



Greater Tompkins County Municipal Health Insurance Consortium

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

Finance Committee

Agenda – October 24, 2023

3:00 PM

Town of Ithaca – Aurora Conference Room

1. Call to Order (3:00) J. Drake

2. Changes to Agenda

3. Approve Minutes – September 12, 2023

4. Executive Director (3:05) E. Dowd
 - a. Report
 - b. Committee Membership Update
 - c. Strategic Planning Update

5. Resolution: Acceptance of the Village of Watkins Glen to Request an Extension to the Three-Year Waiver from Compliance Grated by the GTCMHIC

6. Financial Update (4:05) T. Apalovich
Locey & Cahill
 - a. Abstract Approval
 - b. Budget Performance Report
 - c. Report on Large Loss Claim Activity

7. Next meeting Agenda Topics (4:25)
 - a. Actuary RFP

8. Adjourn (4:30)

Next Meeting: November & December Combined – December 5, 2023

**Finance Committee Meeting
September 12, 2023 – 3:00PM
Town of Ithaca - Aurora Room
MINUTES – DRAFT**

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

* Attended via Remote Zoom

Call to Order

Mr. Hart, Vice Chair, called the meeting to order at 3:01 p.m.

Changes to the Agenda

Ms. Dowd apologized that Item 5 (Resolutions) is to be only a discussion for today's meeting; not to be moved/voted upon today.

Approve Minutes – August 22, 2023

Ms. Dowd made aware that minutes of August 22, 2023, did not contain a vote tally pertaining to Resolution No. XXX-2023 – Annual Premium Increase Target and Utilization of the Rate Stabilization Reserve. Ms. Sheldon clarified that an amendment shall be made to the minutes to include within that Resolution the following:

“MOVED by Mr. Hart, seconded by Mr. Shattuck. This 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.”

It was MOVED by Mr. Snow, seconded by Mr. Thayer and unanimously adopted by voice vote by members present, to approve the amended minutes as corrected of August 22, 2023. MINUTES APPROVED.

Executive Director Report

Ms. Dowd announced Consortium staff is working on preparations for the Board of Directors meeting at Greek Peak. She said staff has been spending time making phone calls and sending emails to ensure quorum is met.

Ms. Dowd said the Department of Financial Services (DFS) is still auditing the Consortium and making recommendations. She said they are currently auditing Excellus claims. Mr. Shattuck asked if the budget for the DFS audit is still within range, and Ms. Apalovich concurred and indicated possibly a slight adjustment might be needed.

Ms. Dowd also added that the Consortium's move to their new location at 408 East Upland Road in Cayuga Heights was targeted for October 15th, however, there is a slight delay. Ultimately, the move date is slated for the end of October at the latest.

Resolutions: *(changed to discussions only)*

Resolution: Annual Premium Increase Target and Utilization of the Rate Stabilization Reserve

Ms. Dowd said that she has received some feedback on how this resolution was presented. She said there have been some suggestions to change the listing of the annual increase target of 5% to 8%. Ms. Anderson asked what suggestions of range have been presented and do they want it lower or higher.

Mr. Salton said that there shouldn't be any basement or ceiling, that each Board or Committee on its own should look at this and there should not be a need for a formal premium increase target. He said the reality to predict a budget when budgeting more than 1 or 2 years out, with increasing membership and different economic conditions that requires a lot of analysis, and this type of targeting desensitizes analysis. He also said that when this comes to the Board's decision to vote, there may be individuals who don't understand this. He expressed that he didn't agree to this resolution as written.

Mr. Pelton said they looked at the language of the Resolution and during each yearly budget process with the revisions by formal resolution, the target could be changed as it's a simple agreement among the Board to amend the Resolution further. He also mentioned possible changes to the wording of the Resolution as the goal was to plan between 5% and 8% and have a game plan for when tackling and utilizing the rate stabilization.

Mr. Shattuck voiced that 8% might not be a great number, if something negative happens. He said if the Consortium must jump to 10% or 12% one year, because it makes sense, then that is what the Consortium will have to do. He said when he speaks to municipalities, their number one question they want to know about is rate stabilization. He suggested leaving it to the Board on a yearly basis to make those decisions.

Ms. Rodrigues said that the lowest percentage rate the Consortium has had during the life of the Consortium is 3%, and the highest is 9.5%. Mr. Hart added the average rate increase over the last 12 years is about 6.25%. Mr. Hart also said the high-end percentage is extremely important, because the Consortium has every one of their reserves having

guidelines, except for rate stabilization, and they all are working well. He also said that the question then is, what is it sitting there for, if we aren't going to use it? Also, if the Consortium is going to use it, then when? He said it's not important with respect to the Consortium's budgeting, as the Consortium builds a budget based on claims experience. Mr. Hart also said that having a target is not the same as a requirement.

Mr. Hart also said that guidelines of what made the Consortium so successful in our first decade is very important going forward. He said this has been a well thought out process and reiterated that this Resolution is not binding on any future board(s), as they could rescind the resolution if they feel necessary, but at least it creates a precedent.

Mr. Salton suggested a move to amend the resolution to lower the Annual Premium Increase Target from 5% - 8% to 4% - 8%.

Mr. Hart called a motion to the floor to amend last month's resolution from a 5% targeted premium increase in future years to a 4% to 8% range for targeted premium increases.

RESOLUTION NO. XXX-2023 – Annual Premium Increase Target and Utilization of the Rate *(This resolution was amended at the meeting – for changes made – refer to red-lines)*

MOVED by Mr. Salton, seconded by Ms. Anderson. The amended 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, Resolution No. 019-2014 adopted the 2015 Budget and established a Rate Stabilization Reserve at \$1.64 million “to protect the cash flow position of the Consortium should there be a year when claims cost exceed the prediction”; and

WHEREAS, The Rate Stabilization Reserve was updated to be funded at 7.5% of annual premiums with Resolution No. 034-2019; and

WHEREAS, It is the desire of the Audit and Finance Committees to define when and how the Rate Stabilization Reserve should be utilized and subsequently refunded; and

WHEREAS, It is the desire of the Audit and Finance Committees to refer to said resolution on an annual basis or deemed necessary during the yearly budget process, and shall approve any revisions by formal resolution; now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committees, and the Executive Committee, that the Board of Directors authorizes the establishment of an Annual Premium Increase Target of ~~5%—8%~~ 4% - 8%; and

RESOLVED FURTHER, that Resolution No. 034-2019 is amended to set a target for the Rate Stabilization Reserve of 10% of annual premiums; and

RESOLVED FURTHER, that when budgeted premium increases exceed 8%, a

budget will be developed that funds the Rate Stabilization Reserve at a level less than the 10%-of-premium target, but no lower than 2.5%-of-premium level, with the goal of meeting all other budget requirements as outlined in Resolution No. 015-2020; and

RESOLVED FURTHER, that when the Rate Stabilization Reserve is funded below the 10%- of-premium target, the budget that is developed as a result will be created to support returning to the 10%-of-premium target funding level in subsequent years and as quickly as possible; and

RESOLVED FURTHER, that on behalf of the Audit and Finance Committees, and the Executive Committee, that the Board of Directors authorizes the Greater Tompkins County Municipal Health Insurance Consortium to set an Annual Premium Increase Target and Utilization of the Rate Stabilization Reserve as defined in this resolution.

* * * * *

Resolution: Acceptance that the GTCMHIC No Longer Will Provide a Premium Discount When Making Adjustments Due to the Actuarial Value Calculator (*changed to discussion only*)

Ms. Dowd advised the Committee that Mr. Locey was not present at the last Finance Committee meeting, and he would like Locey & Cahill to discuss and provide additional information regarding the metal level plans.

Mr. Pelton expressed that Locey & Cahill suggests that it would be prudent to wait until they finish the Consortium’s rate study which includes analysis of the metal plan rates. He said one big concern is once the platinum plan needs an adjustment, which will affect approximately 60 or 70% of Consortium subscribers, they could be faced with additional out-of-pocket costs as well.

Mr. Pelton said it is important to recognize that when the Consortium is increasing the cost of services to members by increasing out of pocket maximums, that it should be reflected in some type of one-time adjustment to the premium.

Mr. Pelton said Locey & Cahill suggests that once the Consortium has more and more individuals switching to metal plans, the budget process is going to organically take care of the premium rate increases as the claims develop. Mr. Pelton advocated for Locey & Cahill stating it would be prudent to wait until they finish the rate study by the end of September and then have another discussion.

Mr. Spenard added the Consortium hasn’t had changes with the PPO plan since 2017 based on the actuarial value calculation and changes will likely happen next year or the following year. This will impact a much larger population of the Consortium. He also said another variable that should be considered is premium rates are attested by an actuary.

Ms. Dowd said that she didn’t have any comments about the practice, as she believes the Consortium is asking for a Motion to postpone this resolution and look at this again in the future. She clarified that presentations made by the Consortium to

municipalities moving from a Classic Indemnity Plan to Platinum Plan, does not include that employees are going to have discounted premiums across the board.

Ms. Dowd also mentioned learning from the President of Excellus of individuals on metal level plans where the employer funds the deductible with an HRA or HSA. They charge 2% more premium. She said they are not discounting those premiums, even when they change the plan.

Ms. Dowd also said she agrees with postponing this Resolution until 2024 and it will be placed on a calendar to be revisited once the Premium Rate Study is completed.

Mr. Salton made a motion to rescind last month's resolution until such time as a premium rate study is completed.

MOTION NO. 004-2023 – MOTION TO RESCIND: RESOLUTION ACCEPTANCE THAT THE GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM (GTCMHIC) NO LONGER WILL PROVIDE A PREMIUM DISCOUNT WHEN MAKING ADJUSTMENTS DUE TO ACTUARIAL VALUE CALCULATOR UNTIL THE PREMIUM RATE STUDY IS COMPLETED

MOVED by Mr. Salton, seconded by Mr. Shattuck. The resolution below was unanimously rescinded by voice vote of members present, and visibly seen members via remote locations to rescind until such time as a premium rate study is completed.

WHEREAS, It has been a practice of the GTCMHIC to discount premium increases for plans experiencing adjustments due to actuarial value calculator compliance, and

WHEREAS, when The Segal Group, Inc., was engaged by the GTCMHIC to conduct an independent review of its medical and prescription drug plans and conduct a parallel rating analysis to aid the Consortium's leadership in understanding the influence each plan offered has on its financial position, the results showed the trending for metal level plans that the premiums were no longer supporting claims activities and other plans were supplementing their costs,

WHEREAS, the GTCMHIC continues to have significant migration to the metal level plans, especially the Platinum Plan, and it would be prudent to migrate towards a model that has the premium for each plan more closely supporting the financial experience for that plan, now therefore be it,

RESOLVED, on recommendation of the Audit and Finance Committee, and Executive Committee on behalf of the Board of Directors hereby accepts that the metal level plans no longer provide a premium discount when adjusting due to actuarial value calculator, rather they too experience the full recommended premium increase suggested for all GTCMHIC plans.

2024 Budget Presentation

Mr. Pelton presented a 63-page presentation to include the following key elements:

YTD GTCMHIC Performance

1. Total Income was 0.74% below the amended budget, with premium income being 0.90% below the amended budget for the first 7 months of the fiscal year. The amended budget reflects the changes in plan designs and demographics of the participants as detailed below: *There has been some additional movement of covered members from traditional Indemnity and PPO Plans to the Consortium's Platinum PPO Plan.* Changes in covered lives and contract counts.* Rx Rebates in August 2023 totaled \$850,555 from the 1st quarter of 2023. This payment will put that line item \$203,235.06 over the expected budget.
2. The Consortium invests in notes/bonds which are held to maturity, but records gains and/or losses on a monthly basis ("mark to market"). Gains on investments are booked as revenues, while losses on investments are recorded as expenditures. Interest earnings have begun to rebound, following the dramatic downturn experienced during the COVID-19 pandemic.
3. There has been three pharmaceutical manufacturer rebate payments received from ProAct, Inc. for the 2023 Fiscal Year to date, totaling \$2,378,235.06. The Consortium is anticipating that it will also receive a reconciliation payment for 2022.
4. The Consortium did not receive any reimbursements for claims which exceeded the Specific Stop-Loss Insurance Deductible of \$1 million. To date, there have been no claims in excess of \$1,000,000 for this year or the previous year.

Locey & Cahill 2024 Budget Recommendations

1. Maintain the Surplus Account at 5% of the annual premium of the Consortium in compliance with §4706(a)(5) of the New York State Insurance Law. The value of this reserve, as projected for the 2024 Fiscal Year, is \$3,314,029.34. This will satisfy an Article 47 statutory reserve requirement.
 2. Maintain the IBNR Claims Liability Reserve as required by §4706(a)(1) of the New York State Insurance Law at a value in line with the expected cost of "run-out" claims. We are recommending that this reserve continue to be funded at 12.0% of expected incurred claims consistent with the direction received by the Consortium from the New York State Department of Financial Services. Based on our projections, this reserve would equal approximately \$8,170,889.35 for the 2024 Fiscal Year.
 3. Continue to evaluate the specific stop-loss insurance policy which recently increased the deductible to \$1,000,000 as of the 2021 Fiscal Year and maintain the Catastrophic Claims Reserve at an amount equal to \$4,500,000.00 for the 2023 Fiscal Year and adjust based on the Board Resolution for funding. This reserve is specifically designed to protect the cash flow
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of the Consortium from the effects of a significant increase in the number of individual high dollar claimants.

4. Utilize a portion of the Claims/Rate Stabilization Reserve, reducing it to 2.5% of 2024 estimated paid claims (\$1,702,270.70). These funds are projected to be restored over the next four budget cycles. It is important to remember that this reserve fund was designed for this exact purpose of mitigate larger than desired premium rate increases.

5. Continue to negotiate reasonable increases to the administrative fees paid to Excellus BlueCross BlueShield as part of the annual renewal process.

6. Monitor and update the investment strategies of the Consortium to continue to maximize the interest earnings associated with the reserve and surplus funds while maintaining the flexibility needed in cash flow to prudently manage the Consortium's finances.

7. In consideration of the overall financial position of the Greater Tompkins County Municipal Health Insurance Consortium and its goals and objectives, Locey & Cahill, LLC is recommending that the Board of Directors approve an 8.0% increase in premiums for the 2024 Fiscal Year. As a point of information, a 1.0% increase in premiums paid equals approximately \$613,710 for the 2024 Fiscal Year.

In conclusion, the final thought offered to the Board of Directors from Locey & Cahill at this time is to consider the views, opinions, and recommendations expressed above and to consider approving the recommended budget with an 8.0% increase in overall premium revenue. Our goal is to have steady/moderate premium growth over the next several fiscal periods. To accomplish this, we are recommending the short-term use of a modest amount of fund balance and reserves to mitigate premium increases for 2024.

RESOLUTION NO. XXX-2023 – ADOPTION OF BUDGET, PREMIUM RATES, AND RESERVE AMOUNTS FOR 2024

MOVED by Mr. Shattuck, seconded by Mr. Thayer. 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 Audit and Finance and Executive Committees have had detailed discussions and have considered the Consortium's 2024 budget and premium rates, and

WHEREAS, the Board of Directors has adopted a policy that provides guidance on targets for net income, fund balance, and both statutory and discretionary reserve levels, in addition to creating a mechanism by which excess net income/fund balance can be returned to members, and

WHEREAS, the 2024 proposed budget reflects the adopted budget guidelines (Resolution No. 015-2020) as follows:

- Maintain Incurred But Not Reported Claims Reserve at 12% of total claims;
 - Maintain the Surplus Account at 5% of the annual premium of the
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Consortium in compliance with §4706(a)(5) of the New York State Insurance Law;

- Fund the Rate Stabilization Reserve at a level less than the 10%-of-premium target, but no lower than 2.5%-of-premium level,
- Set Catastrophic Claims Reserve to 2023 beginning balance of \$4,808,739.38 plus any earned interest and Stop Loss Insurance premium savings (between \$600,000 policy and the \$1,000,000 policy costs) in 2023 less any large claims between \$500,000 and \$1,000,000 for 12 months of 2023.
- If unencumbered fund balance goes less than 12% of expected premium, it will be returned to nothing less than 12% of expected premium by year four of the annual proforma calculation;
- Set the annual budget to accomplish a zero to two percent (2%) net income level; and
- Increase Premium Revenue by 8% in 2024 across all benefit plans, except for the Silver and Gold Plans which will be a Premium Revenue Increase of 6.89% and 6.83% respectively; now therefore be it

RESOLVED, on recommendation of the Audit and Finance and Executive Committees, That the Consortium's attached 2024 budget including premium equivalent rates and reserve amounts are hereby adopted by the Greater Tompkins County Municipal Health Insurance Consortium Board of Directors.

Next Meeting Agenda Topics

Premium Equivalent Rate and Two-Tier Analysis

Adjourn

The meeting was adjourned at 4:22 p.m.

Respectfully submitted by Lynne Sheldon, Clerk of the Board



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RESOLUTION NO. XXX- ACCEPTANCE OF THE VILLAGE OF WATKINS GLEN REQUESTING AN EXTENSION TO A THREE-YEAR WAIVER FROM COMPLIANCE GRANTED BY THE GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE (GTCMHIC)

WHEREAS, the Village of Watkins Glen submitted an official resolution in 2019 authorizing the Village of Watkins Glen to join the GTCHMIC in accordance with the terms and conditions outlined in the GTCMHIC Municipal Cooperative Agreement (MCA), and

WHEREAS, by Resolution No. 16 of 2019 the GTCMHIC Board of Directors adopted a policy outlining a process of applying for 2020 membership to the Consortium, and

WHEREAS, it is recognized that the Village of Watkins Glen did not bring all of the active employees into the Consortium as required by Section A.5. of the MCA due to contract conditions at that time, and

WHEREAS, due to new leadership and new contract negotiations since said year 2020, the Village of Watkins Glen is requesting an extension with the GTCMHIC to add an additional three years to the existing waiver of Section A.5. MCA compliance, now therefore be it

FURTHER RESOLVED, on recommendation of the Finance Committee, That the Executive Committee, on behalf of the Board of Directors, hereby accepts an additional three-year extension with the Village of Watkins Glen to be waived of compliance with section A.5. of the GTCMHIC's 2023 MCA, effective through December 31, 2025.
