

Berkshire Health Group

Board Meeting #14-06

Lenox Town Hall
Lenox Massachusetts
Monday, February 24, 2014 at 9:30 a.m.

Meeting Minutes

Board and Alternates Present:

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| Mary Beverly, Chair | Town of Adams |
| Sharon Harrison, Vice Chair | Berkshire Hills RSD |
| Janet Saddler | Town of Williamstown |
| Paul Sieloff | Town of Lanesborough |
| Melissa Falkowski | Central Berkshire RSD |
| Stephen Presnal | Southwick-Tolland-Granville RSD |
| Lynn Bassett | Mount Greylock |
| Jennifer Tabakin | Town of Great Barrington |
| Jorja Ann Marsden | Berkshire County Insurance Group |
| Terri Licata | SBRDS |

Guests present:

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|-----------------|---------------------------------|
| James Kelley | BHG Treasurer |
| Suzanne Donahue | Blue Cross Blue Shield (BCBS) |
| Ginger Hastings | Group Benefits Strategies (GBS) |
| Lucas McDiarmid | Town of Lanesborough |
| Schuyler Nelson | Town of Lanesborough |

Chair Mary Beverly opened the meeting at 9:35 a.m.

Approval of the Minutes of the meeting of January 27, 2014 (Meeting #14-05):

There were two motions made to amend the minutes to reflect the description of the composite increase and the potential increase in fy 2016 if BHG did not increase rates in fy 2015. This item was tabled until the next meeting. Note: The minutes were amended and emailed to the Board on March 14, 2014.

Lynch, Malloy and Marini annual Report:

Anthony Marini distributed a draft financial audit for the years ending June 30, 2013 and June 31, 2012. Mr. Marini presented the statement as non-qualified meaning, they do not require any material modifications. The management letter highlights that BHG is a small organization with segregation of duties issue which is not unusual. Mr. Marini stated the fund balance as of June 30, 2013 was \$10.3M and \$11.3M for FY 2012.

There was discussion on whether the trust fund was considered healthy. Mr. Marini felt that the trust fund is healthy and he is not worried BHG will not be able to pay its debts.

Mr. Marini presented the balance sheet. He showed that the group has a solid cash balance of nearly \$6.0M and the incurred but not reported claims are projected to be \$3.6M. Mr. Marini stated that as of 6/30/2013 BHG has a variety of investments totaling \$8.7M.

He noted that FY 2013 revenue was \$36M and claims were at \$34M. There was a decrease of net assets of \$1M, just a few hundred thousand more than last year.

There was discussion regarding why the total fund balance as being shown as available funds when in fact the Board has designated \$3.0M to subsidize the rates. Ginger Hastings agreed to send Mr. Marini a copy of the Board minutes so that we can show this amount as restricted funds.

Investment Managers Report:

Mr. Eugene Daponte, Olson Mobeck Investment Portfolio Manager for the Berkshire Health Group, distributed a copy of the Performance Review for the BHG account for the period July 1, 2012 – June 30, 2013 and a summary of Investment Performance for the past 20 years. He felt that this may help in the discussion around asset allocation and allowable ranges.

Mr. Daponte noted that the investment policy statement of BHG requires he purchase A rated or better bonds. Currently the group has two Goldman Sachs Bonds that are split rated. Both have A- ratings and technically he should be selling these bonds but feels that the credit is good and hold attractive coupons. They both mature in 2017.

Ms. Harrison made a motion to hold the two Goldman Sachs Bonds at A- until maturity. Ms. Saddler seconded the motion. All were in favor, motion carries.

Motion

Mr. Daponte stated that the year to date summary shows a beginning value of \$8,039,587 and an ending value of \$9,273,784 which is an investment gain of \$684,196. He noted that stock share gained by 29.7%, bonds lost 0.4%. He felt it was important to note that the market value of bonds will decline and it is important to hold them to maturity whenever possible.

Mr. Daponte noted that the gain of \$684,196 was an 8.1% gain.

Mr. Daponte noted from conversations with Mr. Kelley cash outside the Schwab account is being spent down. Mr. Kelley noted it could be possible that he may need to request a withdrawal from the account.

Mr. Daponte stated stock allocation is currently maxed out at 35% per the IPS. He recommended the Board consider a target of 35% to an allowable range of 50%, giving him a bit more flexibility if cash was needed.

Sharon Harrison asked if they group had a formal policy on the amount of cash that Mr. Kelley had on hand before turning anything over to the investment account. There was discussion on how much Mr. Kelley needs to keep on hand. Mr. Kelley stated his rule of thumb has been to hold \$3.0M on hand. Mr. Kelley felt at a minimum one month of expenses would be a good rule.

Sharon Harrison made a motion to add to the Investment Policy Statement a statement that includes that a minimum threshold of 115% cash outside the investment portfolio rolling and based on the previous 12 months of warrants. Janet Saddler seconded the motion. There was discussion on the amount of cushion that should be considered.

Motion

All were in favor, motion carries.

Mr. Kelley noted he did not have a lot of money maturing during the next two years and there may be a draw down from the bond portfolio.

Mr. Daponte stated the entire portfolio is liquid yet maximizing the interest of the Trust Fund.

There was discussion on whether BHG could diversify stocks and not just looking at domestic stocks. Mr. Kelley though it was per state law that they would not allow them invest internationally.

Mr. Sieloff asked if they could research whether they could diversify the stocks. Mr. Kelley and Mr. Daponte said they would research this issue. Mr. Sieloff noted that the group is in mostly in large caps and wanted the criteria used to establish this practice. Mr. Daponte stated he felt he could enhance the return of the entire portfolio by investing in high quality stocks.

Mr. Sieloff made the motion to expand the stock range up to 50% with a target of 40%. Sharon Harrison seconded the motion. Motion passed all in favor.

Motion

Ms. Harrison requested to have the Investment Policy Statement updated.

Mr. Daponte agreed to come back to discuss international stocks and expanding beyond large caps.

Mary Beverly said that the Board was pleased with Mr. Daponte's management of its investments and thanked him for his presentation.

Mr. Daponte and Mr. Marini left the meeting at this time.

Approval of the March 2014 warrant:

The total due for March 2014 is \$3,312,972.82 with nothing remarkable to note. Sharon Harrison made a motion to approve the March warrant as presented. Jorja Marsden seconded the motion. All were in favor.

Motion

BCBS Report

Suzanne Donahue presented a spreadsheet showing the slight benefit changes of eliminating annual maximums and creating a maximum out of pocket maximum for the plans to be compliant with PPACA. The plans must have an out of pocket maximum in network. The only plan without the out of pocket maximum at this time is Blue Care Elect Value Plus. The other plans have \$1000/2000 maximums. Additionally the plans cannot have inside dollar maximums, therefore durable medical equipment will have a 20% coinsurance with no dollar maximum, wigs and medical formulas will also no longer have calendar year maximums.

The out of pocket maximums must include office visits in FY 2015 and in FY2016 will include drug copayments. The maximum out of pocket maximum can be \$6,350 per individual and \$12,700 per family per the federal guideline.

There was discussion on the impact this may have on collective bargaining.

Ms. Harrison made a motion to set an out of pocket maximum on Blue Care Elect Value Plus plan at \$2500/5000 for FY 2015 as per the ACA mandate. Ms. Marsden seconded the motion. A roll call vote was taken. Ms. Marsden and Ms. Harrison voted in favor, Ms. Tabakin abstained, all others voted no. Motion failed.

Motion

Mr. Sieloff made a motion to set the out of pocket maximum to \$6,350/12,700. Janet Saddler seconded the motion. There was some discussion. A vote was taken all in favor with one abstention from Ms. Tabakin Ms. Marsden left the meeting.

Motion

Ms. Donahue announced that the BHG won the BCBS Municipal Innovation Award. Mr. Munier from BCBS will attend next month's meeting to present the award and \$5,000 cash reward for wellness initiatives.

It was asked to keep the out of pocket maximum issue on the agenda.

Suzanne Donahue also noted after February claims are released she will revisit the level monthly deposit.

Treasurers Report -

Treasurer Jim Kelley reviewed the financial statement through 1/31/2014 (unaudited figures). Mr. Kelley said that the overall cash position decreased by \$566,000 during January. Mr. Kelley said prepaid expenses increased by a net of \$245,000 as a settle-up credit that was accrued in January. The settle-up credit as of 1/31/2014 stands at \$716,000.

Mr. Kelley said that the group experienced a one month unrealized loss on the portfolio of approximately \$58,000.

BHG experienced a one month overall profit of \$230,000 for the month ended 1/31/2014. Mr. Kelley said the trust fund surplus as of 1/31/2014 stands at \$10,190,000 with a year to date overall loss of \$119,000.

Mr. Kelley said that the health claims are running at 95% of member assessment revenue and the dental claims are running at 83% of member assessment revenue.

GBS Reports:

Funding Rate Analysis- Ginger Hastings reviewed the Funding Rate Analysis data through January 2014 and said the expense-to-funding ratio for health plans was 103.1% and for dental was 90.4%. She said on a paid basis the health plan expenses exceeded the health plan funding by \$632, 172. Ms. Hastings said that the Network Blue Value Plus plan costs are running high at 111.5% of funding.

BCBS Level Monthly Deposit (LMD) - Ginger Hastings reviewed the LMD quarterly reconciliation and said that the deposits exceeded the expenses by \$245, 081 for January 2014.

Stop Loss Report - For the current period FY 2014 Ms. Hastings said that there are 2 claimants that have exceeded the policy deductible with total claims of \$578,685.32. She said that the \$100K Aggregating Specific Deductible has been satisfied and reimbursements of \$78,685.32 are currently pending. She said that there are 5 claimants on the report at 50% through January 2014. Ms. Hastings reviewed the FY13 stop loss excess report with data through January 2014 and said that there are no changes from last month and that there are a credit due of \$11,228 which may need to be paid back to the reinsurer.

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

Wellness/Healthy Behaviors Update:

Maureen Daniels was not present.

The next schedule meeting is March 31 at 9:30 a.m. at the Lenox Town Hall, Lenox, MA. Meetings were also scheduled for May 5, 2014 and June 2, 2014 at 9:30 am at the Lenox Town Hall.

There was no other business.

Janet Saddler moved to adjourn.

Motion

Mary Beverly adjourned the meeting at 11:42 a.m.

*Prepared by Ginger Hastings
Group Benefits Strategies*