

**Massachusetts Municipal Reinsurance Arrangement (MMRA)**

**Board Meeting Minutes**

**May 26, 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)

**Guests present:**

Mike Madden	Artex Risk Solutions
Deborah Caneco	Artex Risk Solutions
Manjusha Sheobaran	Kismet Risk Management Assoc.
Kelly Donica	Kismet Risk Management Assoc.
Rich Bienvenue	CCMHG Treasurer
Mark VonVogt	Gallagher Benefit Services, Inc. (GBS)
Kate Sharry	Gallagher Benefit Services, Inc. (GBS)
Joseph Anderson	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.

**Approval of the minutes of the April 21, 2021 MMRA Board meeting:**

Noreen Mavro-Flanders moved to approve the minutes of April 21, 2021 as written.

Motion

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

Marc Waldman (WSHG)	no response (connectivity issue)
Noreen Mavro-Flanders (CCMHG)	Yes,
Melisa Doig (MNHG)	Yes.

The motion passed by majority vote.

**Quarterly Management Reports:**

Deb Caneco, Artex, reviewed the loss reserve analysis report for calendar year 2020 which was requested at a previous meeting. Page 29 of the report indicated the actuarial findings that the captive is in compliance for reserve analysis. These reports are run once each year. Ms. Caneco then reviewed the FY21 reports of the Quarter ending April 30, 2021. Estimated premium for the year is \$11.7M. Total Expected Ceded Losses are \$5.7M. IBNR was held at \$4.5M. Case reserves that are reported by Kismet and Garden State do not necessarily agree with case reserves that Gallagher reports because of timing and another \$2.8M in Case Reserves that Gallagher is reporting. Participant deposits with the pool totaled \$3.9M. The comparable report for FY20

showed \$772,004 in claims above the retention limit. Retained claims were \$2.4M and total paid claims were \$10.3M. The report for 2019 just processed the release of funds back to the membership of \$3.7M in April.

The balance sheet showed total assets held in the trust of \$13.3M.

**Presentation of MMRA Annual Renewal:**

Mark Von Vogt said that it had been another challenging year in terms of the high cost claims perspective. Options will be explored in renewal options to possibly help bring premium costs down. He introduced Manjusha Sheobaran of Kismet Risk and asked her to go over underwriting options.

Manjusha Sheobaran, Kismet Risks said that in 2018 there was a payout because the claims experience was so much better than expected. The 2019 year had claims double. The 2020 plan year was trending the same as 2019 but the last report received for April shows trend slightly higher than the 2019 year. There will be a recommendation for a premium increase. Under the current terms, if the three groups maintain the same \$300,000 ISL with the captive taking the risk on claims between \$300,00 and \$800,000, a 28.4% increase to the expiring rates would equate to a 25% increase to the estimated annualized gross premium due to a drop in census. Fees remain the same as the prior year. Collateral remained at 50% of net funded premium. A major change will be that lasers will apply to all three JPG's. There would be 5 for WSHG, 3 for CCMHG and 2 for MNHG. These are all for projected claims that would exceed \$800,000. Two are the same from last year and the others are repeat claimants that have consistently been on excess reports in the past.

Marc Waldman asked if the 28.4% premium increase was in addition to these lasers.

Ms. Sheobaran said that the lasers would be in addition to the increase. One of the lasers is conditional on a transplant.

Mr. Waldman asked if renewal rates took into account potential lasers when calculating annual premium rates for the groups.

Joe Anderson responded that the conservative calculation at rate setting is usually to estimate a possible 25% increase. The incremental layer of exposure is about \$1.175M.

Industry wide Leverage Trend is increasing 10-15% each year for stop loss claims. It is the effect of claim inflation on individual stop loss claims. The benchmark for all employers is 25% annual trend including lasers. Leverage Trend has a greater impact at higher amounts. The ISL has remained the same since 2014 for the captive. Inflation alone would make a \$250,000 claim in 2014 rise above excess in 2017 and remain there were the ISL unchanged for inflation. Trend will drive claims which were previously paid exclusively out of the captive beyond the \$800,000 upper captive layers – increasing the carrier's projected annual responsibility.

Manjusha Sheobaran reviewed three alternative renewal options that would illustrate current specific stop loss deductible and increases to either \$400,000 or \$500,000. The captive excess layer would increase from \$800,000 to \$1,000,000 for all. More premiums would be ceded under these options to cover additional claims liability and all but three of the lasers can be removed.

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Raising the ISL to \$400,000 and captive excess level to \$1,000,000 would result in a monthly Stop loss rate change of -.2%. This would be the option that would be most recommended. An option of a \$500,000 ISL and \$1,000, 000 captive limit would result in a -3.6% premium change. Each of the joint purchase groups would be able to choose the ISL that they would be willing to absorb if the Captive limit stayed at \$1,000,000.

Kevin Mizikar asked if the proposed options would impact rates already set for the groups and would those have to be revisited.

Marc Waldman said that the WSHG had a good year in terms of fund balance performance and it may be the case as well for the other groups. In a positive fund balance environment for the first year at least the increased claims liability for each of the groups may be manageable. If the newer options are selected, he questioned whether the negative rate increase offsets the increase calculated into earlier rate setting.

Joe Anderson said that if the current scenario results in a 6% shortfall in terms of rate projections, plus the lasers, it would be approximately an incremental \$2M across all three groups.

Mr. Waldman said that WSHG would probably be in a better position to absorb the alternate scenarios but could not speak for other groups.

Ms. Sheobaran said that although first dollar claims are not increasing significantly the ones that are in excess are spiking significantly. If a group is in a good financial position they can absorb the higher ISL.

Mike Madden said that the first decision would be for the MMRA to decide if the captive limit will increase to \$1,000,000. The second would be if each of the joint purchase groups want to change the ISL level for their respective group.

Noreen Mavro-Flanders asked for an explanation of fees that the MMRA pays.

Ms. Sheobaran referred to the explanation of Structures and Fees that were explained in the meeting packet and pointed to those lines on the renewal quote options.

Marc Waldman asked the other members of the MMRA if each of the groups wanted to adopt the same rate option or if they wanted to go back to individual Boards to vote on different options,

Noreen Mavro-Flanders preferred to adopt a single rate option for all and would be interested in \$400,000 ISL.

Melisa Doig said she thought the whole idea was for member groups to have commonality. They have lost member units and have a better claims experience than other groups but that could change. Her initial reaction would be for all to stay the same.

Skip Finnell said he would be for \$400,000 ISL as well.

Kevin Mizikar was in favor of option 3 with \$400,000 ISL.

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Marc Waldman said it seemed like consensus was for option 3. He asked for a motion to adopt a single rate option for all.

Noreen Mavro-Flanders motioned to accept a single rate option for all at \$400,000 ISL and \$1,000,000 captive limit.

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

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

The motion passed by unanimous vote.

Marc Waldman asked that the Treasurers of each joint purchase group be notified that the ISL and captive limits are changed.

**Discussion of MMRA fees and governance:**

Marc Waldman said that when GBS was purchased by Arthur J Gallagher, three of the four advisors to the MMRA became Gallagher owned entities. He has no question that the MMRA is getting the best advice but questioned from an audit standpoint that three of the four advisors are owned by the same company. He asked if a disclosure statement was needed and asked if anyone else had input.

Skip Finnell said that he felt some disclosure statement was needed. He asked if Kismet was independent from Gallagher.

Manjusha Sheobaran said that Kismet is totally independent form Gallagher and has managing underwriter affiliation with Garden State Life Insurance. Gallagher brings the opportunity and they underwrite it. Garden State is owned by American National out of Galveston Texas. They are independent as well. The underwriting affiliation first started with Berkley, then went to Transamerica and then to Garden State Life.

Mike Madden said that when any changes where made it was in consultation with Gallagher and Artex.

Kevin Mizikar asked if anything has changed in the fee structure since companies were acquired by Gallagher or has it always been the same.

Kate Sharry said that GBS Auburn branch fees have remained the same and there are no plans to change fee structure. GBS took on responsibility for administrative assistance and consultation and would be responsive to any direction that the group wanted to go in regardless of fees.

Mike Madden said that fees have changed but have actually gone down as a percentage of premium since the acquisition.

Kevin Mizikar asked if any fees compound within the Gallagher umbrella.

Mike Madden responded that they do not. There are not referral fees between groups at all. They are all performing different functions and interacting with the carriers.

Skip Finnell said it would be good to have all of this disclosed in an official way.

Mike Madden said that it can be noted as a take away.

Marc Waldman that document might be helpful for recruitment of any potential new members to the captive going forward.

**Other Business:**

Marc Waldman said that due to his retirement status, it would be in the best interest of the group to nominate a new chair of the MMRA.

Skip Finnell asked if one member acted as chair could the other member of the same group be the voting member. He would be chair if Noreen Mavro-Flanders was the voting member for CCMHG.

Mike Madden said they could look at the governing documents for the MMRA regarding voting.

Marc Waldman said he could be nominated chair and if the governance agreement did not allow it, he could step down.

Melisa Doig motioned to nominate Skip Finnell as Chair of the MMRA.

Motion

Marc Waldman seconded the motion. There was a roll call vote.

Marc Waldman (WSHG)	Yes,
Noreen Mavro-Flanders (CCMHG)	No response,
Melisa Doig (MNHG)	Yes.

The motion passed by majority vote.

There was no other business.

Marc Waldman moved to adjourn the meeting.

Motion

Melisa Doig seconded the motion.

There was a roll call vote on the motion as follows:

Marc Waldman (WSHG)	Yes,
Noreen Mavro-Flanders (CCMHG)	No response,
Melisa Doig (MNHG)	Yes.

The vote passed by majority vote.

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Chair, Skip Finnell adjourned the meeting at 12:46 PM.

*Prepared by Karen Quinlivan  
Gallagher Benefit Services, Inc.*