

**Audit and Finance Committee
Minutes - APPROVED
March 22, 2022
Ithaca Town Hall/Remotely via Satellites**

Present: Steve Thayer, Lorie Corsette, Bud Shattuck, Eric Snow (excused at 3:41 p.m.),
Laura Shawley, Rordan Hart, Amanda Anderson
Excused: Peter Salton
Absent: Tim Arnold
Staff/Guests: Elin Dowd, Executive Director; Steve Locey, Rob Spenard, Paul Pelton, Locey
and Cahill; Rick Snyder, Treasurer; Judy Drake, Board Chair; Teri Apalovich,
Finance Manager; Kylie Rodrigues, Benefits Specialist

Call to Order

Mr. Thayer, Chair, called the meeting to order at 3:03 p.m.

Changes to the Agenda

Ms. Dowd said she would be adding items to her report.

Approval of Minutes of February 22, 2022

It was MOVED by Mr. Thayer, seconded by Mr. Snow, and unanimously adopted by voice vote by members present, to approve the minutes of February 22, 2022 as submitted. MINUTES APPROVED.

Executive Director Report

Ms. Dowd said her written report will be published at the end of the first quarter and made available at the next Executive Committee meeting. She provided an update on staffing and said Michelle Cocco has submitted her resignation from the position of Clerk of the Board of Directors. The position vacancy has been posted and interest is being expressed.

Ms. Dowd reported it is time for completion of the Jurat and conducting the annual external financial audit. The auditors have begun the process and will present a report at the next meeting.

Ms. Dowd reported on coding issues that occurred at the beginning of the year that was the result of ProAct and Excellus not sharing the same codes for some of the prescription drug plans which was due in large part to ProAct changing its system. She said Ms. Rodrigues has spent a lot of time with the Consortium's partners and municipalities to make sure the coding is accurate and to see that systems have been updated.

Ms. Dowd reported Locey and Cahill has sent the Consortium's plan summaries to the Department of Financial Services to be updated and awaits a response from the Department.

Ms. Dowd said there has been a lot of movement in the Consortium with plan selection, noting many members with the Classic Blue plan have moved to the Medicare Supplement Plans and Metal Level Plans. With these shifts there has been a lot of marketing and communication going on by brokers trying access members and offer other plan options outside the Consortium. Ms. Dowd referenced Resolution No. 015 of 2019 that relates to a requirement that municipal participants have all members in the Plan. The resolution addresses only active employees because at the time most of the large employers had their retirees in the same plan as their actives and smaller municipalities had Medicare Advantage Plans for their retirees. She said as people

are being contacted and looking at this as a significant way to save money on retiree health insurance it is not cost effective or beneficial to the Consortium or its members.

Conversations have taken place with Locey & Cahill, Excellus, and members, about the potential risk to the Consortium and its stable rates by having people exit and taking large amounts of employees or retirees with them. This will be a priority for the long-range planning discussion. Due to the turnover in representatives in the Consortium, Locey and Cahill has suggested an informational meeting be held to share information and to explain why the Consortium functions better as a whole and what it will mean to members if retirees are pulled out. She spoke of the importance of continued education and also said suggestions have been offered to address this that will be put forward and considered as this will have impacts on the Consortium's budget.

Ms. Dowd said at the last meeting the Committee approved a resolution addressing how the Catastrophic Claims Self-Insurance Pool will be funded and used. At that meeting it was requested that the Committee look at other scenarios, including up-front funding using a percentage. She asked members to provide input on other scenarios.

Mr. Hart said the Catastrophic Claims Self-Insurance Pool isn't really serving a purpose if it is not being treated as a separate pool of money and is refunded up to a certain level during the budget process. He referenced the captive layer that was considered a few years ago and suggested increasing the amount within the Pool by \$4.5 to \$9 million, for example, and going forward continuing to budget for a Stop Loss Policy but at a different level that would produce savings that could be used as a contribution to the Pool. In years where there are less claims than the Stop Loss amount it can grow and in years where there are more claims it can get spent down; but it would be used as a captive layer within the organization. He said if this works, that Pool would become self-sustaining over a longer period of time and the Consortium could budget other fund balances and premiums separately.

Ms. Dowd and Ms. Apalovich presented information to demonstrate how the Catastrophic Claims Self-Insurance Pool was approved for fiscal year 2021 and three options for funding the Pool.

Ms. Drake posed a question to the Committee as to whether the desired intent is to have the Pool be a reserve of funds that sit there or have a constant use. Mr. Hart said he is not advocating one way or another; the way the fund is currently being used doesn't serve a purpose except to keep it separate from the unencumbered fund balance. The upfront loading method would treat it as a stand-alone pool and catastrophic claims over a set amount would be paid out of it and it would not be refunded.

Mr. Locey said for 2021 the Consortium is using part of the Pool, noting there were five individuals who fell between \$.5 and \$1 million with a total of \$805,366 in claims; this is the amount that is earmarked to transfer out of the Catastrophic Claims Pool to offset those claims. In response to Mr. Hart questioning if at budget time that Pool would be established at a certain dollar amount, Mr. Locey said the differential in premium would be added to the base of whatever level the Pool ends up being at year-end and whatever claims there are between \$5 million and \$1 million would come out of it. There would be some years where there would be an increase and some where there would be a decrease. Mr. Hart said this is his recommendation with the only difference being an increase in the amount.

Mr. Snyder spoke of the accounting functions and said there currently is not a mechanism to account for expenditures coming in and out of this fund and consideration needs to be given to how this would be managed and reported. Mr. Snyder said the Catastrophic Claims Pool keeps

a component of the Consortium's equity separate in case there are catastrophic claims and it is adjusted at the year-end. He said although it has stayed fairly level over the last few years and may not be at the level that some would like it has worked and thinks the current method should be kept as the best method to use. He noted, however, that the level could be increased.

Mr. Hart said 2021 was the first year when anything was paid out of this Pool and was only done retroactively with resolutions amending the original purpose in 2021. He said there is more of a need for clarity going forward as to whether this is the desired model. Ms. Dowd spoke of additional comments from members and clarified this is about premium savings being used to fund this account and one of the reasons for this conversation is to look at whether there is another way to fund this. Mr. Hart said he likes the idea of having a premium savings line and budgeting for a smaller Stop Loss, noting there isn't enough data to know what a long-term average would be.

Mr. Snow spoke in support of exploring Mr. Hart's suggestion further and was excused at this time.

Ms. Dowd summarized the outcome of discussion and said there is interest in continuing to fund the Catastrophic Claims Self-Insurance Pool in the way stated in the resolution; however, there is interest in looking at increasing the amount of money that would be moved from the unencumbered fund balance in to the Catastrophic Claims Self-Insurance Pool to prepare for a catastrophic event with several different claims within a specific year. This would be for the 2023 budget.

Financial Report

Abstract Approval

Ms. Apalovich presented and reviewed the March monthly financial abstract; there were no questions or concerns. It was MOVED by Mr. Thayer, seconded by Mr. Hart, and unanimously adopted by voice vote by members present, to approve the March, 2022 monthly abstract. MOTION CARRIED.

Final Invoice Approval

It was MOVED by Mr. Thayer, seconded by Mr. Shattuck, and unanimously adopted by voice vote by members present, to approve the final invoice from BMI for the prescription drug claims audit in the amount of \$6,625. MOTION CARRIED.

Mr. Pelton reported on the budget performance report and financial results through February 28, 2022 and said income was only slightly below budget, noting this was primarily due to a lack of interest income. He said the first two prescription rebates will be lower than expected because they are under the old agreement. The third payment will be according to the new agreement and he expects payments will catch up to the budgeted amount later in the year. He said premium income is on budget. Mr. Pelton reported contract counts and covered lives have increased in 2022. Mr. Locey noted the increase in the number of members who have moved to the Medicare Supplement and said when someone moves the subscriber and their spouse have to have two separate plans and this will impact the contract count.

Mr. Pelton reported on expenses and said to date the Consortium is approximately \$600,000 under budget. He noted he will be looking closely at admin. fees to ensure contract counts the Consortium is being billed for are accurate.

Mr. Spenard reported on catastrophic claims and said when the Stop Loss policy for 2021 was compared with the policy for 2020 there is an increase now being observed. He noted there is a big jump in claims above \$500,000. Last year at this time there was one individual and for the policy year 2021 there were five individuals with a total of \$3.5 million in claims; this included the lasered individual. He noted there has also been an increase in covered lives. Mr. Spenard said at the end of February in 2021 there was \$11.2 million in claims above \$100,000. For 2022, the Consortium is at approximately \$13.9 million in claims for the same period. He said they will continue to track large claimants as they come in.

Mr. Locey reviewed the high cost claims in 2021 and said one thing to consider when discussing the catastrophic claims self-insurance pool for 2023 is whether the Consortium should continue to purchase a Stop Loss policy that is incurred in 12 months and paid in 15 months. He said an issue that has arisen in the accounting of this is closing the books in order to get information to the accountant in time to file the annual financial report to the State by the April 30th deadline. He suggested considering converting the policy to a policy that is paid during the 12-month policy period as this would provide a clean cutoff on December 31st.

Mr. Locey explained how a claimant is designated as being lasered and said this happens when the Stop Loss insurance company identifies someone as having a higher deductible than others based on claims they have had. The Consortium then becomes responsible for everything up to the lasered amount (separate deductible) and not the deductible that was set for others under the plan. After reaching the lasered amount the insurance company would pay.

Next Agenda Topics

The following items will be included on the next agenda:

- Presentation of External Independent Audit Report;
- Continued discussion of Catastrophic Claims Self-Insurance Pool
- Update on Prescription Drug Claims Audit; and
- Update on progress of Medicare Supplement Plan discussion with existing municipal members

Adjournment

The meeting adjourned at 4:22 p.m.

Respectfully submitted by Michelle Cocco, Clerk of the Board