

**Audit and Finance
Committee July 25, 2023
Town of Ithaca Aurora Room
MINUTES – DRAFT**

Present: Judith (Judy) Drake; Rordan Hart*; Eric Snow*; Bud Shattuck; Kate DeVoe
(arrived 3:10p); Peter Salton; Scott Steve*
Excused: Amanda Anderson
Absent: Lorie Corsette
Staff/Guests: Elin Dowd, Executive Director; Lynne Sheldon, Clerk of the Board; Teri Apalovich,
Finance Manager; Kylie Rodrigues, Benefits Specialist (arrived 3:40p); Paul
Pelton, Rob Spenard, Locey and Cahill

* Attended via Remote Zoom

Call to Order

Ms. Drake called the meeting to order at 3:01 p.m.

Changes to the Agenda

Ms. Dowd said she would like to add to the discussion a resolution regarding the Town of West Monroe joining the Consortium.

Approve Minutes – June 27, 2023

Minutes of the previous meeting were approved as corrected. Correction made to revise name of builder from Holt Construction to McPherson Builders, Inc.

It was MOVED by Mr. Shattuck, seconded by Mr. Snow and unanimously adopted by voice vote by members present, to approve the minutes as corrected of June 27, 2023. MINUTES APPROVED.

Executive Director Report

Ms. Dowd announced a questionnaire was sent out to Directors. The majority preferred response is to hold the (previously held in the evening) annual Board of Director's Meeting as a lunch meeting at a location in the Ithaca, NY area, in September.

Ms. Dowd noted at the previous meeting that it was requested that Excellus speak to the Consortium regarding medical and prescription drug trends. She said Excellus was unable to attend today's meeting, however, the Consortium has scheduled the Regional President of Excellus to speak at the next Executive Committee meeting.

Ms. Dowd reported it was discussed at the Operations meeting that five municipalities have been contacted regarding plan consolidation. The municipalities contacted only have one or two individuals on the plan. She said more information will be provided at the subsequent meeting.

Ms. Dowd said she received correspondence from the Department of Financial Services (DFS) indicating they have approved the Consortium's Certificate of Coverage for expansion into the Counties of Livingston and Monroe. She said the Consortium is now in 18 counties.

Ms. Dowd said DFS continues to audit the Consortium. She said it seems they have completed the governance portion, and the focus most recently has been claims for ProAct and Excellus. Mr. Shattuck asked if we were still within budget for the DFS audit. Ms. Apalovich concurred.

Lease Update

Ms. Dowd said the new building of the Consortium is moving along according to plan. The builder's contract has been signed and the new move date is slated for November 1, 2023. She said Tompkins County Information Technology is putting in fiber optics, and coordination efforts have been set by all the sub-contractors to bring supplies in.

Ms. DeVoe arrived – 3:10pm

Banking Options

Ms. Dowd stated that Ms. Apalovich is working on researching information to obtain a different banking affiliation. She said the Consortium is currently banking with Tompkins Trust Company. In efforts to separate from the name "Tompkins" to allow the Consortium to operate as an independent entity, Ms. Apalovich is working on three different recommendations, which includes JP Morgan Chase. The Consortium will update the Committee on her findings.

Resolution:

Acceptance to Withdraw the Town of Niles as a Participant with the Greater Tompkins County Municipal Health Insurance Consortium

Ms. Dowd said the Town of Niles' acceptance was in 2014 and they are asking to withdraw. She explained that this is the first municipality to withdraw. Niles had one employee who had a need to be on an insurance plan, and this one employee, (Highway Superintendent), decided to insure with the Teamsters.

RESOLUTION NO. XXX-2023 – ACCEPTANCE TO WITHDRAW THE TOWN OF NILES AS A PARTICIPANT WITH THE GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM

MOVED by Mr. Shattuck, seconded by Mr. Snow. 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 Board of Directors.

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 Niles submitted an official resolution authorizing the Town of Niles 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 Niles by Resolution No. 019-2018, as a municipal participant, with health insurance coverage beginning January 1, 2019, and

WHEREAS, the Town of Niles has since notified the Greater Tompkins County Municipal Health Insurance Consortium that they no longer would like to be a municipal participant of health insurance coverage effective immediately.

WHEREAS, The Town of Niles is listed on the Consortium's Municipal Cooperative Agreement for the calendar year 2023, and

WHEREAS, Per the Town of Niles, the Greater Tompkins County Municipal Health Insurance Consortium will not consider any future events of insurance claims for the Town of Niles for calendar year 2023,

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

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Resolution:
Modification to Locey & Cahill's Consulting Services Agreement to Review Premium Tier Models

Ms. Dowd explained as part of the strategic planning initiatives, the Consortium hired The Segal Group to look at the premium equivalent rates. When the report was completed, the Consortium also wanted to have a 3 to 4-Tier analysis done. Due to shortening the timeline, Ms. Dowd said it made more sense to have Locey & Cahill finish this project. Locey & Cahill advised they could finish this project by the end of September 2023.

RESOLUTION XXX-2023 – MODIFICATION TO LOCEY & CAHILL'S CONSULTING SERVICES AGREEMENT TO REVIEW PREMIUM TIER MODELS.

MOVED by Mr. Shattuck, seconded by Mr. Steve. 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, the Consortium and Locey & Cahill entered into a Consulting Services Agreement dated July 1, 2023, whereby Locey & Cahill agreed to provide the Consortium with professional consulting services subject to certain terms and conditions contained in that agreement through a term ending on December 31, 2023 with an option to extend this contract in one-year increments through December 31, 2026.", and

WHEREAS, the Existing Consulting Agreement provides that its terms may only be modified in a written agreement signed by the parties to be bound, and

WHEREAS, the Consortium has notified Locey & Cahill that it would like Locey & Cahill to perform a detailed premium rate cost analysis regarding shifting the Consortium from a 2-tier premium rate model to a 3-tier or 4-tier premium rate model; and,

WHEREAS, this analysis will produce a detailed and informative report which will allow the Consortium's Leadership to make an informed and educated decision on the future of the premium equivalent rates, now therefore be it,

RESOLVED, in consideration of the mutual covenants and agreements hereinafter set forth, the parties agree to modify the Existing Consulting Agreement as follows:

1. The "Services to be Provided" section of the Agreement is amended to include the work and services related to the completion of a 3-tier (individual, two-person, and family) premium rate analysis and a 4-tier (individual, employee & spouse, employee & child[ren], and family) premium rate analysis.
2. The fees for said services outlined in number 1 above, will be billed on an hourly basis utilizing the hourly fee schedule found on Page 10 of the Agreement.
3. The results of the project are to be delivered in draft form as requested by the Consortium at Committee meetings and/or Board of Directors meetings during the months of August and September with the final report being delivered to the Consortium no later than September 30, 2023.
4. Locey & Cahill shall keep, and make available to the Consortium, detailed records regarding its time and actual costs associated with fulfilling all its duties and responsibilities on behalf of, or related to, the Consortium as they relate to this modification to the Agreement.
5. This Contract Modification is intended as an amendment and supplement to the Existing Consulting Agreement, whose terms continue to control relative to all other aspects of the parties' contractual relationship save those specifically addressed herein.
6. This Contract Modification may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Contract Modification delivered by facsimile, email or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Contract Modification.
7. This Contract Modification is contingent upon approval of the Consortium's Executive Director and Executive Committee at the next regularly scheduled meeting.

FURTHER RESOLVED, the Executive Committee on behalf of the Board of Directors, authorizes the Executive Director to sign said contract with Locey & Cahill, for the performance of a detailed premium rate cost analysis regarding shifting the Consortium from a 2-tier premium rate model to a 3-tier or 4-tier premium rate model with the final report being delivered to the Consortium no later than September 30, 2023.

Resolution:

Approval of Contract to Enter into an Agreement with Lifetime Benefit Solutions to Manage Consolidated Omnibus Budget Reconciliation Act (COBRA) Administration for Small Group Municipal Members Only

Ms. Dowd reported that the Department of Financial Services (DFS) has been doing a lot of auditing on the administration, and how Consortium members administer COBRA. She said during this process, it was found that many of the Consortium's small members are not administering COBRA, or new members who have switched to the Consortium are assuming Excellus is still administering for them.

Ms. Dowd said that due to these complexities, the Consortium devised a solution through Lifetime Benefit Solutions (LBS) for the Operations Committee to review. This agreement through LBS would help small municipalities administer COBRA at a minimal cost to the Consortium and small municipalities will be following all Federal laws. The Operations Committee asked to advance the resolution to the Audit and Finance Committee.

Ms. Dowd explained that if an individual elects COBRA, they would pay the 100% premium plus an additional 2% administration cost.

RESOLUTION NO. XXX-2023 - APPROVAL OF CONTRACT TO ENTER INTO AN AGREEMENT WITH LIFETIME BENEFIT SOLUTIONS TO MANAGE COBRA ADMINISTRATION FOR SMALL GROUP MUNICIPAL MEMBERS ONLY

MOVED by Ms. DeVoe, seconded by Mr. Snow. **6 in favor/1 opposed/0 abstention.**

The resolution passed by the majority vote of members present, and visibly seen members via remote locations to approve the resolution to submit to the Executive Committee

WHEREAS, qualified beneficiaries are entitled to continue to receive coverage identical to that being provided under the plan to "similarly situated beneficiaries" to whom a qualifying event has not occurred, and

WHEREAS, U.S. Department of Labor (DOL) law requires small employers, less than 20 employees, to provide the equivalent of Consolidation Omnibus Budget Reconciliation Act (COBRA) benefits, and

WHEREAS, under Article 47 that governs the Consortium, all small employers' employees are entitled to thirty-six months of continued health coverage at a monthly cost to them of 102% of the actual cost of the employer, and

WHEREAS, Excellus currently includes Lifetime Benefit Solution (LBS) COBRA administration to all small group plans to help ensure compliance with the Consolidation Omnibus Budget Reconciliation Act, and

WHEREAS, the Consortium has found inconsistencies in small group municipal members, small group is defined by less than fifty enrollees, offering COBRA coverage to qualified beneficiaries, who is any individual who, on the day before a qualifying event, is covered under a group health plan maintained by the employer of a covered employee by virtue of being: (1) the covered employee (2) the spouse of the covered employee, or (3) the dependent child of the covered employee, THEREFORE, let it be thus

RESOLVED, all COBRA premiums for Consortium small group municipal members will be set at 102% of the premium rate, the two-percentage administration fee is added to offset the cost of the COBRA administration fees through Lifetime Benefit Solutions, and

FURTHER RESOLVED, the additional expense for the Lifetime Benefit Solutions COBRA administration will be included in all the municipal members' premium calculations, and

FURTHER RESOLVED, on recommendation of the Operations Committee and the recommendation of the Audit and Finance Committee, that the Executive Committee, on behalf of the Board of Directors, hereby approves COBRA administration services to be provided by Lifetime Benefit Solutions for all Consortium small group municipal members only beginning January 1, 2024.

Resolution:

Resolution of Application by the Town of West Monroe, to Become a Participant in the GTCMHIC Effective January 1, 2024

Ms. Dowd said the Town of West Monroe contacted her for additional information pertaining to the Consortium. The Consortium held a presentation for their municipality and Town of West Monroe has since submitted application paperwork and has also passed the financial testing.

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

MOVED by Mr. Shattuck, seconded by Mr. Steve. 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.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 West Monroe, 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, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee, That the Board of Directors hereby accepts and welcomes the Town of West Monroe, 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.

2024 Budget Review

The preliminary budget spreadsheet was presented in full to the Committee Members.

Ms. Apalovich made some adjustments to the budget to include updates to salaries. She said she also received information from Wilmington Trust regarding interest earnings in 2024, which has been updated on the 2024 budget review as well.

Mr. Pelton said the budget keeps updating as the months go by, currently based through June 30th and current membership. He presented a thorough explanation of the budget numbers and said more accurate numbers will be presented at the August Educational Session for the Board of Directors.

The Committee discussed the rate stabilization reserve of how to address and use it. Mr. Hart said he would like to work with the Committee on establishing a structured policy. He suggested developing a policy that indicates a projected rate increase for the following year exceeds our target rate increase of 5 to 7 by a certain amount, then the Consortium looks to the rate stabilization reserve to help offset that. He also said If the Consortium has a good year under budget by a certain amount, those access funds will fund the rate stabilization reserve for future.

Ms. Dowd said the Consortium will prepare a rough draft for the next Audit and Finance Committee meeting to review.

Metal Level Plan Premium Discount Changes

Ms. Drake said that when the Consortium started moving with the metal level plans, a policy was started stating if there was an adjustment to the actuarial value, the Consortium would discount the premium. She used the example if there was a 5% increase in a Gold Plan premium, and an actual of 1.5%, they were only charged a 3.5% increase in the premium and not getting charged the 5%. Ms. Drake said based on this, it was shown to the Consortium in the recent premium equivalent report prepared by The Segal Group, this has done some damage. Ms. Drake proposed to the Committee that this needs to be taken into consideration to not offer that premium discount in the future and a discussion with the Joint Committee should be soon.

Abstract Approval

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

Budget Performance Report/Reserve Accounts

Mr. Pelton referred to the monthly Budget Performance Report, as of June 30, 2023 and covered the following key items:

1. The overall revenue of the Consortium is slightly below budget as of June 30, 2023. Locey & Cahill believes 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.
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2. The combined Medical and Rx Paid Claims were 3.17% over budget, largely impacted by the Rx Paid Claims, through the first 6-months of the 2023 Fiscal Year. Locey & Cahill is 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 Greater Tompkins County Municipal Health Insurance Consortium is performing slightly below the projected budget through the first 6-months of the 2023 Fiscal Year. With six 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, Locey & Cahill 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 discussed fiscal results experienced by the Consortium as of June 30, 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 May 31, 2023, the Consortium has lowered its specific stop-loss insurance premium by approximately \$1,999,777.15 and it has incurred large loss claims between \$500 thousand and \$1 million totaling \$1,042,187.82. As of May 31st, the net gain on this pool, excluding 2023 investments, is \$957,589.33. 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.

Next Meeting Agenda Topics

Rate Stabilization Policy
2024 Budget
Metal Level Premium Update

Adjourn

The meeting was adjourned at 4:29 p.m.

Respectfully submitted by Lynne Sheldon, Clerk of the Board
