Mass Strategic Health Group (MSHG)
Board Meeting

Tuesday, March 25th, 2025, at 1:00 PM
Town of Medway Town Hall and by Virtual Participation

Meeting Minutes

Board and Alternate Board Members in Attendance:

Richard LaFond, Board Chair	Town of Webster
Michael Boynton, Board Vice Chair	Town of Medway
Lindsay Grasso	Town of Abington
Jamie Kelley	Town of Acushnet
Arthur Scott	CES
Jeanne Lovett	Town of Douglas
Steven Lamarche	Dudley-Charlton RSD
Karen Bratt	Town of Franklin
Mary Lauria	Town of Grafton
Jay Byer	Mendon-Upton RSD
Ann-Marie Geyster	Narragansett RSD
Adam Gaudette	Town of Northbridge
Joanne Frederick	Town of Oxford
Victoria Nakis	Valley Trust (Salisbury & Merrimac)
Gary Suter	Spencer East Brookfield RSD
Holly Young	Town of Templeton
Daniel Haynes	Tri-County Regional

Guests in Attendance:

Holly Cotnoir	Town of Douglas
Laurie Reed	Narragansett RSD
MaryEllen Cerbone	Dudley-Charlton RSD
Justin Leduc	Town of Oxford
Allison Potter	Town of Medway
Carol McLeod	Valley Trust (Salisbury & Merrimac)
Tim Bell	Town of Webster
Courtney Friedland	Town of Webster
Cheryl Houle	Town of Medway
Karen Snow	Valley Trust (Salisbury & Merrimac)
Joseph DeSantis	Dudley-Charlton RSD
Kelsey Schecker	Town of Templeton
Lisa Gerulaitis	Spencer East Brookfield RSD
Cheryl Vaidya	Town of Douglas
Marianna Gil	Arthur J. Gallagher
John Scholl	Arthur J. Gallagher
Patrick Flattery	Arthur J. Gallagher
Sheila Kaye	Arthur J. Gallagher

Darlenys Dominguez	Arthur J. Gallagher
Sheryl Strother	Finance Director
Ken Lombardi	NFP
Kevin Paicos	NFP
William Short	NFP
Eric Avrumson	NFP
Collette Cullen	NFP
Kristen Durso	NFP
Anthony Lively	Alliant
Christopher Nunnelly	Alliant
Pat Haraden	Lockton
John Webber	HPI
Paul Wann	HPI
Mary Shea	HPI
Nancy Souder	HPI
Paul Lazar	HPHC
Michael Hurley	HPHC
Lauren McCallum	HPHC
Katie Greenberg	HPHC
Nathan Ortiz	HealthJoy
Lisa Stabile	Altus
Patricia Joyce	Abacus

Richard LaFond, Board Chair called the meeting to order at 1:05 p.m.

Delegate / Alternate Delegate Attendance

There was a roll call of attendees participating in person and via Microsoft Teams.

Discussion and Possible Vote to Approve Meeting Minutes of February 25th, 2025

Michael Boynton made a motion to approve the minutes of February 25th, 2025. Karen Bratt seconded the motion.There was a roll call vote.

Motion

Town of Abington – Yes
Town of Acushnet – Yes
CES – Yes
Dudley Charlton RSD – Yes
Town of Franklin – Yes
Town of Grafton – Yes
Town of Medway – Yes
Mendon-Upton RSD – Yes
Narragansett RSD – Yes
Town of Northbridge – Yes
Town of Oxford – Yes
Valley Trust (Salisbury & Merrimac) – Yes
Spencer East Brookfield RSD – Yes

Tri-County – Yes
Town of Webster – Yes

The motion unanimously passed.

Discussion with HPI Representatives Regarding their Plans to Correct Performance Deficiencies

John Webber, Vice President of Sales at HPI, introduced himself and the HPI team members present: Mary Shea, Vice President of Account Management; Nancy Souder, the day-to-day Account Manager; and Paul Wann, the Chief Operating Officer. He provided background on HPI's role as TPA since 2019, highlighting the growth of the MSHG group and the team's diligent work with point solutions, stop-loss carriers, and vendors. He acknowledged challenges, particularly the transition from Express Scripts to RxBenefits, which led to significant eligibility issues. Efforts to resolve these with IT teams faced difficulties, compounded by HPI's system platform improvement.

Paul Wann explained HPI's transition from a manual to an AI-based system, migrating clients in phases, including MSHG in February. The new system aimed to automate simple tasks, reducing human error and allowing humans to focus on complex tasks. The goal was to have all processes on a single platform by 2025, enhancing processes with unique technology. A significant issue was the group number change from three to five bytes, affecting vendor files. HPI worked with vendors to address this, ensuring member IDs remained unchanged. Despite testing, challenges persisted, especially with RxBenefits, due to the lack of direct communication. HPI collaborated with RxBenefits to resolve eligibility issues, ensuring members received prescriptions. Recent updates indicated files were loading correctly, with no terminations, and accumulators processed properly, suggesting improvements. Lastly, Mr. Wann mentioned that issues with Health Equity and HealthJoy had been identified and resolved.

Ms. Gil highlighted that three entities, which joined the MSHG in July 2024 using the new HPI system, were still facing issues with irregular claims processing. She noted that Mendon Upton reported subscribers receiving numerous EOBs in February and March for services dating back to July through the fall. She sought feedback from the HPI team on the reasons behind this occurrence and questioned the reliability of the new system, especially since the newer entities in the MSHG group had not seen improved claim processing speeds.

Mr. Wann explained that balancing staffing between the two systems had been challenging, with the older system requiring more staff. As more of the book of business transition to the new system, additional staff will be allocated to support it. He mentioned that recent technology has been implemented to expedite processing of older claims in inventory, expressing confidence that these changes will improve processing and performance.

Mr. Boynton expressed concern about explaining to members, especially those at medical appointments with their dependents, that their insurance appears canceled due to system issues. He highlighted the difficulty of attributing the problem to complications between the old and new systems, noting that this situation violates collective bargaining agreements and creates union issues. He stressed that this is a real-life issue affecting users, not just about previous explanations. If the issues between MSHG and HPI had been resolved or minimized in the last 60 days, the focus would be on transitioning to the new platform. However, recurring issues, some dating back two years, persist. Mr. Boynton pointed out that HPI is receiving the appropriate administrative fees and, due to ongoing problems and inconvenience from improper claims processing, he believes compensation from HPI is warranted. He asserted that HPI has an operational and economic responsibility to MSHG and suggested involving legal counsel in the next meeting to find a resolution.

Mr. Wann expressed empathy and agreed with Mr. Boynton, acknowledging that the issues were more than just system glitches and were affecting people's lives. He apologized for the inconvenience and emphasized his intention to discuss these matters face-to-face. He assured everyone that he and his team would collaborate closely with the group and consultants to resolve the challenges and improve the situation.

Mr. Boynton suggested hearing from the Gallagher and NFP consultant teams about necessary actions to successfully close out claims run-out by June 30th. He stressed the importance of addressing and preventing claim issues and raised concerns about run-out costs and charges, identifying them as a major issue. He called for a working plan to resolve these concerns and ensure a smooth process through June 30th without further complications.

Ms. Gil expressed appreciation for the quick fixes to eligibility file feeds when issues occurred, but stressed the importance of test files, especially for RxBenefits. She pointed out a recent issue where members lost pharmacy access due to a change implemented without testing. She emphasized that eligibility file feeds should not be sent blindly and must be tested to ensure everything is correct before implementation. She noted that members have lost pharmacy benefits three times in less than a year due to these issues. Additionally, she expressed concerns about the unclear timeline for claims processing. Initially informed that February would be a blackout period, except for three 7/1 groups, she was surprised to learn that March would also have minimal activity. She highlighted the difficulty in understanding the claims loss ratio due to discrepancies with the one-month lag and reiterated the need for a clear timeline for when claims would be funded.

Mr. Scholl questioned whether HPI would be caught up with the backed-up claims.

Mr. Wann confirmed that claims processing will return to normal by April 9th. He mentioned reviewing claims and funding requests and suggested that HPI could provide a report showing check registers, which are the actual financials that align with the loss ratio.

There was a discussion on the HPI loss ratio reports underreporting and the funding requests. There was confusion about the loss ratios having an additional one-month lag of reporting paid claims, as new entities always have $0 paid claims for the first month.

Ms. Gil raised concerns about the high run-out fees, noting that in a traditional carrier model, the carrier assumes full runout liability without such fees. While MSHG understands their contractual obligations, they are requesting a waiver of these fees due to service issues. The concern is that HPI will still be processing a significant number of claims well after the plan year ends, even though typically 90% of run-out is processed within the first month.

Mr. Boynton noted that Massachusetts municipalities must pay all bills within 15 days after the fiscal year ends. He stressed that receiving a bill after July 15th would require a special town meeting and recommended HPI resolve this by the first week of April.

Mr. Lamarche inquired about HPI's corporate fiscal year and whether they were aware of the municipality's fiscal year.

Mr. Wann couldn't provide details on HPI's fiscal year but acknowledged that the municipality's fiscal year aligns with their July 1st renewal date.

Mr. Lamarche expressed dissatisfaction with HPI's insensitivity to MSHG's current challenges, stating that the group now faces difficult decisions due to these issues.

Mr. Wann clarified that HPI's actions were not insensitive; the conversation was necessary because the old system is set to terminate by the end of the year, leaving no access.

Mr. Paicos noted that today's discussion revealed many claims are stuck in the system, leading to a surge expected in April compared to February and March. He expressed concern about missing claims data crucial for setting new rates and asked HPI for recommendations to address this data gap.

Mr. Wann suggested analyzing current gross income without discounts to estimate average charges or actual payments, a method previously successful for other clients, typically yielding a 15% estimate.

Mr. Lombardi requested clarification on the report, noting the group had a pending report.

Ms. Shea explained that Paul proposed a method to calculate unprocessed claims received by HPI using an algorithm based on total charges. She mentioned an average discount of 53%, including network discounts and duplicate claims, aiming to estimate billings needing processing for future funding requests. This approach would help the group catch up on pending claims.

Mr. Scholl inquired about when the report would be available. Mr. Wann advised that it could be provided by the end of the week.

Ms. Shea noted that the report would include all claims received in the HPI system up to the date Paul runs it.

Mr. Scholl inquired if the report would detail the algorithm used.

Ms. Shea confirmed it would and added that it would also include individuals who have exceeded the stop loss to date.

Mr. Lamarche was concerned that the group wouldn't see reports with any level of funding until April, delaying rebates until May or June, significantly impacting MSHG.

Mr. Webber mentioned that advanced funding for stop loss was an option.

Mr. Wann explained the report's calculation, noting it couldn't separate stop loss data but suggested providing the report as is and analyzing members who hit the 50% threshold.

Mr. Boynton asked how long it would take to resolve these issues, stressing the importance of updating data before the run-out situation after June 30th.

Mr. Wann assured that resolving these issues was HPI's top priority and they were working quickly towards a solution.

Mr. Boynton was frustrated with paying for a service that wasn't effectively provided. It was clarified that the Gallagher team would receive the January inquiry, a claim inventory update, and a calculation of claims excluding the stop loss specific this week.

Sheryl observed minimal claim activity in March. She noted $1.2 million in claims since January, excluding Templeton, Mendon, Upton, and Narragansett, and asked if February and March claims would be available by April 9th.

Mr. Wann stated that HPI would update the MSHG claims inventory by April 9th, with a larger payout expected.

Holly Young emphasized the urgency of resolving these issues, noting that employees were requesting to revert to their previous carrier due to ongoing problems with HPI.

Finance Director Report

Sheryl Strother provided a financial update, explaining she withheld February financial statements due to lack of coherent data. Since January, $1.2 million was received, and bank accounts were reconciled with most premium payments collected. The final reconciliation for 2024 prescription rebates resulted in a $625,307 restatement, benefiting participants and increasing fund equity by $625,000. She received $2.232 million in December quarter rebates on March 14th, with a net favorable adjustment of $732,000. The Town of Franklin received nearly $500,000 for the December quarter. An outstanding $733,000 overstatement for Dudley-Charlton RSD from January will be corrected in March statements. Sheryl expects accurate quarterly statements by April 22nd, contingent on receiving necessary information from HPI by April 9th.

A discussion occurred about the upcoming bill from HPI and payment options due to today's delays. Sheryl confirmed that funding from the trust would continue to pay claims, ensuring providers and facilities wouldn't face payment disruptions. It was suggested that MSHG request a refund or compensation from HPI for February and March due to service non-delivery, and investigate waiving the per-member charges for those months.

Sheryl shared a status report with group members about their fund equity, serving as a starting point for those leaving the group. She anticipated addressing payouts for departing members, noting adjustments would be needed for rebates and updated information. She emphasized the importance of starting this conversation, as some members would need to secure funding, with figures evolving from January through June.

Gallagher Report

Ms. Gil noted that February's report is severely understated, with uncertainty about HPI's accuracy in reporting medical claims due to a one-month lag. Rx rebates show $625,000 for the previous fiscal year's reconciliation, with a significant increase expected in March's quarterly Rx rebates. Stop-loss reports are being updated with individual figures. February saw minimal claims activity, and the current policy year remains largely unchanged, affecting only the prior fiscal year. Outstanding reimbursements for the previous fiscal year have decreased to under half a million and continue to decline monthly, approaching the final phase for reimbursements.

Discussion and Possible Vote to Approve Recommended FY26 Rates

Mr. Lafond presented NFP's recommended rates for FY26 and requested the board vote on a minimal rate increase.

Ms. Bratt identified a discrepancy for the Town of Franklin, noting the second percentage should be 11%, which will be corrected.

Mr. Lombardi detailed the claims underwriting process using data through February. He mentioned ongoing discussions in many communities about plan design changes, adding extra margin, and other initiatives.

Ms. Gil requested more details on NFP's underwriting methodology, noting most entities have poor claims performance in November, December, and January since Gallagher's initial projections, yet NFP's recommended rates have many groups with significantly lower rate recommendations.

Mr. Lombardi explained NFP used previous carrier information to have a full 24 months of experience. February claims would have been helpful, with claims down about 1% monthly, resulting in a 4-5% overall reduction, explaining differences from Gallagher's initial numbers.

Gallagher
Insurance | Risk Management | Consulting

Ms. Gil disagreed with NFP's methodology, noting that lower rates for some groups despite three additional months of having a terrible experience do not make up for an additional 5 months of claims experience being added to the prior experience period.

It was clarified the vote would be for the minimum percentage, with potential adjustments later.

Mr. Boynton urged all entities to review the presented rates and stressed the importance of making informed decisions.

Mr. Lafond noted some entities might opt for higher rates than those presented.

Motion

Michael Boynton made a motion that the rates as recommended by NFP in the document presented today be adopted as a minimum, unless any further changes were made by the entity. The adjustment for the Town of Franklin's percentage discrepancy was added to this motion. Steven Lamarche seconded the motion.

Holly Young sought clarification on the reasoning for establishing a minimal rate.

Mr. Lafond stated that the minimum rate ensures coverage for the next year's claims, while some may choose higher rates to build equity. The board focuses on equity levels, allowing communities to set rates above the minimum if desired.

Mr. Paicos noted NFP's collaboration with communities on plan design changes, indicating rate adjustments could occur.

Gary Suter expressed distrust in the recommended numbers and questioned deficit payments in the fund equity account. Mr. Lafond acknowledged the concern, noting deficit payment discussions were scheduled later in the agenda.

Mr. Boynton highlighted the group's challenges and benefits, allowing communities to set rates based on needs. Rate projections are based on claims data and no deficit position. He addressed the need to manage deficits for members, suggesting adjustments to the base rate percentage to cover deficits. While communities benefit from setting their rates, the board must prevent negative cash flow and deficits.

Mr. Lafond noted the issue originated from former Gallagher team's rate settings.

Mr. Scholl noted that the rate setting depended on paid claims, which the lag was unknown when the process was done last year. Ms. Gil mentioned across the Commonwealth many communities facing double-digit increases even without claim processing issues.

There was a roll call vote.

Town of Abington – Yes
CES – Abstained
Dudley Charlton RSD – Yes
Town of Franklin – Yes
Town of Grafton – Yes
Town of Medway – Yes
Mendon-Upton RSD – Yes
Narragansett RSD – Yes

Town of Northbridge – Yes
Town of Oxford – Abstained
Valley Trust (Salisbury & Merrimac) – Yes
Spencer East Brookfield RSD – Yes
Tri-County – Abstained
Town of Webster – Yes

The motion passed.

Discussion and Possible Vote on Timeline for Recovering Outstanding Deficits

Mr. Lafond and Mr. Boynton discussed strategies to help group members reduce cash deficits. He advised against intentionally incurring deficits, noting they stemmed from underwriting projections. Some deficits are too large to resolve in two years, so they propose reducing cash deficits by 50% by FY26 and clearing them by FY27, allowing three fiscal years for resolution.

Ms. Strother added that success in this plan would strengthen the group's position by next year.

Mr. Lafond proposed a policy for NFP to work with members in deficit to create tailored plans, starting with approval for the 50% and 100% deficit reduction targets.

Ms. Bratt asked if the plan excluded IBNR. Mr. Lafond clarified it targets the cash deficit as of June 30th , 2025.

Mr. Lamarche suggested a lower percentage breakdown.

A discussion ensued about starting in FY25 or FY26. Mr. Lafond confirmed FY25 as the start, aiming for a 50% reduction by June 30th, 2026, and 100% by June 30th, 2027. Mr. Lamarche advocated for a lower percentage.

Mr. Boynton agreed with Mr. Lamarche's proposal, acknowledging past rate settings contributed to current deficits.

Motion

Steven Lamarche made a motion to implement a member equity hold and establish a policy for a three-year paydown: 45% in the first year, 45% in the second year, and 10% in the third year, beginning on July 1st, 2026. Michael Boynton seconded the motion, with the request that the maker of the motion add that the MSHG Board would review member equity no later than September 1st, 2025, with potential changes to the schedule implemented as needed.

Holly Young inquired if the Town of Templeton had any outstanding deficits at this time. It was confirmed that there were no outstanding deficits.

There was a roll call vote.

Town of Abington – Yes
CES – Abstained
Dudley Charlton RSD – Yes
Town of Franklin – Yes
Town of Grafton – Yes
Town of Medway – Yes
Mendon-Upton RSD – Yes

Narragansett RSD – No
Town of Northbridge – Yes
Town of Oxford – Abstained
Valley Trust (Salisbury & Merrimac) – Abstained
Spencer East Brookfield RSD – Yes
Templeton- Yes
Tri-County – Abstained
Town of Webster – Yes

The motion passed.

Discussion and Possible Vote to Authorize Chair to Transmit Attached Correspondence to the Following Withdrawing Members Effective July 1, 2025

- **Tri-County Regional Vocational Technical School District**
- **Collaborative for Educational Services**
- **Town of Acushnet**
- **Town of Oxford**

Mr. Lafond discussed the rationale behind letters drafted for withdrawing members Tri-County, CES, Acushnet, and Oxford, effective July 1, 2025. These letters addressed financial deficits from members leaving, with concerns about recovering funds and liabilities left by departing members. He highlighted concerns from his teachers' union in Webster and other bargaining units about the group's viability if members left with deficits.

Conversations with Mike, Sheryl, and counsel led to setting a timeframe for payment of outstanding claims and deficits, which couldn't be carried into the next fiscal year to be fair to other members. The letters required payment, including IBNR, by April 15th. Sheryl sent out financial information as a bill, certifying deficits effective January 31st, with the debt payment deadline set for April 15th and monthly payments for claims for the rest of the fiscal year.

Mr. Boynton expressed a strong desire to avoid legal action, specifically against communities leaving, to recover fund balances, acknowledging the challenge this posed.

Sheryl noted her willingness to collaborate with communities and update the deficit level.

Mr. Lafond explained that counsel advised the group's leverage was to not pay claims, a heavy-handed approach demanding payment by a specific date or facing consequences. He suggested entities being issued a deficit bill to contact Ken Lombardi to discuss alternatives. He reiterated that litigation was the only other way to recover outstanding balances, which they wanted to avoid, believing departing members would also want to avoid it.

Mr. Lombardi stressed the need to stay updated on financial aspects like HPI, Rx rebates, and stop-loss to ensure accuracy, acknowledging figures will adjust with new information. Legal counsel advised establishing a starting point, knowing it will change, but emphasized the need for funds to cover run-out claims from July 1st, with adjustments based on bill assessments.

Mr. Scholl stated that Gallagher consulted a law firm for guidance on the letters being sent out, aimed at collecting funds to recover deficits and restore MSHG's solvency. He noted significant deficits and expressed concern that some letter recipients might not pay by April 15th, advocating for a reasonable repayment plan. He believed the recent vote on current MSHG members offered a solution for the departing members. He mentioned Sheryl's letter included IBNR and that the JPA outlined terms for accounting and payment of run-out claims for July, August, and September, with a payment deadline.

Mr. Lafond questioned if Mr. Scholl was suggesting further credit for participants leaving MSHG.

Christopher Nunnally believed Mr. Scholl was advocating adherence to the participation agreement. He began reading it but was asked by Mr. Lafond to halt the discussion.

Mr. Lafond then called for a 5-minute recess.

After the recess, Mr. Lafond resumed the meeting, asking attendees to raise their hands if they wanted to speak. He clarified that only those who were recognized would be allowed to speak and that individuals not recognized would not be granted speaking access. He also stated that, for the time being, he would only recognize speakers who were representatives of their boards or agents contracted by the MSHG board.

Mr. Paicos made a comment to the board regarding the extensive conversation among many people concerning the determination of how to manage the deficit. He distinguished between a member staying in the group and one withdrawing. He also highlighted the difference between a member withdrawing with money petition to pay down funds versus one already carrying a deficit.

He explained that a group member already owing the trust a substantial sum of deficit which other group members have been covering. He emphasized that these deficits represented claims already paid by the remaining group members. The aim was to recover the money already paid out by other group members and require the withdrawing member to reimburse the other groups. He noted that if withdrawing members were not required to pay, the remaining members would continue to bear the cost of the deficit.

Mr. Paicos referenced a provision in the agreement regarding claim withdrawal. He interpreted the agreement to mean that if a member was carrying a deficit that other members had been amortizing, that member had already violated the agreement by carrying the deficit. Therefore, he questioned why the group would extend further credit to the withdrawing member by paying their claim loan over an extended period.He clarified that the underlying principle behind the letters was that a properly withdrawing member was leaving with a significant amount of money owed to the trust. The trust had decided that this obligation must be satisfied.

Mr. Paicos emphasized the importance of stating this for the record because previous representations suggested that the payment schedule for a withdrawing member's deficit or equity balance should mirror the conditions of a staying member, which he asserted was not a fair arrangement.

Art Scott expressed his belief that the group was operating from a place of complete distrust, suggesting they assumed anyone leaving would fail to meet their obligations. He stated that CES wanted to leave the group without any outstanding debts or future settlement needs.

Mr. Scott pointed out the conflict between Cheryl's desire to discuss and work with the groups on a number that changes over time, and the short 19-day payment window given to withdrawing entities to fund their deficit position, arguing that this period was insufficient for either number evolution or meaningful conversation. He stated he would gladly ask CES to pay if he had confidence in the number.

Mr. Scott criticized the lack of clarity and collaboration within the group, noting that throughout the meeting, there was a consistent admission of not knowing the current financial state, past performance, or future projections. He highlighted the group's inability to agree on the remaining members' rate increase and the presentation of a multitude of numbers without a clear foundation. He concluded that the approach lacked thoughtfulness, a solid basis, and collaboration, and contradicted the spirit of trust.

Mr. Boynton explained that the group was facing challenges in ensuring its financial well-being. He stated that when the original agreement was written and amended, the possibility of members leaving with substantial debts wasn't considered. He expressed that at that time no member of this group was worried about how to modify the agreement to ensure departing members were made the group whole, especially when the group had limited legal recourse beyond lawsuits.

He emphasized that the original intent was for members to leave in good standing, which he argued was impossible with a significant deficit. He pointed out that taxpayers shouldn't be expected to cover the deficit for departing group members.

He highlighted that the remaining group members had been now given the option to manage the deficit over a few years. He acknowledged that some members had decided to leave, and that the only major flaw in the exit agreement was Acushnet, with the non-timeliness of it. He concluded by stating that relying solely on the member agreement was inadequate because it didn't address the current situation of members of the group leaving while still owing the group substantial amounts.

Mr. Lafond added that there had been instances where members who were fond of JPAs ended up in litigation regarding money upon their departure. He clarified that the letters requiring payment by a specific date were not intended as an expression of mistrust. He emphasized the responsibility to the current members and the financial well-being of those who were staying. He mentioned that this was what the group's lawyer had advised them, and that advice was reflected in the letters.

He noted the need to ensure the group was financially sound before members with significant deficits withdrew.

He then clarified that sending out the letters was an agenda item seeking permission as recommended by counsel to protect the group's financial viability.

Mr. Scholl stated that they received additional guidance from Verril Law firm. He mentioned that Kevin was combining IBNR and deficit recovery, but the agreement should separate them because they have different remedies. He recognized that the deficit recovery had more flexibility. He also pointed out that IBNR or reserve payments have a specific remedy in the agreement regarding accounting and calculation.

Mr. Lafond asked for clarification on who Mr. Scholl was referring to when he said "we."

Mr. Scholl then clarified that the "we" who received guidance from Karen Hartford at Verril Law firm, was the Gallagher team. He also discussed the 8-12% reserve requirement, clarifying it's not a requirement that the entities pay it into MSHG but rather an amount the towns have available to cover run-out. He asked Cheryl what percentage she had built in, and she responded 8-10%, clarifying that she pulled a 10%.

Mr. Lafond stated that he could only proceed based on legal advice he had been given by the attorney the group hired. He suggested that Mr. Scholl share with him the legal advice he had obtained from the attorney he spoke with so that it could be shared with the attorney the group hired. Mr. Lafond mentioned having a conversation with their counsel to determine the best way to manage the group's finances and protect them financially. He emphasized that their attorney reviewed the agreement and provided advice, which led to the letters in question. He also questioned who paid for the services of the Law firm Mr. Scholl was referring to. Mr. Scholl confirmed that the Gallagher team paid for the Verril Law firm's service.

Mr. Scholl added that the legal opinion had suggestions regarding deficit recovery options. He mentioned the possibility of adjusting the timing of recovery for departing entities, suggesting a faster approach than the discussed three-year plan for remaining entities.

Mr. Paicos stated that he wanted to ensure everyone had accurate information regarding the agreement and the underwriting involved in the deficit amortization. He said the agreement specifically provided that IBNR should be funded, leaving no ambiguity. He explained that the agreement anticipated the IBNR margin would be funded so that when a member leaves the group, they are allowed to retain that IBNR margin for the specific purpose of paying the claim run-out. Kevin noted that if a withdrawing member had not paid their IBNR, they would have specifically violated the agreement. He also stated that if a member failed to pay the IBNR as required through the rate, it was not incumbent upon MSHG to further extend credit to that member upon their withdrawal for the purpose of paying the IBNR margin they did not fund.

Mr. Lamarche said that he believes the letter would provide a starting point, even after lengthy conversations and reviews. He will vote favorably because the letter allows for payment or contacting Ken Lombardi to resolve the issue. He highlighted that there had to be a starting point, and this seemed like the right start.

Gary Suter expressed gratitude for the option of repaying the shortfall over the next few years. He emphasized that he also agreed with sending out letters to organizations that owe money, believing it would initiate a conversation. He inquired about the financial stress the organization would face if the deficits of those exiting group members weren't paid off by June 30th, directing the question to Sheryl.

Sheryl emphasized the need to quickly recover the large deficits. She reasoned that since the remaining members are being given time to ease into their payback, it's logical to get the money from those who are leaving as soon as possible.

Motion

Steven Lamarche made a motion that the group authorize Mr. Lafond as the board chair to transmit attached correspondence to the following withdrawing members effective July 1st ,2025: Tri-County, Collaborative for Educational Services, Town of Acushnet, and Town of Oxford. Michael Boynton seconded the motion. There was a roll call vote.

Town of Abington – Yes
CES – No
Dudley Charlton RSD – Yes
Town of Franklin – Yes
Town of Medway – Yes
Mendon-Upton RSD – Yes
Narragansett RSD – Yes
Town of Northbridge – Yes
Valley Trust (Salisbury & Merrimac) – Abstained
Spencer East Brookfield RSD – Yes
Templeton- Yes
Tri-County – No
Town of Webster – Yes

The motion passed.

It was indicated that Mr. Lafond and NFP would have a conversation regarding whether a meeting would be needed prior to the next scheduled meeting to discuss and vote upon some of the recovery plans for the members that were to remain in the MSHG group for the next fiscal year, or if it could be discussed later on.

Open Session for Topics Not Reasonably Anticipated 48 Hours in Advance of the Meeting

There were no additional topics to discuss at this meeting.

Next Meeting

The next meeting was scheduled for Tuesday, April 29th, 2025, at 1 p.m.

Michael Boynton motioned to adjourn the meeting. Steven Lamarche seconded the motion. The motion passed via unanimous consent.

Motion

The meeting adjourned at 3:17 p.m.

Submitted by
Darlenys Dominguez
Gallagher Benefit Services