

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

**STEERING COMMITTEE**

Wednesday, December 18, 2013 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 Wednesday, December 18, 2013 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
Maggie Downey	Barnstable County

**Guests Present:**

Rich Bienvenue	CCMHG Treasurer
Bill Fraher, CPA	Financial Auditor
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)
Carol Cormier	Group Benefits Strategies (GBS)
Karen Carpenter	Group Benefits Strategies (GBS)

Skip Finnell, Chair, called the meeting to order at 9:10 AM.

**Approval of the Minutes of the November 20, 2013 meeting:**

Erin Orcutt motioned to approve the minutes of the November 20, 2013 meeting.

Motion
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Marie Buckner seconded the motion. The motion passed by a unanimous vote.

**Investment Committee Report:**

The Investment Committee Report wasn’t available.

**Wellness Committee Report:**

Marie Buckner, Wellness Committee Co-Chair, said that the committee is reviewing ways to enhance the HIP program. She said that Dr. Flaherty’s will not be involved in the new program due to his busy

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schedule. Ms. Buckner said that the committee is going to work with Sue Bjork on enhancing the program.

Maggie Downey said that the committee will simulate the HIP program and noted that there are no copyright or registration issues. She said that Deanna Desroches will make a recommendation to the Steering Committee once the program design has been completed. Ms. Downey said that Ms. Desroches has health care contacts similar to those of Dr. Flaherty. She said it was suggested by Dr. Flaherty to add a mandatory cardio portion to the program.

Maggie Downey said that only 3 members have signed up for the *Kick Butts* Anti-smoking program in the Town of Eastham. She said the program will be dropped if participation doesn't increase. Ms. Downey said the biometric screening sessions are going well. She said the brown bag lecture series is scheduled for March.

Ms. Downey said that the Wellness Committee will be making a recommendation in the future to move the wellness incentive budget to a fiscal year basis to be aligned with the CCMHG fiscal year.

**FY13 Audit Report, Bill Fraher, CPA:**

Rich Bienvenue, CCMHG Treasurer, introduced Bill Fraher and said that there were a few adjustments needed before the financial audit can be finalized.

Bill Fraher reviewed key financial information from the FY13 financial statements and compared them to the same information from the past four years. He said that the -3.7% decrease to the cash and investments was due to timing of the health plan quarterly settle-ups. He said that there was a 31.4% reduction in claims liability and the net assets increased by 16.7%. Mr. Fraher said that net assets increased by \$3.48M despite the decision to lower the rates below what was recommended. He said there was a slight reduction in active employee enrollments and a slight increase to the retiree enrollments.

Skip Finnell noted that there was a cost shift due to the plan design changes made in FY12.

Mr. Fraher continued to review the key financial information and said that the participants contributions decreased by -10.6%, and health claims expense decreased by -15.0%. He said the total operating expenses remained flat for five years but said the expenses increased in FY13 by 7.5%. Mr. Fraher said this was due to payments to Abacus increasing.

Carol Cormier said that she thought that during FY13 the payments to Abacus included the prescription drug claims costs for the diabetes program..

Bill Fraher asked if the prescription costs should be added to the claims expense.

Rich Bienvenue said that he included the payments to the Abacus Group in the administrative expense. He said that the prescription costs of the Abacus wellness programs will be posted to the correct accounts with the new finance software.

Bill Fraher said that he may need to make an adjustment to the FY13 financial statements to reflect the prescription claims costs of the diabetes program.

Mr. Fraher said that the investment income increased 87.5%, and the operating income is \$3.95M. Mr. Fraher said the IBNR as a % of the claims run-out is 1.1%

There was a discussion about the IBNR and whether or not it should be adjusted.

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Rich Bienvenue said that anywhere between 100% and 110% is ok, but said anything higher would need an adjustment.

Mr. Fraher said the change in revenue versus expenses increased by 3.5% and net assets as a percentage of claims expense increased by 37.3%. He said that the group may want to look at lowering the rates or giving a premium holiday.

Rich Bienvenue said that the Board has been making attempts to lower the fund balance by lowering the rates.

Carol Cormier noted that the Board has also returned some of the Retiree Drug Subsidy (RDS) to the employers. She said that the Group doesn't take into account the RDS and investment income when determining rates and said that these revenue sources have been a wash with the alternative prescription program expenses and the reinsurance aggregating specific deductible (ASD) expense.

Bill Fraher said that there were two new GASB statements that changed some of the wording in the audit. He said that net "position" has replaced net "asset" and that two new columns have been added to the reports, Deferred Input and Deferred Output. Mr. Fraher said that an adjustment was made to the audit to include \$570K of reinsurance reimbursements and \$86K to adjust the Medicare Part D actuals.

Mr. Fraher said that he and Skip Finnell spoke about putting together a formal audit schedule to produce timely future audit reports. He said that he would begin in August to have the draft available in October and meet with the Steering Committee in November to finalize the audit. Mr. Fraher said he is waiting now for the bank and member confirmations. He said he will add the schedule to his engagement letter.

Rich Bienvenue said that the new accounting software should help with the timing and noted that Skip Finnell, Noreen Mavro, Carol Cormier, and Ruth Lynch all have read-only access to the Xero system.

There was a discussion about whether or not an audit committee should be formed, and it was decided that it wasn't necessary at this time.

Noreen Mavro-Flanders joined the meeting.

Rich Bienvenue invited members of the Steering Committee (SC) to re-review his processes since some changes have occurred since the last review. He said that he expects to give read-only access to the Xero system to all of the SC members. Heather Harper, Susan Wallen, Noreen Mavro-Flanders and Carol Cormier all expressed interest in attending the meeting to review the processes.

Bill Fraher said that the engagement and rep letter needs to be signed and he said that he will incorporate Skip Finnell and Carol Cormiers changes into the MDA. He asked Mr. Bienvenue to follow up on the member confirmations.

Rich Bienvenue asked Mr. Fraher to send him a list of those from whom he has received confirmations and said he will contact the remaining members.

Mr. Fraher said that he would send a list of the pending audit items to the Steering Committee.

**Treasurer's Report:**

Treasurer, Richard Bienvenue, CPA, distributed the Management Report (unaudited financials) and reviewed the aged receivables report. He said that he is going to work with Ruth Lynch at GBS to add the history to the report. He said that there is a negative balance owed due to prepaid member payments.

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Mr. Bienvenue said that the older balances are mostly due to members not paying as billed. He said that in the past he has visited the towns to clear these amounts up.

Heather Harper asked Mr. Bienvenue to contact the Town of Falmouth's Treasurer to work on their balance.

Skip Finnell asked that these member payment issues be put on the January Board agenda.

Mr. Bienvenue said that he will draft a letter to send to Ruth Lynch to send out with the invoices in January.

Noreen Mavro-Flanders said she is not receiving the Cape Cod 5 bank statements and asked Mr. Bienvenue to add her to the list to receive a copy.

Mr. Bienvenue said that the statements will be added to the Xero system to be viewed by everyone with access electronically.

Mr. Bienvenue reviewed the financial statements and said that they won't agree with Mr. Fraher's audit. He said he needs to add the reinsurance reimbursement and Medicare Part D adjustments.

Mr. Bienvenue reviewed the cash projections and said he estimates that cash will be up by about \$3M at year end. He said if the claims trend continues, he projects there will be approximately \$10M of surplus to consider during the rate setting process. He said distributing additional Retiree Drug Subsidy (RDS) to the employers may be an option to consider.

There was a discussion about the lower-than-expected claims expense and the increase to the fund balance.

Carol Cormier said that the claims expense is driven by individual high cost claims and said that the timing of the impact depends on when in the year they hit the statements.

Bill Fraher asked if the age of the work force has lowered.

Susan Wallen said that she works with the retirement board and has noticed that several of the teachers are retiring. She said those positions may be filled with younger employees.

Maggie Downey suggested that the Steering Committee should gather their questions and comments and ask the health plans to report on utilization.

Heather Harper had a concern that members may not be utilizing their health plans since the FY13 plan design changes.

Marie Buckner said that the Town of Sandwich Selectmen are inquiring about the costs to the towns regarding the Affordable Care Act (ACA) fees.

Carol Cormier said that the PCORI, Transitional Reinsurance fees as well as the one-time State Assessment are being charged to CCMHG and not to the employers.

Heather Harper moved to accept the Treasurer's Report.

Motion
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Maggie Downey seconded the motion. The motion passed by unanimous vote.

**Health and Dental Plan Reports:**

Harvard Pilgrim – Bill Hickey said that HPHC is continuing to work on implementing system updates to keep up with the ACA requirements.

BCBSMA – Suzanne Donahue distributed a BCBS Urgent Care flyer about urgent care options when a visit to the Emergency Room may not be necessary. She said that the Blue Care Line is a 24 hour, 7 days a week nurse line that members can call to help decide whether or not to go to the ER. She said the CVS MinuteClinics and Urgent Care Centers are other options. Ms. Donahue said that the flyer is posted on the CCMHG website.

Delta Dental – Nina Conroy was unable to attend the meeting.

**GBS Reports:**

Carol Cormier said that the Funding Rate Analysis is included in the meeting packet and said the Committee could contact her if they have questions. She noted that there were no changes to the Stop Loss reports since the last meeting.

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

Skip Finnell said that he and Noreen Mavro-Flanders have attended meetings of a small advisory committee comprised of representatives of West Suburban Health Group (WSHG), Minuteman Nashoba Health Group (MNHG), and CCMHG. He said that the advisory committee is hoping to implement the MLRPA for July 1, 2014.

Tracey May of Gallagher Benefits Services, introduced himself and Manjusha Sheobaran of Berkley Insurance. He said that since meeting with the Steering Committee last year, improvements were made to the original model. Mr. May said that he is certain that the captive, i.e. pooling model of reinsurance pooling will be beneficial to the JPG's. He explained that Artex, a subsidiary of Gallagher Benefits Services, will manage the captive and Berkley Insurance will provide the stop loss insurance at the third tier of the multi-level program. Mr. May said that Gallagher vetted the top reinsurance carriers through an RFP and chose Berkely Insurance based on financial and reporting capabilities. He said that in the previous model discussed last year, the reinsurance carrier would have managed the captive. Mr. May said the new arrangement allows the Joint Purchase Groups (JPGs) the option to switch carriers if Berkley is not favorable in subsequent years.

Skip Finnell noted that the percent of reinsurance expense is 0.73% of total CCMHG expenditures and said that it has become difficult to get reinsurance companies to bid on municipal business.

Tracey May said that the reinsurance rates and other numbers will be available for the January meetings. He said that the WSHG and MNHG Steering Committees have voted to recommend the MLRPA to their Boards. Mr. May said that Noreen Mavro-Flanders and Skip Finnell worked on all of the financial information and governance documents along with the representatives of WSHG and MNHG. Mr. May said that the MLRPA will work similar to what the JPGs are doing to purchase their health benefits. Mr. May reviewed the slides in the handout explaining that there were three levels: the risk assumed by each JPG, i.e. the cost of claims under \$300K, the claims between \$300K and \$850K that will be paid from the captive pool, and the claims above \$850K that will be paid by Berkley Insurance through its fully insured reinsurance policy with each of the three JPGs.

Carol Cormier said that the advisory committee discussed and worked extensively on this project and said that any surplus in the captive pool will be distributed proportionally based on each JPG's payments

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which will be based on enrollments. She said all JPGs will pay the same rates for the same level of coverage.

Erin Orcut left the meeting.

Manjusha Sheobaran said that the number of carriers that will bid on municipal business is shrinking. She said that they are realizing that they cannot make money and only sometimes break even.

Skip Finnell said that the reinsurance policy will be purchased at a much higher level, i.e. \$850K.

Carol Cormier said that CCMHG, WSHG and MNHG will be the founders of the captive and the first three JPGs to participate. She said that they will be the ones establishing the rules and creating the governance document.

Marie Buckner asked if there was some type of escape clause should CCMHG want to get out of the agreement.

Carol Cormier said that the JPGs would be required to stay in for three years and then would be able to leave on anniversary.

Tracey May said that change is difficult for many and said that there may have been skepticism when first creating the JPGs. He said the groups will continue to receive the reinsurance reimbursements as usual, but said that Berkley will issue the checks to each group and then recoup the reimbursements of the claims between \$300K and \$850K from the pool.

Heather Harper said that the town of Falmouth's Worker's Compensation works similarly.

Manjusha Sheopbaran reviewed slide 6 of the presentation and said that the three JPGs will be entering the pool with the same Specific Deductible of \$300K and no Aggregating Specific Deductible. She said that each JPG will be responsible for the first \$300K of each claimant as is the case now for CCMHG.

Noreen Mavro-Flanders said that CCMHG paid \$1.2M in stop loss premiums plus the \$500K Aggregating Specific last year.

Manjusha Sheobaran said that Berkley Insurance will calculate the rates for claims above \$300K and said that most of the premium charged will go into the pool. She said that a small portion of the premium will be kept by Berkley Insurance for claims over \$850K. Ms. Sheobaran said that each group will also contribute a start-up collateral.

Tracey May said that the premiums will be higher initially to absorb the \$500K Aggregating Specific that has been dropped and the collateral, but he said that the JPGs own the money in the pool that's not used and the collateral not used.

There was a discussion about how other entities would be able to join the MLRPA.

Carol Cormier said that there will be an annual audit and there would be one representative from each JPG serving on the MLRPA Board.

Tracey May said that Artex will report on a quarterly basis.

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Carol Cormier said that the governance document is under legal review by Attorney Leo Peloquin. She said that she will send copies of the documents out to the Committee.

There was a discussion about putting off the vote until January 14, 2014 after review of the premiums.

Heather Harper made a motion to recommend endorsing the MLRPA concept to the Board subject to a ratification vote at the January 14, 2014 Steering Committee meeting.

Motion

Skip Finnell and Noreen Mavro-Flanders said they researched and vetted this process and are recommending the MLRPA to the Committee and believe that it will be beneficial to CCMHG.

Debra Blanchette seconded Ms. Harper's motion.

Heather Harper asked for the written motion to recommend to be included in the Board and Steering Committee packet at the January 14, 2014 meetings.

Marie Buckner asked for a copy of the revised presentation to be sent to the Committee.

Skip Finnell said that all of the documents and the presentation will be sent to the Steering Committee.

A vote was taken and the motion passed by a unanimous vote.

Maggie Downey left the meeting.

**Other Business:**

There was no other business.

Noreen Mavro-Flanders moved to adjourn the meeting.

Motion

Marie Buckner seconded the motion. The motion passed by unanimous vote.

Skip Finnell adjourned the meeting at 12:05 PM.

*Prepared by Karen Carpenter  
Group Benefits Strategies*