

**Audit and Finance Committee
Minutes – APPROVED
February 23, 2021
Meeting Held Remotely via Zoom**

Present: Mack Cook, Bud Shattuck, Peter Salton, Rordan Hart, Eric Snow, Steve Thayer (arrived at 3:31 p.m.), Jason Molino (arrived at 3:31 p.m.), Jon Munson (arrived at 3:33 p.m.)

Absent: Laura Shawley

Staff/ Guests: Elin Dowd, Executive Director; Michelle Cocco, Clerk of the Board; Judy Drake, Board of Directors Chair; Rick Snyder, Treasurer; Don Barber, Consultant; Steve Locey, Robert Spenard Locey and Cahill

Call to Order

Mr. Cook, Chair, called the meeting to order at 3:30 p.m.

Changes to the Agenda

There were no changes to the agenda.

Approval of Minutes of January 26, 2021

It was MOVED by Mr. Snow, seconded by Mr. Salton, and unanimously adopted by voice vote by members present, to approve the minutes of January 26, 2021 as submitted. MINUTES APPROVED.

Mr. Molino and Mr. Thayer arrived at this time.

Executive Director Report

Ms. Dowd said at the last meeting the issue of HCRA (Health Care Reform Act) Tax issue was raised and commented that this expense costs the Consortium approximately \$1 million each year. A question was previously raised as to whether the Consortium should lobby State legislators for an exemption and since that time she and Mr. Barber have discussed this and how to proceed. She said in order to have an impact there will need to be conversations with State representatives and questioned if this should be added to Tompkins County's list of items they will be speaking to the State delegation about and whether the Consortium should engage other Article 47 entities. She asked for direction from the Committee as to whether this should be pursued and how it fits in with other Consortium priorities.

Mr. Salton said he believes this is a worthwhile cause for the Consortium to pursue but does not think it requires a lobbyist as many people are not familiar with this tax outside the relevant committees at the State level.

Mr. Cook agreed that it is a worthwhile effort that should be pursued although he is not optimistic that it can be changed.

Mr. Molino said Tompkins County will be doing some lobbying at the State level through NYSAC and suggested a very brief summary be prepared that articulates the financial impact it has on municipalities that are part of the Consortium. He said a determination should be made on what the relevant Senate and Assembly committees are and to then try to schedule time to

meet with them. Mr. Cook said he spoke with Peter Baynes at NYCOM (New York Conference of Mayors) and it was suggested that a stronger ally would be school districts as consortiums are much more prevalent among schools. Mr. Molino mentioned the Governor's shared services also fits into this realm. He offered to arrange a time for he and Ms. Dowd to meet with County Legislator Martha Robertson and also suggested a Mayor be involved as well.

Mr. Shattuck said he has reached out Cayuga County about this and is waiting for a response. In addition, he is waiting to hear back from Senator Helming and Assemblyman Lemondes. Mr. Molino suggested a meeting be set up with Assemblyperson Kelles.

There was consensus for Ms. Dowd to continue to work to move this effort forward.

**RESOLUTION NO. – 2021 – ADOPTION OF CONSORTIUM BUDGET AMENDMENT
POLICY**

MOVED by Mr. Shattuck, seconded by Mr. Molino.

Ms. Dowd referenced discussion that took place at the last meeting and said this policy was created using feedback received and it also references existing policies. There is currently a budget policy that dictates how the budget is developed, Bylaws that dictate how budget adjustments are approved, and also a procurement policy. The proposed policy references those documents and addresses how budget changes are made throughout the year and who has authority to make those changes.

There was support to accept and incorporate the following suggestions as offered by Mr. Snyder:

- Amend "End of year budget changes" to End of previous year budget changes..” and
- Add "C. *Reclassification*: Nothing in this resolution shall prevent the Executive Director from exercising discretion in reclassifying expenditures in the budget provided that it does not increase or decrease the total budgeted expenditures.

Mr. Locey asked that members be cognizant of changes in line items due to enrollment. When considering premium or paid claims expense the number of contracts or covered lives can impact the proposed 10% level. He suggested talking about cost in terms of cost per covered life or contract because there have been times when there have been significant changes in the amount of people covered in the plan which substantially impacts the expense line. Mr. Locey and Ms. Dowd will discuss this further before the resolution is presented at the next meeting.

The resolution was WITHDRAWN; a revised resolution will be presented to the Committee at its next meeting.

WHEREAS, in accordance with Resolution No. 15 of 2020 – Adoption of Budget Guidelines and the Executive Committee By-laws, the Executive Director creates a preliminary budget annually for presentation and approval at the Board of Directors Annual Meeting, and

WHEREAS, each year additional information is garnered after the Annual Meeting and before the new year that reflects changes that are the result of the addition of : (i) projected claims, fees and taxes, (ii) funding of services provided by contractors and third-party administrators, (iii) maintenance of all reserves, including those required by statute, (iv) purchase and maintenance of stop-loss insurance, and (v) a proper account of all major sources of revenue, and

WHEREAS, an Amended Budget will be created early in the new fiscal year to reflect these changes and will be prepared monthly for performance against the Adopted budget, and

WHEREAS, from time-to-time organizational decisions may require unforeseen expenses or opportunities that the Executive Committee decides must be undertaken during the current fiscal year, now therefore be it

RESOLVED, on recommendation of the Operations and Audit and Finance Committees, That the Executive Committee recommends that any discretionary changes to the Adopted Budget after approval by the Board of Directors follow this process:

- End of year budget changes resulting from the addition of : (i) projected claims, fees and taxes, (ii) funding of services provided by contractors and third-party administrators, (iii) maintenance of all reserves, including those required by statute, (iv) purchase and maintenance of stop-loss insurance, and (v) a proper account of all major sources of revenue shall be presented to the Audit and Finance Committee for recommendation to the Executive Committee for approval as the Amended Budget.
- Budget adjustments Under the direction and control of the Executive Director, and in consultation with the Treasurer, as needed, funds may be expended within budgetary appropriations without prior approval of the Executive Committee. Extra budgetary expenditures for discretionary expenses or unexpected expenses not accounted for in the budget with:
 1. Less than a 10% change for any line item, may be authorized by the Executive Director and reported to the Audit and Finance Committee.
 2. Greater than a 10% change for any line item, shall require the approval of the Executive Committee, after review and recommendation of the Audit and Finance Committee.

Any end-of-the-year or mid-year changes to the budget approved by the Executive Committee will be circulated to the entire Board of Directors.

Premium Payment Policy

Ms. Dowd reviewed proposed changes to the policy that were incorporated based on discussion that took place at the last meeting and subsequent feedback she received. The two substantive changes to the policy include an increase in the late fees and a reiteration of language contained in the Municipal Cooperative Agreement.

Mr. Snyder said he does not support anything other than the one percent fee; he feels the two and three percent fees are too punitive. He stated the Consortium can enact a good late payment policy and fees but there needs to be clarity. He said the latest draft of the policy includes a reference to the fees being compounded and up to this point they have not done late fees of a compounded nature. He spoke of the time that would be involved in calculating compounded interest and said staff is currently calculating late fees manually. In addition, he stated the policy needs to have a clarity on the cut-off date for payments.

Ms. Dowd said the one percent fee is what is currently included in the Municipal Cooperative Agreement; any change would need to be addressed in that document as well. She noted that the intention of the policy is not directed towards any one entity; there was discussion by both this Committee and the Executive Committee and a desire to get a policy in place for any

future activity that all can be comfortable with. She asked for direction and clarification from the Committee on what the late fee percentage should be.

Mr. Molino said did not object to the proposed penalty and noted it is a gradual increase over time. He spoke to making a final expulsion decision and said he thinks it presents challenges when talking about threatening the financial well-being or legal validity of the Consortium. Ms. Drake agreed and said she thinks that compounding the interest will push some of the groups into paying and will address some of the concerns raised at recent Board meetings.

Ms. Drake responded to Mr. Snyder's comment regarding the cut-off date and said the first day of the month has always been in the MCA and said the tenth of the month has been the standard grace period.

Mr. Shattuck said he could support a gradual increase in the late fee, he shared Mr. Snyder's comments regarding a compounded interest rate.

Mr. Molino suggested bringing this back next month, along with an example of what it would look like under the suggested model, along with the financial impact. He also spoke of Tompkins County's Room Occupancy Tax and said there is a clause that allows relief or exemption under certain conditions and circumstances. He suggested expanding the current language to give further consideration to those types of situations.

Ms. Dowd requested Mr. Snyder provide clarification as she recalled the last time work was done on this policy Tompkins County Finance staff communicated that the one percent interest was compounded.

There was consensus to refer policy at this time and to further discuss it at the Executive Committee on March 3rd.

DRAFT Revised Premium Payment Policy

Premium fees will be established each year by the Board of Directors and approved at the Annual Meeting.

Premiums are expected to be paid as billed each month. No changes to the invoice amount are allowed. Any adjustments should be noted and sent to the Principal Accountant and those adjustments will be made on future invoices. Any checks received for an amount other than the invoiced amount will be sent back to the municipality. Invoices must be paid in the order they are received.

Each Participant's monthly premium equivalent, by enrollee classification, shall be paid by the first day of each calendar month during the Plan Year, if mailing payments, please allow time for the payment to be received by the first.

A late payment charge of one percent (1%) of the monthly installment then due may be charged by the Board for any payment not received by the first of each month, or the next business day when the first falls on a Saturday, Sunday, legal holiday, or day observed as a legal holiday by the Participants. An additional one percent (1%) shall be added to the late fee for each subsequent month that the invoice has not been paid up to a total compounded late fee of three percent (3%) For example, first month late 1%, second month late 2% and third month late 3%.

The Executive Director on behalf of the Consortium may waive the first penalty once per Plan Year for each Participant but will strictly enforce the penalty thereafter.

If an invoice has not been paid by 60 days a letter will be sent to the Participant letting them know their payment is late and the applicable late fee will be charged. All payments received after the 1st of the month will be reported at the Audit and Finance Committee meeting. If a payment has not been made by 90 days, the Executive Director will be notified, and the late payment will be discussed as an agenda item at the next Audit and Finance Committee Meeting. Follow up correspondence after 90 days will be made by the Executive Director until the Participant becomes current.

~~A repeated failure to make timely payments, including any applicable penalties, may be used by the Board as an adequate justification for the expulsion of the Participant from the Consortium.~~

A repeated failure to make timely payments, including any applicable penalties, may be used by the Board to determine if adequate justification has been given for expulsion of the Participant according to Section Q (3) of the Municipal Cooperative agreement as such:

“3. The Participants acknowledge that it may be necessary in certain extraordinary circumstances to expel a Participant from the Consortium. In the event the Board determines that:

a. A Participant has acted inconsistently with the provisions of the Agreement in a way that threatens the financial well-being or legal validity of the Consortium; or

b. A Participant has acted fraudulently or has otherwise acted in bad faith with regards to the Consortium, or toward any individual Participant concerning matters relating to the Consortium, the Board may vote to conditionally terminate said Participant's membership in the Consortium. Upon such a finding by the affirmative vote o f t w o - t h i r d s (2 / 3) of the Participants, the offending Participant shall be given sixty (60) days to correct or cure the alleged wrongdoing to the satisfaction of the Board. Upon the expiration of said sixty (60) day period, an absent satisfactory cure, the Board may expel the Participant by an affirmative vote of t w o - t h i r d s (2 / 3) o f the Participants (exclusive of the Participant under consideration). This section shall not be subject to the weighted voting provision provided in Section D. Any liabilities associated with the Participant's departure from the Consortium under this provision shall be determined by the procedures set forth in Section P of this Agreement.

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RESOLUTION NO. - 2021 – AUTHORIZING EXTENSION OF OFFICE SPACE LEASE AGREEMENT WITH THE TOWN OF ITHACA

MOVED by Mr. Salton, seconded by Mr. Thayer, and unanimously adopted by voice vote by members present.

WHEREAS, in 2019 the Executive Committee negotiated a lease agreement with The Town of Ithaca for office space, and

WHEREAS, the Consortium's legal counsel reviewed and approved the language contained in the lease agreement, and

WHEREAS, the lease agreement includes additional space to accommodate the Consortium's additional personnel needs, and

WHEREAS, the term of the lease is for one year with the ability to extend annually with all utilities being the responsibility of the landlord, now therefore be it

RESOLVED, on recommendation of the Operations Committee, That the Executive Committee authorizes the Executive Director to sign said lease agreement dated April 1, 2021 with the Town of Ithaca for office space for the period April 1, 2021 thru March 31, 2022.

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Financial Update

Mr. Locey reported they are working on closing out 2020 and finalizing annual statements and getting information to the auditors. He reviewed financial results ending January 31, 2021 and said a few adjustments need to be made relative to premium and paid claims based on movement of contracts and benefit plans, and also the additional covered lives that were brought in. He reported premium revenue is 2% below budget due to movement of plans and changes in demographics.

There was a 3.6% increase in the number of contracts but only a 1.26% increase in covered lives. He explained this is due to the Medicare Supplement Plan being set up on an individual premium basis. Mr. Locey said they are looking into what the impact will be on a cost basis as this is something that may need to be factored in going forward if there will be more movement in this direction. He noted that as the Consortium's contract count grows with Excellus the rate is less but he would like to make sure the Consortium isn't losing money based on splitting one contract into two.

Mr. Locey spoke of growth over time and said the number of contacts has increased from 2,000 to 3,048 and from 4,400 covered lives up to 6,354. He noted that there has been steady growth of covered lives 65 and older and said there has also been a notable growth compared to other areas in the 25-34 age population.

Mr. Locey reviewed the budget performance report and said medical claims were 32.5% below budget of which some has to do with timing of billing. Prescription drug claims expense was slightly below budget for the period. In summary, the Consortium was \$1.1 million below budget for the first month of 2021.

Large Loss Report

Mr. Locey reported on the large loss report and said there is one individual who had claims in 2020 in excess of \$.5 million. With the new policy regarding use of the Catastrophic Claims reserve and large losses, no funds will be needed to be moved from the Catastrophic Claims Reserve into the operating budget because this individual was lasered and had a \$1 million deductible. It was expected that the Consortium would have to pay up to that amount; therefore, no monies are needed out of the reserve pool for this individual. He also noted one individual was shown as having \$550,000 in claims; however, that amount was lowered to \$360,000 through an Excellus review. At this point it doesn't look like any funds will be needed to be moved from the Catastrophic Claims Reserve. He also noted with the exception of the one lasered individual, there has not been any large losses since 2018.

Investment Management Services Report

Mr. Snyder noted that the Consortium is receiving about one-tenth in interest income from when the program was initiated a few years ago. Earnings are down from 1.5 to 2% to .1 to .15%. Ms. Dowd said this is the third year of the Investment Management contract; which will warrant plans to move a Request for Proposal process forward following the hiring of the Finance Manager.

Next Agenda Items

The following items will appear on the next agenda:

Policy for budget amendments; and
Late premium payment policy

Adjournment

The meeting adjourned at 4:44 p.m.

Respectfully submitted by Michelle Cocco, Clerk of the Board