

**Berkshire Health Group**

**Board Meeting #15-04**

Lenox Town Hall  
Lenox Massachusetts  
Monday, October 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
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
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
Suzanne Donahue	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 9:32 a.m.

**1. Approval of the Minutes of the meetings of September 22, 2014 (Meeting #15-02) and October 6, 2014 (meeting #15-03):**

Janet Saddler moved to approved meeting minutes of September 22 and October 6, 2014.

Motion

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

**2. Treasurer's Report:**

Treasurer Jim Kelley reviewed the financial reports as of September 30, 2014. He said that the BCBS settle-up payment applied in November for the first quarter of FY15 was quite low.

Carol Cormier said that upon inquiring she was told by BCBS that claims for September, the last month of the quarter, were low because of a shift to a new payment platform at BCBS.

Jim Kelley asked that BCBS provide advance notice of any such changes that will affect claims processing and reporting.

Ms. Donahue, BCBS, said she would make note of this request.

Mr. Kelley said that there was a \$713K decrease in operating cash mainly because of member payments received later than usual. He said there was a \$211K decrease in investments. He reported the trust fund balance (equity) at \$8.3 million.

Chair Mary Beverly said that the Excel program on the BHG's computer used by Mr. Kelley has crashed and said she was seeking Board approval to replace it.

Janet Saddler moved to authorize the purchase of Microsoft Excel for the BHG's computer.

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

### **3. Finance SubCommittee report and recommendations:**

Sharon Harrison said the Finance SubCommittee met with the Investment Manager, Eugene Daponte, and discussed the investment policy and cash flow issues. She said the subcommittee will present its recommendations at today's meeting but suggested that the Board not vote on them until the next meeting.

Ms. Harrison reviewed the SubCommittee's seven recommendations including two changes to the Investment Policy, which are attached to and considered part of these meeting minutes.

Paul Sieloff said that the recommendations were reviewed by Gene Daponte for his input. He said that more communication between the Treasurer and Mr. Daponte was needed. He said that the group has less money to invest now and that he favored adding more 5-year bonds for stability. He said the subcommittee is still working on that.

There was a discussion about timeliness of payments by the participating employers.

Mr. Kelley said he forgot to include the updated analysis of the fund balance in his handouts and would send it by email to Ms. Cormier for distribution to the Board.

### **Wellness Coordinator's report:**

Lisa Laramy, Wellness Coordinator, reviewed the programs. She said that 16 flu clinics were held and that BMC contracted with Maxim for this service. She said that the clinics were mostly going well but she was aware of a few issues. Ms. Laramy said she's working with Amy Higgins at BCBS on programs. She said the fall challenge is the Walking Works program which is wrapping up. She noted 13 fitness classes were held. Ms. Laramy discussed the Healthy Me campaign and issues with the redemption of the gift cards as the incentive for taking the Health Risk Assessment. She said cards for the colonoscopies were sent to the appropriately aged employee and spouse. She mentioned the "Get cuffed" blood pressure clinic in Great Barrington. Ms. Laramy said she is very pleased with the participation in the diabetes program with 14 additional participants. She said the one-on-one coaching is encouraging a high level of engagement.

### **Member issue:**

Suzanne Donahue, BCBSMA, said that BCBS members have the right to appeal claims not paid. She said that there's a member who is eligible for Medicare because of a disability. She reviewed the details of the case and reason for the appeal.

Sharon Harrison moved to approve payment of the claims in question for services incurred through June 30, 2015 and to inform the member that she must enroll in Medicare Part B between January and March for a July 1, 2015 effective date as a condition of continuation of coverage beyond June 30, 2015.

Bruce Turner seconded the motion. The motion passed by unanimous vote.

Motion

Carol Cormier mentioned that the Medicare Part B premium will not increase for CY15 and will remain at \$104.90 per month.

**November 2014 Warrant:**

Carol Cormier reviewed the November warranted and noted that claims for September were quite low as noted previously. She said that this was the case for all GBS clients with BCBS plans.

Janet Saddler moved to approve the November warrant.

Motion

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

**GBS Reports:**

*Financial reports* - Carol Cormier reviewed the Funding Rate Analysis Report with data through September. She noted that the expense-to-funding ratio for the health plans was 96.2% but said that the information is not credible because of the issue of BCBS changing payment platforms discussed in conjunction with approval of the warrant. She said she expects there will be a catch-up in claims in the next few months. She said the expense-to-funding ratio for the dental plans was 98.9% through September. Ms. Cormier reviewed the Retiree Drug Subsidy information and receipts.

*Reinsurance reports* - Karen Carpenter reviewed the reinsurance reports with claims data through September. 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 \$1,091,083 and that \$100,000 of that was approved as having met the Aggregating Specific Deductible (ASD). She said that the BHG has been reimbursed \$988K and is owed \$3,082. Ms. Carpenter said that 20 members had claims between 50% and 100% of the stop loss deductible, totalling almost \$2.65 million.

Ms. Carpenter reported on the FY15 policy period and said one member had claims totalling \$222,732, thus exceeding the \$200K deductible. She said that none of this amount has been approved yet to apply towards the ASD.

**BHG Website Update:**

Karen Carpenter said the web designer is correcting one thing and then the website will be ready to go live.

**Eligibility Audit:**

Suzanne Donahue reviewed the requested report of the number of dependents 26 or older who are disabled. She said some members are disabled for life while others must submit information annually to continue to be eligible for that status.

Carol Cormier said BHG did a full dependent eligibility audit conducted by an independent auditing company. She said that Enrollment Audit Solutions collected all required documents and gave them over to the employers. She said some Family plan members voluntarily withdrew from the plans while others were terminated involuntarily. She said that since the employers have all the documents collected at the time of

the audit, the information required would be only for those who had a change in status and new enrollees. She said that having a firm request the same documents that were requested and provided two years ago does not seem like a sensible undertaking. Ms. Cormier asked if all the employers were requesting the documents as instructed when there is a new hire or known change in status. The members responded affirmatively. She said that subscribers and Medicare eligible retirees were not audited.

After discussion, the Board asked Carol Cormier to prepare Affidavits for employees to sign to affirm that their status has not changed or to indicate that it has changed since the last audit.

**Affordable Care Act (ACA):**

Health Plan Id Numbers (HPIDs) - Ms. Cormier said that GBS has obtained the HPID for BHG.

Ms. Carpenter said that the next step is to designate an “Authorizing Official”.

Janet Saddler moved to nominate Mary Beverly to be the HPID Authorizing Official.

Bruce Turner seconded the motion. The motion passed by unanimous vote.

Motion
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Transitional Reinsurance Program fees -

Karen Carpenter said that the filing form had just been uploaded to the pay.gov website last Friday. She said she will send all the information required for filing to Jim Kelley. She said that the filing deadline is Nov. 17 but that CMS urges all payors to file by Nov. 15. She said that the money will be pulled by CMS at a date of the BHG’s choosing but no earlier than 30 days after filing and not later than January 15, 2015.

Cadillac Tax –

Ms. Cormier said the Cadillac Tax goes into effect January 2018 and requires employers offering health plans costing amounts above certain value limits to pay a 40% tax on the amounts over the limits. She said that for 2018 the annual amounts are \$10,200 for an Individual plan and \$27,500 for a Family plan. She reviewed an exhibit showing the current rates for the various BHG plans and the rates each year achieved by inflating the rates 7% per year. She said that in 2018 the PPO Value Plus and PPO Deductible plans will exceed the limits. She said that the only way to get the costs down is to change the plan designs. She said that the cost limits are based on the full cost of the plan, i.e. employer plus employee share. Ms. Cormier said dealing with this will require collective bargaining. She said that changing contribution percentages will not help with this problem unless the changes drive people into lower cost plans. She said that there will need to be advanced planning for this and advised employers to make sure they include language to deal with the Cadillac Tax in collective bargaining agreements that reach into 2018.

Lauren Santori asked if there were other types of plans that could work to reduce the costs.

Ms. Cormier said that offering other types of plans, such as plans with an HSA and high deductible, would have to be collectively bargained.

The Board agreed that they would like to continue discussion about this at the next meetings.

Out-of-pocket maximums -

Carol Cormier said that on renewal on 7/1/15 the Affordable Care Act will require that there be an out-of-pocket (OOP) maximum for prescription drugs (Rx). She said currently Rx copays are not accumulating towards the OOP maximum. She said this will mean that plan members will reach the OOP maximum much more quickly than they do now.

Suzanne Donahue, BCBS, said that adding an OOP maximum is adding a benefit for employees and families. She said that BCBS can structure it either by increasing the current OOP maximum that would include

medical and Rx member cost share or the BHG can set up a separate OOP maximum that will apply only to Rx and leave the current OOP max for medical costs as it is or increase it slightly.

Carol Cormier said that drug trend is currently about 9.5% and suggested that the BHG also look at ways to contain the Rx costs. She mentioned the Select Home Delivery program that BCBS had presented a year or so ago.

Chair Mary Beverly said that the OOP maximums should be on the next meeting agenda.

**BCBS Report:**

Suzanne Donahue said that the shingles vaccine is covered on the active employee plans for members who are age 60 or older.

**Other Business:**

Jim Kelley gave an update on the FY14 audit.

There was no other business.

Bruce Turner motioned to adjourn the meeting.

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

Chair, Mary Beverly, adjourned the meeting at 11:20 AM.

*Prepared by Carol G. Cormier  
Group Benefits Strategies*

# Berkshire Health Group

## Finance Sub-Committee Report

Meeting of September 22, 2014

Present: Sharon L. Harrison (BHRSD), Paul Sieloff (Town of Lanesborough) and Bruce Turner (SBRSD) – BHG Board members. Also present were: James Kelly, BHG Treasurer and Gene Daponte (Olsen Mobeck Investment Advisors).

### Discussion:

The Sub-Committee met with two specific goals in mind: (1) to understand the cash flow needs of the Group's Treasurer and the associated impact of the current investment strategy and practice and (2) to develop recommendations for the full BHG board.

On a cash flow basis, the group receives \$3.1 million in member assessment revenue monthly and pays approximately \$3.5 million to BCBS on the level monthly deposit, with a quarterly settle-up credit or payment due. In order to meet payables, the Treasurer requests that \$1.5 million be available from the fund every six months to meet cash flow needs. This means that the Group must have a minimum of \$1.5 million liquid reserve every six months.

As a strategy the investment advisor recommends maintaining a two-fold investment strategy comprised of a "long-term" portfolio of investments and a short, more liquid term for cash. "Long-term", in this case, would be approximately five (5) years. The shorter term funds would provide for cash flow over a planned 18-month period.

### Recommendations:

1. The investment manager is to forward \$750,000 in cash to the Treasurer on a quarterly basis. If the Treasurer needs more or less money in any one quarter, he is to contact the investment manager with as much notice as possible.
2. The income generated from investments shall not be reinvested but rather shall be sent to the Treasurer and be considered as part of the \$750,000 to be sent quarterly.
3. The investment manager shall develop short-term investment strategies that maximize returns, while planning for the above-stated 18-month cash flow need scenarios above cited.
4. The Group should plan now for the Actuarial Reserve needs three to five years in the future so the money needed for reserves in the future is not spent now.
5. The Group should have a two-tiered investment strategy as recommended by the investment manager. The Actuarial Reserve should be invested for the longer term and considered unavailable except in an extraordinary circumstance. The balance should then be invested using a laddered strategy, to cover cash flow needs.
6. Acceptance of the recommendation in #5 would mean that, at a minimum, \$1.5 million be considered as "unavailable" in addition to the actual reserve agreed upon by the Group. This will allow the Reserve investments to remain intact while ensuring adequate cash flow.
7. Changes to the Group's Investment Policy: The Sub-Committee is recommending that the Policy be updated to reflect board votes as well as current practice (or the practice should be changed to conform to the Policy).

- a. Under **II. INVESTMENT GUIDELINES** - strike the last sentence: "Preservation of principal will always take priority over maximizing returns."
  - i. The Sub-committee, Treasurer and investment manager all agreed that the Group has not made preservation of the Reserve principal a priority in the past few years. This striking will reflect practice.
  - ii. Further, they all agree that the "prudent person" clause more accurately reflects the Group's, and common, practice.
- b. **III. INVESTMENT OBJECTIVES – Common Stocks** – change 35% to 50%, per the board vote.
  - i. The intent is not necessarily to buy more stocks, rather it is to allow the investment manager flexibility in maintaining the stocks previously purchased if he needs to liquidate other investments to provide for a liquidity cushion. This way, he is not forced to sell in a loss position unnecessarily.

## ATTACHMENT A

### ACTUARIAL RESERVE REQUIREMENT

- A. The BHG previously had an actuary calculate a recommended reserve level for the Group, with a resulting recommendation that the Group set a reserve between 10% and 15%, with 10% being an absolute minimum. Since that time, the Group has chosen to set the Actuarial Reserve at the 10% minimum.
- B. Previously, the necessary actuarial reserve was calculated using a rough figure based on the total projected expenses and not a more refined claims expenses calculation. It is the committee's recommendation that a more refined projection be used going forward.
- C. Based on this recommendation, the following is the minimum reserve requirement over the next three years. The Committee recommends that the Group consider these needs when setting rates for FY16.

**FY '16** Minimum Actuarial Reserve s/b  $\$37,091,558 \times 1.0578 \times 10\% = \underline{\$3,923,545}$ .

**FY '17** Minimum Actuarial Reserve s/b  $\$39,235,450. \times 1.0578 \times 10\% = \underline{\$4,150,326}$ .

**FY '18** Minimum Actuarial Reserve s/b  $\$41,503,259 \times 1.0578 \times 10\% = \underline{\$4,390,215}$ .

- D. As a point of information if the Group were to consider the 15% as the target, the following reserve would be needed:

**FY '16** Minimum Actuarial Reserve s/b  $\$37,091,558 \times 1.0578 \times 15\% = \underline{\$5,885,318}$ .

**FY '17** Minimum Actuarial Reserve s/b  $\$39,235,450. \times 1.0578 \times 15\% = \underline{\$6,225,489}$ .

**FY '18** Minimum Actuarial Reserve s/b  $\$41,503,259 \times 1.0578 \times 15\% = \underline{\$6,585,322}$ .