

MAYFLOWER MUNICIPAL HEALTH GROUP FINANCE COMMITTEE
MINUTES OF MEETING
April 25, 2019
Hanover Town Hall
Hanover, Massachusetts

Attendees: Thomas O'Brien, MMHG Treasurer
Jeanne Sullivan, Town of Hanson
Lincoln Heineman, Town of Hanover
Michael Buckley, Town of Hull/Pembroke
Sheila Avery, MMHG
Kate Sharry, Gallagher

The meeting was called to order at 8:37 a.m.

1. **Accept Meeting Minutes**

MOTION: Buckley made a motion to accept the February 7, 2019 meeting minutes.

SECOND: Sullivan

VOTE: Motion passed, Unanimous

2. **Update -Operating Statement**

Treasurer O'Brien passed out and reviewed the MMHG Operating Statement through March 31, 2019. He said our net position is \$5,354,366.62 and we are trending well.

MOTION: Buckley made a motion to accept the MMHG FY19 YTD Actual Operating Statement as of 3/31/2019.

SECOND: Sullivan

VOTE: motion passed, unanimous

3. **Update- Statement of Net Assets**

Treasurer O'Brien passed out and reviewed the MMHG Statement of Net Assets through March 31, 2019. He said our fund balance is \$21,393,561.93 and we expect this will be close to our position at year end. He reminded the Committee we do have some moving expenses and stated the move has been managed well.

MOTION: Buckley made a motion to accept the MMHG FY19 Statement of Net Assets as of 3/31/2019.

SECOND: Heineman

VOTE: motion passed, unanimous

Treasurer O'Brien passed out and reviewed the US Bank selected period performance report ending 3/31/2019. He said our total portfolio net of fees market value is \$16,428,203.

Treasurer O'Brien passed out the US Bank Quarterly Investment Recap:1Q 2019 for Finance Committee members to review on their own.

4. **Review of reserve guidelines**

Treasurer O'Brien stated our current guideline is 10% of annualized expenses and the Finance Committee voted to increase this to 15% of annualized expenses. He said the Finance Committee wanted to have Kate Sharry come to a meeting and talk about what other groups have for guidelines.

Treasurer O'Brien stated he did bring the Finance Committee vote to the Steering Committee to let them know it would be increased to 15%. He stated the Steering Committee wanted it reviewed by legal counsel as some members felt they should be voting on this. He said legal counsel stated the Finance Committee recommends to the Steering Committee and Steering Committee adopts it.

Sharry passed out and summarized a packet containing other municipal joint purchase groups' trust fund balance policies for review.

Sharry said the Cape Cod Municipal Health Group's (CCMHG) fund balance policy states 8%-12% paid claims for the most recent 12 months. She stated they always have 12% balance and most recently it has been at 15%. She explained the CCMHG is similar size and most comparable to MMHG.

Sharry said Nashoba's fund balance policy states 1.5 times monthly average cost of their self funded program. She explained they include all monthly fixed costs and keep a close eye on this.

Sharry said Scantic's fund balance policy is 12% of paid claims based on the past 12 months.

Sharry stated the West Surburban group's fund balance policy is 8%-12% of paid claims based on the past 12 months.

Sharry said 15% creates more long-term stability in her opinion. She stated we have had some tough years and you can see what happens when using too much subsidy.

Sharry passed out and reviewed GBS FY18 & FY19 totals (Funding Rate Analysis 2 pages). She said FY18 total expenses came to about \$99 million and 8% would be \$7.9 million and 15% would be \$14.9 million. She recommended a target of 15% for MMHG. Sharry said FY19 total expenses came to about \$86.5 million and 8% would be \$7 million and 15% would be \$13 million. She said 1.5 of monthly costs is equal to over 12%.

Treasurer O'Brien said if the Committee would like a range he recommends proposing a 12%-15% range to the Steering Committee and should be based on all annual claims and administrative expenses as reported in the audit. He said this is in line with what other groups are doing that are similar in size.

Heineman asked what happens if we go below the guideline. Treasurer O'Brien stated we wouldn't allocate any money from reserves to offset rates and create a plan to build the reserve back up to the guideline.

Treasurer O'Brien stated after the amount is decided we can come up with a written fund balance policy to address what happens if we go above or below the reserve amount.

Buckley said he feels we would be better with a hard fast number for the reserve amount and suggested 15% of all claims and expenses.

There was a brief discussion with the following action taken.

MOTION: Buckley made a motion to recommend to the Steering Committee a reserve policy of 15% of all claims and expenses.

SECOND: Heineman

VOTE: Unanimous

Heineman said he would like to see the Finance Committee be able to recommend to the Steering Committee what happens if we go above or below the reserve amount.

Avery asked if there is anything in the other joint purchase groups' fund balance policies stating a maximum amount to be used in a given year. She said if we were to spend all of what is in excess of the reserve amount in one year it could create havoc in future years with larger increases to make up for the subsidy. Sharry said Worcester has a multi-year strategy.

Treasurer O'Brien said we could state no more than 33% of excess reserve is to be used in any given year.

Sharry said we could also have a premium holiday if we find we have a lot in excess of our reserve.

Sharry said she will create a draft policy for review at the meeting.

5. **Any other matters that may appropriately come before the Committee**

Buckley asked if we have a policy on a group that would like to re-join MMHG. Treasurer O'Brien said this would be good to discuss at a later date.

Heineman asked what our current policy is on a member unit joining.

Treasurer O'Brien stated we calculate net assets based on March 31st or September 30th, depending on date member unit is joining, and divide it by the number of total current subscribers to get a per subscriber number. He said a new member unit can spread this out over 3 years.

6. **Next Meeting**

May 29, 2019, 8:30 a.m., at the MMHG office

Heineman motioned to adjourn the meeting at 9:45, seconded by Buckley and voted unanimously.

Respectfully submitted,
Sheila Avery

Reference Documents for this Meeting:

MMHG FY19 YTD Actual Operating Statement 3/31/2019

MMHG FY19 Statement of Net Assets 3/31/2019

US Bank selected period performance report ending 3/31/2019

US Bank Quarterly Investment Recap:1Q 2019

GBS FY18 & FY19 totals (Funding Rate Analysis 2 pages)

GBS packet of other JPA trust fund policies