

**Audit and Finance Committee
Minutes - APPROVED
October 26, 2021
Ithaca Town Hall/Remotely via Satellites**

Present: Mack Cook (excused at 4:40 p.m.), Bud Shattuck, Eric Snow, Peter Salton, Laura Shawley, Steve Thayer, Rordan Hart, Amanda Anderson
Excused: Jon Munson
Staff/ Guests: Elin Dowd, Executive Director; Michelle Cocco, Clerk of the Board; Steve Locey, Rob Spenard, Paul Pelton, Locey and Cahill; Andrew Braman, Tompkins County Finance Department; Judy Drake, Board Chair; Don Barber, Consultant; Teri Apalovich, Finance Manager; Kylie Rodrigues, Benefits Specialist

Call to Order

Mr. Cook, Chair, called the meeting to order at 3:31.

Changes to the Agenda

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

Approval of Minutes of September 21, 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 September 21, 2021 as submitted. MINUTES APPROVED.

Executive Director Report

Ms. Dowd reported the annual Benefits Clerk training was recently held and went well. All but 12 municipalities were represented. She asked if any member hears feedback to let her know and to ask anyone who was not in attendance to contact her to receive information.

Ms. Dowd announced that in 2022 Consortium subscribers will have a single identification card that will combine Excellus and ProAct. She thanked Locey and Cahill and Excellus for the work that was done to negotiate this contract improvement. She also reported there has been improvements that have occurred in the communication between Excellus and ProAct.

With no objection by the Committee, the November and December meetings were combined into one meeting to be held December 14th at 3 p.m.

She reported on conference calls that have taken place with the Department of Financial Services and efforts to build that relationship while understanding reporting requirements of the quarterly and annual reports. At the December 14 meeting the Committee will be presented with a draft RFP (Request for Proposals) for Investment Management Services and can consider whether to create a subcommittee to review proposals.

Catastrophic Claims Reserve

Ms. Dowd said the Consortium has a Catastrophic Claims Reserve in its budget and discussions began at the last meeting about how that Reserve should be created, noting the practice may be different from the Policy that was adopted by the Board and may need to be clarified. She said if any financial reporting was inaccurate as a result of being based on that it

would need to be reviewed and possibly adjusted. Going forward the Consortium needs to determine what it would like included in this Reserve, what level of risk should be protected up to the \$1 million deductible level the Consortium has taken on, how much more risk the Consortium wants to take on, and how to prepare for that risk through a reserve. She said there are a lot of questions about how this Reserve changed from 2020 to 2021 but there needs to be discussion of how this will be utilized going forward into 2022 and how it will be accounted for in the financial records.

Ms. Dowd referenced a draft resolution that was included in the agenda containing a lot of the history and noted it is to inform a discussion of how to move forward and accurately report information.

Mr. Locey said prior to 2020 there were discussions regarding a proposal being considered to join a Municipal Healthcare Financing Collective. At that time a decision was made to not join; however, that discussion provoked interest in exploring whether the Consortium could purchase Stop Loss insurance at a higher deductible level, take on more risk, utilize the Catastrophic Claims Reserve to help fund some of those claims at a certain level, and achieve some savings long-term. This was viewed to do Stop Loss insurance in a more efficient way that takes on a little more risk while protecting the risk through the use of reserve funds. Mr. Locey acknowledged the original resolution should have contained more detail and said the resolution included in the agenda packet was drafted to clarify Locey and Cahill's interpretation of the intent.

Mr. Locey referenced the 2020 budget and said that budget was adopted with Stop Loss premiums of slightly over \$760,000 for the Stop Loss policy with a \$600,000 deductible level. After that time when the Stop Loss renewals came in, it was decided that the \$1 million policy would be purchased, and the premium rate would be approximately \$264,000. An internal process was developed to track claims that would fall between \$.5 and \$1 million and those claims would be paid out of the Reserve Fund. Originally, Locey and Cahill had suggested the Reserve Fund be set at \$3.8 million and the Board approved it at \$4.5 million.

Mr. Locey said when the Reserve Fund was set at \$4.5 million it was not clear. Locey and Cahill assumed the plan was to use the differential in the premium from what was budgeted and what was actually paid out to pay any claims that were incurred between that middle layer (\$.5 to \$1 million) would come out of that premium. Anything that was left over would remain in the Reserve and any interest earned on that Reserve Fund would remain in there. He said when the financial statements were compiled when the 2020 fiscal year closed there ended up being the \$4.5 million plus the differential between what was budgeted in Stop Loss premium and what was paid out (\$498,000) plus interest income, less any claims. At that time there were no claims; therefore, the claims amount reduced was zero. The Reserve at the end of the year ended up being a Reserve with slightly over \$5 million. He said this was not the intention as claims were expected to be incurred. He said Locey and Cahill believed this was the process that was intended based on discussions about self-insuring the middle layer within the Consortium.

He said they have been trying to determine the best way to report this information but noted it has been problematic. They had looked at originally putting a larger number in the budget and also what was expected to be paid out with the only amount that flowed through to the actual expense being the amount that was paid out. They also didn't originally build in any expected claims expense. He said this year there are a couple of claimants in the \$.5 to \$1 million window. He noted final information won't be known for a while as the policy covers claims incurred through the first three months of 2022. This will likely result in the premium that was budgeted at the \$600,000 level and the premium actually paid out being completely spent to cover these additional claims that fall within that window. He said it is likely going forward that there will be less

movement of the Reserve going forward; however, due to the pandemic and there not be a lot of large losses there weren't a lot of claims paid out in the prior year.

Mr. Locey said he feels the resolution drafted by Locey and Cahill will provide needed clarity as to how the Reserve Fund should operate going forward. They believe they were trying to follow the initial intent which was trying to set up a process that was similar to the Collective, whereby the Consortium would self-insure some level of catastrophic claims, try to alleviate some of the premium increases that were happening and some of the pressure on the budget from the stop loss premium, and keep funds in-house for more efficient use.

Ms. Dowd acknowledged concerns raised and said it is important to discuss how this will be addressed in 2022, including what the appropriate fund level should be.

Mr. Barber said Resolution 9 of 2019 is clear in that the variance in funding from the premium from \$600,000 to \$1 million is not intended to be used as a revenue source for that Reserve. He said the 2020 audit included that amount of money and thinks the audit needs to be amended to reflect the policies that were in place at the time. He said the premium put in the budget should be for \$600,000 for stop loss. The savings from having a \$1 million deductible would show up in the fund balance and could be transferred by the Board to the Catastrophic Claims Reserve. He referenced the Collective and the process that was in place for returning savings to its members.

Mr. Locey acknowledged that the budget should have contained an expectation that there would likely be claims between the \$600,000 and \$1 million. He addressed the growth in that Reserve over the years and said it was intended that the differential in the premium would cover the claims and ideally the Consortium would stay within that with the difference being used to pay those claims in that window. Mr. Barber responded that it is unknown how much will be paid out in any year for the census and claims experience and it is unknown how much should be in the Reserve. Mr. Barber pointed out that a resolution was approved that addressed the pro rata share should a member leave the Consortium. That resolution stated that any funds in the Reserve were untouchable and not to be returned to members. He suggested this resolution be revisited if any changes are made to how the Catastrophic Claims Reserve is funded.

Mr. Locey suggested incorporating a cap in the resolution that addresses what would happen if the reserve grew to a certain level, such as being returned to the unencumbered fund balance at year-end. He spoke of the importance of restricting reserve funds and what balances would be available to a departing member of the Consortium.

Mr. Salton said the \$1 million deductible was based on doing due diligence in looking at claims history and on the overall financial condition of the Consortium and he would like the draft resolution to state this. He doesn't agree with referencing a "substantive" risk to the Consortium as this has been in the budget for several years. He spoke of the importance in everyone understanding the risk and knowing that the Consortium is an insurance company that carries and evaluates the level of risk. He suggested this as an area Consortium staff could focus on becoming more knowledgeable about. Mr. Salton said he would like to address this matter not just by understanding how the issue got to this point but focusing on how to address it going forward.

Mr. Locey explained the original intent was to keep the higher amount in the budget and said if the Consortium retains in its budget the dollar amount associated with the \$600,000 deductible policy and at some point in the future it is felt that the Consortium could no longer sustain the risk at the \$1 million level and needed to change the deductible, the money would

already be built into the budget. As a result of this approach there wouldn't be a need to fund any additional expense or place additional pressure on premium increase to cover the expense.

Ms. Drake spoke of the need to move forward and suggested the Executive Committee consider a resolution approving the Reserve at the \$5 million level that was included in the audit and to determine how to move forward with consideration given to an annual adjustment being made at year-end.

Mr. Hart asked if it would be possible for Locey and Cahill to run an analysis across its entire book of business with respect to claims between the \$.5 and \$1 million level over the last ten years for the purpose of seeing what the average would be per 1,000 contracts not only to get a sense of the number of claims in that band but also the frequency.

Mr. Hart referenced 2013 when this Reserve was established at \$602,249 which at that time was 2% over anticipated claims for the 2014 fiscal year. At that time the Reserve was not being used for anything; in 2019 it had gone up incrementally by the 2% range and following discussion of the Captive a compromise was reached at the \$4.5 million level. He said although that worked at the time, in looking back at it this was an arbitrary number. He suggested setting an amount based on a risk analysis of what the Consortium can expect over the next five to eight years to incur on an annual basis in terms of high cost claims and what the level of the Reserve should be.

Mr. Hart said he wouldn't have any objection to funding the Reserve with the differential in premium between a lower Stop Loss deductible and a higher one or having the Reserve be some multiple larger than it is. He said the number should be experience-rated and in the years where the Consortium doesn't have these claims, whatever differential of premium is funding that reserve outside what the risk-based calculation suggests the excess should flow back to the General Fund. He doesn't think the Reserve should arbitrarily grow or be capped without knowing what a legitimate risk-based cap should be.

Mr. Locey presented a sample Highmark chart and said he will prepare similar information for the Committee to show different levels and impacts for the purpose of getting an idea of how many claimants can be expected at the different levels.

Mr. Braman agreed with a comment by Mr. Hart that the Consortium will likely see some growth in upcoming years. He thinks that basing a decision on objective data that factors in that growth will be important.

There was consensus to include this on the next agenda for this Committee along with a revised draft resolution based on comments made at this meeting. There will be discussion by the Executive Committee concerning whether to accept the 2020 Reserve as it has been funded. In addition, Ms. Dowd will provide information that will help the Committee assess the level of risk, determine what the mechanism and formula will be as to how the Reserve will be funded, how funds are moved to and from the Reserve, and whether there should be a cap.

Mr. Thayer spoke of the difficulty in identifying risk and said he supports identifying a number that is based on data.

**RESOLUTION NO. - 2021 – EXTENSION OF CONTRACT FOR PLAN CONSULTANT –
LOCEY & CAHILL, LLC – JANUARY 1, 2022 – DECEMBER
31, 2022**

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

WHEREAS, the Consortium requires ongoing Plan consulting services to continue its operations, and

WHEREAS, the Plan consulting services needed include: strategic planning, financial analysis, recommending a budget, producing and filing benefit plan documents, calculating premium equivalents, preparing a variety of internal reports and requests for proposals, attending Board and Committee meetings, claims trends and large loss analysis, assisting municipal partner with benefit and premium questions, and interfacing with third party administrators and ancillary benefit providers, and

WHEREAS, the Consortium issued a Request for Proposals and by Resolution adopted on October 28, 2010, selected Locey & Cahill, LLC of Syracuse to provide consulting services for the Consortium, and

WHEREAS, the Executive Committee has discussed the need and scope of Benefit Plan Consultant Services and recommends that the Consortium continue to retain Locey and Cahill, LLC for those services, and

WHEREAS, the Audit and Finance Committee has reviewed and discussed the terms of the Consortium's contract with Locey and Cahill, and

WHEREAS, Locey and Cahill presented a three-year proposal with terms commencing 2019 through 2022, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee, That the Board of Directors hereby extends its contract with Locey & Cahill, LLC for the third year of the current agreement for the period January 1, 2022 through December 31, 2022,

RESOLVED, further, That the Executive Director is hereby authorized to execute this contract on behalf of the Consortium.

Mr. Cook was excused at this time.

**RESOLUTION NO. - 2021 - AUTHORIZATION TO ANNUALLY PURCHASE
INSURANCE POLICIES: ERRORS AND OMISSIONS,
DIRECTORS AND OFFICERS LIABILITY, EMPLOYMENT
ROTECTION COVERAGE, AND A FIDELITY BOND**

MOVED by Mr. Salton, seconded by Mr. Hart, and unanimously adopted by voice vote by members present. Ms. Dowd was asked to look into whether there are other insurances the Consortium should consider as it grows and to confirm the levels in the resolution continue to be adequate.

WHEREAS, it is the desire of the Board of Directors to ensure liability coverage for the Consortium, the Board of Directors personally and professionally, and the participating municipalities, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee, That the Consortium shall annually purchase coverage for these policies:

- Errors and Omissions Insurance with a \$1,000,000 limit with \$25,000 retention;
- Directors and Officers Liability Insurance at \$1,000,000 limit with \$25,000 retention and Employment Protection Liability at \$1,000,000; and
- A Fidelity Bond.

RESOLVED, further, That the Executive Director is authorized to execute the renewal documents for the policies listed above.

RESOLVED, further, That this authorization shall continue to be in effect provided there are no changes to coverage or limits.

* * * * *

**RESOLUTION NO - 2021 - AUTHORIZING HEALTHCARE BENEFITS RENEWAL
(ADMINISTRATIVE SERVICES AGREEMENT) WITH THIRD
PARTY ADMINISTRATOR - EXCELLUS BLUECROSS
BLUESHIELD**

Ms. Dowd explained Excellus will be charging the Consortium \$.10 per contract per month to include ProAct name and logo on a single subscriber ID card and said an agreement has been negotiated with ProAct to cover this cost. She also noted that as a result of the Consortium's growth the Excellus per contract per month cost has slightly decreased.

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

WHEREAS, the Greater Tompkins County Municipal Health Insurance Consortium (GTCMHIC) is a self-insured municipal cooperative health benefit plan operating pursuant to a Certificate of Authority issued by the New York State Department of Financial Services pursuant to Article 47 of the New York State Insurance Law, and

WHEREAS, Section E Paragraph 11 of the current GTCMHIC Municipal Cooperative Agreement defines the actions to be taken by the GTCMHIC Board of Directors to include the approval of contracts with third parties for the furnishing of goods and services, and

WHEREAS, the Audit and Finance Committee has determined that it is in the Consortium's best interest to continue its relationship with Excellus BlueCross BlueShield for the administration of the Consortium's medical claims, and

WHEREAS, Excellus BlueCross BlueShield charges the Consortium an additional integration fee for the carve out pharmacy services which include enrollment file transfer and accumulator integration, and

WHEREAS, Excellus BlueCross BlueShield has agreed to give consideration in future years for Administration Rates to vary based on growth in enrollment numbers and has set discounts at four different contract band levels, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee That the Executive Committee, on behalf of the Board of Directors hereby approves the 2022 Healthcare Benefits

Renewal with Excellus BlueCross BlueShield under the proposed fee structure presented to the Board of Directors for 2020, 2021, and 2022,

RESOLVED, further, That the Chair of the Board be authorized to execute the 2022 contract on behalf of the Consortium.

* * * * *

RESOLUTION NO. - 2021 – EXTENSION OF CONTRACT FOR INVESTMENT MANAGEMENT SERVICES – WILMINGTON TRUST ADVISORS, INC.

Ms. Dowd noted this contract will be through the conclusion of an RFP process that will take place in early 2022.

WHEREAS, the Consortium secures services from Wilmington Trust Advisors, Inc. for investment management services as it pertains to our Investment Management Policy pursuant to Resolution No. 16 of 2020 and wishes to extend its contractual relationship into 2022, and

WHEREAS, as is fiscally prudent the Consortium has directed the Finance Manager to commence an Investment Management Request for Proposal (RFP) to determine options available to assist in managing our reserves and unencumbered fund balance, said RFP shall go out to market as soon as reasonable, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee, That the Executive Committee, on behalf of the Board of Directors, authorizes the Consortium to extend its contract with Wilmington Trust Advisors, Inc. (WTIA) for investment management services beginning January 1, 2022 through the conclusion of the RFP process and/or selection of a new Investment Manager.

* * * * *

RESOLUTION NO. – RESCINDING RESOLUTION NO. 8 OF 2017 “DELEGATING RESPONSIBILITY FOR APPROVAL OF INDEPENDENT FINANCIAL AUDIT”, RESOLUTION NO. 32 OF 2018 “APPROVAL AND CYBER SECURITY POLICIES AND PROCEDURES”, AND DELEGATING RESPONSIBILITY FOR OTHER OPERATIONS OF THE CONSORTIUM TO THE EXECUTIVE COMMITTEE

This resolution was deferred to the next meeting.

Next Agenda Items

The following item will be included on the December agenda:

- Discussion of the future role of the Committee
- Continued discussion of Catastrophic Claims Reserve and draft resolution
- Resolution No. – Rescinding Resolution No. 8 of 2017 “Delegating Responsibility for Approval of Independent Financial Audit”, Resolution No. 32 of 2018 “Approval of Cyber Security Policies and Procedures”, and Delegating Responsibility for other Operations of the Consortium to the Executive Committee
- Draft RFP (Request for Proposals) for Investment Management Services and can consider whether to create a subcommittee to review proposals.

Adjournment

The meeting adjourned at 4:56 p.m.

Respectfully submitted by Michelle Cocco, Clerk of the Board