

**Audit and Finance Committee
Minutes - APPROVED
April 26, 2022
Remote by Zoom**

Present: Eric Snow, Bud Shattuck, Steve Thayer, Lorie Corsette, Rordan Hart, Amanda Anderson, Laura Shawley, Peter Salton (arrived at 3:08 p.m.)
Absent: Tim Arnold
Staff/Guests: Elin Dowd, Executive Director; Rob Spenard, Paul Pelton, Locey and Cahill; Rick Snyder, Treasurer; Judy Drake, Board Chair; Teri Apalovich, Finance Manager; Kylie Rodrigues, Benefits Specialist; Mimi Theusen, Patrick Jordan, Insero & Co., LLP

Call to Order

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

Changes to the Agenda

There were no changes to the agenda.

Approval of Minutes of March 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 March 22, 2022 as submitted. MINUTES APPROVED.

Presentation of External Audit

Ms. Dowd introduced Patrick Jordan and Mimi Theusen of Insero & Co, LLP to present the results of Consortium's 2021 external audit.

Mr. Salton arrived at this time.

Mr. Jordan, Engagement Partner, presented the results of the 2021 external audit performed by Insero and Co., including the Executive Summary, Management Comment Letter, Communication Letter, and draft financial statements. He said the audit process was positive and reviewed the documents accompanying the audit and the process that was followed in its development. He referenced the Management Discussion and Analysis Letter and stated there were no concerns related to compliance or internal controls and no deficiencies or material weaknesses identified. He and Ms. Theusen commented that they had no issues obtaining information; all requests were responded to in a very timely manner.

In response to Mr. Salton, Ms. Dowd said the report has been reviewed and conversations took place during the audit process. She said there are things that are articulated this year in a slightly different way but believes the audit presents information in a clearer format. Mr. Salton expressed appreciation for the work that went into changes in how information was presented.

Mr. Jordan said a minor correction still needs to be made and a final report will be provided to the Consortium.

Mr. Snyder called attention to the level of reserves and said the balance at the end of 2021 shows how much reserves went up or down. He noted that for the first time in a long time the net fund balance decreased substantially from \$15.1 million to \$10.9 million. He said this Committee has been looking for many years at reducing the unrestricted fund balance as there is frequently

a question asked as to why the fund balance is growing. This information shows how much of a hit was taken and for the first time the Consortium can say the fund balance went down considerably; however, this is the direction the Board of Directors wanted to go in. Mr. Jordan commented that the balance is in line with other similar types of governmental organizations.

Mr. Snyder said the Investment Management Subcommittee is currently looking at other investment vehicles that the Consortium may move to in the future that may take on a little more risk. He explained how securities are mark to market and said it could show up as a gain during good times or as a loss as it has in the past year and noted the Consortium has never lost any money on principal. He spoke to the large fluctuations and the way securities are marked, noting it doesn't mean the investment activity of the Consortium was doing anything wrong; it is just how the market swings.

RESOLUTION NO. AFC 001-2022 – ACCEPTANCE OF 2021 EXTERNAL AUDIT REPORT PERFORMED BY INSERO & CO.

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

WHEREAS, the Board of Directors entered into a contract for auditing services with Insero & Co. LLP for the purpose of conducting an external audit of the Consortium's financial records for fiscal year 2021, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee, That the 2021 external audit report prepared and presented to the Audit and Finance Committee by Insero & Co. is hereby accepted.

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Executive Director Report

Ms. Dowd thanked everyone involved with the audit process, particularly Ms. Apalovich, and noted she just finished her first year with the Consortium. She reported the Annual Jurat has been completed and will be sent to DFS (Department of Financial Services) and will be followed next week by the 2022 first quarter financial filing.

Ms. Dowd reported the first round of interviews have begun for filling the Clerk of the Board position. She also reported on the new member application process and said several inquiries are being received. Two in-person meetings have been held and some comparisons are in the process of being done. She reminded members of the long-term business planning retreat that will take place on May 4th and invited everyone to attend the in-person event with more information to follow. She reported at the upcoming Joint Committee meeting on May 5th both Excellus and ProAct will be doing their utilization reviews.

Ms. Dowd reported a webinar will be held on April 28th to promote the Consortium's Wellness Program; the topic will be advanced care planning. An attorney has volunteered to be in attendance to speak and answer questions at no cost to the Consortium.

Report from the Investment Management Subcommittee

Mr. Hart said at the Subcommittee discussed whether there is interest in expanding the allowable types of investments that the Consortium's Investment Policy allows for to include everything that is allowed under GML (General Municipal Law). The Committee concluded that it was worth allowing the fund manager to potentially be able to take advantage of other types of

investment opportunities; he noted this doesn't mean the Consortium would be taking on a lot more risk. A second decision was made to not issue a Request for Proposals until 2023 as it would be fairer to allow Wilmington Trust to operate under the new guidelines for a period of time.

Mr. Hart said a change to the Investment Policy would require full Board of Directors approval which would take place at the Annual Meeting in September. At the earliest this would allow Wilmington Trust to operate under expanded guidelines in the last quarter of 2022.

Ms. Dowd said she and Ms. Apalovich will be meeting with Wilmington Trust in May and will ask them to set up a plan to show how and if they would change anything in the Consortium's portfolio based on the amended policy.

**RESOLUTION NO. - 2022 – APPROVAL OF AMENDED INVESTMENT
MANAGEMENT POLICY**

MOVED by Mr. Hart, seconded by Ms. Corsette, and unanimously adopted by voice vote by members present.

WHEREAS, the Consortium's Investment Management Policy currently restricts the Consortium from investing in additional investment vehicles that are authorized under General Municipal Law (GML), and

WHEREAS, upon discussion by the Investment Management Subcommittee, there is interest in allowing the Consortium's Investment Manager to have the ability to invest and capitalize on other investments that are permitted under GML and structure a portfolio based on the Consortium's cash flow needs, utilizing instruments that would produce the best return, now therefore be it

RESOLVED, on recommendation of the Investment Management and Audit and Finance Committees, That the Consortium's amended Investment Management Policy is hereby approved.

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**RESOLUTION NO. - 2022 – AMENDMENT OF RATE STABILIZATION RESERVE
POLICY TO DEFINE CLAIMS RESOLUTION**

Ms. Dowd said in response to some confusion that occurred during the audit on how the Rate Stabilization number was calculated, staff is recommending the Consortium use the DFS definition going forward. Ms. Apalovich said this will be helpful going forward and she doesn't foresee any difference in the numbers being presented moving forward.

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

WHEREAS, the Consortium's Finance Manager recommends it would be prudent to define claims in the Consortium's Rate Stabilization Reserve Policy, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee, that the Executive Committee, on behalf of the Board of Directors, That the Rate Stabilization Reserve Policy be amended to define claims to be: "DFS Jurat NY4 Line 17 Total hospital and medical, which includes Medical and Prescription claims, NYS Graduate Medical Education Tax, Patient Care Outcomes Research Institute Fee (PCORI) less any Stop Loss Recovery received".

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Financial Report

Abstract Approval

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

Budget Performance Report

Mr. Pelton reviewed financial results through March 31, 2022 and stated revenues were approximately 3% under budget; much of this is attributed to an expected prescription drug rebate that once received should catch revenue up to budget. Mr. Pelton reported prescription drug claims and medical claims are collectively 10.69% (\$ 1 million) under budget. He noted admin. fees appear to be overbudget; he has reached out to both Excellus and ProAct to confirm the numbers are correct.

Mr. Spenard reported on large losses for 2021 that were included in the Stop Loss policy that just concluded as it had three months of runout after the end of the calendar year. There was an increase over the prior year by approximately \$3 million with 66 individuals having claims over \$100,000. Results were just under \$14.1 million and compared to last year there was increase in the total large loss claims paid by about \$3 million but there was also an increase in covered lives. He reported the deductible for the one lasered individual for 2022 was lowered from \$1 million to \$700,000; that individual finished 2021 with approximately \$712,000 in claims. To date in 2022 there have been four individuals with claims in excess of \$100,000 with the largest being \$157,000. This individual showed up on the 2021 report with claims totaling \$634,000 for the year. Mr. Pelton said the Consortium ended the first quarter of 2022 in a great position.

Next Agenda Topics

The following items will be included on the next agenda:

- Long-term business planning discussion
- Continued discussion of Catastrophic Claims Self-Insurance Pool
- Update on Prescription Drug Claims Audit; and

Adjournment

The meeting adjourned at 4:25 p.m.

Respectfully submitted by Michelle Cocco, Clerk of the Board

