

Municipalities building a
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125 East Court Street
Ithaca, NY 14850
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www.tompkins-co.org

Board of Directors Meeting

August 23, 2012 – 5:30 pm - Old Jail Conference Room

(free parking in County lots after 5:00 pm)

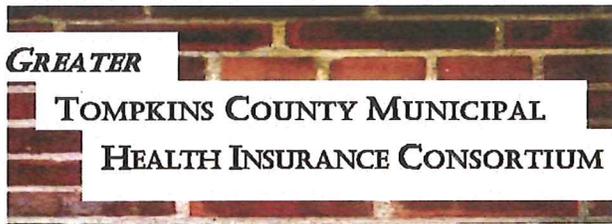
1. Call to Order
2. Approval of June 28, 2012 Minutes (**VOTE**) (5:30)
3. Changes to the Agenda
4. Reports from Steve Locey:
 - a. Financial Update (5:35)
 - b. Review 2011 Audit (5:45)
 - c. Report on NYS Insurance Department Audit (5:55)
 - d. Establish Rate Setting meeting date (before 10/15) and Acceptance of new member(s) (6:00)
Need 2/3 members present at this meeting
 - e. Update on RFP's for Flex Spending Accounts and Employee Assistance Program (6:05)
5. Resolution: Authorization to Execute Agreement with Pharmacy Benefits Manager (6:10) (**VOTE**)
6. Report from New Participant Process Committee (6:25)
 - a. Resolution: Adoption of Policy for the Process of Applying for Membership to the Consortium (**VOTE**)
7. Discussion: Consultant Contract (6:40)
8. Continued Discussion on CanaRx (6:45)
9. Report from Joint Committee on Plan Structure and Design (6:55) C. DeMarco
10. Strategic Planning Committee (7:00) L. Karns

Adjournment

Next Meeting: October 25, 2012

Consortium Members:

County of Tompkins ~ City of Ithaca ~ Town of Caroline ~
Town of Danby ~ Town of Dryden ~ Town of Enfield ~ Town of Groton ~ Town of Ithaca ~
Town of Ulysses ~ Village of Cayuga Heights ~ Village of Dryden ~ Village of Groton ~ Village of Trumansburg



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Board of Directors
June 28, 2012
5:30 p.m.
Scott Heyman Conference Room

Draft 07-01-2012

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Municipal Representatives:

Don Barber, Chair, Town of Caroline; Steve Thayer and Svante Myrick, City of Ithaca; Anita Fitzpatrick, Tomпkins County; Laura Shawley, Town of Danby; Judith Drake, Town of Ithaca (arrived at 5:35 p.m.); Herb Masser, Town of Enfield (arrived at 6:10 p.m.); Charles Rankin, Village of Groton; David Kerness, Town of Ulysses; Elizabeth Karns, Village of Cayuga Heights; Rordan Hart, Village of Trumansburg

Voting Union Representatives:

Chantalise DeMarco, CSEA President, Joint Committee Chair (arrived at 5:35 p.m.)

Excused:

George Apgar II, Ithaca Professional Fire Fighters Association; President, 2nd Labor Representative

Absent: Glenn Morey, Town of Groton; Charles Becker, Village of Dryden; Mary Ann Sumner, Town of Dryden

Others in attendance:

Steve Locey, Locey & Cahill; Paul Bursic, Cornell University; Mark Coldren, Ithaca College; Sharon Dovi, TC3 Human Resources Manager; Travis Turner, Physicians Hospital Organization Executive Director; Scott Futia, CSEA Deputy Director; David Squires, Tomпkins County Finance Director; Joe Mareane, Tomпkins County Administrator; Donna Nield, City of Cortland Benefit Consulting Group; Mack Cook, Cortland City Manager; Paul Sandy, Deputy City of Cortland Police Chief

Call to Order

The meeting was called to order at 5:30 p.m. by Mr. Barber.

Approval of Minutes – April 26, 2012

It was MOVED by Ms. Shawley, seconded by Mr. Hart, and unanimously adopted by voice vote by members present with Mr. Kerness abstaining, to approve the minutes of February 23, 2012 as corrected. MINUTES APPROVED.

Ms. Drake and Ms. DeMarco arrived at this time.

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Changes to the Agenda

Mr. Barber reported that there will be discussion of the Request for Proposals for Pharmacy Benefits Manager, however, no action will be taken until the August meeting.

Financial Update

Mr. Locey presented a 2012 Budget Performance Analysis dated May 31, 2012. He noted the May premium income was adjusted slightly due to there being a premium receivable of slightly over \$1 million. May, 2012 began with slightly over \$4 million in the Fund Balance; \$12 million was received in premium income in addition to ancillary premium and other income, bringing the total income received to \$12,180,959 to date for 2012. The bulk of the expenses were for medical expenses and prescription drug expenses, and totaled \$11,268,471. A net income for the period was \$912,488, bringing the total balance to slightly over \$ 5 million. Mr. Locey said the estimate for the IBNR is \$3.14 million, Rate Stabilization Reserve - \$1.44 million, resulting in an Unencumbered Fund Balance of slightly under \$425,000. That money will continue to be accumulated over the next year. At the time which it reaches an appropriate level, monies will be paid to municipalities that contributed to the Rate Stabilization Reserve.

It was reported by Mr. Locey that the budgeted versus actual results for the year for the first five months show revenue to be approximately 8.9% above the expected level (\$107,000); total expenses are 2.7% below budget (\$.5 million). At this point they had projected having approximately \$303,000 in net income, however, income is slightly over \$900,000.

With regard to paid claim through 2011 and the first five months of 2012, in aggregate the total paid claims expense versus budgeted claims were within .16% of what was projected (within \$45,000 of an almost a \$33 million budget).

Mr. Locey presented the continued accounting of the capitalization payments that have been made, interest earned on investments, and percentage of ownership for each contributing municipality. He presented a graph showing monthly paid claims versus budgeted claims. Medical expenses are approximately 9% below budget, drug expenses approximately 10% above budget; however, this was due largely in part due to an extra payment made in May.

Mr. Squires reported in this week's Medco billing was offset by \$103,000 in pharmacy rebates for the fourth quarter of 2011; \$100,00 was estimated.

Update on Request for Proposals on Flex Spending Account Administration and Employee Assistance Program

Mr. Locey reported information was received and analyzed for the Flex Spending Account Administration RFP. A meeting was held to review the data and a request for additional information was sent out. That information has been received and distributed to members of the Review Committee. A meeting will be scheduled in the next couple of weeks to develop a recommendation to the Board of Directors.

Responses to the RFP's for the Employee Assistance Program were received and have been analyzed and information has been distributed to the Review Committee. A meeting of this Committee will also be scheduled in the next few weeks.

A report will be provided to the Board at the August meeting.

Appointment of Appeals Committee

RESOLUTION NO. 003-2012 - APPOINTMENT OF APPEALS COMMITTEE

MOVED by Mr. Barber, seconded by Ms. Shawley, and unanimously adopted by voice vote by members present.

Whereas, an appeals process is required by the New York State Department of Financial Services (formerly the New York State Insurance Department), and

Whereas, the Appeals Committee was initially appointed on November 18, 2010 and at that time it was decided by the Board of Directors that three members would be adequate to serve in this role, and

Whereas, the Appeal Committee shall meet on an as-needed basis and membership shall be reviewed periodically, now therefore be it

Resolved, That the membership of the Appeals Committee shall include the following members:

- Anita Fitzpatrick
- Chantalse DeMarco
- Chuck Rankin

Update on Request for Proposals – Prescription Drug Manager

Mr. Locey reported on the status of the negotiation process for Prescription Drug Manager and issues relating to finances and service that are being addressed. At this time the Committee would like to go back to each vendor to see if offerings can be further enhanced and come back with to the Board in August with a formal recommendation. Some of the issues relating to service include having a dedicated person where someone from a municipality can talk to a live customer service representative to address concerns. Mr. Locey said they will go back to vendors and to explain what type of customer service is expected and will also put this information in writing. He said members will receive a full analysis along with a recommendation prior to the August Board meeting.

Mr. Barber asked what additional information members would like to receive prior to that meeting. Ms. Karns said she is very interested in utilization and whether policies shift utilization. Mr. Locey said it is much easier to predict drug expenses as opposed to medical expenses. In terms of influencing costs the one thing that could be discussed is whether there are benefits to using the same prescription drug

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manager as other employers such as Cornell and Ithaca College. There could be benefits in this as the Consortium is trying to work collectively with other entities to lower costs.

At this time members communicated their individual opinions to guide the Review Committee in developing a recommendation if the outstanding issues came down to being service versus cost. Although several members expressed a desire to bring the cost difference between offerings to the lowest possible level with larger employers placing emphasis on the cost; the majority believed service should be strongly considered as a very important factor when offerings are close.

Mr. Masser arrived at this time.

Ms. Fitzpatrick said she was very involved in prior PBM transitions and noted it is a difficult process for both employees and retirees.

New Participant Interest in Joining the Consortium

Mr. Barber said representatives of the City of Cortland have expressed interest in joining the Consortium and are in attendance to answer questions. Mr. Locey provided a brief overview of the Consortium's history and said the Consortium started with 13 municipalities and two labor representatives from Tompkins County and the Municipal Cooperative Agreement provides two distinct provisions regarding the joining of new or additional participants. For municipalities within Tompkins County the Board can allow a municipality to join by a majority vote of the Board of Directors. It takes a 2/3 vote of the entire Board (10) for a municipal corporations which are not located in the geographical or political boundaries of Tompkins County to become a participant.

He said two entities have asked for consideration in joining the Consortium – the Town of Covert and the City of Cortland. The Town of Covert is a small entity with a high deductible health plan with a health savings account, which is something the Consortium does not offer. The City of Cortland has a similar program to what is offered under the Consortium. They have an indemnity-style program and the biggest difference is in their prescription co-pay arrangement which is currently at \$0/\$10. Mr. Locey said the Municipal Cooperative Agreement addresses moving from 13 to 17 members in terms of voting structure and does not address going above 17 or bringing in members outside of Tompkins County.

Mr. Locey distributed a utilization analysis for the City of Cortland's paid claims and summarized they are very similar to the Consortium in terms of monthly paid claims. In analyzing the City of Cortland's plan costs for 241 subscribers under the Consortium's indemnity plan the City would save approximately \$250,000 in annual premium costs. He noted this does not contemplate any payment they would have to make to fund the Rate Stabilization Reserve as all the other participants have done or if there would be any contribution to the surplus that now exists.

Mr. Barber recommended the creation of a special committee to analyze this and other requests. He said the Consortium had to file its benefits plans with the

State Insurance Department and if the plans were to be changed this would need to be discussed.

Other areas that would need to be looked at include the Rate Stabilization Reserve, labor representation and voting, what is the range outside of Tompkins County the Consortium willing to accept, and what analysis is needed to determine whether a municipality would make a good fit.

Mr. Hart stated he supports having more members in the Consortium to spread out the cost and suggested allowing municipalities in adjacent counties to join the Consortium. He also stated he thinks it is problematic to create new benefits packages for new members.

Mr. Cook said on behalf of the City of Cortland residents and employees he appreciates the opportunity for consideration being given to join the Consortium. He said the City is not under a time constraint to join the Consortium and he said many of the City's residents are employed in Tompkins County. The City has experience two good financial years recently and has been able to build up its General Fund without cutting services. The City is under budget for the first six months of 2012 and over revenue. He said he is expecting, however, that the 2014 thru 2017 budgets will be much more difficult and is looking proactively at ways to reduce healthcare costs. Mr. Cook said all of the City's financial statements as well as health care information is available.

Mr. Masser asked what the City's relationship is with its unions. Mr. Cook said five of the six union agreements are under negotiation this year and while relationships are good, he expects they will be tried in the coming year.

MOTION NO. 002-2012 - Creation of Special Committee to Review Request by Cortland County to Join the Greater Tompkins County Municipal Health Insurance Consortium

It was MOVED by Mr. Barber, seconded by Ms. Karns, and unanimously adopted by voice vote by members present to appoint the following members to a special committee to review the request by Cortland County to join the Greater Tompkins County Municipal Health Insurance Consortium:

Chantalise DeMarco, Anita Fitzpatrick, Chuck Rankin, and Don Barber

"Said Committee shall present to the Board of Directors at the August 23, 2012 meeting the changes and issues that need to be decided upon with regard to the request by Cortland County to join the Consortium".

Panel Presentation by Cornell and Ithaca College Concerning Health Care Provider- Payer- Patient Dynamics to Determining Direction for Strategic Planning Committee

Mr. Barber said the Consortium was created and based on trust. As he has spoken to many groups across the State that have asked questions he has learned that the intermunicipal cooperation that exists in Tompkins County is unique and has been key to the success of the Consortium. He said the Strategic Planning Committee has been meeting every other month and has participants that include

providers, the Health Planning Council and large employers such as Ithaca College and Cornell University.

Mr. Bursic said Cornell's faculty and staff fill the same waiting rooms as the Consortium's, they receive a lot of services from Cayuga Medical Center and Guthrie. They are interested in cooperating with other large employers in town because they know the physicians are determined to make progress that he believes is in the same direction. Mr. Bursic said he thinks both visions are aligned and that each group wants to be able to bend the cost curve to the greatest extent possible. Mr. Bursic said simply making financial adjustments is not the solution. They would like people to take better advantage of the connections they are trying to forge with the primary care physicians so that people go to the least expensive locus of care and the people who are best-trained to oversee the care that they get.

Mr. Coldren said as an employer Ithaca College is looking at what it has within its local control and take a stronger educational approach with employees so that they understand their responsibility in this. The College is also trying to understand their data and understanding utilization in order to make decisions about plan design. He said this is about community and stressed that having everyone, including the payers, taking part of the discussions is important.

Mr. Bursic said a few years ago the endowed side of Cornell, along with Travis Turner and his colleagues, put together the Cornell Program for Healthy Living and this program is already in full compliance with the Affordable Care Act. The Program anticipated what a lot of health care experts were saying, in that personal responsibility is very important. To do this you need to be able to match up the most trusted health advisor and very closely align them professionally and financially with the best interests of the employee population. He believes progress is being made and in the next few years they will try to improve and perfect this care delivery model to move in a direction where they believe the community needs to be. Mr. Bursic said Cornell would like to work with other large employers in town and providers to forge a better path for everyone.

Ms. Karns asked if Cornell or Ithaca College has seen any change in trends with the patient education and personal responsibility. Mr. Coldren said Ithaca College is trying to lay the ground work for a stronger requirement later that could involve into models such as providing discounts or premium rebates or charging more to people who do not participate in a wellness program.

Mr. Barber said he would like to have more participation in discussions by Board members in the Strategic Planning Committee meetings. He also stressed the importance of labor being part of these discussions. Mr. Locey said he was informed the BOCES School Consortium will be sending a representative to these meetings.

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Mr. Travis commented that bringing physicians and hospitals into these discussions and talking with employers is difficult and the relationship that exists here in Tompkins County is very unique and should be taken advantage of.

Mr. Kerness suggested looking at the Keyser model and said it seems to be effective in other areas and he has heard positive feedback about it.

Report from the Joint Committee on Plan Structure and Design

Ms. DeMarco said the Committee has met twice since the last Board of Directors meeting and received a presentation on the Patient Centered Medical Home concept. She said it would involving changing billing codes which may impact the premium rate. At the last meeting the Committee received a presentation from Jennifer Stuckert from Interactive Health Solutions, a national company that provides the wellness program for Excellus. These presentations are part of the Committee's exploration of ways to best engage employees in their health. The Committee also continues to follow the RFP process for the Flex Spending Account, Employee Assistance Program, and Prescription Drug Manager.

RFP Process for Consortium Consulting Contract

Mr. Barber reported the Consortium's contract with Locey and Cahill ends at the end of 2012; however, the Board can extend the contract on an annual basis for two terms. He asked members to think about this as it will be discussed at the next meeting.

Update on CanaRx

Mr. Locey said information was sent to members prior to the meeting. He briefly reviewed the history, stating the County and Tompkins Cortland Community College both use CanaRx. The State is unwilling to provide an opinion on whether an Article 47 Consortium can use it; therefore, it is a decision each of the municipalities must make a decision about. He said if any municipality is interested in this individually or through the Consortium that decision would need to be made. He noted that if it were to be brought into the Consortium the expense currently incurred by the College and the County would be brought into the Consortium. He doesn't know what the Department of Financial Services' reaction would be if the Consortium were to include. He suggested that members speak to their municipal boards and legal counsel and provide report back on the response. In response to Ms. Fitzpatrick, Mr. Locey said there are other municipalities that utilize the program, however there are no other Article 47 Consortium's that use the program. He said the main reason why municipalities they work with don't use the program is because their legal counsel advised against it and there is also concern over the audit trail because there is no formal agreement in place. Mr. Locey said although a formal analysis has not been done, he would expect there to be a savings to the Consortium but could not predict what that would be.

Mr. Barber reiterated Mr. Locey's suggestion that members discuss this with the membership of their municipal boards and report back on the comments received.

Adjournment

On motion the meeting adjourned at 7:45 p.m.

Respectfully submitted by Michelle Pottorff, Administrative Clerk

John H. Dietershagen, C.P.A.
Jerry E. Mickelson, C.P.A.
Thomas K. Van Derzee, C.P.A.
Debbie Conley Jordan, C.P.A.
Patrick S. Jordan, C.P.A.
Duane R. Shoen, C.P.A.
Lesley L. Horner, C.P.A.
D. Leslie Spurgin, C.P.A.



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Frederick J. Ciaschi, C.P.A.

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Board of Directors
Greater Tompkins County Municipal Health Insurance Consortium
Ithaca, New York

We have audited the financial statements of the business-type activities of the Greater Tompkins County Municipal Health Insurance Consortium (Plan) for the year ended December 31, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 4, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Plan are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2011. We noted no transactions entered into by the Plan during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Significant sensitive estimates affecting the financial statements include the incurred claims liability.

Management's estimate of the incurred claims liability is based on statutory requirements. We evaluated the key factors and assumptions used to determine the statutory requirements in determining that they are reasonable in relation to the financial statements taken as a whole.

Disclosures

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure concerns the Plan's incurred claims liability, the detail of which is presented in Note 3 of the financial statements.

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Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes misstatements detected as a result of audit procedures which were corrected by management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 6, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Plan's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Matters or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Plan's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use the Board of Directors and management of Greater Tompkins County Municipal Health Insurance Consortium and is not intended to be and should not be used by anyone other than these specified parties.

Liachni, Dietershagen, Little, Minkler & Company, LLP

August 6, 2012
Ithaca, New York

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Greater Tompkins County Municipal Health Insurance Consortium
Schedule of Corrected Misstatements
December 31, 2011

Corrected Misstatements:

Preliminary Beginning Net Assets	\$	1,306,083
To adjust cash for outstanding check		(32,795)
Interest expense accrual		(36,712)
Drug and stop-loss receivables net adjustment		2,977
Deferred revenue understated by 2011 revenue recorded in 2012		<u>(26,646)</u>
Ending Net Assets	\$	<u><u>1,212,907</u></u>

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**GREATER TOMPKINS COUNTY
MUNICIPAL HEALTH INSURANCE
CONSORTIUM**

Ithaca, New York

FINANCIAL REPORT

December 31, 2011

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM
FOR THE YEAR ENDED DECEMBER 31, 2011

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Frederick J. Ciaschi, C.P.A.

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Greater Tompkins County Municipal Health Insurance Consortium
Ithaca, New York

We have audited the accompanying financial statement of the business-type activities of the Greater Tompkins County Municipal Health Insurance Consortium (Plan) as of and for the year ended December 31, 2011, which collectively comprise the Plan's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Greater Tompkins County Municipal Health Insurance Consortium, as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 2 through 2c be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Plan's financial statements as a whole. The supplementary financial information on page 9 is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary financial information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Risochi, Dietershagen, Little, Minkler & Company, LLP

August 6, 2012
Ithaca, New York

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011

The following Management's Discussion and Analysis (MD&A) provides a comprehensive overview of the financial position of the Greater Tompkins County Municipal Health Insurance Consortium (the Plan) as of December 31, 2011, and its results of operations for the year then ended. Because the MD&A is designed to focus on current operations, it should be read in conjunction with the audited financial statements and related footnotes.

Financial Highlights

For the year ending December 31, 2011, the Plan's net assets have decreased by \$(228,904). The 2011 decrease in net assets is mainly attributable to claims and administrative expenses in excess of revenues received.

The Plan's net assets consist of the following:

	2011	2010
Restricted for Contingency Reserve:		
Contributed capital	\$ 1,223,736	\$ 1,223,736
Additional contingency reserve	103,737	-0-
Total Restricted for contingency reserve	<u>1,327,473</u>	<u>1,223,736</u>
Unassigned (deficit) net assets	<u>(114,566)</u>	<u>218,075</u>
Total Net Assets	<u>\$ 1,212,907</u>	<u>\$ 1,441,811</u>

A summary of operating and nonoperating revenues and expenses are as follows:

	2011	2010
Premiums	\$ 25,794,917	\$ -0-
Rebates and reimbursements	628,782	-0-
Aggregate write-ins for other revenues	119,752	-0-
Nonoperating revenues	6,004	-0-
Total Revenues	<u>26,549,455</u>	<u>-0-</u>
Operating expenses	<u>26,778,359</u>	<u>-0-</u>
Total Expenses	<u>26,778,359</u>	<u>-0-</u>
(Decrease) in Net Assets	<u>\$ (228,904)</u>	<u>\$ -0-</u>

Financial Statement Overview

The financial statements of the Greater Tompkins County Municipal Health Insurance Consortium have been prepared in accordance with accounting principles generally accepted in the United States of America, and related standards prescribed by the Governmental Accounting Standards Board (GASB).

The financial statements presented include Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, and Statement of Cash Flows. These statements provide information about the Plan's financial position, its results of operations and cash flows for the periods presented.

The Statement of Net Assets is similar to a balance sheet, in that it includes the Plan's assets and liabilities. Unlike a balance sheet, liabilities are subtracted from total assets to present what is referred to as "net assets."

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GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2011

The Statement of Net Assets classifies all assets and liabilities as either current or noncurrent. Current assets are assets that will be recognized within the following twelve months. Similarly, current liabilities are those obligations that will be liquidated within the following twelve months. Over time, changes in net assets may indicate strength or deterioration in the Plan's financial position.

The Statement of Revenues, Expenses and Changes in Net Assets reflects all operating and nonoperating revenues and expenses for the periods presented, and reflects the increase or decrease in net assets based on those revenues and expenses. Revenue is reported in this statement when it is earned, and expenses are recorded when the obligation has been incurred.

The Statement of Cash Flows provides information on major sources and uses of cash during the year. The cash flow statement portrays net cash provided or used in operations, investing, capital, and noncapital financing activities.

Statement of Net Assets

The Statements of Net Assets represent the financial position of the Greater Tompkins County Municipal Health Insurance Consortium at December 31, 2011 and 2010. During the 2011 fiscal year, the Plan's total net assets decreased by \$(228,904). The table below reflects, in summary, the financial position of the Plan at December 31:

	<u>2011</u>	<u>2010</u>
Current assets	\$ 4,320,054	\$ 1,441,811
Noncurrent assets	-0-	-0-
Total Assets	<u>4,320,054</u>	<u>1,441,811</u>
Current liabilities	<u>3,107,147</u>	-0-
Total Liabilities	<u>3,107,147</u>	-0-
Net Assets	<u>\$ 1,212,907</u>	<u>\$ 1,441,811</u>

The increase in current liabilities is primarily due to incurred claims liability at December 31, 2011.

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets present the results of operations of the Plan for the years ending December 31:

Revenue Overview

	<u>2011</u>	<u>2010</u>
Premiums	\$ 25,794,917	\$ -0-
Rebates and reimbursements	628,782	-0-
Aggregate write-ins for other revenues	119,752	-0-
Interest earnings	<u>6,004</u>	-0-
Total Revenues	<u>\$ 26,549,455</u>	<u>\$ -0-</u>

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GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

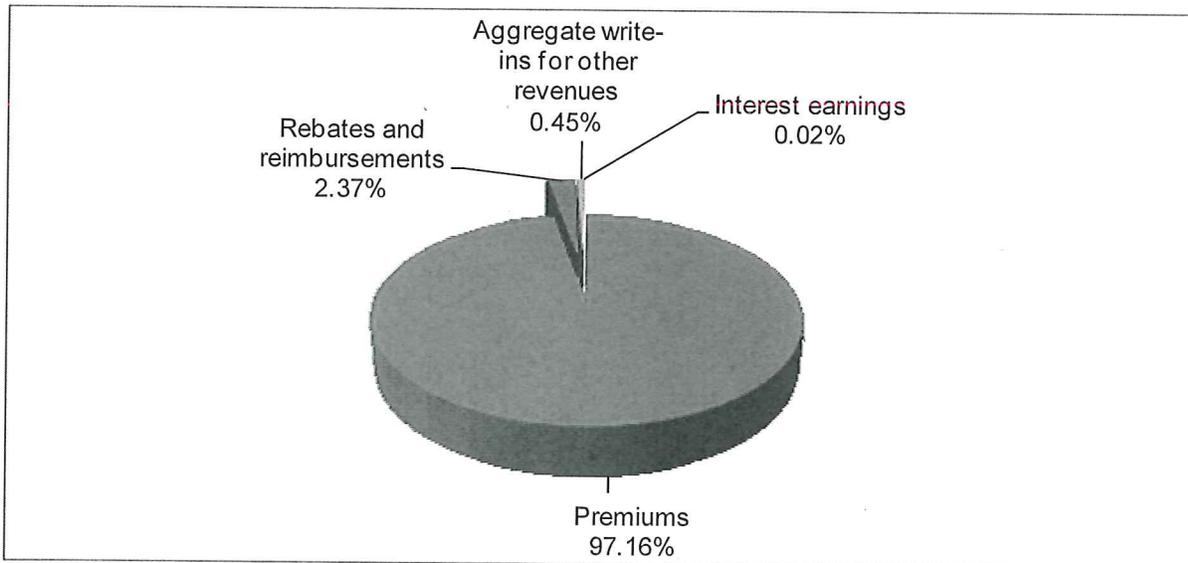
Expense Overview

The following table summarizes expenses by function for 2011 and 2010:

	2011	2010
Claims paid	\$ 25,136,185	\$ -0-
Administrative fees	841,543	-0-
Other expenses	353,292	-0-
Stop-loss premium	410,627	-0-
Interest expense	36,712	-
Total Expenses	<u>26,778,359</u>	<u>-0-</u>
Change in Net Assets	<u>\$ (228,904)</u>	<u>\$ -0-</u>

The following are graphic illustrations of revenues by source:

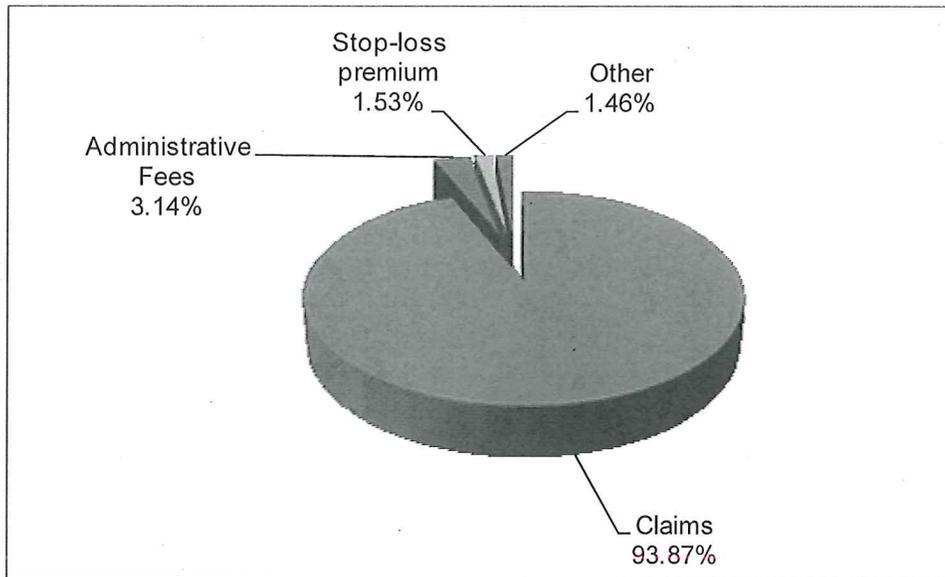
Sources of Revenue for 2011



GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

The following are graphic illustrations of operating expenses by source:

**Operating Expenses
2011**



Economic Factors Affecting the Future

- ❖ The Greater Tompkins Municipal Health Insurance Consortium became the first governmental plan licensed by New York State under Article 47 of the Insurance Law. The initial year of operation proved to be a learning experience for all participants. There were vigorous discussions and negotiations as to the appropriate capitalization for this new governmental program. There were many financial reporting issues that required clarification.
- ❖ The first year of operation tempered expectations as to immediate cost savings for participants. It became apparent that it would take several years of operations to achieve sufficient reserves and liquidity to insure stability. Participant premiums for 2012 were increased by 9.5%, and preliminary estimates for 2013 indicate that a similar increase in premium will be required.
- ❖ The requirement imposed by the Patient Protection and Affordable Care Act to cover dependent children to age 26, regardless of status, will increase costs to the extent that claims will be payable for a population who were previously ineligible. In addition, going forward, the requirements to cover some services (not all of which have been identified) without applying plan deductibles or coinsurance will also impact plan costs. Finally, the eventual elimination of annual policy limits will require more expansive stop loss coverage to protect against unlimited exposure to catastrophic claims.

Contacting the Plan's Financial Management

This financial report is designed to provide the Plan's member municipalities, Plan participants, and other stakeholders with a general overview of the Plan's finances and to demonstrate the Plan's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Greater Tompkins County Municipal Health Insurance Consortium, at 125 East Court Street, Ithaca, New York, 14850.

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GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM
STATEMENT OF NET ASSETS
DECEMBER 31,

	<u>2011</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 3,245,822
Total cash and cash equivalents	<u>3,245,822</u>
Accounts receivable - stop loss and drug rebates	322,977
Prepaid insurance	33,255
Premium claims deposit	718,000
Total current assets	<u>4,320,054</u>
Total Assets	<u>4,320,054</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	407
Claims payable	430,300
Accrued interest on contributed capital payable	36,712
Deferred revenue	26,646
Incurred claims liability	2,613,082
Total current liabilities	<u>3,107,147</u>
Total Liabilities	<u>3,107,147</u>
NET ASSETS	
Restricted for contingency reserve - Section 4706(a)(5):	
Contributed capital	1,223,736
Additional requirement	103,737
	<u>1,327,473</u>
Unassigned (deficit)	<u>(114,566)</u>
Total Net Assets	<u>\$ 1,212,907</u>

See Independent Auditor's Report and Notes to Financial Statements

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GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31,

	<u>2011</u>
Operating Revenues:	
Premiums	\$ 25,794,917
Rebates and reimbursements	628,782
Aggregate write-ins for other revenues	<u>119,752</u>
Total Operating Revenues	<u>26,543,451</u>
Operating Expenses:	
Claims paid	25,136,185
Administrative fees	841,543
Aggregate write-ins for other expenses	353,292
Annual stop-loss aggregate premium	410,627
Interest expense	<u>36,712</u>
Total Operating Expenses	<u>26,778,359</u>
(Deficit) of Operating Revenues (Expenses)	
Before Nonoperating Revenues (Expenses)	(234,908)
Nonoperating Revenues:	
Interest earnings	<u>6,004</u>
Total Nonoperating Revenues	<u>6,004</u>
Change in Net Assets	(228,904)
Net Assets, January 1,	<u>1,441,811</u>
Net Assets, December 31,	<u>\$ 1,212,907</u>

See Independent Auditor's Report and Notes to Financial Statements

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GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31,

	<u>2011</u>
Cash Flows from Operating Activities:	
Premiums collected from municipal corporations	\$ 25,818,006
Rebates and reimbursements	309,362
Aggregate write-ins for other revenues	119,752
Premium claims deposit	(718,000)
Claims paid	(22,092,803)
Operating expenses paid	<u>(1,638,310)</u>
Net Cash Provided by Operating Activities	<u>1,798,007</u>
Net Cash from by Noncapital Financing Activities	<u>-0-</u>
Cash Flows from Capital and Related Financing Activities	<u>-0-</u>
Cash Flows from Investing Activities:	
Interest earnings	<u>6,004</u>
Net Cash Provided by Investing Activities	<u>6,004</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,804,011
Cash and Cash Equivalents, January 1,	<u>1,441,811</u>
Cash and Cash Equivalents, December 31,	<u>\$ 3,245,822</u>
Reconciliation of (deficit) operating revenues over operating (expenses) to net cash provided by operating activities:	
(Deficit) operating revenues over operating (expenses)	\$ (234,908)
(Increase) in accounts receivable	(322,977)
(Increase) in prepaid expenses	(33,255)
(Increase) in premium claims deposit	(718,000)
Increase in accounts payable	407
Increase in claims payable	430,300
Increase in accrued interest payable	36,712
Increase in deferred revenue	26,646
Increase in incurred claims liability	<u>2,613,082</u>
Net Cash Provided by Operating Activities	<u>\$ 1,798,007</u>

See Independent Auditor's Report and Notes to Financial Statements

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GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Greater Tompkins County Municipal Health Insurance Consortium have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units engaged only in Business-type Activities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Description of the Plan

The Greater Tompkins County Municipal Health Insurance Consortium (Plan) was organized in 2010 as an Article 5-G General Municipal Law (GML) municipal corporation to provide health insurance benefits for its member municipalities. In accordance with 119-N of the GML, the term "Municipal Corporation" to include a county, city, town and village. The Plan's general objectives are to formulate, develop, and administer, on behalf of the member participants, an adequate program of insurance in a cost effective manner. Municipalities joining the Plan must remain members for a minimum of three years; a participant may withdraw with written notice prior to October 3rd of each Plan year. Municipalities applying for membership in the Plan may do so with two-thirds approval of the Board. Plan underwriting and rate setting policies have been established after consultation with third party administration. Plan members are subject to supplemental assessment in the event of deficiencies. Premium assessments are determined annually, and should the assets of the Plan be exhausted, members would be responsible for the Plan's liabilities. Plan members currently include 13 municipalities.

B. Basis of Accounting/Measurement Focus

Basis of accounting refers to when revenues and expenses and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus. Measurement focus is the determination of what is measured, i.e. expenditures or expenses.

- Accrual Basis: Activities of the Plan are accounted for on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded when incurred.

C. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Unpaid Claims Liabilities

The Plan establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. Because actual claim costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are periodically recomputed to produce current estimates that reflect recent settlements and other factors, and are adjusted annually to approximate 12% of annual expenditures. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

E. Reinsurance

The Plan uses reinsurance agreements to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from the reinsurer, although it does not discharge the primary liability of the Plan as direct insurer of the risks reinsured. The Plan does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by the reinsurer.

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

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F. Net Assets

Contributed Capital: Initial capitalization of the Plan, expected to be repaid in five years, subject to funds availability.

Contingency Reserve: A contingency reserve of five percent of current year revenues was established in accordance with New York State Insurance Law, Section 4706 (a)(5).

Unrestricted: If a surplus of assessments exists after the close of the Plan year, after provision for payment of all known unsettled claims, and after receipt of an annual independent financial audit, the Board may retain from such surplus an amount sufficient to establish and maintain a claim contingency fund. Surplus funds in excess of the amount transferred to, or included in, such contingency fund shall be applied in reduction of the next annual assessment or to the billing of Plan participants. The net assets represent an appropriation of this excess for this purpose. Any deficit net asset balance will need to be recovered from future premium adjustments.

G. Related Parties

The Plan is currently made up of thirteen municipal corporations. Representatives of each participating municipal corporation serve on the Board and premiums are collected from the municipal corporations.

H. Concentration of Credit Risk

The Plan maintains its cash balances at two financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2011, the Plan's uninsured cash balances total \$2,778,617.

I. Concentration of Operating Revenues

The Plan received approximately 97% of its operating revenues from premiums collected.

J. Cash Equivalents

For financial statement purposes, the Plan considers all highly liquid investments of three months or less as cash equivalents.

K. Subsequent Events

Subsequent events were evaluated through August 6, 2012, which is the date the financial statements were available to be issued. No events were identified which require disclosure or recognition in the financial statements as of December 31, 2011.

Note 2 - Assets

A. Cash and Investments

The Plan's investment policies are governed by State statutes. Plan monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The Chief Fiscal Officer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, obligations of New York State or its localities, and repurchase agreements.

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GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM
 NOTES TO FINANCIAL STATEMENTS
 (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities, school districts, and BOCES.

Deposits are valued at cost. Total financial institution (bank) balances at December 31, 2011, were \$3,278,617. Carrying values at December 31, 2011 were \$3,245,822. These deposits were not fully insured and/or collateralized.

Note 3 - Contingencies

A. Claims Liability

The BlueCross/BlueShield premiums include claims paid for the year ended December 31, 2011, and an adjustment to account for the BlueCross/BlueShield financing arrangement of billing the actual claims paid two months in arrears. This two month delay requires the Greater Tompkins County Municipal Health Insurance Consortium to fund approximated costs, as actual claim payments are charged two months later. No significant differences have been experienced or are expected between monthly adjusted premium billings and actual monthly settlements in succeeding billings.

In addition, the financial arrangements required by BlueCross/BlueShield stipulate that the Consortium may be required to provide security in an initial principal amount of \$2,387,600 at December 31, 2011. This provision was not required in 2011.

The Consortium also maintains specific stop-loss insurance coverage. This provides a maximum of \$1,000,000 of coverage inclusive of deductibles for individual claims and specific stop-loss insurance coverage at December 31, 2011.

Note 4 - Liabilities - Unpaid Claims

As discussed in Note 1-D, the Plan establishes a liability for both reported and unreported insured events which includes estimates of both future payments of losses and related claim adjustment expenses.

The following represents changes in those aggregate liabilities:

		2011
Liability for unpaid claims and claim adjustment expenses - Beginning of year	\$	-0-
Incurred claims and claim adjustment:		
Claims expense		25,136,185
Claims paid		(22,092,803)
Claims payable		(430,300)
Liability for Unpaid Claims and Claim Adjustment Expenses - End of Year	\$	2,613,082

Note 5 - Deficit Net Assets

The Plan had deficit unrestricted net assets of \$(114,566) for the year ended December 31, 2011 but overall net assets of \$1,212,907. It is anticipated the unrestricted deficit will be eliminated over time by increasing premiums as well as adopting Plan amendments to contain future benefit payments.

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM
CLAIM DEVELOPMENT INFORMATION
DECEMBER 31,

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	<u>2011</u>
1. Net earned required contribution revenues	\$ 25,794,917
2. Unallocated expenses - N/A	-0-
3. Estimated incurred claims and expense, end of year	25,136,185
4. Paid (Cumulative) as of: End of policy year	22,092,803
5. Reestimated incurred claims and expense: End of policy year	25,136,185
6. Change in estimated, incurred claims and expense:	-0-

See Independent Auditor's Report



Municipalities building a stable insurance future.

125 East Court Street
Ithaca, NY 14850
607-274-5590
INFO: HinsConсор@tompkins-co.org
www.tompkins-co.org

RESOLUTION NO. _____: AUTHORIZATION TO EXECUTE AN AGREEMENT WITH _____ FOR THE PROVISIONS OF PHARMACY BENEFITS MANAGER

5

MOVED by

Whereas, the Greater Tompkins County Municipal Health Insurance Consortium authorized Locey and Cahill to issue a Request for Proposals for Prescription Drug Manager on August 25, 2011, and

Whereas, six (6) responses were received and analyzed by the RFP Review Committee, and

Whereas, the Review Committee has conducted a thorough analysis of response and has recommended that the Consortium enter into an agreement with _____ for the provisions of Pharmacy Benefits, now therefore be it

Resolved, That the Board of Directors of the Greater Tompkins County Municipal Health Insurance Consortium hereby authorizes the Chair of the Consortium to execute a contract with _____ for the provision of pharmacy benefits manager effective _____ through _____.

Consortium Members:
County of Tompkins ~ City of Ithaca ~ Town of Caroline ~
Town of Danby ~ Town of Dryden ~ Town of Enfield ~ Town of Groton ~ Town of Ithaca ~
Town of Ulysses ~ Village of Cayuga Heights ~ Village of Dryden ~ Village of Groton ~ Village of Trumansburg



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RESOLUTION NO. - ADOPTION OF POLICY FOR THE PROCESS OF APPLYING FOR MEMBERSHIP TO THE CONSORTIUM

Lia

Resolved, for any municipal corporation as defined in Article 47 that is within the borders of Tompkins County or a contiguous County, the Greater Tompkins County Municipal Health Insurance Consortium adopts this policy for the process for applying for membership:

1. As a condition of membership, the applicant must sign the municipal cooperative agreement.
2. The applicant must submit a copy of its annual audit or financial report for the last three years that would be reviewed and recommended by the Consortium's Treasurer and Chief Financial Officer, or the Consortium's Auditor.
3. Prior to the first premium payment, the applicant must pay their share of the Contingency Reserve which is 5% of the annual premium. At the time of acceptance of the applicant by Board resolution, the Board of Directors will determine the terms of payback to this Reserve based on the appropriated Fund Balance of the Consortium.
4. At the time of acceptance of the applicant by Board resolution, the Board of Directors will determine the terms of assessing the pro-rata share of the surplus at the time the new member leaves the Consortium. One option is for the new member to contribute enough to the fund balance to be on part with the founding member the Fund Balance.

Consortium Members:

County of Tompkins ~ City of Ithaca ~ Town of Caroline ~
Town of Danby ~ Town of Dryden ~ Town of Enfield ~ Town of Groton ~ Town of Ithaca ~
Town of Ulysses ~ Village of Cayuga Heights ~ Village of Dryden ~ Village of Groton ~ Village of Trumansburg