

Health Insurance Trust Meeting – Minutes

Thursday, December 3, 2020, 8:15AM

Virtual Meeting

Member Attendees:

Steve Barrett, Margaret Dennehy, Steve Noone, John Petersen, Jim Snyder-Grant

Non-Member Attendees:

Evelyn Abayaah, Marie Altieri, Bill Fraher, Tim Harrison, Brian McMullen, Sue Shillue, Dave Verdolino, Todd Vickstrom

1. Meeting was called to order at 8:15am by the Chair;
 - COVID-19 public gathering declaration was utilized to call meeting to order;
2. Approval of Minutes;
 - **Motion** to approve Minutes of October 22, 2020 passed via roll call (Motion: Snyder-Grant, Second: Noone); one abstention (Dennehy);
3. Cash Flow – Cook & Co.
 - Updated Cash Flow for claims through October 2020;
 - October was a five-week payment month for Blue Cross Blue Shield;
 - Cost breakdown shows a deficiency of \$230,000;
 - \$21,216 will be reimbursed via Stop-Loss policy;
 - Reimbursable claims by month have decreased; FY21 claims are increasing, with two subscribers having hit the Stop-Loss limit;
 - Projected variance for end of FY21 is a deficit of \$1,160,000;
 - Rate guidance will offer more detail on projected variance;
4. COVID-19 (discuss possible impact on Trust expenses)
 - Updated reports from both Blue Cross Blue Shield and Harvard Pilgrim through October;
 - 21 members have tested positive for COVID-19;
 - Cost is low for impacted members with a total of \$32,561; represents 2/3 of 1% of total claims cost for months in question;
 - Additional suspected costs present for those who are suspected, but have not tested positive for COVID-19;
 - 529 total COVID-19 tests performed, total cost of \$70,000;
 - Many unknowns still exist as a result of COVID-19, including delayed care that might be a result of more severe illnesses and uncertainty over COVID-19 resurgence in the winter months; deferral of services could be as high as 6% of claims, and will be clearer closer to renewal timeframe;
 - Reimbursement for expenses through CARES Act is unlikely;

- Possible impact of vaccine cost to Trust expenses is unknown at this time;

5. Treasurer's Report

- P&L Reconciliation After Audit Adjustments 2019 vs. 2020 shows adjustment in IBNR costs and decrease in Reinsurance income, with a net increase to loss of \$96,570;
- FY21 1st quarter report and projections show projected loss trending higher than expected;

6. Annual Audit – review draft

- Audit Report shows five-year trend;
 - Cash assets grew from FY16 to FY18, decreased as planned in FY19 and FY20; pre-payment to carriers reflected in current loss; pre-paid expenses are a monthly amount to carriers, which are settled quarterly and can result in credits if monthly fixed payment is greater than claims experience;
 - Operating revenue has been steady;
 - Health claims (charges from BCBS and HPHC) show a decrease of 2.1% from the prior year;
 - Net position shows growth through FY18, with FY19 and FY20 showing a planned decrease; net position as a percentage of health claims is currently 35.7%, which is healthy;
- 10-year claims development history is not present in current audit, and was not present when audit was taken over by Bill Fraher;
 - The client would need to investigate this, utilizing claims paid by year;
 - Past IBNR numbers may be utilized, but Bill Fraher cannot give a definitive answer;
 - Trustees are supportive of including the 10-year history table for subsequent audits; John Petersen notes that it may take five years to obtain an accurate and up-to-date table;
 - Marie Altieri has located prior five-year history tables, and will distribute to Trustees to assist with creation of 10-year table; Marie also notes that Acton and Boxborough schools regionalized in 2015, leading to increased enrollments (up 17%), as well as covered under-65 retiree health plans;
- Representation Letter;
 - Bill Fraher notes that the letter should be dated the same as the finalized financial statement; updates to be taken into consideration by the Trust, such as COVID-19 related changes;
 - Trustees are to send any updates to John Petersen by December 11th for inclusion; trustees are not required to vote on report, but should agree that the Trust's actions are clearly represented;

- Margaret Dennehy notes that the Trust Fund Balance policy should be taken into consideration with the representation letter;
- Representation letter will be signed by Margaret Dennehy (on behalf of the Trust) and Tim Harrison;
- Bill Fraher plans to end auditing under his own CPA firm and has discussed merging his firm with others; under a new umbrella, Bill would not bid in an RFP situation;
- Audit process does not need to begin until August or September as year-end information is received; Bill's merger could serve to offer fresh eyes to the audit, as well as continuity with him involved;
- Trustees agree that a new auditor should be voted no later than the May meeting to allow for RFP process to occur;
- Trustees agree that separation between town/district auditor and HIT auditor is desirable, but Bill Fraher notes the lack of firms handling municipal accounts may make this difficult; Trust notes that if the same firm is used, a different lead individual should be requested;
- Sue Shillue will check with other self-insured clients on audit firms and send to trustees; Dennehy will initiate contact with firms; Dave Verdolino will assist with RFP process;
- The Trustees offer Bill Fraher their best regards and thank him for his years of service to the Trust;

7. Rate-Setting discussion for FY22

- The Trust will provide health insurance rate guidance with regard to the FY22 budget process, but are not bound to vote rates based on these discussions;
- Trust also notes that current guidance may be adjusted to reflect a higher or lower premium when voted, but that it is unwise to underestimate new rates leading to increase from budget guidance to voted rates;
- Sue Shillue's worksheet shows preliminary cost projection for FY22;
 - Difficult to project due to claim data through October being available, incomplete claims experience in FY20 due to COVID-19, unknown impact of COVID-19 claims for remainder of FY21
 - Five-year cycles often show spikes in costs; FY21 could be a similar year;
 - Projection includes active plans only;
 - Revised projections take four months of FY21 claims experience, and 1/12 of original projection; variance is present based on actual claims vs. projected;
- Projection shows:
 - 2.1% increase in paid claims (Actuarial trends from carriers is 7-8%);
 - 2% admin fee increase;
 - 20% reinsurance increase;
 - Total cost of \$17.281 million;
- Current projection would require Trust contribution of \$15 million to cover costs;

- Per Cook and Co projection, an 8% increase would draw trust down by \$1.02 million; 4% increase draws down by \$1.6 million;
 - Ideal uncommitted reserve percentage is between 15-25%;
 - Steve Noone notes that Stop-Loss premiums are in projection, but not recoveries;
 - Sue Shillue has taken out any prior Stop-Loss recoveries before trends, which are reflected in the paid claims figure; claims projection is what is being paid in FY21, not recoveries from FY20;
 - Steve Noone would like to see the paid claim line item broken out, which is difficult to project and can only be done by disregarding historical claims;
 - Jim Snyder-Grant requests that future spreadsheets show calculations outside of formulas;
 - Lasers are factored in because the liability already exists for the Trust;
 - Marie Altieri notes discrepancy between projection and financial statements for fund balances and IBNR adjustments; Sue Shillue will confirm with Tim Harrison;
 - Sue Shillue notes that all rate and funding projections are based on prior claims projections which contain four months of data; claims can be higher than projected due to first four months trending higher;
 - John Petersen notes that projections are given to start the year, and can vary by +/- \$1 million; only 1/3 of FY21 is complete, and a \$700,000 swing is acceptable going forward;
 - Last number of years have shown the current rate as being less than neutral to Trust balance; Trust should plan for steady rate increases;
 - Rate increases could occur with premium holidays to trend back to break-even rate, potentially discussed in budget process; premium holidays can complicate deduction cycle;
 - Below market rates can lead to increase in subscribers, which is extra expense to Trust;
 - Steve Noone, Steve Barrett, and Jim Snyder-Grant recommend a 4% rate increase; Margaret Dennehy and John Petersen recommend a 6% increase;
 - Trustees agree to 5% premium increase rate guidance for entities for budget planning purposes; entities are informed that the Trust is within its right to vote a different rate;
8. Review HIT report for Acton Town Report (Possible Vote)
- Moved forward to future meeting;
9. Discussion of Policies – Reserves & Investment
- Trustees agree that functions (audit, treasury, consulting services) should be reviewed periodically, with a note that bids can often be difficult to obtain;
10. Agenda Items for next meeting, Meeting Calendar for 2020-2021

- Next meeting of the Acton Health Insurance Trust will occur on Thursday, February 4, 2021 at 8:15am; meeting will contain a vote on FY22 health insurance rate; any information applicable to health insurance trends will be added to agenda;
- Sue will explore changing format of renewal spreadsheet and how to project stop-loss; any additional suggestions to be sent to Sue;

11. **Motion** to adjourn (Barrett); seconded (Noone); approved via unanimous roll-call vote;
Adjourned at 9:58am by Chair

Handouts:

Meeting Agenda

Draft HIT Minutes – 10/22/2020

Cash Flow Summary Review – September 2020 (Shillue)

Treasury Q1 HIT Statements and P&L Reconciliation

Fraher Draft Acton HIT Audit – FY20

Fraher Audit Representation Letter - Draft

Fraher Audit 5-Year Overview Tabulation

Health Plan Renewal Worksheet