

**Audit and Finance Committee  
Minutes – APPROVED  
December 10, 2019 – 3:30 p.m.  
Ithaca Town Hall**

Present: Mack Cook, Steve Thayer, Rordan Hart, Bud Shattuck, Laura Shawley, Olivia Hersey, Peter Salton

Excused: Chuck Rankin, Ann Rider

Guests: Elin Dowd, Executive Director; Don Barber, Consultant; Andrew Braman, Tompkins County Deputy Finance Director; Steve Locey, Robert Spenard, Locey and Cahill; Judy Drake, Board Chair; Brittini Griep, Administrative Assistant; Michelle Cocco, Clerk of the Board

**Call to Order**

Mr. Cook called the meeting to order at 3:33 p.m.

**Changes to the Agenda**

Additions to the agenda included a resolution on the Catastrophic Claims Reserve, a discussion of Cayuga Heights and the Gold Metal Level Plan, and an invoice from Bonadio & Co. for information only.

**Approval of Minutes of October 22, 2019**

It was MOVED by Ms. Hersey, seconded by Mrs. Shawley, and unanimously adopted by voice vote by members present, to approve the minutes of October 22, 2019 as submitted. MINUTES APPROVED.

**Financial Report**

Mr. Locey provided a financial update through October 31<sup>st</sup>. Revenue is 1½ percent below budget on total revenue of which most is attributable to medical plan premium and the movement of members in Tompkins County to the Platinum Plan and Seneca County utilizing a PPO and not the Platinum Plan. He pointed out that there was \$384,000 in interest income year-to-date compared to the budgeted amount of \$200,000. He said everything looks good from a revenue perspective.

Expenses are well-below budget by 8.9% on medical claims and prescription drug claims are below budget by 6.6%. He said information received shows the budget being collectively close to \$400,000 below budget for November.

Mr. Locey reviewed line items on the report and noted expenses were 7.86% below budget (\$3.4 million). He said the Consortium is running efficiently with approximately 93.5% of every dollar going towards the payment of claims and there is a cumulative variance of 3.4% below what was budgeted every year of the Consortium's existence. The budget is currently showing a net income of \$3.3 million and an unencumbered fund balance of approximately \$16.2 million. This is currently 31.5% of expected premium for the year and well-above the 18% target that was established.

Mr. Locey referred to a summary of claims from 2011 thru 2019 and noted the Consortium's loss ratio is approximately 50% in terms of the amount of money received from Stop Loss in comparison to what was paid in. He said Highmark provided a five-year claims report

and that information was used to compare those results to the Consortium's results of incidents at the different levels.

Mr. Locey called attention to the Accounts Receivable report and noted there was approximately \$.5 million in accounts receivable with \$480,000 related to Tompkins Cortland Community College. Information was received from Mr. Snyder that indicated both Tompkins and Cortland Counties were working with TC3 to give them a cash advance that would be used to help with cash flow and payment of health insurance premium. There was discussion of how to address this problem if it continues into 2020. Mr. Cook said if it continues he will push to look at having a security deposit against the Consortium's premium. Mr. Locey noted that Tompkins County is the signatory on the Municipal Cooperative Agreement for the College and is the responsible party if the College does not make a payment. Mr. Braman said the College has a new Finance Director who is working on coming up with a long-term plan to address this.

Mr. Salton said if the Consortium's financial filing with the Department of Financial Services is impacted by this there needs to be consideration given to taking some type of action. Mr. Cook said this also shows up in the Consortium's audited financial statements and is noted on the Management Comment Letter and is important that these concerns be communicated to TC3. Mr. Braman will forward the e-mail he received today from TC3 and Ms. Dowd will follow-up.

**RESOLUTION NO. 034-2019 - AUTHORIZE PURCHASE OF STOP LOSS INSURANCE FOR 2020 WITH EXCELLUS BLUECROSS BLUESHIELD AND INCREASE OF CATASTROPHIC CLAIMS RESERVE AND RATE STABILIZATION RESERVE**

MOVED by Mr. Salton, seconded by Mr. Thayer.

Mr. Locey presented a memorandum he prepared that outlines the Stop Loss requirement and information from the RFQ (Request for Qualifications) that was issued, noting the recommendation includes the assumption that the requirement for the Consortium to purchase Aggregate Stop Loss will continue to be waived. He said the maximum deductible the Consortium can have for Stop Loss is 4% of expected claims from the Fiscal Year; for 2020 the maximum deductible would be approximately \$2 million. He said for 2019 the Consortium had a deductible of \$600,000 with an annual premium of \$627,566 for claims paid for a 15-month period; and the RFQ asked for quotations for the policy period January 1, 2020 to December 31, 2020 for claims incurred for both a 15-month period and an 18-month period with deductibles of \$500,000, \$600,000, \$750,000, and \$1,000,000 with no new lasers on renewal.

Mr. Locey reviewed details from the quotes received and reasons behind the recommendation being offered by Locey & Cahill. The proposal is to have a deductible of \$1 million which would leave one laser at \$1.2 million, no annual maximum, and an annual premium of \$252,000. In addition, it was suggested that we utilize the Catastrophic Claims Reserve to support the additional self funded risk. To mitigate the risk Locey & Cahill is recommending using the premium cost savings of \$500,000 and boosting the Catastrophic Claims Reserve to be utilized as the self-insurance pool. He said if there was a claim that went over the \$500,000 level, the difference would come out the reserve and go into the Consortium's operating budget to offset the expense of that claim. A look could also be taken at re-evaluating the policy provisions each year to determine at what point the Catastrophic Claims Reserve would kick in and how much would be seeded into the deductible level. He said a topic previously agreed upon was designating the Catastrophic Claims Reserve as not being available to a member upon withdrawal.

Mr. Salton questioned what action would be required to move funds from the Catastrophic Claims Reserve into the operating budget. Mr. Locey suggested a separate account be established and monies be transferred on a quarterly basis when claims between \$500,000 and \$1 million are identified.

Mr. Cook asked if the prospective market would shrink as the deductible is raised and the premium lowered. Mr. Locey said it would likely do this to some extent but there would be nothing prohibiting the Consortium from making a different decision going forward as this is an annual decision. He suggested that the Consortium budget each year to purchase a Stop Loss policy at the \$600,000 or \$1 million deductible level so that the extra funds would be there in the event that a decision was made to revert back to purchasing it.

Mr. Hart, once again, stated the Consortium is in a position to do something about the unencumbered fund balance level and the Catastrophic Claims Reserve. He said he doesn't support incrementally increasing it and would prefer increasing it significantly. He said he has looked at historical claims data and the catastrophic claims history and at standard deviations of claims that have been paid over the last nine years. He recommends moving in the direction of having a \$1 million deductible with a lower premium as long as it is available and increasing the Reserve to the \$4-\$4.5 million this year and to \$5 million to \$6 million the following year.

Mr. Hart further stated that there is a lot of cushion in the unencumbered fund balance beyond the 18% established level there should be an increase made to the Rate Stabilization Reserve as well. He said if this can start in 2020 with a goal of having the Rate Stabilization Reserve at 10% of the total budget and the Catastrophic Claims Reserve at \$5-6 million he thinks there can be consideration given to lowering premium rate increases and giving back to municipalities in good years.

Mr. Shattuck said what is most important to municipalities he has spoken with is rate stabilization. Mr. Salton said in order for this model to be sustainable municipalities have to be thinking of how to underwrite their own risk such as adopting a lower benefit plan with a health savings account.

The resolution was unanimously approved by voice vote by members present.

WHEREAS, the Consortium must purchase stop loss insurance, as required by Section 4707 of New York State Insurance Law, and

WHEREAS, the Audit and Finance Committee has received two (2) proposals for 2020 Stop-Loss insurance and has considered the variations of Stop Loss insurance models and level of deductible, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee, That the Board of Directors authorizes the purchase of the Stop Loss insurance policy with a deductible of \$1M for the policy period January 1, 2020 to December 31, 2020 with Excellus BlueCross BlueShield to include claims incurred from January 1, 2020 thru December 31, 2020 and paid during the period of January 1, 2020 thru March 31, 2021,

RESOLVED, further, That the Board of Directors hereby approves an increase in the Catastrophic Claims Reserve from \$2.8 million to \$ 4.5 million,

RESOLVED, further, That the Board of Directors hereby sets the Rate Stabilization Reserve at 7.5% of expected claims,

RESOLVED, further, That the Plan Consultant is directed to provide the Executive Director with a copy of said policy.

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**RESOLUTION NO. - 2020 - ESTABLISHING POLICIES AND PROCEDURES FOR THE CATASTROPHIC CLAIMS RESERVE**

A draft resolution was presented to the Committee by Mr. Locey. It was stated that this could be discussed and considered at the next meeting but should be adopted in the first quarter of 2020. There was consensus to defer this resolution to the January meeting of this Committee.

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**RESOLUTION NO. - 2019 - AUTHORIZATION TO PURCHASE INSURANCE POLICIES: ERRORS AND OMISSIONS, DIRECTORS AND OFFICERS LIABILITY, EMPLOYMENT PROTECTION COVERAGE, AND A FIDELITY BOND**

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

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 Tompkins County Risk Manager and the Audit and Finance Committee, That the Consortium shall purchase coverage for these policies from the following for the period January 1, 2020 thru December 31, 2020:

- Errors and Omissions Insurance with the Darwin Group at \$1,000,000 limit with \$25,000 retention (placed by insurance agent Haylor, Freyer and Coon);
- Directors and Officers Liability Insurance with the Darwin Group at \$1,000,000 limit with \$25,000 retention and Employment Protection Liability at \$1,000,000 limit (placed by insurance agent Haylor, Freyer and Coon); and
- A Fidelity Bond

RESOLVED, further, That the Chair of the Board is authorized to execute the renewal documents for the policies listed above.

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**RESOLUTION NO. - 2019 - APPROVAL OF 2020 HEALTHCARE BENEFITS RENEWAL WITH EXCELLUS BLUECROSS BLUESHIELD**

MOVED by Mr. Salton, seconded by Mrs. Shawley.

Ms. Dowd reviewed the proposal and noted the per member per month administration fees will include an additional cost to cover the pharmacy carve-out fee. She provided the Committee with an overview of the negotiation process that took place that led to the recommendation being presented to the Committee, noting there will be a sliding scale going forward that is tied to future growth of the Consortium.

Ms. Dowd said goals are currently being put together for the Executive Director that will be incorporated into the performance evaluation and she would like to have discussion of growth expectations and clarification and clear direction for 2020. Mr. Barber said he has been directed by the Executive Committee to reach out to municipalities in early 2020 with a goal of getting as early of a start as possible on the process for next year. There was consensus to have a discussion at a future meeting as to what future growth would be.

The resolution was unanimously approved 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 prefers to add the carve out pharmacy integration fee to the Consortium PMPM administration fee effective January 1, 2020, with the rate being adjusted each year as not to exceed the contracted total rate,

WHEREAS, Excellus BlueCross BlueShield has agreed to give consideration in future years for Admin 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 Board of Directors hereby approves the 2020 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 2020 contract on behalf of the Consortium.

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**Invoice Payment Procedure**

**RESOLUTION OF THE AUDIT AND FINANCE COMMITTEE - ADOPTION OF  
AMENDED  
INVOICE PAYMENT PROCEDURE**

MOVED by Ms. Hersey, seconded by Mrs. Shawley, and unanimously adopted by voice vote by members present.

WHEREAS, the Operations Committee was presented with recommendations for streamlining current invoice payment procedures by staff, and

WHEREAS, the Operations Committee has reviewed and recommended an amended Invoice Payment Procedure be approved by the Audit and Finance Committee, now therefore be it

RESOLVED, That the Audit and Finance Committee hereby adopts the following amended Invoice Payment Procedure dated December 10, 2019 to replace the procedure approved on May 23, 2017 by the Audit and Finance Committee.

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**GTCMHIC Invoice Payment Procedure  
(December 10, 2019)**

All invoices are sent to the Executive Director for approval, unless they are invoices considered **“Ready for Payment”**. The Clerk of the Board will work with the Account Clerk to prepare invoices for approval by the Executive Director. Once the Executive Director has approved an invoice it will be forwarded to the Treasurer for review and payment.

**Invoices Ready for Payment**

Invoices for the following items are considered ready for payment when received and will be processed by the Finance Department without further approval:

- Claims invoices and administrative fees from our third-party benefit administrators (medical and prescription drug) including flu clinic fees,
- State and Federal taxes and fees,
- Stop-loss, D&O and E&O insurance invoices,
- Benefit Plan Design, Treasurer’s Office, Information Technology Office fixed price contract payments,
- Ancillary benefit premiums,
- Payroll,
- Town of Ithaca invoices.

These transactions will be in the monthly financial report submitted by the Treasurer for review at the Audit and Finance Committee meeting. All other invoices received will be reviewed by the Account Clerk and then shall be forwarded to the Executive Director for approval.

**Executive Director Approval**

Invoices for expenses allocated and approved as part of the annual budget approval process or a contractual agreement will be approved by the Executive Director with notice of approval to the Account Clerk for payment.

Upon receipt, the following invoices will be sent to Executive Director for approval:

- Contract progress payment invoices (e.g. Actuary, Claims Auditor);
- Invoices for non-fixed price contract payment under \$10,000 (e.g. Consortium Consultant, Benefit Plan Design Consultant, Treasurer’s Office, Information Technology Office, newsletter production, photography, and printing) ;
- Invoices for supplies, reimbursements and day to day operations under \$10,000.

These transactions will be in the monthly financial report submitted by the Treasurer for review at the Audit and Finance Committee meeting.

**Board Chair, CFO or Executive Committee Approval**

Upon receipt, invoices will be sent to Executive Director for review and recommend to Board Chair, and CFO or any member of the Executive Committee in the Board Chair’s absence for advisement. The invoice will be provided to the Audit and Finance Committee at its next meeting for approval. If the Committee will not be meeting by the time the final invoice becomes due, the Executive Director will first petition the contractor for a time extension until the Committee meets. Should that petition be denied, the invoice must be approved by the Board Chair and Audit and Finance Committee Chair. Copies of the paid invoice will be provided to the Committee at its next meeting.

- **Invoices for non-fixed price contract payment over \$ 10,001 (e.g. financial auditor, Bonadio);**
- **Invoices for services not previously approved by contractual arrangement;**
- **Contract final invoices (e.g. Actuary, Auditor, Claims Auditor).**

All invoices shall be reviewed by the Treasurer prior to issuance of the vendor check. Expenses relative to Executive Director reimbursement will be approved by the Board Chair.

In order to protect possible sensitive information that could affect future firms acting on behalf of the Consortium, copies of sensitive invoices will be provided as a confidential addendum to Committee members’ agenda packets.

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**Discussion – Actuarial Fees**

Mr. Cook said the Consortium exists because it has been able to minimize the apparent infractions between governments of different sizes and he does not want to risk unintended consequences by taking action on this. Mr. Thayer said most municipalities have already approved budgets and did not account for a change in picking up this cost in the current year. He suggested the Consortium assume these costs for 2020 and that municipalities that are subject to GASB 45 or 75 plan to budget accordingly for the expense in 2021 and years thereafter. There was consensus to proceed as suggested. Mr. Cook will speak with Armory Associates about continuing to offer a discounted rate for Consortium municipalities.

**Executive Director Report**

Ms. Dowd highlighted items within her report and said anyone who has not sent in their decision on the MCA it should do so by January 1<sup>st</sup>. She has had conversations with Wilmington Trust based on the discussion at the last meeting; they will be attending the January 28<sup>th</sup> meeting and will provide a report.

Ms. Dowd said last year the Consortium made a decision not to join the Municipal Cooperative Health Care Financing Cooperative; this year the Cooperative found three municipal partners that would join in 2020 and did not ask the Consortium to join. In order for that to happen they need the Consortium to take action to terminate its agreement with the Cooperative.

**Invoices**

There were no questions or concerns related to the August invoices included in the agenda packet for information only for the Town of Ithaca, Newsletter Editor, Don Barber, Hancock and Estabrook, and TC3 for a Notary Public class.

Committee Member Terms

The following members' terms expire as of December 31, 2019: Rordan Hart, Olivia Hersey, Chuck Rankin, and Ann Rider. Mr. Hart expressed interest in continuing and Ms. Hersey expressed interest in continuing through the first quarter of 2020. Directors will be informed of opportunities to serve.

**New Business**

Mr. Salton spoke of work that was done by Cayuga Heights in moving members to the Gold Plan with a Health Savings Account and said Mayor Woodard is willing to present her findings and experience to any municipality that would be interested. He said the Village evolved from a PPO plan with a low deductible plan to a high deductible plan that mimics the low deductible plan by creating a health reimbursement account. The Village has set up an account that it funds those out-of-pocket expenses that are greatly increased by the plan change and the Mayor has determined that there is a 97% chance that a municipality will save a substantial amount by making this change.

Ms. Dowd reported on a marketing campaign that is being developed and would like to pull in current members to give testimony on their positive experience with the Consortium.

**Meeting Schedule**

The Committee will continue to meet the fourth Tuesday of each month at 3:30 p.m.

**Adjournment**

The meeting adjourned at 4:27 p.m.

Respectfully submitted by Michelle Cocco, Clerk of the GTCMHIC Board