

**Audit and Finance Committee
Minutes – APPROVED
June 22, 2021
Meeting Held Remotely via Zoom**

Present: Mack Cook, Bud Shattuck, Eric Snow, Steve Thayer, Peter Salton, Laura Shawley, Rordan Hart
Absent: Jon Munson
Vacancy: One seat
Staff/ Guests: Elin Dowd, Executive Director; Michelle Cocco, Clerk of the Board; Judy Drake, Board of Directors Chair; Don Barber, Consultant; Paul Pelton, Rob Spenard, Locey and Cahill; Amanda Anderson, Town of Dryden; Teri Apalovich, Finance Manager; Rick Snyder, Treasurer; Jim Bower, JCPSD Chair

Call to Order

Mr. Cook, Chair, called the meeting to order at 3:30 p.m.

Changes to the Agenda

Mr. Cook deferred the agenda item “Continued discussion of Covid impact on claims and potential relief through the American Rescue Plan 7” to the next meeting as further guidance is expected. He said last week the Department of Budget released an application for non-entitlement communities to submit in order to receive funds.

Approval of Minutes of May 24, 2021

It was MOVED by Mr. Snow, seconded by Mr. Shattuck and unanimously adopted by voice vote by members present with Mr. Salton abstaining, to approve the minutes of May 25, 2021 as corrected. MINUTES APPROVED.

Executive Director Report

Ms. Dowd reported the Open Meetings Law is being considered as planning takes place to return to in-person meetings. Plans are underway to hold the Consortium’s first in-person meeting with the July 7 Executive Committee meeting. Also, some members may be asked if they would like to host a satellite location going forward. Members will be kept informed as this planning takes place.

Ms. Dowd reported she heard from the Deputy Director at the Department of Financial Services regarding the Consortium’s Certificate of Authority. By mid-July the Consortium should have an answer for the nine new counties that were approved in the Municipal Cooperative Agreement. Ms. Dowd said she now has a contact who she can follow-up with and is optimistic about this and having someone to contact in the future.

The Operations Committee is spending most of its time looking at the Request for Proposal (RFP) responses for Prescription Benefit Manager; the Executive Committee will receive an update on this at its next meeting. Ms. Dowd said Mr. Pelton has been very helpful in summarizing information and putting it into a format to properly compare information. The number of potential candidates has been brought down to four from eight; a formal summary will be circulated to members.

The Nominations and Engagement Committee is working on the 2022 slate of candidates for the September Board of Directors meeting. The Committee has been discussing a proposal for term limits; an update on this will be provided at the Executive Committee meeting. The Claims and Appeals Committee continues to look at the medical claims audit and has asked for a proposal from BMI for the prescription drug audit.

The Joint Committee on Plan Structure and Design has completed a review of the ProAct and Excellus utilization reports; those reports are available on the Consortium's website. Ms. Dowd noted there was a lot of good information presented, including a high percentage of people receiving preventive services, having a primary care provider, and having gone through cancer screenings.

Ms. Dowd reported on interest from municipalities in joining the Consortium and she is working on information for new member development and plan comparisons. There has been interest from the Towns of Locke, Seneca Falls, Throop, Erwin, Geneva, and Minoa. The last three are not in the current Certificate of Authority; therefore, membership would be pending approval of that.

HCRA Tax

Mr. Barber provided an update on the HCRA (Health Care Reform Act) Tax that was created in 1996 for the purpose of funding an indigent care pool. He said those funds were supposed to be negotiated with the hospitals but as time has gone on the State now uses most of those funds for general revenue. Recently, the State has instituted another way to get funds using sales tax through the Distressed Provider Assistance account. He said there is \$50 million that is taken from counties outside of New York City to use in the fund; data shows an estimated \$500,000 a year of sales tax coming from Consortium members that are part of that fund. Mr. Barber said it was suggested by former Senator Jim Seward that rather than asking for one of these being rescinded, that a request be made for municipalities be credited for this.

Mr. Barber said a meeting was held with Assemblywoman Kelles' staff to determine what the function is for this fund that is scheduled to sunset in February 2022. Her staff responded that the Fund was established in response to Covid-19; however, the account was in the Governor's budget before Covid-19. At this time Mr. Barber and Ms. Dowd are trying to understand the Consortium members' contribution to this fund. They are also working with associations and Mr. Seward to put together a strategy that should this show up in the 2022 State Budget, that we are ready to work towards having that statute amended. He thanked Mr. Cook for his help working through this.

Financial Report

Mr. Spenard presented financial results through May 31, 2021. Through the first five months, premium income was 2.4% below budget, interest income is almost at budget, prescription drug rebates are 20% above budget; and to date the Consortium hasn't received any Stop Loss reimbursements. He said in 2020 there was a member who exceeded the Catastrophic Claims pool; however, that was a lasered individual who had no impact relative to reimbursements. He said overall total income was just under budget at 1.62% (\$308,000) through the first five months of 2021.

With regard to expenses, medical paid claims continue to be below budget at 3.6% and, prescription drug claims are slightly above budget by less than one percent. Overall, total paid claims are collectively 2.4% below budget. He noted they are starting to see more medical visits and procedures as people feel more comfortable going out. Mr. Spenard said taxes and fees,

as well as professional services and misc. fees were collectively below budget; he noted some of these may not have been billed yet.

Mr. Spenard reported on the total expense distribution and said the Consortium is paying 95% of its funds towards the payment of claims and this continues to demonstrate the Consortium continues to be run in a very efficient manner.

He reviewed the large losses and said there are currently 16 individuals with claims exceeding \$100,000. He reviewed the history and noted on average .55% of covered lives account for 16.6% of paid claims.

Mr. Spenard reviewed a Stop Loss report and said through the first five months one individual is showing claims of \$245,000 with most expense being for prescription drug and not a lot of medical expense. Locey and Cahill routinely forwards a high claimant notification to Ms. Dowd to keep the Consortium informed of any high claimant activity.

Accounts Receivable and Vendor Payment Reports

Mr. Spenard noted Town of Dix appeared on the accounts receivable report but said there they are awaiting a response to a communication that was sent to the Town.

Presentation of Preliminary 2021 Budget

Ms. Dowd presented a preliminary 2022 Budget spreadsheet. She noted it is still relatively early in the year with only five months of data. She reviewed the preliminary budget that was prepared by Ms. Apalovich and is based on the following assumptions:

- Premium Revenue Increased by 5.0% in 2021, 6.0% in 2022, 7.0% in 2023, 2024 & 2025
- Interest Income = Estimated at 0.50% of the Total Cash Asset Balance Per Annum (this number may need to be adjusted)
- Prescription Drug Rebates Estimated at \$1,700,000 Per Year Based on Advice from ProAct, Inc.
- Paid Claims Trend for Fiscal Years 2022 through 2026 are 5.0% for Medical Claims and 7.5% for Prescription Drug Claims
- Administrative Fees Per Agreement with Excellus BCBS then Increased by 3.0% for the Fiscal Years of 2022 through 2026
- New York State Graduate Medical Expense Increased by 5% Per Annum
- Specific Stop-Loss Insurance trended by 15% each year
- Aggregate Stop-Loss Insurance Removed Based on NYS DFS Approval
- All Professional Services Fees Increased by 3% Per Fiscal Year
- All Insurance Increased by 10% Per Annum
- All Internal Coordination Fees Increased by 3% Per Annum
- IBNR Reserve Set at 12% of Expected Incurred Claims Pursuant to §4706
- Surplus Account Set at 5% of Earned Premium Pursuant to §4706
- Claims/Rate Stabilization Reserve Set at 7.5% of Expected Medical and Rx Paid Claims for Each Fiscal Year
- Catastrophic Claims Reserve Set at \$4.5 Million for 2020 Per GTCMHIC Board of Directors Resolution then Increased by Each Year. Thereafter, by the variance between the budgeted premium and the actual premium.

Ms. Dowd said the goal is to have an unencumbered fund balance of between 12-18% and this will be met if the Consortium continues to trend in the same direction. Consortium

staffing, consulting and insurance-related fees even with the additional staff that has been added, continues to be at less than 2%, She said the Consortium is meeting the needs of a growing Consortium and continues to be a very efficient organization. The Consortium continues to look at a 5% trend in medical cost and a 7.5% trend in prescription drug cost.

Mr. Spenard said the last 12 months have been an anomaly in terms of paid claims. He stated the Consortium should be budgeting for where it would be and not based on where it has been over the last year. Mr. Pelton agreed with Ms. Dowd on having a slow and steady use of the fund balance.

Mr. Salton expressed concern for the potential pick-up in claims expense and said the Consortium may be over budget in the last half of the year as procedures pick up.

The budget will be discussed further at the Executive Committee; the plan is to finalize at this Committee's next meeting for presentation to the Board of Directors in August.

Next Agenda Items

Mr. Cook said the Consortium has expended \$3.1 million out of the Consortium for Covid-related expenses; this equates to 8% of annual claims. He and Mr. Locey are working on a plan of how there can be an allocation of this amount back to every municipality in the Consortium; he hopes to have this ready for the next meeting. The next agenda will include continued discussion of Covid impact on claims and whether there is any relief that could be available through the American Rescue Plan.

Adjournment

The meeting adjourned at 4:19 p.m.

Respectfully submitted by Michelle Cocco, Clerk of the Board