

## Greater Tompkins County Municipal Health Insurance Consortium 2014 Annual Report

May 2015

The Greater Tompkins County Municipal Health Insurance Consortium was created with a mission in mind; pooling municipal resources to reduce administration costs and leverage purchasing powers to obtain health care services at a lower cost while spreading potential large losses over a larger number of policyholders. The year 2014 marks the completion of the fourth consecutive successful year of The Greater Tompkins County Municipal Health Insurance Consortium.

The Greater Tompkins County Municipal Health Insurance Consortium received its Certificate of Authority to conduct operations in October 2010 and began providing health insurance for 2002 employees and retirees of thirteen municipalities within Tompkins County on January 1, 2011. GTCMHIC is an Article 47 insurance company that creates benefit plans, collects premiums, and pays medical and pharmaceutical claims for its covered members.

Currently >5000 employees, retirees, and their dependents of the sixteen (16) municipalities of the Towns of Caroline, Danby, Dryden, Enfield, Groton, Ithaca, Lansing, Ulysses, the Villages of Cayuga Heights, Dryden, Groton, Homer, and Trumansburg, the Cities of Cortland and Ithaca and Tompkins County are covered by one of the Consortium's approved benefit plans for medical and pharmaceutical claims.

Benefit plans are a contract between the employer, the employee, and the health care providers including pharmacies. The insurance company is the intermediary that provides the mechanism for a large group of persons to pool their risk of health conditions along with their premium payment. Claims are paid that meet the benefit plan criteria. The amount paid to providers is negotiated by the insurance company or its agent for in-network and out of network claims.

### Operations Highlights:

- In 2014, the Consortium received \$36 million in premiums and paid \$29.8 million in claims resulting in \$3.85 million in net income.
- With this strong financial result, the Board of Directors increased its Catastrophic Claims Reserve and its retention limit of large loss claims.
- The Board also established a Rate Stabilization Reserve and approved a 5% premium rate increase for 2015.
- The Consortium continues to operate very efficiently with 92% of its expenses going to pay claims.
- The Village of Homer joined the Consortium in late 2014.
- Two benefit plans were added -- the Medicare Supplement and the Platinum Plan to the Consortiums offerings.
- For the first time, the Consortium offered flu clinics that were conducted in ten locations.
- The Board of Directors created the position of Executive Director.
- The Consortium completed the Department of Financial Services Audit for years 2011 and 2012.
- A Consortium wide educational retreat on basics of health care and where the Consortium fits in was conducted on September 15, 2014.

### Committees:

The Greater Tompkins Consortium Board is supported by several special committees that perform the in-depth research and deliberation to propose policies, products, and process improvements to benefit the operation of the Consortium.

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- In 2014 the Audit and Finance Committees were merged. The new Audit and Finance Committee is chaired by CFO Steve Thayer, merged into one committee to better service the Board. The Audit and Finance Committee was instrumental in bringing forward the Membership Dependent Certification Process and the Medical Claims Audit. The Audit and Finance Committee collaborates closely with Steve Locey, the Consultant, and Rick Snyder Treasurer, to monitor the budget and spending trends while maintaining a strong reserving policy.
- The Owning Your Own Health (OYOH) Committee, chaired by Director Mack Cook, implemented a pilot biometric screening program with involvement from the both the City of Ithaca and the City of Cortland. They continue to explore wellness awareness programs and keep the cost controlled by utilizing existing community and vendor programs. The Committee receives support from both the medical and prescription claims administrators. They executed successful flu shot clinics by partnering with Pro-Act at numerous locations, which was used by 347 members.
- The Joint Committee on Plan Structure and Design, chaired by Director Scott Weatherby reviewed and provided input on two new products to the Consortium’s menu of plan offerings. Both the Classic Blue Medicare Supplement plan and the Platinum metal level look a-like plan were approved by the Board.

**Financial Highlights:**

**Net position:**

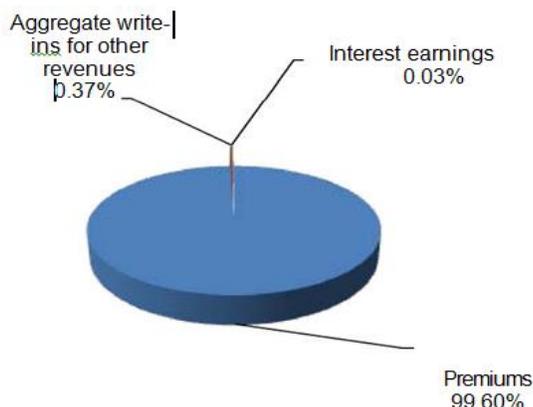
For the year ending December 31, 2014, the Plan’s net position has increased by \$3,851,816 to a grand total of \$10,900,699. GTCMHIC Board of Directors have been consciously building reserves starting in year one (2011) when required to post the Incurred But Not Reported Reserve (IBNR) of \$2.6 million and Surplus reserve of \$1.3 million. In subsequent years, reserves were built to protect the Consortium against an abnormal claims activity which is a statistical possibility. Reserves were also built to retain more claims cost and reduce the Stop-Loss Insurance premium. The Board of Directors felt, with this 2014 posting of net position, that reserves could be used to offset premiums which resulted in a 5% increase in premiums as opposed to 8% and 9% in the first years of the Consortium’s operation. It should be noted that 8% premium increases compares favorably to the industry average. Five percent demonstrates strong performance.

**Statements of Revenues and Expenses** - The Statements of Revenues, Expenses, and Changes in Net Position present the results of operations of the Plan for the years ending December 31:

*Revenue Overview*

	2014	2013	2012
Premiums	\$ 36,063,291	\$ 34,507,670	\$ 28,575,531
Aggregate write-ins for other revenues	134,659	146,563	105,902
Interest earnings	12,641	9,871	7,332
<b>Total Revenues</b>	<b>\$ 36,210,591</b>	<b>\$ 34,664,104</b>	<b>\$ 28,688,765</b>

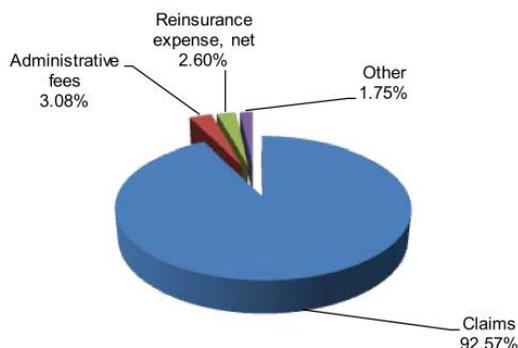
### Sources of Revenue for 2014



**Expense Overview** - The following table summarizes expenses by function for the years ending December 31:

	2014	2013	2012
Claims expense	\$ 29,755,490	\$ 28,013,757	\$ 24,799,035
Administrative fees (3 <sup>rd</sup> party administrators)	988,796	939,946	928,502
Other expenses	562,919	610,890	373,096
Reinsurance expenses, net of recoveries	836,935	310,713	(590,041)
<b>Total Expenses</b>	<b>\$ 32,144,140</b>	<b>\$ 29,875,306</b>	<b>\$ 25,510,592</b>

### Operating Expenses - 2014

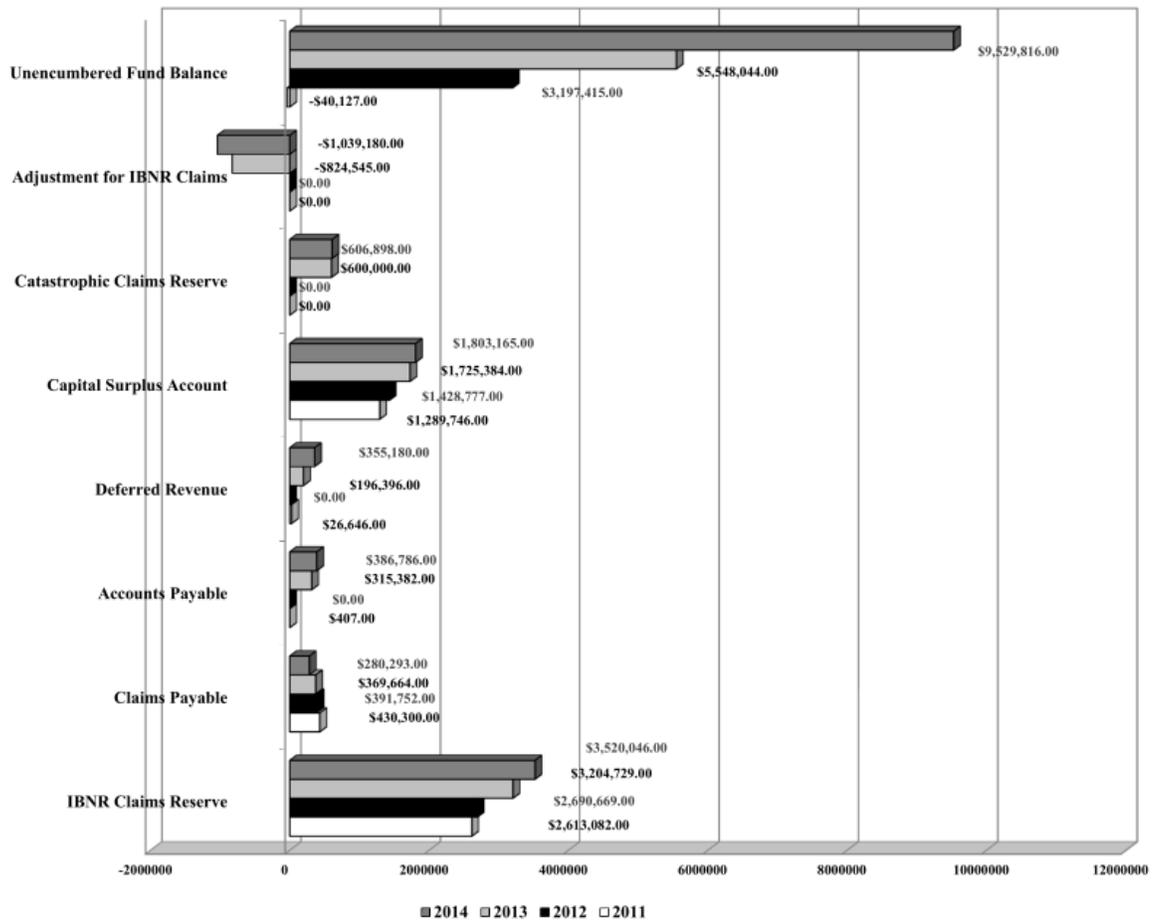


**Please note the expense summation above shows a very efficient structure with >92% of expenses going to pay claims.**

#### Reserving for the Future:

New York State Article 47 Legislation requires its certificate holders to hold a Surplus Reserve equal to 5% of premiums and an Incurred But Not Reported Claims (IBNR) Reserve of 12% of the paid claims. Additionally, for 2013 the Board of Directors established a “Catastrophic Claims Reserve” of \$600,000 to provide resources for the additional risk of retaining \$50,000 more of claim cost or increasing to \$300,000 of cost per claim prior to Stop-Loss insurance covering such large loss claims. The Board of Directors increased that reserve to \$1,050,000 and increased the large loss claim retention to \$400,000 for 2015.

### Greater Tompkins County Municipal Health Insurance Consortium Asset Distribution (2011 - 2014)



#### Economic Factors Affecting the Future:

- Prior to the start of the 2013 Fiscal Year, the Consortium renewed its specific stop-loss insurance with an increased deductible level of \$300,000 in an effort to keep the premium increase at a reasonable level. This increased deductible does create an additional level of risk associated with the Consortium's operations. However, the Consortium experienced fewer catastrophic losses in 2013 and 2014. This contributed to the better than expected paid claims result which allowed the Consortium Board of Directors to establish a Catastrophic Claims Reserve to help off-set the increased risk associated with the higher deductible on the specific stop-loss insurance. In 2014 the Catastrophic Claims Reserve was established at approximately \$600,000. During the 2015 budget development process which occurred in the Fall of 2014, the Board of Directors again agreed to increase the specific stop-loss insurance deductible to its current level of \$400,000. This resulted in an additional increase in exposure and a lower premium expense. To help protect the Consortium's financial position the Board of Directors voted to increase the Catastrophic Claims Reserve to \$1,050,000 for the 2015 Fiscal Year. This is an area which will be reviewed by the Board of Directors on an annual basis to ensure a tolerable balance is achieved between the risk and cost of the stop-loss insurance.

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- The Affordable Care Act's (ACA's) ongoing implementation has resulted in some increased costs to the Consortium with the payment of the Patient Centered Outcomes Research Institute (PCORI) Fee in the amount of \$4,448 related to the 2012 Fiscal Year. This fee more than doubled in cost with the \$10,252.46 payment made during the 2014 Fiscal Year for the 2013 Fee which was paid in July 2014. Starting with the 2014 PCORI fee this fee will continue to increase each year by an inflationary escalator as determined by the United States Internal Revenue Service until the fee is no longer applicable in 2019. In addition to the PCORI fee, in 2014, the Consortium was subject to the ACA Transitional Reinsurance Program Fee which required the Consortium to pay \$316,764 during the fiscal year.
- The Board of Directors is also keeping a close eye on the effect of continuing decreases in Medicare and Medicaid reimbursements to medical facilities and practitioners will have on the Consortium's paid claims expenses. The main concern is that these same providers of care will seek higher reimbursements from the third party administrators and insurance companies to make up for the losses in Medicare and Medicaid revenue. It is likely that these pressures will lead to contentious negotiations on network reimbursement rates which could also impact the overall provider network. Although the Consortium does not foresee any immediate financial issues related to this situation, the Board of Directors will continue to monitor paid claims and other data to ensure they make well informed and educated decisions regarding the financial structure of the plans.

**Statement of Position**

Greater Tompkins County Municipal Health Insurance Consortium  
Statements of Net Position - December 31,

	2014	2013
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$7,958,073	\$3,563,863
Accounts receivable - stop loss and drug rebates	540,237	429,354
Accounts receivable - ancillary benefits	-0-	9,136
Premiums receivable	36,379	277,412
Prepaid expenses	997	-0-
Total Current Assets	8,535,686	4,279,765
<b>OTHER ASSETS</b>		
Noncurrent Assets:		
Premium claims deposit	953,700	908,100
Restricted cash and cash equivalents	5,953,618	5,947,189
Total Other Assets	6,907,318	6,855,289
Total Assets	15,443,004	11,135,054
<b>LIABILITIES</b>		
Current Liabilities:		
Incurred claims liability:		
Incurred liability	3,520,046	3,204,729
Claims payable	280,293	369,664
Total Incurred Claims Liability	3,800,339	3,574,393

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Accounts payable	386,786	315,382
Unearned revenues	355,180	196,396
Total Current Liabilities	4,542,305	4,086,171
Total Liabilities	4,542,305	4,086,171
<b>NET POSITION</b>		
Restricted for contingency reserve - Section 4706(a)(5)	1,803,165	1,725,384
Catastrophic claims reserve	606,898	600,000
Adjustment for incurred but not reported claims	(1,039,180)	(824,545)
Subtotal	1,370,883	1,500,839
Unassigned	9,529,816	5,548,044
Total Net Position	\$10,900,699	\$7,048,883

Statements of Revenues, Expenses, and Changes in Net Position  
For the Years Ended December 31,

	2014	2013
Operating Revenues:		
Premiums	\$36,063,291	\$34,507,670
Aggregate write-ins for other revenues	134,659	146,563
Total Operating Revenues	36,197,950	34,654,233
Operating Expenses:		
Claims expense	29,755,490	28,013,757
Reinsurance expenses, net	836,935	310,713
Administrative fees	988,796	939,946
Aggregate write-ins for other expenses	562,919	610,890
Total Operating Expenses	32,144,140	29,875,306
Excess of Operating Revenues Before Non-operating Revenue (Expense)	4,053,810	4,778,927
Non-operating Revenue (Expense):		
Interest earnings	12,641	9,871
Interest (expense)	-0-	(119,426)
Total Non-operating Revenue (Expense)	12,641	(109,555)
Change in Net Position	4,066,451	4,669,372
Net Position, January 1,	7,048,883	4,626,192
Capital contributed (returned)	-0-	(1,422,136)
Adjustment for incurred but not reported claims	(214,635)	(824,545)
Net Position, December 31,	\$10,900,699	\$7,048,883

## Goals for 2015:

- Creation of remaining look alike “metal level” plans from Affordable Care.
- Complete required review of Municipal Cooperative Agreement.
- Continue to research and establish reserve and fund balance policy.
- Continue Consortium community education of the operations of a Health Insurance Company.
- Continue due diligence to ensure compliance with benefit plans and statutory regulations.
- Continue to explore wellness opportunities.

## 2014 Board of Directors

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Judith Drake, Chair	Town of Ithaca	<a href="mailto:jdrake@town.ithaca.ny.us">jdrake@town.ithaca.ny.us</a>
Rordan Hart, Vice Chair	Village of Trumansburg	<a href="mailto:hart@trumansburg-ny.gov">hart@trumansburg-ny.gov</a>
Steven Thayer, Chief Fiscal Officer	City of Ithaca	<a href="mailto:stevet@cityofithaca.org">stevet@cityofithaca.org</a>
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Scott Weatherby	Chair, Joint Comm. on Plan Structure and Design	<a href="mailto:weathes@tc3.edu">weathes@tc3.edu</a>
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\* Membership changed in 2015

Consortium website: [www.tompkinscountyny.gov/hconsortium](http://www.tompkinscountyny.gov/hconsortium)

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Respectfully submitted:

Judy Drake  
Chair of Board of Directors

Don Barber  
Executive Director