

Berkshire Health Group

Board Meeting #06-06

Lenox Town Hall
Lenox Massachusetts
Monday, January 25, 2016 at 9:30 a.m.

Meeting Minutes

Board and Alternates Present:

Mary Beverly, Chair	Town of Adams
Sharon Harrison, Vice Chair	Berkshire Hills RSD
David Hinkell	Adams Cheshire RSD
Christopher Ketchen	Town of Lenox
Melissa Falkowski	Central Berkshire RSD
Lauren Sartori-Hobgood	Town of Great Barrington
Gerri Porter	Berkshire County Insurance Group
Jorja Ann Marsden	Berkshire County Insurance Group
Janet Saddler	Town of Williamstown
Nancy Rauscher	Mount Greylock RSD
Maureen Senecal	Northern Berkshire Vocational RSD
Bruce Turner	Southern Berkshire RSD
Steve Presnal	Southwick Tolland Granville RSD
Paul Sieloff	Town of Lanesborough

Guests present:

James Kelley	BHG Treasurer
Erika Snyder	Adams Cheshire RSD
Rebecca Herzog	Berkshire County Insurance Group
Sandra Stankiewicz	Blue Cross Blue Shield (BCBS)
Carol Cormier	Group Benefits Strategies (GBS)
Karen Carpenter	Group Benefits Strategies (GBS)

The Chair, Mary Beverly, called the meeting to order at 9:35 a.m.

Dave Hinkell introduced Erika Snyder and said she will be replacing him when he retires.

Approval of the Minutes of the meeting of January 11, 2016, (Meeting #16-05):

Janet Saddler moved to approve the minutes of January 11, 2016 as written.

Motion

Sharon Harrison seconded the motion. The motion passed by majority vote with Paul Sieloff abstaining.

Treasurer's Report:

Treasurer, Jim Kelley, reviewed the financial reports for December 2015 (unaudited figures). He said the cash position increased by \$541K during December mainly due to increased member payments. He said there was a one month loss of \$49K due to planned use of surplus. He said that claims were 89% of member

assessments. Mr. Kelley said that as of 12/31/15 the Group's total equity was \$7,258,779 with uncommitted surplus reserves of \$2,475,779. Mr. Kelley said there was a year-to-date investment loss of \$80K.

Mr. Kelley reviewed the Account Summary Report provided by Olson Mobeck Investment Advisors as of December 31, 2015 for calendar year 2015. He reported an ending portfolio value of \$5,768,031.

Independent Financial Auditor's report:

via teleconference with Tony Marini, CPA, Lynch, Malloy, Marini, LLP

Tony Marini said that the financial statements present fairly, in all material respects, and said it is a clean opinion. He noted that the Board has addressed the segregation of duties comment in the previous audit Management Letter and said there is no Management Letter this year. Mr. Marini reviewed the financial highlights and reported that assets exceeded liabilities by \$6,594,289 and said the fund balance was reduced by \$2M since FY2014. He said this was due to planned use of the surplus towards the FY15 health expenses. Mr. Marini said that the trust fund balance is approaching its target range of 10% to 12% of claims. Mr. Marini reported an unrestricted net position of \$6,292,773. He said the net position was down \$2,060,737 from that of the prior year. Mr. Marini noted that a significant portion of the fund balance is investments. He said the operating loss is less this year than last year due to a gain in unrealized investments. Mr. Marini noted that the gain was not a true gain but a gain on the portfolio only. He suggested speaking with the investment manager to avoid an actual loss from accessing investments when the market is down.

In response to a question asked, Mr. Marini said the correct IBNR percentage is 3.4%.

Mary Beverly thanked Mr. Marini and he exited the conference call.

February 2016 Warrant Summary:

Carol Cormier said the February Warrant Summary wasn't ready but would be available at the next meeting.

GBS Reports:

Financial reports - Carol Cormier reviewed the *FY16 Funding Rate Analysis* report with data through December 2015. She said the expense-to-funding ratio for health plans was 97.6% and that, on a paid claims basis, there was a funding surplus of \$488,144K. She noted that \$360K of that amount was from reinsurance reimbursements for events of the prior year. Ms. Cormier said that the expense-to-funding ratio for the dental plans was 91.4% with a funding surplus of about \$63K.

Ms. Cormier said that for the FY16 the *Level Monthly Deposit* payments to BCBS have resulted in a \$385K credit to BHG through December. She said that BCBS is proposing increasing the deposit to \$3,496,300, down from \$3,635,000.

Reinsurance Reports - Ms. Carpenter reviewed the FY16 reinsurance report of claims exceeding the \$200K specific deductible. She said the total claims for the one member was \$931,783. Ms. Carpenter said that the \$100K aggregating specific deductible has been met, and there are reimbursements due BHG in the amount of \$631,783. Ms. Carpenter said this member is now deceased. She reviewed the claims between 50% and 100% of the deductible. She said there were total claims of \$677,122.

Karen Carpenter said there was no change to the *FY15 reinsurance reports* since the last meeting. She said there is an overpayment of reimbursements to BHG of \$3,553.

Wellness Stipends:

Sharon Harrison made a motion to approve disbursing the FY16 Wellness Stipends in the amount of \$2,000 to each voting unit.

Motion

Janet Saddler seconded the motion. The motion passed by a unanimous vote.

It was noted that the run-out of the stipends would be through September and any unused portion of the stipends will be returned to the BHG.

Carol Cormier said she would send a copy of the portion of one of last year's minutes where a discussion took place about reducing the FY17 stipends now that BHG has a Wellness Consultant running programs.

There was a discussion about the Berkshire County Insurance Group wellness stipend.

Jorja Ann Marsden asked if BCIG could receive advance notice of the wellness programs that Ms. Ashcroft implements. She said that it is difficult to disseminate the program information to all of the employers of BCIG in time for the employees to attend. She said they are working with Ms. Ashcroft to resolve the issue.

FY17 Rate Projections for active plans and vote on rates:

Carol Cormier reviewed the current monthly and annual funding scenario and said the FY16 estimated annual funding for the active employee plans based on the November 2015 enrollment numbers is \$32,731,488. She said the Medex senior plan funding is currently \$7.7M, and therefore, the total current funding is approximately \$40.47M. Ms. Cormier said the Medex plan options previously discussed by the Board included (1) a *status quo* renewal, (2) a *status quo* renewal except for adding a prescription (Rx) mail order co-pay for a 90-day supply that is double that of the retail co-pay for a 30-day supply, and (3) a move to an EGWP plan, which would require a double retail Rx mail order co-pay for prescriptions. She said that she included two Medex projections on each FY17 Scenario, one for a *status quo* renewal and the other with the double retail mail order copay for prescriptions. Ms. Cormier said she also included a separate funding scenario with the Medex EGWP plan.

Ms. Cormier reviewed the following scenarios:

Scenario A – based on the BCBS projected claims and Medex at *status quo* for an overall composite increase of 13.2%, or a 12.6% increase with a double retail mail order Rx co-pay for the Medex plan. Ms. Cormier noted that she is recommending this funding scenario for the active plans.

Scenario B – based on the GBS projected claims, with an overall composite increase of 12.2% for *status quo* or 11.6% adding a double retail Rx mail order co-pay for the Medex plan. Ms. Cormier said she is not recommending this scenario.

Scenario with EGWP – based on the BCBS projected claims and changing the Medex plan to an EGWP plan and no use of fund balance. This scenario would have an increase of 14.1% for the active plans and a Medex decrease of -24.9% for a combined composite increase of 6.6%. Ms. Cormier said that the medical portion of the Medex plan would be self-funded, and the prescription drug portion would be fully insured through BCBS Blue Medicare Rx®, an approved PDP provider.

Ms. Cormier said the scenario with a move to the Medex EGWP plan would mean that the group would no longer be eligible to receive the the Retiree Drug Subsidy (RDS). She said the savings would be realized through lower premiums for both the retiree and employer. Ms. Cormier noted that the employer's OPEB liability would be decreased with this change. Ms. Cormier said that the Investment Committee is recommending no use of subsidy if the Board votes to move to the EGWP plan. She said she believes that this is a wise recommendation.

The Board discussed the pros and cons of changing the Medex plan to an EGWP plan prior to discussing the scenarios.

Lauren Sartori Hobgood made a motion to move the Medex plan to an EGWP plan effective July 1, 2016.

Christopher Ketchen seconded the motion.

Motion

Carol Cormier said that the EGWP plan renews on a calendar year basis and that the rate provided is a 6-month rate that would change on January 1, 2017.

It was noted that if any of the employers were going to change their retiree contribution rate that the change would have minimal or no impact to the retirees with the reduction of the Medex rate.

A vote was taken and the motion passed unanimously.

Bruce Turner made a motion to approve Scenario EGWP and round the rates to the nearest dollar.

Motion

Dave Hinkell seconded the motion. The motion passed by a majority vote. Lauren Sartori-Hobgood opposed.

Carol Cormier said that each unit can still utilize MGL Ch. 32B, Sections 21 - 23 to move to the Deductible plans to realize savings.

There was a discussion, and the Board agreed to begin discussions again in the summer about the possibility of a BHG move to the Deductible plans.

Dave Hinkell made a motion to round the Medex rate to \$320.

Motion

Sharon Harrison seconded the motion. The motion passed by a unanimous vote.

Dental Rate Projections -

Janet Saddler motioned to level fund the dental plan rates.

Motion

Sharon Harrison seconded the motion. The motion passed by a majority vote. Paul Sieloff and Steve Presnal were opposed.

Proposed myMedicationAdvisor® program: Mary Beverly said that she recommends holding off on adding this program due to the low savings projected when first implementing the program. She said she is not in favor of paying per subscriber for the initial low utilization that is expected at the start up.

Sharon Harrison said it might be helpful if there was a lower fee during the initial ramp up of the program.

The Board agreed to put this program on hold.

Carol Cormier asked the Board to send her any questions that they would like her to ask the Abacus Group about this program.

Blue Cross Blue Shield Report:

Sandra Stankiewicz said she recently spoke to the Board about BCBS offering identity protection services through Experian effective January 1, 2016. She said the services include credit monitoring, fraud detection and credit and identity repair. Ms. Stankiewicz said there was a question as to whether or not the protection was taxable or not. She said that BCBS has confirmed that the service is not considered taxable. She said

members do not need to opt in, and there is no fee. Ms. Stankiewicz said a communication will be sent to the members.

Sharon Harrison asked that a pre-notification be sent to the employers prior to the member communication.

Other Business:

Steve Presnal said that Southwick-Tolland-Granville RSD is looking at its health care options. He said the district is reviewing all of its options and will notify the group as early as possible if the district decides to leave BHG.

Mary Beverly thanked Group Benefits Strategies for its work and thanked the Board for all of their input and research during the rate discussions.

The next previously scheduled meeting is February 29, 2016, at 9:30 a.m. at the Lenox Town Hall, Lenox, MA.

The February 29th and March 28th meetings were subsequently cancelled and rescheduled for March 22, 2016.

There was no other business.

Christopher Ketchen moved to adjourn the meeting.

Motion

Janet Saddler seconded the motion. The motion passed by unanimous vote.

Mary Beverly ajourned the meeting at 11:13 AM.

*Prepared by Karen Carpenter
Group Benefits Strategies*