

**Berkshire Health Group**

**Board Meeting #15-06**

Lenox Town Hall  
Lenox Massachusetts  
Monday, January 26, 2014 at 9:30 a.m.

**Meeting Minutes**

**Board and Alternates Present:**

Mary Beverly, Chair	Town of Adams
Sharon Harrison, Vice-Chair	Berkshire Hills RSD
Paul Sieloff	Town of Lanesborough
Melissa Falkowski	Central Berkshire RSD
Janet Saddler	Town of Williamstown
Christopher Ketchen	Town of Lenox
Maureen Senecal	No. Berkshire Reg. Vocational School
Steve Presnal	Southwick-Tolland-Granville RSD
Bruce Turner	Southern Berkshire RSD
David Hinkell	Adams-Cheshire RSD
Jorja Marsden	Berkshire County Insurance Group
Geri Porter	Berkshire County Insurance Group
Brenda Rondeau	Mt. Greylock RSD
Lauren Santori	Town of Great Barrington

**Guests present:**

James Kelley, CPA	BHG Treasurer
Lisa Laramy	BHG Wellness Coordinator
Sandra Stankiewicz	Blue Cross Blue Shield (BCBS)
Carol Cormier	Group Benefits Strategies (GBS)
Karen Carpenter	Group Benefits Strategies (GBS)

Chair Mary Beverly called the meeting to order at 9:33 a.m.

**Approval of the Minutes of the meetings of December 22, 2014 (Meeting #15-05):**

Brenda Rondeau moved to approve the meeting minutes of December 22, 2014.

Motion

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

**Treasurer's Report:**

The Treasurer's report was postponed until the arrival of the Treasurer.

**Wellness Coordinator's report:**

Lisa Laramy said the Winter Fitness schedule is filled and said there are 12 classes. She said many of the Wellness Champions are offering extra classes utilizing their wellness stipends. Ms. Laramy said the Healthy Steps program has been launched and is being offered at 9 sites. She said the anticipated utilization

amount of the innovation award budget for incentives is approximately \$4,300. Ms. Laramy said continuing programs include Wellness Coaching and the Diabetes Care Program. Ms. Laramy said Berkshire Health Systems is hosting a Fitness Center Open House week from January 19<sup>th</sup> through the 25<sup>th</sup>. She invited the Board members and said they are offering gym discounts. Ms. Laramy said that BCBS featured the event in the BC “The Municipal Advisor”.

**Finance Sub-Committee report and recommendations:**

Sharon Harrison said the Board approved the Finance Sub-Committee recommendations at the last Board meeting regarding the cash flow issues and updating the Investment Policy’s guidelines and objectives. Ms. Harrison said the Sub-Committee met with Gene Daponte, BHG’s Investment Advisor from Olsen Mobeck, regarding the impact to the fund balance when utilizing its reserve. Ms. Harrison reported that Mr. Daponte said the biggest effect would be a loss of revenue growth. She said the Sub-Committee discussed steps to take to avoid the loss. Ms. Harrison said the history of past utilization and reserve balances was reviewed. She said it would be recommended to grow the balance to be available to utilize.

Paul Sieloff said the Sub-Committee discussed the percentages invested in stocks and in bonds. He said it would be optimal if the bonds can be sold at a profit. He said the Sub-Committee will be meeting with Mr. Daponte in the spring. He said the current cash flow issue has been resolved.

Bruce Turner noted that the fund balance actuarial study done by Milliman was helpful to the Committee during the review process.

**GBS Reports:**

*Financial reports* - Carol Cormier reviewed the Funding Rate Analysis (FRA) report with data through December. She said that the expense-to-funding ratio for the health plans was 101.3%. Ms. Cormier said that the Network Blue plan was underfunded by \$252K. She noted that there were reinsurance reimbursements to that plan from events of prior years in the amount of \$351K, so the amount underfunded would have been double without the reimbursement. Ms. Cormier said the Medex plan is running well. She reviewed the Retiree Drug Subsidy (RDS) payments and said the group has received approximately \$4.5M from FY06 to FY15. Ms. Cormier said that the Board voted to distribute \$435K of the RDS to the employers in 2011. She noted that the RDS funds make up most of the fund balance.

She said the expense-to-funding ratio for the dental plans was 92.8%.

*Reinsurance reports* - Karen Carpenter reviewed the FY14 reinsurance reports with claims data through December. She said that there were nine claimants with claims exceeding the \$200K policy deductible in the FY14 policy period. She said total excess claims were \$1,091,395 and that \$100,000 of that was approved as having met the Aggregating Specific Deductible (ASD). She said that the BHG has been reimbursed \$992,612.75. She said there are no outstanding reimbursements due. Ms. Carpenter said that 22 members had claims between 50% and 100% of the stop loss deductible, totaling \$2.75 million.

Ms. Carpenter reported on the FY15 policy period and said one member had claims exceeding the \$200K deductible by \$73,530. She said that none of this amount has been approved yet by the reinsurer to apply towards the ASD. Ms. Carpenter said that two members had claims between 50% and 100% of the stop loss deductible, totaling \$595,120.

**OPEB studies:**

Sharon Harrison asked if the Board members would like to join a meeting with Matt Kerwood to discuss jointly undertaking the OPEB studies as was done previously.

The Board members agreed that they would and Ms. Harrison said she would notify Mr. Kerwood.

**BCBS Report:**

Sandra Stankiewicz, BCBS Account Executive, said she is available to each employer and said to contact her with their needs. She said she would distribute her business cards following the meeting. She said BCBS is keeping up with the ACA reforms and said as of July 1, 2015, dependents will be covered to the end of the month in which they turn age 26; whereas, currently they are covered until their 26<sup>th</sup> birthday. Ms. Stankiewicz said Jay Swanson will be the BCBS account representative for BHG, replacing Pat Kaplan.

GIC discussion- Carol Cormier spoke about the estimated GIC deficit of \$165M to \$190M and a report that described the possibility of a 9.5% rate increase and plan design changes. She said GIC may also be looking at switching the PPO plans to POS plans and raising deductibles and co-pays. Ms. Cormier said any changes the GIC makes to its plan designs will have an impact on the municipalities. She said Sections 21 to 23 may be used to bring plan design of the BHG plans to the level of the GIC.

Prescription Drug Trend – Ms. Stankiewicz said the prescription drug trend has increased significantly. She said the increase is due in part because of new specialty drugs such as Solvaldi used to treat Hep C.

Ms. Cormier said another factor is that major pharmaceutical companies have been buying out the generic manufacturers and raising the drug prices. She said some health plans are creating 4 and 5 Rx copay tiers to their plans.

**FY16 Rate Projections:**

Carol Cormier reviewed the FY16 BCBS proposed administrative fees and said BCBS has held the fees for the active, retiree and dental plans. She said the estimated annual BCBS fees are \$1.96M. Ms. Cormier reviewed the government fees, the estimated PCORI fee of \$13,004 and the estimated Transitional Reinsurance fee of \$171,600. She said the FY16 factors for the health plan rates would be an additional \$3.84 per individual and \$10.29 per family plan for these fees. Ms. Cormier reviewed the FY16 GBS contractual administrative fees for FY16.

Carol Cormier explained that BCBS projects claims based on historical incurred and paid claims, while GBS uses claims paid claims. She said BHG is too small a group to use its own trend factors. Ms. Cormier said she has provided two sets of projections, the BCBS projection and the GBS projections. She said she combined the Value Plus plans with the Benchmark plans since there is a small enrollment in the Benchmark plans.

Treasurer Jim Kelley joined the meeting.

Mary Beverly asked Mr. Kelley to give the Treasurer's report prior to the rate projection discussion.

**Treasurer's Report:**

Treasurer Jim Kelley reviewed the financial reports of December 31, 2014. Mr. Kelley said that at the end of December there was a year-to-date Investment profit of \$223K and a year-to-date loss in the health fund (planned use of surplus) of \$501K.

Mr. Kelley said that at the end of December the Investments decreased by \$33K. He said that claims were 93% of member assessment revenue. Mr. Kelley said there was a \$149K decrease in the overall cash position through December 31, 2014. Mr. Kelley reported the trust fund balance (equity) at \$8.4 million.

Mr. Kelley said during the meeting with Mr. Daponte, the investment manager said that the DES Becton Dickinson bond has a split rate, with one ranked at 3 stars. He said Mr. Daponte recommends keeping this bond.

Sharon Harrison made a motion to approve keeping the DES Becton Dickinson bond as recommended by BHG's Investment Manager.

Brenda Rondeau seconded the motion. The motion passed by a unanimous vote.

Motion

There was a discussion about the trust fund surplus and how much, if any, could be put "at risk" towards the FY16 rates, taking into consideration the Finance Sub-Committee's recommendations.

**FY16 Rate projection discussion, continued:**

Carol Cormier reviewed the rate development by plan and reviewed the following funding scenarios:

Ms. Cormier reviewed the following scenarios:

- A – Current FY15 scenario;
- B – BCBS projections with a 17.1% composite increase;
- C – GBS projections with a 16.7% composite increase;
- D – the lower of the BCBS and GBS projections with a composite increase of 14.5%.
- E: - the lower of the two projections on a composite basis and same increase to all plans (16.7%) except Medex (5.4%), and putting \$500K of fund balance at risk for a composite increase of 14.5%.

Ms. Cormier said she is recommending Scenario E's concept. She said if the funding versus expenses looks favorable late in the next fiscal year, the Group could return some of the surplus as a one-week premium holiday or as a distribution of the RDS.

There was a discussion about the rate-setting process.

Carol Cormier reviewed page 2 of the GBS Funding Rate Analysis. She said the current rates are too low to fully fund the plans. Using Blue Care Elect Value Plus as an example, Ms. Cormier said next year's rates need to be set to make up the 9% underfunding of the current year to date and then add in the projected rate increase which brings the increase to the rates at 18%.

There was a discussion about the costs and effectiveness of the wellness programs.

It was agreed by the majority of the Board that the investments made in the wellness programs will ultimately favorably affect the rates over the long term by promoting the health and wellness of its employees.

Carol Cormier suggested looking at the contribution rates to the plans as a way to save and to incentivize employees to consider joining the Deductible plans. She said the best approach is for employers to contribute based on the lowest cost plan and then contribute equal dollars towards the higher cost plans.

Sharon Harrison suggested planning for a transition to Deductible plans over the next few years.

Dave Hinkell made a motion to base the rates on Scenario E but using \$1M of trust fund surplus instead of \$500K.

Melissa Falkowski seconded the motion.

Motion

Jim Kelley said the loss to the investment income would be approximately \$35K if risking \$1M.

There was a discussion.

Dave Hinkell amended his motion to approve Scenario E, adding an additional \$500K to total risk of \$1M to subsidize the rates, increasing each current active employee plan rate by 15%, Medex at 5.5% with a composite rate increase of approximately 13.5%.

Motion

Maureen Senecal seconded the amended motion. The vote passed with 9 in favor, 4 opposed.

**Other Business:**

Sharon Harrison asked to keep the rate projection planning on the agenda to include Sections 21-23, BCBS Selectmail, Cadillac tax, etc.

Paul Sieloff asked to add a discussion about adding a different copay structure to accommodate the specialty drugs.

Mary Beverly asked everyone to include their cell phone numbers on the sign-in sheet to be contacted during a snow storm or other inclement weather.

Melissa Falkowski asked if Ms. Cormier could write a “why are the rates so high” letter or memo that employers could use when distributing the rates.

The next Board meetings were scheduled on February 23<sup>rd</sup> and March 30<sup>th</sup> at the Lenox Town Hall, Lenox, MA at 9:30 a.m.

There was no other business.

Maureen Senecal motioned to adjourn the meeting.

Motion

Brenda Rondeau seconded the motion. The motion passed by unanimous vote.

Chair, Mary Beverly, adjourned the meeting at 11:40 AM.

*Prepared by Karen Carpenter  
Group Benefits Strategies*