditing process. He said he raised this in his memo because although it is a concern it is not a major concern. Mr. Locey commented that a suggestion raised in the memo from Segal was to consider expanding the window of time for claims to be adjudicated after they are incurred, and this is something that could be looked into next year.

Mr. Locey spoke to the increase in the Catastrophic Claims Reserve by \$800,000 for 2019 and said they feel this is prudent due to the increased risk because of there now being two people who are lasered at \$1 million and \$1.2 million which brings an additional \$600,000 more in exposure. Adding more to this reserve results in funds that are available for the Consortium's use and that will also be earning additional interest income. He said at some point in the future there could be consideration of increasing the \$600,000 deductible to \$1 million and the using the premium that would have been paid to build the reserve. Mr. Barber noted the Consortium is also adding an additional 11% covered lives.

Mr. Barber reported he has contacted NYSAC to let them know the Consortium would not be joining the Cooperative in 2019. He reviewed a memo explaining the reasons behind this decision, stating that it focusses on the lasers and the additional risk the Consortium would be assuming with the third laser put forward in the proposal from Berkley. A second reason relates to a policy put forth by Blue Cross Blue Shield that groups in a Captive would be moved to Lifetime Benefit Solutions. This is another issue that will need further discussion and work to get Blue Cross Blue Shield to change its position.

Mr. Barber said he is very comfortable with Mr. Locey's recommendation to contract with Excellus for Stop Loss in 2019 and also thinks more time should be spent during the year on getting a better understanding of Stop Loss. Mr. Locey said there has been a significant increase in the number of claims reaching \$1 million and higher and this is resulting in more attention being paid to lasers and Stop Loss.

It was moved by Mr. Cook, seconded by Ms. Rider, and unanimously adopted by voice vote by members present to reconsider and amend the resolution that was approved at the last meeting as follows:

RESOLUTION NO. - 2018 – AUTHORIZE PURCHASE OF STOP LOSS INSURANCE FOR 2019 WITH ~~BERKLEY~~ EXCELLUS AND INCREASE CATASTROPHIC CLAIMS RESERVE

WHEREAS, the Consortium must select stop loss insurance, as required by Section 4707 of New York State Insurance Law, and

WHEREAS, the Audit and Finance Committee has received four (4) ~~three (3)~~ proposals for 2019 Stop-Loss insurance and has considered the variations of Stop Loss insurance models and level of deductible, now therefore be it

RESOLVED, That the Audit and Finance Committee recommends the Board of Directors enter into a contract with Excellus ~~Berkley Insurance Company~~ that contains these terms,

RESOLVED, further, That the Stop Loss contract will have a deductible of \$600,000, and

RESOLVED, on recommendation of the Audit and Finance Committee, That the Board of Directors hereby establishes the Catastrophic Claims Reserve at \$2.8 million,

RESOLVED, further That the Plan Consultant is directed to provide the Administrative Clerk of the Consortium with a copy of said policy.

MHFC Contract

At Mr. Barber's suggestion this item was withdrawn from the agenda.

Reserve Review

Mr. Locey reviewed a memorandum he prepared for the Committee dated December 11, 2018. He said there is really only one true liability associated with running a health insurance program – the Incurred But Not Reported (IBNR) claims liability. The Consortium is statutorily required through Article 47 to hold 12% of expected incurred claims in this reserve each year. The Consortium was also required in its initial year of operation to establish a Capital Surplus

reserve. The Board of Directors established a Catastrophic Claims Reserve to protect against large losses and a Rate Stabilization Reserve to provide an additional layer of protection when claim projections are substantially exceeded in a given year.

Mr. Locey reviewed his recommendations on what should happen with the reserve accounts:

1. Maintain the Surplus Account at 5% of the annual premium of the Consortium in compliance with NYS Insurance Law. This reserve is projected to be \$2,563,039 for the 2019 Fiscal Year. This is a restricted reserve.
2. Maintain the IBNR Claims Liability Reserve as required by NYS Insurance Law and to continue to fund it at 12% of expected incurred claims. This reserve is projected to equal \$5,901,893 for the 2019 Fiscal Year. This is a restricted reserve.
3. Continue to evaluate the Stop Loss insurance policy and possibly increasing the deductible in future years. An increase to \$2.8 million in 2019 will protect the cash flow of the Consortium from the effects of a significant increase in paid claims due to high dollar claimants and will help mitigate the amount of premium dollars spent on stop loss insurance.
4. Maintain the Rate Stabilization Reserve in an amount equal to 5% of the expected paid premium income of the Consortium. This reserve is projected to be \$2,459,112 for the 2019 Fiscal Year.
5. Continue to work on the investment strategy consistent with laws, rules, and regulations of the State of New York to maximize the interest income earned and protect the taxpayer funds used to finance the Consortium and its operations.

Mr. Locey said based on the current projects these strategies leave approximately \$13 million in unencumbered funds which equal approximately 25% of premium income for the 2019 Fiscal Year. He recommended re-examining what the appropriate level of this should be as it was originally recommended to be at 18%. There should also be discussion of what funds would be restricted should a municipality withdraw.

Mr. Cook suggested the topic of reserves be discussed at the 2019 Retreat.

Mr. Hart said he will be working on a proposal for the next meeting that involves reserves and managing premium increases.

Mrs. Shawley arrived at this time.

Mr. Barber said he and Mr. Snyder have been discussing how much the Consortium would keep in a local checking account after the contract with Wilmington Trust is in place. They agreed that \$5,000,000-\$6,000,000 would be a good amount to seed that account.

Invoice Approval

The following invoices were presented for information only:

Hancock Estabrook – November 6, 2018; and
Jennifer Jensen, Newsletter – December 10, 2018

It was MOVED by Ms. Rider, seconded by Mr. Rankin, and unanimously adopted by voice vote by members present, to approve invoices from Bonadio & Co. LLP dated November 30, 2018 and BMI dated November 30, 2018. MOTION CARRIED.

Set Meeting Schedule for 2019

The Committee agreed to continue meeting the fourth Tuesday of each month at 3:30 p.m. with the exception of those months where the meeting falls after the Board of Directors meeting. In those months the Committee will meet the third Tuesday.

Adjournment

The meeting adjourned at 4:19 p.m.

Greater Tompkins County Municipal Health Insurance Consortium (GTCMHIC)

2018 Treasurer's Report Data (Cash Basis)

	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	2018 Actual Results	Quarterly Financial Results				Year
														2018 1st Quarter	2018 2nd Quarter	2018 3rd Quarter	2018 4th Quarter	2018
Beginning Balance	\$25,184,560.54	\$26,143,602.68	\$25,761,943.67	\$25,814,940.70	\$26,171,191.24	\$26,095,007.32	\$26,369,937.91	\$26,385,186.98	\$26,005,531.96	\$26,900,467.65	\$25,558,510.12	\$26,051,658.95	\$25,184,560.54	\$25,184,560.54	\$25,814,940.70	\$26,369,937.91	\$26,900,467.65	\$25,184,560.54
Income																		
Medical Plan Premiums	\$3,544,448.70	\$3,595,407.51	\$3,571,054.96	\$3,544,403.96	\$3,498,984.92	\$3,490,258.44	\$3,542,300.83	\$3,527,463.44	\$3,471,623.05	\$3,532,345.11	\$3,552,066.23	\$3,531,348.38	\$42,401,705.53	\$10,710,911.17	\$10,533,647.32	\$10,541,387.32	\$10,615,759.72	\$42,401,705.53
Ancillary Benefit Plan Premiums	\$13,075.16	\$11,632.40	\$12,247.14	\$12,242.91	\$12,352.34	\$12,393.48	\$12,768.01	\$12,826.23	\$13,181.40	\$12,166.58	\$12,688.07	\$13,385.34	\$150,959.06	\$36,954.70	\$36,988.73	\$38,775.64	\$38,239.99	\$150,959.06
Interest	\$1,626.06	\$1,470.19	\$1,655.10	\$1,467.02	\$1,487.11	\$1,496.22	\$1,538.27	\$1,539.58	\$1,455.50	\$2,777.65	\$2,644.44	\$2,780.45	\$21,937.59	\$4,751.35	\$4,450.35	\$4,533.35	\$8,202.54	\$21,937.59
Rx Rebates	\$0.00	\$0.00	\$0.00	\$0.00	\$484,399.98	\$420,148.15	\$0.00	\$0.00	\$403,737.04	\$0.00	\$0.00	\$0.00	\$1,308,285.17	\$0.00	\$904,548.13	\$403,737.04	\$0.00	\$1,308,285.17
Stop-Loss Claim Reimbursements	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$8,294.21	\$0.00	\$0.00	\$0.00	\$0.00	\$433,328.78	\$5,268.09	\$446,891.08	\$0.00	\$8,294.21	\$0.00	\$438,596.87	\$446,891.08
Other	\$0.00	\$58.39	\$58.39	\$0.00	\$0.00	\$0.00	\$0.00	\$57.80	\$11.33	\$0.00	\$554.00	\$4,660.35	\$5,400.26	\$116.78	\$0.00	\$69.13	\$5,214.35	\$5,400.26
Total Income	\$3,559,149.92	\$3,608,568.49	\$3,585,015.59	\$3,558,113.89	\$3,997,224.35	\$3,932,590.50	\$3,556,607.11	\$3,541,887.05	\$3,890,008.32	\$3,547,289.34	\$4,001,281.52	\$3,557,442.61	\$44,335,178.69	\$10,752,734.00	\$11,487,928.74	\$10,988,502.48	\$11,106,013.47	\$44,335,178.69
Expenses																		
Medical Paid Claims	\$1,379,874.83	\$2,922,650.96	\$2,463,384.81	\$2,107,115.23	\$2,887,450.03	\$2,495,931.36	\$2,414,433.44	\$2,857,935.57	\$1,914,890.15	\$3,755,015.44	\$2,389,578.93	\$2,115,203.20	\$29,703,463.95	\$6,765,910.60	\$7,490,496.62	\$7,187,259.16	\$8,259,797.57	\$29,703,463.95
Rx Paid Claims - ProAct	\$991,522.92	\$884,565.37	\$869,153.35	\$864,749.25	\$998,451.63	\$965,921.67	\$913,096.06	\$847,785.39	\$852,995.85	\$922,972.61	\$887,509.04	\$864,752.21	\$10,863,475.35	\$2,745,241.64	\$2,829,122.55	\$2,613,877.30	\$2,675,233.86	\$10,863,475.35
Rx Paid Claims - CanaRx	\$20,572.40	\$6,605.30	\$16,584.70	\$13,236.80	\$6,417.60	\$9,515.90	\$10,871.00	\$15,917.10	\$18,722.00	\$15,584.30	\$13,848.50	\$16,187.70	\$164,063.30	\$43,762.40	\$29,170.30	\$45,510.10	\$45,620.50	\$164,063.30
Medical Admin Fees	\$94,824.58	\$88,655.23	\$88,336.17	\$92,975.47	\$86,673.23	\$88,231.78	\$92,791.93	\$89,544.63	\$93,062.41	\$89,885.60	\$88,264.63	\$90,411.98	\$1,082,657.64	\$271,815.98	\$266,880.48	\$275,398.97	\$268,562.21	\$1,082,657.64
Rx Admin Fees	\$7,554.00	\$6,849.00	\$6,884.00	\$6,812.00	\$6,954.00	\$6,730.00	\$6,867.00	\$6,919.00	\$7,913.61	\$8,248.00	\$7,291.00	\$6,957.00	\$85,978.61	\$21,287.00	\$20,496.00	\$21,699.61	\$22,496.00	\$85,978.61
Flue Clinic Fees	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$450.00	\$150.00	\$0.00	\$600.00	\$0.00	\$0.00	\$0.00	\$600.00	\$600.00
NYS Graduate Medical Exp.	\$20,093.81	\$20,074.50	\$19,918.00	\$19,913.26	\$19,730.20	\$19,678.65	\$19,750.44	\$19,748.72	\$19,455.76	\$19,627.11	\$19,766.88	\$19,796.12	\$237,553.45	\$60,086.31	\$59,322.11	\$58,954.92	\$59,190.11	\$237,553.45
ACA PCORI Fee	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$12,361.08	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$12,361.08	\$0.00	\$0.00	\$12,361.08	\$0.00	\$12,361.08
ACA Trans. Reins. Program Fee	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Stop-Loss Insurance	\$56,280.08	\$17,428.64	\$36,876.25	\$36,955.02	\$36,761.53	\$36,803.71	\$36,933.29	\$36,761.05	\$36,648.41	\$36,798.76	\$36,961.89	\$36,976.91	\$442,185.54	\$110,584.97	\$110,520.26	\$110,342.75	\$110,737.56	\$442,185.54
Advance Deposit / Pre-Paid Claims	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Legal Fees	\$220.00	\$0.00	\$1,526.25	\$838.75	\$0.00	\$2,532.50	\$0.00	\$1,870.00	\$3,038.75	\$0.00	\$1,993.75	\$1,842.50	\$13,862.50	\$1,746.25	\$3,371.25	\$4,908.75	\$3,836.25	\$13,862.50
Executive Director Fees	\$3,481.74	\$3,040.46	\$3,645.00	\$4,133.70	\$4,346.63	\$4,535.20	\$3,533.17	\$4,527.32	\$5,050.00	\$5,045.85	\$5,037.50	\$3,524.05	\$49,900.62	\$10,167.20	\$13,015.53	\$13,110.49	\$13,607.40	\$49,900.62
Consultant Fees	\$4,725.00	\$4,725.00	\$4,725.00	\$4,725.00	\$4,725.00	\$4,725.00	\$8,585.00	\$11,475.00	\$4,725.00	\$8,362.50	\$11,725.00	\$13,874.53	\$87,097.03	\$14,175.00	\$14,175.00	\$24,785.00	\$33,962.03	\$87,097.03
Accounting Fees	\$0.00	\$0.00	\$0.00	\$11,550.00	\$0.00	\$0.00	\$0.00	\$5,865.00	\$5,527.50	\$0.00	\$2,868.75	\$0.00	\$25,811.25	\$0.00	\$11,550.00	\$11,392.50	\$2,868.75	\$25,811.25
Actuarial Fees	\$0.00	\$8,150.00	\$0.00	\$4,450.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$4,200.00	\$0.00	\$0.00	\$16,800.00	\$8,150.00	\$4,450.00	\$0.00	\$4,200.00	\$16,800.00
Audit Fees	\$0.00	\$6,525.00	\$0.00	\$10,800.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$17,000.00	\$0.00	\$34,325.00	\$6,525.00	\$10,800.00	\$0.00	\$17,000.00	\$34,325.00
Insurances (D&O / Prof. Liab.)	\$2,761.60	\$2,761.59	\$2,761.59	\$2,761.59	\$2,761.59	\$2,761.59	\$2,761.59	\$2,761.59	\$2,761.59	\$2,761.59	\$2,761.59	\$2,761.61	\$33,139.11	\$8,284.78	\$8,284.77	\$8,284.77	\$8,284.79	\$33,139.11
Internal Coordination (Finance)	\$4,232.41	\$4,231.93	\$4,234.38	\$4,315.08	\$4,310.18	\$4,318.51	\$4,314.10	\$4,315.57	\$4,257.83	\$4,375.28	\$4,318.02	\$4,318.02	\$51,541.31	\$12,698.72	\$12,943.77	\$12,887.50	\$13,011.32	\$51,541.31
Internal Coordination (Support)	\$1,584.00	\$1,243.20	\$1,047.90	\$2,074.80	\$2,045.40	\$1,969.80	\$2,253.30	\$1,984.50	\$1,877.40	\$2,286.90	\$2,223.90	\$1,873.20	\$22,464.30	\$3,875.10	\$6,090.00	\$6,115.20	\$6,384.00	\$22,464.30
Surety Bond Fee / Loan Interest	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Payment Refund	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Ancillary Benefit Premiums	\$11,903.49	\$12,384.60	\$12,275.17	\$12,352.34	\$12,372.91	\$12,557.62	\$12,694.48	\$13,041.23	\$11,131.71	\$12,708.64	\$13,222.25	\$12,528.75	\$149,173.19	\$36,563.26	\$37,282.87	\$36,867.42	\$38,459.64	\$149,173.19
Other Expenses / Supplies	\$476.92	\$336.72	\$665.99	\$2,105.06	\$408.34	\$2,446.62	\$112.16	\$1,090.40	\$13,014.66	\$924.29	\$3,611.06	(\$4,255.11)	\$20,937.11	\$1,479.63	\$4,960.02	\$14,217.22	\$280.24	\$20,937.11
Total Expenses	\$2,600,107.78	\$3,990,227.50	\$3,532,018.56	\$3,201,863.35	\$4,073,408.27	\$3,657,659.91	\$3,541,358.04	\$3,921,542.07	\$2,995,072.63	\$4,889,246.87	\$3,508,132.69	\$3,186,752.67	\$43,097,390.34	\$10,122,353.84	\$10,932,931.53	\$10,457,972.74	\$11,584,132.23	\$43,097,390.34
Net Income	\$959,042.14	(\$381,659.01)	\$52,997.03	\$356,250.54	(\$76,183.92)	\$274,930.59	\$15,249.07	(\$379,655.02)	\$894,935.69	(\$1,341,957.53)	\$493,148.83	\$370,689.94	\$1,237,788.35	\$630,380.16	\$554,997.21	\$530,529.74	(\$478,118.76)	\$1,237,788.35
Ending Balance	\$26,143,602.68	\$25,761,943.67	\$25,814,940.70	\$26,171,191.24	\$26,095,007.32	\$26,369,937.91	\$26,385,186.98	\$26,005,531.96	\$26,900,467.65	\$25,558,510.12	\$26,051,658.95	\$26,422,348.89	\$26,422,348.89	\$25,814,940.70	\$26,369,937.91	\$26,900,467.65	\$26,422,348.89	\$26,422,348.89
Liabilities and Reserves																		
IBNR Reserve	\$4,822,356.76	\$4,822,356.76	\$4,822,356.76	\$4,822,356.76	\$4,822,356.76	\$4,822,356.76	\$4,822,356.76	\$4,822,356.76	\$4,822,356.76	\$4,822,356.76	\$4,822,356.76	\$4,822,356.76	\$4,822,356.76	\$4,822,356.76	\$4,822,356.76	\$4,822,356.76	\$4,822,356.76	\$4,822,356.76
Surplus Account	\$2,126,368.55	\$2,126,368.55	\$2,126,368.55	\$2,126,368.55	\$2,126,368.55	\$2,126,368.55	\$2,126,368.55	\$2,126,368.55	\$2,126,368.55	\$2,126,368.55	\$2,126,368.55	\$2,126,368.55	\$2,126,368.55	\$2,126,368.55	\$2,126,368.55	\$2,126,368.55	\$2,126,368.55	\$2,126,368.55
Claims / Rate Stabilization Reserve	\$2,009,315.31	\$2,009,315.31	\$2,009,315.31	\$2,009,315.31	\$2,009,315.31	\$2,009,315.31	\$2,009,315.31	\$2,009,315.31	\$2,009,315.31	\$2,009,315.31	\$2,009,315.31	\$2,009,315.31	\$2,009,315.31	\$2,009,315.31	\$2,009,315.31	\$2,009,315.31	\$2,009,315.31	\$2,009,315.31
Catastrophic Claims Reserve	\$2,000,000.00	\$2,000,000.00	\$2,000,000.00	\$2,000,000.00	\$2,000,000.00	\$2,000,000.00	\$2,000,000.00	\$2,000,000.00	\$2,000,000.00	\$2,000,000.00	\$2,000,000.00	\$2,000,000.00	\$2,000,000.00	\$2,000,000.00	\$2,000,000.00	\$2,000,000.00	\$2,000,000.00	\$2,000,000.00
Total Liabilities and Reserves	\$10,958,040.62	\$10,958,040.62	\$10,958,040.62	\$10,958,040.62	\$10,958,040.62	\$10,958,040.62	\$10,958,040.62	\$10,958,040.62	\$10,958,040.62									
Unencumbered Fund Balance	\$15,185,562.06	\$14,803,903.05	\$14,856,900.08	\$15,213,150.62	\$15,136,966.70	\$15,411,897.29	\$15,427,146.36	\$15,047,491.34	\$15,942,427.03	\$14,600,469.50	\$15,093,618							

Greater Tompkins County Municipal Health Insurance Consortium (GTCMHIC)

2018 Treasurer's Report Data (Cash Basis Rounded to the Nearest Dollar)

	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	2018 Actual Results	Quarterly Financial Results				Year
														2018 1st Quarter	2018 2nd Quarter	2018 3rd Quarter	2018 4th Quarter	2018
Beginning Balance	\$25,184,561	\$26,143,603	\$25,761,944	\$25,814,941	\$26,171,191	\$26,095,007	\$26,369,938	\$26,385,187	\$26,005,532	\$26,900,468	\$25,558,510	\$26,051,659	\$25,184,561	\$25,184,561	\$25,814,941	\$26,369,938	\$26,900,468	\$25,184,561
Income																		
Medical Plan Premiums	\$3,544,449	\$3,595,408	\$3,571,055	\$3,544,404	\$3,498,985	\$3,490,258	\$3,542,301	\$3,527,463	\$3,471,623	\$3,532,345	\$3,552,066	\$3,531,348	\$42,401,706	\$10,710,911	\$10,533,647	\$10,541,387	\$10,615,760	\$42,401,706
Ancillary Benefit Plan Premiums	\$13,075	\$11,632	\$12,247	\$12,243	\$12,352	\$12,393	\$12,768	\$12,826	\$13,181	\$12,167	\$12,688	\$13,385	\$150,959	\$36,955	\$36,989	\$38,776	\$38,240	\$150,959
Interest	\$1,626	\$1,470	\$1,655	\$1,467	\$1,487	\$1,496	\$1,538	\$1,540	\$1,456	\$2,778	\$2,644	\$2,780	\$21,938	\$4,751	\$4,450	\$4,533	\$8,203	\$21,938
Rx Rebates	\$0	\$0	\$0	\$0	\$484,400	\$420,148	\$0	\$0	\$403,737	\$0	\$0	\$0	\$1,308,285	\$0	\$904,548	\$403,737	\$0	\$1,308,285
Stop-Loss Claim Reimbursements	\$0	\$0	\$0	\$0	\$0	\$8,294	\$0	\$0	\$0	\$0	\$433,329	\$5,268	\$446,891	\$0	\$8,294	\$0	\$438,597	\$446,891
Other	\$0	\$58	\$58	\$0	\$0	\$0	\$0	\$58	\$11	\$0	\$554	\$4,660	\$5,400	\$117	\$0	\$69	\$5,214	\$5,400
Total Income	\$3,559,150	\$3,608,568	\$3,585,016	\$3,558,114	\$3,997,224	\$3,932,591	\$3,556,607	\$3,541,887	\$3,890,008	\$3,547,289	\$4,001,282	\$3,557,443	\$44,335,179	\$10,752,734	\$11,487,929	\$10,988,502	\$11,106,013	\$44,335,179
Expenses																		
Medical Paid Claims	\$1,379,875	\$2,922,651	\$2,463,385	\$2,107,115	\$2,887,450	\$2,495,931	\$2,414,433	\$2,857,936	\$1,914,890	\$3,755,015	\$2,389,579	\$2,115,203	\$29,703,464	\$6,765,911	\$7,490,497	\$7,187,259	\$8,259,798	\$29,703,464
Rx Paid Claims - ProAct	\$991,523	\$884,565	\$869,153	\$864,749	\$998,452	\$965,922	\$913,096	\$847,785	\$852,996	\$922,973	\$887,509	\$864,752	\$10,863,475	\$2,745,242	\$2,829,123	\$2,613,877	\$2,675,234	\$10,863,475
Rx Paid Claims - CanaRx	\$20,572	\$6,605	\$16,585	\$13,237	\$6,418	\$9,516	\$10,871	\$15,917	\$18,722	\$15,584	\$13,849	\$16,188	\$164,063	\$43,762	\$29,170	\$45,510	\$45,621	\$164,063
Medcial Admin Fees	\$94,825	\$88,655	\$88,336	\$92,975	\$86,673	\$87,232	\$92,792	\$89,545	\$93,062	\$89,886	\$88,265	\$90,412	\$1,082,658	\$271,816	\$266,880	\$275,399	\$268,562	\$1,082,658
Rx Admin Fees	\$7,554	\$6,849	\$6,884	\$6,812	\$6,954	\$6,730	\$6,867	\$6,919	\$7,914	\$8,248	\$7,291	\$6,957	\$85,979	\$21,287	\$20,496	\$21,700	\$22,496	\$85,979
Flu Clinic Fees	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$450	\$150	\$0	\$600	\$0	\$0	\$0	\$600	\$600
NYS Graduate Medical Exp.	\$20,094	\$20,075	\$19,918	\$19,913	\$19,730	\$19,679	\$19,750	\$19,749	\$19,456	\$19,627	\$19,767	\$19,796	\$237,553	\$60,086	\$59,322	\$58,955	\$59,190	\$237,553
ACA PCORI Fee	\$0	\$0	\$0	\$0	\$0	\$0	\$12,361	\$0	\$0	\$0	\$0	\$0	\$12,361	\$0	\$0	\$12,361	\$0	\$12,361
ACA Trans. Reins. Program Fee	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Stop-Loss Insurance	\$56,280	\$17,429	\$36,876	\$36,955	\$36,762	\$36,804	\$36,933	\$36,761	\$36,648	\$36,799	\$36,962	\$36,977	\$442,186	\$110,585	\$110,520	\$110,343	\$110,738	\$442,186
Advance Deposit / Pre-Paid Claims	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Legal Fees	\$220	\$0	\$1,526	\$839	\$0	\$2,533	\$0	\$1,870	\$3,039	\$0	\$1,994	\$1,843	\$13,863	\$1,746	\$3,371	\$4,909	\$3,836	\$13,863
Executive Director Fees	\$3,482	\$3,040	\$3,645	\$4,134	\$4,347	\$4,535	\$3,533	\$4,527	\$5,050	\$5,046	\$5,038	\$3,524	\$49,901	\$10,167	\$13,016	\$13,110	\$13,607	\$49,901
Consultant Fees	\$4,725	\$4,725	\$4,725	\$4,725	\$4,725	\$4,725	\$8,585	\$11,475	\$4,725	\$8,363	\$11,725	\$13,875	\$87,097	\$14,175	\$14,175	\$24,785	\$33,962	\$87,097
Accounting Fees	\$0	\$0	\$0	\$11,550	\$0	\$0	\$0	\$5,865	\$5,528	\$0	\$2,869	\$0	\$25,811	\$0	\$11,550	\$11,393	\$2,869	\$25,811
Actuarial Fees	\$0	\$8,150	\$0	\$4,450	\$0	\$0	\$0	\$0	\$0	\$4,200	\$0	\$0	\$16,800	\$8,150	\$4,450	\$0	\$4,200	\$16,800
Audit Fees	\$0	\$6,525	\$0	\$10,800	\$0	\$0	\$0	\$0	\$0	\$0	\$17,000	\$0	\$34,325	\$6,525	\$10,800	\$0	\$17,000	\$34,325
Insurances (D&O / Prof. Liab.)	\$2,762	\$2,762	\$2,762	\$2,762	\$2,762	\$2,762	\$2,762	\$2,762	\$2,762	\$2,762	\$2,762	\$2,762	\$33,139	\$8,285	\$8,285	\$8,285	\$8,285	\$33,139
Internal Coordination (Finance)	\$4,232	\$4,232	\$4,234	\$4,315	\$4,310	\$4,319	\$4,314	\$4,316	\$4,258	\$4,375	\$4,318	\$4,318	\$51,541	\$12,699	\$12,944	\$12,888	\$13,011	\$51,541
Internal Coordination (Support)	\$1,584	\$1,243	\$1,048	\$2,075	\$2,045	\$1,970	\$2,253	\$1,985	\$1,877	\$2,287	\$2,224	\$1,873	\$22,464	\$3,875	\$6,090	\$6,115	\$6,384	\$22,464
Surety Bond Fee / Loan Interest	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Payment Refund	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Ancillary Benefit Premiums	\$11,903	\$12,385	\$12,275	\$12,352	\$12,373	\$12,558	\$12,694	\$13,041	\$11,132	\$12,709	\$13,222	\$12,529	\$149,173	\$36,563	\$37,283	\$36,867	\$38,460	\$149,173
Other Expenses / Supplies	\$477	\$337	\$666	\$2,105	\$408	\$2,447	\$112	\$1,090	\$13,015	\$924	\$3,611	(\$4,255)	\$20,937	\$1,480	\$4,960	\$14,217	\$280	\$20,937
Total Expenses	\$2,600,108	\$3,990,228	\$3,532,019	\$3,201,863	\$4,073,408	\$3,657,660	\$3,541,358	\$3,921,542	\$2,995,073	\$4,889,247	\$3,508,133	\$3,186,753	\$43,097,390	\$10,122,354	\$10,932,932	\$10,457,973	\$11,584,132	\$43,097,390
Net Income	\$959,042	(\$381,659)	\$52,997	\$356,251	(\$76,184)	\$274,931	\$15,249	(\$379,655)	\$894,936	(\$1,341,958)	\$493,149	\$370,690	\$1,237,788	\$630,380	\$554,997	\$530,530	(\$478,119)	\$1,237,788
Ending Balance	\$26,143,603	\$25,761,944	\$25,814,941	\$26,171,191	\$26,095,007	\$26,369,938	\$26,385,187	\$26,005,532	\$26,900,468	\$25,558,510	\$26,051,659	\$26,422,349	\$26,422,349	\$25,814,941	\$26,369,938	\$26,900,468	\$26,422,349	\$26,422,349
Liabilities and Reserves																		
IBNR Reserve	\$4,822,357	\$4,822,357	\$4,822,357	\$4,822,357	\$4,822,357	\$4,822,357	\$4,822,357	\$4,822,357	\$4,822,357	\$4,822,357	\$4,822,357	\$4,822,357	\$4,822,357	\$4,822,357	\$4,822,357	\$4,822,357	\$4,822,357	\$4,822,357
Surplus Account	\$2,126,369	\$2,126,369	\$2,126,369	\$2,126,369	\$2,126,369	\$2,126,369	\$2,126,369	\$2,126,369	\$2,126,369	\$2,126,369	\$2,126,369	\$2,126,369	\$2,126,369	\$2,126,369	\$2,126,369	\$2,126,369	\$2,126,369	\$2,126,369
Claims / Rate Stabilization Reserve	\$2,009,315	\$2,009,315	\$2,009,315	\$2,009,315	\$2,009,315	\$2,009,315	\$2,009,315	\$2,009,315	\$2,009,315	\$2,009,315	\$2,009,315	\$2,009,315	\$2,009,315	\$2,009,315	\$2,009,315	\$2,009,315	\$2,009,315	\$2,009,315
Catastrophic Claims Reserve	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
Total Liabilities and Reserves	\$10,958,041	\$10,958,041	\$10,958,041	\$10,958,041	\$10,958,041	\$10,958,041	\$10,958,041	\$10,958,041	\$10,958,041									
Unencumbered Fund Balance	\$15,185,562	\$14,803,903	\$14,856,900	\$15,213,151	\$15,136,967	\$15,411,897	\$15,427,146	\$15,047,491	\$15,942,427	\$14,600,469	\$15,093,618	\$15,464,308	\$15,464,308	\$14,856,900	\$15,411,897	\$15,942,427	\$15,464,308	\$15,464,308
Monthly Contract Count	2,427	2,440	2,434	2,436	2,420	2,428	2,439	2,447	2,451	2,454	2,453	2,458	29,287	7,301	7,284	7,337	7,365	29,287
Monthly Covered Lives	5,211	5,220	5,212	5,218	5,169	5,180	5,188	5,201	5,205	5,212	5,205	5,214	62,435	15,643	15,567	15,594	15,631	62,435

Greater Tompkins County Municipal Health Insurance Consortium (GTCMHIC)

2018 Budget Performance Analysis

Results as of: 12/31/2018
of Months: 12

	2018 Adopted Budget	2018 Year-to-Date	2018 Actual Results	Variance	% Difference
Income					
Medical Plan Premiums	\$42,527,371.07	\$42,527,371.07	\$42,401,705.53	-\$125,665.54	-0.30%
9000 Ancillary Benefit Plan Premiums	\$156,750.00	\$156,750.00	\$150,959.06	-\$5,790.94	-3.69%
Interest	\$16,000.00	\$16,000.00	\$21,937.59	\$5,937.59	37.11%
9010 Rx Rebates	\$1,000,000.00	\$750,000.00	\$1,308,285.17	\$558,285.17	74.44%
9040 Stop-Loss Claim Reimbursements	\$0.00	\$0.00	\$446,891.08	\$446,891.08	n/a
9030 Other	\$4,120.00	\$4,120.00	\$5,400.26	\$1,280.26	31.07%
Total Income	\$43,704,241.07	\$43,454,241.07	\$44,335,178.69	\$880,937.62	2.03%
Expenses					
8090 Medical Paid Claims	\$27,872,149.95	\$27,872,149.95	\$29,703,463.95	\$1,831,314.00	6.57%
8120 Rx Paid Claims - ProAct	\$12,014,156.34	\$12,014,156.34	\$10,863,475.35	-\$1,150,680.99	-9.58%
8121 Rx Paid Claims - CanaRx	\$300,000.00	\$300,000.00	\$164,063.30	-\$135,936.70	-45.31%
8050 Medical Admin Fees	\$1,044,357.36	\$1,044,357.36	\$1,082,657.64	\$38,300.28	3.67%
Rx Admin Fees	\$85,555.95	\$85,555.95	\$85,978.61	\$422.66	0.49%
8084 Flu Clinic Fees	\$10,000.00	\$10,000.00	\$600.00	-\$9,400.00	n/a
8091 NYS Graduate Medical Exp.	\$264,075.00	\$264,075.00	\$237,553.45	-\$26,521.55	-10.04%
9060 ACA PCORI Fee	\$12,259.93	\$12,259.93	\$12,361.08	\$101.15	0.83%
8115 ACA Transitional Reins. Program Fees	\$0.00	\$0.00	\$0.00	n/a	n/a
8110 Stop-Loss Aggregate and Specific	\$888,633.32	\$888,633.32	\$442,185.54	-\$446,447.78	-50.24%
Advance Deposit / Pre-Paid Claims	\$100,000.00	\$100,000.00	\$0.00	-\$100,000.00	-100.00%
8070 Legal Fees	\$10,609.00	\$10,609.00	\$13,862.50	\$3,253.50	30.67%
8055 Executive Director Fees	\$33,990.00	\$33,990.00	\$49,900.62	\$15,910.62	46.81%
8030 Consultant Fees	\$59,410.40	\$59,410.40	\$87,097.03	\$27,686.63	46.60%
8000 Accounting Fees	\$30,900.00	\$30,900.00	\$25,811.25	-\$5,088.75	-16.47%
8010 Actuarial Fees	\$11,404.68	\$11,404.68	\$16,800.00	\$5,395.33	47.31%
8020 Audit Fees	\$63,785.45	\$56,650.00	\$34,325.00	-\$22,325.00	-39.41%
8060 Insurances (D&O / Prof. Liability)	\$36,453.01	\$36,453.01	\$33,139.11	-\$3,313.90	-9.09%
8041 Internal Coordination (Finance)	\$65,400.00	\$65,400.00	\$51,541.31	-\$13,858.69	-21.19%
8042 Internal Coordination (Support)	\$20,600.00	\$20,600.00	\$22,464.30	\$1,864.30	9.05%
Surety Bond Fee / Loan Interest	n/a	n/a	\$0.00	n/a	n/a
Payment Refund	n/a	n/a	\$0.00	n/a	n/a
9050 Ancillary Benefit Premiums	\$156,750.00	\$156,750.00	\$149,173.19	-\$7,576.81	-4.83%
9060 Other Expenses / Supplies	\$6,180.00	\$6,180.00	\$20,937.11	\$14,757.11	238.79%
Total Expenses	\$43,086,670.40	\$43,079,534.95	\$43,097,390.34	\$17,855.39	0.04%
Net Income	\$617,570.67	\$374,706.12	\$1,237,788.35		

Medical Premiums = 6000 + 6010
Interest Income = 9021 + 9022
Rx Admins Fees = 8081 + 8082 + 8083
Advance Deposit = 4020 + 4021

Ending Balance	\$25,802,131.21	\$25,559,266.66	\$26,422,348.89
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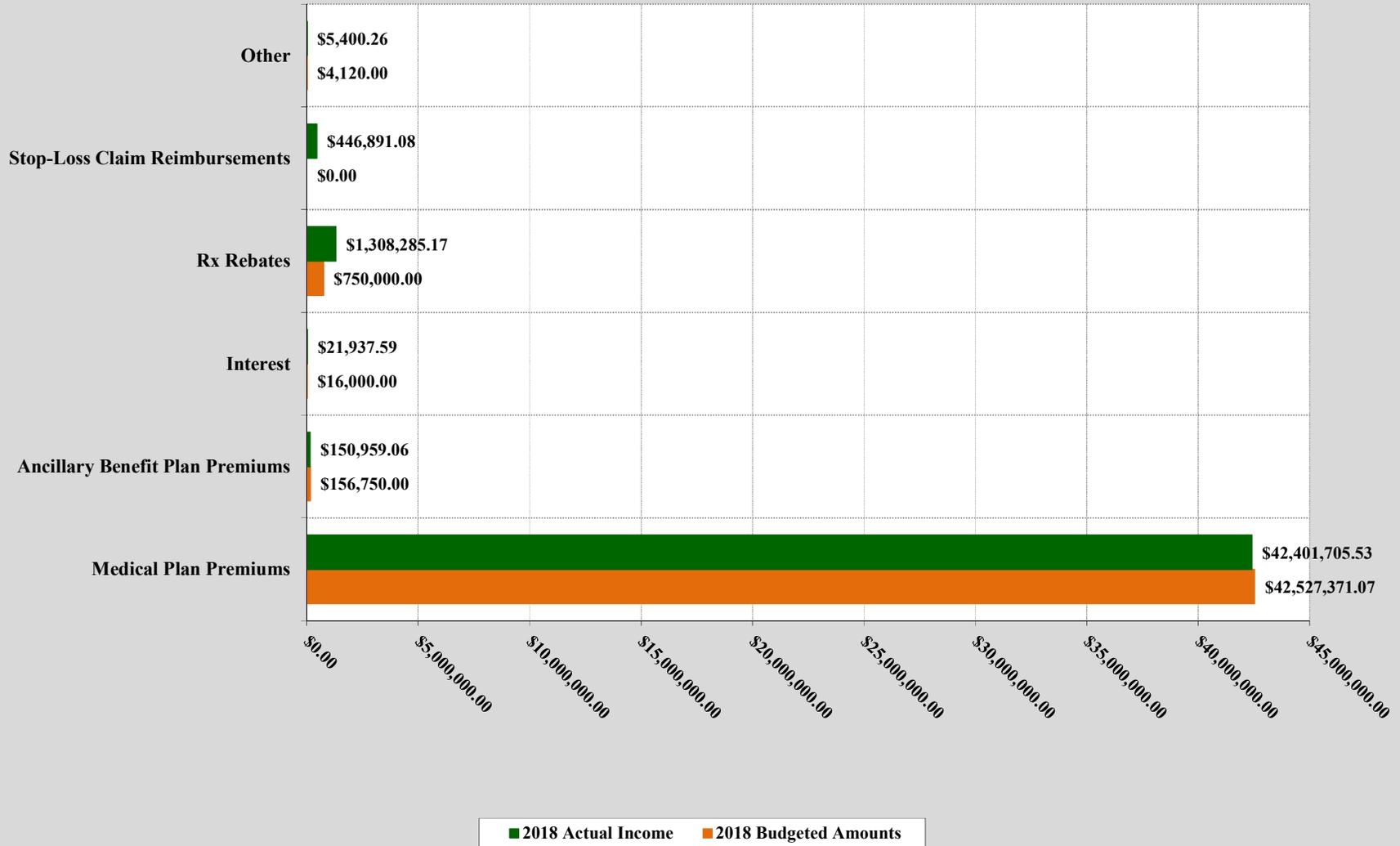
Liabilities and Reserves					
IBNR Claims Liability	\$4,720,595.05	\$4,720,595.05	\$4,720,595.05	12% of Incurred Claims	
5010 Surplus Account Per §4706(a)(5)	\$2,017,487.57	\$2,017,487.57	\$2,017,487.57	5% of Premium Income	
Rate Stabilization Reserve	\$1,966,914.60	\$1,966,914.60	\$1,966,914.60	5% of Paid Claims	
5012 Catastrophic Claims Reserve	\$2,000,000.00	\$2,000,000.00	\$2,000,000.00	Established by Board Policy	
Total Liabilities and Reserves	\$10,704,997.23	\$10,704,997.23	\$10,704,997.23		

Unencumbered Fund Balance	\$15,097,133.98	\$14,854,269.43	\$15,717,351.66
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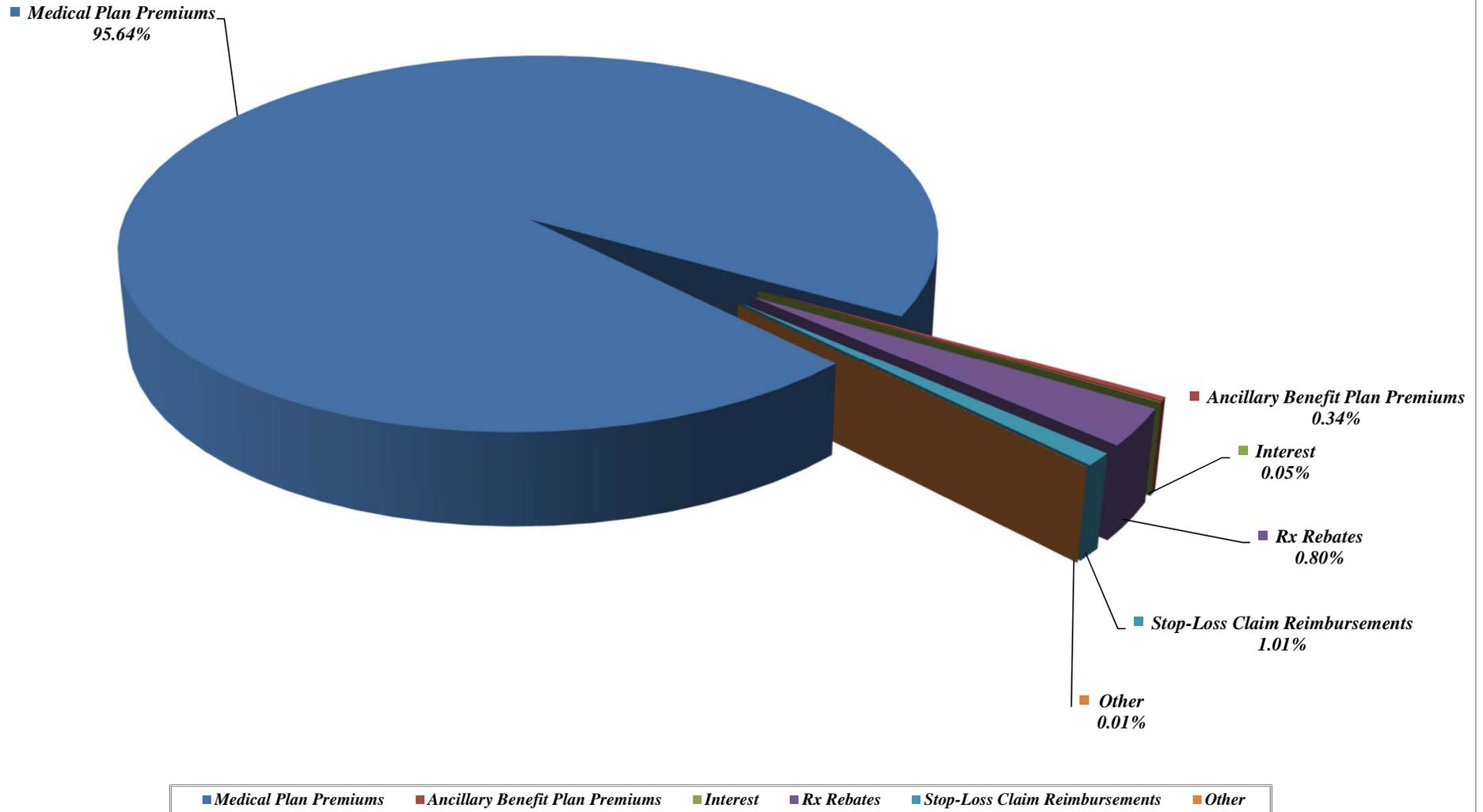
Greater Tompkins County Municipal Health Ins. Consortium

2018 Income Distribution

January 1, 2018 to December 31, 2018



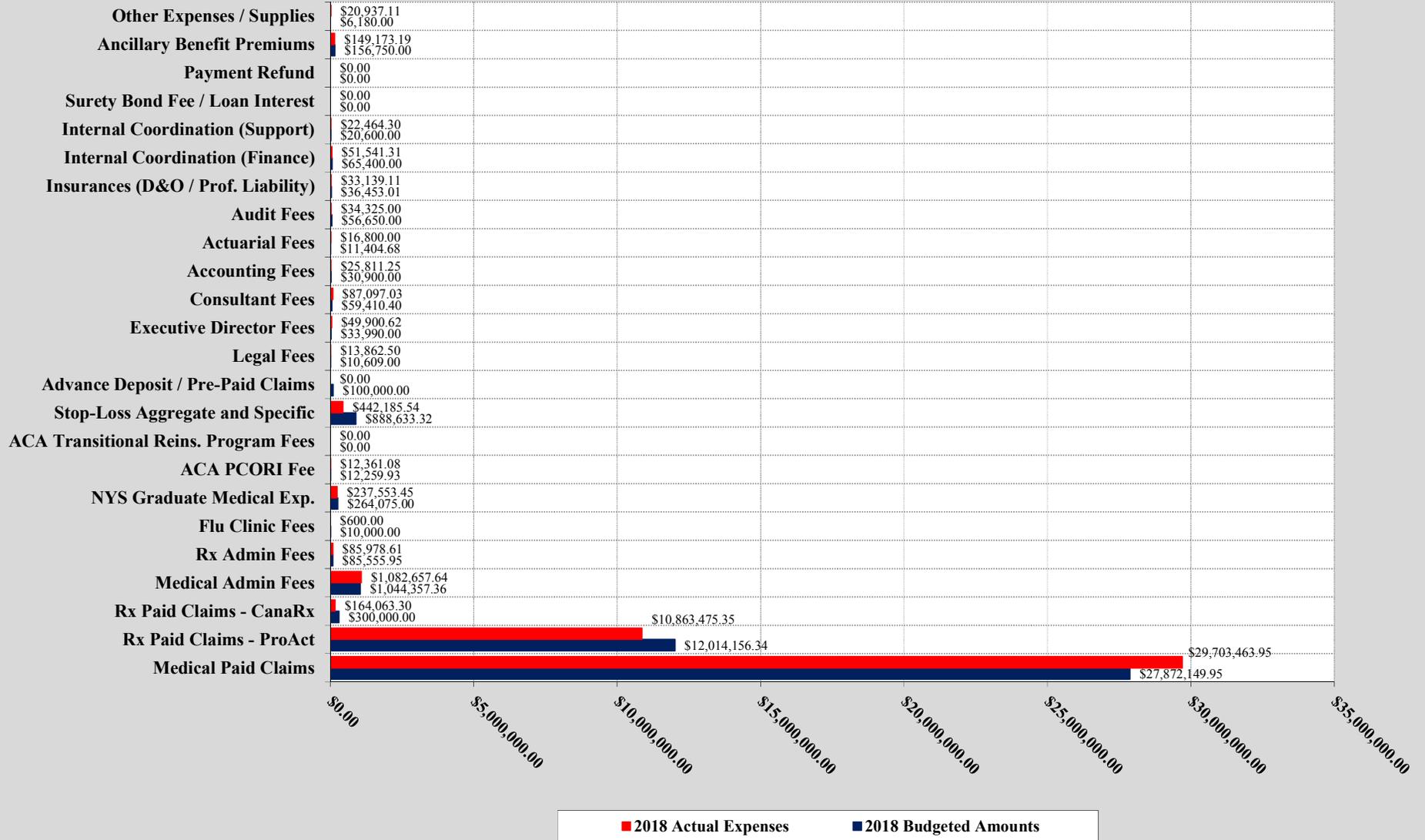
Greater Tompkins County Municipal Health Ins. Consortium
2018 Income Distribution
January 1, 2018 to December 31, 2018



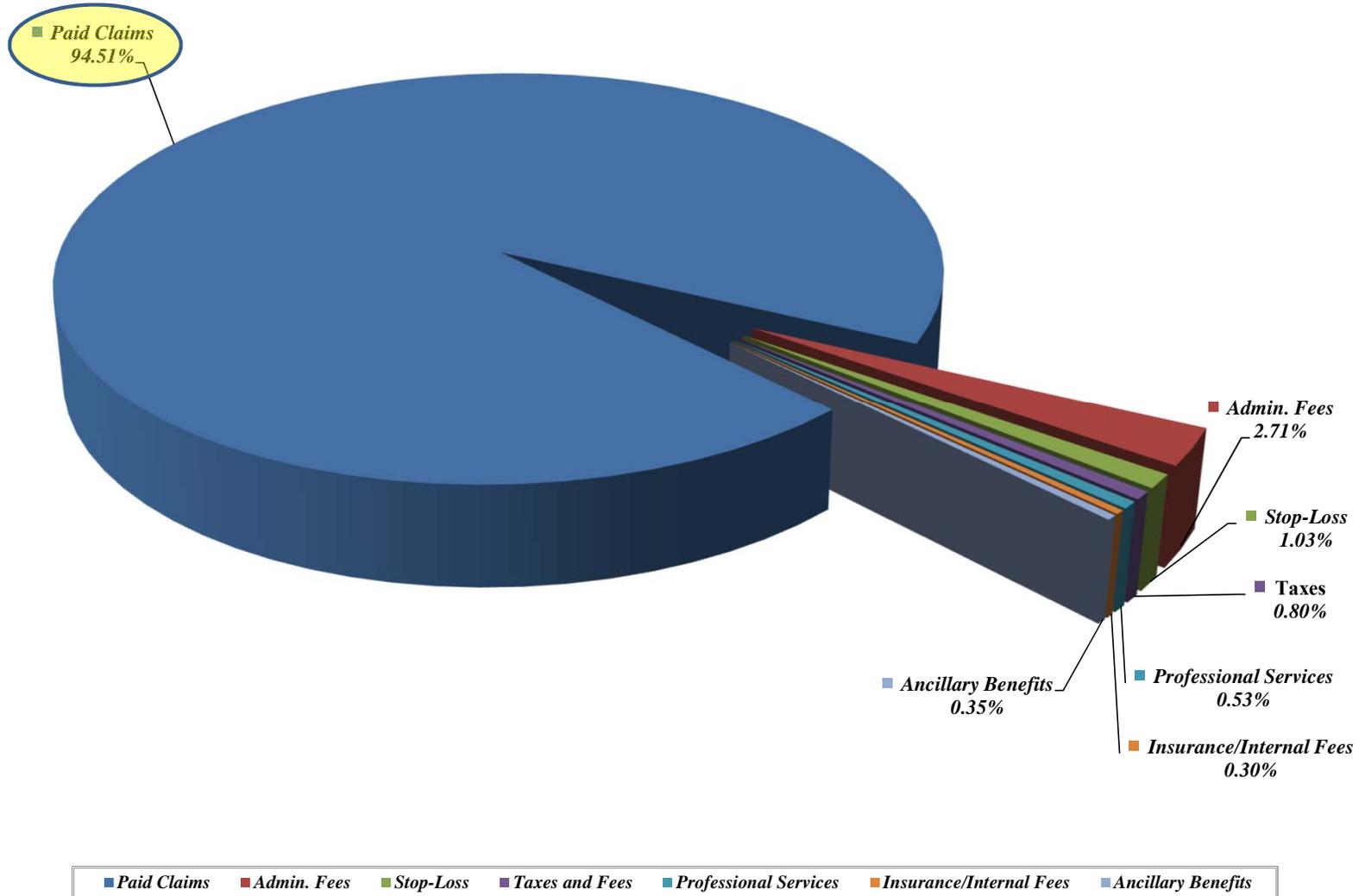
Greater Tompkins County Municipal Health Ins. Consortium

2018 Expense Distribution

January 1, 2018 to December 31, 2018



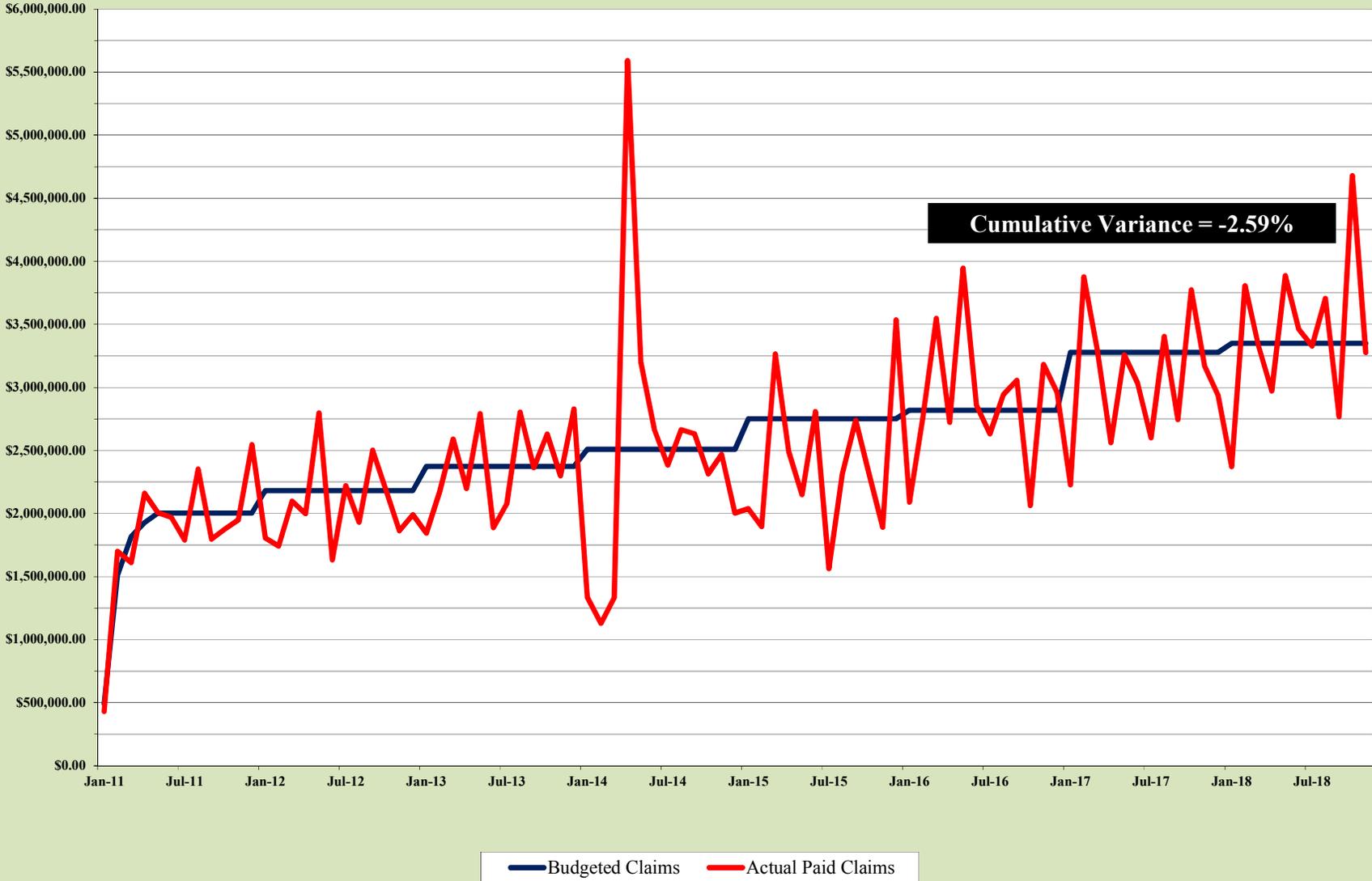
Greater Tompkins County Municipal Health Ins. Consortium
 2018 Expense Distribution
 January 1, 2018 to December 31, 2018



Greater Tompkins County Municipal Health Ins Consortium

2011-2018 Monthly Paid Claims v Budgeted Claims

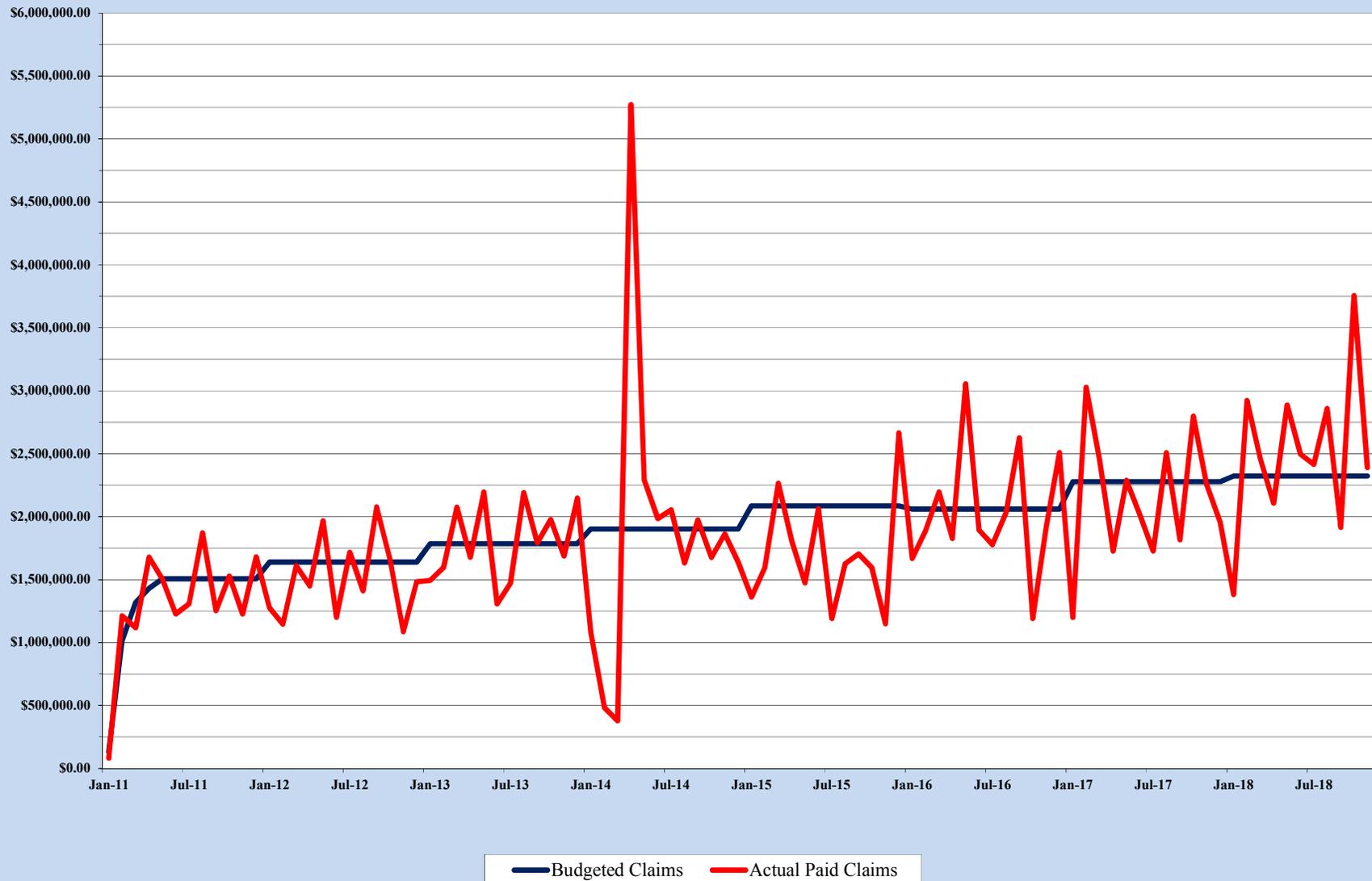
January 1, 2011 to December 31, 2018



Greater Tompkins County Municipal Health Ins Consortium

2011-2018 Monthly Medical Paid Claims v Budgeted Medical Claims

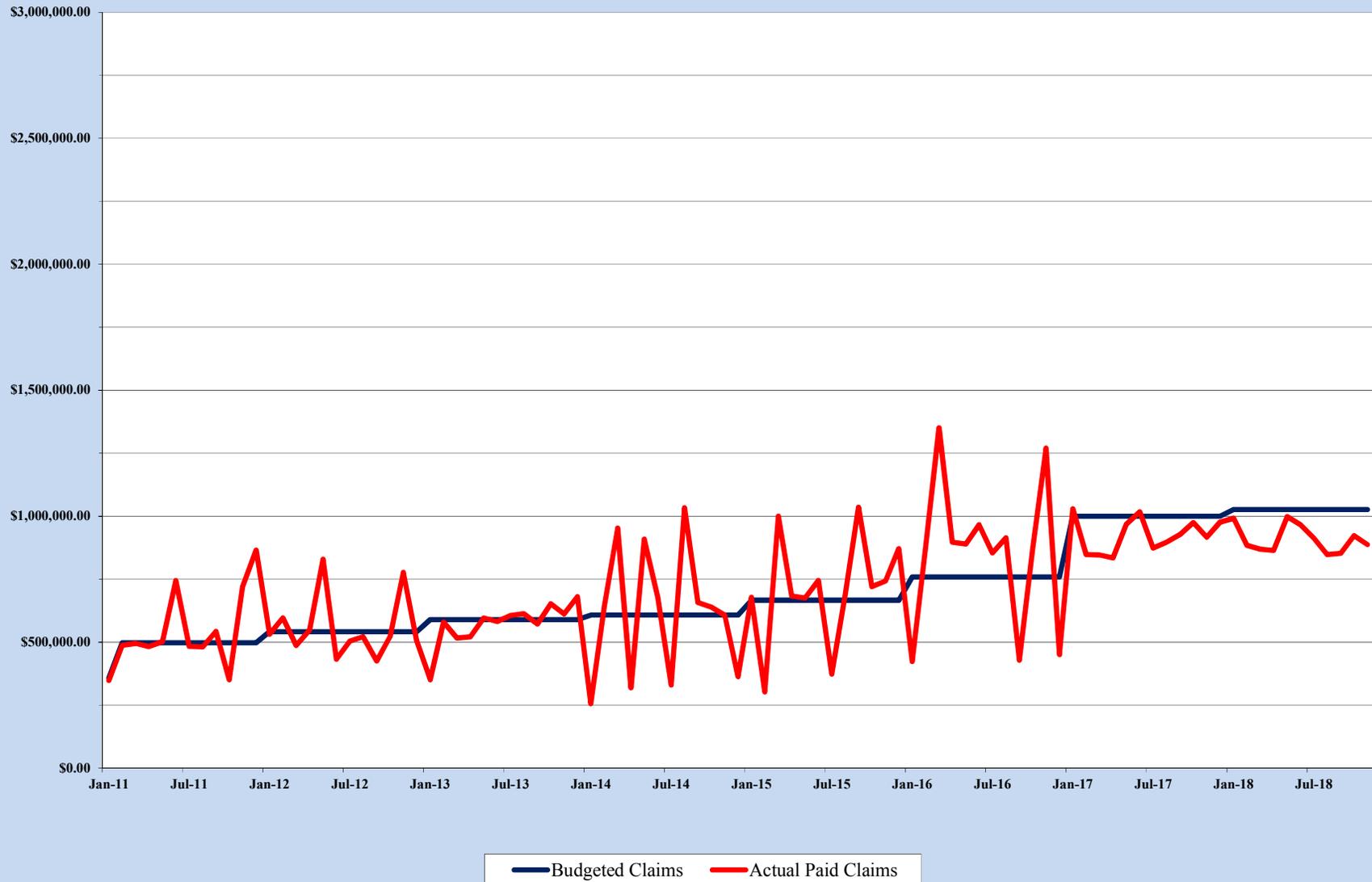
January 1, 2011 to December 31, 2018



Greater Tompkins County Municipal Health Ins Consortium

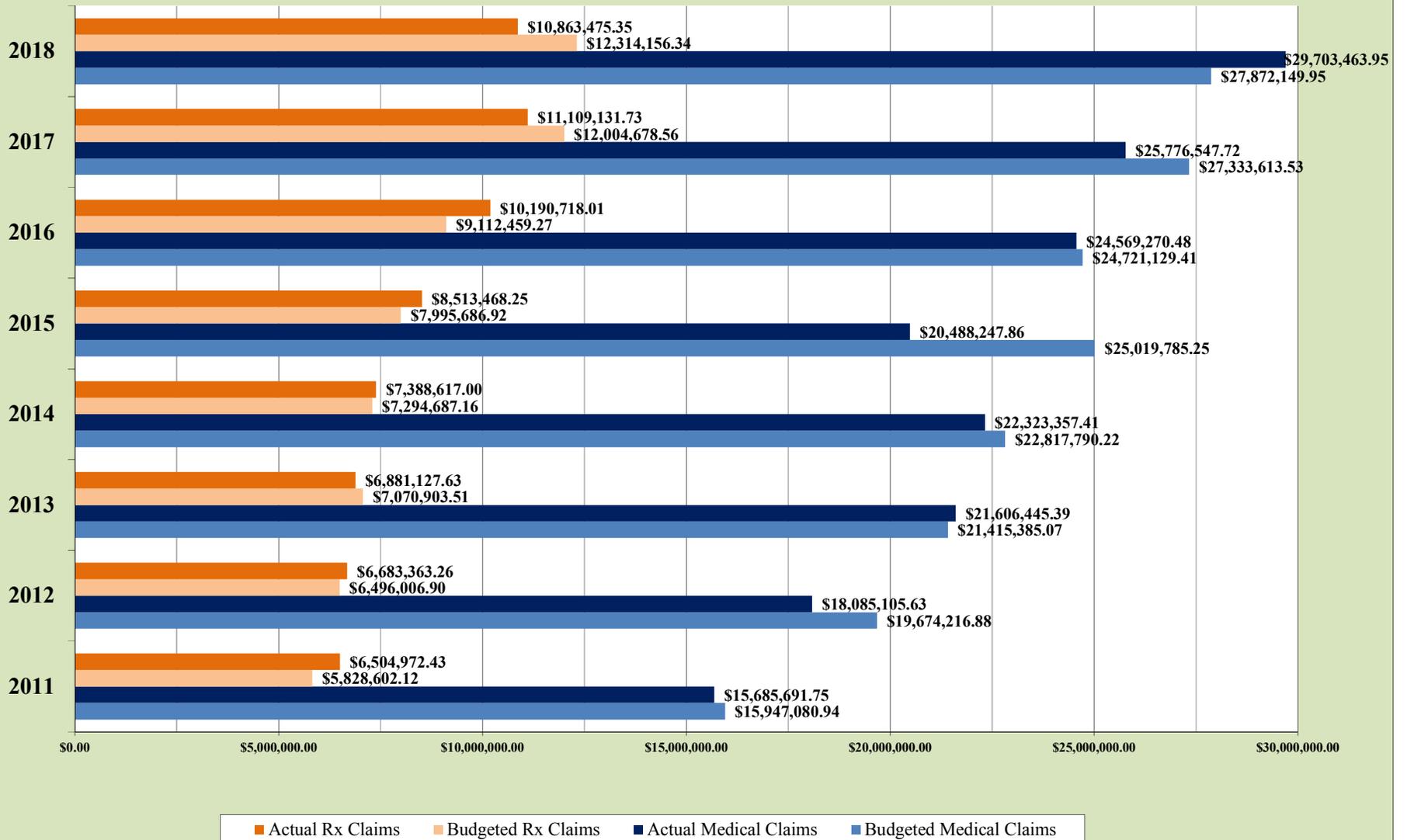
2011-2018 Monthly Rx Paid Claims v Budgeted Rx Claims

January 1, 2011 to December 31, 2018

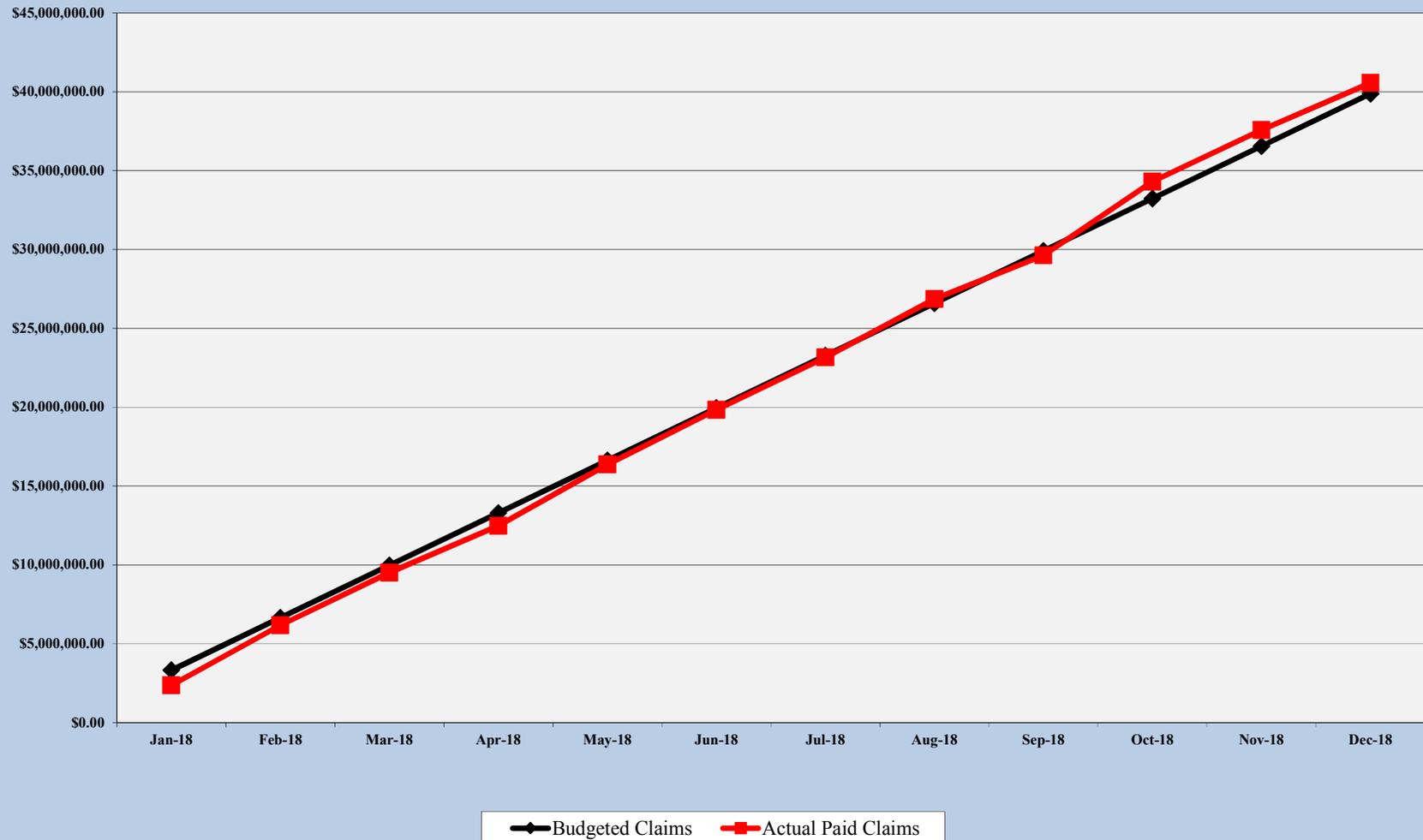


Greater Tompkins County Municipal Health Ins Consortium

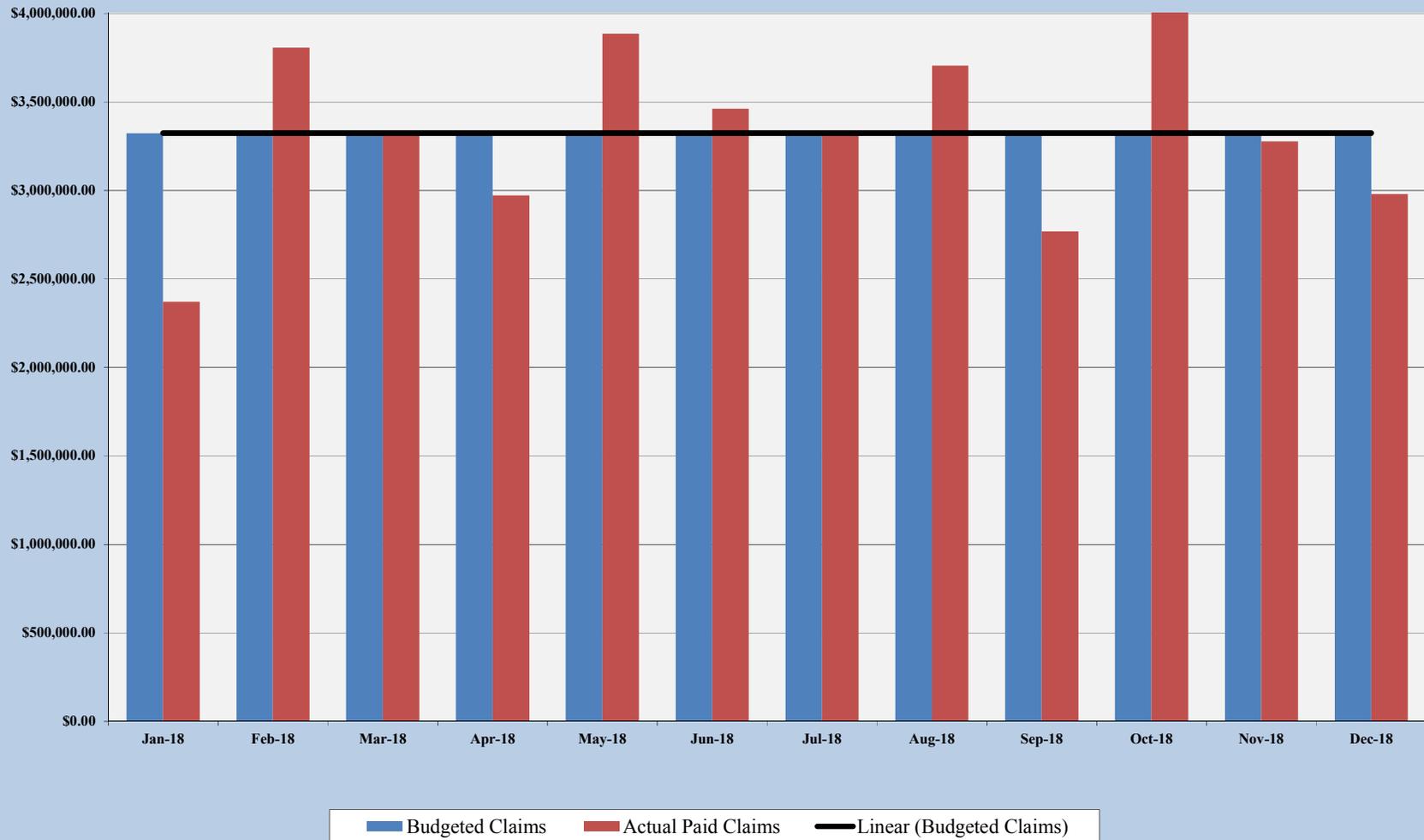
2011-2018 (as of 12/31/2018) Annual Paid Claims v Budgeted Claims



**Greater Tompkins County Municipal
Health Insurance Consortium**
2018 Cumulative Paid Claims and Budgeted Claims by Month

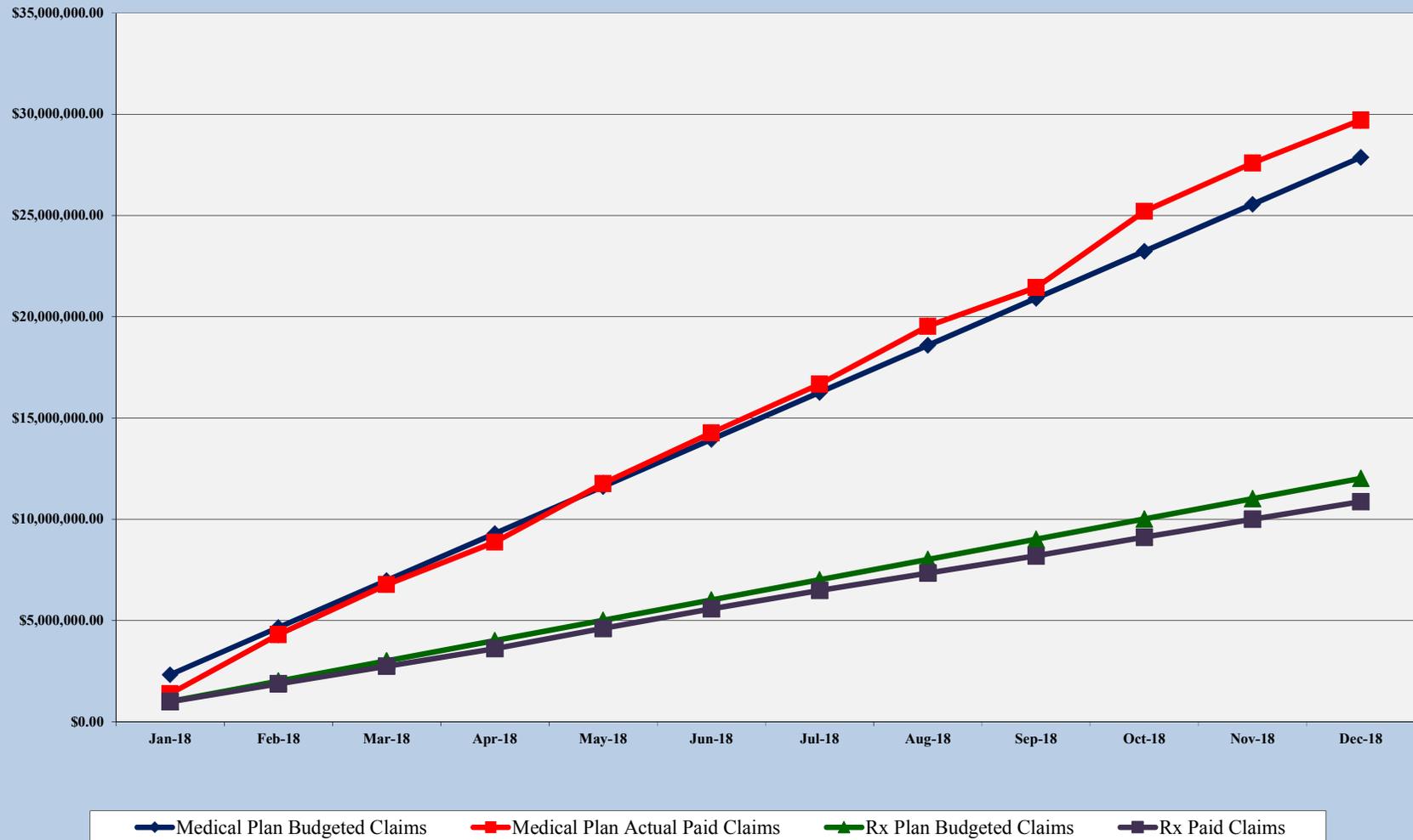


**Greater Tompkins County Municipal
Health Insurance Consortium**
2018 Budgetd vs Actual Paid Claims by Month



Greater Tompkins County Municipal Health Insurance Consortium

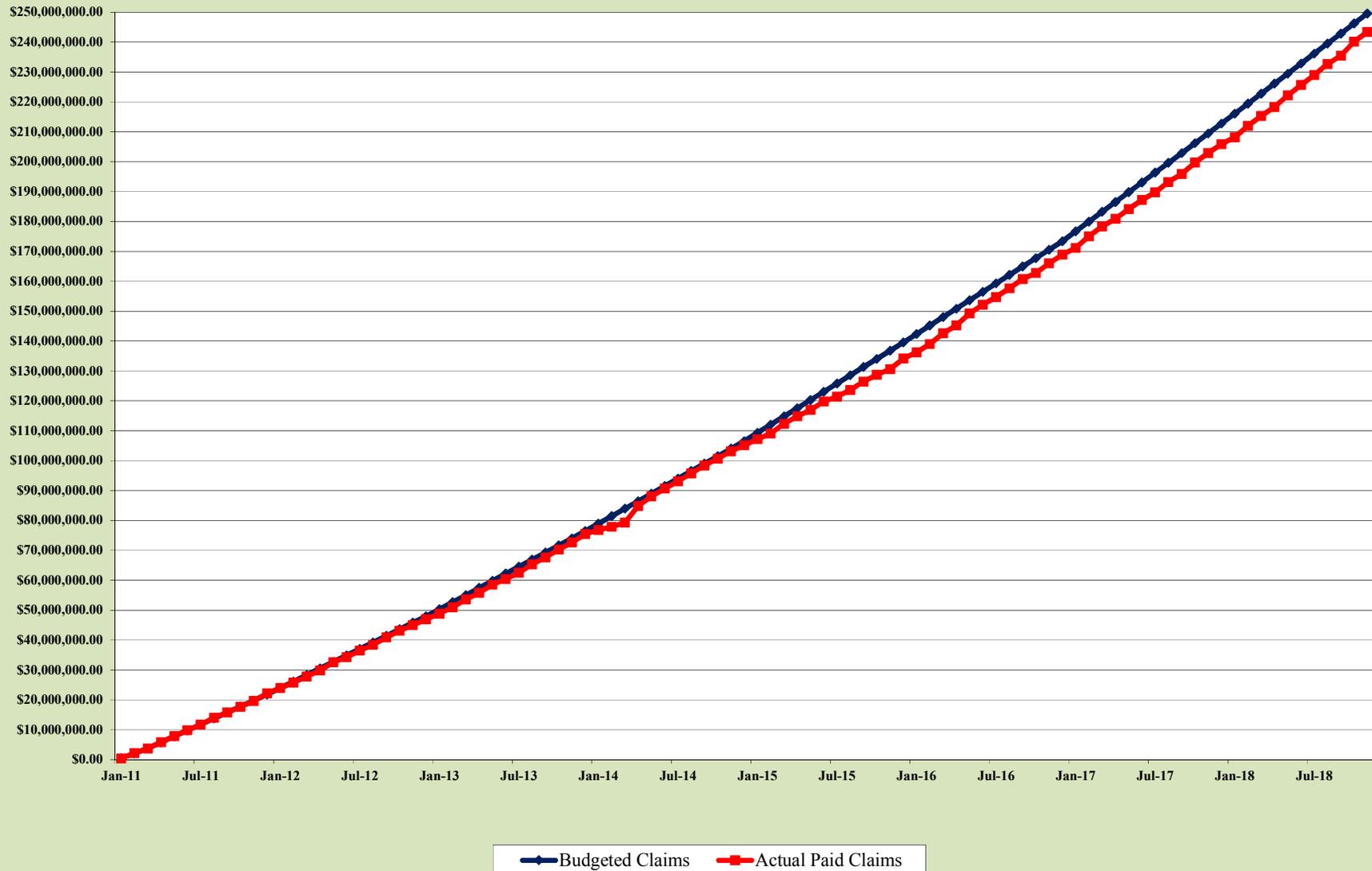
2018 Cumulative Paid Claims and Budgeted Claims by Month



Greater Tompkins County Municipal Health Ins Consortium

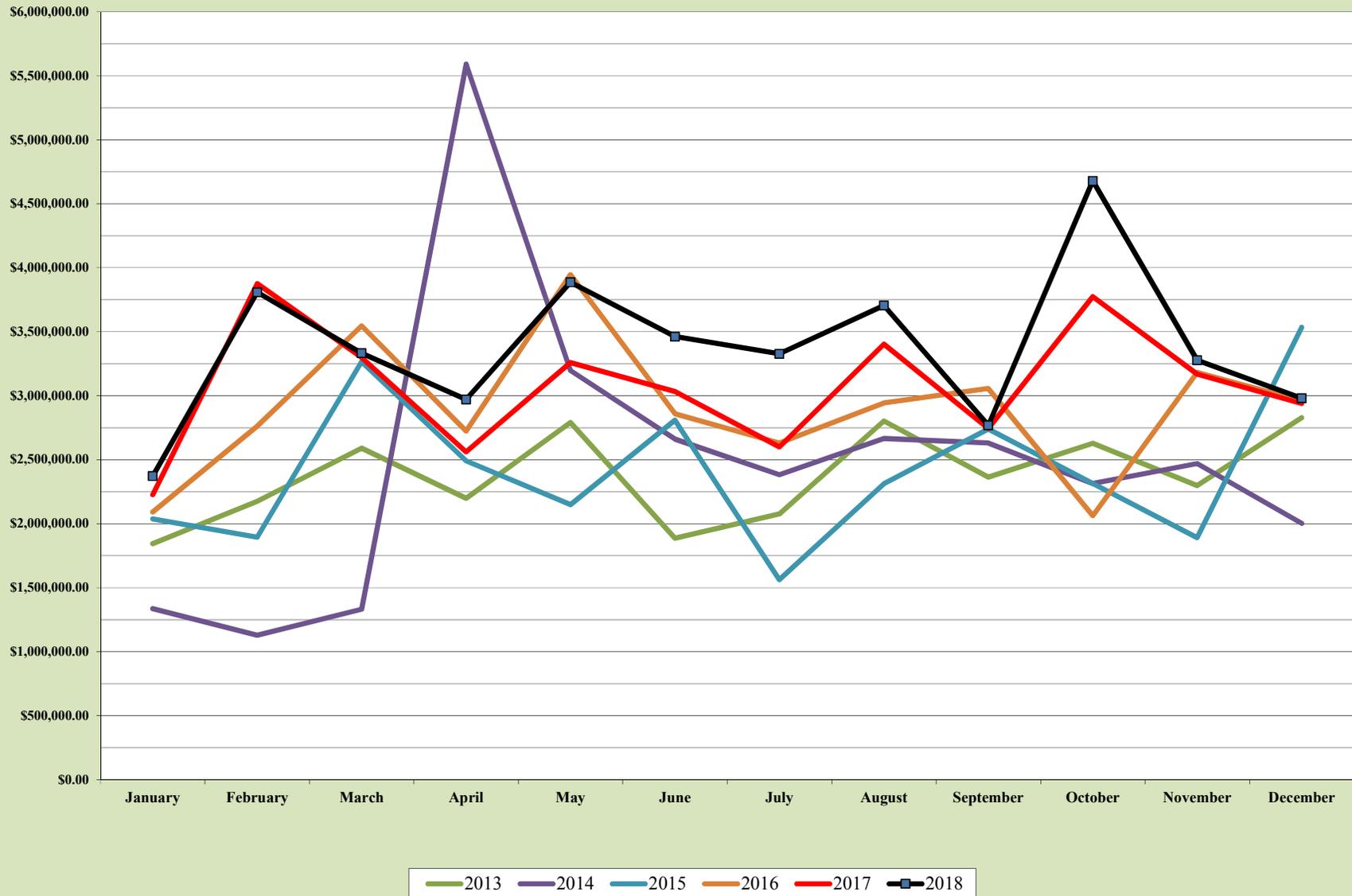
2011-2018 Monthly Paid Claims v Budgeted Claims

January 1, 2011 to December 31, 2018



Greater Tompkins County Municipal Health Ins Consortium

2013-2018 Monthly Paid Claims by Fiscal Year



Greater Tompkins County Municipal Health Insurance Consortium

Catastrophic Claim History (as of December 31, 2018)

Fiscal Year	Specific Stop-Loss Deductible	Number of Coverd Lives	# of Claimants with Claims >\$100,000	# of Claimants with Claims >\$200,000	# of Claimants with Claims >\$300,000	# of Claimants with Claims >\$400,000	Total Catastrophic Claims Paid	Claim Dollars in Excess of Deductible	Stop-Loss Insurance Premium Paid	Notes
2011	\$250,000.00	4,400	13	3	1	0	\$2,357,898.22	\$146,063.45	\$384,392.52	Medical Claims Only
2012	\$275,000.00	4,448	16	6	3	2	\$3,904,221.28	\$1,136,196.38	\$361,366.41	Medical Claims Only
2013	\$300,000.00	5,077	22	7	4	1	\$4,079,308.91	\$292,967.64	\$592,381.65	Medical Claims Only
2014	\$300,000.00	5,012	18	6	1	1	\$3,494,872.81	\$184,734.14	\$720,784.39	Laser of \$1,000,000 on Unique ID 000010930774
2015	\$400,000.00	5,021	23	2	1	1	\$3,722,006.77	\$125,880.36	\$642,080.30	Includes ProAct Rx Claims
2016	\$400,000.00	5,063	39	4	1	1	\$6,070,055.86	\$242,433.49	\$766,281.18	Laser of \$1,000,000 on Unique ID 000001179452
2017	\$450,000.00	5,175	24	12	1	1	\$3,057,208.40	\$8,294.21	\$738,819.42	Laser of \$1,000,000 on Unique ID 000001179452
2018	\$600,000.00	5,203	35	9	4	2	\$6,944,579.31	\$441,859.58	\$442,185.54	Laser of \$1,000,000 on Unique ID 000001179452
Totals		39,399	190	49	16	9	\$33,630,151.56	\$2,578,429.25	\$4,648,291.41	Loss Ratio = 55.47% as of 12/31/2018
Averages		4,925	23.750	6.125	2.000	1.125	\$4,203,768.95	\$322,303.66	\$581,036.43	

Fiscal Year	Specific Stop-Loss Deductible	Number of Coverd Lives	Stop-Loss Insurance Premium Paid	Premium Variance	Total Catastrophic Claims Paid	Annual Paid Claims Total	Catastrophic Claims % of Total Claims	Catastrophic Claims Reserve
2011	\$250,000.00	4,400	\$384,392.52	n/a	\$2,357,898.22	\$22,190,664.18	10.63%	n/a
2012	\$275,000.00	4,448	\$361,366.41	-5.99%	\$3,904,221.28	\$24,768,468.89	15.76%	n/a
2013	\$300,000.00	5,077	\$592,381.65	63.93%	\$4,079,308.91	\$28,487,573.02	14.32%	n/a
2014	\$300,000.00	5,012	\$720,784.39	21.68%	\$3,494,872.81	\$29,711,974.41	11.76%	\$600,000.00
2015	\$400,000.00	5,021	\$642,080.30	-10.92%	\$3,722,006.77	\$29,001,716.11	12.83%	\$1,050,000.00
2016	\$400,000.00	5,063	\$766,281.18	19.34%	\$6,070,055.86	\$34,338,926.47	17.68%	\$1,050,000.00
2017	\$450,000.00	5,175	\$738,819.42	-3.58%	\$3,057,208.40	\$36,885,679.45	8.29%	\$1,350,000.00
2018	\$600,000.00	5,203	\$442,185.54	-40.15%	\$6,944,579.31	\$40,566,939.30	17.12%	\$2,000,000.00
Totals		39,399	\$4,206,105.87	n/a	\$33,630,151.56	\$245,951,941.83	13.67%	
Averages		4,925	\$600,872.27	14.08%	\$4,203,768.95	\$30,743,992.73	13.04%	

YEAR	ACTUAL			HYPOTHETICAL				
	S/L deductible	S/L premiums paid	claims in excess of deductible	retained risk @ \$1M deductible	claims in excess of \$1M deductible	notional premium @ \$1M deductible	notional premium savings	notional premium savings vs retained risk
2011	\$250,000.00	\$384,392.00	\$146,063.00	\$146,063.00	\$0.00	\$377,265.00	\$7,127.00	-\$138,936.00
2012	\$275,000.00	\$361,366.00	\$1,136,196.00	\$725,000.00	\$411,196.00	\$377,265.00	\$0.00	-\$725,000.00
2013	\$300,000.00	\$592,381.00	\$292,967.00	\$292,967.00	\$0.00	\$377,265.00	\$215,116.00	-\$77,851.00
2014	\$300,000.00	\$720,784.00	\$184,734.00	\$184,734.00	\$0.00	\$377,265.00	\$343,519.00	\$158,785.00
2015	\$400,000.00	\$642,080.00	\$125,880.00	\$125,880.00	\$0.00	\$377,265.00	\$264,815.00	\$138,935.00
2016	\$400,000.00	\$766,281.00	\$242,433.00	\$242,433.00	\$0.00	\$377,265.00	\$389,016.00	\$146,583.00
2017	\$450,000.00	\$738,819.00	\$8,294.00	\$8,294.00	\$0.00	\$377,265.00	\$361,554.00	\$353,260.00
2018	\$600,000.00	\$442,619.00	\$438,596.00	\$400,000.00	\$38,596.00	\$377,265.00	\$65,354.00	-\$334,646.00
TOTALS:		\$4,648,722.00	\$2,575,163.00	\$2,125,371.00	\$449,792.00	\$3,018,120.00	\$1,646,501.00	-\$478,870.00
		↓				↑		
		→	→	→	→	↑		

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Hypothetical Catastrophic Claim Reserve Balance & ROR

\$3,000,000.00		\$4,000,000.00		\$5,000,000.00		\$10,000,000.00		\$20,000,000.00	
2%	3%	2%	3%	2%	3%	2%	3%	2%	3%
\$60,000.00	\$90,000.00	\$80,000.00	\$120,000.00	\$100,000.00	\$150,000.00	\$200,000.00	\$300,000.00	\$400,000.00	\$600,000.00
\$60,000.00	\$90,000.00	\$80,000.00	\$120,000.00	\$100,000.00	\$150,000.00	\$200,000.00	\$300,000.00	\$400,000.00	\$600,000.00
\$60,000.00	\$90,000.00	\$80,000.00	\$120,000.00	\$100,000.00	\$150,000.00	\$200,000.00	\$300,000.00	\$400,000.00	\$600,000.00
\$60,000.00	\$90,000.00	\$80,000.00	\$120,000.00	\$100,000.00	\$150,000.00	\$200,000.00	\$300,000.00	\$400,000.00	\$600,000.00
\$60,000.00	\$90,000.00	\$80,000.00	\$120,000.00	\$100,000.00	\$150,000.00	\$200,000.00	\$300,000.00	\$400,000.00	\$600,000.00
\$60,000.00	\$90,000.00	\$80,000.00	\$120,000.00	\$100,000.00	\$150,000.00	\$200,000.00	\$300,000.00	\$400,000.00	\$600,000.00
\$60,000.00	\$90,000.00	\$80,000.00	\$120,000.00	\$100,000.00	\$150,000.00	\$200,000.00	\$300,000.00	\$400,000.00	\$600,000.00
\$60,000.00	\$90,000.00	\$80,000.00	\$120,000.00	\$100,000.00	\$150,000.00	\$200,000.00	\$300,000.00	\$400,000.00	\$600,000.00
\$60,000.00	\$90,000.00	\$80,000.00	\$120,000.00	\$100,000.00	\$150,000.00	\$200,000.00	\$300,000.00	\$400,000.00	\$600,000.00
\$480,000.00	\$720,000.00	\$640,000.00	\$960,000.00	\$800,000.00	\$1,200,000.00	\$1,600,000.00	\$2,400,000.00	\$3,200,000.00	\$4,800,000.00

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To: Audit and Finance Committee
From: Don Barber, Executive Director
Date: September 22, 2018

Topic: Establishing Policy for Return of Surplus for Withdrawing Participants of the Consortium

As the Consortium grows, the possibility of a Participant deciding to leave increases. When that event occurs, because they are co-owner, they expect and the MCA states they will receive their portion of the Consortium's equity that developed during their tenure. Both the Consortium and the departing Participant are well served if the methodology for determining each Participant's portion of the Consortium's equity is clearly stated.

To frame our thinking, Section P.3 & 4 of MCA reads as follows:

3. Any withdrawing Participant shall be responsible for its pro rata share of any Plan deficit that exists on the date of the withdrawal, subject to the provisions of subsection "4" of this Section. The withdrawing Participant shall be entitled to any pro rata share of surplus that exists on the date of the withdrawal, subject to the provisions of subsection "4" of this Section. **The Consortium surplus or deficit shall be based on the sum of actual expenses and the estimated liability of the Consortium as determined by the Board.** These expenses and liabilities will be determined one (1) year after the end of the Plan Year in which the Participant last participated.
4. 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.

I have attached a spreadsheet prepared by Locey and Cahill which has been shared with at least a portion of the Consortium's Board entitled "2017 Retained Equity and Liability Analysis by Participant". I have also attached page 3 of the executive summary from the 2017 financial audit by Insero. You will notice that the Net Position number is the total "equity" of the spreadsheet.

The MCA recognizes that a departing Participant leaves behind IBNR liability. Determining that liability seems straight forward. If during a Participant's tenure there was little or no growth in the surplus, then what would this liability be credited against? If the Participant stayed, that liability is covered by the IBNR. By including prorata share of IBNR in the surplus calculation, the withdrawing Participant is at least ensured there are some assets to credit against this liability. (Note Insero's net position does not include IBNR as an asset.)

Other sectors of Consortium assets are: Surplus Reserve, other discretionary reserves, and fund balance. The Surplus Reserve is set by statute to be 5% of total annual premium. When a Participant departs, the Surplus Reserve will decrease by that Participant's prorata share. The Surplus Reserve would seem a natural part of the "surplus" calculation.

Also, the amount that the fund balance changed during the Participant's tenure would also seem appropriate to include. It is important to recognize that, with the current large fund balance, the Board has and most likely will continue for a few years to budget no growth of the fund balance.

Rate Stabilization Reserve: This reserve was established in 2015 and has been funded ever since to a level to equal 5% of paid claims. The initial funding of \$1,471,821 came from fund balance of 2015. Since subsequent funding of this reserve is done as a function of operations for all Participants, it would be possible to track a Participant's prorata contribution and remove it, provided that the share of the fifteen 2015 Participants was calculated separately. But, should this fund be used to offset premium increases, it would be for a specific point in time and would make accounting for that reduction and most likely subsequent replenishment extremely hard to track for a prorata calculation.

Catastrophic Claims Reserve is a fixed amount established to offset additional liability taken on by higher specific stop-loss deductible. One could think of this reserve as not being included in net assets for four reasons:

1. all Participants have already received their prorata share of savings from this reserve based on the reduced Stop-Loss Premium
2. A reduction in this reserve due to a departing Participant would require the remaining Participants to either make up this reduced portion from their share of fund balance or decrease Stop-Loss deductible which then increases stop-loss premium.
3. This reserve was created from fund balance at certain points in time. Participants have non-prorata share in the funds used in this reserve.
4. Should portions of this fund be used, it would be for a specific point in time and would make accounting for that reduction and most likely subsequent replenishment extremely hard to track for a prorata calculation.

I offer this memo to seed your thinking for these questions:

1. Should the Consortium develop a policy for calculating surplus or deficit before that event occurs.
2. What should be the policy should the calculation be a "deficit"?
3. If there is a desire to develop the policy for determining surplus or deficit, how should the methodology for that calculation?