

# MINUTEMAN NASHOBA HEALTH GROUP

## Steering Committee Meeting

Groton Town Hall  
Groton, Massachusetts

Meeting Minutes

Monday, December 17, 2007 at 9:30 a.m.

### Committee Members Present:

Valerie Jenkins, Chair  
Anthony Logalbo  
Margaret Dennehy  
M. Larry Barton  
John Flaherty

Town of Groton  
Treasurer, MNHG  
Town of Boxborough  
Town of Carlisle  
Concord-Carlisle Regional School District

### Guests Present:

Richard Bienvenue, CPA  
Bill Hickey  
Fred Winer  
Carol Cormier

Thevenin, Lynch & Bienvenue, LLP  
Harvard Pilgrim Health Care (HPHC)  
Tufts Health Plan (THP)  
Group Benefits Strategies (GBS)

Chair Valerie Jenkins called the meeting to order at 9:35 a.m.

### FY07 Independent Audit, Exit Interview:

Richard Bienvenue, CPA, of Thevenin, Lynch & Bienvenue, reported on the audit for year ended 5/31/07. He said it was a clean unqualified opinion. He noted that the Statement of Net Assets included an estimated accrual for the Medicare Part D subsidy of \$310K and an amount due back to the reinsurance company of \$61K for an overpayment.

Mr. Bienvenue said that the Net Assets on May 31, 2007 were \$1.2 million, which was \$1 million higher than the net assets as of May 31, 2006.

Mr. Bienvenue said that the federal government has not yet decided if the Medicare Part D subsidy is subject to the single audit regulations. He said that auditors have been researching this issue. He said that so far the MNHG has not reached the \$500K limit that triggers a single audit. He said that Center for Medicare & Medicaid Services (CMS) intends to audit one-third of the all part D subsidy recipients, so he said that sooner or later MNHG would be audited.

Mr. Bienvenue reviewed the Notes to the Financial Statements and the Ten-Year Claims Development Information.

Rich Bienvenue discussed internal controls and changes in reporting standards. He said that the new standards move some areas of control that show deficiencies from "comment" issues to "deficiency" level issues. He said this is the case for Segregation of Duties, which had been mentioned as a comment in previous audit reports. He said the new standards require auditors to report it as a deficiency. Rich Bienvenue talked about mitigating circumstances and other controls such as oversight by GBS and the annual audit help.

After discussion about the internal controls reporting standards, Mr. Bienvenue agreed that he would add language such as, "as is general practice in this industry/municipal government . . ." He said he would also

provide a chart and written explanation of the new standards. It was agreed that Mr. Bienvenue and Mr. Logalbo would talk about this and finalize the language and also some details reported in the Net Assets.

Mr. Bienvenue reviewed the Management Letter and the issue of reconciling claims paid against claims reported electronically to GBS. He said the largest discrepancy is for the Tufts plans (6.2% variance). He said much of this may be timing differences and that Tufts has been asked to work toward better reconciliation. He said that this is coming under better control now than in the past. He also said that all health plans are being asked to provide SAS86 (formerly SAS70) independent audit reports that indicate they are following their own procedures.

Mr. Bienvenue said that the estimates for the IBNR have been shrinking as claims are being processed much faster. He talked about reporting and measuring known claims to be paid versus those unknown. There was a consensus to strike this from the Management Letter.

Tony Logalbo said that on the issue of Segregation of Duties, he would insert a management comment.

Mr. Bienvenue talked about the comments regarding “Accounting and reporting for Medicare Part D receipts”. After discussion with the Committee Mr. Bienvenue agreed to strike the third paragraph on this topic concerning “on behalf payments”.

Valerie Jenkins and Tony Logalbo signed the audit representation letter.

The Committee thanked Richard Bienvenue, and he left the meeting at 10:55 AM.

#### **Treasurer’s Report:**

Treasurer Tony Logalbo reviewed the financial statements of November 30, 2007 (unaudited figures). He reported an Uncommitted Fund Balance of \$2,789,563. He said the Fund Balance target was \$4,759,449.

#### **GBS Reports:**

Funding Rate Analysis by Plan - Carol Cormier reviewed the Funding Rate Analysis report with data through October. She said the composite expense-to-funding ratio was 0.928 on a paid basis and that funding exceeded expenses by \$1.2M. She said that the funding for Harvard Pilgrim EPO plan is not supporting the expenses, and there is a funding shortfall for this plan of \$342K through October.

Level Monthly Quarterly Accounting Reconciliation for HPHC – Ms. Cormier said that for the quarter ended September 30<sup>th</sup> the Group owed Harvard Pilgrim \$514,869. She said the Group had a debit balance of \$346,217 at the end of October.

Stop Loss Reports – Carol Cormier reviewed the report of excess claims for the CY07 policy period with claims paid through October 2007 and the CY06 policy.

<p>It was later found that the figures on the stop loss reports were not correct.</p>
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#### **Reinsurance Quotes for CY08:**

Carol Cormier described the quoting process and reviewed the quotes received and said that the increases were far higher than expected. She said that the Group had requested quotes at the \$200K specific deductible and that the carriers had submitted additional quotes at higher deductibles because of the high increases in rates.

After much discussion about the appropriate specific deductible level, the Committee concluded that it would raise its deductible to \$225K.

Ms. Cormier noted that the current broker, American Stop Loss (ASL) had submitted quotes from two carriers: the incumbent carrier, HCC Life Insurance Co. (formerly Allianz) and also from Standard Security Life.

Margaret Dennehy moved to accept the reinsurance quotes submitted by American Stop Loss with Standard Security Life for a policy with a \$225K specific deductible (12/18) for active employee plans and 12/24 for the MCP plan.

Motion

Tony Logalbo seconded the motion. The motion was approved by unanimous vote.

Incumbent carrier, HCC Life, subsequently submitted quotes lower than Std. Security Life. Since HCC Life's quotes were firm and Std. Security Life's quotes were subject to change after review of an additional month of claims, it was agreed that the Committee would revisit its decision at its next meeting on February 6, 2008 in order to accept the HCC Life revised quotes.

**Prescription Benefits Services (PBS) contract:**

Ms. Cormier said she had not yet received the proposed contract.

Valerie Jenkins said that the Committee would take this up at a future meeting.

**Nominating Committee Report:**

Tony Logalbo said that the Nominating Committee was not ready to make its Report.

**Other Business:**

Valerie Jenkins scheduled the next Steering Committee meeting for February 6, 2008 at 9:30 AM at Groton Town Hall. She said that the Committee would review FY09 rate projections at this meeting in order to formulate its rate recommendations to the Board on February 13<sup>th</sup>.

Larry Barton said that he thought there should be an actuarial analysis update for the senior plans to make sure they still comply with the actuarial comparability requirement of MGL Ch. 32B, Section 18.

There was a discussion.

Tony moved to recommend to the Board that it engage an actuarial firm to update the Section 18 actuarial comparability analysis.

Motion

Margaret Dennehy seconded the motion. The motion passed by unanimous vote.

There was no other business.

Valerie Jenkins adjourned the meeting at approximately 11:45 AM.

*Prepared by Carol Cormier  
Group Benefits Strategies*