

Berkshire Health Group

Board Meeting #14-05

Lenox Town Hall
Lenox Massachusetts
Monday, January 27, 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
Janet Saddler	Town of Williamstown
Maureen Senecal	Northern Berkshire Voc.-Tech School
Bruce Turner	Southern Berkshire RSD
Paul Sieloff	Town of Lanesborough
Geri Porter	Berkshire County Insurance Group
Dave Hinkell	Adams Cheshire RSD
Melissa Falkowski	Central Berkshire RSD
Stephen Presnal	Southwick-Tolland-Granville RSD
Lynn Bassett	Mount Greylock
Marie Duby	Town of Lenox
Jennifer Tabakin	Town of Great Barrington
Jim Brosnan	Northern Berkshire Voc.-Tech School
Rose Ellis	Mt Greylock/Williamstown/Lanesboro RSD
William Cameron	Central Berkshire RSD
Jorja Ann Marsden	Berkshire County Insurance Group

Guests present:

James Kelley	BHG Treasurer
Maureen Daniels	BHG Wellness Coordinator
Suzanne Donahue	Blue Cross Blue Shield (BCBS)
Amy Higgins	Blue Cross Blue Shield (BCBS)
Pat Kaplan	Blue Cross Blue Shield (BCBS)
Ginger Hastings	Group Benefits Strategies (GBS)
David Hastings	Southern Berkshire RSD
JoAnne Magel	Lenox School Committee
Edward Costa	Lenox Public Schools

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

Approval of the Minutes of the meeting of December 16, 2013 (Meeting #14-04):

Sharon Harrison made a motion to approve the minutes of the December 16, 2013 meeting.

Motion

Melissa Falkowski seconded the motion. Three members abstained.

The motion passed by a majority vote.

Treasurers Report -

Treasurer Jim Kelley reviewed the financial statement of December 2013 (unaudited figures). Mr. Kelley said that the overall cash position decreased by a net of \$397,000 at the end of December. Mr. Kelley said prepaid expenses increased by a net of \$471,000 as a settle-up credit that was accrued in December for the amount of \$499,000.

Mr. Kelley said there was an unrealized gain of \$25,000 on the Schwab investment account for month ending December 31, 2013.

Mr. Kelley said that the group experienced a one month overall profit of approximately \$92,000 for the month ending December 31, 2013. Mr. Kelley said the trust fund surplus was \$9.96M at the end of December with a year to date overall loss of \$245,000.

Mr. Kelley said that the health claims are running at 97% of member assessment revenue and the dental claims are running at 77% of member assessment revenue.

Mr. Kelley reviewed the Statement of Changes in retained earnings. He believes the auditors are going to show beginning balance of \$10.2M and year to date BHG is showing \$9.96 M in earnings. Mr. Kelley reminded the group that BHG adopted a policy to retain 10% in reserves which equals about \$4.1M. In addition \$3.0M was set aside to subsidize FY 2104 rates of that \$710,000 has been used on an operating basis with \$2.29M remaining in reserves for possible losses. He stated historically BGH's losses are typically greater in the second half of the year therefore we do not know if all of the money set aside will be needed or enough. Mr. Kelley stated that this leaves \$3.57M to use for rate setting purposes in FY 2015. He warned the group to proceed cautiously when setting rates. A draft of the audit will be presented at the next Board meeting.

Approval of the January 2014 warrant:

Ginger Hastings said that the warrant includes an \$878.13 invoice from Abacus. This should be the last invoice the group should receive from them. The total due for January 2014 is \$3,319,556.19.

Maureen Senecal made a motion to approve the January warrant as presented.

Motion

Sharon Harrison seconded the motion.

GBS Reports:

Funding Rate Analysis- Ginger Hastings reviewed the Funding Rate Analysis data through December 2013 and said the expense-to-funding ratio for health plans was 103.5% and for dental was 86.1%. She said on a paid basis the expenses exceeded the health plan funding by \$607,487. Ms. Hastings said that the Network Blue Value Plus plan costs are running high at 110.2% of funding.

Ms. Hastings noted that if this year continues on the same track BHG could see losses of \$2.4M.

BCBS Level Monthly Deposit (LMD) - Ginger Hastings reviewed the LMD quarterly reconciliation and said that the deposits exceeded the expenses by \$470,775 for the second quarter of FY 2014.

Stop Loss Report - Ginger Hastings reviewed the FY13 stop loss excess report with data through December 2013 and said that there are eight members that exceeded the policy deductible with total claims of \$2.03M. Ms. Hastings said the \$100K Aggregating Specific Deductible had been satisfied and that there are a credit due of \$11,228 which may need to be paid back to the reinsurer. She said that for FY 2013 BHG has

received claims reimbursements of \$337,768. During that same period there were 17 claimants on the report at 50% with a total of paid claims of \$2.17M. For the current period FY 2014 Ms. Hastings said that there are 2 claimants that exceeded the policy deductible with total claims of \$520,511. She said that the \$100K Aggregating Specific Deductible has been satisfied and reimbursements of \$20,511 are currently pending. She said that there are 3 claimants on the report at 50% through December.

BHG Website development – Ms. Hastings asked that this be tabled until Ms. Carpenter returns in the spring.

Wellness/Healthy Behaviors Update:

Maureen Daniels said they were holding Fitness Center open houses in the area to allow BHG members to check them out. She has been trying to remind everyone to file for their \$300 fitness reimbursement, the deadline is 3/31/2014.

Ms. Daniels stated they have started new winter fitness classes and they are seeing an increase on the number of sites and participants. The diabetes program is gaining speed with the help of the nurse and is going well. She will be starting a Sugar Challenge program in February. Lastly Ms. Daniels said that Weight Watchers was going to start at three different locations.

FY 2015 Rate Projections:

Ms. Hastings presented the preliminary rate projections that was emailed to the Board late last week. BCBS proposed a renewal with no increase in their administrative fee. Ms. Hastings presented new PPACA fees for FY 2015. The first fee is for Patient Centered Outcome Research Institute (PCORI) which is estimated to be \$1.00 per member per year. The second is the Transitional Reinsurance Fee which is estimated to be \$63 per active member per month. The total of both fees are expected to be approximately \$320,714. GBS's contract needs to be renewed on July 1, 2014. GBS is proposing a 4.0% increase on the health plan and 3.0% increase on the dental plan effective 7/1/2014. A formal proposal will be presented at the next meeting.

Ms. Hastings stated GBS's rate projections are based on paid claims for calendar years 2012 and 2013. GBS' projected rates based are as follows: Blue Care Elect plans 14.1% increase, Network Blue plans 21.9% increase, Blue Choice 23.8% increase and Medex 0.0% increase which is an overall composite increase of 16.3%. She noted that Laneborough will now have the same rates as the rest of the group because they are entering their third year.

The BCBS calculation uses a different period to project their renewal and uses incurred claims, GBS uses paid claims in their analysis. BCBS is projecting an overall increase of 9.5% for FY 2015. This is based off the numbers they presented last year. If we compare these to the actual subsidized rates it is an overall increase of 19.3%. BCBS's projected rates are as follows: Blue Care Elect plans 22.8% increase, Network Blue plans 24.8% increase, Blue Choice 23.8% increase and Medex 0.0% increase which is a composite increase of 19.3%.

Ms. Hastings presented several options to the Board to consideration which included various levels of subsidy from the Trust Fund. For the record Ms. Hastings recommended a composite increase of 10.3% but was asked to prepare other options.

There was discussion by the Board members concerning the use of the Trust Fund balance to keep the rates artificially low. Mary Beverly said the group could set the rates correctly and look at a premium holiday if experience runs better.

Ms. Hastings stated that if the group did not increase rates in FY 2015 the rates for FY 2016 would likely be a double digit increase. Based on BCBS's current projection of + 9.5 % and trend, next year's renewal is likely to start at a 15.0% increase.

Mr. Brosnan requested a middle ground proposal that would look at a possible subsidy of \$2.8M and a composite increase of 7.5%. Mary Beverly stated she wanted to have the Medex rate hold and no longer subsidize the Trust Fund.

Rose Ellis asked the group to consider a more balance approach. Ed Costa requested that the Board also consider moderation in the increase. Mr. Sieloff said he would like to see some small increase in the Medex rate to help the whole group. He would also like to remind the group they have not made any recommended plan design changes and have not changed the investment policy and both of these changes could help the Fund.

The Board continued to discuss the options and Mr. Hinkell gave a rate history. He would recommend a 3.0% increase on Medex with slightly higher rates than shown in the scenarios presented by GBS.

There was a short break.

Ms. Hastings came back with 2 additional funding scenarios an 8.3% composite increase and a 7.8% composite increase.

Mr. Brosnan made a motion to move forward with the composite 7.8% rate increase. Under this scenario active plans would increase 9.5%, Medex would increase 3.0% and the subsidy from the Trust is estimated to be \$2.9M for FY 2015.

Ms. Sadler seconded the motion. Discussion continued. Ms. Ellis asked the group to amend the motion by considering a higher rate in Medex and control the increase on the active plans. Ms. Tabakin seconded the motion. After further discussion the amendment failed. The original motion of the 7.8% composite increase was put back on the table. Discussion continued. Ms. Tabakin asked that the group reconsider the rate structure going forward to incent groups and members to move to the plans with the higher copayments and deductibles. It was agreed this is something that the group should consider going forward.

Ms. Beverly asked for a vote on the original motion made by Mr. Brosnan. The majority voted for this with Jennifer Tabakin opposing. Motion passed.

Motion

Other Business:

Suzanne Donahue noted that PPACA requires BGH make some slight benefit changes eliminating annual maximums and creating maximum out of pocket maximums for the plans. She will make a presentation at the next meeting outlining the options.

Mr. Daponte will be at the next meeting to go over the investments as well as the auditors.

The next schedule meeting is February 24, 2014 at 9:30 a.m. at the Lenox Town Hall, Lenox, MA

There was no other business.

Sharon Harrison moved to adjourn.

Motion

Mary Beverly adjourned the meeting at 11:23 a.m.

*Prepared by Ginger Hastings
Group Benefits Strategies*