

# MINUTEMAN NASHOBA HEALTH GROUP

## Steering Committee Meeting

Bolton Public Library  
Bolton, Massachusetts

Meeting Notes (*no quorum*)

Thursday, April 4, 2013 at 10:00 a.m.

### Steering Committee Members Present:

Donna Madden, Chair  
Tony Logalbo  
Margaret Dennehy  
Melisa Doig

Town of Bolton  
Town of Concord  
Town of Boxborough  
Town of Ayer

### Guests Present:

Suzanne Loverin  
Ruth Miller  
Gary Luca  
Tracey May  
Manjusha Sheobaran  
Chip Studer  
Bill Hickey  
Erin Hayes  
Carol Cormier  
Karen Carpenter

Town of Groton  
Narragansett RSD  
Town of Ayer  
Gallagher Benefits Services  
AIG  
AIG  
Harvard Pilgrim Health Care (HPHC)  
Tufts Health Plan (THP)  
Group Benefits Strategies (GBS)  
Group Benefits Strategies (GBS)

Chair, Donna Madden, called the meeting to order at 10:10 a.m. and introduced Gary Luca, a Selectman for the Town of Ayer.

### Approval of the minutes of the January 25, 2013 meeting:

The approval of minutes was postponed due to not having a quorum.

### Treasurer's Report:

Treasurer Tony Logalbo reviewed the financial statements of March 31, 2012 (unaudited figures). He reported a fund balance of \$9,468,025 and surplus over the fund balance target of \$5.7M at the end of December 2012. Mr. Logalbo said that \$1.9M of the surplus is expected to be used to supplement the FY14 health plan rates. He noted that the claims costs are 10% lower than they were at this time last year.

### GBS Reports:

Carol Cormier, GBS, reviewed the Funding Rate Analysis Report with data through December, 2012 for fiscal year 2013. She said the expense-to-funding ratio through December was 91.1%. She said that the new HPHC level monthly deposit is \$1.026M and said that MNHG has a credit balance of \$681K.

Stop Loss Reports- Karen Carpenter reviewed the Stop Loss reports for CY12. She said that there are two claimants with claims exceeding the CY12 Stop Loss Specific Deductible of \$275K with total excess claims of \$690,201. She said that the \$450K Aggregating Specific Deductible has been met and said that MNHG has received reimbursements of \$181,668. Ms. Carpenter said there is a total of \$57,437 due in reinsurance reimbursements. She said that there are 11 claimants on the 50% report with claims totaling \$4.3M.

Reinsurance premiums and recoveries report: Carol Cormier reviewed the MNHG reinsurance premium and recoveries report. She said that over the past few years it has been increasingly difficult to obtain bids for

reinsurance. She said that GBS explored alternatives and partnered with Gallagher Benefit Services. Ms. Cormier said that Tracey May, Gallagher Benefit Services, Manjusha Sheobaran and Chip Studer, both from AIG are here to propose a possible solution. She said that they will be proposing that the MA Municipal Joint Purchase Groups (JPGs) join together to fund their reinsurance through a multi-level reinsurance risk pool (MLRPA). She said this is similar to what the employers in JPGs do now do with their health insurance. She said that each JPG would be rated separately based on its own claims experience and chosen policy features. Ms. Cormier introduced Tracey May, Manjusha Sheobaran and Chip Studer.

Tracey May gave a brief history of Gallagher Benefit Services. He said the company was founded in 1927 and is one of the largest insurance advisors. He said Gallagher was recognized as one of 2012 world's most ethical companies by Ethisphere Institute. He said that the company has access to underwriters and creative financial solutions including advisory of wellness programs and benefits.

Mr. May gave an overview of the agenda and said that there is a detailed white paper located in the appendix of the presentation.

Tracey May reviewed the future challenges to the municipal stop loss market such as public entity fringe rates due to 10% to 15% higher claims than the private industry and a differential that will increase as employers respond to PPACA requirements. He said that each year the stop loss goes out to bid and is shopped among the carriers and the lowest bidder is chosen. Mr. May said that the carriers would prefer some loyalty over a few years to be able to recoup any losses that they may incur during a one year contract.

Manjusha Sheobaran thanked MNHG for its current stop loss business. She said that AIG has over \$1 billion of in-force premiums. Ms. Sheobaran said they support over 250 risk prevention group programs. Manjusha Sheobaran said that AIG made a conscience decision not to bid on certain individual municipal reinsurance business because of what Tracey May explained. Ms. Sheobaran reviewed how the risk would be distributed in the MLRPA. She said that each JPG would be responsible for paying claims up to their individual specific deductible as they do now. She said that AIG will underwrite each JPG and said in this model all aggregating specific deductibles and lasers would be removed and put into the pool. Ms. Sheobaran said that claims between the individual deductible and a \$750,000 excess layer, would be paid out of the pooled retention layer and all claims above \$750,000 would be paid out of the reinsurance excess protection policy. Ms. Sheobaran said that each JPG would pay premiums, and part of the premiums would go into the pool and part would pay for the \$750,000 stop loss policy with AIG. Ms. Sheobaran said that if a JPG doesn't use all of its money in the pool, it will earn dividends. She noted that a working capital deposit would also be needed.

Tracey May reviewed the MLRPA financial illustration in the presentation and said that the total FY14 stop loss premium across all seven JPG's is estimated at \$8.8M collectively. He explained the fees and capital collateral as well as the expected claims expenses. Mr. May said that if all goes as expected, the return on investment will be 28%. He said that as JPG participation in the pool grows, the fees will be monitored for a reduction. Mr. May said that should a JPG leave the pooling arrangement, the claims run-out would need to be paid prior to distribution of any dividends.

Manjusha Sheobaran said that MNHG's fiscal year begins on June 1, while the other JPGs begin on July 1. She said that AIG could renew MNHG's policy in January 2013 with a six-month policy to expire on July 1. She said that a minimum of three JPGs is needed to start the pooling arrangement.

Tony Logalbo said that the MNHG members obtain their health services in an area of Massachusetts that has lower costs than other JPGs.

Carol Cormier said that each JPG will be underwritten separately.

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Chip Studer said that each JPG will have its own rates and will appoint a representative to sit on the Board of advisors for the MLRPA. He said that AIG is in the process of finalizing the actual rates for each JPG. He said they are hoping to have them finalized by April 15, 2013.

Tony Logalbo asked why AIG was chosen, rather than another carrier.

Tracy May said that Gallagher approached several stop loss carriers including HM Insurance, Berkley Insurance, and AIG. He said that AIG was selected because they have the most expertise with these types of arrangements.

Manjusha Sheobaran said that AIG also has the ability to help the JPGs create its own insurance company. She said that eventually, the JPGs could possibly manage the MLRPA on its own without AIG. She said the other carriers could not do that. Ms. Sheobaran said that AIG also has transplant carve-out programs with a network of facilities and providers.

Tracey May said that if the JPGs were to try to organize the MLRPA on their own, that it would take 1 to 2 years to plan and complete all of the legal requirements necessary. He said all of this has been done already.

Donna Madden thanked Mr. May, Ms. Sheobaran, and Mr. Studer for their proposal and presentation, and they left the meeting.

There was a discussion.

Donna Madden and Tony Logalbo said that they like the concept of the arrangement.

Mr. Logalbo said that he would like to review the MLRPA documents and materials and said that he wants to be sure that the pooling arrangement is legitimate and allowed by law as something the JPGs can engage in.

Carol Cormier said that GBS is obtaining a legal opinion. She said that the WSHG Board authorized the Steering Committee to do a review and make a recommendation to the Board.

Ruth Miller said that she agrees with Mr. Logalbo and asked who the other JPGs are?

Carol Cormier said that GBS is the constant for the other JPGs and assured her they are all operating with the same diligence as is MNHG. She said that all are run similarly and have agreements in place. She said that she will email a copy of the presentation to the Steering Committee.

Tony Logalbo asked to see the documents once they are available.

**Discussion about Summaries of Benefits and Coverage (SBCs):**

Carol Cormier asked the health plans to send copies of the SBCs to each plan member.

Erin Hayes said that Tufts Health Plan usually charges a fee to send them.

Carol Cormier said that the SBCs have been added to the MNHG website and said that the employers can satisfy the requirement by sending a postcard or notice to each eligible employee of their location on the website and how to access them.

**Other Business:**

Carol Cormier suggested that the Steering Committee consider having the MNHG website re-designed.

Tony Logalbo suggested calling the Town of Newton to see who designed their website. He said it was very nice.

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Donna Madden asked to add it to the next agenda.

Chair Donna Madden adjourned the meeting at 12:15 PM.

*Prepared by Karen Carpenter  
Group Benefits Strategies*