

**Audit and Finance Committee
Minutes - APPROVED
September 21, 2021
Ithaca Town Hall/Remotely via Satellites**

Present: Mack Cook, Bud Shattuck, Eric Snow, Peter Salton, Laura Shawley (arrived at 3:06 p.m.), Rordan Hart, Amanda Anderson (excused at 4:50 p.m.)
Excused: Steve Thayer, Jon Munson
Staff/ Guests: Elin Dowd, Executive Director; Michelle Cocco, Clerk of the Board; Rob Spenard, Paul Pelton, Locey and Cahill; Andrew Braman, Tompkins County Finance Department; Don Barber, Consultant; Teri Apalovich, Finance Manager; Kylie Rodrigues, Benefits Specialist; Zack Nelson, Labor Director

Call to Order

Mr. Cook, Chair, called the meeting to order at 3:32.

Changes to the Agenda

There was an adjustment made to the order of items on the agenda.

Approval of Minutes of August 24, 2021

It was MOVED by Mr. Snow, seconded by Mr. Cook, and unanimously adopted by voice vote by members present, to approve the minutes of August 24, 2021 as submitted. MINUTES APPROVED.

Executive Director Report

Ms. Dowd said a written report was included in the agenda packet. She stated a press release will be issued on new members and the new Certificate of Authority following the Board of Directors meeting. Upon adoption of the budget an e-mail will be sent to members containing individual premium rates for each location.

Ms. Dowd said there will be a discussion later in the meeting about the Catastrophic Claims Reserve and how it is presented in the budget proposal. She reviewed the history and said a practice was started in 2020 with expenses to keep reporting the delta between what the old premium levels have been which would have been a lower premium due to there being higher deductibles, and continuing expenses at the higher level. This was being done based on two reasons.

Mrs. Shawley arrived at this time.

The first reason is that Mr. Locey advised that the Consortium continue to show in the budget the higher premium level in case the Consortium didn't want to continue to have the risk at the \$1 million level. The Consortium wouldn't lower premiums to the lower expense level, the expense level would continue to be kept high and premiums would continue to be funded at a higher level because it would be approximately a one percent increase if the Consortium needed to go back and fund at a lower deductible level.

The second reason was to utilize the savings in premiums to fund claims above the \$500,000 level as a way to reimburse the Reserve. She said the Reserve was set at \$4.5 million with interest and this is what is included in the resolution and in the budget package. What was

not set up was the accounting system to show the money going into the Reserve or the accumulation of interest except in the annual audit. The Consortium's 2020 annual audit shows the Reserve at \$5,032,000 but \$4.5 million has remained in our monthly YTD reports. She said the revised year-to-date presentation will show a new line item that shows the use of this Reserve with funding to claims that are anticipated in 2021 going over \$500,000 that will be self-funded.

Ms. Dowd asked members to consider this information during discussion of the budget later in the meeting as she would like there to be agreement on the approach to reporting going forward.

**RESOLUTION NO. - 2021 - AMENDMENT TO RESOLUTION NO. 038-2020 AND
EXTENSION OF CONTRACT THROUGH 2022 –
FINANCIAL SERVICES AGREEMENT WITH TOMPKINS
COUNTY**

Ms. Dowd said the amended agreement reflects changes that are the result of having a Finance Manager in-house and with the support of Mr. Snyder and Mr. Braman going forward. Ms. Dowd reviewed the revised services contained in the amended contract and stated the expense will change from approximately \$68,000 annually to \$20,000 annually.

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

WHEREAS, the Consortium approved a contract with the Office of the Tompkins County Finance Director for the performing of Consortium Treasurer functions for a term commencing January 1, 2021 through December 30, 2021 at an annualized cost of \$68,660, and

WHEREAS, since hiring of a Finance Manager the Consortium has brought in-house some financial services previously administered by the Tompkins County Finance Department, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee, That the Executive Committee hereby amends the Consortium's agreement for 2021 effective October 1, 2021 thru December 31, 2022 with the Finance Department to reflect the reduced responsibilities agreed upon by the Consortium's Executive Director and the Consortium Treasurer to reflect an amended annualized cost of \$20,000.

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RESOLUTION NO. - 2021 – APPROVAL OF 2022 CONSORTIUM WAGE INCREASES

Ms. Dowd presented the resolution and stated the wage increase of 2.5% is based on increases proposed for the Town of Ithaca and Tompkins County.

MOVED by Mr. Snow, seconded by Mr. Shattuck. Mr. Shattuck said he finds the proposed increase to be low based on work employees are doing in addition to the learning curve. He thinks most of the wage increases he has seen have been in the range of 3.0% and recommended the percentage be increased.

Mr. Salton expressed support for the original proposal. Ms. Anderson said in her review of COLA (Cost of Living Allowance) numbers, she has seen levels of 4%; therefore, she would support the suggestion of 3%. Mr. Cook said although he is aware of the inflation rate being 3% and could support that level. He said the Consortium is a municipal corporation that has to live

within the Property Tax Cap and would be concerned with a rate higher than that. Mr. Salton said while he believes employees should be properly compensated, he has concern with a wage increase that greatly deviates from other municipal increases.

Ms. Dowd spoke of the need to look at positions and the way wage increases are handled going forward. Although the Consortium is a municipal corporation, it is competing in both the insurance and municipal markets and needs to stay competitive within both of those markets. She also commented on the additional work staff is taking on and lessening reliance on outside consultants and more on internal strength. She recommended there be further conversation about how wages should be determined going forward, as well as what competitive wages are for the Consortium and how to manage that. Ms. Drake said as the Town of Ithaca's Human Resources Manager, she needs a resolution from the Consortium that dictates what the next year's wages will be.

Mr. Hart said the Consortium does not have bargaining units and although it may feel uncomfortable there must be a public discussion of salary increases. He said many of the smaller municipalities have approved an increase of 3%.

It was MOVED by Mr. Hart, seconded by Mr. Shattuck, and unanimously adopted by voice vote by members present, to amend the resolution to approve a wage increase of 3% for 2022. The resolution was unanimously adopted by voice vote by members present.

There was also consensus that wage increases will be presented and approved by the Executive Committee in the future.

WHEREAS, the Board adopted the 2022 Budget which included estimated wages for staff on September 23, 2021; and

WHEREAS, the Executive Director and Human Resources Manager have reviewed the staffing plan, budget and current market and recommends a 3.0% cost of living adjustment for all current staff, and

RESOLVED, on recommendation of the Audit and Finance Committees, That the Executive Committee of GTCMHIC hereby establishes a cost-of-living adjustment for current staff wages at 3.0% effective January 1, 2022 as detailed on file in the Human Resources Office.

RESOLUTION NO. 017 - 2021 - ACCEPTANCE OF APPLICATIONS BY THE TOWNS OF ERWIN AND THROOP AND THE VILLAGES OF MINOA AND FAYETTVILLE TO BECOME PARTICIPANTS IN THE GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM EFFECTIVE JANUARY 1, 2022

Ms. Dowd reported there are four municipalities being recommended for membership, of which only the Town of Throop is in the Consortium's previous seven county territory. These municipalities would bring in approximately 80 new employees; a summary of each is as follows:

Town of Throop – 5 employees; currently in the Bronze Plan. They would be moving half way through the year from their current Excellus Plan over to the Consortium in January 2022. Upon a financial review they have been recommended to advance by the Consortium's Treasurer.

Town of Erwin – 21 employees currently in the Silver Plan. They will remain with the Silver Plan. Upon a financial review they have been recommended to advance by the Consortium's Treasurer.

Village of Minoa – Onondaga County municipality with 15 employees. They are currently in a UMR Platinum Plan. Upon a financial review they have been recommended to advance by the Consortium's Treasurer.

Village of Fayetteville - Onondaga County municipality with 38 employees. They are currently in a UMR Gold Plan and Platinum Plan.

Ms. Dowd reported that due to its fiscal stress score, the Village of Fayetteville was not recommended by the Consortium's Treasurer. Upon reviewing information further, the Fayetteville Clerk shared additional information to be considered. A few of the factors that created their fiscal stress score have been corrected. They have reduced their outstanding debt and have increased their Fund Balance. Their problem area is their Capital Projects; however, most will be closed out by the end of the year. Ms. Dowd explained that the Village is awarded many grants; however, the grant requires that money be spent upfront and this has impacted their cash flow.

Mr. Salton questioned what the Village of Fayetteville's record is for paying insurance premiums. He said he finds fiscal stress measurements to be a crude attempt to show a municipality's viability and is more interested in whether they pay their bills. Mr. Cook agreed and commented that infrastructure refunds are taking three years on average and doesn't think a high fiscal score on the fiscal stress test is indicative of municipality's financial position.

Mr. Shattuck said he is familiar with Fayetteville and has viewed its Board meetings. Based on what he heard he believes the explanation Ms. Dowd communicated from the Fayetteville Clerk is correct. Mr. Cook said in considering an applicant a key question should be whether they pay their bills on time and is there a risk they will not pay on-time when premiums are due.

There was consensus that an area that should be looked at with any new applicant is premium payment history.

It was MOVED by Mr. Salton, seconded by Mr. Snow, and unanimously adopted by voice vote by members present, to approve the resolution with all four applying municipalities.

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

WHEREAS, the Towns of Erwin and Throop and the Villages of Minoa and Fayetteville have submitted an official resolution authorizing the joining of Consortium in accordance with the terms and conditions outlined in the Municipal Cooperative Agreement, and

WHEREAS, these applicants have complied with membership process and have submitted copies of financial reports which have been evaluated by the Consortium's Treasurer and/or the Chief Financial Officer, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee, That the Board of Directors hereby accepts and welcomes the Towns of Erwin and Throop and the Villages of Minoa and Fayetteville as Municipal Participants in the Consortium, with health insurance coverage

beginning January 1, 2022 pending receipt, additional analysis, and approval of all required documentation.

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Financial Report

Mr. Pelton provided a financial update through August 31st, noting overall revenues are down 1.15% with premiums being down by approximately 2.25%. RX Rebates are \$250,000 over budget through half of the year; two additional payments are expected through the remainder of the year. He said the primary reason for being under budget on revenue is due to the movement of members from traditional indemnity and PPO plans into the Platinum Plan. There have been no Stop Loss reimbursements to date.

On the expense side of the budget medical and prescription drug claims are down cumulatively by 1.44% with medical claims being under budget by 3.53% and prescription drug claims being over budget by 3.8%. Mr. Pelton said 94.79% is used directly to pay claims, leaving 5.22% to pay for all other expenditures which includes a Stop Loss premium. He reviewed trends data and commented that claims are beginning to trend at a more typical level with activity returning to a normal level.

Large Loss Claims

Mr. Spenard presented the high claimant report through August and said there were slightly over \$5.5 million in claims which is a similar result to 2020. There are currently 30 individuals who have reached \$100,000 in claims; last year this time there were 29. He called attention to one claimant that has continued to appear year after year on the report and said if the Consortium elects to have a lower deductible for Stop Loss this claimant would be lasered. He reported information was just received on another claimant that will be reflected in next month's report with claims over \$600,000. These claims will continue to be monitored.

Following a question raised by Mr. Cook, Mr. Spenard said he will look into whether there is a lag in ProAct Claims. Ms. Apalovich noted that if someone was in the hospital, prescription costs would be reflected in an Excellus claim.

Accounts Receivable and Expenditure Reports

Ms. Apalovich reported there are currently no members outstanding in payments and nothing notable to report on the expenditure report.

Presentation of Proposed 2022 Budget

Ms. Dowd reviewed an updated budget presentation, noting the resolution to approve the 2022 budget was approved by the Committee at its last meeting.

In response to Mr. Salton, Mr. Pelton explained that by raising the stop loss deductible the Consortium becomes more vulnerable to high cost claims. The Catastrophic Claims Reserve funds the gap between \$600,000 and \$1 million; where there typically would have been reimbursement for any Stop Loss insurance claims over \$600,000 the Consortium would no longer get reimbursement until the claim hits \$1 million. He said while taking a higher deductible the Consortium still needs to be protected from any claims that fall within that gap.

Mr. Salton questioned the purpose for specifically classifying the funding vehicle differently. Mr. Pelton said the savings will likely be seen in Stop Loss premium expenditures. He said a decision was made a couple of years ago that it would be a prudent to raise the

deductible and lower the premium for Stop Loss insurance as the Consortium had the fiscal resources to cover claims that may fall between \$600,000 and \$1 million.

Ms. Dowd explained that at the time it was the recommendation of Mr. Locey that because the Consortium was going from \$600,000 to \$1 million that the Consortium would fund what normally has been paid by Stop Loss with the difference in the premium and that the Consortium's budget would include the expense at the higher Stop Loss premium number to make sure that if there was ever a need to switch back or claims between those levels it would be accounted for. This calculation has been reflected in the monthly reports, but this has not been part of the budget presentation. Ms. Dowd said the easiest thing to do is to lower the expenses and to show funding out of the Reserve; however, this has not been the practice. There has been some confusion as to how that Reserve is being funded and why the delta is continuing to be shown in the Stop Loss expense line. She said the question for the Committee is how you would like to see this practice going forward.

Mr. Barber said when the Consortium decided to move from \$600,000 to \$1 million, the Catastrophic Claims Reserve was increased from \$2.8 million to \$4.5 million with money from Fund Balance being used for any claims that got into the captive layer up to the \$1 million deductible and funds from that Reserve would be used to pay for those claims with Fund Balance used to replenish the Reserve to \$4.5 million. He said what is being proposed is a new policy that increases the Fund Balance by putting more money in the budget for the Stop Loss insurance than is needed. He also commented that there is a lack of information to inform how the Catastrophic Claims Reserve level is set and no information has been received to advise on what numbers should be used. Mr. Barber spoke of the upcoming Board meeting and suggested there be further discussion to achieve a better understanding of this by Committee members.

Mr. Pelton explained how numbers are reflected in the budget document. He stated the lines contained in the document are projection lines and noted money will not be added to the Reserve unless it is used. Mr. Spenard referred to the document and said where the budget and actual Stop Loss lines are broken out the budget line item is based on what the premium would be on a \$600,000 deductible; the line below that is the actual \$1 million premium that is being paid; the delta of those is what is being transferred to the Catastrophic Claims Reserve. He clarified that this discussion is about the Consortium paying for claims above \$500,000 and not \$600,000.

Mr. Cook questioned if the \$4.5 million Catastrophic Claims Reserve level will need to be increased over time as the Consortium grows. Mr. Pelton responded that is something that will need to be discussed but believes the current model places the Consortium in a positive position. He recommended the Consortium reimburse the Reserve Fund for claims between \$500,000 to \$1 million to keep the Reserve level at the \$4.5 million level.

Mr. Hart said when there was discussion of moving the Stop Loss deductible to \$1 million a look was taken at how large the Catastrophic Claims Reserve should be to support that and at the time there was consideration of a level as high as \$6 million; however, a compromise was reached at \$4.5 million. He said at that time the Consortium was not using Reserve Funds at all which led to the question of why it existed. That is where the captive layer concept entered the discussion and a look was taken at joining a multi-organizational captive. The Consortium didn't join that but created its own captive concept and decided it was going to account for claims between the \$600,000 and \$1 million level and utilize money out of the Reserve for just that spending. Mr. Hart asked if it is now being suggested to lower that amount to \$500,000 and allocate money out of the Reserve for claims that breach that level and not the \$600,000 level.

Mr. Spenard said it was the original intent, that for any claims above \$500,000 and not \$600,000, which was the previous Stop Loss level, on a quarterly basis would be transferred out of the Catastrophic Claims Reserve to cover those claims; however, that was never put into a resolution.

Mr. Hart said given the Consortium's rate of growth he thinks the Catastrophic Claims Reserve is funded too low and by at least half. He said there is always pressure to look at Fund Balance and he doesn't think anything should be lowered until the Consortium stops growing. Mr. Pelton said the Consortium's current financial status would allow for this discussion.

Mr. Spenard referenced Resolution No. 9 of 2020 in which it was stated:

1. The GTCMHIC Treasurer is directed to, on a quarterly basis and within 60 days of the end of said quarter, transfer from the Catastrophic Claims Reserve to the general operating fund of the GTCMHIC a dollar amount equal to any claims paid in excess of \$500,000 but less than \$1,000,000 per member, excepting: The one member identified by Excellus as having a separate deductible of \$1,200,000. For this member, funds will be transferred from the Catastrophic Claims Reserve to the general operating fund for any claims incurred above \$500,000 but less than \$1,200,000.

The process for how the delta is transferred from Reserve to Fund Balance was never established. Ms. Dowd said she assumes the auditors did this calculation based on the resolution and this is reflected in the annual audit.

Mr. Hart recalled discussion of this resolution and agreed with Ms. Dowd that it was not quantified how it would be done. He said the 2022 budget resolution states the Catastrophic Claims Reserve will be maintained at \$4.5 million plus interest and premium savings. It was that premium savings clause that Mr. Locey had planned to use to indicate the savings from the difference between the two deductible levels and the Stop Loss. Mr. Hart suggested this be re-addressed in light of the scope and scale of the Consortium having doubled. Mr. Pelton questioned what the auditors utilized to move monies from \$4.5 to \$5,032,000 as this amount was included in the year-end audit. Mr. Shattuck spoke of the possibility of medical costs going up quickly and the need to be prepared.

Mr. Hart would like to see what percentage of the available municipalities joined the Consortium that were within the original seven counties that made up the Consortium and using that percentage of municipalities, what that looks like under the new Certificate of Authority. He said this would give a range of what the budget will look like in the next three to five years and where the Catastrophic Claims Reserve and Fund Balance target levels should be. He said if the Consortium doesn't plan for this it could end up with a greatly insufficient Catastrophic Claims Reserve and Fund Balance.

Ms. Dowd said the budget process will move forward with additional discussion by the Committee on the Catastrophic Claims Reserve and how it will be funded going forward. Staff will support the Committee in identifying the level of risk going forward and how to fund elective reserves and the unencumbered fund balance. Members were supportive of the budget resolution as approved at the last meeting and were interested in having a discussion of how to fully fund the Catastrophic Claims Reserve.

Role of Committee Going Forward

This item was deferred to the next meeting.

Next Agenda Items

The following item will be included on the October agenda:

- Discussion of the future role of the Committee

Adjournment

The meeting adjourned at 5:13 p.m.

Respectfully submitted by Michelle Cocco, Clerk of the Board