

MINUTES - APPROVED
Finance Committee
December 17, 2013 – 9 a.m.
Scott Heyman Conference Room

Present: Don Barber, Jared Pittman, Mack Cook
Guests: Judy Drake, Rick Snyder, Steve Locey
Excused: Glen Morey

Call to Order

Mr. Barber called the meeting to order at 9:00 a.m.

Approval of Minutes of October 15, 2013

It was MOVED by Mr. Barber, seconded by Mr. Pittman, and unanimously adopted by voice vote, to approve the minutes of October 15, 2013 as presented. MINUTES APPROVED.

Bonadio Contract

Mr. Barber said the existing contract will take the Consortium through 2013. The goal was to transfer to a system using Quickbooks to put quarterly reports together. He had spoken to the Bonadio Group and they are willing to transition to a point where the Consortium is able to do these reports. They would still do the 2013 year-end report. Mr. Snyder spoke in support of this plan.

Committee Meeting Schedule

The Committee agreed to continue meeting on the third Tuesday of each month in 2014.

Mr. Barber will announce the vacancy created as Ms. Karns is no longer on the Board of Directors. Ms. Drake suggested the Committee consider merging at some point with the Audit Committee. Mr. Barber will mention this at the Board of Directors meeting next week.

Final Accounting and Payout of Initial Assessment by Municipalities

Mr. Cook asked if the State could stop this and Mr. Barber said it could not. Mr. Cook said his only concern is once the checks are written the money cannot come back. Mr. Barber agreed and said in looking at three years of claim history the budget has been remarkably close to what was projected. Mr. Snyder said this will help municipalities in terms of cash flow.

**RESOLUTION NO. 016-2013 – AUTHORIZING CONSORTIUM TREASURER TO
ISSUE PAYMENTS TO PARTICIPATING MUNI-
CIPALITIES TO REFUND INITIAL ASSESSMENTS
WITH INTEREST (CAPITALIZATION RESERVE)**

It was MOVED by Mr. Barber, seconded by Mr. Pittman, and unanimously adopted by voice vote by members present to recommend approval of this resolution to the Board of Directors.

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WHEREAS, initial assessments were required by the New York State Department of Financial Services to fully fund the surplus account (Capitalization Reserve) prior to the Department's issuance of the Consortium's Certificate of Authority, and

WHEREAS, it has always been the intent of the Consortium Board of Directors to refund each participating municipality the exact dollar amount of its initial assessment along with an interest payment equal to 3% per annum, and

WHEREAS, after careful evaluation of the Consortium's fiscal condition a plan has been developed to refund this capital with interest in one installment prior to the close of the 2013 fiscal year, and

WHEREAS, the repayment of this initial assessment will conclude a financial inconsistency and result in an equitable and consistent sharing of all assets and liabilities on a prorated premium basis, and

WHEREAS, the New York State Department of Financial Services was notified on November 12, 2013 of the Consortium's plan to refund the participating municipalities their share of the initial assessments paid to the Consortium, now therefore be it

RESOLVED, on recommendation of the Finance Committee, That the Board of Directors extends its gratitude to participating municipalities for their contribution of the initial assessments and directs the Consortium Treasurer to issue payments to participating municipalities to refund initial assessments along with interest prior to December 31, 2013.

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It was MOVED by Mr. Barber, seconded by Mr. Pittman, and unanimously adopted by voice vote by members present to recommend approval of this repayment schedule to the Board of Directors.

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Greater Tompkins County Municipal Health Insurance Consortium (GTCMHIC)
2010-2013 Capitalization Payments (as of 12-31-2013)

Entry Date	Date of Investment	Entity Name	% of Premium Estimate 2010	Initial Investment Pro-Rata Share	Initial Investment (actual)	Percent Ownership 2011 and 2012	Percent Ownership 2013	Amount Earned on Investment as of 12/31/2012	Amount Earned on Investment as of 12/31/2013	Total Investment Value	Amount Paid	Balance Due
1/1/2013	10/1/2012	City of Cortland	n/a	n/a	\$180,000.00	0.00%	12.66%	\$0.00	\$5,682.98	\$185,682.98		\$185,682.98
1/1/2011	10/1/2010	City of Ithaca	34.97%	\$427,944.15	\$300,000.00	24.52%	21.10%	\$18,270.00	\$9,471.64	\$327,741.64		\$327,741.64
1/1/2011	10/1/2010	County of Tompkins	54.55%	\$667,566.34	\$500,000.00	40.86%	35.16%	\$30,450.00	\$15,786.06	\$546,236.06		\$546,236.06
1/1/2011	10/1/2010	Town of Caroline	0.50%	\$6,132.14	\$37,000.00	3.02%	2.60%	\$2,253.30	\$1,168.17	\$40,421.47		\$40,421.47
1/1/2011	10/1/2010	Town of Danby	0.33%	\$4,057.91	\$62,000.00	5.07%	4.36%	\$3,775.80	\$1,957.47	\$67,733.27		\$67,733.27
1/1/2011	10/1/2010	Town of Dryden	1.88%	\$22,962.18	\$137,032.00	11.20%	9.64%	\$8,345.25	\$4,326.39	\$149,703.64		\$149,703.64
1/1/2011	10/1/2010	Town of Enfield	0.21%	\$2,519.67	\$2,520.00	0.21%	0.18%	\$153.47	\$79.56	\$2,753.03		\$2,753.03
1/1/2011	10/1/2010	Town of Groton	0.52%	\$6,304.69	\$6,305.00	0.52%	0.44%	\$383.97	\$199.06	\$6,888.04		\$6,888.04
1/1/2011	10/1/2010	Town of Ithaca	3.63%	\$44,404.48	\$137,033.00	11.20%	9.64%	\$8,345.31	\$4,326.42	\$149,704.73		\$149,704.73
1/1/2013	12/1/2012	Town of Lansing	n/a	n/a	\$18,400.00	0.00%	1.29%	\$0.00	\$580.93	\$18,980.93		\$18,980.93
1/1/2011	10/1/2010	Town of Ulysses	0.46%	\$5,658.56	\$5,659.00	0.46%	0.40%	\$344.63	\$178.67	\$6,182.30		\$6,182.30
1/1/2011	10/1/2010	Village of Cayuga Heights	1.47%	\$18,040.32	\$18,040.00	1.47%	1.27%	\$1,098.64	\$569.56	\$19,708.20		\$19,708.20
1/1/2011	10/1/2010	Village of Dryden	0.50%	\$6,067.28	\$6,067.00	0.50%	0.43%	\$369.48	\$191.55	\$6,628.03		\$6,628.03
1/1/2011	10/1/2010	Village of Groton	0.62%	\$7,545.56	\$7,545.00	0.62%	0.53%	\$459.49	\$238.21	\$8,242.70		\$8,242.70
1/1/2011	10/1/2010	Village of Trumansburg	0.37%	\$4,535.17	\$4,535.00	0.37%	0.32%	\$276.18	\$143.18	\$4,954.36		\$4,954.36
Totals			100.00%	\$1,223,738.45	\$1,422,136.00	100.00%	100.00%	\$74,525.52	\$44,899.85	\$1,541,561.37	\$0.00	\$1,541,561.37
Interest Earned (Consortium) as of 12/31/2013					\$110,872.85							
Interest Earned (Bank) as of 12/31/2013 (estimated)					\$8,552.52							
Bank Charges					\$0.00							
Total Capitalization					\$1,541,561.37							

Medicare Supplement

The Committee briefly reviewed the responses that were received to questions that were asked of individual municipalities to find out what insurance is currently provided to retirees. From the responses received Mr. Barber said it appears municipalities would like the Consortium to offer some type of Medicare supplement. He spoke of an analysis done by Locey and Cahill and stated the amount of fund balance contributed by retiree premiums was less than \$50,000. He said because the cost of prescriptions continues to rise this population is not out of the range of the active employees.

Mr. Pittman asked where the Consortium is in terms of a time frame for this. Mr. Barber said the Consultant has been providing the numbers and does not feel there is any savings to providing a Medicare supplement. In the private sector there is a much lower cost Medicare supplement available; the Consultant feels that it is being subsidized by other insurance lines and when the subsidy is taken away there won't be much of a savings.

Mr. Locey arrived at this time.

Financial Report

Mr. Locey distributed medical and prescription claims information through November 30, 2103. He said in the first year the paid claims were \$22.2 million, the total incurred claims were almost \$24 million (\$1.8 million difference). In the second year the numbers are close to the same. One of the arguments the Consortium first had with the Department of Financial Services was that the first year was not going to look like other years. He said the Consortium argued that the State was over-counting the reserve liability which ended where it was expected it would be. He said the paid claims through 2013 at this time is \$26 million; those claims that were actually incurred in 2013 were only \$24 million. After the first couple of months he expects this figure will jump to \$26 million and this will continue moving forward. For 2013 the data

shows the Consortium to \$2,044,664 in claims that were incurred in 2012 (8.05%). The State required the Consortium to have 12% in an IBNR Reserve.

Mr. Locey distributed the 2013 Treasurers Report data through October 31, 2013 and reported the net income was over \$5 million for 2013. This brings the ending balance up to \$11 million with an unencumbered balance of \$5.6 million. With this information Mr. Locey said he feels very comfortable in returning the capitalization payments to municipalities.

Mr. Locey spoke of additional expenses and said the first ACA Fee was paid in 2013, another will be incurred in 2014 for the Transitional Reinsurance Program Fee which is equal to \$60 per covered life for the year (\$300,000). He reported this fee was expected to be for 2014, 2015, and 2016 for both insured and self-insured groups; however, it has been decided that for self-insured groups it will only apply for 2014.

Mr. Locey reported on budgeted versus actual expenses and said revenue is up by almost 15% because of medical plan premiums because the addition of the City of Cortland and Town of Lansing were not initially factored into the budget. It was anticipated that paid claims expenses would go up slightly, however, medical claims are on budget and prescription drug claims are 5% below budget. In the end the Consortium is 4.76% over budget in claims but is 14.86% over budget in revenue. He also noted that paid claims represent 92.56% of the total expense budget.

Stop Loss

Mr. Locey distributed information on stop loss insurance quotes. At this time Highmark is the only company that has provided a quote and has given two options. He explained that one individual has been identified as being a major concern in terms of expense. Highmark has indicated that they want to remain with the Consortium even though they have lost money in the first couple of years as that would be the only way for the company to recoup any of its loss. The first option is a Laser which takes the one claimant and will apply a different deductible of \$1 million. This means once that individual's claims reach \$1 million the insurance will kick in. For everyone else they have provided deductibles of \$300,000 \$350,000 and \$400,000. It was noted a catastrophic reserve is being proposed to be created in 2014 and could be used for this claim. Mr. Locey recommended for 2014 that the Consortium go with the Laser plan and stick with the \$300,000 deductible and to not go above the \$350,000 level.

Mr. Cook agreed with Mr. Locey's recommendation and said he thinks the Consortium is still too young as an organization and is still building reserves and doesn't think the possible savings worth the risk. Mr. Locey said with stop loss insurance there is also a benefit to not jumping around. He said Highmark responds quickly to paying. They don't ask many questions and are a Blues organization. There are other stop loss carriers that ask a lot of questions and require a lot of data.

Mr. Pittman agreed with Mr. Cook and said he would prefer to stay at the \$300,000 level and go with the Laser Plan.

Mr. Locey noted there are no commissions or brokerage fees included in these quotes.

**RESOLUTION NO. 011-2013 - AUTHORIZATION TO PURCHASE INSURANCE
POLICIES: STOP LOSS, ERRORS AND**

**OMISSIONS, AND DIRECTORS AND OFFICERS
LIABILITY COVERAGE**

It was MOVED by Mr. Barber, seconded by Mr. Cook, and unanimously adopted by voice vote by members present to recommend approval of this resolution to the Board of Directors.

Whereas, the Consortium must select stop loss insurance, as required by Article 47 of New York State Insurance Law, and

Whereas, it is the desire of the Board of Directors to ensure liability coverage for the Consortium, the Board of Directors personally and professionally, and the participating municipalities, now therefore be it

Resolved, That upon recommendation of the Plan Consultant, Locey & Cahill, LLC and the Tompkins County Risk Manager, the Consortium shall purchase coverage for these insurance policies from the following for the period January 1, 2014 thru December 31, 2014:

- Stop-Loss Insurance for Medical and Prescription Drug Benefits that includes Aggregate Stop-Loss Insurance with an Aggregate Corridor of 125% with a specific stop loss deductible of \$300,000 with a Laser on one individual who will have a deductible of \$1 million (Highmark Insurance Company);
- Errors and Omissions Insurance (placed by insurance agent Haylor, Freyer and Coon);
- Directors and Officers Liability Insurance (placed by insurance agent Haylor, Freyer and Coon)

Resolved, further, That the Plan Consultant is directed to provide the Administrative Clerk of the Consortium with a copy of each policy.

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Medicare Supplement

Mr. Locey said there was discussion at recent meetings of the Joint Committee on Plan Structure and Design about looking at different benefit models. He said when the Consortium first started all of the plans that existed at that time were combined to the greatest extent possible to limit the number of options coming in; however, there were still many different plans brought into the Consortium with some having very little difference in others. He reported on one of the things Locey and Cahill is working on for the Committee in addition to the Medicare supplement and distributed a document entitled 2014 Plan Options Analysis. With the exception of the County's Comprehensive Value Plan all of the plans within the Consortium are at the Platinum level. In order to provide more options for negotiating they have prepared information to show what a Gold, Silver, and Bronze plan would look like. In Affordable Care Act terms, Bronze is the baseline plan and what the Consortium is required to offer to comply with the employer mandate. There is a huge gap between where the Consortium currently is and where a bronze plan is. He said he does not want to see the Consortium end up and have to manage multiple different health insurance plans. He provided four plan options as a sample of what could be offered if approved by the State.

Mr. Cook said he is getting pressure on single families and spouses and asked if it would be possible to introduce into the pay structure a third-tier pay. Mr. Locey said typically these are the empty-nesters in the 50-64 year age group and the expenses of this group are typically greatly higher than everyone else. He can provide members with information they have compiled about this but noted that any reduction in cost by one group will be made up by others.

For the next Joint Committee meeting Mr. Locey will be presenting a model for a straight Medicare supplement plan without drug coverage and another with drug coverage. He said if the Board moves forward with this there will need to be a discussion of how a Medicare supplement would be offered. Ms. Drake suggested looking at plans that would be between the Platinum and Gold levels.

Adjournment

The meeting adjourned at 10:24 a.m.

Respectfully submitted by Michelle Pottorff, Administrative Clerk