

**MINUTES OF THE
CAPE COD MUNICIPAL HEALTH GROUP**

STEERING COMMITTEE

Thursday, January 19, 2006 at 9:00 a.m.
Town of Sandwich Municipal Office Building
16 Jan Sebastian Drive
Sandwich, MA

MEETING MINUTES

A meeting of the Steering Committee of the Cape Cod Municipal Health Group (“CCMHG”) was held on Thursday, January 19, 2006, at the Town of Sandwich Municipal Office Building in Sandwich, MA. The following people attended the meeting.

Committee Members Present:

Robert Whritenour, Chairman	Town of Falmouth
Judie Jardin	Dukes County, retirees
Noreen Mavro-Flanders, Board Chair	Dukes County
David Withrow	Town of Orleans
Marie Buckner	Town of Sandwich
Francis “Skip” Finnell	Dennis Yarmouth RSD
Robert Canevazzi	Town of Dennis

Guests Present:

Roland “Bud” Breault	Town of Barnstable
Richard Bienvenue, CPA	CCMHG Treasurer
Bill Fraher	Bill Fraher, CPA
Anne Hart-Davies	Blue Cross Blue Shield of MA (BCBSMA)
William Hickey	Harvard Pilgrim Health Care (HPHC)
Anne Boisvert	Delta Dental Plan
Katie Hundt	Delta Dental Plan
Carol Cormier	Group Benefits Strategies (GBS)
Lisa Trombly	Group Benefits Strategies (GBS)

Chairman, Robert Whritenour called the meeting to order at 9:10 a.m.

Exit Interview with auditor, Bill Fraher, CPA – FY05 Audit:

Bill Fraher distributed financial statements for review. He said that he is issuing an unqualified clean opinion on the FY05 financial statements. He explained the cash to cash equivalence on page 1. He said it was down because of investments but that the cash investments are up from the prior year. Mr. Fraher stated that the liabilities are down a bit and are still stated fairly conservatively. He said overall it was a strong Balance Sheet.

Mr. Fraher reviewed the Claims Development (RSI) Schedule and Run Out Report. He stated that the actual claims paid after the year ended June 30, 2005 were \$5,829,502 through October 31, 2005.

Bill Fraher reviewed the comparison of claims paid in subsequent fiscal years to IBNR estimates per the general ledger and the financial statements from 2003-2005. He said the Group still has a cushion in the IBNR figure and that as of October 31, 2005 for the year ending June 30, 2005 the IBNR estimate was over the actual run-out claims expense by \$2,332,705.

Mr. Fraher said that he and Rich Bienvenue have been discussing the accounting systems that are used and that they feel it is worth considering an integrated system.

Rich Bienvenue said that the methodology in tracking receivables through an Excel spreadsheet and then journaling into a ledger is a weakness and that the Group may want to look into a combination ledger system.

Noreen Mavro-Flanders asked Mr. Bienvenue if he had any suggestions.

Mr. Bienvenue said that the Group would need to evaluate the impact and benefits. He said that currently he is using *Peachtree* but he thought it might be worth it to check into *Quickbooks*.

Bill Fraher stated that *Quickbooks* is basic but that it does the job.

Mr. Fraher added that it would be better to have one system for tracking and calling up a town account but that it was not a major need, just something to consider.

Bill Fraher said that the Group should have a policy on delinquency of payments because some accounts are notoriously late which isn't really fair to the towns that pay early or on time. He said the Group should have some recourse to this.

Bill Fraher also added that GASB40 was required to be implemented this year. He referred the Board to Note 3 on page 7 of the draft report. He explained that the investments of the Group needed to be broken down by type, maturity, and rating and that the risks of each investment should be addressed in the Group's policy or it would be noted that there was no investment policy regarding that particular risk.

Bob Whritenour asked if there are any written guidelines that have the wording necessary to address this situation with the investment policy.

Mr. Fraher said there is and that he can supply it but that CCMHG did not need to address every single risk associated with the investment.

Mr. Whritenour said that the Group does not want a note on the audited statements for everything so if there are any GASB exceptions and there is something the Group can do about them, then they want to do it.

Rich Bienvenue said that an example would be on page 7 where it notes the interest rate risk. He said that he didn't think CCMHG necessarily needs a policy on this because the Group leaves it up to the judgment of the investment professional.

Bill Fraher said the CCMHG's policy could simply state that the investment professional makes this decision on behalf of the Group.

Bob Whritenour asked if the Group could simply state its goal with regard to investments.

Bob Canevazzi stated that CCMHG might want to develop an identification of worst-case scenarios and re-write a policy on this.

Mr. Fraher said that GASB40 is not trying to make groups make a choice either way. It is just advising of the need to have a policy and a discussion on investments because people need to know how the Group goes about choosing its investments.

Bob Whritenour said that stating the Group does not have an investment policy with regards to a particular risk makes the Group sound like it is deficient. He said that the Group does have a policy and perhaps just a few additional paragraphs are needed.

Mr. Canevazzi asked if the Steering Committee is allowed to comment on the notes in the draft analysis.

Bill Fraher said that they can comment, but the written form would not really be changed. He said that there is some wiggle room and that if the Steering Committee felt strongly about something then he would give his professional opinion on that particular issue.

Dave Withrow suggested that language on this issue be added to the investment policy.

Noreen Mavro-Flanders said it was not a bad idea to review the investment policy periodically and make necessary changes.

Bob Whritenour said he didn't think the Group was looking to state how it wants to invest specifically but that it is willing to list or state the goals of the Group on investing.

Rich Bienvenue suggested that the Group say it has an Investment Subcommittee that monitors investments but it does not have a specific investment policy on selection of the investment vehicles and risks.

Mr. Fraher said that the Group should have a policy that states the risks to investments that are being made.

On another issue, Mr. Fraher stated that a SAS99 review is recommended. He said that SAS99 addresses fraud and the risk of fraud. He said the Group is susceptible to fraud and should be taking steps to prevent this from occurring.

Bill Fraher addressed the legal issue of the Canadian drugs. He said that he reviewed this issue and the approach the CCMHG has taken and does not feel this is of significant risk.

Mr. Fraher asked the Steering Committee members if they wanted to see the revised draft or if the changes to the current draft could be emailed to all members of the Steering Committee for review and comment.

Noreen Mavro-Flanders said emailing the changes would be good.

Bob Whritenour asked Mr. Fraher to send the Steering Committee information on initiating SAS99.

Rich Bienvenue said that he currently already does a lot to identify fraud risks and can elaborate on this if the Committee wants him to.

Mr. Whritenour stated that the one thing he looks forward to during the audit process is seeing on an incremental basis all of the concern the Steering Committee has on trying to figure out ways of addressing the issues brought to their attention. He said this shows how the Group is constantly striving to make improvements. He told Mr. Fraher to continue his honesty in the Management letter so that it better serves the Group, and he thanked him for his efforts.

Mr. Fraher said he appreciated this response. Mr. Fraher left the meeting at this time.

Minutes of the Steering Committee meeting of December 16, 2005:

Skip Finnell moved to accept the minutes of the December 16, 2005 meeting as written.

Motion

Dave Withrow seconded the motion. The motion passed by unanimous vote.

Noreen Mavro-Flanders asked what Mr. Fraher had said about the estimated IBNR to actual run-out claims.

Bob Whritenour said he thought Mr. Fraher stated that the CCMMHG couldn't get more efficient than it is.

Rich Bienvenue said that he thought Mr. Fraher said that the IBNR estimate could come down a bit.

Dave Withrow said that Mr. Fraher actually said that the IBNR estimates are still a little high but that it was stable. He said that Mr. Fraher recommended a small change to lower it.

Mr. Whritenour suggested that they wait a year and see where it goes.

Treasurer's Report:

Treasurer Rich Bienvenue reviewed the Status of Fund Balance vs. Target levels as of November 30, 2005. He said that due to the time spent on the audits he would review the December 2005 figures at the next meeting. Mr. Bienvenue reviewed the November statements (unaudited figures). He stated that the current IBNR calculated at two months for HPHC is just over \$2.8M and for BCBS it is just over \$11.1M. He said the combined total IBNR is just about \$14M. Mr. Bienvenue said that the total fund balance earned \$3.5M in 5 months.

Rich Bienvenue said that there was nothing remarkable to report with regard to the Income Statement.

Rich Bienvenue reviewed the Cash Flow Projection for the Trust Fund only. He said that he projects a combined ending balance of \$25.5M. He said that the ending balance for investments as of December 2005 was \$8.4M and that due to the changing of bank accounts from Bank North to Cape Cod Five, the Dental funds were placed into the Trust account. He said this accounts for approximately \$600K and will need to be transferred back into the dental account over February and March 2006.

Bob Whritenour said that the Group is up \$3.5M but that \$2.5M of that is attributable to the change in the IBNR calculation, reducing the liabilities.

There was a discussion regarding the investments and IBNR.

Rich Bienvenue said that the combined Fund Balance as of November 30, 2005 was \$17,757,803.

Bob Whritenour said the Group is aware that the Fund Balance is in excess of the target level.

Rich Bienvenue said that changing the IBNR calculation to 1.5 times average monthly claims may be too aggressive.

Further discussion regarding the IBNR calculation followed.

In discussing sources of revenue, Ms. Cormier stated that GBS is planning to file quarterly for the Medicare Part D Retiree Drug Subsidy for the FY07 plan year for the CCMHG and so the Group may end up receiving three or four subsidy checks during FY07.

Bob Canevazzi said that when reviewing the cash receipt analysis that November seems like a high collection period and wanted to know why that would have been. He asked if the date reflected was when the cash was actually received.

Rich Bienvenue said that November is more the norm and that it was actually the month of October that was more out of line from usual. He added that one very large employer is notoriously late on submitting its payments and that can make a big difference. Mr. Bienvenue said that some towns pay early, which throws the cash received off, too.

Mr. Canevazzi asked if Mr. Bienvenue saw any real problems with payments.

Mr. Bienvenue said that there is still a problem with Hyannis Fire District. He explained that the endorsement of a check for \$115K from the District was incorrect and that he had contacted the Hyannis Fire

District to get it resolved. He said that the District also owes \$80K and asked if a certified letter should be sent.

Dave Withrow suggested sending a certified letter to the Hyannis Fire District instructing them to issue payment or they could be terminated from the CCMHG.

Bob Canevazzi stated that he thought the policy mentioned a 60-day window and asked Ms. Cormier to verify.

Carol Cormier said that there is a policy about charging interest on late payments but up to this point there has been no enforcement of it. She said she believes this is in the Joint Purchase Agreement.

Skip Finnell asked if a consensus could be taken for the next meeting that if Hyannis Fire District does not issue payment by the date of the next meeting, the Steering Committee will consider terminating their participation in CCMHG by 6/30/06, and they will still owe the money to the Group.

Noreen Mavro-Flanders suggested giving the Hyannis Fire District 60 days to either issue payment or leave the CCMHG.

Bob Whritenour said that Hyannis Fire District needs to know that this has gotten the attention of the Steering Committee and that they need to issue the payment that is due to the CCMHG.

Ms. Cormier suggested that the letter come from Noreen Mavro-Flanders and Bob Whritenour explaining that this issue was brought to the CCMHG Steering Committee members and that the money is due to the Group. She further suggested that the letter include a description of the consequences if the fee is not paid.

Dave Withrow asked if the Steering Committee had the authority to terminate a unit or if they just had the authority to recommend to the Board to terminate.

Noreen Mavro-Flanders said that the Steering Committee could make a recommendation to the Board to terminate an employer for non-payment.

Bob Canevazzi asked how late the Hyannis Fire District is in submitting payment.

Rich Bienvenue stated that they were over a year late. He said that the letter would need to address that there are two different issues with payments; the \$80,000 that is over a year late and the check for \$115,000 which could not be cashed.

Warrant Summaries of December 2005 and January 2006:

Skip Finnell moved to accept the December 2005 Warrant Summary.

Motion

Judie Jardin seconded the motion. The motion passed by unanimous vote.

Skip Finnell moved to accept the January 2006 Warrant Summary.

Motion

Judie Jardin seconded the motion. The motion passed by unanimous vote.

Wellness Committee Report:

Bob Whritenour said that the Wellness Committee Report needed to be removed from the agenda at this time. He did state, however, that the Coronary Health Improvement Project (CHIP) screenings in Falmouth did not have a great turnout.

Ms. Cormier said that the list of screenees was going to be reviewed and those who were not enrolled in a health plan through CCMHG would not be eligible to participate in the CHIP program. She asked if those enrolled in dental only would be permitted to take part.

Mr. Whritenour said that individuals needed to be enrolled in one of the health plans because this is a cardiovascular program.

Ms. Cormier said that in past CHIP programs, some people on the list were on a health plan originally but had then disenrolled before the end of the program. She asked if they would be permitted to stay for the duration.

Bob Whritenour said that the guidelines should state that the individual needs to maintain continuous enrollment through the graduation of the program to be eligible for the incentive payment.

Preliminary FY07 Rate Projections:

Carol Cormier reviewed the claims and funding projections for fiscal year 2007. She said that GBS and the health plans had done independent claims projections and GBS built rates on the lower of the two projections. She stated that the funding for Network Blue (NWB) and Harvard Pilgrim (HPHC) EPO was either just barely covering the expenses or not covering them completely. She said that those plans would have the biggest projected rate increases.

Ms. Cormier proceeded to explain the administrative fee proposals associated with each health plan with percentage changes ranging from 0% for Delta Dental through the largest percentage of change, Harvard Pilgrim Medicare Enhance of 5.0%.

Bob Whritenour asked how the Group is to explain that they are trying to get people enrolled in HPHC EPO and NWB even though the rates are inflating at a higher rate than the indemnity plan. He said conventional wisdom is that with so many people migrating to HPHC EPO and NWB it seems to reflect adverse selection.

Anne Hart-Davies, BCBS, said that you have to look at the cost per contract. She said based on this, the indemnity is slowing down, but the indemnity plans costs per contract and rates are still higher than the HMO plans.

Mr. Whritenour said that migration patterns were supposed to be that the healthy people were leaving the indemnity plans and moving to the HMO's but it's a mixture.

Ms. Hart-Davies said that the average age per product shows that HMO is about 10-15 years younger.

Carol Cormier said that the GBS data shows the cost per contract, which blends the costs for individual with the family plans.

Carol Cormier continued reviewing the rate projections and refreshed the Group about the methodology. She said the projected total annualized funding for health plans is \$109,407,894, which is a composite projected increase of 13.9%. She said this does not take into consideration the prescription drug subsidy that the group will get from Medicare. She reviewed the two alternative funding scenarios that subsidize rates by application of a portion of the uncommitted fund balance; a) 12.1% increase with estimated trust fund subsidy totaling \$1.76 million and b) 10.3% increase with an estimated trust fund subsidy of about \$3.5 million.

Bob Whritenour asked about distributing 50% to the rates.

Ms. Cormier said the Group could cut this increase and advise employees that there could be a jump later or do it after ½ a year, perhaps through a half-month premium holiday.

There was a discussion around the idea of a premium holiday.

Bob Whritenour stated that after you take \$4M out of the Fund Balance there is still \$4M over the fund balance target plus there is the IBNR reduction and the investments to be considered as well as the Retiree Drug Subsidy.

Bob Canevazzi asked if it was safe to say that actual claims are coming in lower than projected claims. He wanted to know if the past years' practice of over-estimating claims should be factored in.

Carol Cormier replied that the actual claims were increasing and reminded the Committee that five or six years ago the projections were running considerably below the actual claims.

Bob Whritenour said that the methodology BCBS uses takes that into account but that it is hard to develop a solid formula.

Ms. Cormier said that group-specific trends should not be used. She said that the group is probably not large enough to predict from past group-specific claims trends and that GBS and the Group don't know what the health plans' contracts with hospitals and other health care providers and pharmacy benefit managers will be in terms of fee increases. She said this is why the health plans supply the trend factors.

There was a discussion regarding the formulas used for projecting rates.

Dave Withrow said that the focus is on group health plans being the breaking budget factor for municipalities. He said the Group should not exceed the trust fund balance target at the expense of the local budgets and he advocated using the fund balance to significantly cut the rate increases.

There was a consensus to reduce rates rather than do a premium holiday.

Bud Breault stated that setting the composite rate increase at anything over 12% would be impossible for Barnstable. He asked about the possibility of a two-person rate tier.

Carol Cormier said that there are good data that show that for MA governmental employers with covered populations that have a high average age compared to other employers, a two-person rate that is less than the family rate is not a feasible approach. She explained that BCBS had done a study on this with two years of claims from the Berkshire Health Group and found the two-person families have per person claims that are significantly higher than the claims of larger families. She also pointed out that no matter how many rating tiers you have, the total funding required is the same but just distributed differently.

There was discussion about applying \$4, \$5, or \$6 million of the Fund Balance to the FY07 rates. The Board further discussed trends and rate setting.

Dave Withrow motioned to recommend to the Board that it use \$6 million of the Fund Balance to be applied toward setting the FY07 health plan rates and expenses.

Skip Finnell seconded the motion. The motion was passed by unanimous vote.

Motion

Mr. Finnell said that he would like the subsidy to be evenly applied across plans so as to keep the relationships in rates that resulted from the original rate development.

Ms. Cormier stated that the Medicare increases were already low. She suggested keeping the self-funded Medicare plans level funded for FY07.

The Committee agreed with Ms. Cormier's suggestion.

Bob Whritenour suggested having another Steering Committee meeting prior to the Board meeting.

Noreen Mavro-Flanders said that if the Committee had an opportunity to review the proposed rating scenarios prior to next week's meetings, the members would be able to make a better decision.

Carol Cormier said she would send the requested funding scenarios by email prior to the next meeting.

Discussion of Election of Officers and Steering Committee

Bob Whritenour stated that Judie Jardin is resigning from the CCMHG after the next Board meeting, January 25, 2006. He expressed his gratitude to Ms. Jardin for her effective representation of Martha's Vineyard and thanked her for all of the work she has done for the health and dental benefits and wellness programs. Mr. Whritenour said it would be good if another representative from Martha's Vineyard could be on the Steering Committee.

Noreen Mavro-Flanders said that the Board is also losing Peter Bettencourt, Town of Edgartown.

Bob Whritenour asked the Committee if it felt a seat should be left vacant for a Martha's Vineyard representative to fill. He said technically Martha's Vineyard only has one reserved Steering Committee seat but has had two seats for years. He asked the Committee if it wanted to recommend a seat for Barnstable and a seat for Martha's Vineyard or if it would rather just put out a notice that there are two open seats for anyone who is interested.

Bob Whritenour stated that he needs to present a slate of officers and Steering Committee to the Board for nomination. He said it should entail everyone who is on the Steering Committee currently and a letter recommending the nomination of Bud Breault to fill the Steering Committee seat previously held by Jeff Cannon.

Noreen Mavro-Flanders said to make a list showing who is on the Steering Committee and what seats are vacant.

Skip motioned to nominate the seven current Committee members to the Board for re-election in addition to Bud Breault.

Motion

Dave Withrow seconded the motion. The motion was passed by unanimous vote.

Bob Whritenour said that they now needed to decide about the recommendations for the remaining Steering Committee seat.

Noreen Mavro-Flanders said that the Trust only guarantees one seat for Martha's Vineyard. She said she would prefer to see someone who is committed regardless of whether they are from Martha's Vineyard or not.

Carol Cormier stated that in the past she has sent email notices to the Board alerting members of openings on the Steering Committee and asking that members interested in serving on the Committee identify themselves.

Bob Whritenour said a consensus is needed on who is being recommended to the Board to serve as officers.

It was agreed that Noreen Mavro-Flanders would be recommended to continue as Board Chair and Bob Canevazzi to continue as Vice Chair.

CCMHG DVD regarding myMedicationAdvisor®:

Carol Cormier explained about a concern that The Abacus Group has about the DVD to be aired on cable TV. After explaining the issue, she asked the Group if it wanted to distribute the DVD the way it was originally created if it wanted to have Abacus or Prescription Benefits services edit it.

After discussion, the Committee members agreed to distribute the video in its current form.

Carol Cormier provided each Steering Committee representative with a copy of the DVD and a letter to the local Cable stations.

Health Plan Reports:

Blue Cross Blue Shield

Anne Hart-Davies said that Lipitor is going to Step Therapy because Zocor, which treats the same condition as Lipitor, is going generic. Ms. Hart-Davies also reported that the bariatric surgery (stomach reduction surgery) is coming under heavy scrutiny to be sure that the hospitals are in compliance with medical policy. She said that BCBS is also working diligently on monitoring radiology use, specifically MRI's. Ms. Hart-Davies stated that there were no benefit changes this year.

Harvard Pilgrim Healthcare

Bill Hickey distributed the HPHC FY07 renewal presentations. He said that he would like the Committee to consider adding the fitness reimbursement benefit of \$150 to subscribers and that the expense of that would be approximately \$15K for a full year if 5-6% of the plan membership were to take advantage of it. Mr. Hickey asked that the item be added to the agenda of the next meeting to be voted upon.

Delta Dental:

Anne Boisvert said that Delta Dental added benefits last year. She said sealant coverage was added in April and that implant coverage was effective January 2006. Ms. Boisvert said that Delta Dental is looking at the science and procedures to improve plans to make them more preventative. Ms. Boisvert went over the 6.8% voluntary dental plan rate increase and said that there had been no rate increase in two years and that these rates would hold for one year. She said the provider payments (Table of Allowances) were going up 10%. Ms. Boisvert introduced a new employee of Delta Dental, Katie Hundt who will be the Account Representative for CCMHG.

Other Business:

Bob Whritenour said that the Steering Committee will meet ½ hour prior to the Board meeting on January 25, 2006 at the COMM Fire District.

Mr. Whritenour also said that the Health Plan Annual Reports will be distributed at the Board meeting.

With no other business, Chair Bob Whritenour adjourned the meeting at 1:37 p.m.

*Prepared by Lisa Trombly
Group Benefits Strategies*