Audit and Finance Committee June 27, 2023
Town of Ithaca Aurora Room
MINUTES – APPROVED
With correction at July 25, 2023 A&F Meeting- See red-lines on "Lease Update" Subject

Present:	Judith (Judy) Drake; Rordan Hart*; Eric Snow*; Amanda Anderson; Bud Shattuck; Kate DeVoe; Peter Salton *(arrived 3:08 p.m.)*
Excused:	
Absent:	Lorie Corsette; Scott Steve
Staff/Guests:	Elin Dowd, Executive Director; Lynne Sheldon, Clerk of the Board; Steve Thayer, City of Ithaca; Teri Apalovich, Finance Manager; Paul Pelton, Rob Spenard, Locey and Cahill

Call to Order

Ms. Drake called the meeting to order at 3:04 p.m.

Changes to the Agenda

There were no changes to the agenda.

Approve Minutes – May 23, 2023

It was MOVED by Mr. Shattuck, seconded by Mr. Snow and unanimously adopted by voice vote by members present, to approve the minutes of May 23, 2023, as submitted. MINUTES APPROVED.

Executive Director Report

Ms. Dowd referenced her Executive Director written report for June 2023. She also said a questionnaire has been sent out to the Directors regarding preference of a luncheon meeting or into the evening for the Board of Directors meeting. The questionnaire also asks who will be attending the Informational Session remotely, and members who may be interested in serving on a sub-committee for 2024.

Ms. Dowd noted that Locey & Cahill has completed the actuarial calculation. There are two plans that will need to be adjusted: Gold & Silver. This discussion, as well as the 2024 budget, will be presented to the Joint Committee.

Ms. Dowd reported that the Consortium just filed their second Consolidated Appropriations Act (CAA), which is a report regarding prescription drug transparency. She said many new regulations require providers to publish information for the Transparency (No Surprises Act) partially due to a lot of technology going into virtual medicine and digital medical technology.

Lease Update

Ms. Dowd stated the Consortium has signed the lease agreement for the location of 408 East Upland Road in Cayuga Heights. The Consortium has received a contract from builder, McPherson Builders, Inc., which is currently in review and in revision stages. She said this contract is a typical builder's contract as the building is already built. This contract consists of improvements to the building, not architectural. The construction has not yet started.

Ms. Apalovich explained that during the build-out of the building improvements for the Consortium, there is a need to purchase items, such as furniture and other physical assets. Currently, the Consortium does not have a capitalization policy. There was a discussion of the capitalization threshold written as $5,000. Ms. Apalovich added that Insero & Co, CPA's LLP has reviewed this policy and Mr. Thayer added to the discussion that he was comfortable with the $5,000 threshold as that amount could always be adjusted at a later time.

RESOLUTION XXX-2023: ESTABLISHING A CAPITALIZATION POLICY TO ESTABLISH THE PRINCIPLES RELATED TO THE ACCOUNTING TREATMENT OF THE GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM'S (GTCMHIC) CAPITAL ASSETS

MOVED by Mr. Salton, seconded by Mr. Hart. The resolution was unanimously adopted by voice vote of members present, and visibly seen members via remote locations to approve the following resolution to submit to the Executive Committee.

WHEREAS, In order to provide all required services to the Consortium members, the Greater Tompkins County Municipal Health Insurance Consortium (GTCMHIC) has made material investments in its physical assets, and

WHEREAS, The GTCMHIC is required to depreciate its exhaustible capital assets, including infrastructure, and

WHEREAS, The GTCMHIC has established a capitalization policy to establish the principles related to the accounting treatment of the GTCMHIC's capital assets, now, therefore be it,

RESOLVED, On recommendation of the Audit and Finance Committees, that the Executive Committee, on behalf of the Board of Directors, that effective immediately a Capitalization Policy listed below shall be implemented for the GTCMHIC, and

RESOLVED FURTHER, On an annual basis, or as deemed necessary, the Consortium Audit & Finance Committee shall review the Capital Asset Policy and shall approve policy revisions, if any, by formal resolution.

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Greater Tompkins County Municipal Health Insurance Consortium

CAPITAL ASSET POLICY

ADOPTED: AUGUST 16, 2023

I. SCOPE

In order to provide all required services to the Consortium members, the Greater Tompkins County Municipal Health Insurance Consortium "Consortium" has made material investments in its physical assets. The Consortium is required to depreciate its exhaustible capital assets, including infrastructure.

II. PURPOSE

This policy is to establish the principles related to the accounting treatment of the Consortium's capital assets.

III. CAPITAL ASSET DEFINITION AND OVERVIEW

Definition. Capital assets primarily include land, improvements to land, buildings, building improvements, vehicles, machinery, equipment, infrastructure, and other tangible assets that are used in operations and have initial useful lives extending beyond a single reporting period.

Infrastructure assets are long-lived capital assets that normally are stationary in nature and can be preserved for a significantly greater number of years than most capital assets.

Overview. Capital assets are reported in the statement of net assets at historical cost. The cost of a capital asset should include capitalized interest and ancillary charges (i.e., freight and transportation charges) necessary to place the assets into use. Donated capital assets should be reported at their estimated fair market value at the time of donation, plus ancillary charges, if any.

Capital assets should be depreciated over their estimated useful lives unless they are either in-exhaustible (assets in which service potential is used up so slowly that the estimated useful life is extraordinary long, such as land and land improvements) or are infrastructure assets reported using the modified approach. In no event shall the useful life of an asset be less than the period of probable usefulness established for the purpose of debt issuance as found in Section 11 of the New York State Local Finance Law.

Depreciable assets are reported net of accumulated depreciation in the Statement of Net Assets. Accumulated depreciation may be reported on the face of the statement or disclosed in the Notes to Financial Statements. Capital assets that are not being depreciated, such as land or infrastructure assets reported using the modified approach, should be reported separately.

CAPITALIZATION THRESHOLD

The Capitalization threshold is the cost established by the Consortium that must be met or exceeded if the asset is to be recorded and depreciated as a capital asset. As of the date of this Policy, the Consortium has established a threshold of $5,000.

The threshold will be based on the cost of a single asset. All assets irrespective of the capitalization upon acquisition are recorded as expenditures or expenses in governmental funds. Assets that meet the capitalization threshold will be capitalized on the government – wide financial statements. Other costs incurred for repairs and maintenance are expensed as incurred.

DEPRECIATION AND CAPITALIZATION - ASSETS EXCEEDING THE THRESHOLD

Capital assets purchased with budgeted operating, capital or grant funds are recorded as expenditures in the governmental fund financial statements and are capitalized at cost on the government-wide statement of net position.

Classification. All reported capital assets, except land and construction in progress, are depreciated. The following class of asset categories and useful lives are used for the Consortium:

Asset Class	Life (In Years)
Land	Not Depreciated
Works of Art	See Below (1)
Land Improvements	15-50
Buildings	15–50
Building Improvements	15–50
Machinery and Equipment	5-30
Infrastructure	5–50
Vehicles	3-10
Small Equipment	3-10

(1) Depreciation is not required for Works of Art and Historical Treasures that are inexhaustible. If collection/items are exhaustible, then depreciate over estimated useful life.

Depreciation. Capital assets shall be depreciated over their estimated useful lives in accordance with this Policy unless they are deemed inexhaustible.

The straight-line depreciation method (historical cost less estimated residual value, divided by useful life) is the method that shall be used by the Consortium for depreciating capital assets. Depreciation shall be calculated on an annual basis. A full year of depreciation shall be included in the year of completion or acquisition of the asset. Depreciation expense shall not be included in the year of disposition. Accumulated depreciation will be summarized and posted to the accounting general ledger.

ASSETS PROVIDED TO CONSORTIUM EMPLOYEES

Certain Consortium assets may be issued to individual employees for their exclusive use in the conduct of their work for the Consortium. This includes, but is not limited to, items such as laptops, tablets, cellular phones, and other types of department specific small equipment. Separated employees are responsible for returning all Consortium owned assets regardless of value.

LEASED EQUIPMENT OR ASSETS

Equipment shall be capitalized if the lease agreement meets any one of the following criteria:

1. The lease transfers ownership of the property to the lessee by the end of the lease term.
2. The lease contains a bargain purchase option.
3. The lease term is equal to 5% or more of the estimated economic life of the leased property.

4. The present value of the minimum lease payments at the inception of the lease, excluding executory costs, equals at least 90 percent of the fair market value of the leased property.

Leases that do not meet any of the above requirements shall be recorded as an operating lease and reported in the Notes to Financial Statements, if deemed material.

RESIDUAL VALUE

Residual value is the estimated fair market value of a capital asset or infrastructure remaining at the end of its useful life. To calculate depreciation for an asset, the estimated residual value must be established before depreciation can be calculated. The use of historical sales information is a valuable method for determining the estimated residual value. Proceeds from sale of assets shall be netted against residual value in computing net gain or loss from sale.

The Consortium generally purchases assets with the intent to use such assets until their usefulness is exhausted. Therefore, unless otherwise applicable, the Consortium policy shall generally be to estimate residual value as zero for all capital assets.

DISPOSITION OF CAPITAL ASSETS

When an asset is sold, a gain or loss shall be recognized when:

1. Cash is exchanged and the amount paid does not equal the net book value of the asset.

2. Cash is not exchanged, and the asset is fully depreciated or has a residual value.

When an asset is sold, a gain or loss shall not be reported when:

1. Cash exchanged equals the net book value, and the asset does not have a residual value.

2. Cash is not exchanged, and the asset is fully depreciated and has no residual value.

To compute a gain or loss from the sale of capital assets, proceeds received shall be subtracted from the asset’s net book value.

The methods of disposition to be used by the Consortium are as follows:

1. For dispositions with an estimated value up to $5,000.00 dollars, the decision will be left to the discretion of the Consortium Executive Director.

2. For dispositions with an estimated value greater than $5,000, there shall be required a written offer for sale and a written offer to purchase from three (3) offerors. A good faith effort shall be made to obtain the required number of offers to purchase. If the Consortium is unable to obtain the required number of offers to purchase, the attempts made shall be documented and become part of the disposition record. In no event will the inability to obtain the required number of offers to purchase be a bar to the disposition.

3. The above notwithstanding, the Consortium Executive Director may require standards which exceed those presented in this policy.

Documentation. Documentation of actions taken in connection with each method of disposition is required, as follows, and will be maintained as part of the disposition record.

1. Where a written offer for sale is required or made, a copy of that written offer for sale, and any written offer for purchase, submitted by offerors in response to that request.

2. Where a verbal offer for sale is required or made, a listing of the offerors contacted and the response, if any, that each offeror made.

3. Any memoranda, forms, notations, or other documentation used in establishing the basis of the disposition decision.

4. No documentation other than the independent estimate itself is required when the disposition is left to the discretion of the Consortium Executive Director.

Awards to Other than Highest Responsible Dollar Offeror. Whenever any disposition is awarded to other than the highest responsible dollar offeror, the reasons such an award furthers the purpose of the Consortium as set forth herein above shall be documented by the Consortium's Finance Manager and be maintained as part of the disposition record.

ANNUAL REVIEW & AMENDMENTS

On an annual basis, or as deemed necessary, the Consortium Audit & Finance Committee shall review the Capital Asset Policy and shall approve policy revisions, if any, by formal resolution.

New Members

Ms. Dowd stated that the Town of Brutus has submitted their resolution application to the Consortium and has passed the financial stress monitor testing. She reported that the County of Yates may be a new large group candidate and has already spoken with their County Administrator and their Benefits Administrator. She will be speaking with a Union Leader this week regarding their application.

Ms. Dowd noted that she has spoken with the Village of Fair Haven, who has one individual on their coverage. She also reported that she has met with the City of Geneva's labor and employees, and their City Council will be voting soon.

RESOLUTION NO. XXX- 2023 ACCEPTANCE OF APPLICATION BY THE TOWN OF BRUTUS, TO BECOME A PARTICIPANT IN THE GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM EFFECTIVE JANUARY 1, 2024

MOVED by Mr.Shattuck, seconded by Ms. DeVoe. The resolution was unanimously adopted by voice vote of members present, and visibly seen members via remote locations to approve the following resolution to be presented to the Board of Directors.

WHEREAS, by Resolution No.16 of 2019 the Consortium Board of Directors adopted a policy outlining a process of applying for membership to the Consortium, and

WHEREAS, the Town of Brutus, has submitted an official application authorizing the joining of Consortium in accordance with the terms and conditions outlined in the Municipal Cooperative Agreement, and

WHEREAS, this applicant has complied with membership process and has submitted copies of financial reports which have been evaluated by the Finance Manager, Consortium's Treasurer, and/or the Chief Financial Officer, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committees, That the Board of Directors hereby accepts and welcomes the Town of Brutus, as a Municipal Participant in the Consortium, with health insurance coverage beginning January 1, 2024, pending receipt, additional analysis, and approval of all required documentation.

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Removal of Town of Onondaga from MCA

Ms. Dowd reported regarding the Town of Onondaga, who was accepted last year onto the 2023 Municipal Cooperative Agreement (MCA). However, due to other circumstances withdrew prior to January 2023 and did not join the Consortium in 2023.

RESOLUTION NO. XXX-2023 – ACCEPTANCE TO WITHDRAW THE TOWN OF ONONDAGA AS A PARTICIPANT IN THE GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM AND TO BE OMITTED WITHIN THE 2024 MUNICIPAL COOPERATIVE AGREEMENT

MOVED by Mr. Salton seconded by Ms. DeVoe. The resolution was unanimously adopted by voice vote of members present, and visibly seen members via remote locations to approve the following resolution to submit to the Executive Committee.

WHEREAS, by Resolution No. 005 of 2012 and amended by Resolution No. 27 of 2014 the Consortium Board of Directors adopted a policy outlining a process of applying for membership to the Consortium, and

WHEREAS, the Town of Onondaga submitted an official resolution authorizing the Town of Onondaga to join the Consortium in accordance with the terms and conditions outlined in the Municipal Cooperative Agreement, and

WHEREAS, on recommendation of the Audit and Finance Committee of the Greater Tompkins County Municipal Health Insurance Consortium, the Board of Directors hereby accepted and welcomed the Town of Onondaga by Resolution No. 024-2022, as a municipal participant, with health insurance coverage beginning January 1, 2023, and

WHEREAS, immediately after being approved for membership by the Board of Directors and therefore included as a member in the 2023 GTCMHIC Municipal Cooperative Agreement (MCA), but prior to enrollment in the plan or commitment through signing the 2023 GTCMHIC MCA, the Town of Onondaga notified the Greater Tompkins County Municipal Health Insurance Consortium they would like to withdrawal their application and not enroll in the GTCMHIC effective January 1, 2023, and

WHEREAS, the Greater Tompkins County Municipal Health Insurance Consortium has not considered the Town of Onondaga a current participant and also has not considered, or will not consider any future events of insurance claims for the Town of Onondaga for calendar year 2023, and

WHEREAS, the Greater Tompkins County Municipal Health Insurance Consortium will prepare the 2024 Municipal Cooperative Agreement to exclude the Town of Onondaga for the future unless the Town of Onondaga submits a new application to GTCMHIC, now therefore be it,

RESOLVED, on recommendation of the Audit and Finance Committees and the Executive Committee, That the Board of Directors hereby authorizes the Greater Tompkins County Municipal Health Insurance Consortium to withdraw the Town of Onondaga as a participant of the Greater Tompkins County Municipal Health Insurance Consortium, and the Town of Onondaga will be omitted from the 2024 Amended Municipal Cooperative Agreement.

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2024 Budget

Mr. Pelton presented the 2024 Initial Draft Budget through the end of May 202 process. He discussed the following assumptions for Fiscal Years 2024- 2028:

1. Premium Revenue Increased by 7.0% in 2024 - 2028

2. Interest Income = Estimated at 1.0% of the Total Cash Asset Balance Per Annum

3. Prescription Drug Rebates Estimated at $2.900,000 Per Year Based on Actual results to date under new agreement.

4. Paid Claims Trend for Fiscal Years 2023 through 2027 are 4.75% for Medical Claims and 7.5% for Prescription Drug Claims

5. Administrative Fees Per Agreement with Excellus BCBS then Increased by 3.0% for the Fiscal Years of 2023 through 2027

6. New York State Graduate Medical Expense Increased by 5% Per Annum

7. Specific Stop-Loss Insurance trended by 10% each year.

8. Aggregate Stop-Loss Insurance Removed Based on NYS DFS Approval.

9. All Professional Services Fees Increased by 3% Per Fiscal Year

10. All Insurance and Internal Coordination Fees Increased by 3% Per Annum

11. IBNR Reserve Set at 12% of Expected Incurred Claims Pursuant to §4706(a)(1)

12. Surplus Account Set at 5% of Earned Premium Pursuant to §4706(a)(5)(A)

13. Claims/Rate Stabilization Reserve Set at 7.5% of Expected Medical and Rx Paid Claims for the 2022-2027 Fiscal Years.

14. Catastrophic Claims Reserve Set at $4.5 Million for 2020 Per GTCMHIC Board of Directors Resolution then Increased by Each Year Thereafter by the Variance Between the Budgeted Premium and the Actual Premium.

Mr. Pelton indicated this information will be adjusted in the next few months before the budget vote. He said that COVID-19 has been one factor during number preparation. He also said that the Consortium has been phasing in and taking on many new members which has been significant with bringing in more business and many new claims. Mr. Pelton said Locey & Cahill is being conservative on claims at this point and hopeful high claims will drop down. He said using these percentages indicated on the draft budget, reserves are fully funded at the maximum levels that the Consortium would want.

Ms. Dowd asked Locey & Cahill what the bronze plan increase was last year. Mr. Spenard responded around 8-9%. Mr. Pelton reported that Excellus is averaging this year and has asked the Department of Financial Services (DFS) for about 12.4%. He said Locey & Cahill is anticipating DFS will approve around the 9% range. He said this is a very different year with the effects of COVID and that a conversation with Wilmington Trust may also be beneficial for the Consortium.

Ms. Dowd said that she and Ms. Apalovich meet with Wilmington Trust regularly and have an upcoming review of treasury note percentages. They will also ask to receive some projections that may be helpful.

Mr. Salton said that when he reviews the proposed budgets, he doesn't know what the numbers are based on, what the rate increase will be, and how to base the numbers to make an educated discussion of what municipalities want. He said it may be beneficial to talk about the proposed budget later in the year. He suggested possibly having Excellus come to speak to the Consortium about what they were seeing in their big company. He said their previous presentations have been helpful in the past to shed light on unique situations.

Ms. Drake asked about the rate stabilization reserve and said that it would be beneficial to discuss when and how to use the reserve, what criteria, and how to fund it in the future.

Mr. Hart said the market, interest rates or the claims scenarios aren't different. He said looking through the lens of long-term cyclicality, nothing has changed and there would be use for a long term conversation about how the Consortium is going to manage stability of premiums over time. He expressed that the Consortium needs to keep the unencumbered balance as high as possible, to have have reserves as large as possible. He said the Consortium must be able to have the willingness to have conversations with municipalities when companies hit clients with a high 15%, the Consortium can express to the municipalities that they are only getting 5.5 or 6% increases *(example).*

Ms. Anderson said the Consortium needs to have a very clear plan for reserves for the unencumbered balance and when rate stabilization should be activated.

Ms. Dowd added that the Siegal premium equivalent rate analysis showed the Consortium that the underwriting that Locey & Cahill does for the Consortium each year has been extremely accurate.

Abstract Approval

Ms. Apalovich presented and reviewed the June 2023 monthly financial abstract; there were no questions or concerns. It was MOVED by Mr. Shattuck seconded by Ms. Anderson, and unanimously adopted by voice vote by members present and present via remotely, to approve the June 2023 monthly abstract. MOTION CARRIED.

Budget Performance Report

Mr. Spenard referred to the monthly Budget Performance Report, as of May 31, 2023 and covered the following key items:

1. The overall revenue of the Consortium is slightly below budget as of May 31, 2023. Locey & Cahill believe that as the enhanced pharmaceutical manufacturer rebates and interest earnings, especially when longer term investments mature, will help the Consortium to stay close to its targeted budget number.

2. The combined Medical and Rx Paid Claims were 4.61% over budget, largely impacted by the Rx Paid Claims, through the first 5-months of the 2023 Fiscal Year. We are keeping a close eye on the paid claims and how they evolve during the “new normal” post COVID-19 pandemic. Historically, the claims paid during the latter part of the Calendar Year tend to be a bit higher as annual deductibles and out-of-pocket maximums are met in the early months.

3. Overall, the is performing slightly below the projected budget through the first 5-months of the 2023 Fiscal Year. With only five months “in the books”, we will need to monitor the uptick in claims closely, especially as we begin the 2024 budget development cycle. In the end, we are hopeful that long term financial planning will allow the Consortium to maintain modest premium increases for the next several fiscal years and/or provide premium relief to the Participating Municipalities.

4. Locey & Cahill pointed out that the fiscal results experienced by the Consortium as of May 31, 2023, support the Board of Director's decision to increase premium rates by 6.5% for the 2023 Fiscal Year. Based on the early claim activity, this appears to be a prudent decision. With careful planning and monitoring, especially when experiencing growth of membership, the focus will be on providing stability in future budgets and premium increases, which may allow for some premium relief to assist the Participating Municipalities during potential difficult financial times as COVID-19 relief monies dry up.

Report on Large Loss Claim Activity

Mr. Spenard reported stop loss insurance report through May 2023. He said that there are 17 individuals above $100,000 in pending claims currently that's going to be billed to the consortium for $2.9 million. He said at this point last year through May 2022, the Consortium had 14 members in their claims, total, 2.4 million. Mr. Spenard indicated that Locey & Cahill asked Excellus the reason the claims were still pending. Excellus advised that the high-cost claim department is still reviewing and there may be repricing.

Mr. Spenard also presented as of April 30, 2023, the Consortium has lowered its specific stop-loss insurance premium by approximately $2,053,572.81 and it has incurred large loss claims between $500 thousand and $1 million totaling $1,042,187.82. As of March 31st, the net gain on this pool, excluding investments, is $1,011,384.99. This amount will be reduced each month by any chargeable loss as well as each monthly stop-loss premium made by the Consortium. It is important to remember that this figure does not take into consideration that the pool is also picking up an extra $100,000 in risk per member annually.

Mr. Salton asked if Locey & Cahill could break down the medical vs. prescription drug expense on the stop loss report. Mr. Spenard said yes, they can, however the stop loss report does have confidential information they will need to redline. He said the Top 5 have been primarily medical expenses, however there is an uptick in prescription drug fees.

Mr. Shattuck asked about individuals who are dropped from Medicaid and are under Medicare age who come back in the Consortium as members. Ms. Dowd was not sure if those members were able to join the Consortium. Mr. Spenard said those individuals would increase medical costs as Medicare would not be their primary and the plan would pick up the brunt of the medical costs.

Next Meeting Agenda Topics

2024 Budget
Town of Niles Resolution
Metal Level Plan Premium Discount Changes

Adjourn

The meeting was adjourned at 4:26 p.m.

Respectfully submitted by Lynne Sheldon, Clerk of the Board