West Suburban Health Group

Steering Committee Meeting

February 19, 2013 at 9:00 AM

Wellesley Town Hall

Wellesley, Massachusetts

Meeting Minutes

Steering Committee Members in Attendance:

Pete Hoagland, Steering Committee Chair	Town of Sherborn
Marc Waldman, Board Chair	Town of Wellesley
Elizabeth Dennis	Town of Needham
Daniel Morgado	Town of Shrewsbury
Mary Beth Bernard	Town of Westwood
John Senchyshyn	Town of Wayland
Michael Boynton	Town of Walpole

Guests in Attendance:

Ruth Hohenschau	WSHG Treasurer
Anne Costello	WSHG Assistant Treasurer
Rich Bienvenue, CPA	WSHG Auditor
Bill Keegan	Town of Dedham
Maria Rosado	Accept Education Collaborative
Donna Lemoyne	Town of Wayland
Christopher Coleman	Town of Needham
Jerry Lane	Town of Dover
David Ramsay	Town of Dover
Rose Bragdon	The Education Collaborative
Martha White	Town of Natick
Karen Jelloe	Town of Wrentham
Mary Bousquet	Town of Holliston
Jim Purcell	Town of Ashland
Christine Brodeur	Town of Ashland
Hans Larsen	Town of Wellesley
Christine Tague	Dover Sherborn RSD
Cheryl Ingersoll	Dover Sherborn RSD
Bill Dowd	Holliston Resident
Jay Marsden	Holliston BOS
Laura Krantz	Metrowest Daily News
Paul Lazar	Harvard Pilgrim Health Plan
Erin Hayes	Tufts Health Plan
James Delisle	Tufts Health Plan
Suzanne Donahue	Blue Cross Blue Shield
Rob Anderson	Fallon Community Health Plan
Joe Anderson	Fallon Community Health Plan
Carol Cormier	Group Benefits Strategies
Karen Carpenter	Group Benefits Strategies

Chair, Pete Hoagland, called the meeting to order at 9:01 a.m..

Approval of the Minutes of November 15, 2012:
Dan Morgado moved approval of the November 15, 2012 minutes.

Motion

John Senchyshyn seconded the motion. The motion passed by a unanimous vote.

FY12 Independent Financial Audit, Richard Bienvenue, CPA, MLBCPA, LLP:
Richard Bienvenue distributed a final draft of the "FY12 audited Financial Statements and Management Discussion and Analysis with required supplementary information years ended June 30, 2012 and 2011". He said he had given an independent report of the financial statements in accordance with the government auditing standards.

He reported Net Assets of $22,771,076 at year end which he said was a $1.85M increase over the previous year-end figure. Mr. Bienvenue said he prepared an analysis of the WSHG's fund balance and was prepared to speak about this under that agenda item.

Mr. Bienvenue reviewed the Statement of Net Assets and reported $902,222 in reinsurance receivables and $349,000 received in retiree drug subsidy monies. Mr. Bienvenue said that the Non-operating revenue/expense includes the Retiree Drug Subsidy (RDS) reimbursement of $1,355,815 that was distributed to the employers. Mr. Bienvenue explained that the RDS reimbursement is money that the government gives back to employers that provide retirees with a prescription drug benefit instead of enrolling in Medicare Part D plans.

Mr. Bienvenue reviewed the Management Letter and said that he did not identify any deficiencies in internal controls over financial reporting that he considers to be material weaknesses other than Segregation of Duties which is a standard finding for joint purchase groups. He said that the Accounting Controls from a risk standpoint are something that the Group needs to be aware of. He said that there needs to be a level of caution when one person performs or supervises all accounting transactions and reporting.

Mary Beth Bernard joined the meeting.

Mr. Bienvenue reviewed the 10 year history of claims and said that he compares the actual claims paid with the estimated claims. He reviewed the report.

Mr. Bienvenue asked if anyone had any questions.

No questions were asked.

Marc Waldman made a motion that the Steering Committee recommend acceptance of the FY12 audited Financial Statements to the Board.

Motion

Dan Morgado seconded the motion. The motion passed by a unanimous vote.

GBS Reports:
<u>*Funding Rate Analysis by Plan*</u> - Ms. Cormier reviewed the FY13 Funding Rate Analysis by Plan with data through December. She said that the expense-to-funding ratio was 101.2%. She said most of the plans are underfunded with the exception of the Rate Saver plans. Ms. Cormier said that the HPHC EPO

has a shortfall of $902K, but said that there are very few enrollments in that plan. Ms. Cormier said most WSHG municipalities have switched to the Rate Saver plans in July and said that the run-out of Legacy plan claims may be the cause of some of the underfunding in the early months of this year.

Ms. Cormier reviewed the stop loss reports and said that the reinsurance reimbursements are not as high as they have been in previous years.

Michael Boynton noted that the claims that have reached 50% of the stop loss specific deductible increased by $1.026M in the month of December.

BCBS Level Monthly Deposit (LMD) -Ms. Cormier reviewed the BCBS Level Monthly Deposit Quarterly Accounting report with claims paid through December 2012 and said that WSHG had a credit balance of $1.13M. Ms. Cormier asked Suzanne Donahue to have BCBS Underwriters review the LMD amount for a possible reduction.

Treasurer's Report:
Treasurer Ruth Hohenschau reviewed the financial statements (unaudited figures) through January 2013. She reported a decrease of $4.5M in the unrestricted Fund Balance at the end of January. She reported the fund balance of $18.8M at the end of January.

Marc Waldman said that this will be the starting point to use when discussing setting the FY14 health plan rates.

Discussion of proposed Fund Balance Policy and ways to bring the balance in targeted range: premium holiday, rate reduction, RDS distribution:
Marc Waldman said that Carol Cormier has regularly suggested that WSHG adopt a formal fund balance policy that sets an acceptable level for the fund balance. He said that he has held off doing so in order to have flexibility, but said it is clear to him that now is the time to consider a policy. He said that the fund balance was not reduced as it was expected to when the FY13 rates were set. Mr. Waldman said that the Committee and Board will begin discussions of looking at and adopting a policy. He said that he asked Mr. Bienvenue to complete a WSHG fund balance analysis over the past several years.

Mr. Bienvenue reviewed his analysis of the WSHG Trust Fund Balance from the year 2001 to 2012 and said that the last negative balance happened in 2001. He said that the group worked over the years to build the fund back up and had its highest operating surplus of over $5M in 2003. He said that the surplus was a negative balance during the years of 2005 and 2006. Mr. Bienvenue said that since 2007, the surplus has continued to grow, despite the intention to utilize it to supplement the rate increases.

Mr. Bienvenue said that the benchmark that the majority of fund balance policies use is an 8% to 12% range of claims paid for the most recent 12 months. He said that one of the JPGs had an actuarial study done that stated that 10% of the claims provide a 95% likelihood of funding sufficiency. He noted that the WSHG expenses only exceeded revenue once over the past ten years, in 2003. Mr. Bienvenue said that the fund balance consists of $3.25M from Investment Income, $7.25M from RDS, and $11.5M from excess premiums over expenses. He said that a recommended range for the fund balance based on current financial data would be $13.73M or 12% and $9.156M or 8%.

Marc Waldman asked Ms. Cormier to speak about the new State and Federal programs and fees.

Ms. Cormier said that there are new fees associated with the Affordable Care Act (ACA) She said there is a fee that will fund a new Patient-Centered Outcomes Research Institute Trust Fund (PCORI) and said that the fee for FY13 is $1.00 covered life for the year. She said the fee for FY14 is expected to be $2.00 per covered life. Ms. Cormier said that there is also a Transitional Reinsurance Program that is expected to run for three years. She said the estimated fee of $5.25 per covered life per month, or $63 annually, is expected to begin on January 1, 2014. She said that for the first six months of CY14, the charge to WSHG based on 17,874 non-Medicare members would be about $563K. Ms. Cormier said that a new State assessment is expected to be a one-time assessment and said that the amounts of individual assessments are not known at this time. She said that the bulk of these state fees will be paid by the carriers and said they will not be permitted to pass the fees on to members in insured arrangements.

Michael Boynton said that the WSHG Board has been very aggressive in its attempts to reduce the fund balance by reducing health plan rates and by distributing a portion of the RDS money. He said that WSHG has also funded Wellness and fitness programs to help members to be healthy, thereby lowering health claims costs. Mr. Boynton said that he is not going to apologize for the high fund balance and is proud of the fact that the group was able to give back to the communities.

Richard Bienvenue continued his analysis of the fund balance and his recommendation to implement a trust fund policy. He said that as the auditor, he adjusts the WSHG IBNR each year as necessary. He said that investment income is good, but said he recommends adopting an Investment Policy to use as guidance about how to maintain and utilize the investments.

Michael Boynton noted that the RDS revenue will be eliminated with the change to the EGWP retiree plans.

There was a discussion about what time period of claims to use as the basis for the fund balance policy each year.

Rich Bienvenue suggested using the most recent prior 12 months of claims ending in December of each year.

Carol Cormier noted that the senior plans funding is not included in the FY14 rate projections since they renew on January 1st.

Dan Morgado said that the active plans are the largest cost and the previous claims are known and the base should be set on those claims.

Mary Beth Bernard agreed.

Michael Boynton suggested using the claims paid through January, divided by 7 to obtain the average monthly claims and then multiply that number by 12 to get the expected yearly claims.

Rich Bienvenue said when using the 8% to 12% as a range, it is a good practice to utilize down to the top level of the range to keep a cushion to avoid a spike of rates in the next year.

Michael Boynton made a motion to recommend to the Board to adopt a fund balance policy and to include in that policy a fund balance range of 8% to 12% of projected yearly claims based on the average month of claims to be determined from the monthly claims from July 1 to January 31 divided by 7 and multiplied by 12.

Motion

Dan Morgado seconded the motion.

There was a brief discussion.

John Senchyshyn amended Mr. Boynton's motion to raise the high end of the surplus percentage to 15%.

A vote was taken on the amendment and failed by a majority vote.

A vote was taken on the original motion and passed by a majority vote.

The Board thanked Mr. Bienvenue for his work on the fund balance and he left the meeting.

FY14 Rate Projections – review and recommendation to the Board:
Carol Cormier reviewed the rate development packet with multiple funding scenarios. She said that the health plans did rate projections and GBS did independent projections. She said that some of the scenarios use Fund Balance to partially pay for expected FY14 expenses. She reviewed approaches to reducing the Fund Balance including reducing rates; giving a premium holiday, and returning some of the Retiree Drug Subsidy (RDS) money to the employers. She said that she did not think it was a good idea to take all of the targeted Fund Balance reduction through rate reduction because that could lead to a rate spike in the following year. She noted that the Funding Rate Analysis showed that the group was behind a bit on the FY13 funding from rates compared to expenses through December and that the Fund Balance had decreased $4.5 M since the beginning of the fiscal year. She said that the premium holiday was the most favorable way to reduce the fund balance because it does not create artificially low funding rates and the money is shared proportionately between employer and employees. She said that a combination of rate reduction and premium holiday – such as a 2 week holiday is her recommendation.

Michael Boynton said that he doesn't favor premium holidays and said that he would like to see the Legacy plans rated on their own claims experience.

Carol Cormier said that the Legacy plan enrollments are too low to set their rates based on their own claims experience. She said that these plans are not credible for rating purposes.

Ms. Cormier continued to review the rate projection packet. She highlighted the expected FY14 expenses that she did not include in the rates. She said these were the alternative Rx and diabetes program Rx claims, the reinsurance aggregating specific deductible, and the new ACA fees (PCORI and Transitional Reinsurance Program). She said there will be a one-time state assessment on insurers and self-funded plans but said the amount is not known at this time. Ms. Cormier said that the alternative Rx claims have never been included in the rates; however, she said that as this program grows this is something that should be considered. Ms. Cormier said that there were no increases to the health plan administrative fees with the exception of the BCBS Network Blue EPO plan with a 2.3% increase. Ms. Cormier reviewed the GBS fees and rate factors.

Rob Anderson noted that the dental benefit is included on the Fallon SelectCare and DirectCare plans for FY14.

Ms. Cormier reviewed the current funding scenario and presented the following scenarios:
Scenario A: Carrier projections with a 9.4% composite increase,
Scenario B: GBS projections with a 10.2% composite increase,
Scenario B-2: GBS projections with $3M of trust fund balance at risk and with a 7.32% composite increase,
Scenario B-3: same as B-2, but a 7.3% increase to all plans and a 7.32% composite increase,
Scenario B-4: GBS projections with $3M trust fund balance at risk and used to lower rate saver plans only,
Scenario C: A scenario of the lowest of the health plan vs. GBS projections – 8.7% composite increase, and
Scenario D: A scenario of the highest of the health plan vs. GBS projections – 10.9% composite increase.

Marc Waldman said that the rate increase percentages are higher this year due to the suppression of the rates in previous years.

Michael Boynton made a motion to recommend a revised B-1 Scenario to the Board with full funding of the Legacy plans and 3.2% increases to the Rate Saver and Benchmark plans.

Motion

Dan Morgado seconded the motion for discussion purposes.

John Senchyshyn said that it has been the Board's intention to apply the surplus to the rates each year and each year the surplus has not been utilized as hoped.

Michael Boynton said that the rate projection sheets will tell the story.

Carol Cormier created the scenario Mr. Boynton proposed on a laptop and the resulting spreadsheet was projected on a screen.

Dan Morgado said that adverse selection of the plans that are designed to control costs and the unhealthy people utilizing the plans with the higher costs is what is driving the costs.

In response to a question asked, Erin Hayes, Tufts Health Plan, said that the GIC is expected to announce its rates in March.

Marc Waldman said that the GIC has stated its intent to keep rates low with increases below 2%.

Carol Cormier created the scenario Mr. Boynton proposed on a laptop and the resulting spreadsheet was projected on a screen.

Dan Morgado noted that the scenario Mr. Boynton recommended has total annual funding of $109,286,087 and utilizes approximately $7M from Fund Balance.

David Ramsay said that the surplus is currently at $18.8M and if you remove the $5.8M that will leave the surplus at $13.4 M, which is the top of the targeted policy range of 12%.

There was a discussion about a premium holiday.

A vote was taken on Mr. Boynton's motion and passed by a majority vote of 4 to 2 in favor. Chair Marc Waldman did not vote.

Discussion about engaging a Wellness Coordinator:
Betty Dennis said that the Wellness Committee didn't have anything new to report.

Other Business:
There was no other business.

Dan Morgado made a motion to adjourn.

Motion

Betty Dennis seconded the motion.

Pete Hoagland adjourned the meeting at 12:22 PM.

Prepared by Karen Carpenter
Group Benefits Strategies