

## **Health Insurance Trust Meeting – Minutes**

### **Thursday, December 1, 2022– 8:15 am**

#### Member Attendees:

Steve Noone, Steve Barrett, Margaret Dennehy, Himaja Nagireddy, Andrew Schwartz

#### Non-Member Attendees:

Marie Altieri, Lena Jarostchuk, Tim Harrison, Sue Shillue (remote), Dave Verdolino, Melissa Andrew, Theresa O’Leary

#### 1) Call to Order;

- Meeting was called to order at 8:17 am by the Chair

#### 2) Approval of Minutes;

- Minutes from October 27th, 2022 were unanimously approved

#### 3) Treasurer Report – Tim Harrison

- Tim reviewed balance sheet. Trust is getting more interest due to rising bank rates.
- Reconciliation. Tim noted the difference for September 30<sup>th</sup> between Cook and Co. showing \$25,000 loss vs. his report showing a \$347,000 loss. The biggest difference is the \$280,000 reinsurance income that Cook and Co. included in their numbers. If you took this out, both would be trending for about a 1.1 million loss for this year.

#### 4) Cash Flow – Sue Shillue, Cook and Company

- Sue presented the year to date cash flow.
- Claims through October. Variance column shows we are very close to break even. However, costs are being offset by reinsurance recoveries that have come in for previous years. Looking at just cost vs. funding, we’d be in a larger deficit for the first third of the year
- Revised projection using YTD claims shows smaller loss, but without recoveries, loss would have been greater.
- Steve Noone noted that though claims seem to be running about 5% ahead of last year, rates went up 10%. Does this mean that the reinsurance cost is driving our deficit or other factors?
- Sue responded that last year we ended at a loss of 1.1 million, offset by \$800,000 in recoveries. This means our increase in rates for this year was also accounting for the rate deficiency last year, so we are playing catch-up.

#### 5) Preliminary Guidance on Rate Increases

- Steve Noone drew the members’ attention to the 5-year data.

- Sue discussed the stop loss table showing premiums and recoveries. Cumulatively, the Trust is ahead by just under \$600,000. Steve Noone noted that if you take out 2012, we've been losing for about ten years.
- Sue noted that through October, we have one claimant who has gone over the stop-loss limit by \$19,000. Three other people are at 50%. Still early in the year to know what will happen.
- Regarding the lasered claim, it is at \$197,000
- Dave Verdolino inquired about the claim that has already hit the stop-loss. Does that improve the projections? Sue responded that the majority of the trend is based on the original projections. Only the first four months are based on actual claims.
- Margaret Dennehy commented that there is some positive news. Only one member over the stop-loss limit and the laser being at only at \$200,000 is encouraging. Sue noted that last year we had five at this time and the year before it was 14.
- Sue Shillue went over preliminary projections; original and revised. Original was a deficiency of just under \$600,000. The revised projection is slightly higher.
- Two different scenarios were shown for trending claims forward. Historically, 2.1% was used, but the actual average over six years was actually closer to 5%, so both were shown.
- For the 2.1% increase, break even would require an 8% increase. The 5% trend would require an increase of 10.3%
- Steve Noone asked if we are we going to continue to pay another 20% for reinsurance when we lose money? Sue noted that reinsurance depends how the market is running and hopes for more competition this year.
- Sue was asked for a clarification on the 5% trend increase. 5% is looking at gross claims increase over last five years. Our carriers use 8%.
- Steve Barrett asked about medical inflation of 2-3% for Medex vs. the numbers we are using. Sue responded that because Medex is tied to Medicare and the government, the rate used is lower and doesn't apply in this case.
- Sue noted that if she reduced the reinsurance trend to 10% vs 20% it would reduce the overall rate by about one percent.
- Sue informed the group of the option to switch our pharmacy benefit with BCBS from an embedded rebate structure to an "unbundled" approach. The drug cost at the point of service would be a higher cost, but the Trust would get the rebates paid to them. For example, right now, at point of sale, a brand name drug is discounted by 61%. Under the new approach, the drug would only be discounted by 18%, but we would receive quarterly rebate. The estimated savings would be about \$466,000 dollars per year. However, in the first year you'd only get about 75% because rebates come in quarterly. Sue believes this is a good choice based on the cost savings. There is also a new formulary which we could adopt which drives more utilization to brand name drugs. This would increase rebates and generate even more savings. The concern with this is that copayments to members would be higher for the brand name drugs.
- Himaja Nagireddy inquired about the lag time of rebate recovery and how it would affect the Trust. Sue responded that you would see increased prescription claim costs

every month. The first would rebates would come after six months, and then two more. So only 75% in the first year. She has asked BCBS to project out what the increase in prescription would be on a monthly basis.

- Dave Verdolino wondered why BCBS would allow this when the Trust saves money and therefore BCBS loses money. Sue responded that she feels that BCBS is responding to market pressure and how most PBMs are doing business.
- Andrew Schwartz thinks this benefits BCBS and is suspicious of PBMs. How will it affect the patient's cost? Pushes brand vs. generic drugs, which are more expensive. Urges the Trust to be careful about going down this road.
- Steve Barrett agreed with Andrew and asked if this is BCBS's response to us considering carving out pharmacy benefits?
- Andrew Schwartz and Steve Noone noted the delay in the rebates could be a problem for cash flow. Dave Verdolino did not think it would have much negative effect.
- Sue Shillue noted that according to BCBS the rebates are projected to increase over time. She also thinks it is better to stay with the current formulary vs. going to the more aggressive formulary that steers members to more expensive brand name drugs
- Sue again noted that she tends to be conservative on reinsurance rates. If the trust feels a 10% projected increase is better, it lowers the suggested rate increase by one percent.
- Sue has also asked BCBS to look at the \$750,000 drug liability for the laser in our plan, to see if that drug has rebates attached to it.
- Members of the Trust each shared their suggested guidance for the rate increase.
  - Andrew Schwartz leaned toward a higher number of more than 8, but not necessarily as high as 10.
  - Himaja Nagireddy suggested 8 or 9 percent
  - Steve Barrett said between 8 and 10 percent, but that the town would be happy if it was lower than the 10%.
  - Margaret Dennehy commented that everything looks positive with respect to claims. Would not recommend 10, but would go with 8 percent.
  - Dave Verdolino noted that for budget projections, they have used 5%. To go to 9% would be a huge impact for the school's budget.
  - Steve Noone is comfortable at 8 percent. Agrees with Margaret Dennehy that there are some possible upsides.
- Margaret Denney noted that this is preliminary guidance, we have time and could change it if necessary.
- Motion: Steve Barret moved that the preliminary guidance is for FY24 HIT rates to be increased by 8%. Margaret Dennehy seconded. **Motion passed unanimously.**

#### 6) Update on Pharmacy Benefit Management – discussion continued

- Margaret Dennehy wondered how feasible is it to make the change of carving out prescription benefits. Andrew Schwartz explained the motivation of PBMs and warned against moving toward brand name drugs

- Dave Verdolino and Sue Shillue reiterated that we can stay with our current formulary that would not drive members toward brand name drugs. Because they have a co-pay, not coinsurance, it would not affect the members' costs.
- Marie Altieri noted that carving out prescription benefits would only save money if the company we are moving to has better negotiating ability than Blue Cross.
- Sue Shillue reminded us that the "carve-out" companies also drive the formulary to the brand name drugs. This *would* affect our members as they would pay a larger copayment.
- Sue feels the best route is to stay on BCBS custom formulary regardless of how we get rebates. She also shared that our "carve out" groups are waiting for BCBS data to complete the requested analysis, but that BCBS will not share data with PBMs, saying it is proprietary.
- Marie Altieri noted that if we decided to move to carve out or change formularies, it would have to be negotiated. Sue Shillue added that if we were to go to an unbundled rebate system, this would not require negotiation as there is no change to benefits.

#### 7) Discussion of Policies – no new discussion

- Steve Barrett announced his retirement as of December 31, 2022 after 22 years. He thanked the trustees and offered his help in the future. Theresa O'Leary will be taking over.
- Steven Noone expressed the gratitude of the Trust and our disappointment at Steve's departure.

8) Steve Barrett made a motion to adjourn the meeting. Margaret Dennehy seconded. The meeting adjourned at 9:27 am.

Handouts:

Meeting Agenda

Draft HIT Minutes for October 27, 2022 Meeting

Treasurer Report December 01 2022

Acton HIT October 2022 Cash Flow – Cook & Co.

HIT 5 Year Data

Action Stop Loss History

Acton Rate Projections FY 24