

MAYFLOWER MUNICIPAL HEALTH GROUP FINANCE COMMITTEE
MINUTES OF MEETING
March 22, 2017
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
Sheila Avery, MMHG

The meeting was called to order at 9:12 a.m.

1. **Accept Meeting Minutes**

Treasurer O'Brien noted two revisions on the meeting minutes; #2 "receive" to "received", and #3 second to last paragraph "in the next" **to** "over the past".

MOTION: Morin motioned to accept the January 26, 2017 meeting minutes with revisions noted above.

SECOND: JSullivan

VOTE: Unanimous

2. **FY16 Audit Report**

Treasurer O'Brien passed out the FY16 audit and stated for the second year in a row there is no management letter. He reviewed the report stating our Incurred but not reported (IBNR) is \$8.3 million and net assets are \$13,506,811. He said the net assets already factor in the IBNR and total assets are about \$21 million. He reviewed the investment income, investment expense. He said the audit was emailed to all members, is available on our website and is exceedingly favorable compared to other joint purchase groups.

3. **Net Asset Report and year end projections**

Treasurer O'Brien said he created a report to show net assets as a percentage of claims expenses for FY09-FY16. He passed out the report and stated we built up net assets over the years and in FY14 members were complaining there was too much in net assets. He said there was a general consensus to reduce net assets to the goal of 10% of annualized claims. He said the FY16 net assets as a percentage of claims expenses are 10.13% so we are within our goal of 10%.

Treasurer O'Brien passed out the 2/28/17 Operating Statement and year end projections. He said through February 28, 2017 we have \$829,808.47 in the negative which is a lot less than what we were expecting. He said year-end projections are that we use around \$2 million. He said he expects investment income to be around \$400,000 at year end.

DSullivan asked about the IBNR and O'Brien stated it is \$8.3 million. Treasurer O'Brien said it is around two months of claims. DSullivan said Wareham reduced IBNR from 3 months to 2 months prior to joining MMHG.

Treasurer O'Brien explained we pre-pay our invoices and settle up quarterly. He said the quarterly reports are more accurate and that is what he will provide from now on and the finance committee agreed.

Treasurer O'Brien passed out the GBS Funding Rate analysis through February, 2017. He said the report will be passed out and reviewed at the General Board meeting. He stated we are tracking well and better than expected.

4. **Review draft proposed rates voted by Steering Committee**

Treasurer O'Brien passed out the draft rates and said the Steering Committee voted to propose the rates to the General Board. He said it doesn't cover the full amount the providers are estimating but is close. He said from his perspective we wouldn't want to do anything other than the rates listed so we are funding the plans.

JSullivan asked how we got from 26% to 16%. Treasurer O'Brien said the providers gave us estimates based on November claims and were more conservative. He also explained that GBS requested updated data in February based on more actual data instead of projections. He said our claims have also been better versus previous year.

DSullivan asked what the estimated difference is between the providers suggested rates versus the Steering Committee recommendation. Treasurer O'Brien said it is about \$3.6 million.

PMorin asked if the proposal takes into consideration the changes in demographics as a result of member units that left and O'Brien said it did.

Treasurer O'Brien said we had 7 member units join since 2010.

Treasurer O'Brien passed out the mini comparison of the summary of changes to the legacy, rate saver and benchmark plans.

Treasurer O'Brien said MMHG offers a menu of plans and member units don't have to offer all plans. He said they can negotiate and offer rate saver or benchmark plans. Morin said his unit only offers rate saver plans and also offer a buy out to subscribers that enroll in health insurance elsewhere.

5. **General discussion regarding investment portfolio design**

Treasurer O'Brien said we had a presentation at the last Finance Committee meeting regarding our investment portfolio and asked if there are any thoughts on the 70%/30% split. He said we can expect to see 3%-4% return on investment which is what is happening.

Morin said it comes down to what the money is used for and if it is for stabilization the percentages are fine. He said his view is that it is a stabilization fund.

Treasurer O'Brien said he is going to reach out to a few people to design a portfolio with lower fees.

MOTION: Morin made a motion to keep the investment portfolio 70% fixed, 30% equity.

SECOND: JSullivan

VOTE: Unanimous

6. **Next Meeting**

June 15, 2017, 9:00 a.m., at the Halifax Town Hall

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

Respectfully submitted,
Sheila Avery

Reference Documents for this Meeting:

GBS funding rate analysis one page summary

MMHG FY16 financial statements

MMHG FY17 and FY18 Benchmark changes summary of benefits

MMHG F17 YTD 2/28/2017 actual operating statement and Y/E projection

MMHG FY18 draft GBS/Steering Committee recommended rates

MMHG Net Assets as a percentage of claims expense FY2009-FY2016