

Berkshire Health Group

Board Meeting #13-08

Lenox Town Hall
Lenox Massachusetts
Monday, March 25, 2013 at 9:30 a.m.

Meeting Minutes

Board and Alternates Present:

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| Mary Beverly, Vice-Chair | Town of Adams |
| Brenda Rondeau | Mount Greylock RSD |
| Sharon Harrison | Berkshire Hills RSD |
| Maureen Senecal | Northern Berkshire Voc.-Tech School |
| Gerri Porter | Berkshire County Insurance Group |
| Janet Saddler | Town of Williamstown |
| Melissa Falkowski | Central Berkshire RSD |
| Bruce Turner | Southern Berkshire RSD |
| Dave Hinkell | Adams Cheshire RSD |
| Stephen Presnal | Southwick Tolland Granville RSD |
| Kevin O'Donnell | Town of Great Barrington |

Guests present:

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| James Kelley | Treasurer, Berkshire Health Group |
| Paul Sieloff | Town of Lanesborough |
| Maureen Daniels | BHG Wellness Coordinator |
| Corban von Ouhl | Town of Lanesborough - intern |
| John Baglini | Town of Lanesborough – intern |
| Tracey May | Gallagher Benefits Services |
| Manjusha Sheobaran | AIG |
| Bob Gagliardi | AIG |
| Suzanne Donahue | Blue Cross Blue Shield (BCBS) |
| Pat Kaplan | Blue Cross Blue Shield (BCBS) |
| Carol Cormier | Group Benefits Strategies |
| Kate Sharry | Group Benefits Strategies |
| Ginger Hastings | Group Benefits Strategies |
| Karen Carpenter | Group Benefits Strategies |

Vice-Chair Mary Beverly opened the meeting at 9:32 a.m.

Approval of the Minutes of the meeting of February 25, 2013 (Meeting #13-07):

Brenda Rondeau made a motion to approve the minutes of the February 25, 2013 meeting.

Sharon Harrison seconded the motion.

Motion

The motion passed by a majority vote. Steve Presnal, Bruce Turner and Dave Hinkell abstained.

Treasurers Report -

Treasurer Jim Kelley reviewed the financial statements of February 2013 (unaudited figures). Mr. Kelley said that the overall cash position decreased by a net of \$679K at the end of February. He noted that \$549K

was transferred to the Schwab investment account. Mr. Kelley said there was a loss of approximately \$261K for the month ended February 28, 2013.

Jim Kelley said that the health claims are running at 92% of member assessment revenue, and the dental claims are running at 89% of member assessment revenue.

Mr. Kelley said that there is a year-to-date profit of \$389K and total equity (fund balance) was \$11,696,000.

Mr. Kelley distributed the Veribank quarterly review report and said that People's United Bank continues to be rated green with three stars, the highest rating attainable.

Mr. Kelley said that the auditors have proposed making an adjustment to the IBNR. He said that the IBNR is an estimate and said a total decrease of \$500K in adjustments have been made over the last few years. Mr. Kelley said that those adjustments are approximately 1% of the BHG revenue. Mr. Kelley cautioned about the possibility of an adverse effect of coming too close to projecting the actual claims.

Carol Cormier said that BHG has been conservative in the past and said she is not recommending an adjustment at this time.

The Board agreed to take no action.

Approval of April 2013 Warrant Summary:

Carol Cormier said the April Warrant was just completed and said she would email it to the Board and add it to the next agenda.

GBS Reports:

Funding Rate Analysis- Carol Cormier reviewed the Funding Rate Analysis with data through February 2013 and said the expense-to-funding ratio for health plans was 99.7% and for dental was 95.4%. She said the Network Blue Value Plus plan is underfunded on a paid basis by \$704,170. Ms. Cormier said the senior plan was doing well generating a funding surplus of \$514K. She reviewed the Retiree Drug Subsidy amounts and said that plan years were reconciled through FY11.

BCBS Level Monthly Deposit (LMD) - Carol Cormier reviewed the LMD reconciliation and said that the claims expenses were lower than the deposits by \$243K through February.

Stop Loss Report - Karen Carpenter reviewed the FY12 stop loss reports with data through February 28, 2013. She said that four members had exceeded the policy deductible with total claims of \$993,729. Ms. Carpenter said that the \$100K Aggregating Specific Deductible has been satisfied and that BHG has received claims reimbursements of \$93,372. She said that there are outstanding reimbursements of \$357.70 due. Ms. Carpenter reviewed the FY13 stop loss reports and said that there is one member that had exceeded the policy deductible with total claims of \$202,255. Ms. Carpenter said the \$100K Aggregating Specific Deductible has not been met. She said there are 8 claimants on the report of 50% with a total of paid claims of \$1,085,801.

Wellness/Healthy Behaviors Update:

Maureen Daniels said that March is Colon Cancer Awareness Month and said that the Colonoscopy incentive program will be offered to members and their spouses this year. Ms. Daniels said that Adams Cheshire RSD participation is in the lead with 11 participants. She said in total there are 77 participants. Ms. Daniels said that the smoking cessation program is ongoing and said two of the participants, a husband who smoked 4 packs and his wife who smoked 1 pack a day, are now smoke free. She said that they quit smoking prior to

the program, but joined because they needed the support. Ms. Daniels said the fitness classes have ended and will begin again in April. Ms. Daniel's said that this is the last week of the "Color Your Plate" challenge.

Ms. Daniels said that she would like to hold the Biometric Screenings at the Town of Lenox, either the hour before or the hour after the BHG Board meeting. She said it was held after the Board meeting last year.

The Board agreed to have the screenings following the Board meeting.

The next BHG Board Meeting was scheduled on April 29, 2013 at 9:30 a.m. at the Lenox Town Hall.

Request from Berkshire County Insurance Group (BCIG) to add Town of West Stockbridge as a member:

Geri Porter requested the Board's approval to add the Town of West Stockbridge as a member of the Berkshire County Insurance Group (BCIG) and therefore the BHG. She said that she sent information to Carol Cormier about the town and said there are 10 members and no retirees.

There was a discussion and the Board said that the town would be paying the unsubsidized rates for two years as per the BHG policy for new members.

Paul Sieloff asked about the process of admitting new members.

Carol Cormier said that the population of West Stockbridge is so small, that their claims would most likely not have an adverse effect on the group as a whole. Ms. Cormier said that the plan designs, claims, large losses and rates are all factors that are reviewed prior to the Board making a decision to grant direct membership into the BHG.

Maureen Senecal made a motion to approve t membership of the Town of West Stockbridge into the Berkshire Health Group through the BCIG and at the subsidized rates for two years.

Kevin O'Donnell seconded the motion. The motion passed by a unanimous vote.

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| Motion |
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Presentation on Multi-Level Reinsurance Pooling Arrangement (MLRPA):

Carol Cormier introduced Tracey May, Client Executive, Gallagher Benefits Services and Manjusha Sheobaran, Regional Director of Sales for AIG and said that GBS has partnered with Gallagher in efforts to provide the GBS clients with a stop loss solution since it has become increasingly difficult to obtain reinsurance quotes from carriers each year.

Manjusha Sheobaran distributed the presentation materials. She and Tracey May reviewed the concept and details of the proposed MA Municipal Multi-Level Reinsurance Pooling Arrangement (3MLRPA).

Tracey May said that he received information from GBS to complete actual pricing that should be available at the next BHG Board meeting. He said that the MLRPA could be up and running this July. Mr. May gave a brief history of Gallagher Benefits Services and said that Gallagher won the 2012 and 2013 Ephisphere Ethical Award. He said they have onsite underwriting and are #1 nationwide for placement of reinsurance contracts.

Manjusha Sheobaran said that AIG has about 250 groups involved in MLRPA arrangements and is one of the largest benefits industries with over \$1 billion of in-force premium.

Tracey May said that the present stop loss market yields higher than expected renewal increases and difficulty in obtaining quotes. He said that the annual RFQ process doesn't allow for the formulation of a

business partnership with the carrier. Mr. May said that the stop loss market is going to become increasingly limited. Mr. May said that each year the specific deductible will be hit sooner due to leveraged trend and member longevity.

Manjusha Sheobaran said that AIG and Gallagher are suggesting that BHG and the other MA Joint Purchase Groups (JPGs) join together to pool their reinsurance funding in the same way that employers of each JPG came to gether to fund and pay for the claims for their health plans. She said each JPG would continue to have the same stop loss deductible and will pay a reinsurance premium as they are now. Ms. Sheobaran said the difference would be that part of the premiums will go into the pool to reimburse claims up to either \$750K or \$1M. Ms. Sheobaran said that the Aggregating Specific Deductibles would be removed. She said the retention pool would earn dividends and depending on how the contract is set up, it could be used to fund the next years' rates. Ms. Sheobaran reviewed the AIG management fees. She said that each JPG would pay a Capitol Collateral equal to 15% of the premium in an interest bearing account.

Carol Cormier said that there will need to be a meeting with representatives from each JPG after the review of the proposed documents by the Boards. Ms. Cormier said that GBS has engaged legal counsel to obtain an opinion on the legality of the JPGs authority to establish a reinsurance captive.

Mary Beverly thanked Ms. Sheobaran and Mr. May, and they left the meeting.

PPO – payments to out-of-network, out-of-state providers, further discussion:

Suzanne Donahue said that BCBS currently pays PPO claims for services provided by non-participating BCBS providers in and outside of MA based on the charges billed. She said that BCBS can change the way they pay these providers with little impact to the members. She said BCBS would pay on Medicare fee schedules and said that if the provider charge is greater than the U&C fee, that the member may be responsible to pay the difference.

There was a discussion, and the Board agreed to make no changes, however they asked to re-visit this item in September, prior to setting the FY15 rates.

Medex Disruption Report – Suzanne Donahue said if the Board chooses to change the Medex plan to an EGWP plan, some of the prescriptions, such as vitamins, lifestyle drugs and folic acid will not be covered. She said the list of those prescriptions is included in the meeting packet. Ms. Donahue said that she could request approval to add those drugs to the formulary. Ms. Donahue said that the premiums would be low enough that the savings could help pay for the prescriptions not covered.

Maureen Senecal noted that some of the prescriptions on the EGWP list are on a different tier level from the current tiers.

Abacus Diabetes Program data – Suzanne Donahue said that if the Abacus Group could provide the members names that are participating in the diabetes program, that BCBS could see if they are also utilizing the BCBS Disease Management program.

Health Fairs - Pat Kaplan asked the Board members to contact her to schedule the health fairs.

Other Business:

The next BHG Board meeting was scheduled for April 29, 2013 at 9:30 a.m. to be held at the Lenox Town Hall, Lenox, MA.

There was no other business.

Motion

Sharon Harrison moved to adjourn.

Brenda Rondeau seconded the motion.

Mary Beverly adjourned the meeting at 11:20 AM

*Prepared by Karen Carpenter
Group Benefits Strategies*