

CAPE COD MUNICIPAL HEALTH GROUP
AGREEMENT FOR JOINT NEGOTIATION & PURCHASE
OF HEALTH COVERAGE

Original Agreement: Effective October 1987

Amended July 1993, April 1996, July 1997, January 1998, November 29, 2001, and
July 25, 2007

CAPE COD MUNICIPAL HEALTH GROUP

**MUNICIPAL HEALTH GROUP
AGREEMENT FOR JOINT NEGOTIATION
AND PURCHASE OF HEALTH COVERAGE
As amended through July 25, 2007**

Article 1. Authority and Purpose.

This Agreement is entered into in accordance with M.G.L. Chapter 32B, Section 12, (all reference herein to state or federal law refer to current statutes, any amendments thereto, and successor legislation of like purpose and effect) to enable the governmental units executing this Agreement as indicated in Article 15 hereof, and any subsequent amendment to this Agreement adding additional governmental units accepted for participation in accordance with the procedures described in Articles 2 and 11 hereof, hereinafter referred to as the "Participating Governmental Units," to join together in negotiating and purchasing policies authorized under M.G.L. Chapter 32B, Section 3, including health and life insurance; Health Maintenance Organization coverage as authorized by M.G.L. Chapter 32B, Section 16; Administrative Services Only coverage as authorized by M.G.L. Ch. 32B, Section 3A, which may include Preferred Provider Arrangements; or other methods of self-funding employee health and life coverage as may be allowed by law. The economies of scale and other benefits derived through joint negotiation and purchase anticipated by the authority granted to the participants by M.G.L. Chapter 32B, Section 12, constitute the purpose of this Agreement.

Article 2. Participants.

The participants in this joint negotiation and purchase agreement are those listed as signatories to this Agreement on each page of Article 16. It is understood and agreed that additional governmental unit participants may be added pursuant to Article 11.

Article 3. Term of Agreement and Participation.
(as amended on November 29, 2001)

This Agreement shall take effect on July 1, 1987 or on the date that three or more governmental units execute signature of this Agreement. This Agreement shall continue in full force and effect for an indefinite period, subject to amendment as agreed upon in accordance with the terms of Article 11 of this Agreement, so long as three or more governmental units elect to continue participation.

Any Participating Governmental Unit may withdraw from this Agreement at its discretion but may do so only as of the anniversary date of the health plan contracts purchased through this agreement and upon written notification to the Board of such intent to withdraw at least ninety (90) days prior to the anniversary date of the health contracts purchased through this Agreement.

Notwithstanding any other provisions of this Agreement, a Participating Governmental Unit maintains its autonomy and responsibility for collective bargaining.

Any Participating Governmental Unit which is ninety (90) days in arrears for the payment due under Article 4 or Article 9 of this Agreement may be terminated from participation in this Agreement at the Board's discretion according to Article 16. Such termination shall not limit the remaining Participating Governmental Units from obtaining payment of all monies in arrears under Article 9.

Article 4. Administration.
 (as amended on July 23, 1997)

Administrative authority shall be vested in a board to be known as the Cape Cod Municipal Health Group Board, herein referred to as the "Board." The appropriate public authority, as defined in M.G.L. Chapter 32B, Section 2(a) of each Participating Governmental Unit shall appoint one primary member of the Board, who shall have one vote, and one alternate member who shall assume all of the responsibilities of the primary member in the event of the primary member's absence. Appointment of primary and alternate members of the Board to represent Dukes County shall be made in accordance with the Articles of Merger previously executed by and between the Cape Cod Municipal Health Group and the Dukes County Health Group. Said appointments shall be made within thirty (30) days following the execution of this Agreement. The Board Member representative of each Participating Governmental Unit shall serve until replaced by the appropriate public authority of the Participating Governmental Unit. It is understood and agreed that the Cape Cod Municipal Health Group Board Members may rely on the authority of each Board Member to represent the respective Participating Governmental Units and any vote of any individual Board Member shall be deemed to be binding upon the Participating Unit represented by such Board Member.

It is understood and agreed that the Cape Cod Municipal Health Group Board shall have full discretion to elect from its memberships a chairman and any other officers that it deems appropriate and may elect to establish any committee for whatever purpose it deems appropriate and consistent with the terms of this Agreement.

It is further understood and agreed that the Board may elect from its membership (both primary and alternate members) a Steering Committee of up to nine (9) persons representing nine (9) Participating Governmental Units, hereinafter referred to as the Steering Committee. The Steering Committee members shall serve for a term of one year or until removed by the Board. Steering Committee members may be elected for succeeding terms. In the event that a Steering Committee member is removed from the Board by the appropriate public authority of the Participating Governmental Unit, the Board may elect a replacement.

The Steering Committee shall have whatever authority is granted to it by the Board including the establishment of advisory sub-committees. Such authority may

include the authority to negotiate and contract with health insurance carriers or other health coverage providers, insurers, consultants, and any other individuals or organizations deemed to be appropriate by the Steering Committee on behalf of and for the benefit of the Board and each Member's respective Participating Governmental Unit concerning the subject of this Agreement. The Steering Committee may be vested with other powers including the power: (1) to review annual rate renewals; (2) to negotiate health coverage renewal contracts, negotiate funding and other financial arrangements (including ASO or other financial arrangements authorized by M.G.L. Chapter 32B, Section 3A); (3) determine levels of coverage; and any other matter authorized by M.G.L. Chapter 32B which is not specifically reserved to each respective Participating Governmental Unit. The Board, either directly or acting through its Steering Committee, may establish a central administrative office and employ such personnel or contract for such administrative services as may be necessary to carry out the provisions of M.G.L. Chapter 32B and this Agreement.

Whenever the Board or the Steering Committee (as authorized) enters into agreements with a central administrative office, a consultant, or administrative personnel, payment for such services and related expenses shall be appropriately allocated to the Participating Governmental Units in proportion to the number of the Participating Governmental Unit's subscribers covered under the contracts negotiated and purchased under the authority of this Agreement.

Article 5. Quorum.
(as amended through July 25, 2007)

The Board shall adopt a schedule of meeting dates and times for the conduct of ordinary business and shall establish a reasonable procedure for notice to the members of the Board and appropriate public authorities concerning special meetings. The Steering Committee shall, in a like manner, establish a procedure for adequate notice to each Steering Committee member for all meetings to be conducted. A quorum of the Board or the Steering Committee following issuance of the required notice shall consist of not less than one-third of the members of the Board with reference to Board meetings and not less than half of the members of the Steering Committee with reference to the Steering Committee. A majority vote of the members in attendance at a duly called meeting shall be deemed to be a vote of the Board or the Steering Committee, respectively. The Board and the Steering Committee are subject to the requirements of M.G.L. Chapter 39, Sections 23A & 23B ("Open Meeting Law").

Article 6. Organization and Chairperson.

The Board and the Steering Committee shall each elect from their respective memberships, by majority vote of the participants at a duly called meeting, a Chairperson, who shall serve for a term of twelve (12) months, unless replaced prior to termination of such twelve (12) month period by a vote of respective majorities of the Board or the Steering Committee, respectively, in attendance at a duly called meeting. It

is understood and agreed that the Chairperson may be elected for succeeding twelve (12) month terms at the discretion of the Board or the Steering Committee, respectively.

It shall be the duty of the respective Chairpersons to call meetings of the Board and the Committees, including designation of the date, place, and time of such meetings, and to perform other duties and functions as delegated by the Board and Committees respectively.

The Board and the Committees of the Board may elect any other officers for their respective bodies, whom the Board and the Committees respectively deem appropriate, by vote of a majority in attendance at a duly called meeting.

Article 7. Communication.

It shall be the duty of each member of the Board, and in the primary member's absence, the duty of the alternate member, to communicate all matters relating to the action of the Board to the member's respective Participating Governmental Unit's appropriate public authority. Copies of the minutes of Board and Steering Committee meetings shall be sent to each Participating Governmental Unit's Appropriate Public Authority and Town Clerk's Office. In the event that both the primary and alternate members representing a governmental unit are absent, it is the duty of the Chairperson, acting directly or through the central administrative office or other designee of the Chairperson, to communicate, in writing and in a timely manner to the absent Board member's respective appropriate public authority, any action taken by the Board.

It shall be the duty of the Chairperson of each Committee of the Board to report to the Board through the Chairperson of the Board all actions taken by the Committee. In addition, it shall be the duty of each Committee to report to the Board membership at a duly called meeting of the Board, the actions of the Committee and, in any event, such reports shall be made no less than four (4) times during each fiscal year.

Article 8. Calculation of Health Insurance Premiums. Health Maintenance Organization and Administrative Services Only Charges or Other Self-funded Arrangement including Preferred Provider Arrangement Charges.

The Board, either directly or through the Steering Committee, shall determine the monthly rates payable by each participating Governmental Unit. The payment calculated by the Board shall be comprised of a rate determined to be 100% of the premium requirement as established through underwriting and/or actuarial estimates.

It is understood and agreed that notwithstanding the individual experience rating of each Participating Governmental Unit in determining the payment calculation, all surpluses and deficits shall be dealt with on a collective basis. In the case of a certified surplus, the Board will determine whether the excess funds will remain in the trust fund for the purpose of reducing the Participating Governmental Units' future premium cost or be distributed to the Participating Governmental Units through this Agreement in

proportion to the number of each Participating Governmental Unit's employees and retirees covered under the contract(s) entered into under the authority of this Agreement at the time the surplus was incurred. At the time of a certified deficit, additional revenue will be raised from the Participating Governmental Units through this Agreement in proportion to the number of each Participating Governmental Unit's employees and retirees covered under the contract(s) entered into under the authority of this Agreement at the time the deficit was incurred.

If the Board determines that it will deal with a certified surplus (deficit) through reducing (increasing) future premium costs to Participating Governmental Units, the premium(s) ("basic premium") will be determined based on claims experience projected forward, and the amount of reduction (increase) due to application of the surplus (reducing the deficit) will be determined and presented separately ("premium adjustment"). A new Participating Governmental Unit will be assessed the basic premium(s) without the "premium adjustment."

If the Board determines that it will deal with a certified surplus or deficit by direct distribution to or assessment of each Participating Governmental Unit, the determination of a Participating Governmental Unit's proportionate share of a certified surplus or deficit shall be calculated as follows:

The proportionate share of a Participating Governmental Unit ("PGU") shall be the sum of the PGU's subscribers (employees and retirees) participating in the Cape Cod Municipal Health Group plans for each month of the period for which the surplus or deficit has been certified ("PGU subscriber months") divided by the sum of the total number of subscribers participating in the Cape Cod Municipal Health Group (CCMHG) plans in aggregate for each month of the period for which the surplus or deficit has been certified ("CCMHG subscriber months") times the amount of the certified surplus or deficit. The proportionate share of a PGU shall be calculated without regard to the specific benefit plans offered by the PGU or subscribed to by its eligible members.

The Board, either directly or through the Steering Committee, shall determine within six (6) months of the end of each policy year, a reconciliation of the trust fund balance for the joint purchase group. A surplus or deficit shall then be dealt with appropriately.

It is further understood and agreed that each Participating Governmental Unit shall be responsible for paying all insurance, premium, administration, or claims charges which were incurred by that Participating Governmental Unit or any person insured by that Governmental Unit prior to the effective date of the joint purchase group's coverage with the health insurance carrier. Each Participating Governmental Unit shall be responsible for paying in full all "run-out" claims charges from cost plus arrangements which terminate upon the effective date of this coverage. Premium charges for services incurred by a Participating Governmental Unit prior to the effective date of this coverage but billed to the joint purchase group after the effective date of this Agreement will be

billed in full to the Participating Governmental Unit by the central administrative office, and payment will be remitted by the central administrative office to the carrier.

Article 9. Payment of Health Insurance Premiums, including Health Maintenance Organization and Administrative Services Only Charges or Other Self-funded Arrangement, including Preferred Provide Agreement Charges.

It is understood and agreed that each Participating Governmental Unit shall make an initial payment of an amount which is the equivalent of two (2) months advance health coverage premium to the central administrative office or other designee of the Board for timely transmittal to the health insurance carrier and, if applicable, to the Health Maintenance Organization, Preferred Provider Arrangement or other designated payee.

In addition, each Participating Governmental Unit shall make payment on a monthly basis of the health insurance premium or funding rate for all covered services and, if applicable, the Health Maintenance Organization capitation charges allocated to each participant and the allocated expenses for the maintenance of a central administration office and the hiring of consultants and administrative personnel pursuant to Article 4. It is further understood and agreed that the central administrative office or other designee of the Board shall determine the appropriate payment due from each Participating Governmental Unit each month.

The Board shall contract with one or more banks to act as depository of payments contemplated by this Article 9, and accounts established shall be interest bearing accounts. Each designated bank shall be required, as a precondition to service as such depository, to act under the direction of the Board or its designee for the benefit of the Participating Governmental Units and the Board and shall provide for periodic reports and statements of accounts as required by the Board or its designee.

The Board shall provide for an annual independent audit of the payments contemplated by this Article 9. This report shall be provided to each member of the Board within six (6) months of the end of the Cape Cod Municipal Health Group's fiscal year.

Each Participating Governmental Unit shall receive quarterly reconciliation reports detailing the basis for such payment requirements, and all such payments are subject to independent audit by each Participating Governmental Unit.

All payments described in this Article 9 shall be due and payable no later than thirty (30) days following receipt of notice or bill from the Board or Steering Committee. Interest at a rate determined by the Steering Committee shall begin to accrue starting on the thirty-first (31st) day following receipt of notice or bill. In the event that any such payment is in arrears or in the event that the Board determines that additional funds are required due to the premium and other charges contemplated by this Article 9, the Board shall be authorized to obtain funds through financial arrangements with providers of health coverage, and other financing arrangements including advances from the

Participating Governmental Units. The Board shall determine the respective payments for interest and other charges allocable to each Participating Governmental Unit.

Article 10. Eligibility Determination.

It is understood and agreed that nothing contained in this Agreement shall in any way limit the authority of a Participating Governmental Unit to determine that a person is eligible for participation in the health coverage program in accordance with the provisions of M.G.L. Chapter 32B. In addition, all notification of eligibility, employee direct billing, including notification to and from affected parties of eligibility rights under M.G.L. Chapter 32B, the Consolidated Omnibus Budget Reconciliation Act of 1985, and any other applicable federal and state statutes, shall be the responsibility of and determined by the Participating Governmental Unit.

Article 11. Amendment Procedure, Adding New Members, and Changes to Benefit Plans. *(as amended on November 29, 2001)*

This Agreement may be amended at any time, provided that no less than two-thirds of the Board present at a duly called meeting of the Board vote to accept such amendment.

Additional governmental units may be added commencing on a date mutually agreed upon, provided that no less than two-thirds of the Board present at a duly called meeting of the Board vote to accept such additional participants. Such additional governmental units will not be responsible for deficits incurred by the Cape Cod Municipal Health Group prior to the date of their participation in this agreement nor will they participate in any dividend or direct distribution or allocation of any surplus in the claims trust fund accrued by the Cape Cod Municipal Health Group prior to the date of their affiliation unless no less than two-thirds of the Board present at a duly called meeting votes to make an exception to this stipulation.

Any change in the level of coverage or benefit schedule(s) implemented following the effective date of this Agreement shall not take effect until approved through the amendment procedure described in this Article 11. Any proposed change to the level of coverage or benefits schedule(s) shall take effect on a date designated by the Board, but notice of such proposed change(s) shall be provided to the appropriate public authority of each Participating Governmental Unit by the Board at least sixty (60) days prior to the proposed implementation date of such and voted at least ten (10) days before any Participating Governmental Unit reaches the notification of withdrawal date specified in Article 3.

Article 12. Liability Following Termination of Participation.
(as amended on November 29, 2001)

There shall be no liability for premium expense following the effective date of termination of a Participating Governmental Unit's (PGU's) coverage under a contract purchased through this Agreement, except for that Participating Governmental Unit's proportionate share (*herein defined as the quotient obtained by dividing the number of the PGU's self-funded health or dental plan contracts purchased through this agreement during the last fiscal year of participation by the number of the self-funded health or dental plan contracts purchased through this agreement during the same fiscal year by all Governmental Units participating through this Agreement*) of any deficit in the trust as of its termination date, or change in the audited fund balance during the Participating Governmental Unit's last fiscal year of participation in this Agreement as defined in Article 12, and open premium expense and subsequent expense for its subscribers still on the plan after termination (where such continued coverage is required by law).

According to Article 3 of this agreement a PGU may withdraw from or terminate participation in this agreement only on the anniversary date of the health plan contracts purchased through this agreement. The Board shall engage an independent certified public accounting firm to do an annual financial audit of the Cape Cod Municipal Health Group's health and dental trust funds at the end of each fiscal year. The Board will make every effort to assure that the audited financial statements are completed and the auditor's report is provided no later than nine (9) months after the end of the fiscal year.

If a PGU terminates participation in this agreement at a time when there is a positive audited fund balance (surplus) at the end of the last fiscal year of the PGU's participation which is greater than the positive fund balance (surplus) at the end of the previous fiscal year, the PGU will receive its proportionate share of the amount that the fund balance increased as defined in Article 12.

If a PGU terminates participation in this agreement at a time when there is a positive audited fund balance (surplus) but there was a deficit audited fund balance or zero fund balance at the end of the previous fiscal year, the PGU will receive its proportionate share of the surplus as defined in Article 12.

If a PGU terminates participation in this agreement at a time when the audited fund balance (surplus) is less than the audited fund balance at the end of the previous fiscal year, the PGU will not be entitled to any of the fund balance upon withdrawal.

If a PGU terminates participation in this agreement at a time when there is deficit fund balance and there had also been a deficit fund balance at the end of the previous fiscal year, the PGU will be required to pay to the Cape Cod Municipal Health Group its proportionate share of the fund balance as certified on the last day of its participation as defined in Article 12.

If a PGU terminates participation in this agreement at a time when there is a deficit fund balance; however, at the end of the previous fiscal year there had been a positive fund balance, the PGU will be required to pay to the Cape Cod Municipal Health Group its proportionate share of the total decrease in the fund balance.

Determination of a Participating Governmental Unit's proportionate share of a positive fund balance or deficit fund balance or change in the fund balance shall be calculated as follows:

The proportionate share of a Participating Governmental Unit (PGU) shall be the quotient obtained by dividing the sum of the PGU's subscribers (employees and retirees) participating in the Cape Cod Municipal Health Group plans for each month of the last fiscal year of participation (PGU subscriber months) divided by the sum of the total number of subscribers participating in the Cape Cod Municipal Health Group (CCMHG) plans in aggregate for each month of the the last fiscal year of the PGU's participation (CCMHG subscriber months), this quotient then multiplied by the amount of the positive fund balance, or deficit fund balance, or change in the fund balance during the last fiscal year of the PGU's participation, whichever case applies as defined in this Article 12. The proportionate share of a PGU shall be calculated without regard to the specific benefit plans offered by the PGU or subscribed to by its eligible members.

Any portion of the fund balance owed to that Participating Governmental Unit based on its proportionate share shall be paid to that Participating Governmental Unit within sixty (60) days of receipt of the auditor's report on the financial statements.

A Participating Governmental Unit that withdraws owing a proportionate share payment to the Cape Cod Municipal Health Group, shall make such payment within sixty (60) days of receiving the bill following the receipt of the auditor's report on the financial statements.

Article 13. Hold Harmless Protection. *(as amended April 24, 1996)*

Each Participating Governmental Unit agrees that it is the responsibility of the Unit to indemnify and hold harmless each representative designated by the Participating Governmental Unit to serve on the Board and any committee established by the Board from personal financial loss and expense, including reasonable legal fees and costs, if any, to the full extent permitted by all applicable statutes, including M.G.L. Chapter 258, Sections 8, 9, and 13. Indemnification should be provided by each Participating Governmental Unit for liability arising from all activities directly related to the establishment of this Agreement

Indemnification should be provided for liability arising from all activities directly related to the establishment of this agreement and all related activities, commencing on and after the effective date of this Agreement and this agreement through and including the date which such designated representative terminates his or her position as a member or alternate member to the Board and the Board's committees. This hold harmless protection should include indemnification for any claim, demand, suit, or judgment relating to any act or omission arising, except for intentional violation of the civil rights of any person arising as a result of such person's service to the Cape Cod Municipal Health Group Board. This hold harmless status should include any and all activities relating to such Board participation, including, but not limited to, serving on any related committee, holding an office as a member of the Board or Committee established by the

Board, traveling to and from meetings relating to the designee's service, communications and all other acts related to the appointment as a delegate or alternate delegate of the Participating Governmental Unit.

Article 14. Certification of Funds.

It is understood and agreed that each Participating Governmental Unit shall provide adequate funds to pay its proportionate share of the joint purchase group health insurance premium and other related expenses approved by the Steering Committee in a timely manner. The appropriate public officials shall certify annually upon request to the Steering Committee the availability of such funds.

Article 15. Exclusive Group Participation in Health Benefits Program.
(Article added April 24, 1996)

Participating Governmental Units may offer to employees and retirees only those medical health plans sponsored by the Cape Cod Municipal Health Group. A governmental unit wishing to offer a medical health plan not sponsored by the Group may put such request in writing to the Board no later than April 1st for a July 1st effective date. A two-thirds (2/3rds) vote of the Board present at a duly called meeting at which a quorum is present is required to override the requirement of exclusive participation.

Article 16. Signatories to Agreement.

This copy of the Cape Cod Municipal Health Group Agreement for Joint Negotiation and Purchase of Health Coverage is executed as a sealed instrument by the undersigned on the date or dates indicated below to confirm its acceptance of the Joint Purchase Agreement following destruction by fire of the original executed Joint Purchase Agreement and to confirm acceptance of all amendments adopted since the effective date of membership of this governmental unit.

By our signatures, we, the undersigned appropriate public authority within the meaning of M.G.L. Chapter 32B, Section 2(a), members of the _____ governmental unit, evidence our acceptance of the terms of this Agreement for Joint Negotiation and Purchase of Health Coverage on behalf of our governmental unit.

For: _____
Name of Governmental Unit (M.G.L. Chapter 32B, Section 2(f)).

Name (printed)

Signature

Date