

MINUTEMAN NASHOBA HEALTH GROUP

Board Meeting

Groton Public Library
Groton, Massachusetts

Meeting Minutes

Wednesday, June 22, 2005 at 10:00 a.m.

Primary & Alternate Board Members Present:

Anthony Logalbo, Chair and Treasurer
Denis Callahan
Melisa Doig
Margaret Dennehy
M. Lawrence Barton
Valerie Jenkins
Paul Cohen
Lorraine Leonard
Bonnie Holston
Pauline Paste
Jerry Martin
Michael Hartnett
David Desgroseilliers

Concord, Town of
Ayer, Town of
Ayer, Town of
Boxborough, Town of
Town of Carlisle
Town of Groton
Town of Harvard
Town of Harvard
Town of Lancaster
Lincoln Sudbury Regional School District
North Middlesex Regional School District
Town of Pepperell
Town of Tyngsborough

Guests Present:

Helen Powers
Beth Poulin
Bill Hickey
Maria Chandler
Anne-Marie O'Brien
Rick Thatcher
Carol Cormier
Joelle Carlberg

Concord Carlisle Regional School District
Narragansett Regional School District
Harvard Pilgrim Health Care (HPHC)
Tufts Health Plan (THP)
Prescription Benefits Services (PBS)
The Abacus Group
Group Benefits Strategies (GBS)
Group Benefits Strategies (GBS)

Chair, Tony Logalbo called the meeting to order at 10:07 a.m.

Approval of the minutes of the May 11, 2005 meeting:

Larry Barton moved approval of the Board meeting minutes of May 11, 2005.

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| Motion |
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Lorraine Leonard seconded the motion.

The motion passed by unanimous vote.

The Abacus Group and PBS Report on detailed claims analysis for potential alternative prescription drug purchasing program:

Rick Thatcher said MNHG contracted with The Abacus Group for a more detailed claims analysis. He said the original savings showed high-level projections. He said the current projections of financial results validate the earlier projections and indicate total savings for MNHG and members of \$45K in the first year and over \$255K in the second year. He said these refined projections confirm the significant economic potential of the program, both for the Group and the individual members that participate in the program.

Mr. Thatcher pointed out that the analysis included HPHC and Tufts members, but not Fallon. He said the analysis does not include Fallon because The Abacus Group has not received any data from Fallon. He said earlier high-level analyses have suggested that inclusion of Fallon would have little impact on the financial projections, and he believes that this continues to hold true.

Mr. Thatcher said that in addition to projecting the financial viability of the *myMedicationAdvisor*® pharmacy management program, The Abacus Group was asked to perform other analyses, including an evaluation of the effectiveness of the existing mail order program. He said MNHG's mail order prescription drug co-payments are a bit low. He said he thinks it could be higher based on utilization and other municipalities.

Dave Desgroseilliers said that he recently received the GBS newsletter, in which he read that mail order usage might actually cause the employer to lose money in some cases.

Mr. Thatcher said it was absolutely true that some employers are losing money with the mail order usage based on the co-payment structure with certain health plans. He pointed out that this was not, however, an issue with the HPHC and Tufts plans.

Mr. Thatcher said MNHG's mail order usage was relatively low and that the generic penetration was about average. He said he believes this can be driven higher. He said for MNHG, this program has a significant amount of potential.

Mr. Thatcher said that Abacus and PBS, along with the prescription drug vendors, have been investigating United Kingdom (UK) sources as potential alternatives in the event of a disruption of the Canadian supply chain. He said this source would afford the opportunity to obtain medications where the manufacturer would be the same as for the U.S. or Canada, and where there would be no language barrier or labeling problems. Mr. Thatcher said MNHG could do an alternative and optional Canadian Rx purchasing program now that would benefit both the Trust, as well as the MNHG members.

Mr. Thatcher reviewed his Analysis of Existing Utilization and Key Findings.

There was a discussion.

Tony Logalbo asked Ms. Cormier for her advice as to whether or not to go forward with this program.

Carol Cormier said the Group would need to determine whether or not the program yields sufficient benefit of going forward. She said *myMedicationAdvisor*® provides a strong educational program that would help members to make better purchasing decisions when buying prescription drugs. She said Abacus puts in a considerable amount of time and effort in educating the members. She said other clients that have implemented the program have given positive feedback.

Anne O'Brien talked about the success that Cape Cod Municipal Health Group (CCMHG) has had with the program.

Ms. Cormier said that the City of Newton implemented the program at the request of the unions. She said Newton's program has been exceeding expectations.

Carol Cormier talked about *My Health Maximizer*, which is part of the *myMedicationAdvisor*® website and the tailored messaging to members to help them to improve their lifestyles and health. She said if *myMedicationAdvisor*® is used correctly, members have the ability to become much more educated about prescription drug purchasing. She said the *myMedicationAdvisor*® website lists the member's plan and all of the buying options available as well as valuable drug information.

Ms. Cormier said if the Group were to implement this program, she would strongly suggest that the employers notify the unions to get agreement that this program would be outside the realm of collective bargaining. She said there should be a mutual agreement with the unions explaining that MNHG would provide the program as long as it was economically feasible to do so and as long as there were no adverse legal barriers or interruption in supplies.

Dave Desgroseilliers asked about the fees associated with the program.

Anne O'Brien said there was a project initiation fee of \$7,500, which was to set up the website. She said the Group would pay a fee of \$1.35 per member per month at the start-up.

Rick Thatcher said the monthly fee would be approximately \$3,500-3,600. He pointed out that the PBS/Abacus fees increase only as the MNHG savings increase.

There was a discussion.

Larry Barton said that there were still some substantive questions relating to the program. He suggested that the Board authorize the Steering Committee to research this further and come back with a recommendation.

Tony Logalbo said the Steering Committee could meet in September, at which time this program would be discussed.

Mr. Thatcher mentioned that sixty days was needed for implementation of the program. He said if the Steering Committee doesn't meet until September, this pushes the implementation date to next year.

Paul Cohen said the Group originally didn't want to roll-out the program in the summer, so decided to look toward the fall. He said he doesn't want to wait until next year, because then the Group might not achieve the level of savings that was projected.

Tony Logalbo said if the Steering Committee met in July to discuss the program, then it would be possible to implement the program in September.

Mr. Desgroseilliers suggested implementing the program in October.

Lorraine Leonard moved to authorize the Steering Committee to research the alternative prescription-purchasing program in more detail. She further moved that the Steering Committee negotiate a contract with The Abacus Group, if satisfactory, and prepare to roll-out the program in October.

Motion

Dave Desgroseilliers seconded the motion.

Mr. Desgroseilliers asked what the responsibilities would include at the local level in terms of implementing the program.

Carol Cormier said each employer would be responsible for providing The Abacus Group with possible dates and locations to hold educational sessions and distributing handouts for the program.

Vote on Motion

The vote in favor of the motion was unanimous.

Carol Cormier said if the Steering Committee votes to move forward with the program, she would email the entire Board to inform them of the decision. She said she would also provide a letter that employers could send to their unions.

Treasurer's Report:

Financial Reports as of May 31, 2005 -

Tony Logalbo reviewed his Balance Sheet of May 31, 2005, (unaudited figures). He said that total assets were \$5,587,064 and total liabilities were \$3,419,977 on May 31st. He said that the Uncommitted Fund Balance on May 31, 2005 was \$2,167,087, which is less than the fund balance target of \$2.6 million. He said there is an ample amount of cash to pay bills.

Mr. Logalbo said the past three months claims experience has been worse than other months. He said there were elevated claims with all of the health plans. He said with the fund balance below target, it makes him question the level of the IBNR. He said during the audit process, he and the auditor look at the claims run-out and review the IBNR estimate. He said the current methodology is looking back, but we may need to look forward. He said the audit has commenced and that the auditor was just in his office yesterday.

Carol Cormier talked about the IBNR calculation. She said she doesn't disagree with forecasting. She talked about how most claims are now adjudicated electronically. She said providers are limited for the amount of time that they have to submit claims. She said prescription drugs represent over 16% of overall costs on the active plans and over 50% on the Medicare plans. She said the current IBNR projection is based on medical and prescription drug claims,

but there is no run-out on prescription drugs. She said MNHG might consider using medical claims only when figuring the IBNR estimate.

Tony Logalbo said he would take a look at the run-out claims and this would be discussed again at the Steering Committee level.

Jerry Martin left the meeting at this time.

GBS Reports:

Funding Rate Analysis by Plan (FY05) -

Ms. Cormier reviewed the Funding Rate Analysis Report for FY05 with claims paid through May 2005. She said the HPHC PPO/OOA plan was not sufficiently funded and had a funding shortfall of \$380K through May. She said the Tufts POS plan also had a funding shortfall of \$57K at the end of May. She said the Fallon plans, which went self-funded effective June 1, 2004, had an expense-to-funding ratio of 80.2% at the end of May. She pointed out that No. Middlesex Regional School District (NMRSD) had joined the Group effective October 1st, which explains why the claims had increased. She said that overall, across all plans, expenses were 97.7% of funding. She said there was an overall estimated funding surplus at the end of May of approximately \$513K (paid basis).

HPHC Level Monthly Deposit - Quarterly Accounting -

Ms. Cormier reviewed the HPHC Level Monthly Deposit Report. She said for the third quarter, the Group had a debit balance of approximately \$922K. She said this was not surprising since NMRSD had joined the Group effective October 1, 2004 and HPHC had not requested an increase in the level monthly deposit amount. She said as of two months into the fourth quarter, the Group had a debit balance of approximately \$596K.

Stop Loss Reports -

CY2004

Joelle Carlberg reviewed the report for the 2004 calendar year policy period with claims paid through April 2005. She said that one member had exceeded the \$150,000 specific deductible to date. She said the claims totaled \$222,981. She said the excess amount was \$72,981. She said \$72,981 had been applied to the aggregating specific deductible of \$100K. She said that there were fifteen members with claims between 50-100% of the specific deductible of \$150K. She said the total claims were \$1,544,745, an increase of over \$35K from the prior month.

CY2005

Joelle Carlberg said there was one claimant with claims between 50-100% of the specific deductible of \$150K. She said the total claims were over \$114K.

Carol Cormier said the reinsurance market was improving in that she has seen rate decreases or small increases for her clients that renew on July 1st. She said hopefully this would hold true for MNHG come renewal time.

Harvard Pilgrim Health Care Level Monthly Deposit Proposal:

Bill Hickey reviewed the HPHC Level Monthly Deposit Proposal. He said the Level Monthly Deposit was last looked at two policy years ago. He said there was an obvious need for an increase. He said HPHC's analysis looked at the working rates times the number of contracts, which was \$690,629 and the most recent 12 months of claims, which was \$588,498. He said the midpoint was about \$640,000, which is the amount that HPHC is proposing as the new Level Monthly Deposit effective July 1, 2005.

Larry Barton asked what this change would do to the cash balance.

In response to Mr. Barton, Tony Logalbo said the cash balance would be slightly reduced, but that it would all come out in the wash.

Larry Barton moved to approve the proposed HPHC Level Monthly Deposit of \$640,000 effective July 1, 2005.

Dave Desgroseilliers seconded the motion. The vote in favor of the motion was unanimous.

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Harvard Pilgrim Health Care Cost and Utilization Report presentation:

Bill Hickey said there was a gathering of medical and pharmacy directors today, so he could not bring the appropriate person to this meeting to present the report. He said he was very familiar with the data, so he would be

presenting it. He said he would be happy to bring a medical and/or pharmacy director to a future meeting, if necessary.

Mr. Hickey distributed the HPHC Cost and Utilization Report Presentation. He reviewed the report in detail. He said the report highlights changes and trends in demographic, cost and utilization data over the past three contract years. He said, in addition, data for the HPHC fully insured HMO product is included for the most recent completed time period, ending June 30, 2004.

Mr. Hickey said MNHG's HPHC membership in the EPO product increased by 6.1% from 2003 to 2004 and increased an additional 12.1% so far in FY05. He said the age/sex profile of the MNHG population was slightly worse in December 2004 compared to December 2003. He said the largest percentages of members are in the 0-19, 35-49 and 50-64 age ranges. He said MNHG has a higher percentage of members in the 50-64 and 65-79 age ranges than the HPHC fully insured HMO book of business. He said it is known that governmental employers have a larger than average age work force, so this is not surprising.

Mr. Hickey said in FY04, medical claims cost PMPM was 12.1% lower than the HPHC fully insured plan. He said PMPM costs for the first seven months of FY05 are 18.6% above FY04 for the similar time period. He said these numbers were out of line based on MNHG's own history, but in line with the HPHC book of business.

Mr. Hickey said that a higher percentage of MNHG's medical dollars were spent on prescription drugs than the HPHC fully insured plan in both FY04 and YTD2005. He said this was probably due to the co-payment structure. He said if MNHG increased its co-payments, there would be an immediate reduction in claims.

Mr. Hickey reviewed charts on the number of inpatient admissions and ambulatory encounters. He said he would have a HPHC representative look at and explain the difference in the ambulatory encounters between MNHG and HPHC book of business.

Mr. Hickey said he spoke with the HPHC Pharmacy Director who stated that there are no inherent flaws in the MNHG Rx program with HPHC. He said the Rx program was sound and operating well. He said despite the fact, the concept of the \$5 co-payment structure was costing the Group money.

Mr. Hickey said the number of high cost claimants increased in FY04; however, the total costs accounted for 17.4% in FY04 compared to the HPHC book of business of 23.4% during the same time period. He said for YTD2005, the Group's high cost claimants account for 25.2% of all medical costs.

Tony Logalbo thanked Mr. Hickey for his presentation.

Pauline Paste said this was a nice bit of data to review and examine.

Medicare Part D:

Carol Cormier told the Board about the June 8th meeting at GBS with Jack Sharry, Kevin Walsh, Steve Kaczmarek of Milliman and herself regarding Medicare Part D. She said that Jack Sharry also visited Milliman in Windsor, CT on June 10th. She said Mr. Kaczmarek now says he does not expect a ruling from Center for Medicare and Medicaid Services (CMS) on whether the joint purchase group is the Plan Sponsor for Medicare Part D until late July, if then. She said at some point the group would have to move forward on preparing the information for filing for the subsidy to meet the September 30th filing deadline. She said that it is possible that BCBSMA will provide both the Gross Value and the Net Value actuarial attestations.

Ms. Cormier said GBS clients would receive discounted fees from Milliman for Medicare Part D and GASB45 actuarial assistance. She said MNHG is in the pipeline for actuarial work if it is needed.

Ms. Cormier said it is believed that most employers would file for the Part D subsidy for 2006 rather than take some of the other options. She talked about Part D Prescription Drug Plans (PDPs). She said contracting with a PDP or offering coverage only to Medicare eligible retirees who on their own contract with a PDP are other options for future years. She said she thinks that the best option for the first year is the subsidy route at the same time evaluating options for future years. She said employers could not file for the subsidy before August 1st and not after September 30th.

There was a discussion.

Pauline Paste moved to give the Steering Committee the authorization to receive quotes from actuaries, if that would be the necessary course of action.

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Bonnie Holston seconded the motion.

The vote in favor of the motion was unanimous.

Ms. Cormier said the next MNHG communication to retirees should be sent this summer. She said the Medicare communications, originally scheduled for the summer months, were delayed to the fall. She said this was good and would help MNHG to stay ahead of the communications.

Ms. Cormier talked about Section 18 of MGL Chapter 32B. She said adoption of Section 18 is a positive move and she would encourage it. She referred to a handout in the meeting packet, "Recommended Procedures for Adopting MGL Ch. 32B, Section 18". She said that Section 18 requires the employer to pick up any Part B penalties which are the penalties assessed on the Part B premium at 10% for each year a Medicare beneficiary was eligible for Part B but did not enroll in Part B. She explained other features of Section 18 and the time sensitivity of the adoption process. She said that this would help to moderate the active employee plan rates and would probably simplify the administration of Part D type benefits as well.

Ms. Cormier recommended that each employer in the Group do a worst-case scenario cost analysis in the event that his or her governmental employer would adopt Section 18. She said adopting Section 18 is an individual employer decision.

Ms. Cormier pointed out that in order to adopt Section 18, the employer must show that the senior plan in which the retiree would be required to enroll is actuarially comparable to the active employee plan from which he/she is disenrolling.

Maria Chandler said that Tufts Health Plan had recently done an analysis for another client, which showed an amazing difference in claims costs from active to retiree plans. She said the active plan costs decreased dramatically when members who were Medicare eligible enrolled in the senior plans.

Pauline Paste asked if GBS could provide additional information relative to Section 18.

Ms. Cormier said GBS has a guide to adopting Section 18, which she would forward to the Group via email.

Health Plan Reports:

Tufts Health Plan -

Maria Chandler said that at the last Board meeting Carol Cormier had asked about mail order prescription drug savings, for maintenance medications only, based on member costs for FY04 and FY05. She said the FY04 savings was \$250K or \$6.91 PMPM. She said the FY05 savings was \$285K or \$6.81 PMPM. She said this data was understated because Tufts did not use the average day supply.

Ms. Chandler said that Tufts had done a pilot program with the City of Newton in order to push mail order utilization. She said ten months ago, the City of Newton's mail order utilization was 2% and is now at 13%.

Helen Powers asked about the possibility of *requiring* members to purchase maintenance medications through mail order. She said she had heard that some private sector employers have adopted this approach.

There was a discussion.

Tony Logalbo asked if there were a common flyer from each health plan that could be mailed directly to the members regarding mail order prescription purchasing.

Maria Chandler said that Tufts could send a mailing directly to the members encouraging mail order usage.

Bill Hickey said that HPHC could also send a mailing directly to the members including sending mail order “coupons” for a \$10 price break on an order by Mail.

Ms. Cormier said she would check with Rob Anderson to see if Fallon could do a similar type of mailing.

Maria Chandler and Bill Hickey said the Tufts and HPHC mailings would be sent 45 days after July 1st, so mid-August.

Tony Logalbo asked the health plans to send a copy of the distribution to GBS, and he asked that GBS include this information on the MNHG website.

Maria Chandler said there have been some upper management changes at Tufts Health Plan. She said the new CEO/President is Jim Roosevelt. She said Mr. Roosevelt brings over 25 years of experience with health care law and social advisory. She said there would be an advisory meeting next week for clients. She suggested that Tony Logalbo consider attending the meeting.

Mr. Logalbo thanked Ms. Chandler, but said that he would be unable to attend.

Ms. Chandler said if another Board member wanted to attend, they could do so.

Other Business:

The next MNHG Board meeting was scheduled for Wednesday, September 28, 2005 at 10:00 a.m. at the Groton Public Library.

Tony Logalbo said that he and Carol Cormier would arrange a meeting with the Steering Committee for sometime in July. He mentioned that Carol Vogel would be retiring from the Town of Stow effective July 1, 2005. He said her retirement results in a vacancy on the Steering Committee. He said the Joint Purchase Agreement allows for up to 7 members to serve on the Committee. He said the Board appoints the Committee members. He said that anyone interested in becoming a Steering Committee member should contact him directly. He said there would be a vote on this at the September Board meeting.

There was no other business to discuss.

Tony Logalbo adjourned the meeting at 12:30 p.m.

*Prepared by Joelle Carlberg
Group Benefits Strategies*