

CAPE COD MUNICIPAL HEALTH GROUP

STEERING COMMITTEE

Tuesday, January 14, 2014 - 9:00 AM
Sandwich Town Hall
130 Main St., Sandwich, MA

MEETING MINUTES

A meeting of the Steering Committee of the Cape Cod Municipal Health Group (“CCMHG”) was held on Tuesday, January 14, 2014 at the Sandwich Town Hall, Sandwich, MA.

The following people attended the meeting:

Committee Members Present:

A. Francis (“Skip”) Finnell, Chair	Dennis-Yarmouth RSD
Noreen Mavro-Flanders	County of Dukes County
Marie Buckner	Town of Sandwich
Debra Blanchette	Town of Barnstable
Erin Orcutt	Cape Cod Regional THS
Heather Harper	Town of Falmouth
Joyce Mason	Town of Mashpee
Susan Wallen	Nauset Regional School District
Gerry Panuczak	Town of Chatham

Guests Present:

Rich Bienvenue	CCMHG Treasurer
Deanna Desroches	CCMHG Wellness Consultant
David Withrow	Town of Orleans
Peter Halliday	Sandwich Fire/Rescue
Tracey May	Gallagher Benefit Services
Manjusha Sheobaran	Berkley Insurance Company
Suzanne Donahue	Blue Cross Blue Shield (BCBS)
Bill Hickey	Harvard Pilgrim Health Care (HPHC)
Fred Winer	Tufts Health Plan (THP)
Nina Conroy	Delta Dental
Carol Cormier	Group Benefits Strategies (GBS)
Karen Carpenter	Group Benefits Strategies (GBS)

Skip Finnell, Chair, called the meeting to order at 9:05 AM.

Approval of the Minutes of the December 18, 2013 meeting:

Deanna Desroches said that on page 2, the last sentence of the wellness discussion should read “wellness *incentive* budget”, not “wellness budget”.

Noreen Mavro-Flanders said that on page 3, her name was misspelled.

Marie Buckner motioned to approve the minutes of the December 18, 2013 meeting as amended.

Joyce Mason seconded the motion. Gerry Panuczak abstained.

Motion

The motion passed by a majority vote.

Treasurer's Report:

Treasurer, Richard Bienvenue, CPA, distributed the FY14 Management Report (unaudited financials) and the Cash Flow Projection Report and said that the accounts have been reconciled.

Heather Harper joined the meeting.

Mr. Bienvenue reviewed the Trust Fund Income Statement through November 2013 (unaudited figures) and said there is a separate income statement for the Dental Fund. He said that the BCBS claims were high in November and said that there was a loss of \$937,796 for the month. He reported a year-to-date net income of \$2.34M. Mr. Bienvenue said that the trust fund surplus was \$23.8M at the end of November. He noted that the Retiree Drug Subsidy that has not been distributed accounts for approximately \$7M of the trust fund balance.

Mr. Bienvenue reviewed the cash flow projection report and said the actual totals are reflected through November. Mr. Bienvenue said that he projects a \$35.5M ending balance in June 2014.

Noreen Mavro-Flanders said that it would be helpful to see a budget of all of the programs and expenses when trying to determine an appropriate risk of Fund Balance. She said she would like to see what was projected, budgeted and the actuals.

Rich Bienvenue said that the new accounting software has budgeting capabilities.

Erin Orcutt moved to accept the Treasurer's Report.

Motion

Deb Blanchette seconded the motion. The motion passed by unanimous vote.

Erin Orcutt asked if Rich Bienvenue's work as CCMHG Treasurer is considered an independent contractor. She asked if now that he is also working for the Town of Yarmouth, it may be considered a conflict of interest to do both. She said that she appreciates all of the work Mr. Bienvenue does for the group and said she was asking the question to protect CCMHG.

Mr. Bienvenue said that he will contact the State Ethics Commission for their opinion.

Investment Committee Report:

Gerry Panuczak said that it has been a good year for the stock markets and said that the CCMHG investments in the asset funds did very well. He said that the next Investment Committee meeting is scheduled for January 16, 2014 at 10:00 a.m. at Rockland Trust. He noted that he, Erin Orcutt, Deb Blanchette, and Rich Bienvenue are the committee members. Mr. Panuczak said that there was a discussion about the possibility of restructuring the funds. He said that Jason Lily, the investment manager at Rockland Trust, said that the current two funds are continually being rebalanced. Mr. Panuczak said that Mr. Lily will speak more about this at the next Board meeting.

Wellness Committee Report:

Deanna Desroches, CCMHG Wellness Consultant, said that the next committee meeting is on January 31, 2014.

Marie Buckner said that Kristen Nickerson and Laura Scroggins recently joined the Wellness Committee.

Deanna Desroches reviewed the current wellness programs and said that the Kick-Butts program was cancelled due to low member sign-up. She said at least 15 participants were needed and only 11 signed

up. Ms. Desroches said that the committee would like to incentivize the 11 members to quit smoking, possibly providing them with nicotine patches for 90 days.

Suzanne Donahue said that the BCBS member cost share for the the generic patches is a \$10 monthly co-pay.

Bill Hickey suggested asking the physician to write a prescription for the over-the-counter patches and said that HPHC will waive the co-pay.

Ms. Desroches said that she will call after speaking with the wellness committee. She noted that Cape Cod Hospital is not budgeting for an anti-smoking program.

Suzanne Donahue said that she will contact Pam Santin at BCBS to see what BCBS programs may be available.

Skip Finnell asked Ms. Desroches to put a proposal together for the Steering Committee to consider.

Ms. Desroches said the January wellness newsletter, *Wellness Matters*, will be distributed soon. She said that the biometric screenings will be conducted in the spring and the Healthyme program will start after February vacation. Ms. Desroches said that Sue Bjork will be giving a lecture on nutrition as part of the new HIP program, as well as adding a supermarket tour. Ms. Desroches said that she will be carrying out the fitness side of the program.

Discussion and vote to recommend proposed Multi-Level Reinsurance Pooling Arrangement (MLRPA):

Heather Harper said that the Steering Committee made a motion to recommend endorsing the MLRPA concept to the Board subject to a ratification vote at today's Steering Committee meeting. Ms. Harper made a motion to ratify that motion.

Motion

Joyce Mason seconded the motion.

Skip Finnell said that before taking a vote, he would like to hear a review of the presentation and open the topic for discussion.

Manjusha Sheobaran reviewed the proforma and said that line "K" is the gross premium based on the current plan enrollments. She said that the premium increase is approximately 10.5% higher than the current reinsurance premium. She noted that the increase includes the cost of eliminating the \$500K Aggregating Specific Deductible.

Noreen Mavro-Flanders asked Ms. Sheobaran to remove the words "Option 1" from the report since there are no other options being considered.

Ms. Sheobaran said that the Specific Deductible will remain at \$300K, the policy term is 12/24, no Aggregating Specific or lasers. She said that the annual maximum of \$2M per claimant has been removed. Ms. Sheobaran said that the individual premium rate is \$11.11 and the family rate is \$32.33. She said based on current enrollments, the premium cost would be approximately \$2.1M.

Carol Cormier noted that the Aggregating Specific Deductible has always been met in previous years.

Ms. Sheobaran said a member's claims in excess of \$800K is covered by the reinsurance policy and is included in the premium cost. She reviewed the other expenses to include the broker commissions, taxes and fees, management of the MLRPA, aggregate protection and claims administration. Ms. Sheobaran

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said that the CCMHG's share of the collateral is \$765,157 and will be funded at the start of the policy period. She said that the collateral is the group's investment or margin for the pool in case the claims exceed the buffer. She said the collateral will roll over into the next year if it is not used.

Noreen Mavro-Flanders asked Ms. Sheobaran to add "per month" next to the premiums.

Carol Cormier asked Ms. Sheobaran to add "covered as of" next to the enrollment counts.

Skip Finnell asked Ms. Sheobaran to add the entity to which each of the expenses is to be paid.

Skip Finnell asked if there were any questions.

No questions were asked.

Tracey May said that the presentation was updated with the revisions requested by the Steering Committee.

Skip Finnell asked Ms. Sheobaran and Mr. May to attend the Board meeting on January 22, 2014.

In response to a question, Carol Cormier said that there will be no impact or advantage to the employees. She noted that the problem with receiving quotes was what drove creation of the new process.

A vote was taken on the motion and it passed unanimously.

Noreen Mavro-Flanders asked about finalizing the Governance Document following the legal review.

Mr. May said that he will email a clean copy of the Document to all concerned.

Skip Finnell thanked Tracey May and Manjusha Sheobaran, and they left the meeting.

Health and Dental plan rate projections for FY15:

Carol Cormier said that she understands that employers are concerned that the health plans have been over-funded for several years, increasing the CCMHG's Fund Balance at the expense of the budgets of the towns and districts. She said the main drivers are the health plan trend factors that she receives from BCBS and HPHC. She said that these are planwide trend factors with some adjustments. Ms. Cormier said that the CCMHG's claims trend has been running considerably below the industry trend in recent years. She said that CCMHG is probably too small to consider its own trend as credible to predict future costs. Ms. Cormier said that when she prepares the independent projections she uses medical and Rx trend similar to what the health plans are using in their rate projections because there is nothing else credible on which to base the CCMHG's trend. She said that if the Committee thinks that the rates that result are too high, it can recommend to the Board that it reduce the projected rates.

Ms. Cormier said that she thinks the Committee and Board have been very diligent about attempting to reduce the Fund Balance to within the range of the Fund Balance Policy. She said that the Treasurer provides a great deal of information on a monthly basis. Ms. Cormier said that the minutes of meetings and the rating documents document that the Committee has seriously reduced recommended rates, recommended premium holidays, and has recommended distributing RDS money to employers, all in order to reduce the Fund Balance. She said that the expected Fund Balance reductions have not materialized, but that doesn't mean that they will not in the future.

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Ms. Cormier said for the first time the rate setting done at this time of year will be only for the active employee plans, since the senior plans went onto a calendar year renewal basis effective 1/1/14. She said that the Medex and Medicare Enhance rates will be set in October for January 1, 2015. She suggested that CCMHG should once again look at the feasibility of incorporating Medicare Part D into those plans.

Ms. Cormier reviewed the FY15 Rate Development packet. She reviewed the proposed changes to the Administrative Fees, noting that Delta Dental was reducing its fees for the Voluntary plan. She reviewed the expense items that have not been included in the rates in past years, new government fees. She noted the revenues from RDS and investment income that may offset those expenses. She went through the calculations for each health plan.

Noreen Mavro Flanders said that CCMHG will have to decide whether to reduce rates, distribute more RDS, or both.

Erin Orcutt suggested having an outside company review the rate setting.

Carol Cormier said she would welcome that, but it is likely that another company would also use the trend used by BCBS and HPHC.

Rich Bienvenue said that claims cannot be precisely predicted and that it's been said that if the projections are within 10% in either direction of the actual costs, you're doing well.

Bill Hickey said he has not seen an independent party come in with different rates other than within the limits that Rich Bienvenue stated.

Heather Harper said that the CCMHG had expected to use \$10 million of Fund Balance in FY14 but the Fund Balance is growing.

Ms. Cormier said that if the group were to hold current rates, the expectations would be once again that about \$10 million of Fund Balance would be needed to support FY15 costs.

Skip Finnell asked the Committee to return to the rate projections exhibits.

Ms. Cormier reviewed several different funding scenarios including the current funding scenario and FY15 scenarios with (1) rates generated from health plan claims projections, (2) rates generated from GBS projections, (3) rates using the lower of the two claims projections, and (4) a scenario reducing the lowest projections by almost \$10 million.

Noreen Mavro-Flanders said she is uncomfortable with level-funding and putting \$10 million of Fund Balance at risk two years in a row. She suggested a 2.5% to 4.5% increase in rates across the board.

Rich Bienvenue said that if as the FY15 year goes on that scenario doesn't seem to be using fund balance, then the Group could consider other options such as distributing RDS money or a premium holiday.

Skip Finnell said that the CCMHG needs to support its members and communities and said he would consider distributing RDS money.

David Withrow suggested a 5 year review of expected expenses and use of Fund Balance and the actual and determine what is a reasonable trend. He said that the group could develop a mathematical model.

Carol Cormier said that she thought the group was not large enough to use its own trend and that things like provider contract changes would not be available or knowable.

Rich Bienvenue said he did a review of the Fund Balance through FY2012. He said he believes the CCMHG adopted the proper fund balance policy and should continue to target the top of the powerband. i.e 12% of prior 12 months of claims. He reiterated that if the group finds it's not using as much fund balance as planned, towards the end of the year it could consider a premium holiday and would have avoided spiking rates in the following year.

Ms. Cormier said that she agreed with the approach described by Mr. Bienvenue.

Noreen Mavro-Flanders asked Mr. Bienvenue to update the Fund Balance analysis.

Susan Wallen said that she favors level funding. She said in the private sector, when a company has had a good year, the next year they give back to the employees.

Joyce Mason said she agreed and supported level funding.

Carol Cormier said she remembers bad years around 2000 when the group was doing very well but suddenly the bottom dropped out and the group had to divest of its holdings and dramatically raise rates.

Dave Withrow said he was around at that time as well. He said that he thinks level funding is a bit risky. He suggested a financial plan for investment income.

Joyce Mason motioned to recommend to the Board that it hold the rates at current levels for FY15.

Gerry Panuczak seconded the motion.

Motion

The motion was defeated with 4 in favor and 5 opposed.

There was a discussion about the amount of Fund Balance to target.

Deb Blanchette moved to target \$8 million of Fund Balance towards FY15 expenses.

Motion

Erin Orcutt seconded the motion. The motion passed with 7 in favor, 1 opposed, and 1 abstention.

Carol Cormier said she would prepare funding scenarios that use \$8 million of Fund Balance and send them to the Committee by email.

Heather Harper suggested spending several meetings on the rate setting process and formulas and possibly bringing in an outside firm.

Meeting dates:

The Committee set the dates for meetings as follows –

- Steering Committee - Feb. 26th at 9 AM, at Sandwich Town Hall,
- Steering Committee - March 19 at 9 AM at Sandwich Town Hall,
- Steering Committee - April 30 at 8:30 AM at COMM Fire District Bldg.,
- Board – April 30 at 10 AM at COMM Fire District Bldg.

Health and Dental Plan Reports:

Tufts Health Plan- Fred Winer said that the health plan representatives are continuing to work on health fair recommendations to the employers. He said that they are recommending coordinating health screenings at the fairs with Deanna Desroches and are asking to regionalize the fairs.

Skip Finnell asked Mr. Winer to send the list of recommendations to Carol Cormier for distribution.

BCBSMA – Suzanne Donahue said that there are ACA requirements regarding elimination of dollar maximums on benefits that they determine to be essential health benefits. She said that the maximum will need to be removed from the wigs and low protien formulas benefits.

Ms. Donahue said that BCBS will try to negotiate better rates with the PPO out-of-state, out-of-network providers. She said that the group will receive 75% of the savings that may be negotiated.

Harvard Pilgrim – Bill Hickey said that there was nothing new to report.

Delta Dental – Nina Conroy said she did not have anything significant to report.

Other Business:

There was no other business.

Gerry Panuczak moved to adjourn the meeting.

Motion

Erin Orcutt seconded the motion. The motion passed by unanimous vote.

Skip Finnell adjourned the meeting at 12:50 PM.

*Prepared by Karen Carpenter
Group Benefits Strategies*