

MINUTES
Finance Committee
May 20, 2014 – 9 a.m.
Scott Heyman Conference Room

Present: Rick Snyder, Acting Chair; Mack Cook Jared Pittman
Excused: Peter Salton, Glen Morey

Call to Order

Mr. Snyder called the meeting to order at 9:03 a.m.

Approval of Minutes of April 14, 2014

It was MOVED by Mr. Cook, seconded by Mr. Pittman, and unanimously adopted by voice vote by members present, to approve the minutes of the April 15, 2014 meeting. MINUTES APPROVED.

Reschedule of Next Meeting

There was a brief discussion of combining the meetings of the Finance and Audit Committees. There are a couple of unfinished items for the Audit Committee to wrap up; therefore, it was decided that the Committee jointly with the Audit Committee on June 19th at 1:30 p.m. and the Board will be asked at the next meeting to merge the two committees.

Financial Reports and Updates

Mr. Locey distributed a financial update for the first quarter and stated the budget is slightly under 5% of budget in medical claims after paying out \$5 million in April in claims due to an adjustment made due to a Blue Cross billing issue. Mr. Snyder spoke of a large check that he had to write for claims and said there may be a need to increase the limitations by banks on writing checks. Mr. Locey said this may need to be a future agenda item for the Committee as the Consortium has grown.

Mr. Locey reported the Consortium is a little below budget on revenue by approximately 2.5%; however, this is not alarming. There has not been as much received in prescription drug rebates as was expected, however, this may be being netted out of the claims on the prescription drug side and he will need to check on this. On the reports he provides to the Board of Directors he may move this to the income side if this proves to be the case. Mr. Snyder will speak with his staff and Mr. Shepard of the Bonadio Group to make sure everyone is treating these funds the same way.

Mr. Locey said the next agenda should include the PCORI (Patient Centered Outcomes Research Institute) fee calculation with approval of the forms which is required by July 15th. The Transitional Reinsurance Fee may also need to be approved as well. Mr. Locey said he will also be breaking out all of the fees on the reports.

Mr. Locey spoke of the financial health of the Consortium and said he thinks when the budget begins to be discussed that the Board will be looking at a very modest number. He will begin preparing preliminary budget projections to be discussed at the next meeting.

Mr. Locey distributed informaton showing 2011-2013 actual results broken down by a per contract per month and per covered life per month basis to demonstrate where revenues

and expenses are. He noted that for 2013 on a per contract basis the per contract claims expense was \$9,400 (the average expense for each contract insured under the Consortium); the total expenses were \$13,300 on a per contract basis. He said some of the fees have gone down on a per contract basis and also said there are benefits in having the economies of scale so there are advantages in the Consortium growing over time. He said once new plans are in place it may help with getting the other municipalities within Tompkins County to join the Consortium because one of their main reasons for not joining was related to unavailability of plan design issues.

Discussion of Investment and Reserves

Mr. Locey provided copies of a "Tompkins County Municipal Health Insurance Consortium Asset Allocation Analysis" dated May 2014 by PFM Asset Management LLC. He said he believes the document was provided by Mr. Barber due to his affiliation with NYMIR (New York Municipal Insurance Reserve) but noted that the Consortium may not be able to do some of the things NYMIR can do because it is an insurance company and the Consortium is a collection of municipalities running a self-insured health plan. Mr. Locey said after doing some research he sent an e-mail that addresses reserve funds and the investment of funds but is not specific in terms of restrictions and where money can be put.

He reported on an opinion that came out in 2003 to address a series of questions about municipal cooperative health benefit plans and one of the things it talked about was that most funds other than reserve funds for municipal cooperatives can be kept in separate bank accounts or in separate investment accounts. He said in asking if the money had to be separate they provided a detailed answer in that not only should the funds be segregated but New York State General Municipal Law goes on to define what can happen with the money in terms of investments and deposit accounts. He said it appears the Consortium is limited to the same restrictions as other municipalities are limited to in terms of investment. Mr. Locey also provided a copy of General Municipal Law Section 11 – temporary investments.

Mr. Locey suggested obtaining a legal opinion to find out whether the Consortium should follow Insurance Law or General Municipal Law with regard to investment of funds. Secondly, he said right now everything is in guaranteed interest-type accounts and the Consortium is not at risk of losing any funds. The question should be answered as to what the Consortium should risk in terms of the value of its assets and investment of funds.

Mr. Snyder agreed that a legal opinion should be sought and said there may be other vehicles out there that the Consortium could use to do better with its money. Mr. Locey said one thing that are doing is working with school district consortiums that they have as clients is trying to get the community rating in New York State changed. They are trying to get a provision added where a municipality can be exempted from the community rating law if they can participate in a municipal cooperative benefit plan whether insured or self-insured. One of the reasons the Consortium is an Article 47 and not the same set up as the school consortiums is because any employer if under 50 in New York State has to be community rated. They are now raising the threshold to 100 and many will be asked to leave because of the change in law. If the exemption were granted what could happen for the Consortium is that it could then compare Article 47 to a minimum type of premium setup to see which is more attractive in the long run. Because of the Affordable Care Act there are now some cost differences. There are also a lot of reporting differences and no involvement by the New York State Department of Financial Services.

Mr. Snyder asked members and there was agreement that the investment is not worth the risk and that the Consortium should stay with the stricter interpretation of investment until such a time something is learned from an attorney, auditor, or other party that shows something different. Mr. Locey suggested exploring different term certificates of deposits. Mr. Locey was asked to obtain a legal opinion on this.

Membership in the Consortium and Satisfying the Local Government Shared Services Cost Reduction Requirement/Threshold for Property Tax Rebate

Mr. Cook reported on information he received yesterday with regard to the New York State Governor's Budget and Tax Freeze. He said that participation in the Consortium may be the best vehicle for local governments to satisfy some requirements under the rules of the Tax Freeze. He reported from notes he took last evening at the State Comptroller's Office and Budget Office.

He provided a brief overview of the tax freeze and said taxpayers will receive a rebate that is equal to the local government's tax increase if such increase each year is less than the allowable cap. The allowable cap is the lower of two percent or the cost of the inflation six months prior to an entity's year-end. Starting in 2016 the local government must submit to the Budget Department a Local Government Efficiency Plan that projects a cost savings plan equal to one percent of the property tax levy for years 2017, 2018, and 2019. If an entity meets those requirement rebate checks will begin to flow to citizens on a phased in approach. School districts that stay within the tax cap do not have to submit a plan; rebates will begin to be distributed to residents in October, 2014.

Local government citizens will be eligible for rebates beginning in 2015 if governments stay within the tax cap and revoke local laws that are on the books allowing for an override. In 2016 rebates would be sent back to residents if the levy was within the cap, there is no local law on the books allowing for an override, and the local government has submitted both the proposed and adopted budget.

The local government must submit by June 15, 2015 to the State Budget Office an "efficiency" plan. An "efficiency" is an undefined term in the law. The plan must spell out a plan by which the local government reduces in 2017 1% of the tax levy, 1% in 2018, and 1% in 2019. It cannot be any other variation of that. Mr. Cook said participation in the Consortium may be the vehicle for local governments to achieve this as there will be a "look back" provision. The Department of Budget has said it is an undefined term as to how far back a government can go to demonstrate shared services. The Consortium goes back three years and the Department of Budget said yesterday that this would be such a plan that would qualify. The local governments, when doing their efficiency plan can either go alone or can go in concert with other local governments. They cannot file a plan where services are being shared with school districts. When it is done in concert, not every single government within the group has to meet the one percent savings.

Mr. Cook said once a plan has been placed on file and approved and the local government has done the other things necessary to stay within the tax cap in 2016 rebates will begin to flow in 2017. At the present time there is no verification that the plans will work for the rebates to be issued, they only have to add up to the required savings. Each of the entities do not need to meet the 1% savings mark as long as the aggregate totals 1%. Mr. Cook said he thinks the measurement will be in the aggregate with the Consortium versus what it would be in the aggregate without the Consortium.

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Mr. Cook said in moving forward there will need to be a determination of a rational methodology to determine the savings that has been achieved by the Consortium. Mr. Locey will begin to work on formulating a way to develop a cost savings figure. Mr. Cook will urge the New York State Conference of Mayors to push for not requiring specificity with these numbers.

Mr. Locey said there could be other expenses that could be done through the Consortium that might be a savings and gave GASBE as an example.

Approval of Bonadio Invoice

The Committee authorized payment of an invoice to the Bonadio Group in the amount of \$2,750 for professional services rendered in connection with QuickBooks assistance and for preparation of the first quarter financial filing.

Adjournment

The meeting adjourned at 10:24 a.m.

Respectfully submitted by Michelle Pottorff, Administrative Clerk