

**Audit and Finance Committee
Minutes - APPROVED
April 28, 2020
Meeting Held Remotely via Zoom**

Present: Mack Cook, Bud Shattuck, Steve Thayer (arrived at 3:43 p.m.), Laura Shawley, Peter Salton, Rordan Hart, Jason Cole, Eric Snow

Vacancy: Labor seat

Guests: Judy Drake, Board of Directors Chair; Elin Dowd, Executive Director; Don Barber, Consultant; Rick Snyder, Treasurer; Steve Locey, Robert Spenard, Locey and Cahill; Mimi Theusen, Conrad Whyte, Patrick, Jordan, Insero and Co.; Brian Tobin, City of Cortland Mayor; Brittni Griep, Interim Clerk of the Board; Debra Meeker, Administrative/Computer Assistant

Call to Order

Mr. Cook, Chair, called the meeting to order at 3:35 p.m.

Changes to the Agenda

There were no changes to the agenda.

Approval of Minutes of February 25, 2020

It was MOVED by Mr. Shattuck, seconded by Mr. Cook, and unanimously adopted by voice vote by members present, to approve the minutes of February 25, 2020 as submitted. MINUTES APPROVED.

Presentation of 2019 External Audit Report

Mr. White presented the results of the 2019 external audit performed by Insero and Co. He reviewed the documents accompanying the audit that was delivered to the Consortium as well as the process that was followed in its development, noting this was the first audit that was performed remotely in its entirety. He referenced the Management Comment Letter and stated there were no concerns related to compliance or internal controls and no deficiencies or material weaknesses were identified. He encouraged members to review the economic factors section that is included in the Management, Discussion, and Analysis section of the audit.

Mr. Thayer arrived at this time.

Mr. Whyte highlighted the following from the audit:

- The Consortium had an unmodified opinion which is the most favorable;
- The audit included details on new investments and investment income (\$450,000);
- The incurred claims liability increased by \$705,000; and
- The Consortium's net position as of December 31, 2019 increased by \$3.7 million over 2018

Staff from Insero & Co. thanked Mr. Snyder, Ms. Hobart, and Ms. Dowd for their assistance in providing information and all agreed the process went well and it was a successful audit. Ms. Dowd also thanked Mr. Whyte and the team from Insero for it's work on the audit.

**RESOLUTION NO. - 2020 – ACCEPTANCE OF 2018 EXTERNAL AUDIT REPORT
PERFORMED BY INSERO & CO.**

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

WHEREAS, the Board of Directors entered into a contract for auditing services with Insero & Co. (CDLM), for the purpose of conducting an external audit of the Consortium's financial records for fiscal year 2019, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee, That the 2019 external audit report prepared and presented to the Audit and Finance Committee by Insero & Co. (CDLM) is hereby accepted.

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Executive Director's Report

Ms. Dowd said the Consortium has been working closely with its partners, Excellus, ProAct, and Locey & Cahill, and is responding as quickly as possible to questions relating to COVID-19. She said all copays related to testing, diagnostic, and treatment have been waived thru May 31st. Also, all restrictions on prescription drug renewals and all Telemedicine copays have been waived. She has been working closely with Steve Locey to review unexpected claims expense during the pandemic; they will continue to evaluate how waiving the member cost share or the impact the overall cost of care related to the Coronavirus will have on the Consortium.

Ms. Dowd said it has been a challenging time with the pandemic along with the Consortium being short-staffed and expressed her gratitude to Mr. Snyder for all of his coordination and work he put into the preparation of the annual audit and JURAT.

Municipal Cooperative Agreement (MCA)

Ms. Dowd reported comments to the MCA were just received minutes before the start of this meeting from the Department of Financial Services and are under review.

New Member Update

Ms. Dowd said due to COVID-19 invitations are being sent to municipalities that are eligible to join the Consortium to attend Zoom meetings to learn about the Consortium.

Prescription Drug Claims Audit

Ms. Dowd expects to present results of the prescription drug claims audit at the next meeting. The Committee will also be talking about moving forward with the medical claims audit.

Plan Design Changes

Ms. Dowd said Mr. Locey has applied the actuarial value calculator to the Metal Level Plans and the analysis shows that changes will be required for at least three of the Consortium's four plans. Discussion of this will take place at the next Joint Committee on Plan Structure and Design meeting.

Operations Committee

Ms. Dowd reported the Operations Committee is recommending a resolution be approved by the Board of Directors at its next meeting that addresses mid-year plan changes; it will outline a policy with the intent to make sure all participants are aware of the consequences of changing a plan mid-year. In response to Mr. Salton, Ms. Dowd said there has been at least one recently and others in the past that have made a mid-year change; the intent of the policy is to make sure

the consequences are well articulated. She said there have been many conversations and questions answered about moving to lower-cost plans. There was consensus in the importance of educating Consortium participants about each of the plans as well as options that are available including cost comparisons.

Staffing Update

Ms. Dowd provided an update on staffing and introduced Debra Meeker who was recently hired to fill the position of Administrative/Computer Assistant. Michelle Cocco is beginning to return from a leave of absence and Brittni Griep will be transitioning away from supporting the Consortium. She expressed appreciation to Tompkins County for allowing Brittni to work during the transition.

Ms. Dowd said she has been working with Mr. Locey to provide information and be a resource to municipalities that are making difficult changes and having to address areas such as layoffs, furloughs, and early retirement plans. The Executive Committee has discussed premium relief as he has asked that this Committee look at that or long-term premium solution to lowering the increase of premiums next year due to lack of revenue. That Committee will continue to discuss those topics at its meeting next week.

JURAT Filing

Mr. Snyder reviewed the annual financial filing (JURAT) and how information contained within the report is tied to the independent auditor's report. He noted, however, the numbers on page NY-4 were not aligned with the report due to a change in requirements by the Department of Financial Services. Other items noted within Mr. Snyder's report included assets increased over 2019 by 18%, total liabilities increased 24.6%, and the Consortium's net position went up \$3.6 million.

Financial Update

Mr. Locey reviewed financial results through the first quarter of 2020. He noted there was an increase in 2020 of 3.5% in total contract counts and an increase of 2.75% in covered lives. These factors attributed to income year-to-date being slightly over 1%. In terms of expense, the expenses are well-below budget on medical claims which is largely due to hospitals not being able to perform elective or minor procedures during the pandemic. He reported prescription drug claims are approximately 6% below budget, bringing the total amount the Consortium is below budget on expenses year-to-date to 10.6%. It was noted that the PCORI fee was extended through the end of 2021; the budget will be revised to include this. Mr. Locey said overall the Consortium is in great financial shape. In terms of large loss activity there has been only one claimant with claims that exceed \$100,000.

Mr. Locey reviewed the monthly accounts receivable and vendor payment reports.

Response to COVID-19

Mr. Cook said he presented a proposal to the Executive Committee for a forgiveness of one month of claims towards the end of the year to provide relief to municipalities as a result of consequences of the pandemic including a loss in sales tax, State budget cuts, and lack of federal aid. He said like many other municipalities, the City of Cortland has 19 employees on furlough. He said his request equals \$4.5 million which totals one-month of claims. He said the Executive Committee will continue this proposal as well as other potential ideas at its meeting next week.

Mr. Salton said there was an interesting alternative brought up at the Executive Committee

by Tompkins County Administrator, Jason Molino, that instead of a one-month holiday to look at a more measured and conservative approach that encompass a flatter premium for 2021. Mr. Cook responded that the Consortium is being sensitive to the financial stress its members are under and will consider what solutions there are to resolve that stress as well as if it is even the Consortium's role to resolve that stress are areas that will be under discussion over the next couple of months. He appreciates the Consortium being sensitive to the financial pressures its members are under.

Mr. Hart said he is not opposed to either of the ideas that were presented to the Executive Committee; however, there should be discussion and thorough understanding of the question of whether the existence of the Consortium not taking on the role of being a buffer to its member municipalities from any larger stress that comes externally but noted the pandemic is a health-related matter. Mr. Cook said he proposed this only because of its close nexus to health. He clarified that his proposal equates to approximately \$4.5 million for 2020. Ms. Dowd commented that regardless of what action the Consortium takes on this it demonstrates the importance of illustrating to members the importance of building reserves, what they are for, and how they will be utilized.

Mr. Locey noted that participants have joined the Consortium at different times and pointed out that those that have joined most recently don't have as much fund balance to be able to drawn on as founding members and this needs to be taken into account. It is important to recognize that the founding members share all of the surplus and revenue and those that joined after only share the surplus that was gained during their years of participation; therefore, it will be a different number and different impact for each participant.

Mr. Shattuck said municipalities are all impacted differently but believes all municipalities joined the Consortium with the intent to stay long-term. He said while he doesn't necessarily oppose the proposal, he suggested waiting until after July to determine an amount. Mrs. Shawley suggested doing a combination of proposals that have been presented.

Concern was expressed for having to account for the long-term implications of artificially decreasing the rate in one year; however, there was consensus for continuing this discussion and to include other possible options and the comments made by Mr. Hart. Mr. Locey extended an offer to assist municipalities as they go through comparisons and stressed the importance of municipalities communicating to the Consortium if they are considering other options.

Next Agenda Items

The Committee will continue discussion of providing relief to municipalities and will receive a report on the prescription drug claims audit at the next meeting.

Adjournment

The meeting adjourned at 5:29 p.m.