

MAYFLOWER MUNICIPAL HEALTH GROUP FINANCE COMMITTEE
MINUTES OF MEETING
April 5, 2016
Halifax Town Hall
Halifax, Massachusetts

Attendees: Thomas O'Brien, MMHG Treasurer
Derek Sullivan, Town of Wareham
Jeanne Sullivan, Town of Hanson
Peter Morin, Town of Norwell
Kelly Morse Perez, MMHG
Pat Dillon, Whitman-Hanson Regional School District
Christine Suckow, Whitman-Hanson Regional School District

The meeting was called to order at 9:25 a.m.

1. **Accept Meeting Minutes**

MOTION: JSullivan motioned to accept the February 4, 2016 meeting minutes

SECOND: DSullivan

VOTE: Unanimous

2. **Rate Recommendation from GBS, Steering Committee**

Treasurer O'Brien passed out page two of the most recent audit showing net position on June 30, 2015, as \$27,500,136. He stated that as expected and authorized by the advisory board we are using reserves to offset rates for FY16.

O'Brien said that at the last Steering Committee meeting, he passed out the operating statement with year-end projections. He distributed the handout to the Finance Committee and said that the vast majority of our revenue and expenses are directly related to claims and health care we provide. He explained that our operating expenses, without Stop loss premiums and Affordable Care Act fees, are .6% of costs. He said that this is negligible and savings would need to be generated on the rates. He pointed out that we use the Medicare D subsidy to offset claims for Medex and HPHC Medicare Enhance plans.

Morin joined the meeting at 9:30 a.m.

O'Brien said the conservative investment approach has been beneficial for the past fiscal year and he reviewed the investment performance and compared it to the market.

O'Brien said that the stop loss reimbursements are not really revenue when you look at what we are spending for the coverage. He said that stop loss reimbursements are to offset catastrophic risk to the group.

O'Brien stated that he projects we will use \$12,560,500 in reserves to offset rates for FY16, leaving us with net reserves of \$15 million.

O'Brien passed out the GBS Funding Rate Analysis, dated March, 2016. He stated that at the Steering Committee meeting, Sharry pointed out that according to the carriers'

projections, we would need between 17%-26% increase if we didn't subsidize rates for FY17. He stated that Sharry's recommendation to the Steering Committee was a 14% increase for all active plans, 17.9% increase for Medex, 10% increase for HPHC Medicare Enhance. He said that with the suggested increase it would also require using \$9.2 million in reserves. He said the ultimate compromise of the Steering Committee's unanimous vote, was an increase of 15% across the board for all plans, which will use reserves totaling \$8.6 million.

O'Brien said that the Finance Committee is not required to make a recommendation on rates but encouraged them to discuss the proposed rate increase.

3. **General FY17 Rate discussion**

DSullivan asked if we have a reserve policy and O'Brien stated it is 10% of annualized operating expenses (\$13 million). O'Brien stated we would be potentially dropping below our policy for FY17. O'Brien said we can go below the suggested reserve policy and then we would need to focus on building it back up.

O'Brien said the benefit of a joint purchase group is to help stabilize rates. He said no one wants to see an increase but healthcare costs have skyrocketed. He stated that the prescription drug costs have increased and Affordable Care Act fees/regulations are factors.

DSullivan pointed out that one plan that has the greatest overage is one of the benchmark plans. O'Brien said that there is no cheaper plan because the costs go where the sick people are enrolled. O'Brien said that the rate saver plans are also underperforming.

O'Brien said he spoke to both insurance carriers (Blue Cross & Harvard Pilgrim) and they adamantly recommended composite rate increase vs. rating plans individually. He said that if your rate plans individually and all subscribers go to the cheapest plan, you may not have the funding to pay the claims.

JSullivan stated if we use \$8.6 million we can keep the rates at 15% and O'Brien confirmed.

O'Brien said he hopes we have a good year and members are healthy.

DSullivan said that he doesn't see us going below 15%.

JSullivan asked if there is any way to not increase the retirees plans 15%.

O'Brien said that we can have those discussions. He stated that Sharry's recommendation for Medex was higher and that the retiree plan rates did go down last year. He said that in order to reduce the increase for retiree plans we would have to increase the active plans.

O'Brien stated that the Steering Committee is exploring every strategy in order to keep costs down including:

- plan design changes
- possibly eliminating certain plans

- Medex III to Medex II
- managed care for seniors
- universal drug program
- sole source provider

DSullivan said that his seniors are more concerned about drug costs than the monthly insurance premium and they would rather have a higher monthly premium.

O'Brien said that even after a 15% increase, we are still attractive to other municipalities that are asking to join MMHG.

Morin said those municipalities might be able to save money by joining MMHG because they have bad claim experience.

JSullivan asked if there will be any plan design changes with the 15% increase and O'Brien said no.

MOTION: DSullivan made a motion to recommend to the Steering Committee a 15% increase on all plans.

SECOND: JSullivan

VOTE: 2 in favor, 1 opposed (Morin)

4. **Next Meeting:**

Tuesday, June 7, 2016, 9:00 a.m., at the Halifax Town Hall

Morin made a motion to adjourn the meeting at 10:00 a.m., seconded by JSullivan and voted unanimously.

Respectfully submitted,
Sheila Avery

Reference Documents for this Meeting:

GBS MMHG Funding Rate Analysis, dated March, 2016

MMHG FY16 Operating Statement and Y/E projections

MMHG Financial Statements June 30, 2015 and 2014 (page 2)