

SOUTHEASTERN MASSACHUSETTS HEALTH GROUP

Board Meeting
Mansfield Town Hall
Mansfield, MA

January 25, 2017

Board Members Present:

William Ross	Town of Mansfield
Michael Yunits	Town of Norton
Michael Gallagher	Town of N. Attleborough
Mary Hathaway	Town of Dighton
Randy Buckner	Town of Raynham
Cheryl Gouveia	Town of Rehoboth
Brad Brightman	Town of Westport
Wendy Cochrane	Town of Berkley
Jennifer Thompson	Town of Plainville

Others Present:

Jackie Boudreau	Town of Mansfield
Pam Smith	GBS
Kate Sharry	GBS
Mike Breen	Blue Cross Blue Shield
Michelle McDonough	Blue Cross Blue Shield
Paul Mulkern	Group Counsel
Shawn Cadime	Town of Seekonk / alternate
Cathy Calicchia	Town of N. Attleboro
Debbie Scott	Town of Mansfield
Patti Firing	Town of Mansfield
Sue Medeiros	Town of Dighton
Tim King	Town of Westport
Sheena Martin	SCEC / alternate
Allan Grocott	Seekonk Fire Dept.
Eric Dufort	Mansfield Fire Dept.
Andrew Gomes	Norton Fire Dept.
Kathleen Barry	Norton Fire Dept.
Chris Collins	CanRx

Mike Yunits began the meeting at 9:06 a.m.

General Business

Cheryl Gouveia made a motion to accept the Board minutes from the meeting on September 21, 2016. Randy Buckner seconded the motion and the motion passed by unanimous vote.

Chris Collins from CanaRx made a presentation regarding that company's prescription drug program. He explained that the prices of name-brand prescription drugs in the U.S. are generally higher than the prices of those same name-brand drugs in other countries. He said that CanaRx acts as an intermediary between purchasers in the U.S. and pharmacies in four (4) countries: Canada, the United Kingdom, New Zealand and Austria. He stated that subscribers of participating Employers can order and purchase their brand-name prescription drugs through CanaRx and the participating neighborhood pharmacies in those four countries. Subscribers who participate in the program are not charged a co-pay for these name-brand drugs. The drugs are shipped directly to the subscriber's home with no shipping or handling costs. In turn, the Employer's health plan is charged a fee for the order that is substantially less than it would be charged for the same prescription if purchased through its health plan's pharmacy vendor. He explained that the medications come from the same manufacturers as the medications sold by the pharmacy vendor in the U.S. and come in the same bottle, unopened, with the same pharmaceutical company's markings. Mr. Collins said that, on average, the medications sold through the program are priced 64% cheaper than the same medication is priced in the U.S. He pointed out that the medications available through the program are all name-brand: there are no generic drugs sold through the program. Mr. Collins assured the Group that the CanaRx program was entirely safe and raised no legal issues. After a brief discussion, Mr. Ross made a motion that the Group should offer the CanaRx program as an option for the Group's subscribers to consider. Mr. Buckner seconded the motion and it passed by unanimous vote. It was agreed that GBS will coordinate the administration of this program with CanaRx.

Mr. Ross discussed the filling of the Treasurer vacancy. He explained that he had further checked the candidate's background. He said that all questions regarding the candidate were answered to his satisfaction. He said that the responses from Dover-Sherborn regarding the candidate were quite positive. He thanked Patti Firing for all of her work with regard to the hiring process.

Pam Smith reviewed the financial report for the Group that GBS prepares. She said that the loss ratio for the first six months of the plan year (July – December) was 93%. She said that the only plans that were running a deficit for that six-month period were the "grandfathered" plans (i.e. the plans that had no changes to plan design since the enactment of the Affordable Care Act).

Michelle McDonough from Blue Cross Blue Shield provided a brief presentation regarding the Blue Cross underwriting recommendations for the Group. She explained that national medical trend was increasing at a rate of 8% to 10% while prescription drug trend was increasing about 18% to 20%. She said that Blue Cross was projecting an increase for the SMHG of about 8%, above the rates that Blue Cross had recommended for the current plan year. Mr. Mulkern noted that the rates that the Group had implemented for the 2016-2017 plan year were lower than those that Blue Cross Blue Shield had recommended. Thus, the difference between the amount Blue Cross was recommending for the

upcoming year and the amount that was being generated by the actual rates for the 2016-2017 year was actually greater than 8%. He suggested that it would be more helpful if the Blue Cross Blue Shield rate recommendation was based on the rates (and the revenues) that the Group had actually set for the current year.

Ms. Sharry presented the Board with her first proposal of the working rates for the 2017 - 2018 plan year. She explained that, in coming up with the proposed rates, she considers the rates that Blue Cross has recommended but also considers other factors, such as reinsurance and administrative costs, that Blue Cross does not factor into its recommendations. She stated that Blue Cross projected that the Group would need to generate annual revenues of approximately \$61 million to fund anticipated claims. She pointed out that her proposed rates were based upon the elimination of the "grandfathered" plans. Mr. Ross noted that there may be an issue with eliminating the "grandfathered" plans. Mr. Mulkern explained that Commonwealth Employment Relations Board precedent suggested that, if the Group eliminated the plans before the effected towns/collaborative voted to accept M.G.L. c. 32B, Sections 21 - 23, those towns/collaborative would face a potential bargaining obligation. Mr. Mulkern noted that, in any event, the Group would need 2017 - 2018 rates for the "grandfathered" plans in order for the towns/collaborative that utilize the Sections 21 - 23 process to determine the "savings" that they would realize by making the plan design changes permitted by those sections. Mr. Ross made a motion to rescind the prior vote, taken on December 20, 2016, to eliminate the "grandfathered" plans, but to encourage the towns/collaborative that currently offer the "grandfathered" plans to utilize the Section 21 - 23 process to make plan design changes. The motion was seconded by Mr. Gallagher and passed with all members except Mr. Brightman voting in the affirmative. Mr. Mulkern pointed out that the towns/collaborative could modify the "grandfathered" plans to correspond to the Group's Deductible plans through that process. He noted that, to the extent that the Value plans have several plan design features that are higher in dollar amount than the GIC benchmark plan, the Value plan could not be implemented directly through the Sections 21 - 23 process. He said, however, that it was his experience that if, within the Sections 21 - 23 process, the PEC and the unions were offered the Value plans as an alternative to the Deductible plans, the PEC and the unions would accept the Value plans. He cautioned that an agreement to accept Value plans should be memorialized in a collective bargaining agreement that is executed by all of the town's/collaborative's unions.

Ms. Sharry said that she will work on a set of revised rates that will include rates for the grandfathered plans.

Other Business

Mr. Yunits noted that there had been discussion at the Board's last meeting about amending the Joint Purchase Agreement. Mr. Mulkern stated that he had prepared a draft amendment for the Board's consideration that would require a town/collaborative that was withdrawing from the Group to pay the Group one month's projected claims in order to reimburse the Group for the run-out claims of the withdrawing unit's subscribers. Mr. Gallagher noted that the Board had voted at its last meeting to form a committee to consider amendments to the agreement. He suggested that any discussion of this proposed amendment to the agreement be deferred until the committee had studied all appropriate amendments.

Ms. Smith indicated that she had been informend by Bernadette Oliver from Westport that she will no longer be able to coordinate the requests from member units for the Wellness payment. Mr. Yunits said that any requests that are received prior to the appointment of a Treasurer should be referred to him. Once a Treasurer is appointed, that duty will be performed by the Treasurer.

The next Board meeting was scheduled for February 2, 2017 at 2:00 p.m. in Mansfield.

At 11:04 a.m. Ms. Gouveia made a motion to adjourn the meeting. The motion was seconded by Mr. Gallagher and passed by unanimous vote.

*Prepared by Pam Smith
Group Benefits Strategies*