

Berkshire Health Group

Board Meeting #15-05

Lenox Town Hall
Lenox Massachusetts
Monday, December 22, 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
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)
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 9:31 a.m.

Approval of the Minutes of the meetings of October 27, 2014 (Meeting #15-04):

Janet Saddler moved to approved meeting minutes of October 27, 2014.

Motion

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

Treasurer's Report:

Treasurer Jim Kelley reviewed the financial reports of October 31 and November 30, 2014. Mr. Kelley said that at the end of October there was a year-to-date Investment profit of \$146K and a year-to-date loss in the health fund (planned use of surplus) of \$539K.

Mr. Kelley said that at the end of November the Investment profit was \$242K, and the health fund YTD loss (planned use of surplus) was \$484K. He said that claims were 95% of member assessment revenue.

Mr. Kelley said there was a \$517K increase in operating cash through November 30, 2014. Mr. Kelley reported the trust fund balance (equity) at \$8.4 million. Mr. Kelley said that investments of \$700K were sold and transferred to the trust fund account. He said he instructed Gene Daponte, BHG's Investment Advisor, to hold off on additional transfers until approximately May.

Carol Cormier said that upon inquiring she was told by BCBS that claims for September and October were low because of a shift to a new payment platform at BCBS. She said they were back to normal in November.

Mr. Kelley reviewed the YTD Statement of Retained Earnings through November 30, 2014 and the Veribank financial report for Peoples United Bank. He noted that the bank is well capitalized with a equity to assets ratio of 14%.

Finance Sub-Committee report and recommendations:

Sharon Harrison said the Sub-Committee made recommendations at the last Board meeting regarding the cash flow issues and updating the Investment Policy's guidelines and objectives. Ms. Harrison noted that the policy update to the objectives was approved and voted on by the Board at a prior meeting, but the policy was not updated to reflect the change. She asked the Board to consider approving the recommendations at today's meeting.

Ms. Harrison reviewed the SubCommittee's seven recommendations including two changes to the Investment Policy.

Paul Sieloff suggested revisiting Attachment A regarding the trust fund reserve levels in the spring.

Janet Saddler made a motion to adopt the Investment Sub-Committee's recommendations as described, which are attached to and considered part of these meeting minutes.

Motion

Melissa Falkowski seconded the motion. The motion passed by unanimous vote.

Sharon Harrison asked the Board if it would like the Sub-Committee to meet with Mr. Daponte prior to the rate setting meeting to try to determine the impact of decisions on the fund balance.

The Board agreed with Ms. Harrison.

Carol Cormier said the Board spoke at a previous meeting about possibly making changes to the Medex plan on 1/1/16. She said the prescription trend this year is about 9.5% and could go to 12% or higher later in the year. She said the CY16 PDP rates would not be available at the rate setting meeting, but said she would have the regular Medex renewal rate. Ms. Cormier noted that it will be important to set realistic rates for the active employee plans at this time.

The Board scheduled a Board meeting to review FY16 rate projections on January 26, 2015 at 9:30 a.m. to be held at the Lenox Town Hall.

Wellness Coordinator's report:

Lisa Laramy, Wellness Coordinator, distributed 2015 calendars with healthy tips and recipes included. Ms. Laramy gave an update on each of the BHG wellness programs. She said that 80 members completed the *Walking Works* program and 8 out of 9 of the teams met the challenge. Ms. Laramy said 118 Colonoscopy incentive cards have been issued year-to-date. She said that the fitness classes were a success and she anticipates 12 or more additional classes to be offered. Ms. Laramy said the 8-week Healthy Steps program will be beginning in January.

Mary Beverly said the *Healthy Steps* program seems complicated.

Ms. Laramy said that 8 locations have been booked for presentations and she wants to encourage participation. She said that initial measurements are taken and incentives are provided midway through the program. She said trackers are given out at the presentation and can be used electronically or on paper. Ms. Laramy said that a mix of FitBits activity trackers and \$50 gift cards are awarded for meeting the challenge criteria.

Ms. Laramy said letters went out to the 27 active *Diabetes Care Program* participants about their coaching sessions that are set to begin in January. She told of a success story about a member who lost weight since starting the program and has lowered her A1-C value from over 7 to 5.4, as well as lowering her insulin dose by half. She said that the member was also given exercises for back pain which helped reduce her neuropathy.

Ms. Laramy said she is waiting for a report from BCBS regarding the status of the *AHealthyMe* program.

Mary Beverly said she wanted to have a discussion with the Board regarding the \$2,000 unit wellness stipends. She said the stipends were put into place for each unit to utilize towards wellness initiatives prior to hiring a wellness coordinator. She asked the Board to consider reducing the amount of the stipends and adding guidelines for their use.

There was a discussion about the release of the 2015 stipends.

Mary Beverly asked Karen Carpenter to forward the 2014 wellness stipend reports to Lisa Laramy and let her know which were missing. Ms. Beverly asked Ms. Laramy to organize the reports and make some recommendations regarding utilization guidelines.

Ms. Laramy said the stipend has helped each of the units to extend or enhance the current wellness programs.

Brenda Rondeau made a motion to release a \$2,000 wellness stipend to each unit for 2015 and discuss lowering the amount of the stipends in the following year at a future Board meeting.

Motion

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

Jorja Marsden said Berkshire County Insurance Group (BCIG) has many participating units and locations and asked the Board to keep that in mind during the discussions.

GBS Reports:

Financial reports - Carol Cormier reviewed the Funding Rate Analysis (FRA) report with data through November. She said that the expense-to-funding ratio for the health plans was 102.5% but said that the information may not be fully credible because of the issue of BCBS changing payment platforms. Ms. Cormier said that the NWB plan was underfunded by \$232K. She noted that there were reinsurance reimbursements to that plan in the amount of \$351K, so the amount underfunded would have been double without the reimbursement for prior year events. She said the expense-to-funding ratio for the dental plans was 94.3%.

There was a discussion about the PPO plan enrollments and possibly setting up individual meetings between a BCBS representative and each member. Ms. Cormier said the members that are on the PPO and utilizing in-network providers may be able to move to the HMO at a lower premium and without a disruption in services and providers. She said the PPO plan is a good option for those living out-of-state. Ms. Cormier suggested that some employers may want to review their contribution strategy.

Carol Cormier asked the BCBS representatives to run a zip code report on members enrolled in the PPO plan by employer to determine how many are out of state.

Reinsurance reports - Karen Carpenter reviewed the FY14 reinsurance reports with claims data through November. 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 \$1,092,612 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 \$65,857. 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 \$278,931.

Retiree Drug Subsidy (RDS) application re-openings/audits – Carol Cormier said she is not recommending doing this at this time, but wanted the Board to be aware that GBS has a couple of clients that have hired Part D Advisors through a GBS RFQ to re-open their RDS applications in hopes of finding additional reimbursements. She said depending on the claims coding and spelling of member's names, etc., that some eligible claims may have been missed. Ms. Cormier said Part D Advisors is paid on a percentage of reimbursements received. She said she will let the Board know the results.

Discussion of approach for FY16 rate setting:

Carol Cormier asked the Board for direction in preparing the rate projections. She suggested preparing the projections and giving the percentage difference if utilizing \$500K of the trust fund balance to reduce funding rates.

The Board agreed with Ms. Cormier's suggestion and asked to see the impact of the ACA fees, RDS subsidy and other fees that may impact the rates.

There was a discussion about the budgets and what the employers were adding to account for the health plan rate increases and a discussion about the Group Insurance Commission's (GIC) deficit.

Carol Cormier said she would send an email out to the Board to include an article regarding the GIC's deficit.

Affordable Care Act (ACA):

Health Plan ID Numbers (HPIDs) - Ms. Cormier said that GBS has obtained the HPID for BHG and said that the requirement to obtain a number has now been put on hold.

Transitional Reinsurance Program fees -

Carol Cormier said that CMS will be pulling the FY14 TRP fee of \$243,031 from BHG's account on the pre-scheduled date of December 12, 2014. She asked Mr. Kelley to let Karen Carpenter know when the fee is withdrawn.

Employer Reporting Requirements –

Carol Cormier said that GBS will only be able to minimally assist the employers with this requirement. She said that GBS has provided information regarding the reporting and data that will be requested, but said that this is a payroll specific function and said GBS is health insurance consultant and a central benefits administrator and not HR consultants. She said employers will need to track their variable hour employees

and file 1095c forms. She said if the healthcare plans are not deemed affordable, and the employee obtains a subsidy from the exchanges, the employer will pay a penalty. Ms. Cormier said to contact GBS for a uncondensed copy of the email blast sent on this topic.

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. Ms. Cormier said she would like to discuss this further after receiving the report of PPO members living out of state.

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). Ms. Cormier said that adding an OOP maximum is adding a benefit for employees. She said currently only medical member cost share and not Rx copays are accumulating towards the OOP maximum. She said once Rx copays count towards the OOP Max, members will reach the OOP maximum more quickly than they do now.

Suzanne Donahue, BCBS, suggested keeping the medical OOP maximums the same as they are and add a separate OOP maximum that will apply only to Rx. She noted that the Group Insurance Commission's OOP maximums are \$5,000 per individual and up to \$10,000 per family and are medical and Rx combined.

There was a discussion about the Blue Care Elect (BCE) Value Plus plan's in-network OOP maximums of \$6,600/\$13,200.

Mary Beverly suggested adding the ACA maximums allowed.

There was a discussion.

Sharon Harrison made a motion to add a separate Rx OOP maximum of \$3,000 per individual/up to \$6,000 per family to all of the plans except the BCE Value Plus plan, which would be left the same, combining medical and Rx copays.

Motion

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

Eligibility Audit discussion, continued:

Carol Cormier said she sent the Board members the proposed AFFIDAVIT to use as an eligibility audit tool.

The Board members said that the AFFIDAVIT met their needs.

BCBS Report:

Suzanne Donahue said that the Medex plan will be moving to the new claims payment platform next year, she believes in January. Ms. Donahue asked the Board to consider a double retail Rx mail order copay for FY16. Ms. Donahue said that she will send a Medex renewal quoted the premium with a single and also double Rx mail order copay.

Other Business:

Mary Beverly said that she really likes the new BHG website and thanked Karen Carpenter for her work on it.

The Board agreed with Ms. Beverly.

Paul Sieloff asked about revisiting the cost savings options presented by BCBS previously to include the out-of-state, out-of-network reimbursement based on charges and the Select mail order option.

Sharon Harrison said she would send an email about GASB OPEB analyses and asked if the Board members would like to organize a meeting to discuss.

Janet Saddler said she thought Geri Porter organized the last GASB meeting and asked Ms. Marsden if she would speak to Ms. Porter about organizing a meeting this year.

There was no other business.

Brenda Rondeau motioned to adjourn the meeting.

Motion

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

Chair, Mary Beverly, adjourned the meeting at 11:15 AM.

*Prepared by Karen Carpenter
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.