

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

STEERING COMMITTEE

Wednesday, February 11, 2009, 8:30 AM
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 Wednesday, February 11, 2009 at the Sandwich Municipal Office Building, 16 Jan Sebastian Drive, Sandwich, MA. The following people attended the meeting:

Committee Members Present:

Bob Whritenour, Chair	Town of Falmouth
Noreen Mavro-Flanders	County of Dukes County
David Withrow	Town of Orleans
A. Francis (“Skip”) Finnell	Dennis-Yarmouth RSD
Debra Blanchette	Town of Barnstable
Marie Buckner	Town of Sandwich
Gerry Panuczak	Town of Chatham
Sue Milne	Town of Yarmouth

Guests Present:

Rich Bienvenue, CPA	CCMHG Treasurer
Bill Fraher, CPA	Independent Financial Auditor
Nan Balmer	Town of Harwich
Craig Mayen	Town of Sandwich
Suzanne Donahue	Blue Cross Blue Shield of MA (BCBS)
Bill Hickey	Harvard Pilgrim Health Care (HPHC)
Fred Winer	Tufts Health Plan
Nina Conroy	Delta Dental of MA
Jason Lilly	Rockland Trust
Lorrie Garcia	Rockland Trust
Carol Cormier	Group Benefits Strategies (GBS)
Karen Carpenter	Group Benefits Strategies (GBS)

Bob Whritenour, Chair, called the meeting to order at 9:05 a.m.

Approval of the minutes of the January 21, 2009 Steering Committee meeting:

Noreen Mavro-Flanders motioned to approve the minutes of the meeting of January 21, 2009.

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

Motion

Auditors report on the FY08 financial statements:

Auditor, Bill Fraher reviewed the final draft of the “FY08 audited Financial Statements and Management Discussion and Analysis with required supplementary information years ended June 30, 2008 and 2007”. He reported year-end Net Assets of \$15,122,515 which, he said was down 22.5% from the prior year. He said the decrease in cash for 2008 is primarily a result of the Group providing its members with a one-month “premium holiday”. Mr. Fraher reported the total unpaid claims and claim adjustment expenses at the end of year was \$10,790,935.

Mr. Fraher reviewed his two-page Trend Summary of Key Financial Information and responded to the Committee's questions.

Mr. Fraher talked about Retiree Drug Subsidy (RDS) Medicare Part D reimbursements and said the 2007 estimate was booked too high in 2007 and it was a new program in 2006 and was only for one half of the year.

Mr. Fraher said that the IBNR is coming down because the health plans are paying faster.

Dave Withrow asked Mr. Fraher if he was recommending reducing the basis of the IBNR estimate.

Mr. Fraher said that certain numbers are estimates. He said the estimate is still set a bit high but that he would not change it.

Mr. Fraher said that all of the numbers tell the same story. He said that everything was planned for and the numbers are healthy. Mr. Fraher said there was nothing of serious nature recommended in the Management Letter.

Mr. Fraher said that the Accounting Controls from a risk standpoint are something that the Group needs to be aware of. He said that there needs to be a level of caution when one person performs or supervises all functions and controls that initiate, record and process accounting transactions and reporting.

Bob Whritenour said that last year's Management Report had the same recommendation about separation of duties and that the Steering Committee has since formed a sub-committee and have addressed this item. Mr. Whritenour said he would encourage acknowledgement of the specific changes that were implemented in response to the last report.

Rich Bienvenue said that the recommendation may be semantics and that he will provide Mr. Fraher with information about the efforts that were made.

Sue Milne said she had concerns after reading this recommendation.

Mr. Fraher said that he should have spent more time with this section of the audit and said he would work with Rich Bienvenue to address the language.

Noreen Mavro-Flanders said that she has seen some draft audits that have a section for management responses.

Skip Finnell said that he thought that the initial letter should make mention of the Steering Committee's efforts to address the auditor's recommendations from last year.

Dave Withrow asked Mr. Fraher if he could give specific recommendations.

Mr. Fraher said he does not see any other full solution other than a separation of duties. He said that his duty is to make recommendations to areas but not come up with resolutions.

Bob Whritenour asked if splitting up the disbursements and collections would meet the requirement.

Mr. Fraher said that the person who controls the books is usually not the person who handles the cash.

Noreen Mavro-Flanders asked if someone other than the Treasurer should be signing the checks.

Rich Bienvenue said that CCMHG used to have a second signer.

Bill Fraher said the issue is the person who does the reconciliations.

Sue Milne said that the Town of Yarmouth has an audit committee which reviews the accounting on a regular basis.

Ms. Mavro-Flanders said that she gets copies of the bank statements that she could reconcile and said that the deposits are made electronically.

Bob Whritenour told Mr. Fraher that the Steering Committee is aware of the recommendation and that the Steering Committee has made attempts to address this item. He asked Mr. Fraher to add notes regarding the Steering Committee's sub-committee that was formed and the progress that has been made to date.

Mr. Fraher said that he will add the notes and will forward to Carol Cormier for distribution.

Debra Blanchette left the meeting at this time.

Mr. Fraher said that the second recommendation regarding risk assessment dovetails the same issue and is more prevalent with individual governmental employers than to the CCMHG.

Mr. Fraher said that the third recommendation is regarding uninsured bank deposits and said that he has checked the banks that the CCMHG uses and they are all sufficient in this area.

Mr. Fraher said that number four, Medicare Part D reimbursements, does not apply to CCMHG at this time.

Mr. Fraher said that number five focuses on the legal requirements regarding COBRA. He said it requires a list be available to reconcile with the accounting of the payments.

Carol Cormier said that GBS uses the Travis system and is not aware if this is being done currently.

Rich Bienvenue said that he would follow up with the GBS COBRA contact person.

There was a discussion about the tightening of accounting procedures and the IACPA receiving pressure from congress due to the Enrons of the world.

Bob Whritenour thanked Bill Fraher and said that the CCMHG Steering Committee takes the audit process very seriously.

Carol Cormier asked Mr. Fraher if the final audit will be completed in time to present to the Board at its next meeting on February 25, 2009.

Mr. Fraher said that he will try to have it completed by February 25th.

Treasurer's Report:

Treasurer Richard Bienvenue, CPA, reviewed the financial statements of December 31, 2008 (unaudited figures). He said the total operating cash is \$15.9 million. He reported an unreserved fund balance on December 31 of approximately \$17.7 million.

Rich Bienvenue said that the total estimated Claims IBNR is \$11.2M.

Bob Whritenour asked Mr. Bienvenue if he had run any targeted fund balance powerband calculations.

Rich Bienvenue said that the Fund Balance Policy's power band is set at \$8M to \$12M and that CCMHG is at roughly \$17M. Mr. Bienvenue said that the IBNR timeframe used is 1.2 months and is still set a little high.

Mr. Whritenour noted that the fund balance is approximately \$5M over the powerband's high range. He said that the Steering Committee has been conservative, prudent and made correct choices that are reflected in the financial statements.

Rich Bienvenue said that the 4th quarter settlement is not reflected in the cash projections since that happens in August.

Investment manager's Report - Rockland Trust:

Skip Finnell said that the initial investment of \$8M was invested into two funds at a 60/40 split and Rockland Trust has been rebalancing those funds within that split. Mr. Finnell said that Jason Lilly wants to know if that is still the CCMHG's preference.

Jason Lilly said that when the initial investment decisions were made for Portfolio 2, the Investment Committee decided to invest 55% into stocks and 45% into bonds. Mr. Lilly wanted to know if that is still the goal and intention of the CCMHG. He said if that was still the goal, he wanted to know if the Steering Committee wanted to move 4% out of the bond balance and put it into more aggressive funds.

Bob Whritenour said that the Steering Committee would like to hear Mr. Lilly's strategy before deciding to move the funds. He said the initial decision was made to allow flexibility to respond to market changes.

Mr. Lilly said that he would be selling higher performing bonds and buying low. Mr. Lilly said that he would like to have a description added to the investment policy of the CCMHG's intent.

Bob Whritenour said that the Committee is investing for the long term not short term.

Dave Withrow said that he did not favor shifting funds into equity funds right now, but would like Mr. Lilly to make some recommendations for the Steering Committee to review.

Mr. Lilly said that if the strategy is 60/40 that they should adhere to it. He said that he can speculate on the market recovering but does not know when it will happen.

Noreen Mavro-Flanders said she favors staying with the original strategy.

Mr. Lilly said he wanted to confirm the investment strategy since it was not clearly defined and suggested adding clarifying language to the investment policy.

Skip Finnell suggested creating an amendment to the investment policy at the next investment meeting. He said they would then bring it to the Board for their approval. Mr. Finnell said that he would set up a meeting within the next two to three weeks.

Bob Whritenour said that he is not in favor of changing the investment strategy at this point and does not want to base the strategy on fear of the market. He said that if there is a compelling reason to make adjustments that he was open to hearing recommendations.

Sue Milne said that she favored the continuation of rebalancing the funds within the 60/40 split.

Discussion about FY10 Projected Rates:

Carol Cormier said that the health plans and GBS did independent projections and that the projections were very close this year. Ms. Cormier reviewed the current funding rates based on the November 2008 enrollments.

Ms. Cormier presented eight funding scenarios for the CCMHG to consider.

Scenario 1 – Using full rates with composite increases of 8.2% for Medical and 0.7% for Dental

Scenario 2 – Using lowest or GBS-recommended funding rates and using \$500K of fund balance with 7.8% increase for Medical & 0.7% for Dental

Scenario 3 – Using lowest or GBS-recommended funding rates and using \$1M of fund balance with 7.3% increase for Medical & 0.7% for Dental

Scenario 4 – Using adjusted funding rates and using \$2M of fund balance with 6.5% increase for Medical & 0.7% for Dental

Scenario 5 – Using adjusted funding rates and using \$2.5M of fund balance with 6.2% increase for Medical & 0.7% for Dental

Scenario 6 – Using adjusted funding rates and using \$3M of fund balance with 5.8% increase for Medical & 0.7% for Dental

Scenario's 2a & 3a were the same as Scenario's 2 & 3 and rounding the rates to the nearest whole dollar.

Bob Whritenour said he would like to start with an overview and then drill down to the specifics. Mr. Whritenour said that the powerband policy's highest range is \$12M and the fund balance is at \$17M. Mr. Whritenour said based on those numbers he favors using \$3M of the balance towards supplementing the FY10 rates.

Bill Hickey said that HPHC has settled a two-year contract with Cape Cod Healthcare and that the higher costs were not included in the HPHC rate projections.

Bob Whritenour said that the settlement of the contract was good news for the members of CCMHG.

Rich Bienvenue said that claims would need to rise by 9% to 10% to have an effect on the net income. He said that the powerband was based on last year's claims.

Bob Whritenour said that the powerband was set with the goal to stay in the middle of the band which would mean that there is a larger cushion than \$5M. Mr. Whritenour asked Carol Cormier to create a new scenario using \$3.87M of the fund balance to come close to a 5.1% composite rate increase.

Dave Withrow said he had concerns of subsidizing the rates too much this year and the possibility of a rate spike in FY11.

Rich Bienvenue reminded the Steering Committee that the claims experience of Harwich was not included in the financial reports.

Bill Hickey said that the GIC rates have not been finalized but added that they want to get to a 5% increase. Mr. Hickey said that the benefits do not compare to the CCMHG benefits.

Bob Whritenour said that he recommends choosing between using \$3M or \$3.87M of the trust fund.

Noreen Mavro-Flanders motioned to recommend approving use of \$3M of the trust fund balance to subsidize the FY10 health plan rates.

Motion

Skip Finnell seconded the motion.

Gerry Panuczak asked why not use the \$3.8M?

Noreen Mavro-Flanders said because of the concerns of an FY11 rate spike.

Dave Withrow said he favored using \$3.5M.

Skip Finnell said he favored using higher than \$3M.

Noreen Mavro-Flanders said that she was not comfortable using higher than \$3M of the fund balance. Ms. Mavro-Flanders withdrew the previous motion since she was in the minority.

Skip Finnell withdrew his seconding of the motion.

Skip Finnell motioned to recommend approving using no more than \$3.505M with a 5.4% composite increase.

Dave Withrow seconded the motion with discussion.

Marie Buckner questioned the Network Blue increase compared to the indemnity plan increase.

Carol Cormier explained.

Marie Buckner said that the Town of Sandwich does not have the Indemnity plans so the increases will cost the town more. She said she strongly objected to the amount of subsidy to be applied to the indemnity plans.

Bob Whritenour explained that the dollar amount that is going to the Master Medical and Master Health plans is minimal.

Carol Cormier said that the Blue Care Elect and Network Blue plans are doing better in the last six months and she reviewed the funding analysis report.

Gerry Panuczak said he remembers that the Indemnity plan rates had a high increase last year.

Carol Cormier was working on the new scenario, Scenario 7 and said that the funding needed to subsidize the rates to reach the 5.4% composite is approximately \$3.509M.

Skip Finnell amended his motion and motioned to recommend approving use of no more than \$3.51M with a 5.4% composite increase.

Motion

Dave Withrow seconded the amended motion.

Carol Cormier completed the scenario and said that the total funding needed from the Fund Balance would be \$3,508,798.

Skip Finnell amended his motion and motioned to recommend approving use of \$3,508,798 of the fund balance to subsidize FY10 rates with a 5.4% composite increase.

Motion

Dave Withrow seconded the amended motion.

The motion was approved by majority vote. Marie Buckner opposed the motion.

Skip Finnell motioned to recommend approval of the Delta Dental increase of 0% for the contributory plan and 2.3% for the voluntary plan.

Motion

Gerry Panuczak seconded the motion. The motion was unanimously approved

Dave Withrow motioned to recommend approving setting the rates of the Rate Saver plans at a 10% lower than the legacy plans' rates

Motion

Gerry Panuczak seconded the amended motion. The motion was unanimously approved

There was a discussion about the GIC health plan designs.

Bill Hickey said that the CCMHG Rate Saver plans are actuarially better than the GIC plans.

Dave Withrow suggested that the Steering Committee put together a list of reasons why governmental units should not move to the GIC plans.

Carol Cormier said that she would send the rates recommended by the Steering Committee to the CCMHG units today or early tomorrow.

Nan Balmer left the meeting at this time.

Tufts Retiree Plan Rates – July 2009:

Fred Winer distributed and reviewed the handout regarding the Tufts retiree plan increases for July 1, 2009. He said that the Tufts HMO Prime plan would be increasing from \$153 to \$164 and the Tufts Private Fee for Service plan would be increasing from \$165 to \$182. Mr. Winer reminded the Steering Committee that the benefit changes that were effective January 1, 2009 for the Tufts Medicare Preferred HMO and Private Fee for Service plans included a vision allowance increase from \$69 to \$150. He said that the new Fitness Benefit for these two plans is \$150 and that there is no waiting period to receive the reimbursement. Mr. Winer said that there is a new prescription option available for 2009 which would lower the retiree prescription co-pays. He said the cost of the new option is \$7 per member per month.

Delta Dental Rollover Maximum benefit:

Nina Conroy distributed handouts with information about the Delta Dental Rollover Maximum benefit that became available on January 1, 2008. Ms. Conroy said the benefit allows members to bank a portion of their unused annual benefit dollars for use in the following year. Ms. Conroy said the preset maximum rollover dollar amount is \$350 and the accumulated rollover total cannot exceed \$1,000. Ms. Conroy said to qualify for the rollover, members need to be on the plan for more than 3 months and must have one cleaning and/or oral exam per year. She said that the incurred claims for the calendar year cannot exceed \$500.

Carol Cormier asked Ms. Conroy how the members would be notified of the rollover amount available to them.

Ms. Conroy said that they would be able to look on-line at www.deltadentalma.com and the balance available is also included on each summary of benefits they receive.

Ms. Conroy said that this benefit would not change the rates. Ms. Conroy said that 90% of Delta Dental's book of business has added this benefit to their plans.

Dave Withrow made a motion to recommend adoption of the Delta Dental Rollover Maximum benefit as of July 1, 2009 to the CCMHG Board.

Motion

Marie Buckner seconded the motion.

Gerry Panuczak asked if the benefit was a calendar year benefit.

Ms. Conroy said it is a calendar year benefit and added that on January 1, 2010, the \$500 threshold would be the same because Delta will look back to January 1, 2009, not July 1, 2009.

Bob Whritenour said that he favors this plan because it rewards those with good oral health behaviors and helps further the wellness goals of CCMHG.

Nina Conroy said that for every \$1 paid towards prevention, \$4 is received in savings.

The motion was unanimously approved by the Steering Committee.

Nina Conroy said that she would present the benefit information to the CCMHG Board at the next Board Meeting on February 25, 2009.

Appointment of Counsel:

Bob Whritenour said that the interviews went very well and that the Steering Committee was recommending hiring David Lurie as legal counsel to litigate the BCBS high cost claim.

Noreen Mavro-Flanders motioned to approve hiring David Lurie and to approve his contract.

Motion

Skip Finnell seconded the motion. The motion was unanimously approved.

Prescription drug claims processed BCBSMA and denied by the Reinsurer:

As requested by the Steering Committee at the last Steering Committee meeting, Karen Carpenter said that she researched the specifics of the denial. Ms. Carpenter said that the drug claims denied totaled approximately \$116K and were not reimbursed because the contract between Companion Life Insurance Company and CCMHG states that they are only responsible to reimburse for these specific drugs at the Average Wholesale Price plus 30%. Ms. Carpenter said that the reason for denial of reimbursement was forwarded to Suzanne Donahue.

Suzanne Donahue replied that BCBS paid the claim appropriately under the terms of its provider contract. She said that this was an outpatient claim for chemotherapy and BCBSMA reimburses the hospital at the provider's payment on account factor which in this case was 99.76% of the charge.

Bob Whritenour asked why this has just come up when there must be other claims that were treated in this same manner.

Suzanne Donahue said that she will look deeper into the claims and will advise the Steering Committee of her findings.

Health Plan Reports:

Harvard Pilgrim Health Plan-

Bill Hickey said that CMS is requiring collection of Federal ID numbers from all towns and social security numbers of all health plan members. Mr. Hickey said he will be attending a meeting at HPHC to initiate a process of how they will be collecting the information. He said that there will be penalties of \$1,000 levied to carriers that do not comply.

Blue Cross Blue Shield-

Suzanne Donahue said that BCBS has settled their contract with Cape Cod Healthcare. Ms. Donahue said that BCBS continues to add provider groups such as Tufts Medical Center and Mount Auburn to the BCBSMA Alternative Quality Contract.

Other Business:

Carol Cormier said that Plymouth County has now formed a Joint Purchase Group (PCHG). Ms. Cormier said that their Steering Committee is unique in that they have formed a nine-member Steering Committee three members of which are labor representatives that the Board appointed. Ms. Cormier said that they were appointed to serve for 3 years and then will be replaced with three representatives of other unions. Ms. Cormier said that when the union representatives heard of the financial burden of the Master Health Plus plan that they began making efforts to encourage members to select other health plans. Ms. Cormier said that there are no labor representatives on the PCHG Board.

Bob Whritenour said that this would be a good topic to add to a future Steering Committee meeting.

Bob Whritenour scheduled a Steering Committee meeting for February 25, 2009 at 9:00 a.m. prior to the Board meeting. The meeting is scheduled to be held at COMM Fire District.

Bob Whritenour adjourned the meeting at 12:10 p.m.

*Prepared by Karen Carpenter
Group Benefits Strategies*