

**LAKE HAVASU UNIFIED SCHOOL DISTRICT #1
EMPLOYEE BENEFIT TRUST
BOARD OF TRUSTEES MEETING – SEPTEMBER 28, 2017**

TRUST MEMBERS PARTICIPATING

Kari Thompson, Hal Christiansen, Pat Rooney, Marcia Cox & Sam Scarmardo

OTHERS PARTICIPATING

Mike Murray, Kelly Morrison, Cheri Tropple, Bonnie Breazeal & Mary Heronema – LHUSD #1

David Stewart – Insurance Professionals of Arizona

Chris Travelle - Morgan Stanley

Joyce Perez - Gilsbar

Chrissy Carmack, Sharon Radetic, Christa Roberts, Dr. Ross Miller, Brian Baker - Cerner

OTHERS ATTENDING (PER SIGN IN SHEET):

John Masden, Naomi Morgan, Nissa Narris, Diana Asseier, Nichole Cohen, Carol Nowakowski

Meeting called to order at 3:01 p.m.. Roll call was taken. Pledge to the flag followed.

Mrs. Thompson asked for "Calls to the Public." There were none.

APPROVAL OF VENDOR REPORTS:

2.1) Ratification of approved minutes of the August 2, 2017 employee benefit trust meeting and September 19, 2017 employee benefit trust work session – Mr. Christiansen made a motion to approve the minutes as presented. The motion was seconded by Marcia Cox. Approved unanimously.

2.2) Financial Reports - Mr. Murray told the group the balance in the Morgan Stanley account, as of August 31, 2017, was \$2,739,949.64.

Chris Travelle of Morgan Stanley was introduced to the newest EBT trustees. Mr. Travelle recommended to the group they talk about a future investment plan for the EBT account because they, as trustees, have a fiduciary duty to manage the funds responsibly, now and in the future. He distributed a packet of information with different levels of risk and explained that in 2015, due to decreasing reserves in the EBT account, the trustees cancelled the investment plan in place at that time. Since then Mr. Travelle has charged the EBT no fees for managing the account. The agreement was that, because he was collecting no fees, he would no longer attend the EBT meetings in person.

Mr. Travelle asked the trustees to look at the five models included in the packet of information he distributed. His recommendation was to pick either the most conservative or next to the most conservative plan presented, at a minimum. Mr. Masden inquired about liquidation of assets if the current positive market does not continue. Mr. Travelle said the trustees need to decide how much risk they are willing to take but also are stewards of the EBT account and need to try and grow the funds responsibly. He said by following recommendations from a large company, such as Morgan Stanley, they are making their decision based on information compiled by experts.

Mrs. Thompson asked about the CD's currently in place. There are four, with the next one coming due in November, 2017. There was a discussion about a recent lump sum payment from the district into the account, authorized by the District's Governing Board per a suggestion from the District's budget committee. That lump sum went into the cash account and Mr. Murray was asked to authorize movement of those funds to the retiree account which is currently underfunded.

Mrs. Cohen asked Mr. Travelle about the policy statement to which he referred. Mr. Travelle said the prior statement was intentionally left very vague and broad. He will send the latest version to Mrs. Heronema for distribution to the EBT trustees.

Mrs. Cox asked if it would be possible to schedule a conference call with Mr. Travelle to discuss investment strategy. Mr. Christiansen recommended a call be scheduled in October and Mr. Murray was asked to coordinate a date and time. Mr. Murray said he would do this and said he thought it would be reasonable to have a plan in place by January, 2018. Mr.

Stewart asked Mr. Travelle if his fees were listed in the information that was distributed. Mr. Travelle said the fees were included in the proposal (page 17).

Mr. Bonney had previously distributed reports for July and August to the trustees for their review. He reiterated the fact that vendor names were not listed in the reports but management fees cover the amount paid to Cerner and professional fees the amount paid to Gilsbar. He said the Morgan Stanley amounts listed in his reports may be slightly different than the Morgan Stanley reports the trustees were given to review due to outstanding deposits and checks.

The auditors have asked Mr. Bonney for certain financial information for the 2016-17 fiscal year, which he will forward to Mr. Murray. He will also offer a copy of his firm's software if it will be of some value to the auditors. He said he feels there are now very good procedures in place and is confident the 2016-17 audit report will be better than past years.

Mr. Bonney asked if the trustees would like a breakdown of contributions made, i.e. COBRA, Payroll Deduction, etc. Mrs. Cox said yes, she would like to see this. She asked if it would be possible to see a breakdown of dependent deduction types such as family, spouse, one child, etc. Mrs. Tropple said there is no report that breaks that information down, however there is information on the total payroll deductions taken for dependent coverage. Mr. Murray said a spreadsheet showing the breakdown of contributions will be supplied, showing payments for employees, dependents, retirees and COBRA participants. Mrs. Thompson added that she would also want to see any lump sum payments the district makes to the EBT.

2.3) Medical Paid Claims Report – The trustees were supplied with the report from Gilsbar prior to today's meeting. Mr. Stewart said there was good news in that claims are down \$132,000 from last year. Mrs. Thompson asked about large claims, which Mrs. Perez reviewed. Some of the claims are cases that rolled over from last year to this year. Mr. Masden asked that when discussing large claims the group not refer to specific diagnoses since it is a small group and confidentiality needs to be protected, even if no names are mentioned.

Mrs. Cox asked Mrs. Carmack from Cerner about the increase in PET scans and wondered if these were being ordered through the center. Mrs. Carmack said the scans are usually ordered by oncologists seeing center patients. Mrs. Cox then asked about insulin pumps. Mrs. Carmack said the equipment is not supplied by the center but she does have the ability to monitor the use of the device. A local NP in endocrinology works with EBT members to order the equipment. There is a staff member available at that office to offer diabetes advising.

2.4) Dental Paid Claims Report – The trustees were provided reports prior to today's meeting. Mr. Stewart relayed the history of the district's relationship with Ameritas for the new trustees and stated that Ameritas has done a very good job of saving money for the trust and for EBT members, and that EBT members have done a good job taking care of their dental health. Last year, approximately \$130,000 was saved.

2.5) Vision Paid Claims Report - Mr. Stewart reviewed reports previously distributed to the EBT trustees. He said there was larger than usual usage since the plan became effective on July 1, 2017. He said if the usage trend continues there will probably be a rate increase for the following plan year. Mrs. Thompson said she suspects usage went up because some more affordable providers are now covered by the plan. Mrs. Harris said she also thinks usage is always greater during the summer when many EBT members are off and take care of appointments.

ITEMS FOR DISCUSSION AND POSSIBLE ACTION:

3.1) Annual Report from Cerner - Mrs. Radetic introduced the members of the Cerner team in attendance at today's meeting. Mrs. Cox stated that she did have questions and asked if she should hold them until the end of the presentation. Mrs. Carmack said that would be fine. Mrs. Roberts reviewed Cerner's mission statement and said they manage 40 centers across the United States. She proceeded to the 2017 Wellness Review and said participation for the LHUSD#1 EBT is much higher than what they usually see. She showed some statistical information and said there were no members in the high risk category in the cohort group. It appears that population is staying healthy or becoming healthier. Of the top three health conditions the third condition on the LHUSD#1 EBT list is "healthy and fit." Many members have no conditions or only one.

Mrs. Carmack presented a review of the center. She went over utilization statistics and said the number of visits has increased. One statistic that has gone down is the percentage of EBT members utilizing the center for primary care. She said center staff retention has improved and reviewed some of the things offered by Cerner, i.e. monthly themes, continuing good participation in the WOW program and improved diabetes and blood pressure levels. She told the group the "Passport to Health" contest currently underway has been successful as well.

There are currently 22 people participating in the Full Plate Diet group. So far there has been 100% participation in the meetings held. Members can attend on Thursday or Saturday, or have the ability to schedule a one on one visit with Mrs.

Carmack or Mrs. Shackelford at the center. Mrs. Radetic mentioned that both Mrs. Carmack and Mrs. Shackelford volunteer a lot of their time for activities after work and thanked them for their efforts.

Mrs. Carmack presented the group flu shot statistics for last year and said that on-site flu shot clinics will again be scheduled this school year. She also shared some success stories that happened during the year.

Mrs. Radetic reviewed enhancements Cerner will be making available:

- Cerner has negotiated a new contract with Lab Corp that should make available cost savings of between 30-40%
- Contracts with new consumable vendors are being negotiated. Dr. Miller said a national sharing program will reduce costs, i.e. if one location ends up needing more or less, it can be distributed throughout the country
- Video conferencing will be made available at no extra charge to the EBT. This will allow patients who cannot get away from their site to get coaching on-line
- Healthe Registries will allow Cerner to see gaps in care and to work with members to correct this

Mrs. Thompson asked if the video conferencing would only cover coaching or would include diagnostics. Mrs. Radetic said diagnostics were not available yet. Dr. Miller said Cerner refers to telemedicine as telehealth and Cerner is working on this for the future.

Mrs. Cox showed a Power Point she prepared and raised some issues that she asked Cerner to address, the first being that no high risk BMI members were shown in this year's presentation although high risk members were included in the 2016 presentation. Mrs. Radetic said she would check into it. Mrs. Cox said the number in the cohort group changed from 339 in 2016 to 381 in 2017 and asked why. Mrs. Radetic said cohort numbers will change from year to year but Mrs. Cox said the number went up by a lot. Mrs. Roberts said different years are covered, i.e. the last three years total is going to be different than the three years that were included last year. Dr. Miller said the group could have used information for four years but chose three years to be consistent.

Mrs. Cox said it was confusing when trying to compare year to year. Mrs. Thompson said the statistics presented, when using the years that were presented, were correct. Mr. Masden said the group is trying to figure out if members are getting healthier and the cohort group needs to be consistent. Mrs. Cohen said Cerner should do a better job of defining who makes up the cohort group.

Mrs. Cox said she would like to see evidence of improving health for EBT members, especially since the EBT has to pay to a 5% rate increase to Cerner every year that is based on a satisfaction survey on which the trustees have no input and don't know if people are getting healthier. Mrs. Carmack said the initial cohort group for primary care was very small and high turnover over the past few years should also be taken into consideration. Mrs. Cox said it was difficult to compare annual reports given by Cerner because they are all put together differently. She asked for consistency in reporting. Mrs. Radetic said she agreed that Cerner should have done a better job explaining the changes in reporting from year to year.

The top three health conditions presented by Cerner included Hyperlipidemia, Obesity and the third top condition was "healthy and fit". Mrs. Cox questioned this because "healthy and fit" is not a disease. Mrs. Cox suggested that the next high risk factor; which is Hypertension" after "healthy and fit" should have been used instead. Dr. Miller said the category of "healthy and fit" was added because it is positive information that Cerner thought should be shared with the group. He also explained that it is difficult to "uncouple" high blood pressure and obesity.

Mrs. Cox addressed the satisfaction survey she requested, which was supplied by Cerner. She noted a section on massage therapy and asked if massage therapy is offered at the center. Chrissy said some of the Cerner centers offer that service, however the LHUSD#1 center does not. Dr. Miller explained that the survey questions were the ones the Cerner uses nationwide and the questions are tailored per center, to fit their circumstances. Mrs. Cox reminded Cerner that she had asked for the satisfaction survey specific to our center and that is not what was sent. Mrs. Radetic said that some clients write a performance guarantee into their contract and that can be considered when the current agreement expires.

With regards to the monthly invoices from Cerner Mrs. Cox said at the April EBT meeting, and also in the March 31, 2017 Cerner letter written to Mrs. Thompson, Cerner agreed to continue charging the current monthly management fee of \$52,353.00 during the next renewal period until we could agree to a different measure for the 5% increase that was tied to health outcomes and not the satisfaction survey. Then Mrs. Cox showed a copy of the first Cerner management fee invoice sent after the April meeting for \$53,609.00. Mrs. Radetic said she would follow up and asked that questions be submitted to her when they come up, rather than at a public meeting. Mrs. Cox said that either Cerner or our consultant Mr. Stewart should have caught it before it was sent. Mr. Masden suggested that Cerner supply a list of what goes into the invoice, by category, without actually listing specific dollar amounts. Mrs. Radetic did correct a statement that one of the categories is marketing. She said that the LHUSD#1 EBT is not charged a marketing fee.

Mrs. Cox stated that a meeting was supposed to have taken place, to include Cerner legal and representatives from the LHUSD#1 employee benefit trust. Mrs. Radetic said the initial meeting was cancelled on the LHUSD#1 side and was not rescheduled.

Regarding the personal health assessment (PHA) that EBT members complete on-line before they schedule their work on wellness (WOW) appointment, Mrs. Cox asked if the questions she received were for the LHUSD#1 group or all the questions that could be asked, potentially. Mrs. Radetic said those were all of the questions and she could supply a list of what LHUSD#1 EBT members are asked, specifically. Mrs. Cox said that she had specifically asked for the assessment used at our center and questioned that some of the items on the assessment we received were "removable" by the administrators and others were "optional" giving the member the option to answer the question. Mrs. Radetic said she could set up a test account for Mrs. Cox, so Mrs. Cox could view the PHA and also look at the WOW portal.

Mrs. Cox said that at the April 2017 meeting she requested information on six diseases, specifically which visits at the center would have been coded to these categories. At that time Cerner indicated that since diagnostic codes are not used at the center, because the contract is a fixed cost, it would be difficult to comply. Since then Cerner did supply Gilsbar with a list of visits by category and a dollar amount was assigned in order to compare costs between using the center or a community provider for these services. Mrs. Cox said she has determined there is a significant rate increase for using the center. Mrs. Thompson asked Mrs. Cox to "walk her through" the spreadsheet she prepared for today's meeting. Mrs. Cox said she used the amount paid to Cerner, which she obtained through the District's CAFR (Comprehensive Annual Financial Report). Mrs. Thompson said this did not make sense to her since the cost listed is the total paid to Cerner, not the cost for the type of appointments listed on Mrs. Cox's spreadsheet.

Mrs. Carmack said it would have to be an "apples to apples" comparison to accurately evaluate costs. Mrs. Thompson said the point of going with a fixed cost center was to encourage members to visit and address the conditions mentioned previously. She said a percentage of how much of the fee was aligned to treatment of those conditions would need to be determined. Mr. Masden said a value based analysis needs to be done by category, i.e. wellness, medical, etc. He then said there was a real concern with admission rights at the local hospital, however Chrissy said the only services they cannot order at the hospital are at the infusion clinic. Mr. Masden encouraged center staff to get on the list of providers at the hospital.

Dr. Miller discussed indirect costs, i.e. would people ignore a condition if the center was not available? He said many companies factor retention and employee satisfaction in their analysis of costs. Mr. Masden said he would prefer to work with hard data so the trustees can evaluate the return on investment since the center has now been open five years. Dr. Miller said the center has a preventive care focus which is different than community health providers. Mr. Baker from Cerner said he has worked with several government entities in the country and "cost avoidance" is a topic of discussion, i.e. how many conditions would not have been caught. He said there is anecdotal evidence available.

Mrs. Thompson again mentioned the high turnover the district experienced previous to this school year. The numbers used should reflect this. Mr. Baker said the fact members do not pay a co-pay at the center is a cost avoidance to them.

Mrs. Cox said her frustration was that she originally asked for the information on the six diseases in April and had not received the information she requested, even after several follow-up requests. Mrs. Radetic said the group purposely waited until the end of June since that is when the fiscal year ended for the District. She did put in a request with Cerner's analytics department and it went into the queue. Mrs. Cox said there needs to be better communication. Mrs. Roberts asked how communication should be handled in the future, in order to avoid these types of problems. Mrs. Thompson said she would like to be at least carbon copied on requests made by EBT trustees so she can follow up. She also said the data presented at today's meeting, by a trustee, was not accurate and she would like to have had the opportunity to see it ahead of time.

Mr. Rooney said he thought all requests for information should be channeled through the EBT chairperson. Mrs. Cohen said she disagreed and that EBT trustees should have the right to request information on their own.

Mrs. Cox said she appreciated getting detail on Lab Corp charges, without personal health information, from Cerner but said she had asked for the detail on each category on the second Cerner invoice that includes the medical supply charges and the prescription drug charges. She said she e-mailed the prescription vendor listed on Cerner's invoice and found out that they offer rebates that are passed on to the clinic. She asked if the rebates Cerner received were passed on to the LHUSD#1 EBT. Mrs. Radetic said Cerner takes no rebates.

Mrs. Carmack asked the group if they had thought about doing a staff survey to measure member satisfaction with the center. Mrs. Cohen said she knew employees were satisfied with the center and happy with the services they were getting. She said the point was trying to determine if it makes sense to continue with this model, financially. She

reiterated that there should be no restrictions on Mrs. Cox asking questions. Mrs. Thompson said she had no issues with this but asked that she always be carbon copied.

Mr. Scarmardo said he has a lot of experience with larger employee benefit trusts and wonders if the group is getting the best benefit at the least cost. He does not agree with previous comment regarding retention and said he feels the center is close to a single provider model. His suggestion is to schedule a work session to formulate the questions that need to be asked and to determine the line items the group needs. Mrs. Roberts agreed with that. She said Cerner needs to get specific questions and will then move forward to address them.

Mrs. Thompson asked the business department to arrange a work session with the EBT trustees, representatives from Cerner and representatives from Gilsbar.

Mrs. Cox asked about the bi-weekly calls that are held with Cerner, Mr. Murray and Mr. Stewart. Mrs. Carmack said these calls are generally to discuss upcoming events and how to communicate these to members.

A break was taken at 6:12 p.m. The meeting resumed at 6:17 p.m. Mr. Christiansen told the group that he had seen improvements in the way information is shared with the EBT trustees and said that, although the board can learn from the way things were done in the past, the past cannot be changed.

3.2) Final Trust Audit Report - The 2015-16 audit report was approved at the last EBT board of trustees meeting and the final report has since been distributed. The district's 2016-17 audit has started and the contracted audit firm has started requesting information, which will be supplied by Mr. Bonney and by Gilsbar.

3.3) Telemedicine for Obesity Management - Mr. Thompson said this discussion will be postponed until information is available.

3.4) Revised EBT Trust Document - Mrs. Thompson said the attorney for LHUSD#1 and the attorney for the LHUSD#1 employee benefit trust, Jennifer Sellars, did review the draft document and a redlined version was provided for consideration by the LHUSD#1 EBT Board of Trustees, after which the document will be reviewed and approved by the LHUSD#1 Governing Board. After review of Ms. Sellars's comments, it was agreed that all comments were acceptable as presented except for two verbiage changes.

- 1.06 should read : "Employee(s) means and refers to all benefit-eligible persons *currently* (remove the words *who have been*) employed by the School District on a regular basis, *or* (remove the word *and*) with eligibility as defined in the Plan Document(s), hereinafter defined."
- 4.03 should read "The bond amount *is* (remove the word *of*) \$1 million per trustee."

Mrs. Cox made a motion to approve the document, as presented, with the two revisions mentioned above. The motion was seconded by Mr. Scarmardo. Approved unanimously. Mrs. Thompson said she was very pleased with the process of formulating this document and feels it will be valuable in the future since it better defines responsibilities of the EBT Board of Trustees and the District's Governing Board.

3.5) Approval of Set-Up Fee to Gilsbar for Eligibility Feed to Carriers - Mrs. Thompson said that at the last EBT meeting this subject was discussed and further discussion was postponed. Mrs. Perez from Gilsbar said their IT department reviewed the three eligibility files that would need to be created, for dental, vision and life/short term disability. They are estimating approximately 60 hours to build and test the program (20 hours per outside vendor), at \$200/hour. Mrs. Perez said she has asked them to reduce the price and would like the opportunity to report back at a future EBT meeting. Mr. Murray said the District will be considering the purchase of new financial software and will look at the capabilities that vendor may provide.

Mrs. Perez said there would be a fee to administer the life/short term disability, which currently would be 50 cents per employee per month. There would be no charge for dental and vision. She also said it would take no less than 16 weeks for implementation, therefore that amount of time would need to be considered.

Mrs. Thompson did recommend postponing further discussion until a future LHUSD#1 EBT meeting. Mr. Murray said he would have more information on the financial software by the next meeting on November 15.

CALL FOR EXECUTIVE SESSION:

4.1) Mrs. Cox made a motion to go into executive session at 7:01 p.m. The motion was seconded by Mr. Rooney. Approved unanimously.

VOTE ON APPEALS:

5.) The meeting was called back to order at 7:24 p.m. Mr. Christiansen made the motion, which was seconded by Pat Rooney. Approved unanimously.

Appeal #1 - Mr. Christiansen made a motion to grant the appeal filed by an EBT member. Mr. Scarmardo seconded the motion. The vote was four ayes and one nay:

Thompson - Yes; Christiansen - Yes; Rooney - No; Scarmardo - Yes; Cox - Yes

Appeal #2 - Mr. Christiansen made a motion to deny the appeal filed by an EBT member. Mr. Rooney seconded the motion. Approved unanimously.

Appeal #3 - Mr. Christiansen made a motion to deny the appeal filed by an EBT member. Mr. Rooney seconded the motion. Approved unanimously.

Appeal #4 - Mr. Christiansen made a motion to deny the appeal filed by an EBT member. Mr. Rooney seconded the motion. Approved unanimously.

Appeal #5 - Mr. Christiansen made a motion to deny the appeal filed by an EBT member. Mr. Rooney seconded the motion. Approved unanimously.

6. SET DATE AND TIME FOR FUTURE TRUST MEETINGS:

6.1) October 2, 2017 (Special Meeting) - 3:00 p.m.

6.2) November 15, 2017 - 3:00 p.m.

6.3) February 21, 2018 - 3:00 p.m.

6.4) April 25, 2018 - 3:00 p.m.

FUTURE AGENDA ITEMS FROM TRUSTEES:

7.) Mr. Christiansen requested the Item 3.5 from today's meeting be addressed again at a future meeting.

FUTURE AGENDA ITEMS FROM BENEFIT CONSULTANT:

8.) No comments from Mr. Stewart.

ADJOURN:

9.) Mr. Rooney made a motion to adjourn the meeting at 7:28 p.m. The motion was seconded by Mr. Christiansen. Approved unanimously.

Respectfully submitted,

Kari Thompson, Chairman, LHUSD #1 Employee Benefit Trust