

**Audit and Finance Committee  
June 26, 2018 – 3:30 p.m. - Approved  
Old Jail Conference Room**

Present: Mack Cook, Steve Thayer, Peter Salton, Bud Shattuck, Laura Shawley (arrived at 3:35 p.m.), Chuck Rankin, Rordan Hart, Olivia Hersey

Excused: Ann Rider,

Guests: Judy Drake, Board of Directors Chair; Don Barber, Executive Director; Judy Taber, Locey & Cahill (via conference call); Rick Snyder, Treasurer

**Call to Order**

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

**Changes to the Agenda**

The following resolutions were added to the agenda:

- Authorizing Chairperson of the Board to Sign the Municipal Health Financing Cooperative Intermunicipal Agreement
- Authorizing Acceptance of Application by the Village of Horseheads to Become a Participant in the Greater Tompkins County Municipal Health Insurance Consortium

**Approval of Minutes of May 22, 2018**

It was MOVED by Mr. Shattuck, seconded by Mr. Thayer, and unanimously adopted by voice vote by members present with Mr. Salton abstaining, to approve the minutes of May 22, 2018 as corrected. MINUTES APPROVED.

**Executive Director's Report**

**Department of Financial Services Communication (DFS)**

Mr. Barber said he hasn't heard from DFS this month; however, there are two items outstanding. The first relates to the Conflict of Interest Policy and the other is acknowledgement by the Board of Directors that they have received the Audit Examination report.

**Other Committees**

He reported the Online Enrollment e-mail has gone out to all employers requesting them to respond whether they or the Consortium will do their online enrollment.

Mrs. Shawley arrived at this time.

He reported on the Investment Management RFP status and said 19 firms inquired about it and six submitted responses. He provided a spreadsheet containing an overview of each responder. The Review Committee will meet in a few weeks and will be discussing a variety of options.

**Potential Members**

Mr. Barber reported on the status of potential members:

Village of Horseheads – ready to be accepted (30 covered lives)

Town of Big Flats – very interested and has submitted all documents (30 covered lives)

Village of Freeville – very interested and has submitted all documents (30 covered lives)

Village of Lansing – very interested and likely to adopt a resolution this month

Town of Sennet - plan comparisons have been sent

Town of Horseheads – plan comparisons have been sent

Seneca County – Mr. Barber has met with them and they are very interested; more information will be known after a meeting they are having with three unions

Currently, there is a total of 31 municipalities in the Consortium.

New York State Legislation

Mr. Barber reported on Legislation being proposed by State to change the definition of the groups that can join the Consortium. In the proposed legislation the term "District" in an Article 47 would include Urban Renewal agencies, public libraries, and other quasi government agencies receiving at least 50% of funding from a general purpose local government. The Legislation passed the NYS Senate but has not been considered by the Assembly.

Mr. Barber said the Stop-Loss carrier underwrites each partner as if they were not in MHFC (Municipal Healthcare Financing Cooperative) to determine annual Stop-Loss premium. Under the terms of the Stop-Loss agreements, a portion (~65%) of the Stop-Loss premiums collected is ceded to a Captive Manager. The ceded premium then varies by underwriting factors, including deductible and claims experience. Any partners' subscriber claim invoice, which exceed the partner's specific deductible, would be sent to the Stop-Loss carrier by its Claims Administrator who would send an invoice to the Captive Manager for claims expense in that captive layer. This proceeds until the end of the year (July of following year to allow IBNR to run-out). At that point, any excess funds held by the Captive Manager would be returned to the partners on a pro-rata share of premiums paid.

As a condition to having access to the return of premium, the partners are each required to post in a letter of credit equal to 20% of the annual premium. For the Consortium's instance this would be roughly \$100,000 against its Catastrophic Claims Reserve which is currently \$2,000,000. Should total claims expense of that year, from all partners, in the Captive layer exceed total ceded premium, there will be a call by the Captive Manager for each partner, on a pro-rata basis, for all or a portion of their collateral. (In the event of a call, the collateral will need to be fully funded for the next annual cycle.) Should captive claims expense exceed premiums and posted collateral, the Stop-Loss carrier pays 100% of all claims expense going forward in that year.

Mr. Barber said a resolution from each municipal partner that intends to join has been requested which will allow them to move forward with getting a structure in place. He noted signing the Intermunicipal Agreement does not commit the Consortium to anything other than attending meetings and helping to direct how the HFC is constructed. The Consortium would have to take another action in the Fall and every year thereafter to participate.

**Resolution No. - Authorizing Chairperson of the Board to sign the Municipal Healthcare Financing Cooperative Inter-Municipal Agreement**

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

WHEREAS, since inception the Consortium has paid \$4.2 million in Stop-Loss premium which has paid \$2.1 million of claims expense above the Consortium deductible, and

WHEREAS, \$1.1 million of the Stop-Loss claims spend was in 2012, which demonstrates why Stop-Loss insurance is critical, and the other six years total \$1 million of Stop-Loss claims expense, and

WHEREAS, creating a self-funded captive layer above the specific deductible will allow the Consortium recoup premium expense in years of low Stop-Loss claims expense, and

WHEREAS, the New York State Association of Counties (NYSAC) has identified four to seven self-funded consortiums and counties that are willing to pursue the captive layer model for 2019, and

WHEREAS, this group of interested partners need to know, by Board resolution authorizing the signing of the Inter-Municipal Agreement (IMA), which municipalities are willing to commit to the process of sharing data, developing bylaws, and agreements with a Stop-Loss carrier, consultant, and Captive Manager to create a Municipal Healthcare Financing Cooperative (MHFC), and

WHEREAS, there are no anticipated costs for forming MHFC, and

WHEREAS, the act of signing the IMA is a commitment to be a partner in the creation of the MHFC and is not a commitment to enter into the captive, now therefore be it

RESOLVED, That the Audit and Finance Committee recommends That the Board of Directors authorize its Chairperson to sign the attached Inter-Municipal Agreement.

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#### Invoices

The following invoices were presented for information only:

Photography (Michael Grace-Martin) – June 7, 2018	\$ 250
Hancock Estabrook – June 8, 2018	\$2,532.50

It was MOVED by Mr. Cook, seconded by Mr. Shattuck, and unanimously adopted by voice vote to approve payment of an invoice for Bonadio & Co., LLP dated May 31, 2018 in the amount of \$4,316.25. MOTION CARRIED.

Mr. Barber said at a recent NYSAC meeting he learned that Green Mountain has been taken out and Berkley will be managing the captive layer. There previously was discussion about the protected cell model where each partner would have their own protected cell and although purchasing insurance through the captive layer collectively, they would keep their own accountant. The new model has a segregated account with all partners separated out but treated as one community. He said three contracts will be coming forward: Stop Loss policy with Berkley, a reinsurance agreement between Berkley and the captive, and an intermunicipal agreement between partners. When those are received he will forward them to Mr. Locey, Mr. Powers, and the Committee.

Ms. Rider arrived at this time.

#### Financial Report

Ms. Taber reviewed items contained in a financial update Mr. Locey provided to the Committee and said the budget is in relatively good shape. Claims costs for the month of May were slightly higher than expected; however, at this point it doesn't cause alarm because there is a trend for claims being higher in the month of May.

Mr. Barber referred to assumptions contained at the bottom of the budget projection spreadsheet showing the medical paid claims trend now being 5.5% and prescription drug at 8.5%; last year the numbers were 7.5% for medical and 9.5% for prescription drug. He asked

what the reason is for the drop in these numbers. He also noted Aggregate Stop Loss can be removed from the spreadsheet.

Mr. Barber noted the report now reflects drug rebates in the amount of almost \$500,000 that have come in since the last meeting. He said Mr. Locey provided a large loss report showing to date in 2018 there have been seven claimants with claims above \$100,000.

In response to a question by Ms. Drake as to whether the budget includes BMI audit fees and the Wellness Consultant, Mr. Snyder said BMI is included in the audit line. Mr. Locey will be asked to elaborate on assumptions 4 (claims trends) and 8 (Aggregate Stop Loss), and the makeup of the auditing and consulting fees.

**RESOLUTION NO. - 2018 – AUTHORIZE EXTENSION OF CONTRACT FOR MEDICAL CLAIMS AUDITING SERVICES – BMI MEDICAL CLAIMS AUDITING SERVICES**

MOVED by Ms. Hersey, seconded by Mr. Thayer.

Mr. Barber said Mr. Locey is recommending the resolution contain a “not to exceed” amount and that BMI increase the number of claims audited increase from 200 that were done in the last audit; Mr. Barber suggested 250 and also noted the last contract with BMI for the claims audit was \$46,500. Ms. Taber said since this would be the third audit BMI will do of medical claims Mr. Locey thinks it will require far less time to conduct the audit and the process. Changes to the last Resolved and an additional Resolved were accepted as friendly amendments to the resolution based on these recommendations.

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

WHEREAS, The Greater Tompkins County Municipal Health Insurance Consortium (“Consortium”) is a self-insured municipal cooperative health benefits plan operating pursuant to a Certificate of Authority issued in accordance with Article 47 of the New York State Health Insurance Law, and

WHEREAS, being a self-insured medical plan the Consortium is responsible for the payment of claims as adjudicated by the Third Party Administrator, currently Excellus Blue Cross Blue Shield, and

WHEREAS the Board of Directors believes that it is part of their fiduciary responsibility to conduct periodic medical claims audits to ensure the medical claims are paid by Excellus are in accordance with the benefit plan documents, Federal and State Laws, Rules, and Regulations, and industry standard practices, and

WHEREAS, a Request for Proposals for Medical Claims Auditing Services was issued on May 6, 2016 and by Resolution No. 014-2014 a contract was awarded to BMI Auditing Services to perform medical claims auditing services for the Consortium for the 2016 Fiscal Year, and

WHEREAS, upon satisfactory completion of the terms of the contract, Resolution No. 014-2014 authorized an extension of the contract for 2018 Fiscal Year, and

WHEREAS, the Executive Director and Consultant have recommended the contract be extended for the purpose of performing an audit of 2016-2017 medical claims, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee, That a contract for 2016-2017 medical claims auditing services with a minimum sampling size of 250 be awarded to BMI for the 2018 Fiscal Year for an amount not to exceed \$42,500,

RESOLVED, further, That the Chair of the Board of Directors, Benefit Plan Consultant, and the Executive Director are authorized to finalize terms of the agreement.

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**RESOLUTION NO. – 2018 – APPROVAL OF ADJUSTMENTS TO THE SILVER METAL LEVEL PLAN**

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

Ms. Hersey explained this resolution approves changes in deductible levels for the Silver Metal Level Plan to bring it in-line with the required actuarial value range. The Joint Committee on Plan Structure and Design spend a good amount of time discussing this and coming up with a recommendation that would not require the plan to be changed next year. She said they also received feedback from the municipalities that offer this plan.

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

WHEREAS, data entered into the federal actuarial calculator indicates the Consortium's Silver Plan's actuarial value for 2019 will be 72.64% which exceeds the Plan's limit of 72%, and

WHEREAS, the three Participating Consortium employers enrolled in the Silver Metal Level Plan have been participating in the deliberations of benefit changes to their Plan, and

WHEREAS, Silver Metal Level Plan benefit plan adjustment to increase the in-network deductible for single from \$1,800 to \$2,200 and family coverage from \$3,600 to \$4,400 has a 2019 actuarial value of 71.11%, now therefore be it

RESOLVED, on recommendation of the Joint Committee on Plan Structure and Design and the Audit and Finance Committee, That the Board of Directors approves an adjustment to the Silver Metal Level Plan to increase the in-network deductible for single from \$1,800 to \$2,200 and family coverage from \$3,600 to \$4,400 and to increase the Out-of-Network deductible for single from \$3,600 to \$4,400 and family coverage from \$7,200 to \$8,800, effective January 1, 2019.

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**RESOLUTION NO. – 2018 – RESOLUTION OF THE BOARD OF DIRECTORS OF THE GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM – AMENDMENT TO CONFLICT OF INTEREST POLICY**

Mr. Barber said this resolution came up as a result of the Examination Report from DFS. It adds new language that requires Directors and Officers to annually complete a Conflict of Interest Disclosure. During discussion of the resolution concerns were raised over several sections of the resolution and form. Questions were raised as to:

- How someone could be required to complete the form Prior to an election, appointment or employment to serve on the Board;

- The question on the form "Are you, or to your knowledge is any relative, a member of the Board of Directors, an officer, key employee, or consultant to, or have any other interest in any other business entity other than the Consortium?"
- Who will review completed forms.

It was stated that although the proposed form is similar to the County's there are differences. Ms. Drake said she believes the form proposed originated with John Powers, the Consortium's legal counsel. Mr. Barber said he would look into where the proposed form originated.

It was MOVED by Mr. Salton, seconded by Ms. Hersey, and unanimously adopted by voice vote by members present, to Table the resolution to the next meeting. MOTION TO TABLE CARRIED. Mr. Cook will request the resolution be withdrawn at the June 28, 2018 Board of Directors meeting.

WHEREAS, on February 27, 2014, the Board of Directors of the Greater Tompkins County Municipal Health Insurance Consortium ("GTCMHIC" or "Consortium") adopted a Code of Ethics and Conflict of Interest Policy (Resolution No. 001 of 2014), and

WHEREAS, the New York State Department of Financial Services has recommended that the Consortium implement, as a good business practice, a process whereby board directors, officers, and key employees review and execute annual conflict of interest disclosure and acknowledgement forms, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee, That the Consortium's Code of Ethics and Conflict of Interest Policy dated February 27, 2014 is amended to include the following additional paragraph "17" and appended Exhibit "A":

"17. Prior to the election, appointment or employment of individuals to serve as an officer, director or key employee of the Consortium, and each successive year thereafter, such officer, director and key employee shall complete and execute a Disclosure and Acknowledgment Form, substantially consistent to the form attached hereto as Exhibit "A" or as modified from time to time thereafter. Such completed forms shall be kept as organizational records of the Consortium. For purposes of this policy, (i) the terms "officer" and "director" shall have the same meaning as set forth in the Municipal Cooperative Agreement, dated October 1, 2010; and (ii) the term "key employee" shall mean any employee of the Consortium with executive or managerial capacity."

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**RESOLUTION NO. - 2018 - ACCEPTANCE OF APPLICATION BY THE VILLAGE OF HORSEHEADS TO BECOME A PARTICIPANT IN THE GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM**

MOVED by Mr. Rankin, seconded by Ms. Hersey, and unanimously adopted by voice vote by members present. It was noted that

WHEREAS, by Resolution No. 005 of 2012 and amended by Resolution No. 27 of 2014 the Consortium Board of Directors adopted a policy outlining a process of applying for membership to the Consortium, and

WHEREAS, the Village of Horseheads has submitted an official resolution authorizing the Village of Horseheads to join the Consortium in accordance with the terms and conditions outlined in the Municipal Cooperative Agreement, and

WHEREAS, the Village of Horseheads has complied with membership process outlined in Resolution No. 005 of 2012 and amended by Resolution No. 027 of 2014 and has submitted copies of financial reports which have been reviewed and found acceptable by the Consortium's Treasurer, Chief Financial Officer and/or the Consortium's Auditor, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee of the Greater Tompkins County Municipal Health Insurance Consortium, That the Board of Directors hereby accepts and welcomes the Village of Horseheads as the 32<sup>nd</sup> municipal participant, with health insurance coverage beginning January 1, 2019.

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### **Non-compliance with MCA Requirement of all Contracts**

Ms. Taber said the Municipal Cooperative Agreement states that participation in plans by some but not the whole of the bargaining units or employee groups of a Participant is not encouraged and shall not be permitted absent prior Board approval. As more and more groups are seeking to consider the Consortium as the option for their health insurance this becomes an important issue to the Consortium in that the Consortium doesn't want to have groups providing it with adverse risk. She said Mr. Locey provided the Committee with a report showing the average costs based on different age bands for the purpose of showing how it is possible for a group to offer incentives to certain groups not to participate in the overall Consortium because they are low risk and might benefit from cheaper premiums elsewhere, leaving the Consortium with the risk that could add additional costs to premiums for everyone.

Ms. Taber said there are groups that might take their Medicare-age population and offer them a Medicare Advantage plan rather than join the Consortium and participate in one of its plans. Mr. Cook said if the Consortium moves forward with a policy it is important to remember that the 65 or older employees whether working or not are very important to the Consortium's financial make-up because of the subsidy. He said the Consortium should be very cautious about groups that do not want to bring retirees in with them.

Mr. Cook asked for comments from the Committee on whether a policy on this should be established. It was noted that there currently are a few groups that were not brought in and there would need to be a discussion of how to address those. Ms. Drake suggested the Consortium follow the MCA and referred to the resolution accepting the Town of Owasco that specifically stated they did not have to bring their retirees. She said this should either be done when they are accepted, or the Consortium could accept a municipality but make an assessment for the employees who are brought on because they did not bring their retirees or a bargaining unit.

Mr. Snyder said he would like to know if Mr. Locey is aware of any other groups imposing a risk assessment charge. Mr. Salton said he would like to see information on the different types of groups (collective bargaining groups, etc.) this could apply to and demographics,

Mr. Barber said Mr. Locey has suggested that all municipal partners be asked to provide information on what contracts they have they are not covered by the Consortium.

It was the consensus of the Committee that this should be explored further. Ms. Drake said it is important that this be addressed soon as there are many groups looking at the Consortium of which some are counties. She added that if a decision is made to assess a fee there will also need to be time spent developing what that fee would be. Mr. Cook noted that the Consortium has a limited number of lives but a large number of employers and one major new participant has the ability of moving the risk profile.

The Committee felt it would be helpful to do a survey of existing municipalities in the Consortium to find out what groups they have and what their health insurance cost arrangement is with employees and retirees. Mr. Barber was asked to develop a survey. This will continue to be discussed at the next meeting.

**Unfinished Business**

There was no unfinished business.

**Next Agenda Items**

The following items will be included on the next agenda:

- Conflict of Interest Resolution
- Analysis of claims and costs by demographic groups and exclusion of a population from the Consortium;
- Resolutions to accept new members;
- 2019 Budget;
- The number of plans an employer can offer;
- Update on the Investment Management Services contract
- 1094 and 1095 (September agenda)

**Adjournment**

The meeting adjourned at 5:24 p.m.