

Health Insurance Trust Meeting – Minutes
Thursday, October 31, 2019, 8:15AM
Room 13 – Administration Building

Member Attendees:

Steve Barrett, Margaret Dennehy, John Petersen, Peter Berry

Absent: Steve Noone

Non-Member Attendees:

Sue Shilue, Todd Vickstrom, Marie Altieri, Patricia Haras

1. Meeting was called to order at 8:20am by the Chair;
2. Minutes of September 26, 2019 were unanimously approved (Motion: Margaret Dennehy, Second: Steve Barrett);
3. Cash Flow through September 30th – Cook and Company
 - Cash flow is close to break-even due to Stop Loss recoveries from the previous FY offsetting YTD unfavorable operating variance;
 - Cash flow “original” projection numbers came from plan renewal rates rather than the experience of the Trust, itself, which was the practice in previous years. The basis of projection was changed due to the Trust’s limited experience with HSA costs.
 - HSA plans may show unfavorable variance through the calendar year as participants meet deductible limits. Sue will request data from providers to see if, in general, HSA plans show increasing paid claims through the calendar year. In the rate setting process last year, the Trustees anticipated a loss of between \$0.6 to \$1.6 million. Projection based on current 3-month cash flow is consistent with the last year’s estimated \$1.2 million loss;
 - High cost prescription drugs – Sue is speaking to HPHC and BCBS about costs;
4. Rate-Setting – Vote: Medex, Tufts Senior Plan information for Trust
 - Calendar year 2019 cash flow shows Medex deficiency of \$87,000; first quarter of FY20 shows a surplus
 - Medex had 0% increase last year;
 - Cook and Company recommended rate – 8%; BCBS recommended rate – 10%
 - For every percentage point decreased, increase of \$22,000 from trust fund
 - Steve Barrett moved to increase Medex by 4% for calendar year 2020, seconded by Margaret Dennehy; approved unanimously;
 - The Tufts plan is approved by town and school district, and not voted by Trust; renewal is presented to Trust for informational purposes only. Steve Barrett

reported work by Marianne Fleckner from Town of Acton to negotiate a reduction of the Tufts rate.

5. Annual Audit – review draft – Bill Fraher

- Audit considers five-year trend of Trust financials;
 - Increase in cash over five years (decrease from 2018 due to premium decrease);
 - IBNR (Runout) decreased over five years and from 2018; has seen consistency;
 - Operating Revenue relatively consistent, drop in claims and HSA premiums lead to 2019 decrease;
 - Claims increased \$1.2 million;
 - Unrestricted assets dropped about a million in FY19, which equals net loss as planned by the Trust;
 - \$3 million swing from 2018 to 2019 is large;
 - Net position is still extremely healthy; keep an eye on loss for FY20;
- Two minor adjustments – Reinsurance, IBNR due to books being closed in early September;
- Trust’s bylaws state that unrestricted assets cannot be more than 30% of annual expenses; Trustees made conscious decision to return money back to entities through rate reductions. Rates eventually need to increase as assets move into target. 15-25% net position is ideal for HIT.
- Bill Fraher and Sue Shillue recommend returning excess assets to the insured entities through premium holiday; surplus is reduced with steady rates.
- In cases where rate-setting discipline is not maintained, group insurance plans have frequently followed “low rates” with dramatic increases.
- Auditor’s comment on oversight in treasurer’s office – accounting and treasury duties placed in one entity; firewall between two functions is good;
- Steve Barrett asked Auditor for detailed recommendations on how to address audit concern about financial oversight. Recommendations for town and district treasurer visit vendors once per month; statements directly from bank would mitigate concerns; Steve B. and Margaret will work with Tim Harrison to establish additional financial controls.
- Margaret will draft a statement in response to audit; trustees will vote at December meeting.

6. Discussion of Budget for FY21, Preparation for Rate-Setting

- A health care cost assumption is required for the initial discussions of town and school budgets, ideally the Trust would provide this guidance by early October.
- Initial town assumption was a 0% increase; currently a 3% increase is being assumed by Steve Barrett and Marie Altieri;
- Trust would like to maintain unrestricted assets below 30% bylaw requirement and above 15%.

- Sue Shilue will get claim data for HSA plans (all participants including HIT) from BCBS and HPHC so the Trustees will have a basis to determine how claims might vary over 12 months
- Hesitation regarding premium holiday discussion, with prior history leading to a massive loss;
- Stable rate increases and volatility in unrestricted assets works from a town and school budgeting and operations perspective; John Petersen will send memo showing logic from prior year;
- Trust intends to vote rates in December, which gives entities certainty for FY21 budgets;
- Health insurance premium guidance is an increase of 4%, unanimous consensus of Trustees. The provision of this guidance does not bind the Trustees in the rate setting process.

7. HIT Online Documents (Town of Acton website)

- Town IT staff has activated HIT webpage; list of trustees has been updated
- Trustees agree that the HIT email shell works best for communication;
- Archive folder only shows two cash flow reports; John Petersen will create a FAQ document for use of archive; will get consensus from Trust on content;
- Trustees would like to see a “packet” of information before meeting (like SC and BOS packets).
- The packet should be on DocuShare for public record requests; Marie believes that Karen Coll will be able to add packet preparation to her current job responsibilities. Documents given ahead of time might shift dates for meetings. For December meeting, we will try the “packet” approach and assess the success of this approach at the meeting.
- Consensus from trustees is that electronic documents are better;
- Trust would like to distribute documents electronically; Trust recognizes because of timing issues; hard copies may be used at meetings and public can access documents online;
- Copying Karen Coll on documents that should be part of packets.

8. Chris Nunnally/Gallagher & Co. – Pharmacy Benefit Conversation

- Currently contracting with Lynn, Fall River, Stoughton, Douglas, Worcester
- Carve-in vs. carve-outs;
 - Acton HIT is carved-in currently – lack of transparency, canned programs; PBM will change January 1st;
 - If carved-out – optimized cost savings while maintaining plan design, no cost shift to employees, direct contract with pharmacies;
- Total cost of prescription drugs is 15-25% of costs (\$3 million);
 - PBMs can offer rebates for better overall price than currently contracted with health plans;

- Consultant would be paid via contract with PBM - 1% of wholesale price or contract for approximately \$150,000; PBM contracts up for renewal every three years;
- Trust agrees that it is worth exploring; Employer Group Waiver Plans (EGWP) which was implemented for retirees (also separating medical and pharmacy benefits was very successful).
- Sue's conversations with carriers about pharmacy costs are related and this information will inform additional discussion;
- Sue noted that Gallagher & Co is a competitor to Cook & Co.
- Trust will discuss with BCBS and HPHC to see what they can offer

9. Agenda items for December, Meeting Calendar for 2019-2020

- John Petersen will draft HIT submission for Acton Annual Town Report, Trustees will review at December meeting
- Review of other group rates (MNHG, MMHG, West Suburban) and GIC as part of rate setting

10. Motion to adjourn, seconded; Adjourned at 10:06am by Chair

Handouts:

Meeting Agenda

Trend Summary of Key Financial Information (Dennehy/Fraher)

Cash Flow Summary Review (Shilue)

Pharmacy Benefit Conversation (Nunnally)

Cash Flow Summary Review – Calendar Year (Shilue)