

MAYFLOWER MUNICIPAL HEALTH GROUP FINANCE COMMITTEE
MINUTES OF MEETING
June 11, 2019
Hanover Town Hall
Hanover, Massachusetts

Attendees: Thomas O'Brien, MMHG Treasurer
Lincoln Heineman, Town of Hanover
Michael Buckley, Town of Hull/Pembroke
Kelly Morse Perez, MMHG
Kate Sharry, GBS

The meeting was called to order at 11:04 a.m.

1. Reserve Guideline

Sharry passed out and reviewed the draft fund balance policy.

Treasurer O'Brien asked Sharry about MMHG using 15% of total expenses verses % of total claims. Sharry said she doesn't see a problem using total expenses.

Heineman said we need our claims to be stabilized and is the purpose of the fund balance policy. Treasurer O'Brien agreed but noted we have things come up such as ACA fees and so we may like to include all expenses.

Treasurer O'Brien said he likes to have a number to use off of the financials so it is easily identifiable.

Buckley asked what the difference is between 15% of total expenses verses 15% of total claims. Sharry said she calculated 15% of total claims, administration and reinsurance costs for the past 12 months and it is around \$13.5 million. Treasurer O'Brien stated the difference is around \$1 million more for total operating expenses and pointed out Sharry's figure includes more than just claims.

Treasurer O'Brien said we have two options we can use either 15% of total operating expenses or 15% of claims. He said if we use 15% of claims it is not easily identifiable on financials and doesn't include CanaRX and other items. Sharry said we may want to do total operating expenses.

Treasurer O'Brien said 15% of operating expenses based on the most recent 12 months or the most recent audit. Sharry said some joint purchase groups use net position as stated in their audits but others use 12 months.

Heineman asked about changing 33% to 50% of any excess above the 15% benchmark to be utilized to stabilize rates. Treasurer O'Brien reviewed MMHG's past years experience where we did have a large surplus and ended up using it very quickly due to higher than expected claims resulting in larger increases.

Sharry said she cautioned that using 50% of the excess above the 15% to subsidize rates is high especially when that number is high. She said we may have a good year and be in a

good position to use 50% and then the next year we aren't having such a good year and renewal comes in and we are looking at much higher increases with only a small portion left to use to subsidize. She said she agrees with a multi-year strategy to avoid large fluctuations.

There was a brief discussion and the Committee agreed to change the draft to 15% of total operating expenses and keep the 33% of any excess above the 15% benchmark to be utilized to stabilize rates.

Treasurer O'Brien stated there are some grammatical errors that need to be corrected.

Buckley asked if we are leaving distribution of excess funds out of the policy.

Treasurer O'Brien said the cost of a premium holiday for one month is very high.

Sharry said some groups do like the premium holiday and you don't have to give an entire month.

Heineman said he thought employees would remember and appreciate premium relief versus 1 week or 2 weeks of premium holiday. He said a premium holiday is not discussed at town meeting but the insurance rates are always discussed.

Buckley said we might want to leave it out of the policy and deal with it when it comes up.

MOTION: Buckley made a motion to approve the fund balance policy as amended.

SECOND: Heineman

VOTE: Unanimous

Treasurer O'Brien asked Sharry to make the edits and send it to the Finance Committee, Avery, and himself and Sharry agreed.

Treasurer O'Brien said the Steering Committee is meeting tomorrow and they will review the fund balance policy but he doesn't expect them to vote on it.

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

None

3. **Next meeting**

None

Buckley motioned to adjourn the meeting at 11:48, seconded by Heineman and voted unanimously.

Respectfully submitted,
Sheila Avery

Reference Documents for this Meeting:
MMHG draft Fund Balance Policy, dated June 2019