

**Massachusetts Municipal Reinsurance Arrangement (MMRA)**

**Board Meeting Minutes**

**April 21, 2021 at 11:00 AM**

**By WebEx Remote Participation**

**Primary and Alternate Board members present:**

Marc Waldman, MMRA Chair	West Suburban Health Group (WSHG)
Kevin Mizikar	West Suburban Health Group (WSHG)
Noreen Mavro-Flanders	Cape Cod Municipal Health Group (CCMHG)
Francis “Skip” Finnell	Cape Cod Municipal Health Group (CCMHG)
Melisa Doig	Minuteman Nashoba Health Group (MNHG)
Kevin Johnston	Minuteman Nashoba Health Group (MNHG)

**Guests present:**

Richard Bienvenue, CPA	Treasurer, CCMHG
Ruth Hohenschau	Treasurer, WSHG
Ian Rhames	Treasurer, MNHG
Mike Madden	Artex Risk Solutions
Anita Verheul	Gallagher Benefit Services, Inc. (GBS)
Mark VonVogt	Gallagher Benefit Services, Inc (GBS)
Joseph Anderson	Gallagher Benefit Services, Inc. (GBS)
Carol Cormier	Gallagher Benefit Services, Inc. (GBS)
Karen Quinlivan	Gallagher Benefit Services, Inc. (GBS)

The Chair, Marc Waldman, called the meeting to order at 11:00 AM.

Mr. Waldman called the roll and asked the meeting attendees to identify themselves giving their affiliation and position.

**Approval of the minutes of the February 18, 2021 MMRA Board meeting:**

Noreen Mavro-Flanders moved to approve the minutes of February the 18, 2021 meeting that included the correction Ms. Cormier had sent prior to the meeting.

Motion

Melisa Doig seconded the motion. There was a roll call vote on the motion.

Marc Waldman (WSHG)	Yes,
Noreen Mavro-Flanders (CCMHG)	Yes,
Melisa Doig (MNHG)	Yes.

The motion passed by unanimous vote.

**MMRA Structure and Flow:**

Mike Madden, Artex, reviewed his slide presentation on structure of the MMRA and flow of funds. He reviewed (1) contractual agreements, (2) Stop Loss policies with Garden State Life Insurance

Co. which is part of ANICO, (3) services agreement with Kismet Risk which is the managing general underwriter, (4) and the reinsurance agreement between GSLIC and the MMRA Sentinel Indemnity Series.

Mike Madden explained that a captive is a type of insurance company owned or controlled by its policy holders, which in the case of MMRA, are the three Joint Purchase Groups (JPGs). Captives are risk-reward insurance vehicles. He said MMRA Sentinel Indemnity Series is a “Group Captive” versus a “Single Parent Captive”. MMRA is also a “Rent-a-Captive”. Sentinel Indemnity is owned by Artex, and Artex is wholly owned by Gallagher.

In response to questions by Marc Waldman, Mr. Madden said that the benefits of a Rent-a-Captive are (1) significantly lower capitalization costs and (2) each JPG can be a participant as opposed to an owner. He said that GSLIC and the Captive are basically doing the same things. He said that the MMRA is a “protected cell” with the captive profit and losses accruing to the JPGs on a proportional basis. The captive is referred to as a “reinsurance company”; whereas, the GSLIC policy is filed as a “stop loss policy” in Massachusetts.

Marc Waldman asked if the \$3.7 million that MMRA Board recently voted to release to the three JPGs from the FY19 policy year first went to Sentinel.

Mike Madden said that GSLIC pays all claims and then gets reimbursed by MMRA Sentinel which is domiciled in Delaware because of that state’s favorable regulations. There are monthly true-ups. He said the captive only recognizes claims between \$300K and \$800K, subject to the aggregate coverage. He said that the JPGs must post Non-premium Funding (Collateral). The \$3.7 million released to the JPGs was a combination of distributions and release of collateral. There is a contractual guarantee in the Participation Agreement to return unused collateral to the members (JPGs). Mr. Madden explained that the collateral sits in the 114 Trust, which is formed in New York, along with ceded premium from GSLIC. He said the NY regulations are considered industry standard.

Noreen Mavro-Flanders asked why two states had to be involved and where exactly is the 114 Trust money sitting.

Mike Madden said of the thirty states that have captive regulations, Delaware has the most favorable regulations. He said the 114 Trust was formed under NY regulations but will check to see where the money is banked. [*Later in the meeting Mr. Madden confirmed that the 114 Trust is domiciled in New York.*]

Mike Madden reviewed the slide showing the flow of funds. He said the monthly premium paid by the JPGs goes to Kismet. All fees involved with the MMRA are transparent and are shown in the quarterly financial statements. He also referred to the FY21 Renewal proposal which presented the fees that were approved by the MMRA Board.

Mr. Madden said the MMRA captive beat industry trend over time. And that collectively fixed expenses for the program are just slightly over 11%, and this is less than administrative fees in a normal stop loss program. He said the MMRA has out-performed the market.

Mike Madden asked if there were any more questions.

Skip Finnell thanked Mr. Madden, saying that the presentation was very helpful.

Marc Waldman said he found it very helpful.

**MMRA – Moving forward:**

Joe Anderson said that Mike Madden’s information about the MMRA’s performance shows that the MMRA is part of the solution to beating market trend. He said MMRA has access to a bigger quoting market because of its size. He said the MMRA can add new members to continue to benefit from the law of large numbers. He said we have to get the word out. He said outreach with education will be needed in select communities. Mr. Anderson said that Gallagher can take on getting the word out.

Mike Madden said traditional reinsurance trend increases are greater than 20% and could be closer to 30% compared to MMRA’s 11%.

Mark VonVogt says he deals with stop loss for a lot of private sector companies, and the captive allows for more stability.

Kevin Johnston asked what accounted for the difference in performance of the captive compared to performance of the industry in general.

Mr. Madden said the drivers to beating industry trends are first of all “efficiency” in the same way that self-funding is the most efficient way to offer health benefits for employers of ample size. Underwriting profit is eliminated, and administrative costs are lower. In the captive, profits go back to the MMRA participants. MMRA continues to collaborate on risk management strategies such as OptiMed to help keep claims costs down.

Mike Madden said even as there are more high-cost claims out there, the captive has been able to sustain the same specific deductibles since FY2015. He said that this is very unusual. He said that if the MMRA takes on more members, it will be able to take on more risk, i.e. raise its deductibles if it wishes to do so.

Marc Waldman said the West Suburban Health Group (WSHG) Board met yesterday mainly to start to deal with the recent announcement that Fallon Health will leave the commercial health insurance market effective June 30, 2022. He said that WSHG has four health plan providers, and Fallon has 46% of the enrollments. Furthermore, he said that the Fallon rates for WSHG are much lower than rates for the other plans. In addition to this, Harvard Pilgrim and Tufts Health Plan will merge their products effective July 1, 2024. Mr. Waldman said this is the major issue that WSHG must address, and it is creating an internal state of flux. He said this will dominate the attention of WSHG members. If Gallagher wants to market MMRA to others, he said it should be aware that WSHG’s attention will be focused on other matters.

Joe Anderson said Gallagher is aware of the realities of the moment, but MMRA should grow in size in order to be stronger. He said the marketing could be spread over 2 to 3 years.

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Melisa Doig said the same situation with Fallon and with HPHC and Tufts merger that Marc Waldman described applies to Minuteman Nashoba Health Group (MNHG). She said she agrees with everything he said. She said additionally, MNHG lost 3 towns and a regional school district over the last two years, and the Board wants to focus on increasing employers participating in MNHG.

Kevin Johnston said he agrees with Mr. Waldman and Ms. Doig.

Melisa Doig said that the MNHG Board has also talked recently about exploring possibilities of merging with WSHG. She asked how that would impact the MMRA.

Mike Madden said that when Berkley was the MMRA's carrier, it had a requirement that captives must have at least three participants.

Marc Waldman asked if Gallagher has identified any potential candidates to pursue for future membership in the MMRA.

Joe Anderson said that Southeastern Mass. Health Group is a possibility as is City of Worcester.

Marc Waldman said that there is no reason for new units coming into the MMRA to have the same deductibles as the current members. He asked if this was the appropriate time for the MMRA Board to evaluate deductible levels.

Mike Madden said there is no harm in re-evaluating the deductible levels. He agreed that if a 4<sup>th</sup> member comes into the captive, it would not need to have the same deductible level as current members.

Mark VonVogt said he will make sure that the annual Renewal from Kismet will look at increasing the \$800K deductible ceiling on the captive band to \$900K or \$1M as an option.

Marc Waldman asked if the upper end of the MMRA's deductible has to be the same for all MMRA participants.

Mike Madden said it is best to have a common upper deductible level, i.e. a "flat excess" level rather than having a "floating excess" level.

Marc Waldman said that Gallagher can take this out to other clients to assess level of interest.

**Other Business:**

Marc Waldman said that the Board will have one more meeting in FY21 to review and accept FY22 rates and policy terms.

Mike Madden said that Artex will have the 3<sup>rd</sup> Quarter financials available for that meeting.

Marc Waldman said that he will probably not continue as Chair of MMRA and asked others to think about whether or not they would be interested in being Chair.

Marc Waldman thanked Mike Madden for all the helpful information.

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There was no other business.

Noreen Mavro-Flanders moved to adjourn.

Motion
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Melisa Doig seconded the motion. There was a roll call vote on the motion.

Marc Waldman (WSHG)	Yes,
Noreen Mavro-Flanders (CCMHG)	Yes,
Melisa Doig (MNHG)	Yes.

The motion to adjourn passed by unanimous vote.

Chair, Marc Waldman, adjourned the meeting at 12:48 PM.

*Prepared by Carol G. Cormier  
Gallagher Benefit Services, Inc.*