

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

STEERING COMMITTEE

Wednesday, December 19, 2012 9:00 AM
Sandwich Municipal Office Bldg., Sandwich, MA

MEETING MINUTES

A meeting of the Steering Committee of the Cape Cod Municipal Health Group (“CCMHG”) was held on Wednesday, December 19, 2012 at the Sandwich Municipal Office Bldg, 16 Jan Sebastian Drive, Sandwich, MA.

The following people attended the meeting:

Committee Members Present:

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

Guests Present:

Rich Bienvenue	CCMHG Treasurer
Deanna Desroches	CCMHG Wellness Consultant
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 a.m.

Approval of the Minutes of the November 28, 2012 meeting:

Debra Blanchette motioned to approve the minutes of the November 28, 2012 meeting.

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

Motion

Wellness Committee Report and Wellness Coordinator for Martha’s Vineyard:

Marie Buckner said that seven applicants were selected from the applications received and were interviewed by Noreen Mavro-Flanders, Kathy Logue, Melanie Becker and Deanna Desroches. Ms. Buckner said that the Wellness Committee, along with Deanna Desroches, is recommending that the Steering Committee approve hiring Krystle Rose as the part-time Martha’s Vineyard (MV) Wellness Coordinator at an hourly fee of \$35 per hour and \$25 per hour for travel time. They recommended a 6-month contract from January 1 to June 30, 2013 as previously discussed.

Deanna Desroches, Wellness Coordinator, said that Ms. Rose is a recent graduate of Bridgewater State College and is currently working towards her Emergency Medical Technician Certification as a

Paramedic. Ms. Desroches said that Ms. Rose has lived on Martha's Vineyard all of her life and has been involved in community projects involving fitness and has volunteered for the ambulance services as a volunteer EMT-B. She said that Ms. Rose is very approachable and knows the Martha's Vineyard community. Ms. Desroches said that references described Ms. Rose as hard-working, pleasant, outgoing, very knowledgeable and organized.

Noreen Mavro-Flanders said that she was impressed by Ms. Rose and said that she seems very passionate about healthcare, fitness and wellness. Ms. Flanders said that Ms. Rose's family has been involved in Public Service, Elder Care and Emergency Care on the Vineyard.

There was a discussion.

Heather Harper made a motion to approve hiring Krystle Rose as a contracted part-time Wellness Coordinator for Martha's Vineyard as recommended by the Wellness Committee.

Motion

Gerry Panuczak seconded the motion. The motion passed by unanimous vote.

Treasurers Report:

Treasurer, Rich Bienvenue, CPA, reviewed the financial statements through October 31, 2012 (unaudited figures). He said that the total operating cash was \$16.2M which was down \$7M from this time last year. He said that the Unreserved Trust Fund Balance was \$23.4M as of October 31, 2012. He reported assets at \$28.7M and liabilities of \$5.3M.

Mr. Bienvenue said that copies of the final CCMHG FY12 financial audit report should be available at the next Steering Committee meeting. He also said that he emailed the detailed wellness expenditure reports to Skip Finnell, Maggie Downey and Marie Buckner last night.

Mr. Bienvenue said that he will resume work on the new on-line accounting program in January.

Marie Buckner made a motion to accept the Treasurer's report as presented.

Motion

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

The next Steering Committee meetings were scheduled for January 23 and February 6, 2013 at 9:00 a.m. at the Sandwich Municipal Office Building. Skip Finnell said that the January meeting would be a general meeting, while the February meeting will be held to review the proposed FY14 health plan rates.

It was noted that the next CCMHG Board Meeting was scheduled for February 13, 2013 at COMM Fire District.

GBS Reports:

Funding Rate Analysis- Carol Cormier reviewed the Funding Rate Analysis with data through November 2012 and said the expense-to-funding ratio for health plans was 98% and for dental was 80.9%.

Affordable Care Act (ACA)- Ms. Cormier said that the ACA includes a Transitional Reinsurance Program and gives the Department of Health and Human Services (HHS) the authority to collect reinsurance "contributions" of \$12 billion in 2014, \$8 billion in 2015 and \$5 billion in 2016. She said these contributions will be used to help stabilize the individual insurance markets across the country and will be allocated to offset the cost of high cost claimants. She said that the reinsurance fee applies to both insured and self-insured health plans and the 2014 fee is estimated to be \$5.25 per member per month, or \$63 per member per year. Ms. Cormier said that the transitional program is expected to run from 2014 to 2016. She said the fees are supposed to be somewhat lower each year.

The health plan representatives from HPHC and BCBS said that they are not sure how the fees would be administered for self-insured health plans.

Skip Finnell suggested offsetting the cost of the new program with the Retiree Drug Subsidy monies.

Medicare Employer Group Waiver Plans (EGWPs) discussion continued:

Ms. Cormier reviewed a comparison chart that showed the average savings of the Retiree Drug Subsidy (RDS) vs. the estimated savings from switching to Medex with a PDP. Ms. Cormier said that the EGWP plans, i.e. plans with a Medicare Part D Prescription drug program (PDP) built in, are governed by CMS and would require a change to a January 1 renewal date. She said that EGWP plans help to lower the OPEB liability.

Ms. Cormier reviewed a spreadsheet showing the RDS monies received for Medex over 3 years compared to the expected savings through the rates from changing to a Medex plan with Medicare Part D built in, i.e. an EGWP plan. She said that she will update the spreadsheet with the same type of data for HPHC Medicare Enhance plan. Bill Hickey said that he is waiting for the prescription information from Coventry Insurance and will forward the HPHC EGWP-like product rates to Ms. Cormier as soon as he receives them.

Suzanne Donahue, BCBSMA, reviewed the alternative Medex plan proposal. She said that the current Medex plan has a high cost and out-dated prescription cost-sharing structure. She said currently for the retail RX program, generic drugs are free to the member and brand name drugs are covered at 80% after a \$50 calendar year deductible has been satisfied. Ms. Donahue noted that only 10% of the Medex prescriptions are filled through mail order.

Ms. Donahue said that CCMHG can choose to continue offering the Medex plan, changing the prescription drug plan design to three co-pay tiers and continue to receive the RDS or offer the Medex 2 plan with a Medicare Part D Prescription Drug Plan (PDP). She said this type of plan can be referred to as an Employer Group Waiver Plan (EGWP). She said that the medical claims (Medex 2 plan) could continue to be self funded but that the Part D RX plan would have to be fully insured. Ms. Donahue said that the rates would be reduced with the EGWP option, and so the savings would be shared with the retiree through the lower rates. She said that the members would receive two ID cards, one for medical services and one for prescriptions. She said that CVS Caremark would be the Pharmacy Benefit Manager (PBM). Ms. Donahue said that CMS also requires the health plans to send various complex communications to members of EGWP plans throughout the year.

Ms. Donahue said that she would run a disruption analysis report for the next meeting since not all prescriptions covered by Medex are covered by CMS on Part D plans. She said approximately 90% of the current Medex drugs would still be covered.

Fred Winer said that the Rx formulary can be enhanced to cover more than the prescriptions on the CMS formulary.

Carol Cormier said that members enrolling in the EGWP plans would not be eligible to utilize the international mail order Rx program, but said current utilization of that program by the seniors is probably low.

Skip Finnell asked to keep this item on future agendas.

Noreen Mavro-Flanders said that she would like page 5 of the BCBS presentation to be updated to include the CCMHG actual subsidized rates rather than the rates that BCBS recommended and should also include a note added next to the BCBS numbers to state that they are unsubsidized.

There was a discussion, and the Steering Committee agreed that should changes be made, it would be best to make them all at the same time, rather than in steps.

EyeMed options and annual eye exam coverage on senior plans – rider on Medex:

Carol Cormier said that there was a concern brought up by a Board member at the last meeting asking about eye exams for seniors since the EyeMed plan will no longer cover the exam effective 7/1/13. Ms. Cormier said that all of the plans provide coverage for an annual eye exam with the exception of Medex. She said she had asked Suzanne Donahue if there is a rider for Medex to cover eye exams.

Suzanne Donahue said that a rider is available, and the Committee can choose one annual routine eye exam benefit or one exam every two years, both on a calendar year basis. She said that there would be no co-pay for the exam. Ms. Donahue said that the claims factor is 1.004 for an annual exam and 1.002 for one exam every two years.

Gerry Panuczak made a motion to recommend to the Board to add one routine eye exam benefit once every two years to the Medex senior plan to be consistent with the other CCMHG senior plans.

Motion

Noreen Mavro-Flanders seconded the motion. The motion passed by unanimous vote.

Dependent Eligibility Audit – status report:

Carol Cormier reviewed the final results of the Dependent Eligibility Audit conducted by HMS Employer Solutions (“HMS”) and said that Karen Carpenter sent each of the employers the list of dependents found to be ineligible. She said that 92.6% of the 10,309 dependents were found to be eligible, and 97 dependents were voluntarily removed by the subscribers. She said family plan subscribers providing documentation following the deadline date of December 5th will have to provide them to the employer and not to HMS. Ms. Cormier said that HMS estimated the savings to be \$4K for each ineligible dependent removed from the plan.

Ms. Cormier said that a representative from HMS has asked if CCMHG would give them a reference of recommendation.

The Steering Committee agreed to give HMS a positive reference fo a job well done.

GBS Reinsurance Workshop - Carol Cormier said that GBS held a workshop on December 5th for the Joint Purchase Group (JPG) Steering Committee members. She said that representatives of Gallagher Benefit Services gave a presentation and responded to questions. Ms. Cormier said that Skip Finnell and Debra Blanchette attended from CCMHG. Ms. Cormier said that due to a decline in number of reinsurance quotes received over the last couple of years, GBS has been working on possible solutions to assure clients can obtain protection for high cost claims risk. She said that GBS has partnered with Gallagher Benefits Services, a national brokerage firm with good credentials to develop solutions to the problem. She said that the meeting included a suggestion to create a reinsurance pooling arrangement across joint purchase groups. She said that the arrangement is similar to how pooling risk works within each JPG, but each JPG would have its own deductible and rates. Ms. Cormier said that with the exception of the first year start-up, costs are expected to be lower over time. She said that Gallagher Benefits Services offered to speak to the CCMHG Board.

Skip Finnell asked about the time it would take to transition to the new arrangement should the Board decide in favor of it.

Carol Cormier said the Committee should give the Board an overview at the spring or summer of 2013 meeting. She said that she will ask Gallagher what approach has worked best in their past experience. Ms. Cormier said that Minuteman Nashoba Health Group’s reinsurance renews in January and said that

the MNHG requested quotes from Gallagher and their incumbent broker. She said that the quote received through Gallagher was 32% lower than the rates submitted by the incumbent broker/carrier.

Skip Finnell asked to add this item to the January meeting agenda for further discussion.

Health and Dental Plan Reports:

Delta Dental – Nina Conroy said that she will have the CCMHG FY14 Dental renewal by January 10th. She said that due to the way that Delta Dental interfaces with GBS, they assigned a designated person, Dawn Platero, to the CCMHG account for enrollment transactions. She said this will insure efficient and accurate enrollment transactions.

Tufts Health Plan – Fred Winer distributed wellness calendars to the Committee and said that there is a lot of really good wellness information in them. He said to let him know if additional calendars are needed.

Blue Cross Blue Shield – Suzanne Donahue said that she and Pam Santin will be attending the next CCMHG Wellness Committee Meeting.

Harvard Pilgrim Health Care – Bill Hickey said that HPHC is continuing with the implementation of new processes to accommodate the changes brought about by the Affordable Care Act and new Mass. legislation.

Other Business:

The next CCMHG Steering Committee meetings were scheduled for January 23, 2013, February 6, 2013, and March 13, all at 9:00 AM at the Sandwich Municipal Office Building, Sandwich, MA.

Marie Buckner asked if anyone received additional feedback in response to the opinion article in the *Cape Cod Times* written by Barry Eyre of KTP Advisors that was printed in the Opinion section of the *Cape Cod Times*.

The Committee members agreed that the response that Ms. Mavro-Flanders, Mr. Finnell and Ms. Cormier sent to the CCMHG employers helped to answer questions that the opinion article may have raised.

CCMHG response to the Cape Cod Times article sent to CCMHG employers is attached to these meeting minutes.
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Marie Buckner asked whether or not the CCMHG's data in the future could be reviewed and analyzed by unit.

Carol Cormier said that the CCMHG employers have not wanted to see the claims of individual employers and that the underlying operating principle has always been one of unity, i.e. one for all and all for one. She said that this is the way all the joint purchase groups operate and that it is the same for the GIC. She said that if the Board were to decide to change this underlying principle and do risk rating for each unit, GBS would not be able to perform that service for the 53 governmental units at the fees charged CCMHG and may not be able to do it at all. She said that the group may need to engage an actuary to do the risk rating.

Heather Harper stated that she would talk to the other Town Managers and Administrators as she felt communication between them and the CCMHG could be enhanced moving forward.

Skip Finnell said it might be a good idea to meet with the Managers and Superintendents to discuss this issue.

Rich Bienvenue said that his office has prepared analyses for several of the CCMHG units to see if there would be a cost savings by obtaining health insurance outside of the Group. He said all of the results showed that it would not be beneficial to do so.

There was no other business.

Noreen Mavro-Flanders moved to adjourn.

Motion

Gerry Panuczak seconded the motion. The motion passed by unanimous vote.

Chair Skip Finnell adjourned the meeting at 11:10 AM.

*Prepared by Karen Carpenter
Group Benefits Strategies*



Cape Cod Municipal Health Group

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MEMORANDUM

TO: Cape Cod Municipal Health Group (CCMHG) Employers
FROM: Noreen Mavro-Flanders, Board Chair, A. Francis Finnell, Steering Committee Chair, Carol Cormier, MHA, LIA, consultant to the Cape Cod Municipal Health Group
DATE: November 30, 2012
RE: *Nov. 28, 2012 Cape Cod Times article on the CCMHG*

In an opinion letter titled *Health group subsidizing Barnstable* appearing in the Cape Cod Times on Nov. 28, 2012, Barry Eyre of KTP Advisors implies negligence on the part of CCMHG and its consultant for not having discovered that the claims costs of Town of Barnstable were higher for a certain period than the funding rates the town was paying. He asks *how could that be* that this was not disclosed? He goes on to suggest that employers in the Group should have their rates risk-adjusted based on their claims experience. We must respond to this criticism with the facts of the situation.

Current Joint Purchasing Model:

The CCMHG has been operating under a model established 25 years ago - *by design*, not by negligence or oversight. When CCMHG formed the first municipal Joint Purchase Group (JPG) in 1987 the individual municipal employers were facing high annual rate increases from BCBS seemingly without any remedies for relief. The joint purchase group design developed by Cape Cod municipal employers was based on a long-term strategy of increasing purchasing power through a multi-employer approach and pooling the claims risk of all employers. It was based on a belief that a unified approach would over the long-term be in the best interest of all. This approach assumed that over a period of 5 or more years every employer would be likely to make out better with the Group than on its own. In some years an employer would have claims higher than the average claims per member of the group, and in other years the employer's claims would likely be lower than the group's average claims cost per member. An underlying principle of this long-term strategy is "community rating" whereby all employers are charged the same rates regardless of their claims experience. All ten municipal joint purchase groups in MA function with community rating. The *GIC or Group Insurance Commission* (GIC administers benefits for state employees and for employees and retirees of municipalities that choose to join the GIC) uses community rating for all its entities. The GIC, like all the joint purchase groups, charges the same rates to all 43 towns and districts now participating, even though it is certain that their claims experience varies. Employers in JPGs have taken the all-for-one and one-for-all approach to heart. The CCMHG has explicitly made a point of not wanting to see the claims experience of the individual employers in order to foster unity rather than separateness and/or divisiveness.

When municipal employers signed the CCMHG Joint Purchase Agreement long ago, they signed onto the community rating model described above. The Board could choose to change this model; however, we should be aware that additional administrative costs and increase in cost of backroom operations could be substantial. The current model has worked well for CCMHG members for the past 25 years. We do not believe that any employer in the Group could provide benefits at a lower cost by doing so on its own. Some employers tested this in 2011 by seeking independent quotes from the health plans and found that they'd be charged far more on their own than in the CCMHG. In addition to providing rates that are lower compared to what a town or district could secure on its own, CCMHG, as it currently operates, provides many services and programs otherwise unavailable to participating employers.

Putting the Barnstable numbers in perspective:

The Longfellow Benefits study commissioned by Town of Barnstable at the request of its unions, estimates that for a recent 3-year period the paid claims costs, some of which were estimates, plus a 10% estimate for administrative costs were about \$3.5 million higher than the premiums that Barnstable paid to the CCMHG over that 3-year period. We should note that \$803,000 of that was reimbursed to the CCMHG by its reinsurance carrier, so that reduces Barnstable's cost to the group to \$2.7 million over the 3-year period, averaging \$900,000 per year. The average paid claims cost per year of the CCMHG as a whole over the 3-year period was \$133 million. The \$2.7 million is 0.67% of that total paid claims cost. Keep in mind, that it is unlikely that Barnstable would be the only employer whose costs exceeded its premium payments. If we were able to review the claims cost of each of the 53 employers for any timeframe, we'd find that some had claims and administrative expenses that exceeded premiums, and others would have lower claims and administrative expenses than they paid in premium. It will always be a mix. Also, each analysis is a snapshot in time. If a different timeframe is selected, a different result is likely to be attained.

Medicare Plans:

In addition to having his opinion letter published in the *CC Times*, Mr. Eyre sent an email to CCMHG Board members and some elected officials yesterday regarding savings his company could deliver on the Senior plans. He pitched this proposal to another GBS client. It was to eliminate all current Senior plans and replace them with a single plan provided by United American and a pharmacy benefit provider. The CCMHG Steering Committee has been working with BCBS, HPHC, and Tufts on cost savings options for the retiree plans. The CCMHG Board had agreed to get through the active employee plan design changes for 7/1/12 before tackling changes to retiree plans. The Steering Committee will be presenting a proposal to you at either the January or spring Board meeting regarding Medicare plan options.

The Press:

We note that GBS sent a Press Release on 11/13/12 to *Cape Cod Times*, *Martha's Vineyard Gazette*, *the Cape Codder*, and *Cape Broadcasting*. This press release discussed the savings the CCMHG had obtained through the plan design changes. Although the *CC Times* chose to print Mr. Eyre's provocative letter, we are disappointed to find that none of these media sources published the CCMHG's Press Release. It is being sent to each of you *via* email.