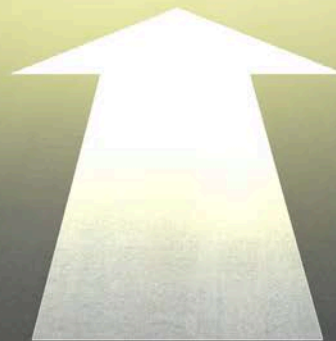




Annual Renewal Meeting

"Time and conditions change so rapidly that we must keep our aim constantly forward on the future."

- Walt Disney



February 07, 2018

2200 Havasupai Blvd.
Lake Havasu City, AZ 86403



LAKE HAVASU UNIFIED SCHOOL DISTRICT EMPLOYEE BENEFIT TRUST
BOARD OF TRUSTEES – NOTICE OF TRUST MEETING

Tuesday, February 07, 2018 8:00 a.m.
2200 Havasupai Blvd. – Governing Board Conference Room
Lake Havasu, AZ 86403

**MEMBERS OF THE LAKE HAVASU UNIFIED SCHOOL DISTRICT EMPLOYEE BENEFIT TRUST
BOARD OF TRUSTEES WILL ATTEND EITHER IN PERSON OR BY TELEPHONE CONFERENCE
CALL.**

The Board of Trustees (the "Board") of the Lake Havasu Unified School District Employee Benefit Trust (LHSEBT) may, by motion, recess into Executive Session for discussion and consultation with attorney(s) for the Board to receive legal advice on any item contained in this Agenda pursuant to ARS 38-431.03 (A)(3) or for discussion or consideration of records exempt by law from public inspection in accordance with ARS 38-431.03 (A)(2) on any item contained in this agenda.

AGENDA

- | | |
|------------------------------------------------------------|---------------------------------------|
| 1. Call to Order | Kari Thompson, Chairperson |
| 2. Roll Call | Naomi Morgan, Trust Secretary |
| 3. Pledge to the Flag | Kari Thompson, Chairperson |
| 4. Call to the Public | Kari Thompson, Chairperson |
| 5. Consent Agenda | Kari Thompson, Chairperson |
| 6. Opening Remarks | Erin Collins, ECA |
| 7. 2017 Medical Claims Review | Joyce Perez, Gilsbar |
| 8. 2017 Utilization and Case Management Review | Jeff Jennings, AHG |
| 9. 2017 Prescription Claims Review | Chris Schanz, National Cooperative Rx |
| 10. 2017 Dental Claims Review | Rich Hanna, Ameritas |
| 11. 2017 Vision Claims Review | James Totten, United Healthcare |
| 12. Discussion and Possible Action re Financial Statements | Mike Bonney, GDK CPA, LLC |
| 13. Review of Actuarial Rate Methodology and GASB Analysis | Michael Schionning, Cheiron |
| 14. Health and Wellness Clinic Review | Sharon Radetic, Cerner |

- | | |
|---------------------------------------------------------------------------------------------|----------------------------|
| 15. Discussion and Possible Action re Benefits and Rates | Erin Collins, ECA |
| 16. Discussion and Possible Action re Vendor Contract Amendments | Erin Collins, ECA |
| 17. Discussion and Possible Action re Strategic Plan | Erin Collins, ECA |
| 18. Approval of the November 15 Work Session and December 8, 2017 Executive Meeting Minutes | Kari Thompson, Chairperson |
| 19. Discussion and Possible Action re Election of Officers | Erin Collins, ECA |
| 20. Administrative Update | Jaime Schulenberg, ECA |
| 21. Future Agenda Items | Kari Thompson, Chairperson |
| 22. Set Next Meeting Date – February 21, 2018 | Kari Thompson, Chairperson |
| 23. Adjourn | Kari Thompson, Chairperson |

Note: Unless Otherwise Indicated, All Agenda Items Are Potential Action Items

Pursuant to the Americans with Disabilities Act (ADA), LHSEBT endeavors to ensure the accessibility of all its programs, facilities and services to all persons with disabilities. If you need an accommodation for this meeting, please contact Michael Murray at (928) 505-6937. Requests should be made as early as possible to arrange the accommodation.

PLEASE POST NO LATER THAN 8:00 A.M., TUESDAY, FEBRUARY 06, 2018

MEMORANDUM

TO: **LHSEBT Trustees**

FROM: **ERIN P. COLLINS & ASSOCIATES, INC. (ECA)**
Erin P. Collins, President

DATE: February 1, 2018

RE: Welcome and Meeting Summary

Welcome to the 2018-19 LHSEBT Annual Meeting. The process consists of three major elements:

1. A financial and operational look-back at the current plan/fiscal year and how the various elements to the plan are performing financially and otherwise;
2. Planning for the coming year (07/01/18 – 06/30/2019) including budget amounts and compiling those into rates; and
3. Setting priorities for various projects identified by ECA (and to which Trustees may add or subtract as well as rearrange) in terms of importance.

The last two items overlap a bit so we may find ourselves making final changes to the budget after the dust settles from our earlier discussions. However, the goal of all this is to leave the room with rates and benefits finalized and the Trust's priorities established for the coming year. If we are successful, which I fully expect we will be, both ECA's and various other vendors' "marching orders" will be in place for the remainder of the current fiscal year and continuing through June 30, 2019. Also, we will have time to coordinate changes with any vendors whose operations are impacted (revised SPD's, etc.). Additionally, District staff will have rates upon which to build their budget for the coming year and we will have time to arrange employee Open Enrollment and/or education meetings to meet the needs of District employees.

All of the above is standard with renewal processes for ECA clients. From ECA's perspective, this meeting is unusual only in the number and magnitude of projects to be reviewed and decided upon by the Trustees. Our expectation is that the size and substance of the list will be whittled down over the next one to two plan years as we all collaborate to repair deficiencies, determine the Trust's direction and revamp its administrative and financial operations. To that end, the packet included here includes the various presentations to be made by vendors as well as any needed supporting documentation. We very much look forward to meeting with all of you to complete the renewal process and chart a course for the Trust's future.

If you have any questions or need anything further from any of us, please do not hesitate to call or email me at 928.753.4700 x300 or erinp@ecollinsandassociates.com.

MEMORANDUM

TO: **LHSEBT Trustees**

FROM: **ERIN P. COLLINS & ASSOCIATES, INC. (ECA)**
Elena Lacy, Group Benefits Specialist

DATE: February 1, 2018

RE: 2017 Medical Claims Review

Please find attached a copy of Gilsbar's presentation which outlines the Trust's medical claims utilization for the period July – December 2017. Joyce Perez will be at the meeting to present and review this report with Trustees.

If you have any questions between now and the date of the meeting, I can be reached at (928) 753-4700 ext. 306 or via email at elenal@ecollinsandassociates.com.

Lake Havasu Employee Benefit Trust



Presented by: **Gilsbar**

Presented on: **February 7th, 2018**

Lake Havasu Employee Benefit Trust

Medical Plan Review

By Issued Plan Year

Paid Dollars				
1	2	3	4	5
Time Period	Medical Claims	Estimated Fixed Cost	Paid in Excess of Spec Ded	Net Plan Cost (1+2+3+4)
July 2014 - June 2015	\$2,353,456	\$637,507	(\$221,699)	\$2,769,264
July 2015 - June 2016	\$2,996,257	\$591,648	(\$41,261)	\$3,546,645
July 2016 - June 2017	\$2,692,732	\$570,634	(\$124,866)	\$3,138,500
July 2017 - Dec 2017	\$1,069,789	\$258,567	\$0	\$1,328,356

Paid Dollars (PMPM)				
1	2	3	4	5
Time Period	Medical Claims	Estimated Fixed Cost	Paid in Excess of Spec Ded	Net Plan Cost (1+2+3+4)
July 2014 - June 2015	\$219	\$59	(\$21)	\$257
July 2015 - June 2016	\$295	\$58	(\$4)	\$350
July 2016 - June 2017	\$282	\$60	(\$13)	\$329
July 2017 - Dec 2017	\$220	\$53	\$0	\$273

Analysis does not include prescription claims

Lake Havasu Employee Benefit Trust

Pareto Analysis

Issued July 2017 – Dec 2017

Bucket	Number of Members	Issued Dollars	Issued Dollars as % of Total	% Total Members	AZ BoB - Issued Dollars as % of Total	AZ BoB - % Total Members
> \$15,000	14	\$695,872	65%	2%	68%	2%
\$12,500 - \$15,000	2	\$27,248	3%	0%	3%	1%
\$10,000 - \$12,500	3	\$33,939	3%	0%	2%	1%
\$7,500 - \$10,000	5	\$43,632	4%	1%	4%	1%
\$5,000 - \$7,500	18	\$109,442	10%	2%	5%	2%
\$2,500 - \$5,000	12	\$41,429	4%	1%	6%	4%
0 - \$2,500	756	\$118,227	11%	93%	12%	89%
Total	810	1,069,789	100%	100%	100%	100%

Analysis does not include fees or prescription claims

Lake Havasu Employee Benefit Trust

Top Major Diagnostic Categories – Medical Claims Only

Issued July 2017 – Dec 2017

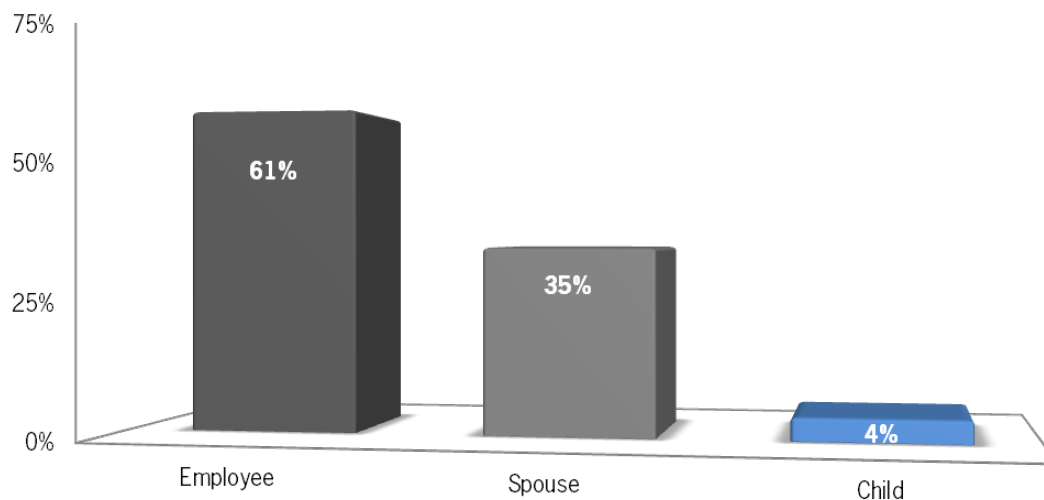
Major Diagnostic Category	Issued	PMPM	AZ Benchmark
Influencing	\$223,571	\$46	\$47
Neoplasms	\$146,369	\$30	\$24
Musculoskeletal	\$102,317	\$21	\$45
III-Defined	\$99,449	\$20	\$34
Genitourinary	\$97,068	\$20	\$19
Digestive	\$89,119	\$18	\$26
Infectious	\$83,060	\$17	\$9
Pregnancy	\$75,248	\$15	\$11
Injury or Poison	\$39,489	\$8	\$27
Circulatory	\$34,257	\$7	\$27
All Other MDC	\$79,840	\$16	\$58
Total	\$1,069,789	\$220	\$328

Analysis does not include fees or prescription claims

Lake Havasu Employee Benefit Trust

Employee vs Dependent Claims – Med Claims Only

Issued July 2017 – Dec 2017



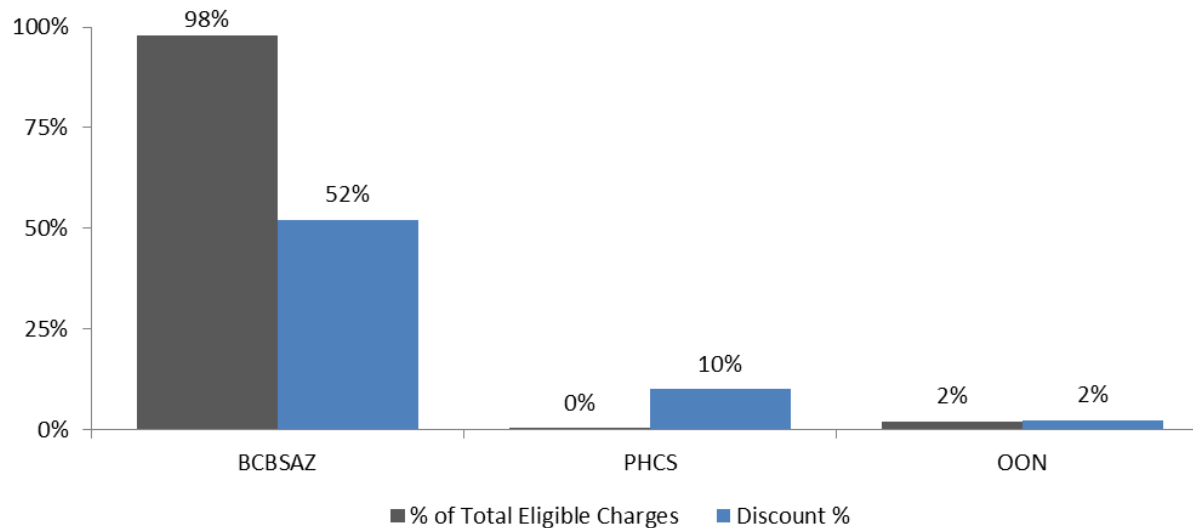
July 2017 - Dec 2017	Employee	Spouse	Child	Total
Total Med Issued	\$649,821	\$373,058	\$46,910	\$1,069,789
Percent of Total	61%	35%	4%	100%
Total Number of Members	495	115	200	810
PMPM	\$219	\$541	\$39	\$220
Benchmark Percent of Total	56%	28%	17%	100%
Benchmark PMPM	\$394	\$484	\$158	\$328

Analysis does not include fees or prescription claims

Lake Havasu Employee Benefit Trust

Discount Evaluation

Issued July 2017 – Dec 2017



Network	Eligible Charges	Discounts	Total Paid	% Disc
BCBSAZ	\$2,852,863	\$1,482,852	\$1,021,609	52%
PHCS	\$1,904	\$190	\$1,371	10%
INN - Subtotal	\$2,854,767	\$1,483,043	\$1,022,980	52%
OON	\$55,002	\$1,230	\$46,809	2%

Analysis does not include fees or prescription claims

Lake Havasu Employee Benefit Trust

EE/ER Cost Share

By Issued Plan Year

Employee Share	July 2015 - June 2016	July 2016 - June 2017	July 2017 - Dec 2017
Deductibles	\$168,435	\$277,037	\$172,789
Copays	\$111,768	\$91,885	\$48,527
Coinsurance	\$226,031	\$194,009	\$97,695
COB Savings	\$9,415	\$10,909	\$28,943
Total Employee Cost	\$515,649	\$573,840	\$347,954
PMPM	\$51	\$60	\$72
Employer Share	July 2015 - June 2016	July 2016 - June 2017	July 2017 - Dec 2017
Fixed Cost	\$591,648	\$570,634	\$258,567
Plan Med Paid Claims	\$2,996,257	\$2,692,732	\$1,069,789
Reinsurance Reimbursements	(\$41,261)	(\$124,866)	\$0
Total Employer Cost	\$3,546,645	\$3,138,500	\$1,328,356
PMPM	\$350	\$329	\$273
EE Share as % of Covered and Fixed	13%	15%	21%
ER Share as % of Covered and Fixed	87%	85%	79%

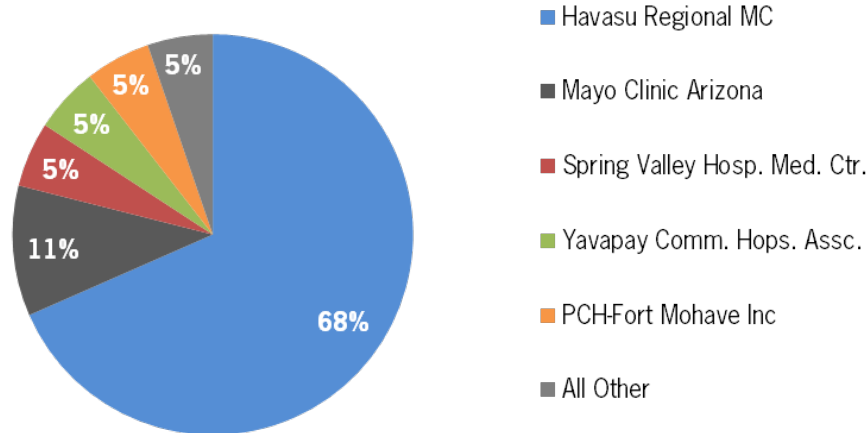
# of Employees	518	488	495
# of Members	845	796	810

Analysis does not include prescription claims

Lake Havasu Employee Benefit Trust

Inpatient Admits

Issued July 2017 – Dec 2017



Facility Name	Admits	Avg / Admit
Havasu Regional MC	13	\$6,303
Mayo Clinic Arizona	2	\$15,915
Spring Valley Hosp. Med. Ctr.	1	\$25,250
Yavapay Comm. Hops. Assc.	1	\$16,717
PCH-Fort Mohave Inc	1	\$3,211
All Other	1	\$532
Total	19	\$8,393

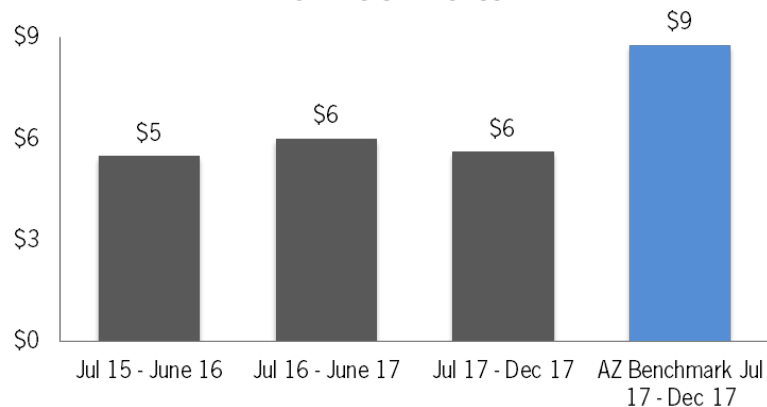
Analysis does not include fees or prescription claims

Lake Havasu Employee Benefit Trust

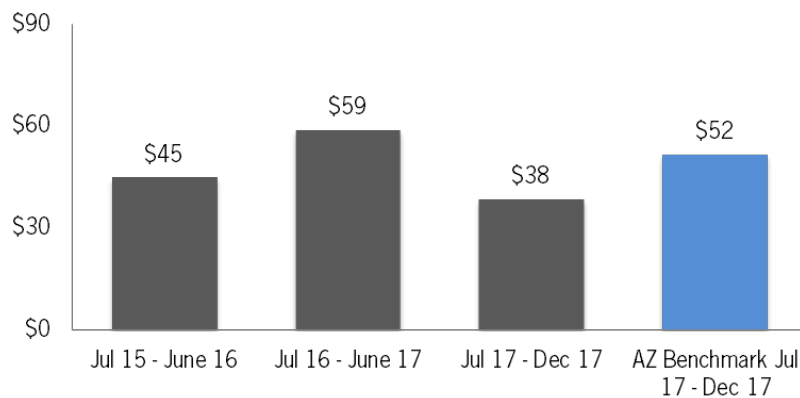
Utilization Analysis – PMPM Bases

By Issued Plan Year

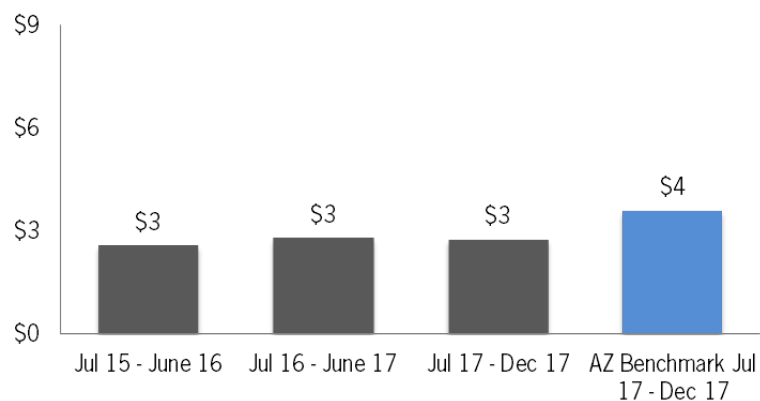
Office Visits



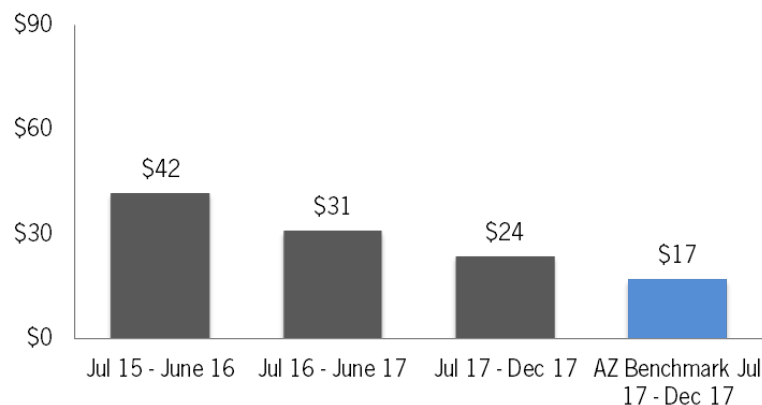
Inpatient Hospital



Routine Wellness Office Visits



Emergency Hospital

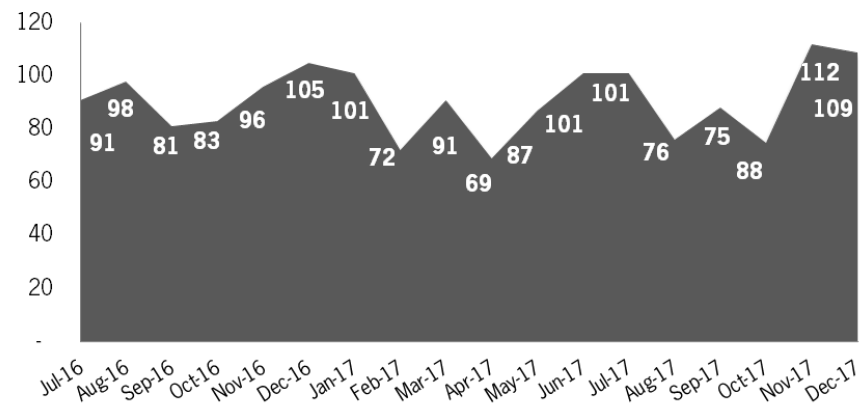


Lake Havasu Employee Benefit Trust

Customer Contact Calls and myGilsbar.com Logins

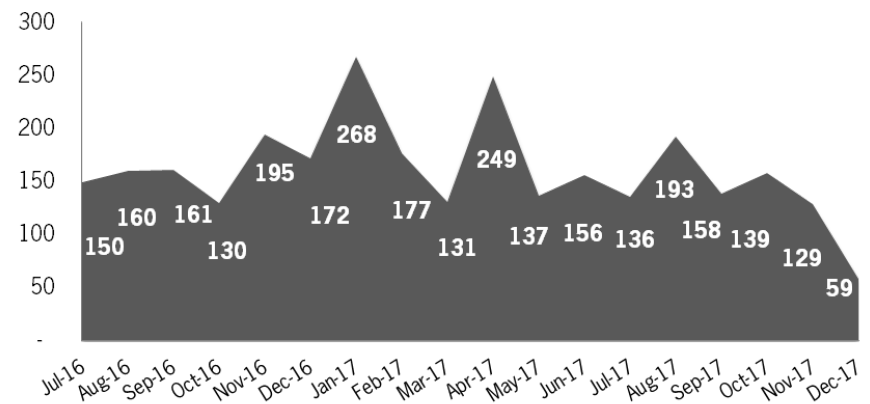
By Issued Plan Year

Customer Contact Calls



Average % of Total Members Contacting the CCC = 11%

myGilsbar.com Logins



Average % of Total Members Logging into myGilsbar.com = 20%

MEMORANDUM

TO: **LHSEBT Trustees**

FROM: **ERIN P. COLLINS & ASSOCIATES, INC. (ECA)**
Elena Lacy, Group Benefits Specialist

DATE: February 1, 2018

RE: 2017 Utilization and Case Management Review

Please find attached a copy of American Health Group's presentation which outlines the Trust's inpatient and case management utilization for the period January – December 2017. Jeff Jennings will be at the meeting to present and review this report with Trustees.

If you have any questions between now and the date of the meeting, I can be reached at (928) 753-4700 ext. 306 or via email at elenal@ecollinsandassociates.com.



LHUSD#1

American | **HEALTH**
| Group

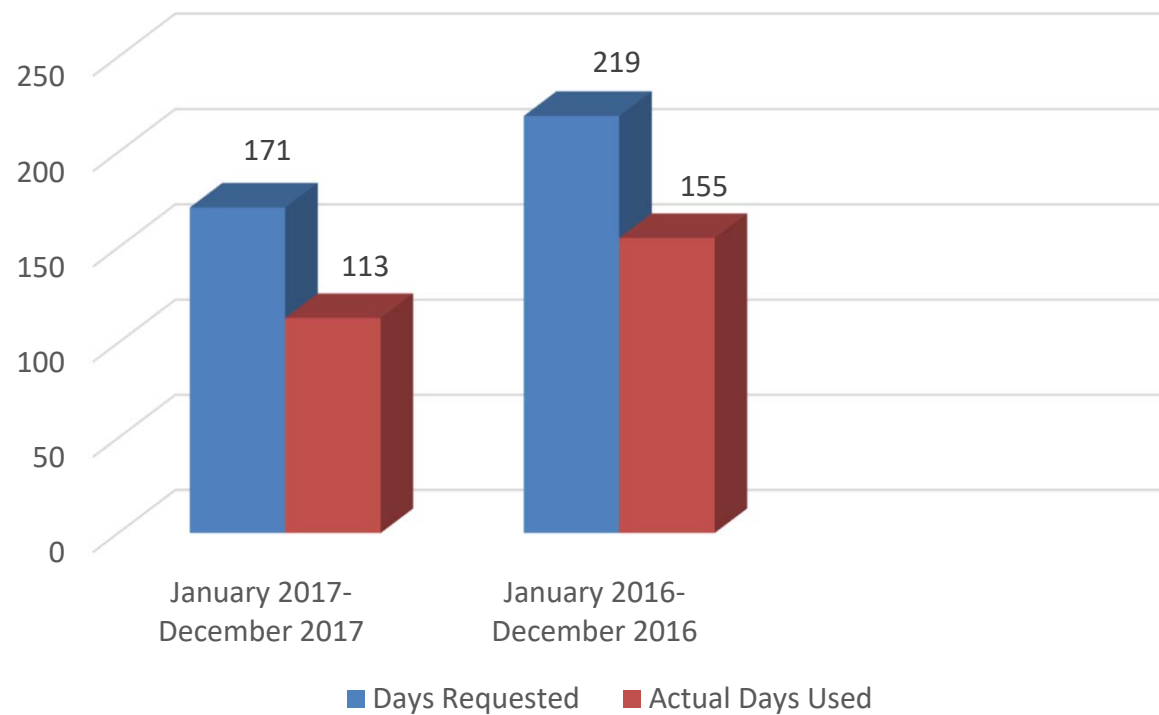
LAKE HAVASU UNIFIED SCHOOLS DISTRICT #1

INPATIENT SUMMARY REPORT

JANUARY 2017 - DECEMBER 2017

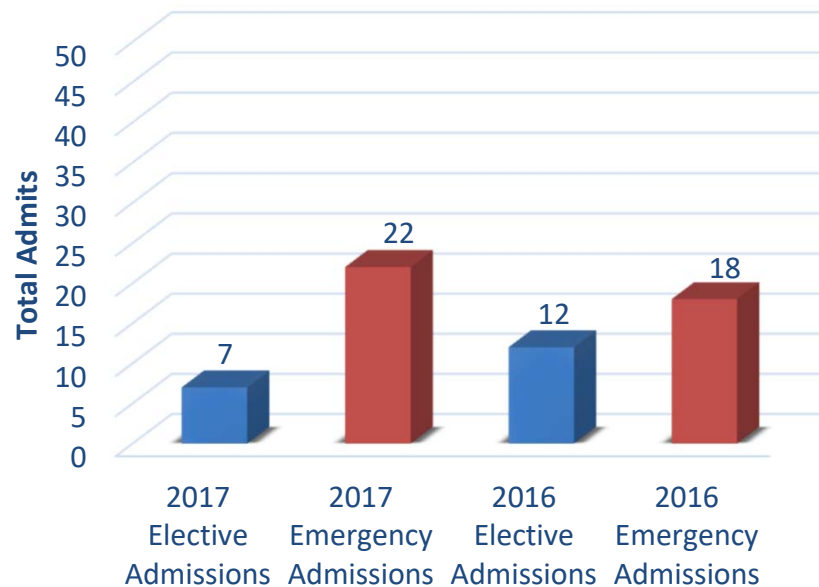
Inpatient Profile:	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	YTD Total
Admission Summary	0	6	3	1	2	4	5	1	1	2	0	4	29
Days Requested	0	29	20	14	16	23	32	4	3	7	0	23	171
Days Approved	0	17	14	12	12	15	22	2	1	3	0	15	113
Actual Days Used	0	17	14	12	12	15	22	2	1	3	0	15	113
Average LOS	0	2.83	4.67	12	6	3.75	4.4	2	1	1.5	0	3.75	3.90

Inpatient Admission Summary

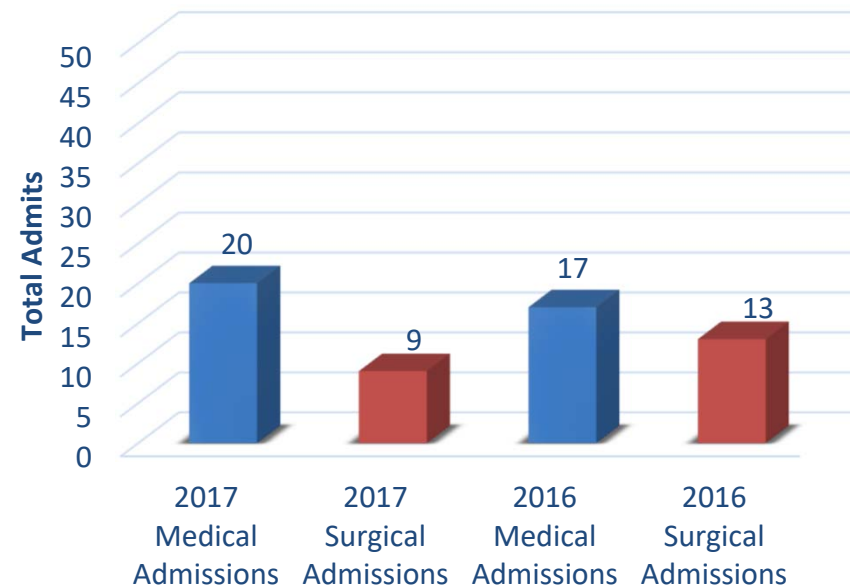


Inpatient Profile:	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	YTD Total
Elective Admits	0	2	0	0	0	2	0	0	1	2	0	0	7
Emergency Admits	0	4	3	1	2	2	5	1	0	0	0	4	22
Medical Admits	0	4	3	1	1	2	3	1	1	0	0	4	20
Surgical Admits	0	2	0	0	1	2	2	0	0	2	0	0	9
Projected Savings	\$0	\$7,200	\$3,600	\$1,200	\$2,400	\$4,800	\$6,000	\$1,200	\$1,200	\$2,400	\$0	\$4,800	\$34,800

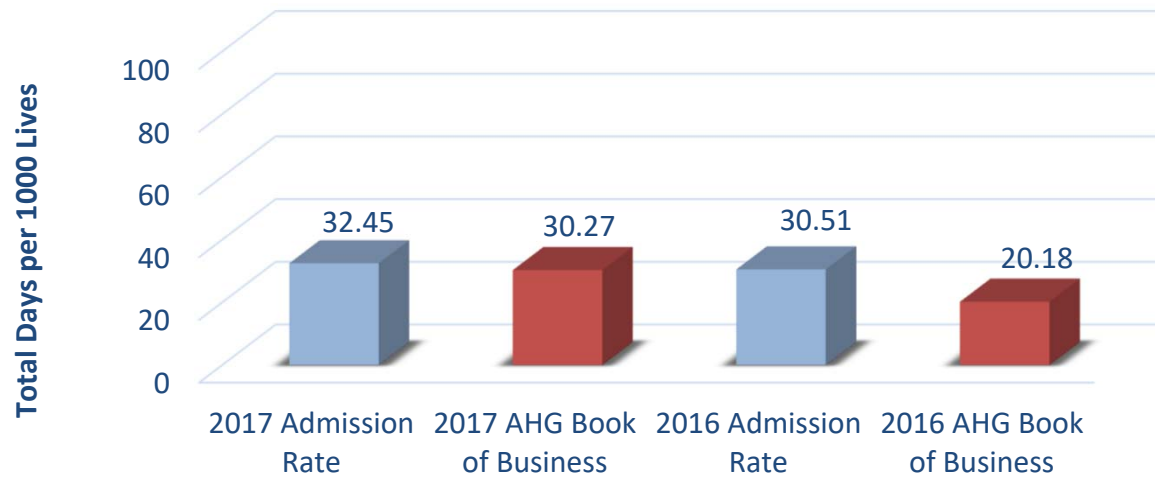
Admission Breakdown



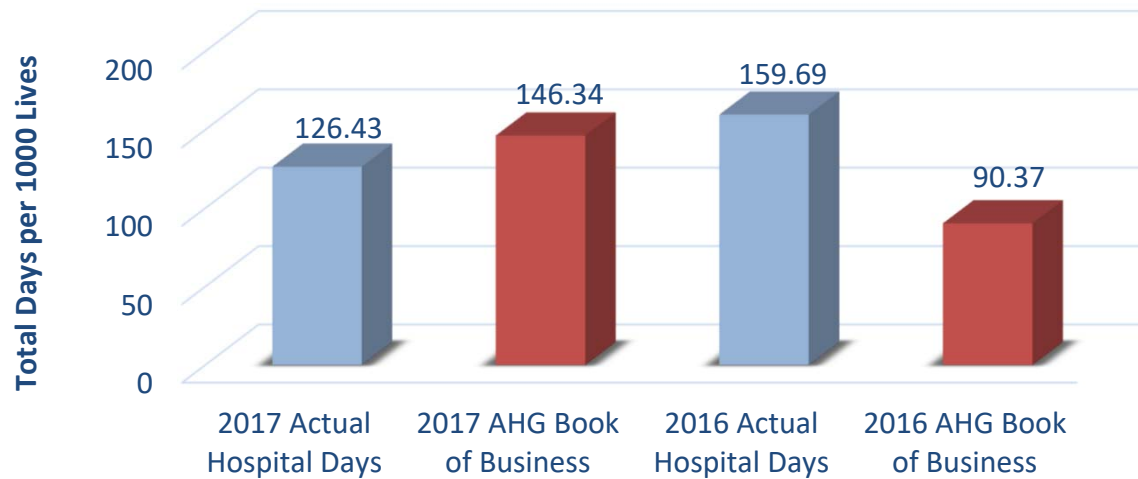
Admission Type Breakdown



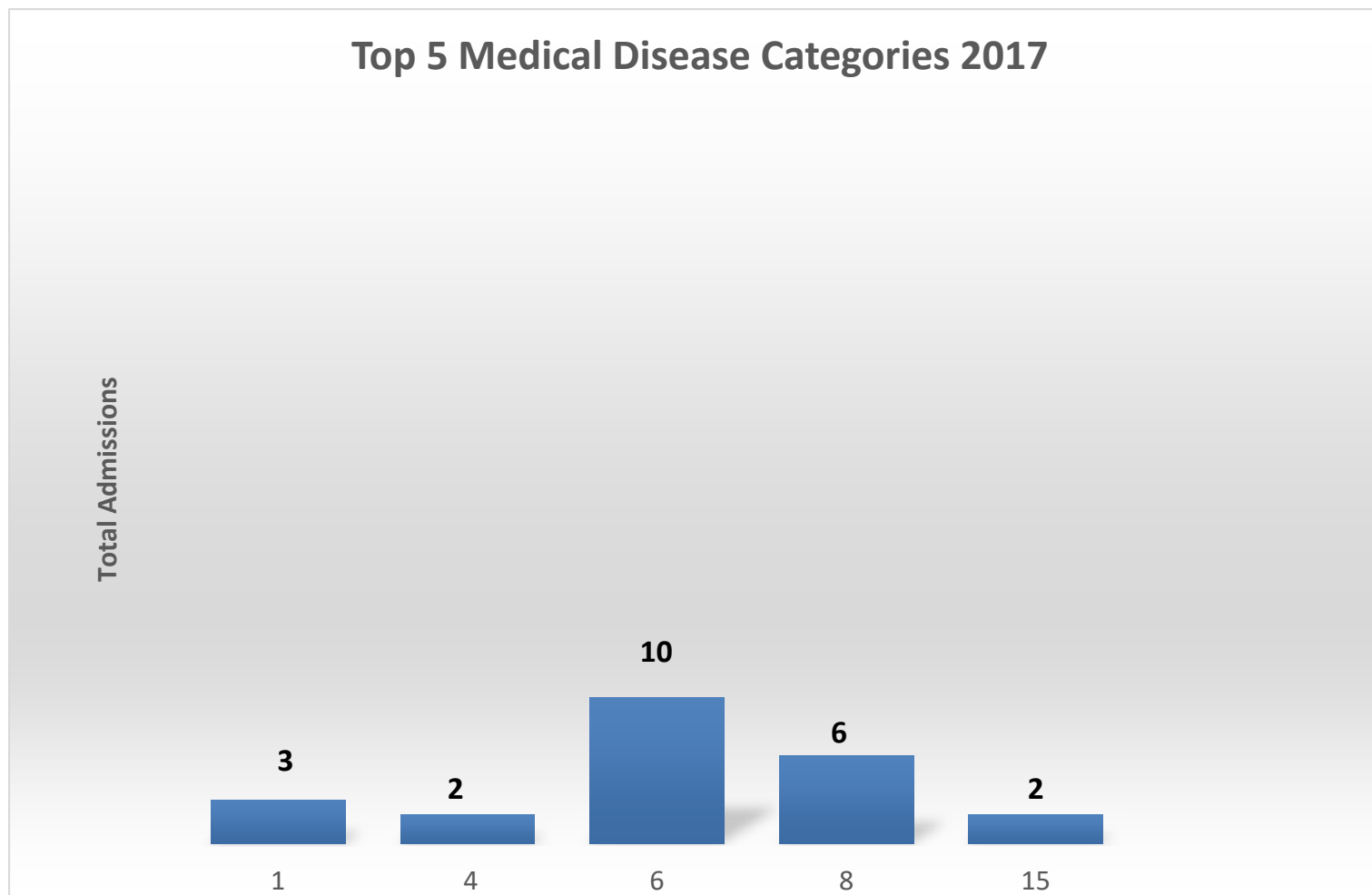
Admission Rate Benchmark



Hospital Days Benchmark



Top 5 Medical Disease Categories 2017



01 Diseases And Disorders Of The Nervous System

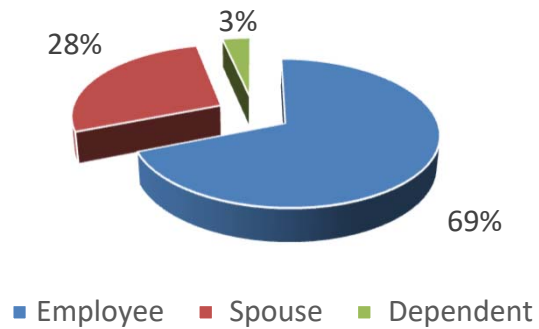
04 Diseases And Disorders Of The Respiratory System

06 Diseases And Disorders Of The Digestive System

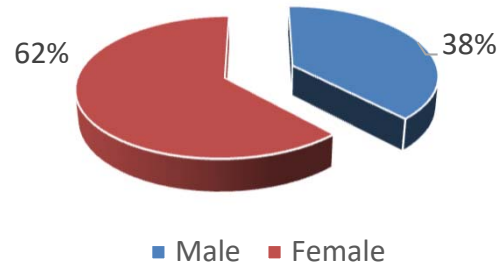
08 Diseases And Disorders Of The Musculoskeletal System And Connective Tissue

15 Newborns And Other Neonates With Conditions Originating In The Perinatal Period

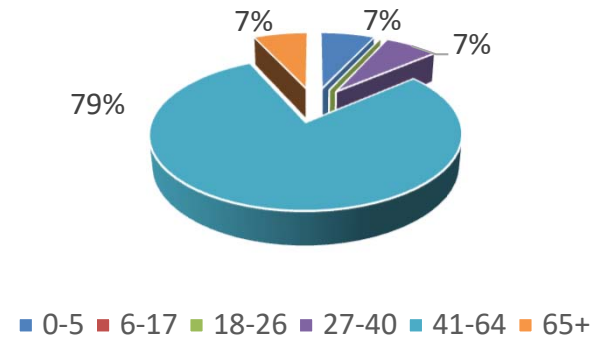
Utilization Profile 2017



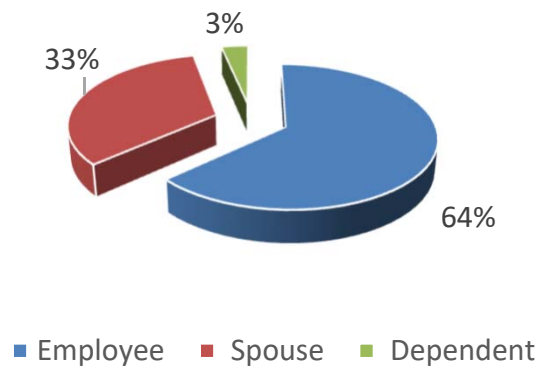
Gender Utilization Profile 2017



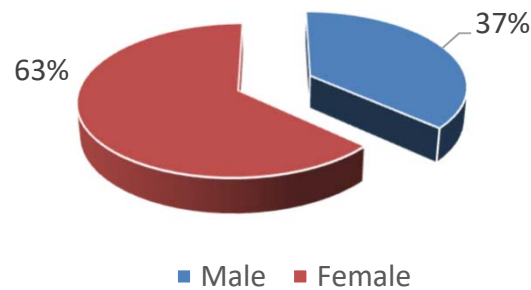
Age Utilization Profile 2017



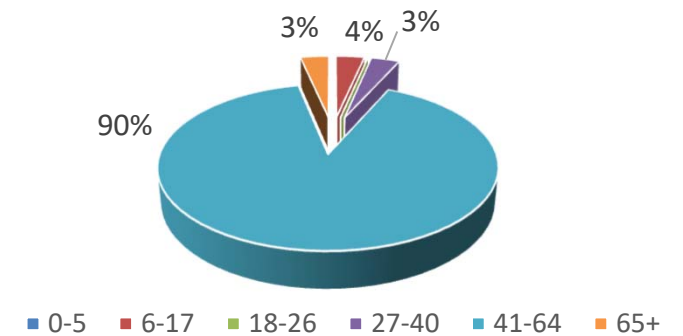
Utilization Profile 2016



Gender Utilization Profile 2016



Age Utilization Profile 2016





LHUSD#1

American | **HEALTH**
| Group

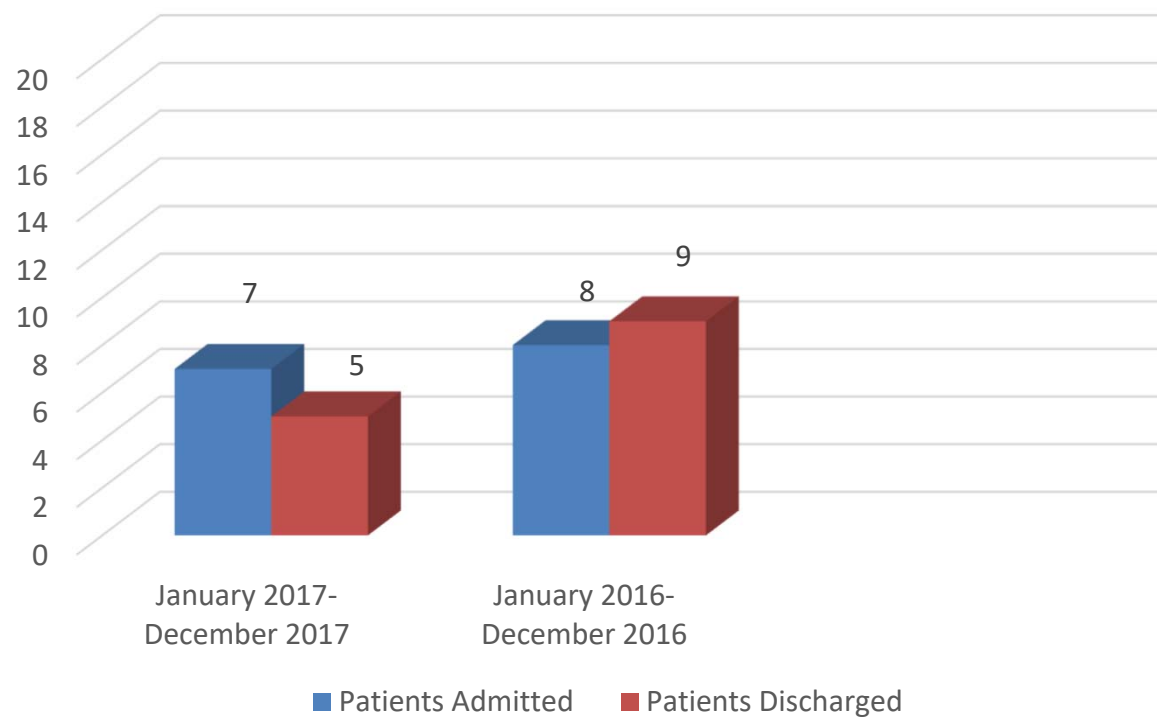
LAKE HAVASU UNIFIED SCHOOLS DISTRICT #1

CASE MANAGEMENT REPORT

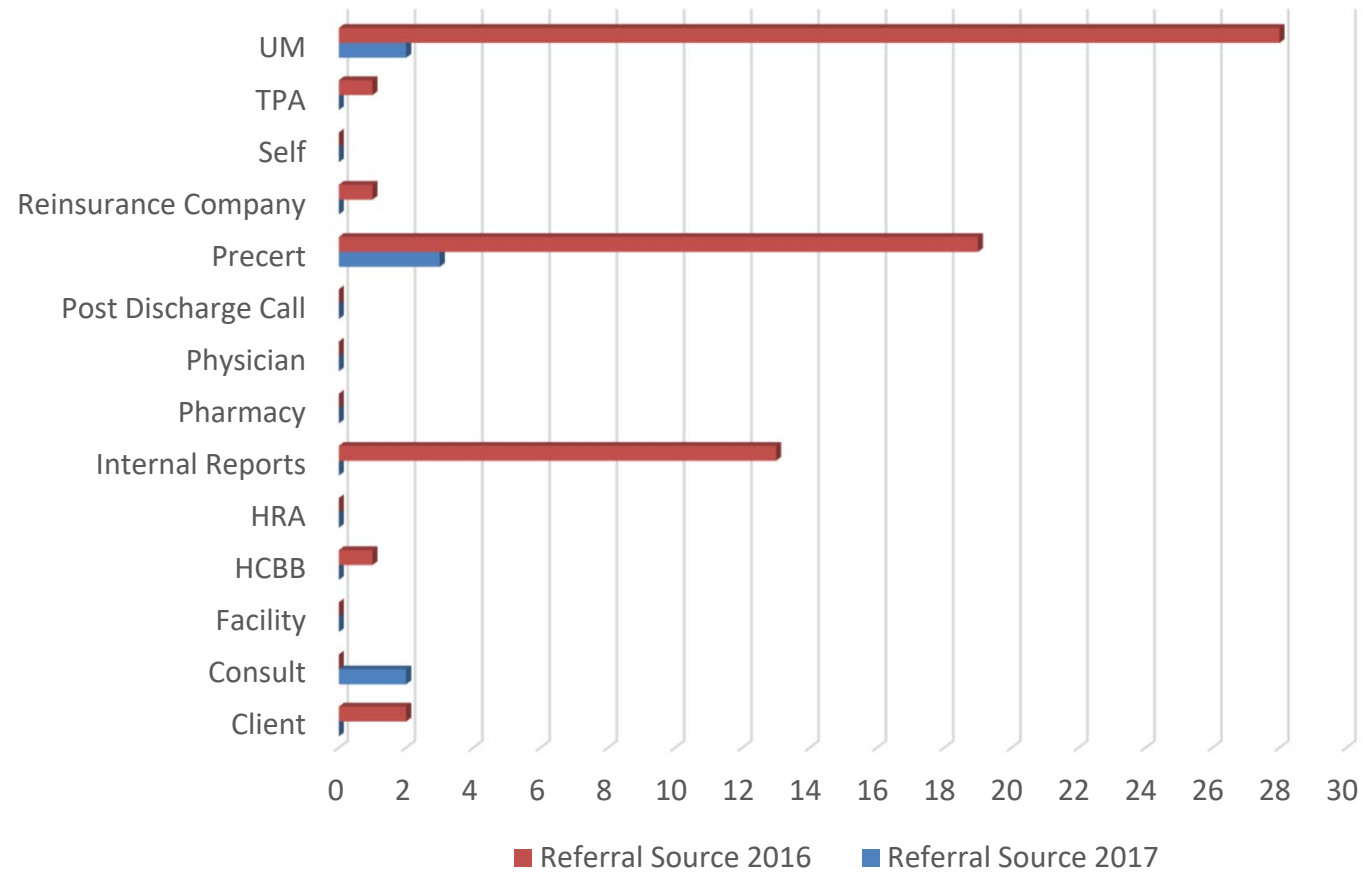
JANUARY 2017 - DECEMBER 2017

Population Profile:	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	YTD Total
Patients Admitted	0	1	1	0	1	1	1	0	1	0	1	0	7
Patients Discharged	0	0	1	0	0	1	0	0	2	0	1	0	5

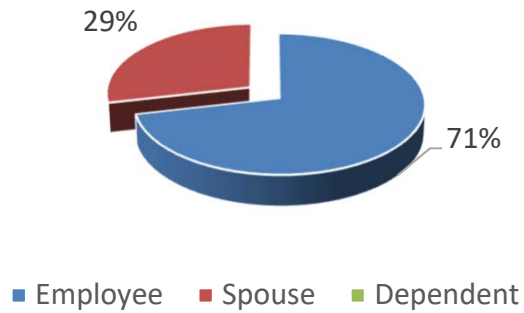
Case Management Summary



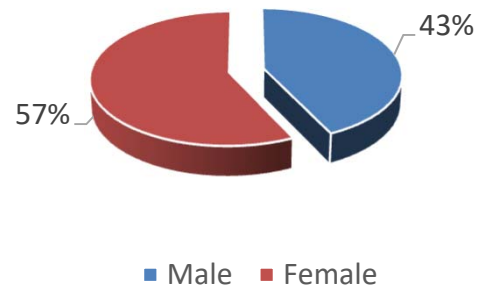
Case Management Referral Source



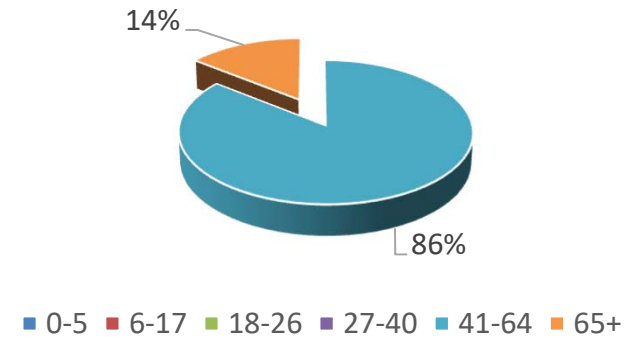
CM Admission Profile 2017



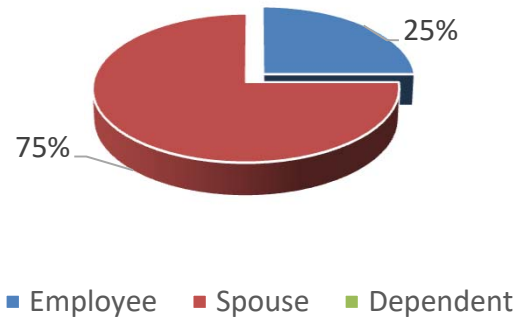
CM Gender Profile 2017



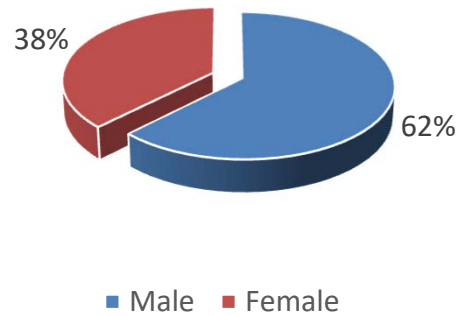
CM Age Profile 2017



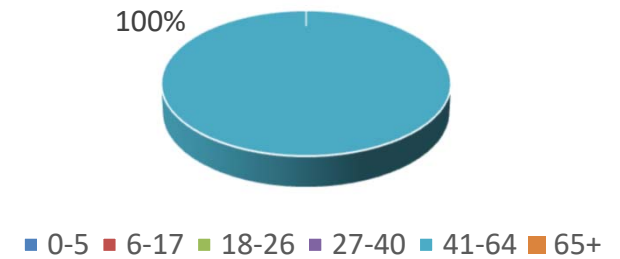
CM Admission Profile 2016



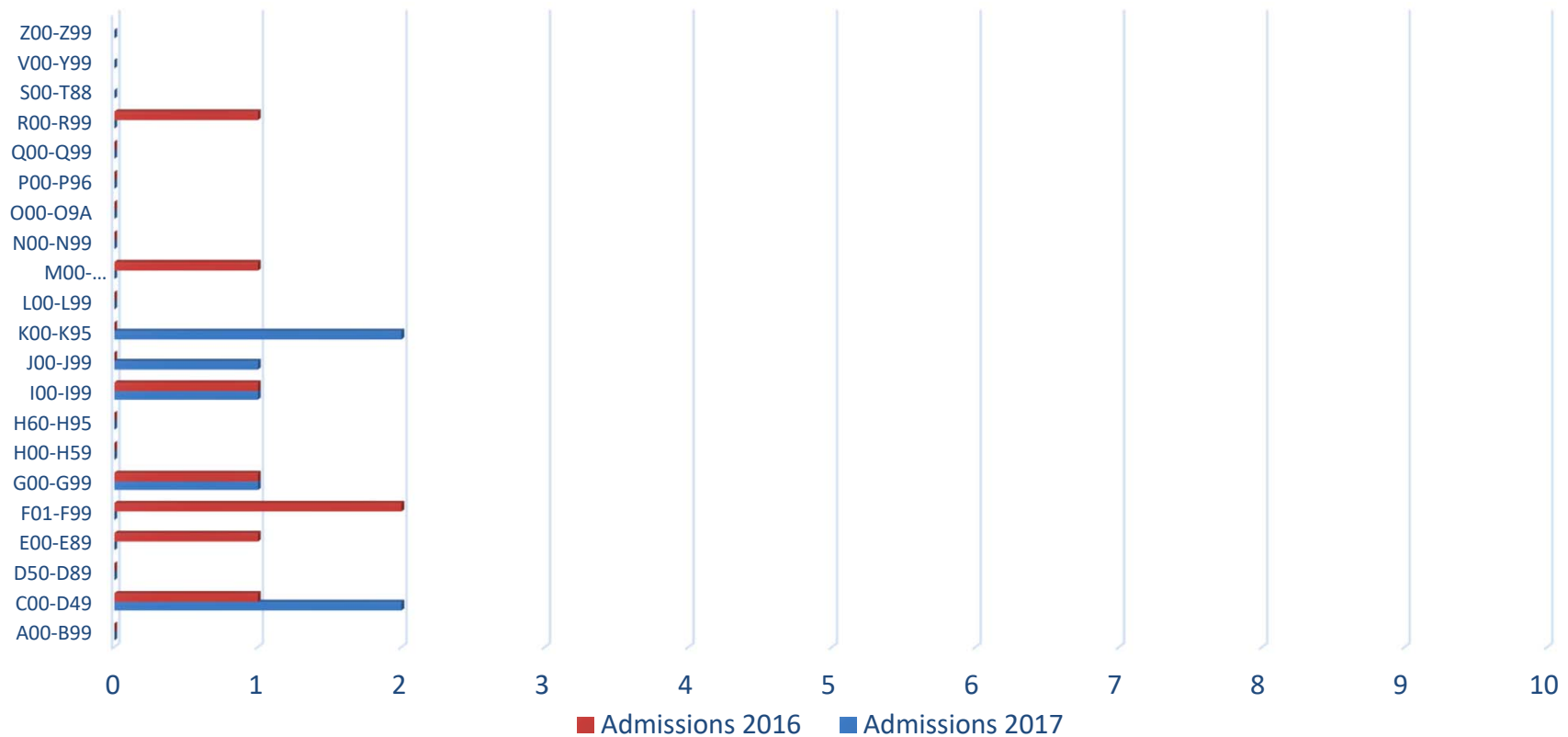
CM Gender Profile 2016



CM Age Profile 2016



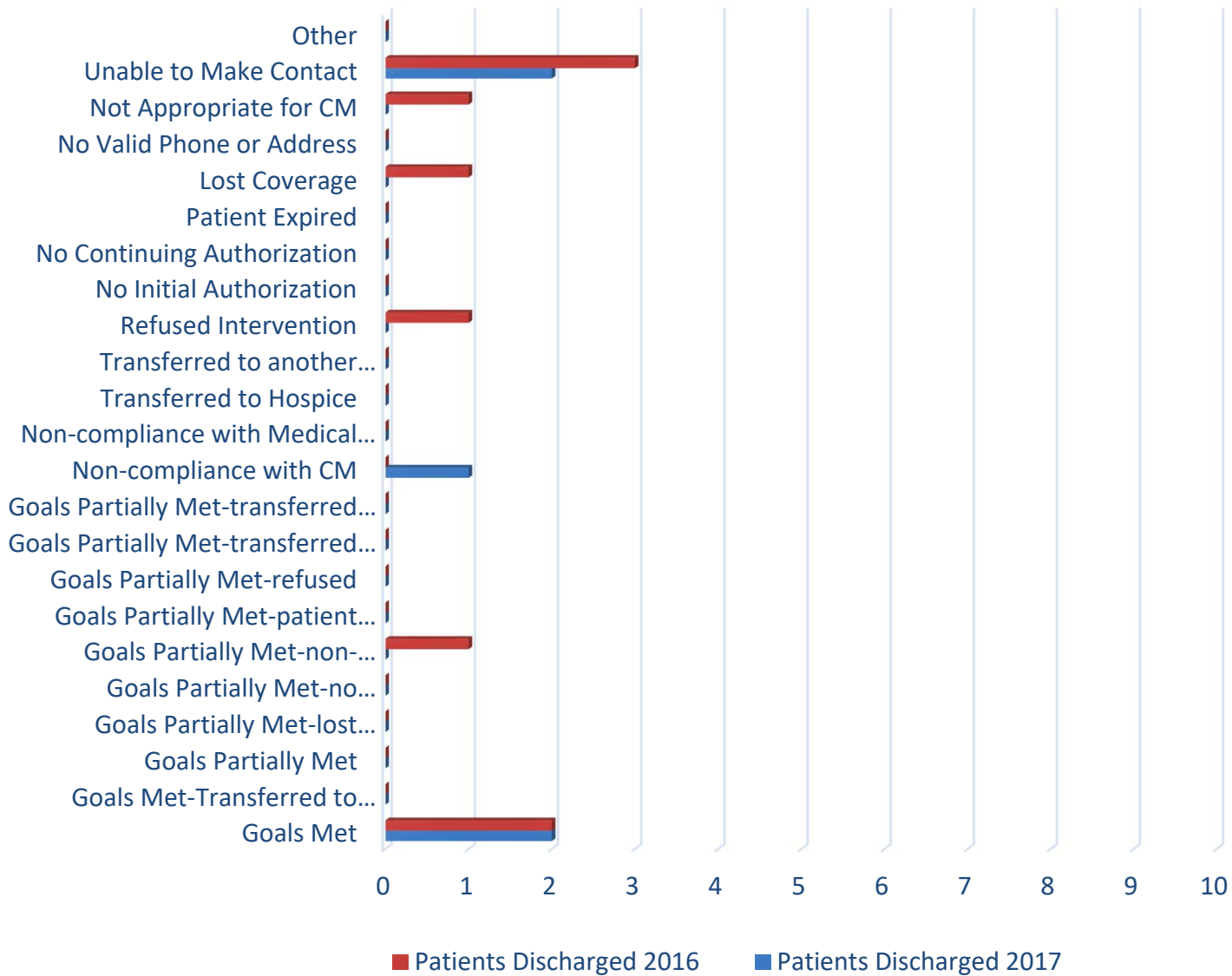
Case Management Admissions by ICD10 Category



(A00 –B99) Certain Infectious, Parasitic Diseases
(C00 -D49) Neoplasms
(D50 -D89) Diseases of Blood
(E00 -E89) Endoc, Nutrit, Metabolic
(F01 -F99) Mental, Behav, Neurodevelopmental
(G00 -G99) Diseases of the Nervous System
(H00 -H59) Diseases of the Eye
(H60 -H95) Diseases of the Ear
(I00 -I99) Disease of the Circulatory System
(J00 -J99) Diseases of the Respiratory System
(K00 -K95) Diseases of the Digestive System

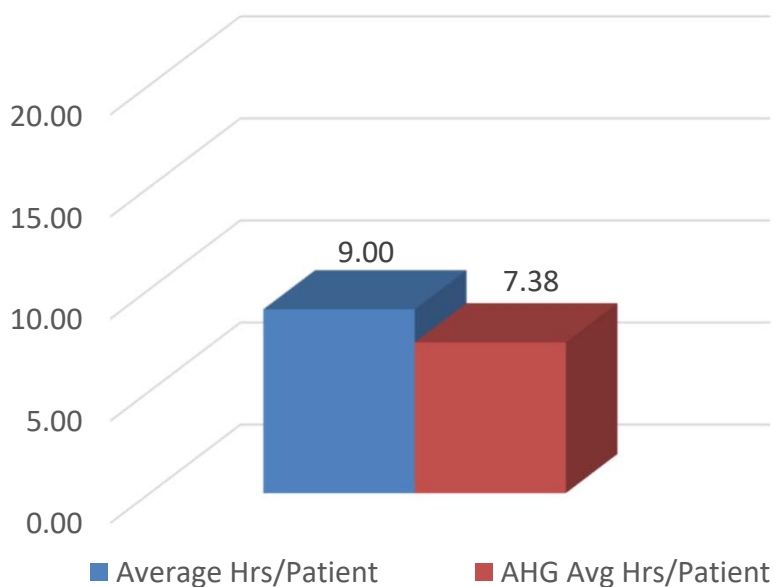
(L00 -L99) Diseases of the Skin and Sub Tissue
(M00 -M99) Diseases of the Musculoskeletal System
(N00 -N99) Diseases of the Genitourinary System
(O00 -O9A) Pregnancy, Childbirth, and the Puerperium
(P00 -P96) Certain Conditions Originating Perinatal Period
(Q00 -Q99) Congenital Malformations, Deformations
(R00 -R99) Symptoms, Signs, Abnormal Findings
(S00 -T88) Injury, Poisoning, External Causes
(V00 -Y99) External Causes of Morbidity
(Z00 -Z99) Factors Influencing Health Status

Patient Discharge Reason Summary

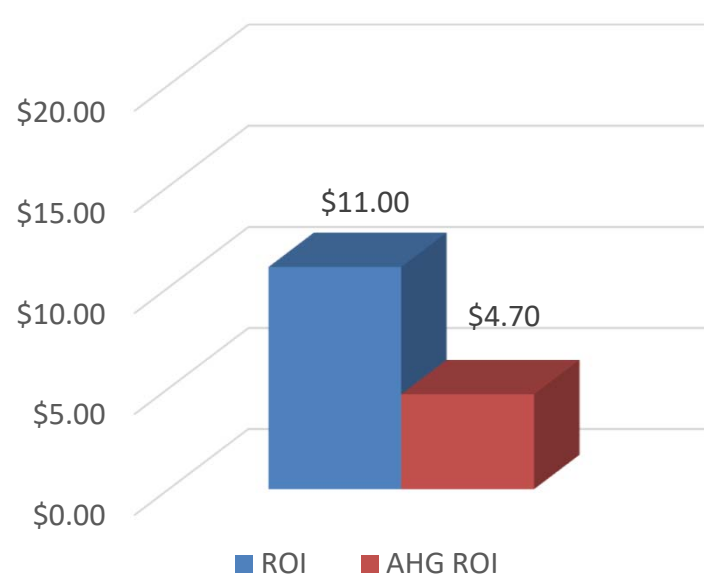


Population Profile:	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	YTD Total
Total Billed Hours	0.00	0.00	10.75	0.00	0.00	10.75	0.00	0.00	20.75	0.00	2.75	0.00	45.00
Average Hrs/Patient	0.00	0.00	10.75	0.00	0.00	10.75	0.00	0.00	10.38	0.00	2.75	0.00	9.00
AHG Avg Hrs/Patient	7.54	6.96	7.98	7.84	7.89	7.62	6.61	7.08	7.21	7.02	7.23	8.16	7.38
Projected Savings	\$0	\$0	\$9,425	\$0	\$0	\$28,925	\$0	\$0	\$11,425	\$0	-\$275	\$0	\$49,500
ROI	\$0.00	\$0.00	\$8.77	\$0.00	\$0.00	\$26.91	\$0.00	\$0.00	\$5.51	\$0.00	-\$1.00	\$0.00	\$11.00
AHG ROI	\$4.81	\$6.06	\$4.25	\$4.93	\$4.40	\$5.25	\$4.33	\$4.38	\$5.04	\$4.13	\$4.56	\$4.75	\$4.70
Average LOS	0.00	0.00	197.00	0.00	0.00	107.00	0.00	0.00	137.50	0.00	78.00	0.00	131.40
AHG Average LOS	140.04	113.24	132.67	163.11	148.25	135.54	131.78	130.74	147.96	165.08	138.26	140.49	140.74

Average Hours Per Patients
January 2017 – December 2017



Return-on-Investment (ROI)
January 2017 – December 2017



Case Management- \$2.50 savings for every \$1 spent on CM. Source: January 2011
Healthcare Intelligence Network Case Management Survey

MEMORANDUM

TO: **LHSEBT Trustees**

FROM: **ERIN P. COLLINS & ASSOCIATES, INC. (ECA)**
Elena Lacy, Group Benefits Specialist

DATE: February 1, 2018

RE: 2017 Prescription Claims Review

Please find attached a copy of National Cooperative Rx's presentation which outlines the Trust's prescription claims utilization for the period January – December 2017. Chris Schanz will be at the meeting to present and review this report with Trustees as well as the handouts attached.

If you have any questions between now and the date of the meeting, I can be reached at (928) 753-4700 ext. 306 or via email at elenal@ecollinsandassociates.com.



**L.H. Unified
School District #1**
Employee Benefit Trust

February 7, 2018

Christopher Schanz
Strategic Account Executive

National Cooperative 

Cooperative Mission



We believe employees and their families deserve access to reasonably priced drugs that contribute to their good health. As a not-for-profit prescription drug purchasing cooperative, our participants will be assured of access to high-quality, cost-effective prescription drugs.

We further believe employers and employees can make wise choices when presented with complete prescription drug plan information and, therefore, we are committed to providing consumer education.

2017 Rx Plan Performance

Gross Cost	\$	1,176,735
Net Cost (Plan Paid)	\$	1,117,583
Member Paid (5% of Total)	\$	59,152

Number of Prescriptions	4,820
Generic Dispensing Rate	82.7%

2017 Rx Plan Performance

Specialty Medications

Gross Cost	\$	682,407 (58% of Total Gross Cost)
Net Cost (Plan Paid)	\$	678,337
Member Paid	\$	4,070 (0.6% of Total)

Number of Prescriptions 97

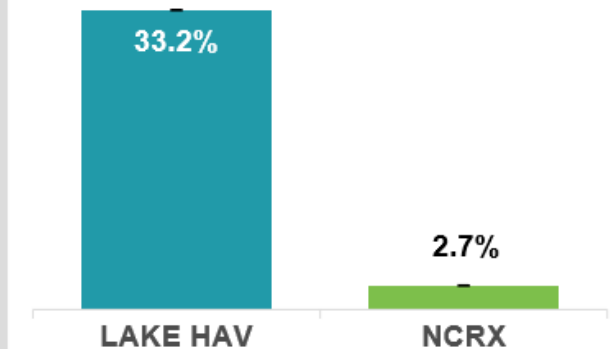
Executive Summary



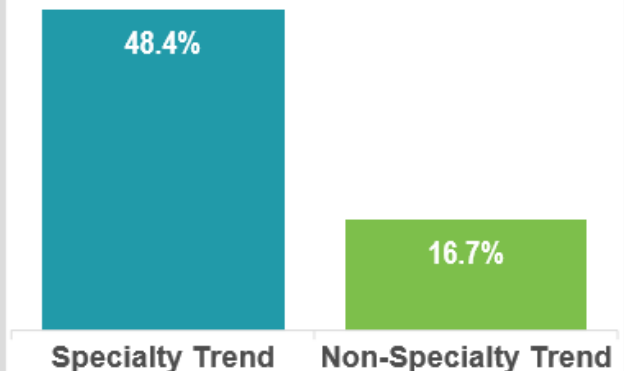
SNAPSHOT

Eligibility	Jan-Dec 16	% Change	Jan-Dec 17	NCRX
Average Eligible Members per Month	906	-9.4%	821	
Avg. Monthly Utilizers as % of Members	23.3%	6.2%	24.7%	30.2%
Average Member Age	39.4	-0.6%	39.1	34.2
Cost				
Total Gross Cost	\$974,889	20.7%	\$1,176,735	
Total Net Cost	\$908,652	23.0%	\$1,117,583	
Gross Cost PMPY	\$1,076	33.2%	\$1,433	\$1,097
Net Cost PMPY	\$1,003	35.7%	\$1,361	\$986
Member Cost Share	6.8%	-26.0%	5.0%	10.1%
Drug Mix				
% Single Source Brands	17.1%	-8.9%	15.6%	12.7%
% Multi Source Brands	1.2%	50.5%	1.7%	1.0%
Generic Dispensing Rate	81.7%	1.1%	82.7%	86.3%
Generic Substitution Rate	98.6%	-0.7%	97.9%	98.8%
Utilization				
Total Prescriptions	5,181	-7.0%	4,820	
% Retail Prescriptions	76.8%	-3.1%	74.4%	80.5%
% Mail Prescriptions	0.6%	-34.9%	0.4%	7.2%
% Retail 90 Prescriptions	22.6%	11.6%	25.2%	12.2%
Days' Supply PMPY	230	7.2%	247	319
Specialty				
Specialty Total Gross Cost	\$507,478	34.5%	\$682,407	
Specialty Utilizers as % of Members	1.0%	108.4%	2.1%	1.3%
Specialty Gross Cost PMPY	\$560	48.4%	\$831	\$436
Specialty % of Total Gross Cost	52.1%	11.4%	58.0%	39.7%
Specialty % of Total Prescriptions	1.3%	53.3%	2.0%	1.1%
% Specialty Member Cost Share	0.8%	-28.4%	0.6%	2.4%
% Non-Specialty Member Cost Share	13.3%	-16.0%	11.1%	

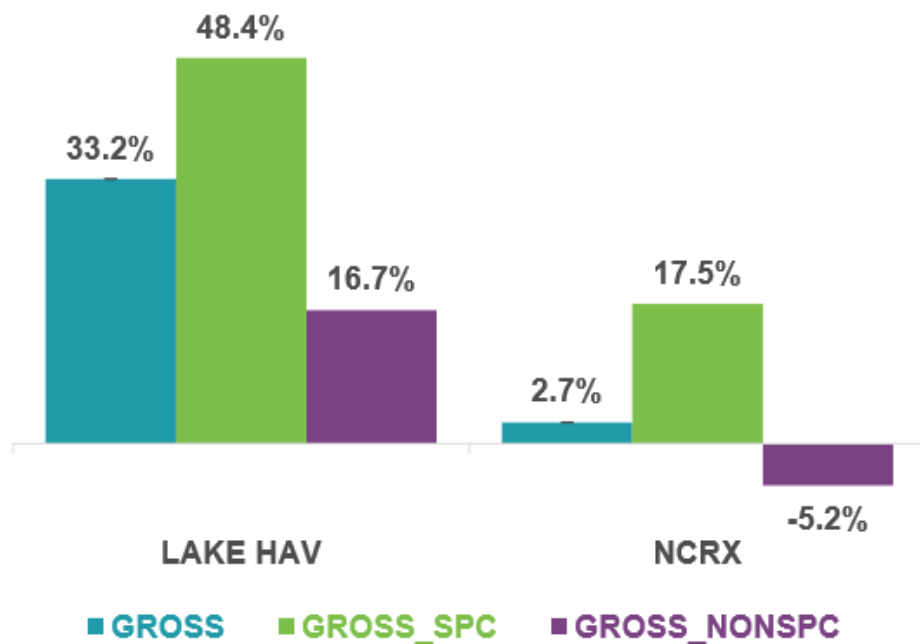
YOUR GROSS TREND



YOUR SPECIALTY VS. NON-SPECIALTY TREND



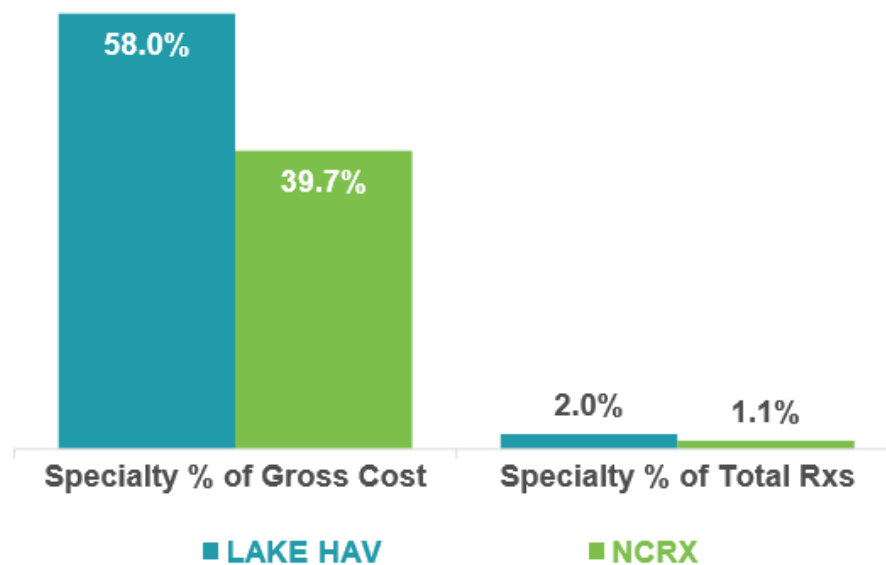
YOUR GROSS TREND



Trend

Page 3 of your Handout

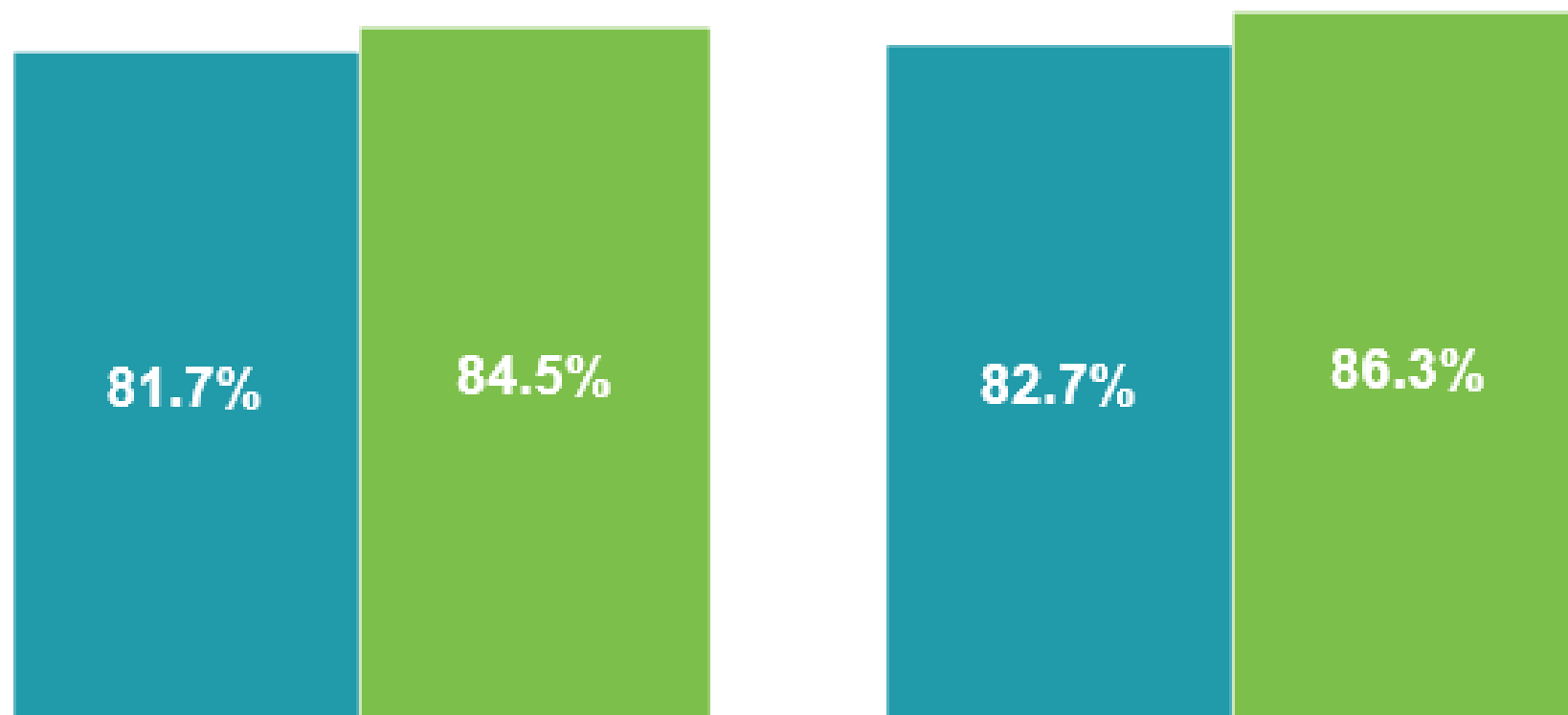
SPECIALTY PHARMACY COST & UTILIZATION



Specialty Pharmacy

GENERIC

GENERIC DISPENSING RATE



■ LAKE HAV

■ NCRX

TOP THERAPEUTIC CLASS

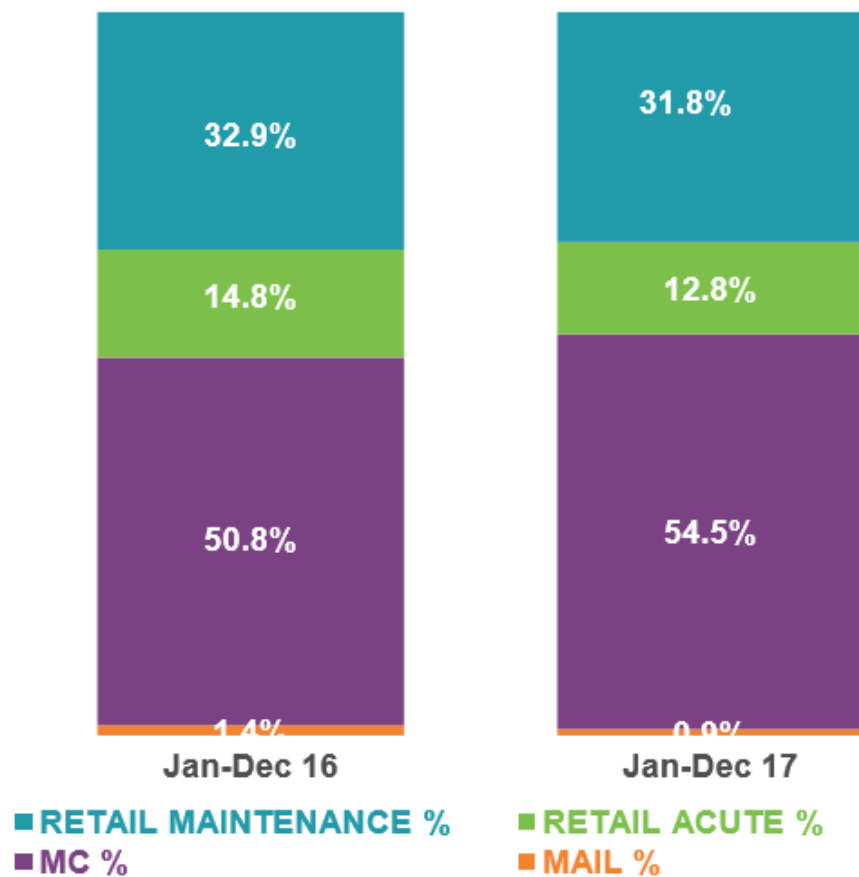
Therapeutic Class	Total Gross Cost	Gross Cost PMPY	Gross Trend	GDR (Client Specific)	Total Distinct Utilizers
Respiratory Agents - Misc.	\$296,101	\$360.66	3.2%	0.0%	1
Analgesics - Anti-Inflammatory	\$168,831	\$205.64	608.0%	77.6%	77
Antidiabetics	\$151,630	\$184.69	45.2%	27.9%	38
Antivirals	\$81,236	\$98.95	1374.5%	93.2%	45
Anti-Infective Agents - Misc.	\$58,366	\$71.09	20.4%	82.5%	33

Page 4 of your Handout

PHARMACY CHOICE

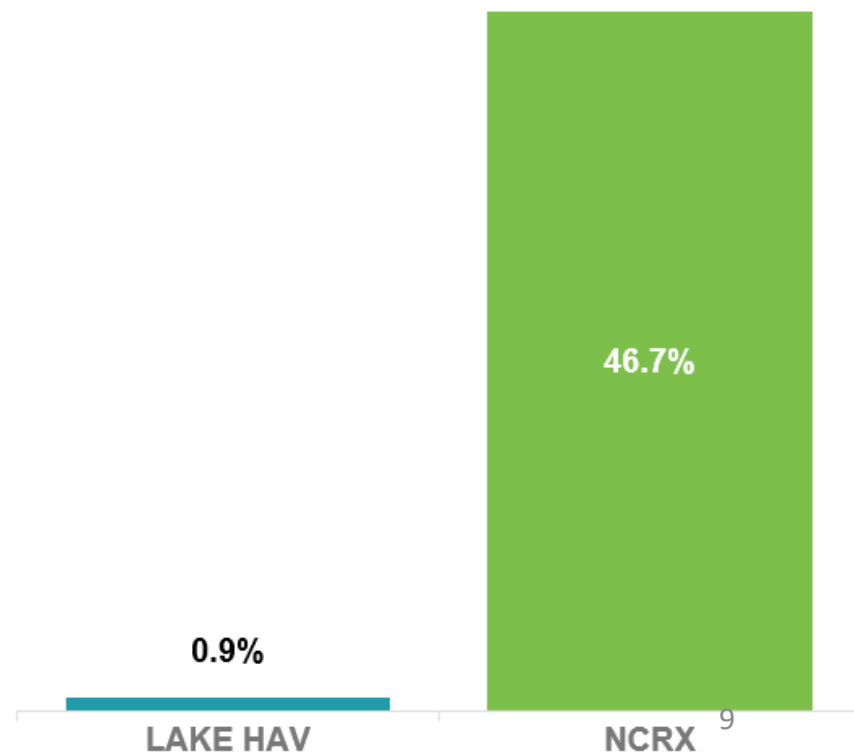
	Jan-Dec 16	% Change	Jan-Dec 17	NCRX Jan-Dec 17
Total Prescriptions	5,181	-7.0%	4,820	
% Retail Prescriptions	76.8%	-3.1%	74.4%	80.5%
% Mail Prescriptions	0.6%	-34.9%	0.4%	7.2%
% Retail 90 Prescriptions	22.6%	11.6%	25.2%	12.2%

YOUR NON SPECIALTY DAYS' SUPPLY



Page 9 of your Handout

YOUR % DAYS' SUPPLY AT 90-DAY MAIL PRICING*

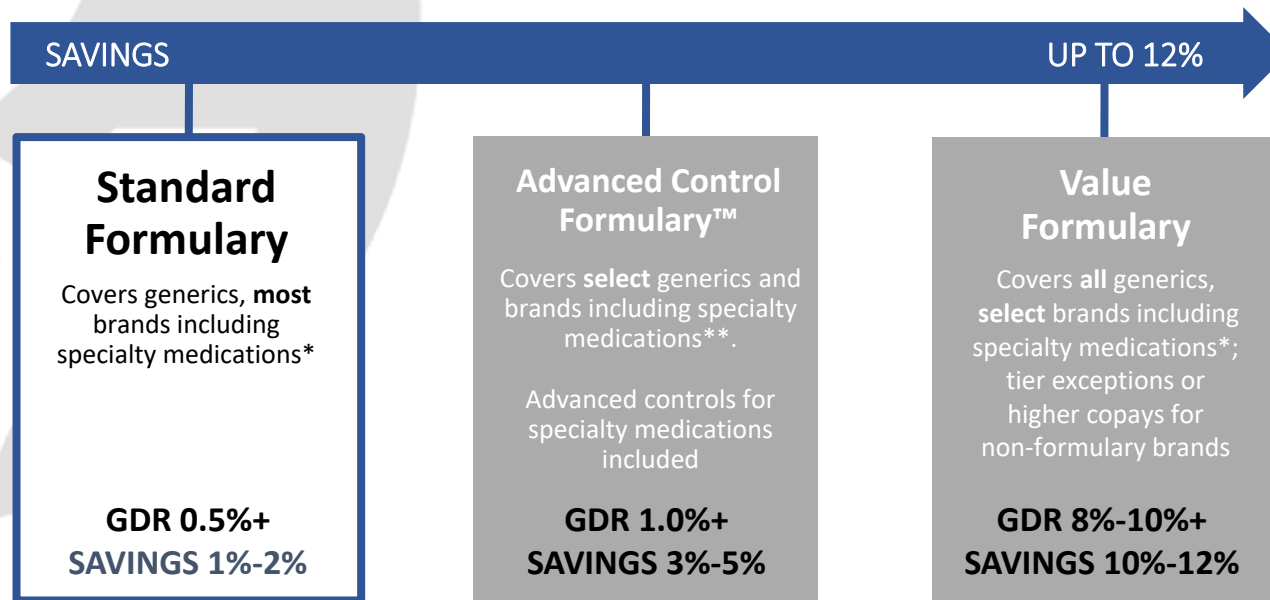




Cooperative Wide Updates

- ❑ **\$1,500 Claim Threshold**
- ❑ **Network Pharmacy Removals**
- ❑ **Select Brands with an Authorized Generic**
- ❑ **Medical Foods**
- ❑ **Select Kaléo Products**
- ❑ **Stop Excessive Quantities of Diabetic Test Strips**
- ❑ **Opioid Management**
- ❑ **Periodontal anti-infectives: Arestin**
- ❑ **Metformin ER**
- ❑ **Omeprazole Sodium Bicarbonate**

Multiple Formulary Options to Align with Your Strategic Approach



*Advanced Control Specialty Formulary™ optional
**Advanced Control Specialty Formulary embedded

- GDR (Generic dispensing rate).
- Savings projections based on CVS/caremark data. Individual results will vary based on plan design, formulary status, demographic characteristics and other factors. Client-specific modeling available upon request.

35192D



Proposed Formulary Impact

Advanced Control Formulary

16 members ; 20 Rx

DULERA
FLUOXETINE HCL
ACCU-CHEK COMPACT
PLUS
DULERA
DUREZOL
FLOVENT HFA
FLOVENT HFA
NEVANAC
PRED MILD

Proposed Formulary Savings

	Number of Claims	Current Formulary Rebate Amount	Current Rebate	Advanced Control Formulary	Proposed Rebate	Difference
Retail	3,489	\$11.27	\$39,321.03	\$15.49	\$54,044.61	\$14,723.58
Mail	20	\$39.62	\$792.40	\$54.48	\$1,089.60	\$297.20
Retail 90	1,214	\$24.79	\$30,095.06	\$34.08	\$41,373.12	\$11,278.06
Specialty	97	\$826.55	\$80,175.35	\$826.55	\$80,175.35	\$0.00
	4,820		\$ 150,383.84		\$ 176,682.68	\$26,298.84

Estimated savings due to Drug Transitions: \$23,500

Total Estimated Savings: \$49,798

Specialty Cost Share Tier

ORKAMBI: \$ 20,000 a Fill

Current Plan Design

Member Pays (w/ Coupon)	\$	16
Manufacturer Pays	\$	49
Plan Pays	\$	19,935

Specialty Tier (10%)

Member Pays (w/ Coupon)	\$	500
Manufacturer Pays	\$	1,500
Plan Pays	\$	18,000

Pharmacy Coupons Discount Card

1. Put this card in your wallet.
2. Bring it to the pharmacy.
3. Save money off your prescription!

BIN: 005947
GRP: 5395DGT
PCN: CLAIMCR
UID: BBL717945

Save up to 75% off prescriptions
This card is not insurance.

Cooperative Wide Recommendations

- **\$1,500 Claim Threshold.** We recommend an additional level of surveillance for non-specialty claims exceeding \$1,500. These high-dollar, non-specialty claims will require a review by one of the Cooperative's on-staff pharmacists prior to adjudication, which may include dose, quantity, days' supply and/or billable amounts.
-
- **Plan Exclusions.** Last year, the Cooperative rolled out its initial recommended plan exclusions to supplement CVS/caremark's formulary strategies. Member-owner groups on average saved between \$13 and \$17 per member per year from these. The products below will be added to the plan exclusion list and National CooperativeRx will coordinate notifications to impacted individuals and their respective prescribers.
 - **Select Brands with an Authorized Generic.** The term "authorized generic" is most commonly used to describe an approved, brand name drug that is marketed at a generic product price point without the brand name label. Point-Of-Sale messaging will be used to help guide product selection for pharmacies.
 - **Medical Foods.** The FDA does not regulate medical foods as drugs and they are not subject to any regulatory requirements that specifically apply to drugs. Medical foods must be formulated to be consumed or administered entirely under the supervision of a physician, but there is no prescription requirement. Consequently, medical foods would no longer be covered under the prescription drug benefit.
 - **Select Kaléo Products.** These products are already considered formulary exclusions for member-groups who have adopted a formulary management strategy. Kaléo uses \$0.00 copay card programs to entice consumers to obtain their high-cost products while plan sponsors are left paying the rest. Point-Of-Sale pharmacy messaging will be used to guide product selection.
 - Auvi-Q (epinephrine auto-injector)
 - Evzio (naloxone auto-injector)
 -
- **Utilization Management (UM) to Stop Excessive Quantities of Diabetic Test Strips.** Reportedly, some plan participants are abusing this system by obtaining hundreds to thousands of test strips at a time under their pharmacy benefit and distributing them to others or selling them online for profit. CVS/caremark's criteria will initially allow 200 strips per month.
- **Opioid Management.** In response to the opioid epidemic, National CooperativeRx is working with CVS/caremark to roll out utilization management strategies for its member-owner groups that leverage a combination of quantity limits and prior authorizations for various opioids. A recent survey found that nearly 1 in every 3 people in the U.S. has been personally affected by prescription drug abuse.

- **Periodontal anti-infectives:**

Example: Arestin (minocycline microspheres). For reduction of pocket depth in patients with adult periodontitis. More applicable to dental benefit since administration is to be done by an oral health care provider (dentist). Exclusion from the pharmacy benefit will prevent migration of claims from the dental benefit. Similar products already have distribution limited directly to oral health care providers. Claim costs range from \$100 to \$10,000.

- **Metformin ER** – See letter in email

- **Omeprazole Sodium Bicarbonate** – See letter in email.

Lake Havasu Schools Employee Benefits Trust - Rebates & Patronage Summary

Carrier: 4929
Effective: 10/1/2011



REBATES

	Q1 Rebate Amount	Q2 Rebate Amount	Q3 Rebate Amount	Q4 Rebate Amount	Total
2011				\$7,684.44	\$7,684.44
2012	\$8,314.19	\$8,104.47	\$6,157.48	\$6,309.23	\$28,885.37
2013	\$6,813.46	\$6,172.51	\$5,398.74	\$12,608.04	\$30,992.75
2014	\$9,998.86	\$9,733.11	\$8,891.96	\$9,166.93	\$37,790.86
2015	\$9,759.20	\$9,557.40	\$9,757.16	\$10,376.84	\$39,450.60
2016	\$24,601.99	\$22,451.10	\$20,262.76	\$22,195.85	\$89,511.70
2017	\$27,362.38	\$33,514.54			\$60,876.92

Rebate True-Up

2011 & 2012 (pd in 2014)	\$15,346.70
2013 (pd in 2015)	\$15,308.86
2014 (pd in 2016)	\$37,760.10
2015 (pd in 2017)	\$71,861.17

PATRONAGE

	Cash	Equity	Total Dividend
2011	\$276.74	\$645.71	\$922.45
2012	\$350.47	\$817.76	\$1,168.23
2013	\$969.91	\$0.00	\$969.91
2014	\$418.72	\$977.00	\$1,395.72
2015	\$784.23	\$1,829.88	\$2,614.11
2016	\$599.60	\$1,399.06	\$1,998.66

Lake Havasu ACF
9/1/2017 - 1/22/2018

Carrier ID	Carrier Name	Formulary ID - Claim	Product/Drug Name	Product/Drug Label Name	Drug Labeler Name	GPI 2 Group Name Code	GPI 2 Group Name Desc	Brand/Generic/Specialty Breakout	Multi-Source Brand/Single-Source Brand/Generic	Drug Legal Status Code	OTC Indicator	Member Prior Authorization Number	Total Utilizers	Total Rx	Total Dispensed Unit Quantity	Total Days Supply	Total Copay Amount	Total Net Cost	Total Drug Cost	Total Ingredient Cost Paid	Total AWP
4929	WISRX-LAKE HAVASU SCHOOLS	1550	DULERA	DULERA INH 200-5MCG	MERCK SHARP & DOHME	44	ANTIASTHMATIC AND BRONCHODILATOR AGENTS	Brand	SSB	RX	N		1	1	13	30	\$35.00	\$256.88	\$291.88	\$291.13	\$348.66
4929	WISRX-LAKE HAVASU SCHOOLS	1550	FLUOXETIN E HCL	FLUOXETIN E TAB 60MG	ALMATICA	58	ANTIDEPRESSANTS	Brand	SSB	RX	N		1	1	30	30	\$35.00	\$256.63	\$291.63	\$290.88	\$348.36
4929	WISRX-LAKE HAVASU SCHOOLS	1555	ACCU-CHEK COMPACT PLUS	ACCU-CHEK TES COMPLUS	ROCHE DIAGNOSTICS	94	DIAGNOSTIC PRODUCTS	Brand	SSB	OTX	Y	HK180103131	1	1	153	38	\$15.00	\$225.01	\$240.01	\$239.36	\$288.39
4929	WISRX-LAKE HAVASU SCHOOLS	1555	DULERA	DULERA INH 100-5MCG	MERCK SHARP & DOHME	44	ANTIASTHMATIC AND BRONCHODILATOR AGENTS	Brand	SSB	RX	N		1	2	26	60	\$70.00	\$513.76	\$583.76	\$582.26	\$697.32
4929	WISRX-LAKE HAVASU SCHOOLS	1555	DULERA	DULERA INH 200-5MCG	MERCK SHARP & DOHME	44	ANTIASTHMATIC AND BRONCHODILATOR AGENTS	Brand	SSB	RX	N		2	2	26	60	\$70.00	\$513.76	\$583.76	\$582.26	\$697.32
4929	WISRX-LAKE HAVASU SCHOOLS	1555	DUREZOL	DUREZOL EMU 0.05% OP	NOVARTIS	86	OPHTHALMIC AGENTS	Brand	SSB	RX	N		1	1	5	50	\$70.00	\$97.48	\$167.48	\$166.73	\$199.68
4929	WISRX-LAKE HAVASU SCHOOLS	1555	FLOVENT HFA	FLOVENT HFA INH 110MCG/A	GLAXO SMITH KLINE	44	ANTIASTHMATIC AND BRONCHODILATOR AGENTS	Brand	SSB	RX	N		2	2	24	90	\$105.00	\$356.46	\$461.46	\$459.96	\$550.84
4929	WISRX-LAKE HAVASU SCHOOLS	1555	FLOVENT HFA	FLOVENT HFA INH 44MCG/AC	GLAXO SMITH KLINE	44	ANTIASTHMATIC AND BRONCHODILATOR AGENTS	Brand	SSB	RX	N		1	4	42	120	\$140.00	\$559.25	\$699.25	\$696.35	\$835.27
4929	WISRX-LAKE HAVASU SCHOOLS	1555	FLUOXETIN E HCL	FLUOXETIN E TAB 60MG	ALMATICA	58	ANTIDEPRESSANTS	Brand	SSB	RX	N		2	2	180	180	\$210.00	\$1,462.12	\$1,672.12	\$1,672.12	\$2,090.16
4929	WISRX-LAKE HAVASU SCHOOLS	1555	FLUOXETIN E HCL	FLUOXETIN E TAB 60MG	ALMATICA	58	ANTIDEPRESSANTS	Brand	MSB	RX	N		1	1	90	90	\$105.00	\$731.06	\$836.06	\$836.06	\$1,045.08
4929	WISRX-LAKE HAVASU SCHOOLS	1555	NEVANAC	NEVANAC SUS 0.1% OP	NOVARTIS	86	OPHTHALMIC AGENTS	Brand	SSB	RX	N		2	2	6	37	\$100.00	\$404.47	\$504.47	\$503.07	\$604.32
4929	WISRX-LAKE HAVASU SCHOOLS	1555	PRED MILD	PRED MILD SUS 0.12% OP	ALLERGAN	86	OPHTHALMIC AGENTS	Brand	SSB	RX	N		1	1	5	14	\$35.00	\$103.79	\$138.79	\$138.14	\$166.43
													16	20	600	799	990	5,481	6,471	6,458	7,872

MEMORANDUM

TO: **LHSEBT Trustees**

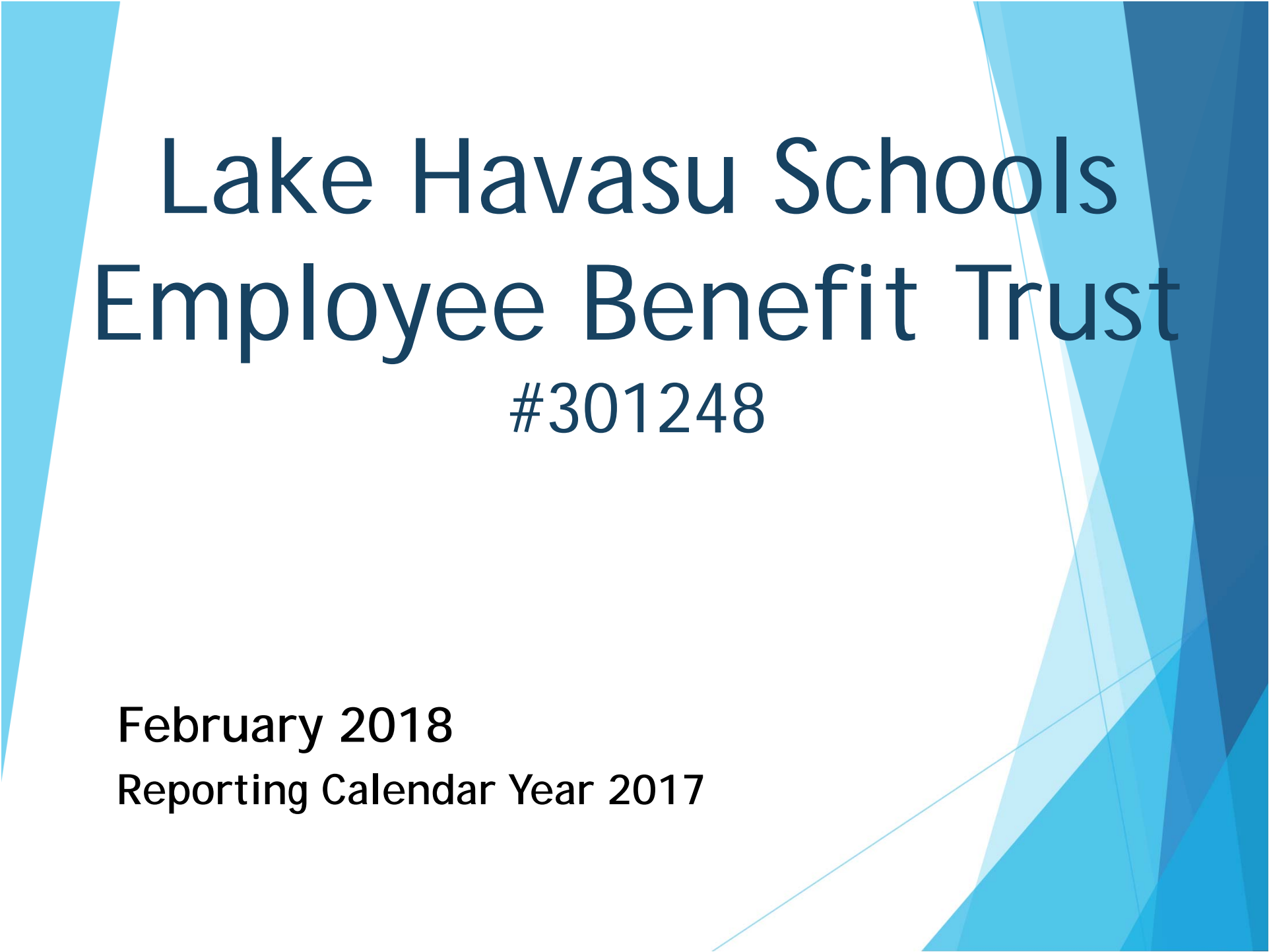
FROM: **ERIN P. COLLINS & ASSOCIATES, INC. (ECA)**
Elena Lacy, Group Benefits Specialist

DATE: February 1, 2018

RE: 2017 Dental Claims Review

Please find attached a copy of Ameritas' presentation which outlines the Trust's dental claims utilization for the period January – December 2017. Rich Hanna will be at the meeting to present and review this report with Trustees.

If you have any questions between now and the date of the meeting, I can be reached at (928) 753-4700 ext. 306 or via email at elenal@ecollinsandassociates.com.

The background features abstract, overlapping geometric shapes in various shades of blue, including light blue, medium blue, and dark blue. These shapes are primarily located on the left and right sides of the page, framing the central text.

Lake Havasu Schools Employee Benefit Trust

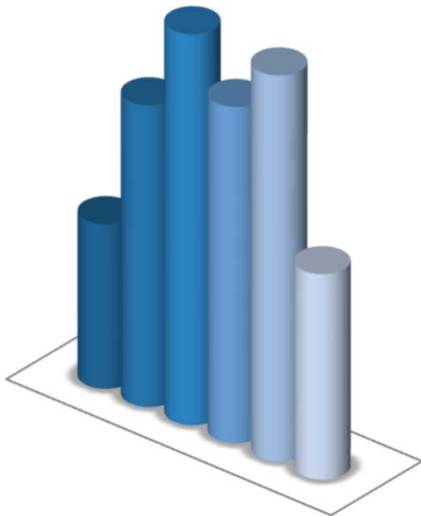
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February 2018
Reporting Calendar Year 2017

LHSEBT - Paid Claims

Claims Paid

■ 2012 ■ 2013 ■ 2014
 ■ 2015 ■ 2016 ■ 2017



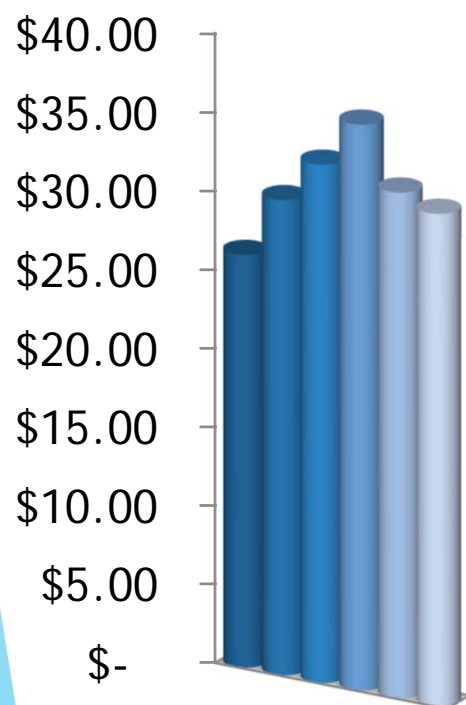
<u>Total Claims Paid</u>						<u>Annual Trend</u>	<u>% Change Year vs Year</u>
2012	2013	2014	2015	2016	2017	Since Inception	
\$185,336	\$206,360	\$220,036	\$211,670	\$219,287	\$191,578	+0.7%	-12.6%

<u>PEPY</u>						<u>Annual Trend</u>	<u>% Change Year vs Year</u>
2012	2013	2014	2015	2016	2017	Since Inception	
\$314.73	\$362.04	\$395.04	\$385.44	\$431.38	\$381.50	+13.4%	-11.6%

LHSEBT - Paid Claims

Monthly Report

Claims PEPM

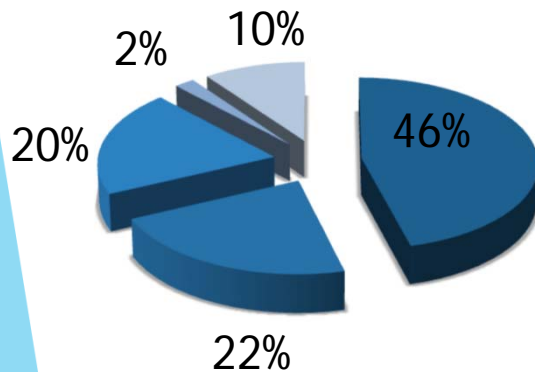


<u>Month</u>	<u>Fees</u>	<u>Paid Claims</u>	<u>Enrolled Employees</u>	<u>PEPM</u>
January	\$1,645	\$18,012	507	\$35.53
February	\$1,647	\$12,186	505	\$24.13
March	\$1,635	\$14,089	504	\$27.95
April	\$1,638	\$15,049	508	\$29.62
May	\$1,628	\$17,050	504	\$33.83
June	\$1,638	\$19,667	505	\$38.94
July	\$1,479	\$23,457	480	\$48.87
August	\$1,532	\$15,865	470	\$33.76
September	\$1,619	\$11,050	505	\$21.88
October	\$1,684	\$14,469	513	\$28.20
November	\$1,651	\$11,832	512	\$23.11
December	\$1,671	\$18,852	513	\$36.75
Total	\$19,464	\$191,578	-	-
Average	\$1,622	\$15,964	502	\$31.26

LHSEBT - Paid Claims Detail

2017 Paid Claims

- Benefits Paid
- PPO Savings
- Claims Savings
- Total Deductible
- Total Coinsurance



<u>Total Submitted Claims</u>	<u>Benefits Paid</u>	<u>PPO Savings</u>	<u>Claims Savings</u>	<u>Total Deductible</u>	<u>Total Coinsurance</u>
				Paid by member	Paid by member
\$418,769	\$191,578	\$93,236	\$82,957	\$9,500	\$41,498
2012	48%	21%	15%	3%	14%
2013	44%	23%	19%	3%	12%
2014	46%	20%	18%	2%	13%
2015	49%	21%	16%	3%	11%
2016	47%	21%	17%	3%	13%
2017	46%	22%	20%	2%	10%

LHSEBT - Return on Investment

ROI

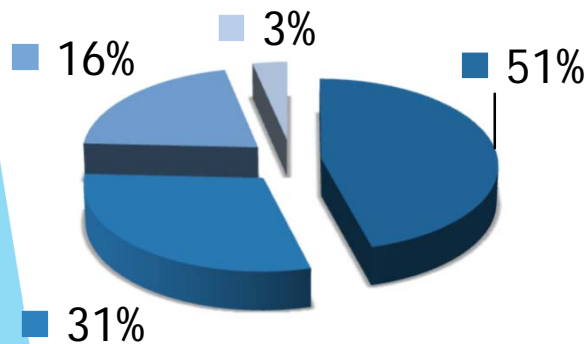


	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Totals</u>	<u>ROI</u> <u>Per \$1</u> <u>spent</u>
PPO Savings	\$81,080	\$106,521	\$94,760	\$90,719	\$98,630	\$93,236	\$564,946	\$23.95
Claims Savings	\$57,476	\$89,886	\$87,267	\$68,959	\$81,268	\$82,957	\$467,813	\$5.33
Total Annual Savings	\$138,556	\$196,407	\$182,027	\$159,678	\$179,898	\$175,833	\$1,032,759	\$9.05
Total Fixed Costs	\$19,740	\$18,900	\$18,581	\$18,926	\$17,753	\$19,464	\$113,364	-

LHSEBT - Paid Claims by Procedure Type

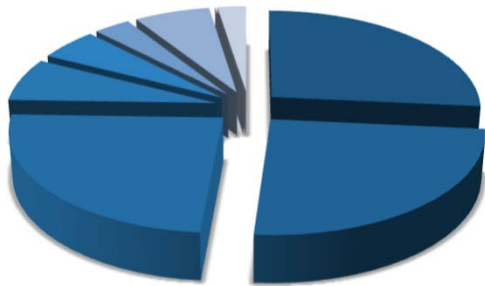
Paid Claims by Type

- Type 1
- Type 2
- Type 3
- Ortho



<u>Dental Procedure Type</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Average</u>	<u>2017 Paid</u>
Type 1	52.7%	47.4%	45.0%	51.9%	44.0%	51.2%	48.7%	\$98,170
Type 2	24.1%	33.4%	33.8%	29.5%	34.7%	30.8%	31.1%	\$59,019
Type 3	22.8%	17.6%	19.8%	16.5%	19.9%	15.5%	18.7%	\$29,727
Ortho	<u>0.9%</u>	<u>1.9%</u>	<u>2.1%</u>	<u>2.1%</u>	<u>1.7%</u>	<u>2.5%</u>	<u>1.9%</u>	<u>\$4,859</u>
Total	100%	100%	100%	100%	100%	100%	100%	\$191,578

LHSEBT Paid Claims by Procedure Group



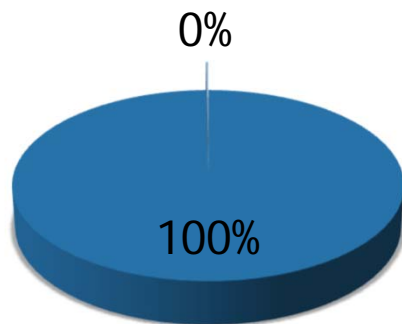
- Exams/X-rays
- Cleanings / Sealants/ Appl
- Restorative
- Endodontics
- Periodontics
- Prostodontics
- Oral Surgery /Anesthesia
- General Services
- Orthodontics

<u>Procedure Group</u>	<u>Proc Count</u>	<u>Total Current Claims Paid</u>	<u>Average Cost Per Procedure</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Exams/X-rays	1,725	\$50,678	\$29.38	25.2%	23.7%	22.3%	26.3%	22.8%	26.5%
Cleanings / Sealants/ Appl	939	\$47,492	\$50.58	27.6%	23.7%	22.7%	25.6%	21.2%	24.8%
Restorative	391	\$46,403	\$118.68	26.4%	23.9%	29.1%	26.2%	30.6%	24.2%
Endodontics	29	\$13,358	\$460.62	4.4%	6.0%	10.0%	6.1%	6.5%	7.0%
Periodontics	116	\$10,042	\$86.57	7.6%	9.2%	7.2%	6.9%	5.8%	5.2%
Prostodontics	38	\$6,131	\$161.34	3.6%	5.3%	3.7%	2.9%	4.5%	3.2%
Oral Surgery /Anesthesia	132	\$12,647	\$95.81	4.8%	6.5%	3.7%	3.9%	7.0%	6.6%
General Services/TMD	32	(\$32)	(\$1.00)	(0.3%)	(0.1%)	(0.6%)	0.1%	(0.1%)	0.0%
<u>Ortho</u>	<u>28</u>	<u>\$4,859</u>	<u>\$194.36</u>	<u>0.9%</u>	<u>1.9%</u>	<u>2.1%</u>	<u>2.1%</u>	<u>1.7%</u>	<u>2.5%</u>
Total	3,430	\$191,578	\$55.85	100%	100%	100%	100%	100%	100%

LHSEBT - In Network vs Out of Network Claims

2017 PPO Claims

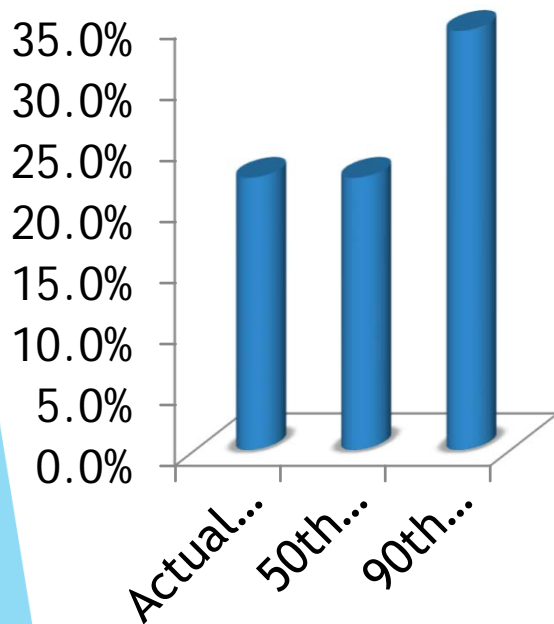
- In-Network
- Out of Network



<u>PPO</u>	<u>Proc Count</u>	<u>Total Current Claims Paid</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Yes	\$191,172	3,350	98.5%	99.1%	99.1%	99.4%	99.6%	99.8%
No	\$406	80	1.5%	0.9%	0.9%	0.6%	0.4%	0.2%
Total	\$191,578	3,430	100%	100%	100%	100%	100%	100%

LHSEBT - PPO Savings

% Savings

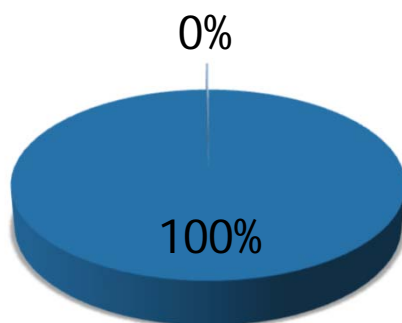


	<u>Submitted Claims</u>	<u>PPO Savings</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actual Submitted Claims	\$418,769	\$93,236	20.9%	22.6%	19.8%	21.0%	21.0%	22.3%
50th Percentile U&C	\$419,053	\$93,521	24.0%	21.6%	18.3%	21.2%	20.9%	22.3%
90th Percentile U&C	\$495,191	\$169,618	32.9%	31.0%	28.6%	32.6%	32.9%	34.3%

LHSEBT - Top Provider Utilization

Current PPO Claims

- In-Network
- Out of Network



Provider Name	Provider City	PPO Claim	Total Dollars Paid
CARVER,JEFFERY ALAN	LK HAVASU CTY	Y	33,128.90
SORKIN,EDOUARD	LK HAVASU CTY	Y	19,247.40
NELSON,DARRIN JOHN	LK HAVASU CTY	Y	13,340.80
KINZER,DEBORAH A	LK HAVASU CTY	Y	11,522.30
LAVENE,RYAN MATTHEW	LK HAVASU CTY	Y	10,112.50
LUNDIN,LARRY C	LK HAVASU CTY	Y	9,506.40
YOLE,JASON J	LK HAVASU CTY	Y	9,484.40
CURRIVAN,ROBERT	LK HAVASU CTY	Y	8,395.60
MEAD,C REESE	LK HAVASU CTY	Y	6,917.40
TOMAS,IKE-ARTHUR WENCESLAO	LK HAVASU CTY	Y	6,600.40
KAUSHESH,ASHUTOSH	LK HAVASU CTY	Y	6,368.50
LYSDALE,JEFFREY S	LK HAVASU CTY	Y	6,253.70
SHAMOS,ILAN HIRAM	LK HAVASU CTY	Y	5,623.80
AHN,EDWARD B	LK HAVASU CTY	Y	4,338.40
KORT,MICHAEL A	LK HAVASU CTY	Y	3,697.10
YETTER,NATHAN R	LK HAVASU CTY	Y	3,194.47
URQUHART,N NATHANIEL	LK HAVASU CTY	Y	3,176.00
COBURN,RICHARD RYAN	LK HAVASU CTY	Y	2,908.50
GONZALEZ,RUTH CHRISTINE	LK HAVASU CTY	Y	2,757.00
PORTER,RYAN J	LK HAVASU CTY	Y	2,497.50
BOYD JR,KEITH E	BULLHEAD CITY	Y	2,323.00
BARBER,ILLIAN NATHAN	LK HAVASU CTY	Y	2,152.00
THOMAS,MICHAEL E	BULLHEAD CITY	Y	2,134.00
CHAPMAN,BRETT	LK HAVASU CTY	Y	1,782.80
SCOTT,JAY D	LK HAVASU CTY	Y	1,718.40
Remaining Utilized Providers	-		\$12,296.73
TOTALS			\$191,578.00



Questions?

Lake Havasu Schools Employee Benefit Trust
February 2018
Reporting Calendar Year 2017

MEMORANDUM

TO: **LHSEBT Trustees**

FROM: **ERIN P. COLLINS & ASSOCIATES, INC. (ECA)**
Elena Lacy, Group Benefits Specialist

DATE: February 1, 2018

RE: 2017 Vision Claims Review

Please find attached a copy of United Healthcare's presentation which outlines the Trust's vision utilization for the period January – December 2017. James Totten will be at the meeting to present and review this report with Trustees.

If you have any questions between now and the date of the meeting, I can be reached at (928) 753-4700 ext. 306 or via email at elenal@ecollinsandassociates.com.



Executive Summary for Lake Havasu Schools Employee Benefit Trust February 2018



UnitedHealthcare Vision

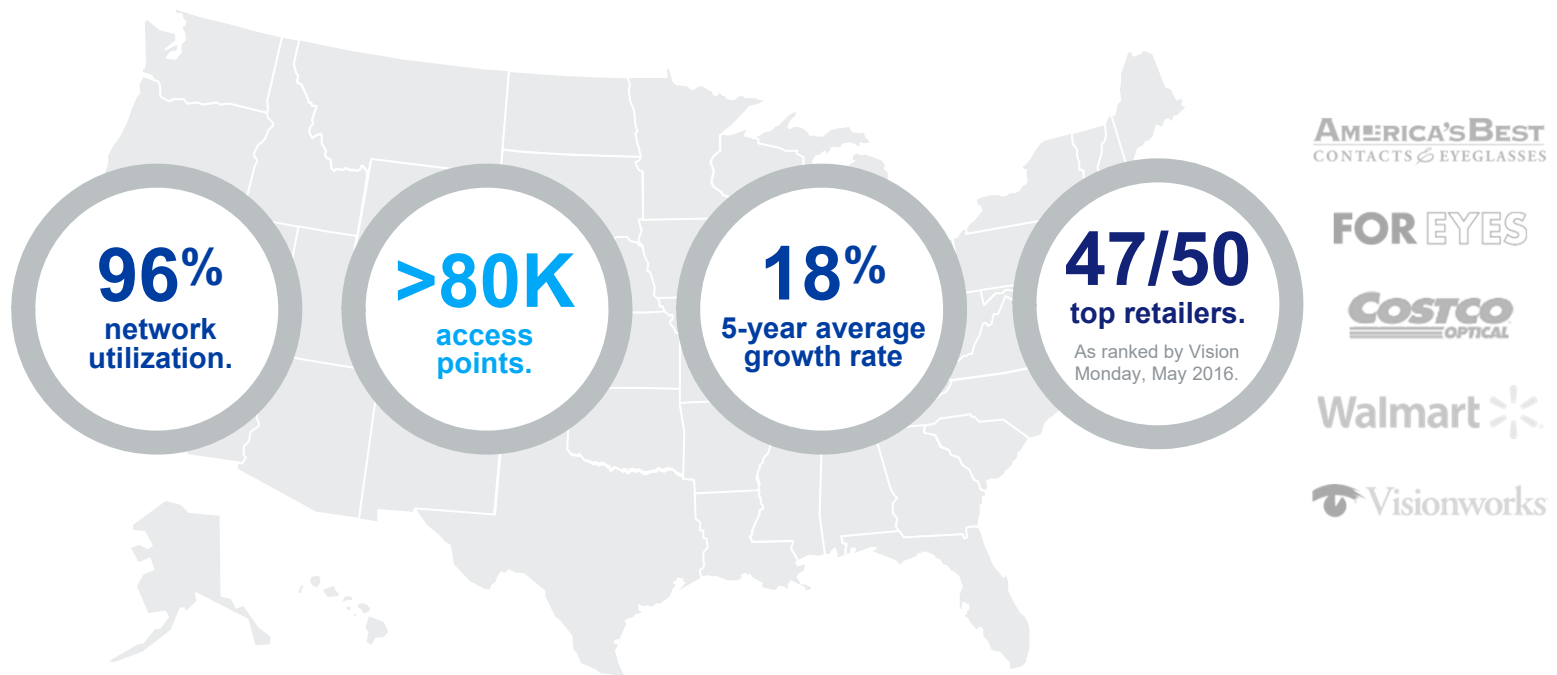
© 2017 UnitedHealth Group. Any use, copying or distribution without written permission from UnitedHealth Group is prohibited.


Employers want to offer quality vision benefits that easily integrate with their health plan and help control costs.

UnitedHealthcare Vision delivers savings, simplicity and strategies to improve eye and overall health.



Total coverage with our national vision network.



99% of members in major markets have access to a network provider within two miles of their home. 

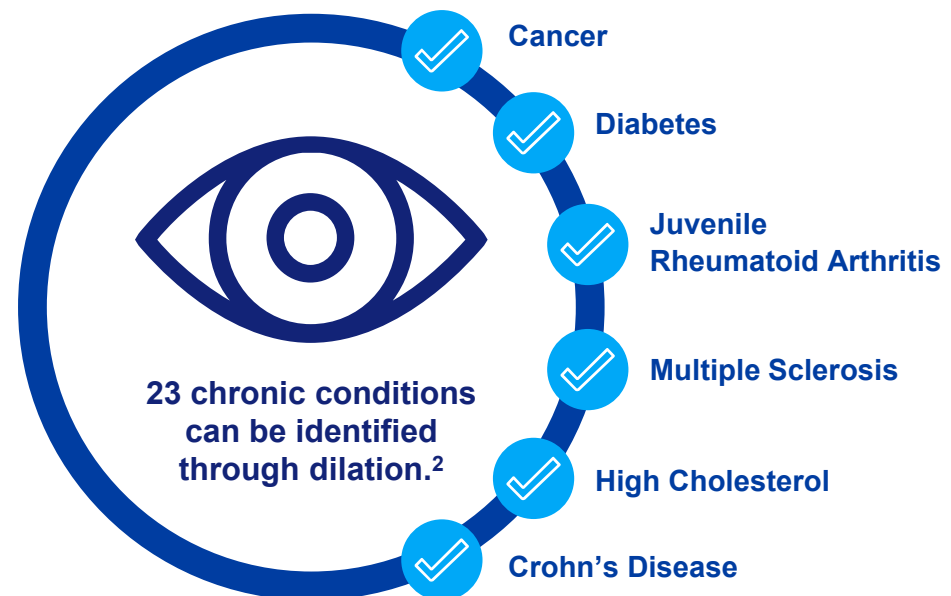
Source: Spectera Eyecare Networks as of August 2017

Understand the eyes-body connection.

Vision benefits are used more than other coverages, making eye care providers a front-line resource to monitor overall health.¹

Why this matters.

Eye care providers can be a front-line resource to monitor overall health.

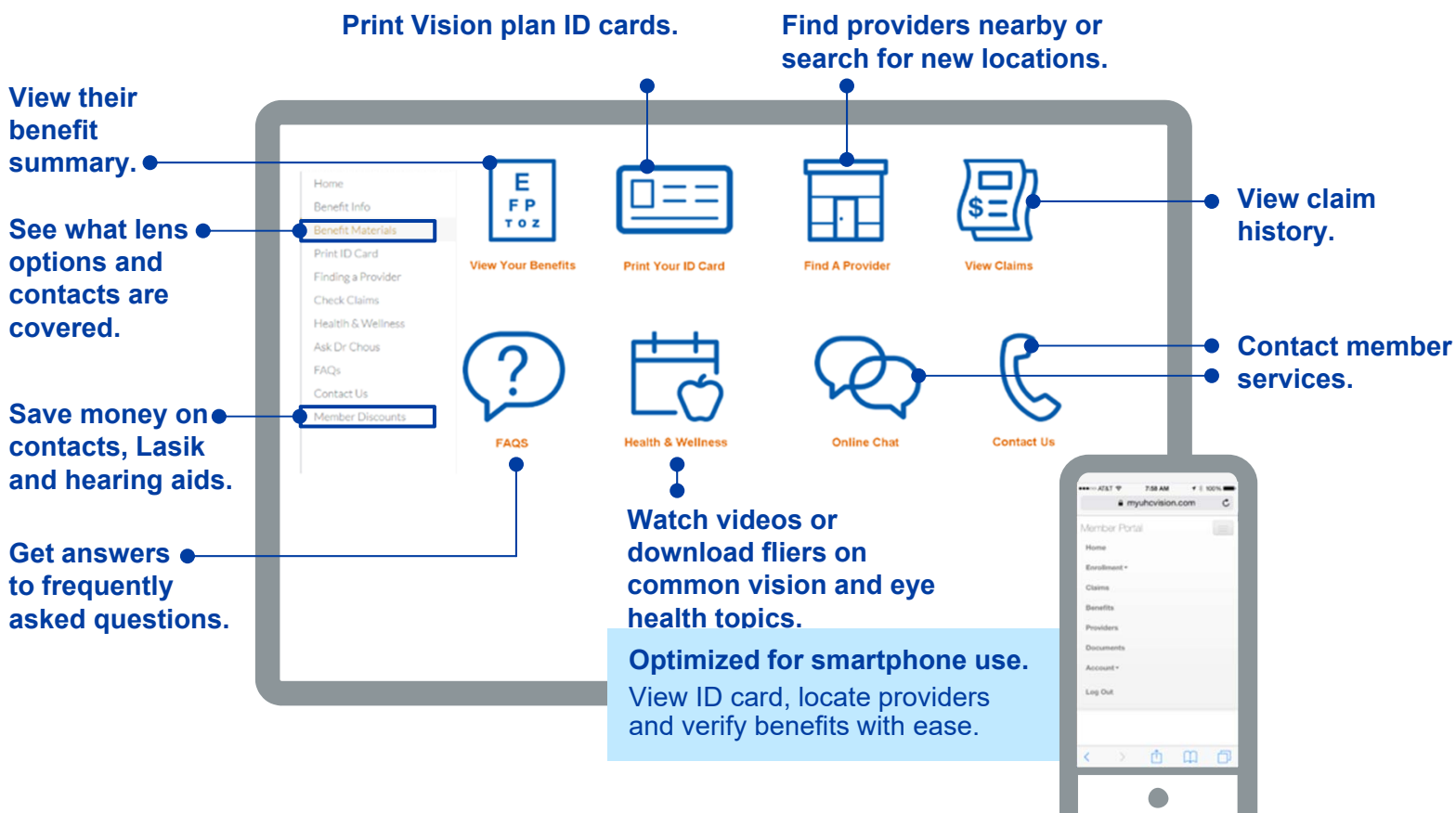


1. UnitedHealthcare. "Impact of Eye Exams in Identifying Chronic Conditions," 2014.

2. Internal UnitedHealthcare Study 2015, Eye Exam Impacts on Re-engagement for Chronic Diseases.

myuhcvision.com.

Help make it convenient for your employees to learn about and maximize their benefits. Here are just a sampling of what they can do:



UnitedHealthcare Vision.

We are dedicated to creating greater awareness of eye health as a part of overall health for the millions of members we serve.



>42K

Vision customers.¹



>19M

members served.²



>50

years' experience.



Access to vast resources and innovation.

As part of UnitedHealth Group, a **Fortune 6 company**, we're able to tap into people, technology and knowledge. UnitedHealth Group has been honored by Fortune magazine as an innovation leader for 8 consecutive years.³

1 UnitedHealthcare customer report, May 2017.

2. UnitedHealthcare membership report, September 2017.

3. Fortune. February 16, 2017.

How we help deliver a superior employee experience.



170+ languages.



Service for the deaf and hearing impaired.



24/7 IVR with provider locator, benefit details and eligibility information.



Extended service hours.

Service metrics.¹

- First call resolution: **98%**
- Average speed to answer: **13.6 sec**
- Service level: **87% of calls answered < 30 sec**
- Claims processed within 10 business days: **98.5%**
- Auto adjudication: **74%**
- Financial accuracy: **99.9%**



Expanding technology.²

- Secure email.
- Texting (SMS).³
- Co-browsing.
- Click to Chat (2018).



1. Service metric report, September 2017
2. May not be available to some customers.
3. Data rates may apply

We value our network.

Relationships are key.



Field representatives that make on-site visits and assist with provider training and ongoing service needs.



We get their feedback on formulary design and new ideas around product development.



We have a Professional Advisory Committee.



We work with our providers on new and innovative solutions to improve the member experience.

Price caps on lens options.

No cost surprises at the point of purchase.

	With a UnitedHealthcare Vision Plan		Retail Estimate
Coatings	Standard Scratch Coating	No charge	\$30
	Standard Anti-Reflective Coating	\$40	\$60
	Premium Anti-Reflective Coating	\$80	\$90
	Platinum Anti-Reflective Coating	\$90 Includes blue light protection	\$125
Materials	Polycarbonate (Children)	No charge	\$85
	Polycarbonate (Adults)	\$33	\$85
	UV/Tint	\$14–\$16	\$30
Lenses	Standard Progressives	\$70	\$150–\$250
	Deluxe Progressives	\$110	\$250–\$325
	Premium Progressives	\$150	\$325–\$425
	Platinum Progressives	\$250	\$425–\$460



**Price caps on non-covered lens options — 20–60% off retail.
Exclusions and limitations may apply.**

The impact of network.

Supporting data.

Provider Utilization	Avg Frame Cost**	Avg Frame OOP**	Sample Provider Choice Distribution			Frame Overage Spend		
			UHC	Competitor A	Competitor B	UHC*	Competitor A	Competitor B
Visionworks	\$145	\$15.95	10%	0%	0%	\$1,595	\$0	\$0
Walmart Vision Center	\$90	\$2.47	25%	0%	0%	\$618	\$0	\$0
LensCrafters	\$180	\$49.77	1%	0%	40%	\$498	\$0	\$19,910
Private Doctor's Office	\$175	\$41.78	35%	75%	20%	\$14,622	\$31,333	\$8,356
Pearle Vision	\$205	\$56.69	1%	0%	15%	\$567	\$0	\$8,504
Other Retail	\$140	\$20.80	28%	25%	25%	\$5,823	\$5,199	\$5,199
						\$23,723	\$36,532	\$41,969

Note: Savings will apply to members who use their benefit. Exclusions and Limitations may apply.

*Based on 1,000 members utilizing materials with a \$25 copay, UnitedHealthcare premium being \$6.30 PMPM.

**Based on internal UnitedHealthcare data (Jan 2016–Jun 2016).

Client Experience and Utilization



Current Effective Date: 07/01/2017
 Current Renew Date: 07/01/2017
 Client Policy ID: 0911496

Current Term Date: 12/31/2999

Selection Parameters

Client ID: 423780
 Incurred Date Range: 7/1/2017 To 12/31/2017
 Business Category: Stand Alone

Values on Report

07/2017 To 12/2017
 Stand Alone

Lake Havasu Schools Employee

Incurred Month	Number of Subscribe	Number of Member	Collected Revenue	Incurred Claim*	BCR	Claim Count	Average Cost Per Incurred Claim*
07/2017	461	703	\$3,335.97	\$3,397.06	101.8%	49	\$69.33
08/2017	462	706	\$3,349.61	\$6,054.81	180.8%	34	\$178.08
09/2017	508	766	\$3,643.85	\$2,041.24	56.0%	30	\$68.04
10/2017	509	770	\$3,658.43	\$4,089.01	111.8%	59	\$69.31
11/2017	509	772	\$3,663.60	\$1,574.97	43.0%	23	\$68.48
12/2017	508	769	\$3,654.19	\$2,158.12	59.1%	18	\$119.90

Totals:

\$21,305.65 \$19,315.22 90.7% 213 \$90.68

* Incurred claims include a reserve/IBNR (incurred but not reported)

Lake Havasu Schools Employee Dashboard



Client Effective Date: 07/01/2017
 Client Renew Date: 07/01/2017
 Client Policy ID: 0911496

Selection Parameters

Client ID: 423780
 Date of Service Range: 7/1/2017 To 12/31/2017

Values on Report

423780
 7/5/2017 To 12/27/2017

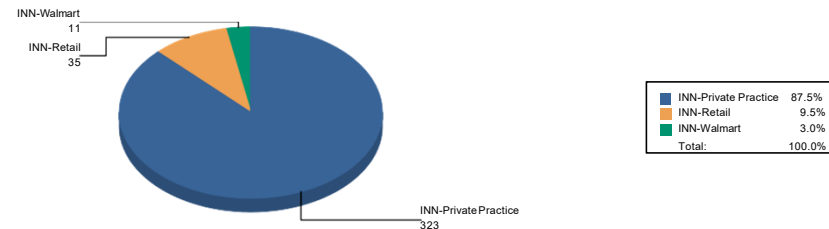
Client Accessing and Eligible Members

Accessing Rate	Accessing Members	Average Eligible Members	Accessing Members/Avg. Eligible Members
Member Count	134	747.67	17.92%

Client Paid Procedures Summary Counts

Office Type	Examination		Frames	Contact			Lens					Copay Amount	Service Count	% of Services
	Exam	Related Service		Lens	Fit	Single	Bifocal	Trifocal	Progressive	Multifocal	Options			
INN-Private Practice	109	0	41	59	6	30	3	0	11	0	64	\$1,580	323	87.53%
INN-Retail	11	0	7	8	2	3	0	0	4	0	0	\$200	35	9.49%
INN-Walmart	1	0	5	0	0	2	1	0	2	0	0	\$60	11	2.98%
In Network Services	121	0	53	67	8	35	4	0	17	0	64	\$1,840	369	100.00%
Total Services	121	0	53	67	8	35	4	0	17	0	64	\$1,840	369	100.00%
% of Total Services	32.79%	0.00%	14.36%	18.16%	2.17%	9.49%	1.08%	0.00%	4.61%	0.00%	17.34%			

Total Procedure Count by OfficeType



Paid Claim By Client and Member Summary of Paid Amount, Accessing and Eligible Members



Client Effective Date: 07/01/2017
Client Renew Date: 07/01/2017
Client Policy ID: 0911496

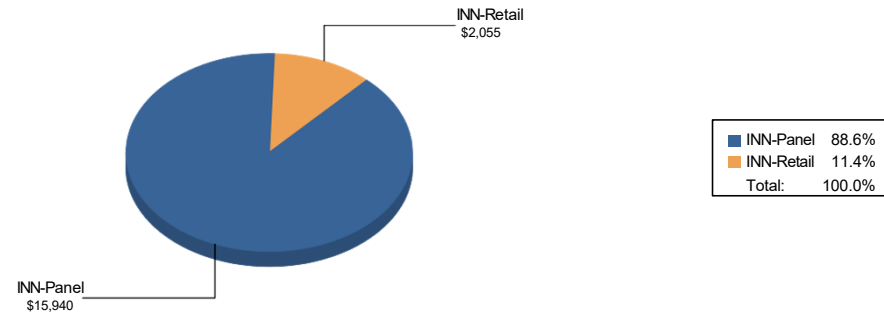
Selection Parameters
Client ID: 423780
Date of Service Range: 7/1/2017 To 12/31/2017
Group ID: *

Values on Report
423780
7/5/2017 To 12/27/2017

Lake Havasu Schools Employee

	Exam	Related		Lens	Fit	Single	Bifocal	Trifocal	Progressive	Multifocal	Options	Co-Pay	Provider Provider Network ork	Netw
Service														
INN-Private Practice	\$6,535	\$0	\$1,975	\$5,304	\$1,114	\$450	\$90	\$0	\$275	\$0	\$198	\$1,580	\$15,940	88.58%
INN-Retail	\$385	\$0	\$372	\$436	\$80	\$60	\$0	\$0	\$156	\$0	\$0	\$200	\$1,489	8.27%
INN-Walmart	\$40	\$0	\$376	\$0	\$0	\$30	\$40	\$0	\$80	\$0	\$0	\$60	\$566	3.14%
In Network Services	\$6,960	\$0	\$2,723	\$5,739	\$1,194	\$540	\$130	\$0	\$511	\$0	\$198	\$1,840	\$17,995	100.00%
Accessing Rate														
Client Total Services	\$6,960	\$0	\$2,723	\$5,739	\$1,194	\$540	\$130	\$0	\$511	\$0	\$198	\$1,840	\$17,995	100.00%
Member Count			134				748				17.92%			
Client % of Services	38.68%	0.00%	15.13%	31.89%	6.64%	3.00%	0.72%	0.00%	2.84%	0.00%	1.10%	\$1,840	\$17,995	100.00%

Claim Amount by Office Type



Lake Havasu Schools Employee Dashboard



Selection Parameters

Client ID: 423780

Date of Service Range: 7/1/2017 To 12/31/2017

Values on Report

423780

7/5/2017 To 12/27/2017

Top Five Utilized Providers

Provider Name and Address	Service Count
STUART B ADAMS - 16464	
383 SOUTH LAKE HAVASU AVE LAKE HAVASU CITY, AZ	162
STEPHANIE WOO - 51846	
383 SOUTH LAKE HAVASU AVE LAKE HAVASU CITY, AZ	157
NATIONWIDE VISION INSIDE JCPENNEY #33506 GENERAL OPTICIAN - 51820	
5651 HIGHWAY 95 N LAKE HAVASU CITY, AZ	22
JAMES RUCH - 14632	
5651 HIGHWAY 95 N LAKE HAVASU CITY, AZ	13
WALMART VISION CENTER #1364 - 25796	
5695 HIGHWAY 95 Lake Havasu City, AZ	8

Benchmark of Discounts Utilized

- ▶ Contact Lenses: number of boxes
(purchased through the website) 24,028
- ▶ Lasik: Number of Calls to 1-888-563-4497 8,214
- ▶ Lasik: Visits to <http://www.uhclasik.com> 49,498

Price Protection Utilization*

Category	Saving Through Price Protection Service			
Price Protection Description	Retail Count	Average Surcharge	Savings From Retail	
Coatings				
Scratch Warranty	\$20	\$2	\$18	1
Tint	\$25	\$4	\$43	2
UV Coating	\$30	\$4	\$52	2
Photochromic	\$115	\$15	\$400	4
Standard Anti-Reflective Coating	\$75	\$8	\$1,809	27
Premium Anti-Reflective Coating	\$125	\$16	\$218	2
Lenses				
Standard Progressive	\$230	\$11	\$439	2
Deluxe Progressive	\$275	\$3	\$817	3
Premium Progressive	\$400	\$11	\$4,668	12
Materials				
High Index (1.67-1.73) Polycarbonate	\$220	\$63	\$157	1
Polycarbonate Lenses for Children	\$124	\$0	\$1,116	9
Price Protection Savings To Members			\$9,737	65

*Most other lens options are offered with at least a 20% discount off of retail. Check with your provider. May not apply at some locations.

Provider Name	Location Name	Provider Addr	Provider	Provider In or Ou	Claimant	Claim C	Service
BRADLEY PACKER	KOKOPELLI EYE INSTITUTE	2820 N GLASSFORD HL S	AZ	86314 I	1	2	4
NATIONWIDE VISION INSIDE JCPENNEY #33	NATIONWIDE VISION INSIDE J	5651 HIGHWAY 95 N	AZ	86404 I	11	11	22
Walmart	WALMART VISION CENTER #20	3396 N STOCKTON HILL RAZ		86401 I	1	1	2
Walmart	WALMART VISION CENTER #13	5695 HIGHWAY 95	AZ	86404 I	4	4	8
JAMES RUCH	NATIONWIDE VISION INSIDE J	5651 HIGHWAY 95 N	AZ	86404 I	11	11	13
TAMELA R BURRELL	WALMART VISION CENTER #20	3396 N STOCKTON HILL RAZ		86401 I	1	1	1
STEPHANIE WOO	PARKER VISION CARE	115 WEST RIVERSIDE DR	AZ	85344 I	1	1	2
STEPHANIE WOO	HAVASU EYE CENTER	383 SOUTH LAKE HAVAS	AZ	86403 I	57	85	155
STUART B ADAMS	HAVASU EYE CENTER	383 SOUTH LAKE HAVAS	AZ	86403 I	63	97	162
					134	213	369

UnitedHealthcare Vision

	Frequency	Benefits
Comprehensive Eye Exam	Every 12 months	\$10 copay
A complete pair of eyeglass lenses* Covered-in-full contact lenses (lens fitting included)* <i>*after copay</i>	Every 12 months	\$10 copay
• Frame	Every 12 months	\$100 allowance
• Single vision, lined bi-focal, lined tri-focal or lined lenticular lenses (Other lens options available at a discounted rate)	Every 12 months	Covered in full
• Standard scratch coating	Covered in full	Covered in full
Lens Options	See benefit summary for details	
Elective Contact Lenses		
• Contact lenses that fall outside the covered-in-full selection. (Copay does not apply)	Every 12 months	\$105 allowance
Additional Materials	20% off	

Vision Plan

Examination up to **\$40.00**

Lenses:

Single Vision up to **\$40.00**

Bifocals up to **\$60.00**

Trifocal up to **\$80.00**

Lenticular up to **\$80.00**

Frames up to **\$45.00**

\$105.00 allowance for contact lenses
(in lieu of glasses)



Thank you

MEMORANDUM

TO: **LHSEBT Trustees**

FROM: **ERIN P. COLLINS & ASSOCIATES, INC. (ECA)**
Elena Lacy, Group Benefits Specialist

DATE: February 1, 2018

RE: Financial Status

Please find attached a copy of the November Compilation Report from GDK CPA, LLC. Mike Bonney will be at the meeting to present and review this report with Trustees.

If you have any questions between now and the date of the meeting, I can be reached at (928) 753-4700 ext. 306 or via email at elenal@ecollinsandassociates.com.

Compilation Report

Financial Statements

**Lake Havasu Unified School District #1
Employee Benefit Trust**

For the one month and five months ended November 30, 2017

Prepared By:

GDK CPA, LLC
90 S. Acoma Blvd, Suite 100
Lake Havasu City, AZ 86403



GDK CPA, LLC

90 Acoma Blvd S, Suite 100 • Lake Havasu City, AZ 86403
Office: (928) 680-1994 • Fax: (928) 680-2933
Email: mike@gdkcpa.com • Website: www.gdkcpa.com

INDEPENDENT ACCOUNTANT'S REPORT

Lake Havasu Unified School District #1
Employee Benefit Trust
Lake Havasu City, Arizona 86403

Management is responsible for the accompanying financial statements of Lake Havasu Unified School District #1 Employee Benefit Trust which comprise the statement of net assets, as of November 30, 2017, and the related statement of activities for the one month and five months then ended, and for determining that the modified cash basis of accounting is an acceptable financial framework. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles accepted in the United States of America.

Management has elected to omit substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's financial position, results of operations, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

We are not independent with respect to Lake Havasu Unified School District #1 Employee Benefit Trust.

GDK CPA, LLC

GDK CPA, LLC
December 12, 2017

LAKE HAVASU UNIFIED SCHOOL DISTRICT #1
EMPLOYEE BENEFIT TRUST
Statement of Net Assets
November 30, 2017

ASSETS

Current Assets

Checking/Savings

Wells Fargo \$ 814,475

Morgan Stanley 39055 1,066,257

Morgan Stanley 41055 1,621,788

Total Checking/Savings 3,502,519

Total Current Assets 3,502,519

Fixed Assets

Leasehold Improvements 278,772

Accumulated Depreciation (270,692)

Total Fixed Assets 8,080

TOTAL ASSETS \$ 3,510,600

LIABILITIES & EQUITY

Equity

Unrestricted Net Assets \$ 2,976,062

Net Income 534,538

Total Equity 3,510,600

TOTAL LIABILITIES & EQUITY \$ 3,510,600

LAKE HAVASU UNIFIED SCHOOL DISTRICT #1
EMPLOYEE BENEFIT TRUST
Statement of Activity
For the one month and five months ended November 30, 2017

	Nov 17	Jul - Nov 17
Ordinary Income/Expense		
Income		
Additional District Contribution	\$ -	\$ 653,338
Claim Refund Income	253	11,635
Cobra Income	7,485	21,839
Dependent Contributions	113,550	229,162
District Contributions	565,819	1,469,562
Reinsurance Income	-	6,119
Retiree Contributions	21,449	89,243
RX Rebates	105,376	133,338
Stoploss Reimbursement	-	1,461
WOW Income	543	1,787
Total Income	814,474	2,617,485
Gross Profit	814,474	2,617,485
Expense		
Claim Payments		
WISRX	-	188,330
Medical	295,735	1,095,492
RX Fees	-	753
Vision	280	2,228
Total Claim Payments	296,015	1,286,803
Cleaning	475	2,375
Commission Expense	7,356	36,800
Depreciation Expense	4,040	20,201
Insurance		
Dental	25,520	128,917
Life	-	10,448
Total Insurance	25,520	139,366
Landscaping	-	600
Mammography Fees	122	610
Management Fee	-	260,041
Pest Control	55	305
Professional Fees		
Consulting Fee	44,136	212,654
Benefit Management	87,416	87,416
Accounting	300	8,150
Legal	-	2,835
Total Professional Fees	131,852	311,055
Property Taxes	-	4,553
Rent Expense	3,275	16,375
Repairs and Maintenance	-	1,647

See accompanying accountant's report which is an integral part of these financial statements.

LAKE HAVASU UNIFIED SCHOOL DISTRICT #1
EMPLOYEE BENEFIT TRUST
Statement of Activity
For the one month and five months ended November 30, 2017

	Nov 17	Jul - Nov 17
Security	-	193
Telephone	897	4,491
Utilities	282	3,726
Total Expense	469,889	2,089,139
Net Ordinary Income	344,585	528,345
Other Income/Expense		
Other Income		
Interest Income	232	1,032
Unrealized gain(loss) on invest	596	5,160
Total Other Income	828	6,192
Net Other Income	828	6,192
Net Income	\$ 345,413	\$ 534,538

MEMORANDUM

TO: **LHSEBT Trustees**

FROM: **ERIN P. COLLINS & ASSOCIATES, INC. (ECA)**
Elena Lacy, Group Benefits Specialist

DATE: February 1, 2018

RE: 2018-19 Rate Development

Please find attached a copy of Cheiron's presentation and actuarial analysis on the development of rates for the 2018-19 plan year. Mike Schionning will be at the meeting to present and review this report with Trustees.

If you have any questions between now and the date of the meeting, I can be reached at (928) 753-4700 ext. 306 or via email at elenal@ecollinsandassociates.com.

Lake Havasu Schools Employee Benefit Trust



Actuarial Rate Development for the Plan Year Beginning July 1, 2018

February 7, 2018

Michael Schionning, FSA, MAAA



Overview



- Proposed Claim Funding Rates
- Proposed Benefit Design Changes
- Required Disclosures

Proposed Claim Funding Rates



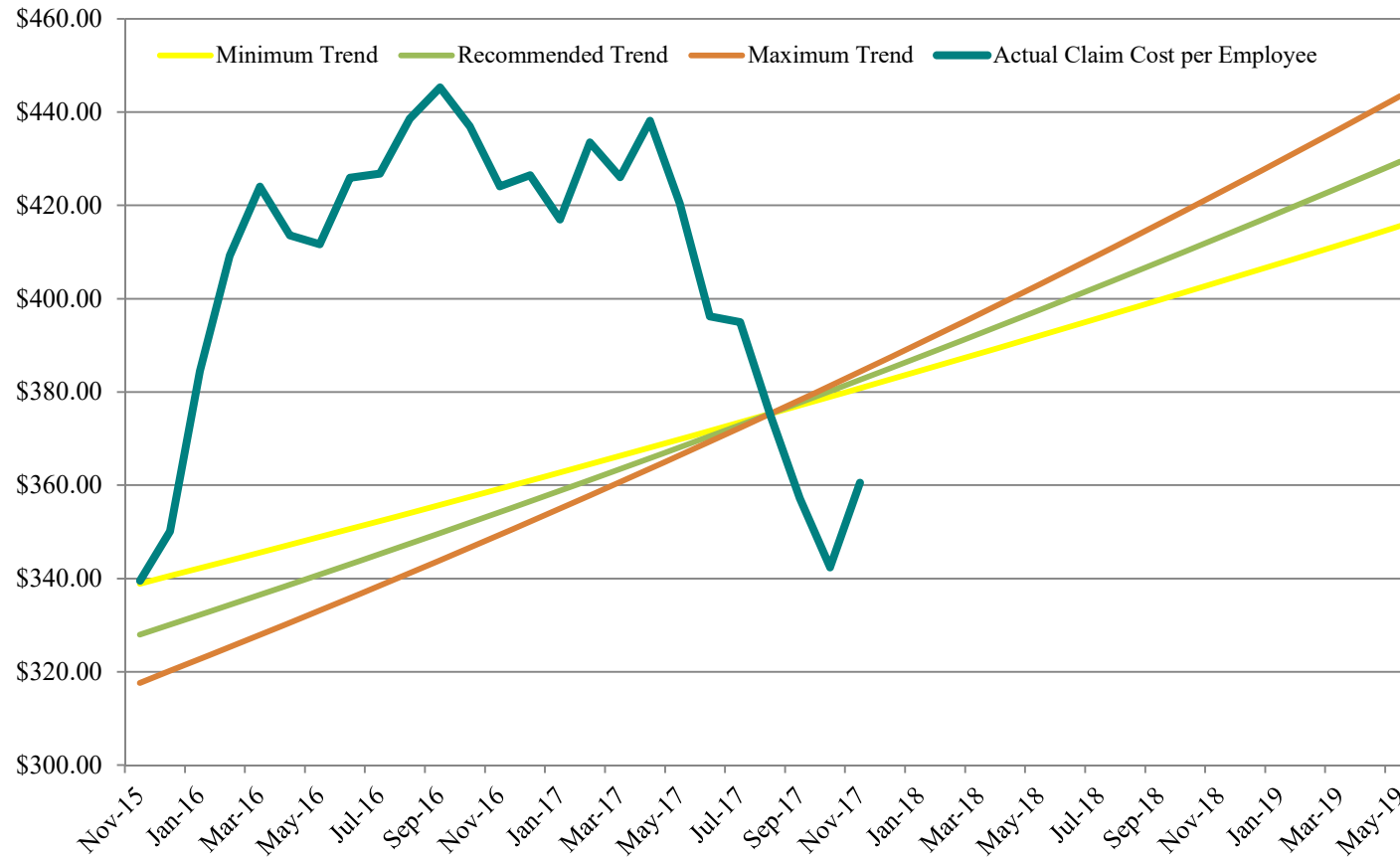
- Projection Methodology
- Plan Experience Graphs
- Recommended Claim Funding Rates
- Minimum Claim Funding Rates

Projection Methodology

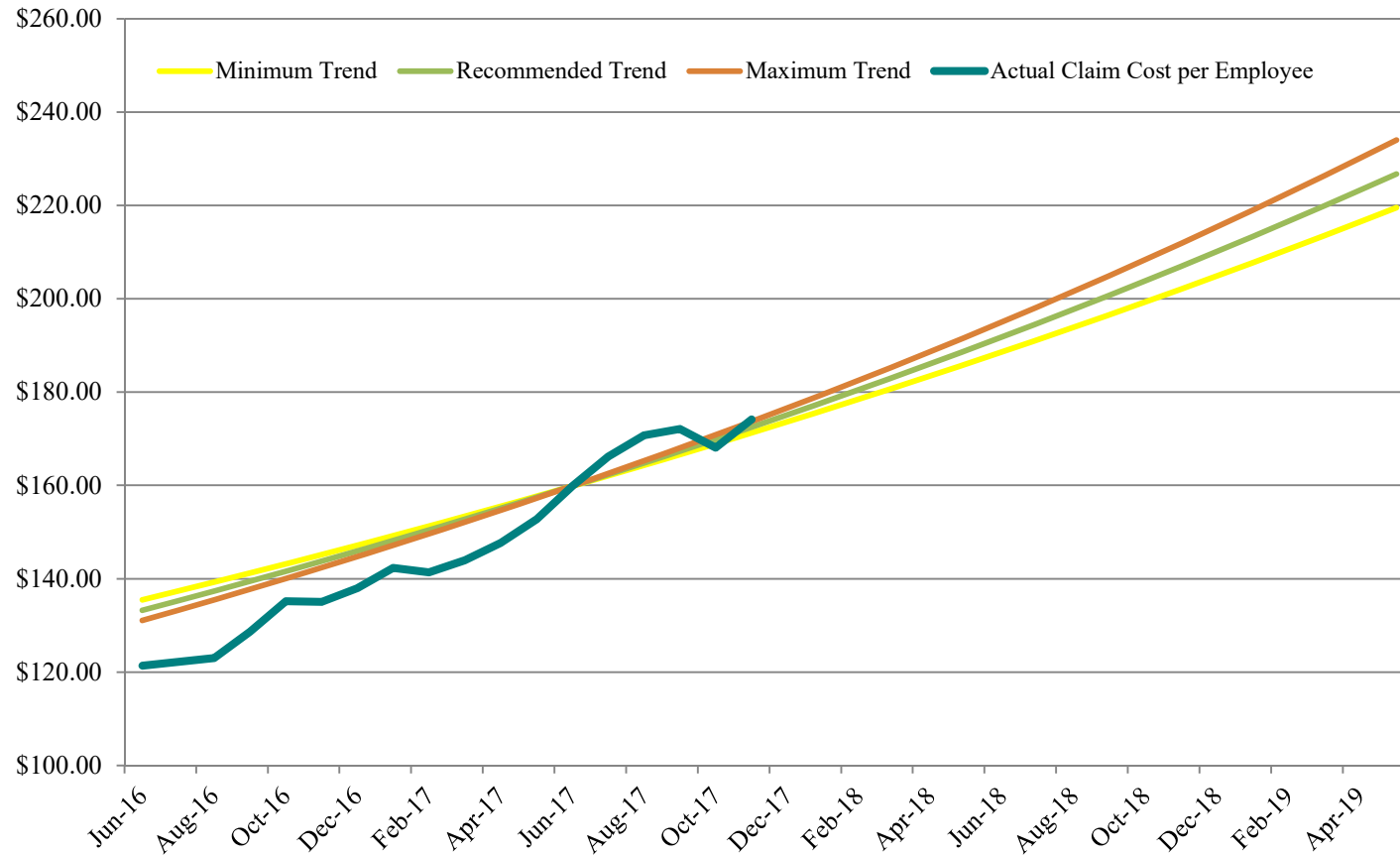


- Trend rates developed using rolling 12-month periods
 - Most recent 12 periods (24 months of data)
 - Most recent 24 periods (36 months of data)
 - Recommended trend rates based on a review of the data
- Separate analyses for:
 - Medical
 - Prescription Drug
 - Dental
- Developed on a per employee per month (PEPM) basis

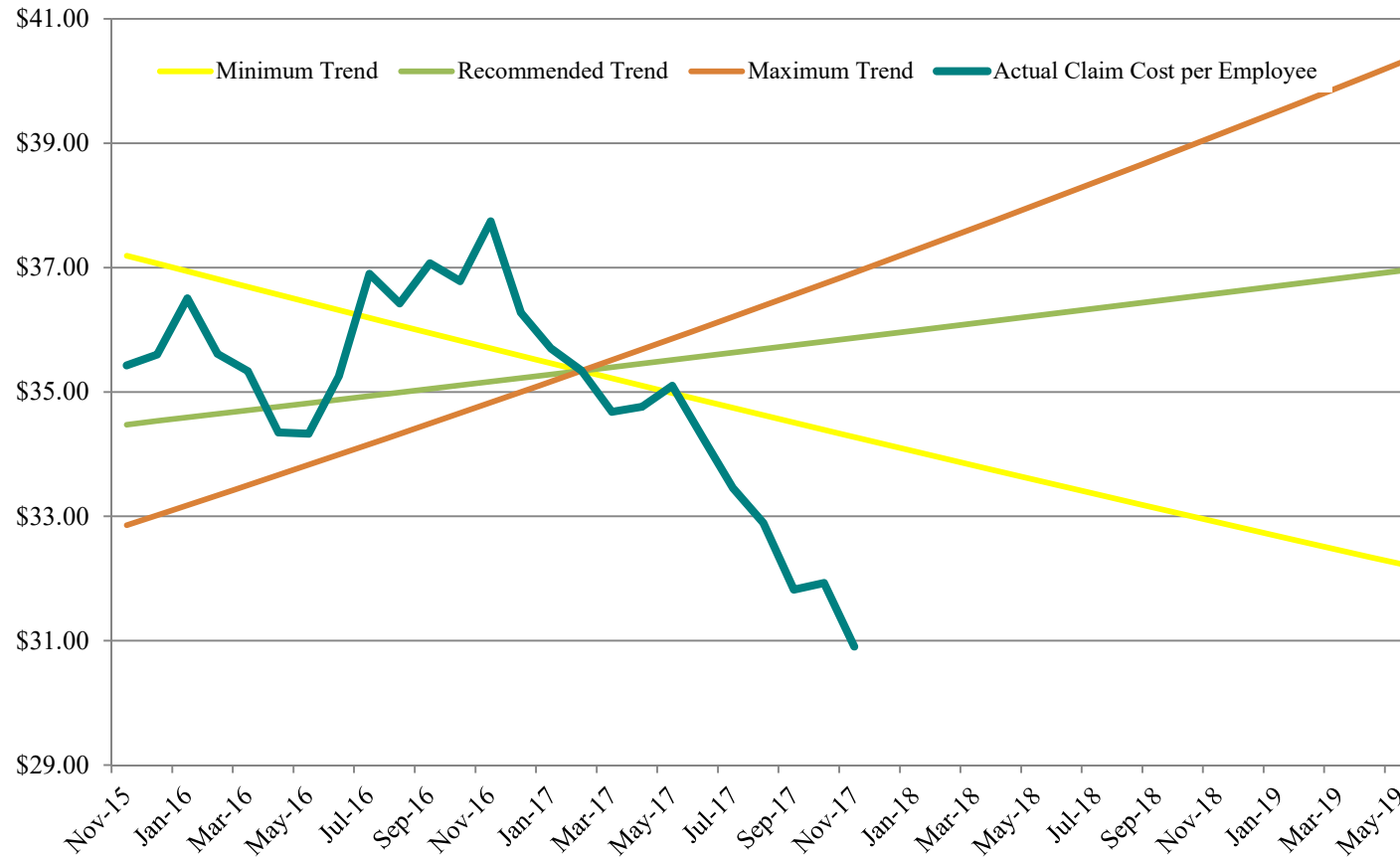
Medical Plan



Prescription Drug Plan



Dental Plan



Development of Funding Factors



- The charts on the following pages show the development of the recommended and minimum claim funding factors
- Because we do not have the actual claim funding factors underlying the current rates, we developed recommended and minimum claim funding factors based on the historical claims experience
- We developed two sets of funding factors:
 - The first set used the current relationship between the Gold and Silver Plans
 - The second set used the actuarial cost difference between the two plans

Development of Funding Factors



Recommended Factors - Medical and Rx

	12 Months Ending Nov-16				12 Months Ending Nov-17			
	<u>Medical</u>	<u>Prescriptions</u>	<u>Clinic</u>	<u>Total</u>	<u>Medical</u>	<u>Prescriptions</u>	<u>Clinic</u>	<u>Total</u>
Employee Exposure Months (2 Month Lag Medical) (1 Month Lag Rx, 0 Month Lag Clinic)	6,716	6,662	6,616		6,504	6,513	6,519	
Total Paid Claims (Net of Stop Loss Recoveries)	\$3,028,463	\$899,803	\$864,181	\$4,792,446	\$2,344,833	\$1,134,206	\$1,009,344	\$4,488,383
Estimated Incurred Claims PEPM	\$450.93	\$135.06	\$130.62	\$716.62	\$360.52	\$174.14	\$154.83	\$689.50
Trend Projections								
Annual Factor	8.0%	20.0%	5.0%		8.0%	20.0%	5.0%	
Number of Months of Trend	33	33	31		21	21	19	
Trend Factor	1.2357	1.6510	1.1343		1.1442	1.3758	1.0803	
Projected Incurred Claims PEPM	\$557.22	\$222.99	\$148.17	\$928.38	\$412.50	\$239.60	\$167.27	\$819.36
Weighing Factors				50.0%				50.0%
Weighted Projected Incurred Claims PEPM								\$873.87

Development of Funding Factors



Minimum Funding Factors - Medical and Rx

	12 Months Ending Nov-16				12 Months Ending Nov-17			
	<u>Medical</u>	<u>Prescriptions</u>	<u>Clinic</u>	<u>Total</u>	<u>Medical</u>	<u>Prescriptions</u>	<u>Clinic</u>	<u>Total</u>
Employee Exposure Months (2 Month Lag Medical) (1 Month Lag Rx, 0 Month Lag Clinic)	6,716	6,662	6,616		6,504	6,513	6,519	
Total Paid Claims (Net of Stop Loss Recoveries)	\$3,028,463	\$899,803	\$864,181	\$4,792,446	\$2,344,833	\$1,134,206	\$1,009,344	\$4,488,383
Estimated Incurred Claims PEPM	\$450.93	\$135.06	\$130.62	\$716.62	\$360.52	\$174.14	\$154.83	\$689.50
Trend Projections								
Annual Factor	6.0%	19.0%	3.0%		6.0%	19.0%	3.0%	
Number of Months of Trend	33	33	31		21	21	19	
Trend Factor	1.1738	1.6134	1.0794		1.1074	1.3558	1.0479	
Projected Incurred Claims PEPM	\$529.30	\$217.92	\$140.98	\$888.21	\$399.22	\$236.11	\$162.25	\$797.59
Weighing Factors				50.0%				50.0%
Weighted Projected Incurred Claims PEPM								\$842.90

Development of Funding Factors



DENTAL RATE DEVELOPMENT

	Recommended		Minimum	
	12 Months	12 Months	12 Months	12 Months
	Ending	Ending	Ending	Ending
	<u>Nov-16</u>	<u>Nov-17</u>	<u>Nov-16</u>	<u>Nov-17</u>
Employee Exposure Months (1 Month Lag)	6,083	5,966	6,083	5,966
Total Paid Claims	\$209,904	\$172,240	\$209,904	\$172,240
Estimated Incurred Claims PEPM	\$34.51	\$28.87	\$34.51	\$28.87
Adjustment to Current Benefits	1.0000	1.0000	1.0000	1.0000
Trend Projections				
Annual Factor	5.0%	5.0%	4.0%	4.0%
Number of Months of Trend	32	20	32	20
Trend Factor	1.1390	1.0847	1.1103	1.0676
Projected Incurred Claims PEPM	\$39.30	\$31.32	\$38.31	\$30.82
Weighing Factors	50.0%	50.0%	50.0%	50.0%
Weighted Projected Incurred Claims PEPM		\$35.31		\$34.57

Development of Funding Factors



Fiscal Year 18-19 Funding Rates

	Current Premium <u>Rates</u>	<i>Using Current Premiums</i> Minimum <u>Funding</u>	Recommend <u>Funding</u>	<i>Actuarially Adjusted</i> Minimum <u>Funding</u>	Recommend <u>Funding</u>
Medical/Prescription Drug Plan					
<i>Gold Plan</i>					
Employee Only	\$607.00	\$618.68	\$641.41	\$623.83	\$646.75
Employee/Spouse	\$1,093.00	\$1,113.62	\$1,154.54	\$1,122.89	\$1,164.15
Employee/Child	\$971.00	\$989.88	\$1,026.26	\$998.12	\$1,034.80
Employee/Child(ren)	\$1,295.00	\$1,299.22	\$1,346.96	\$1,310.04	\$1,358.18
Employee/Family	\$1,640.00	\$1,670.43	\$1,731.81	\$1,684.34	\$1,746.23
<i>Silver Plan</i>					
Employee Only	\$571.00	\$581.98	\$603.37	\$547.02	\$567.12
Employee/Spouse	\$1,027.00	\$1,047.57	\$1,086.07	\$984.63	\$1,020.82
Employee/Child	\$913.00	\$931.17	\$965.39	\$875.23	\$907.39
Employee/Child(ren)	\$1,199.00	\$1,222.17	\$1,267.08	\$1,148.74	\$1,190.95
Employee/Family	\$1,541.00	\$1,571.36	\$1,629.10	\$1,476.95	\$1,531.22
Dental					
Employee Only	\$27.00	\$22.12	\$22.60		
Employee/Spouse	\$56.00	\$45.88	\$46.87		
Employee/Child	\$47.00	\$38.51	\$39.34		
Employee/Child(ren)	\$73.00	\$59.81	\$61.10		
Employee/Family	\$102.00	\$83.58	\$85.38		

Proposed Benefit Changes



- Based on list of changes supplied by the trustees
- Benefit changes for the medical and prescription drug plans
- Cost of moving back to a self-insured vision plan
- Developed both the percentage impact and rate impact of the proposed changes using the recommended and minimum rates
- Specific rate impact will be discussed using exhibits developed by ECA

Proposed Benefit Changes



- For Medical/Rx Gold Plan
 - Add a copay for the Health & Wellness Clinic
 - \$10 per visit
 - \$20 per visit
 - \$30 per visit
 - Change Outpatient Behavioral Health from 80% coinsurance to \$55 copay
 - Change non-routine colonoscopy from 100% with no deductible to 80% after deductible
 - Reduce physician office copay to \$35
 - Reduce physician office copay to \$25 PCP/\$35 Specialist
 - Eliminate MOM as the sole mammography provider
 - Provide unblended Gold funding rates for active/retiree
 - Add Rx Specialty Copay of:
 - \$150
 - \$200
 - 20% to a maximum of \$300

Proposed Benefit Changes



- For Medical/Rx Silver Plan
 - Add a copay for the Health & Wellness Clinic
 - \$25 per visit
 - \$40 per visit
 - \$50 per visit
 - Change Outpatient Behavioral Health from 80% coinsurance to \$100 copay
 - Change non-routine colonoscopy from 100% with no deductible to 80% after deductible
 - Change physician office copay to \$100 PCP/\$150 Specialist
 - Reduce diagnostic testing to 80% after deductible
 - Eliminate the Silver Plan
 - Add Rx Specialty Copay of:
 - \$250
 - \$500
 - 20% to a maximum of \$600

Proposed Benefit Changes



- Vision Plan

- Move from current fully insured UHC plan to a self-insured plan through Vision Care Direct
- The new plan has a \$10 copay for exam and materials
- The new plan covers exams, frames and lenses 1 time each 12 months

Discussion/Questions



Required Disclosures



- The purpose of the presentation is to provide the Trustees of the Lake Havasu Schools Employee Benefit Trust with suggested claim funding rates for the 2018-2019 plan year. This presentation is not intended to benefit any third party, and Cheiron assumes no duty or liability to any such party.
- In preparing the information in this presentation, we relied on information (some written and some oral) provided by Erin P. Collins and Associates. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.
- The results of this report rely on future plan experience conforming to the underlying assumptions and methods outlined in this report. To the extent that the actual plan experience deviates from the underlying assumptions and methods, or there are any changes in plan provisions or applicable laws, the results would vary accordingly.
- To the best of my knowledge, this presentation and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as a credentialed actuary I meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this presentation.
- This presentation does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.

Michael Schionning, FSA, MAAA
Principal Consulting Actuary



Classic Values, Innovative Advice.

February 7, 2018

2018-19 Actuarial Report



Lake Havasu Schools Employee Benefit Trust

**Actuarial Rate Development
for the Plan Year Beginning
July 1, 2018**

Produced by Cheiron

January 2018

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Via Electronic Mail

January 21, 2018

Board of Trustees
Lake Havasu Schools Employee Benefit Trust
c/o Erin P. Collins & Associates, Inc.
1115 Stockton Hill Road #101
Kingman, Arizona 86401

Re: Actuarial Rate Development for the Plan Year Beginning July 1, 2018

Dear Trustees:

The purpose of this report is to present the results of our development of the recommended claim funding rates for the July 2018 to June 2019 plan year for the Lake Havasu Schools Employee Benefit Trust (LHSEBT).

In preparing our report, we relied on information (some oral and some written) supplied by Erin P. Collins & Associates, Inc., the Trust administrator. This information includes, but is not limited to plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

This report was prepared exclusively for LHSEBT for the purpose described herein. Other users of this report are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.

The results of this report relies on future plan experience conforming to the underlying assumptions and methods outlined in this report. To the extent that the actual plan experience deviates from the underlying assumptions and methods, or there are any changes in plan provisions or applicable laws, the results would vary accordingly.

I hereby certify that, to the best of my knowledge, this report and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as a credentialed actuary, I meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this report. This report does not address any contractual or legal issues. I am not an attorney and our firm does not provide any legal services or advice.

Sincerely,
Cheiron

Michael W. Schionning, FSA, MAAA
Principal Consulting Actuary

LAKE HAVASU SCHOOLS EMPLOYEE BENEFIT TRUST
ACTUARIAL RATE DEVELOPMENT FOR THE PLAN YEAR BEGINNING JULY 1, 2018

SECTION I – SUMMARY OF RESULTS

The Lake Havasu Schools Employee Benefit Trust (LHSEBT) has engaged Cheiron to develop recommended claim funding rates for the plan year beginning July 1, 2018. The primary purpose of this report is to:

- Develop the recommended claim funding rates for the plan year beginning July 1, 2018

The claim funding rates are based on the historical claim experience of the Trust and the underlying health care trend experience.

The first step in the analysis is the development of the projected claim funding rates for the plan year beginning July 1, 2018. These rates are based on an analysis of the financial experience of the Trust over the 24-month period ending November 30, 2017. The claim experience for the medical, prescription drug, and dental plans is studied and the underlying claim trends are developed for each plan. We develop trend rates using the most recent 12 months of rolling claim years and the most recent 24 months of rolling claim years as well as our expectations of future trends. We then combine the historical trends and our expectations to develop the recommended, minimum, and maximum trend rates. Funding rates are developed using the recommended and minimum trend rates.

For all benefits, total paid claims (net of reinsurance recoveries for the medical and prescription drug benefits), including an estimate of the cost for the health clinic, for the 24 months ended November 30, 2017 are used to develop the estimates of the needed claim funding rates. In addition, the claims are adjusted for changes in benefits that have occurred over time.

Because we do not have the underlying claim funding amounts for the current premium rates, we present the recommended and minimum claim funding factors for the medical and prescription drug benefits combined as well as for the dental plan. In addition, we provide two sets of funding rates for the medical and prescription drug benefits; the first uses the current relationships between the Gold and Silver benefit plans and the second uses the actuarial difference between the two benefit plans; the actuarially determined funding rates are approximately 0.8% higher for the Gold plan and 6.0% lower for the Silver plan.

The remainder of this report provides additional supporting detail of our analysis.

This section of the report presents the development of the recommended claim funding rates for the plan year beginning July 1, 2018.

We begin by reviewing the historical financial experience of the Trust of the 24-month period ending November 30, 2017. The claim and covered enrollment experience is developed on a monthly basis, and the underlying claim trend rates are developed by reviewing the claims per employee basis on a rolling 12-month basis.

Exhibit I summarizes the results of this analysis. The exhibit first shows the claim funding rates in effect for the plan year beginning July 1, 2017. It then shows the claim funding rates for the 2018-19 plan year based on our analysis, using both the recommended and minimum trend rates and both the current and actuarially adjusted rates for the medical and prescription drug plans.

The recommended trend rate is 8.0% for medical, 20.0% for prescription drugs, 5% for the health clinic, and 5.0% for dental, based on our review of the historical experience and our expectations for future trends.

Exhibit II provides a summary of the development of the proposed claim funding rates for the medical and prescription drug plans. The exhibit shows the calculated claim cost per employee for each of the last two 12-month periods for which claims data is available. These claims are then trended forward to the rating year at the recommended and minimum trend rates. The two trend years are weighted together and the results are used to develop the needed claim funding rates.

Exhibit III provides a summary of the development of the proposed claim funding rates for the dental plans. The exhibit shows the calculated claim cost per employee for each of the last two 12-month periods for which claims data is available. These claims are then trended forward to the rating year at the recommended and minimum trend rates. The two trend years are weighted together and the results are used to develop the needed claim funding rates.

Exhibit IV shows the development of the rolling year claim costs that were used to develop the projected trend rates. For each rolling year, the exhibit shows the average number of employees, the net paid claims (adjusted for stop loss recoveries), and the resulting claims cost per employee per month. Rolling paid claims are based on a two-month lag for medical and a one-month lag for all other benefits.

The graphs in **Appendix A** show the historical rolling year claim costs developed in Exhibit III, along with the trend lines indicating conservative (or maximum), aggressive (or minimum), and recommended trend rates based on the underlying claims data. The trend lines show the projected results through the 12-month period ending June 2019, or the end of the plan year for which we develop claim funding rates.

**LAKE HAVASU SCHOOLS EMPLOYEE BENEFIT TRUST
ACTUARIAL RATE DEVELOPMENT FOR THE PLAN YEAR BEGINNING JULY 1, 2018**

EXHIBIT I – PROPOSED CLAIM FUNDING RATES

Fiscal Year 18-19 Funding Rates					
	Current Premium Rates	<i>Using Current Premiums</i> Minimum Funding	Recommend Funding	<i>Actuarially Adjusted</i> Minimum Funding	Recommend Funding
Medical/Prescription Drug Plan					
<i>Gold Plan</i>					
Employee Only	\$607.00	\$618.68	\$641.41	\$623.83	\$646.75
Employee/Spouse	\$1,092.56	\$1,113.62	\$1,154.54	\$1,122.89	\$1,164.15
Employee/Child	\$970.61	\$989.88	\$1,026.26	\$998.12	\$1,034.80
Employee/Child(ren)	\$1,274.49	\$1,299.22	\$1,346.96	\$1,310.04	\$1,358.18
Employee/Family	\$1,639.34	\$1,670.43	\$1,731.81	\$1,684.34	\$1,746.23
<i>Silver Plan</i>					
Employee Only	\$571.00	\$581.98	\$603.37	\$547.02	\$567.12
Employee/Spouse	\$1,027.00	\$1,047.57	\$1,086.07	\$984.63	\$1,020.82
Employee/Child	\$913.00	\$931.17	\$965.39	\$875.23	\$907.39
Employee/Child(ren)	\$1,199.00	\$1,222.17	\$1,267.08	\$1,148.74	\$1,190.95
Employee/Family	\$1,541.00	\$1,571.36	\$1,629.10	\$1,476.95	\$1,531.22
Dental					
Employee Only	\$27.00	\$22.13	\$22.61		
Employee/Spouse	\$55.98	\$45.89	\$46.88		
Employee/Child	\$46.98	\$38.51	\$39.34		
Employee/Child(ren)	\$72.97	\$59.82	\$61.11		
Employee/Family	\$101.96	\$83.58	\$85.38		

LAKE HAVASU SCHOOLS EMPLOYEE BENEFIT TRUST
ACTUARIAL RATE DEVELOPMENT FOR THE PLAN YEAR BEGINNING JULY 1, 2018

EXHIBIT II – DEVELOPMENT OF PROPOSED MEDICAL/RX CLAIM FUNDING RATES

Recommended Factors

	12 Months Ending Nov-16				12 Months Ending Nov-17			
	<u>Medical</u>	<u>Prescriptions</u>	<u>Clinic</u>	<u>Total</u>	<u>Medical</u>	<u>Prescriptions</u>	<u>Clinic</u>	<u>Total</u>
Employee Exposure Months (2 Month Lag Medical) (1 Month Lag Rx, 0 Month Lag Clinic)	6,716	6,662	6,616		6,504	6,513	6,519	
Total Paid Claims (Net of Stop Loss Recoveries)	\$3,028,463	\$899,803	\$864,181	\$4,792,446	\$2,344,833	\$1,134,206	\$1,009,344	\$4,488,383
Estimated Incurred Claims PEPM	\$450.93	\$135.06	\$130.62	\$716.62	\$360.52	\$174.14	\$154.83	\$689.50
Trend Projections								
Annual Factor	8.0%	20.0%	5.0%		8.0%	20.0%	5.0%	
Number of Months of Trend	33	33	31		21	21	19	
Trend Factor	1.2357	1.6510	1.1343		1.1442	1.3758	1.0803	
Projected Incurred Claims PEPM	\$557.22	\$222.99	\$148.17	\$928.38	\$412.50	\$239.60	\$167.27	\$819.36
Weighing Factors				50.0%				50.0%
Weighted Projected Incurred Claims PEPM								\$873.87



LAKE HAVASU SCHOOLS EMPLOYEE BENEFIT TRUST
ACTUARIAL RATE DEVELOPMENT FOR THE PLAN YEAR BEGINNING JULY 1, 2018

EXHIBIT II – DEVELOPMENT OF PROPOSED MEDICAL/RX CLAIM FUNDING RATES

Minimum Factors

	12 Months Ending Nov-16				12 Months Ending Nov-17			
	<u>Medical</u>	<u>Prescriptions</u>	<u>Clinic</u>	<u>Total</u>	<u>Medical</u>	<u>Prescriptions</u>	<u>Clinic</u>	<u>Total</u>
Employee Exposure Months (2 Month Lag Medical) (1 Month Lag Rx, 0 Month Lag Clinic)	6,716	6,662	6,616		6,504	6,513	6,519	
Total Paid Claims (Net of Stop Loss Recoveries)	\$3,028,463	\$899,803	\$864,181	\$4,792,446	\$2,344,833	\$1,134,206	\$1,009,344	\$4,488,383
Estimated Incurred Claims PEPM	\$450.93	\$135.06	\$130.62	\$716.62	\$360.52	\$174.14	\$154.83	\$689.50
Trend Projections								
Annual Factor	6.0%	19.0%	3.0%		6.0%	19.0%	3.0%	
Number of Months of Trend	33	33	31		21	21	19	
Trend Factor	1.1738	1.6134	1.0794		1.1074	1.3558	1.0479	
Projected Incurred Claims PEPM	\$529.30	\$217.92	\$140.98	\$888.21	\$399.22	\$236.11	\$162.25	\$797.59
Weighing Factors				50.0%				50.0%
Weighted Projected Incurred Claims PEPM								\$842.90



LAKE HAVASU SCHOOLS EMPLOYEE BENEFIT TRUST
ACTUARIAL RATE DEVELOPMENT FOR THE PLAN YEAR BEGINNING JULY 1, 2018

EXHIBIT III – DEVELOPMENT OF PROPOSED DENTAL CLAIM FUNDING RATES

	Recommended		Minimum	
	12 Months	12 Months	12 Months	12 Months
	Ending	Ending	Ending	Ending
	<u>Nov-16</u>	<u>Nov-17</u>	<u>Nov-16</u>	<u>Nov-17</u>
Employee Exposure Months (1 Month Lag)	6,083	5,966	6,083	5,966
Total Paid Claims	\$209,904	\$172,240	\$209,904	\$172,240
Estimated Incurred Claims PEPM	\$34.51	\$28.87	\$34.51	\$28.87
Adjustment to Current Benefits	1.0000	1.0000	1.0000	1.0000
Trend Projections				
Annual Factor	5.0%	5.0%	4.0%	4.0%
Number of Months of Trend	32	20	32	20
Trend Factor	1.1390	1.0847	1.1103	1.0676
Projected Incurred Claims PEPM	\$39.30	\$31.32	\$38.31	\$30.82
Weighing Factors	50.0%	50.0%	50.0%	50.0%
Weighted Projected Incurred Claims PEPM		\$35.31		\$34.57

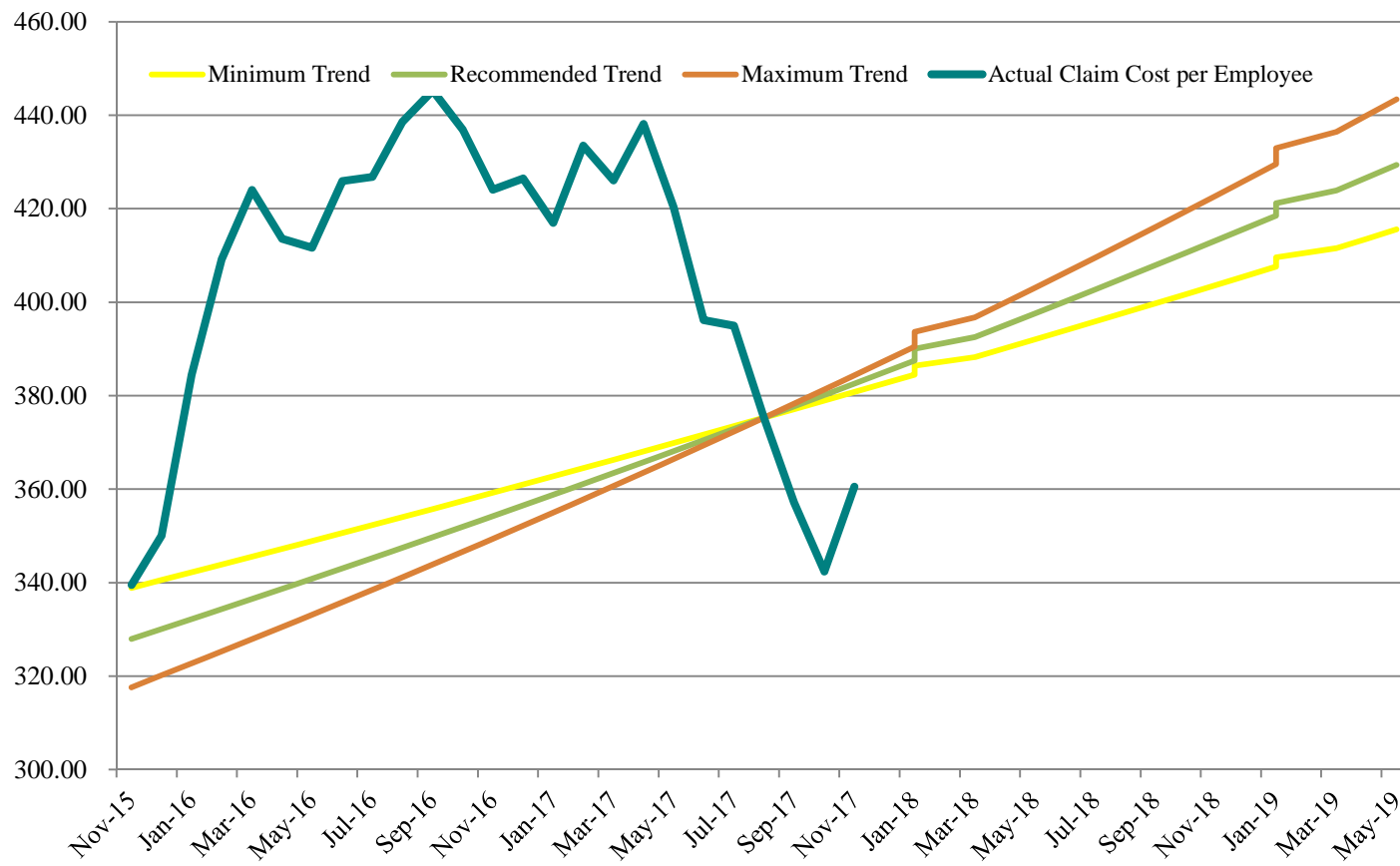
Medical and Prescription Drugs

Rolling 12 Months <u>Ending</u>	Average Number of <u>Employees</u>	Average Number of <u>Ees w Deps</u>	Total <u>Paid Claims</u>	Stop Loss <u>Recovery</u>	Net <u>Paid Claims</u>	Monthly Claim Cost <u>Per Employee</u>
Nov 2015	596	192	3,572,499	0	3,572,499	499.37
Dec 2015	594	191	3,964,374	0	3,964,374	556.40
Jan 2016	591	189	4,255,255	0	4,255,255	599.75
Feb 2016	588	187	4,517,073	0	4,517,073	639.99
Mar 2016	585	186	4,552,676	0	4,552,676	648.16
Apr 2016	582	184	4,661,645	0	4,661,645	667.19
May 2016	580	182	4,873,204	0	4,873,204	700.68
Jun 2016	577	180	4,889,044	0	4,889,044	706.51
Jul 2016	572	178	4,842,883	0	4,842,883	705.45
Aug 2016	567	176	4,792,904	0	4,792,904	704.74
Sep 2016	562	175	4,719,330	0	4,719,330	699.99
Oct 2016	560	174	4,612,204	0	4,612,204	686.75
Nov 2016	555	173	4,629,584	0	4,629,584	694.92
Dec 2016	551	171	4,719,241	0	4,719,241	713.31
Jan 2017	548	170	4,821,959	0	4,821,959	733.27
Feb 2017	545	169	4,763,370	30,874	4,732,496	723.84
Mar 2017	542	169	4,873,237	49,907	4,823,331	741.25
Apr 2017	540	168	4,818,959	98,277	4,720,682	728.50
May 2017	538	168	4,708,710	117,591	4,591,119	711.69
Jun 2017	536	168	4,742,897	123,404	4,619,492	718.65
Jul 2017	537	169	4,648,383	124,204	4,524,178	702.51
Aug 2017	538	170	4,554,678	124,204	4,430,473	685.83
Sep 2017	540	171	4,452,937	124,204	4,328,732	668.32
Oct 2017	542	171	4,612,588	124,204	4,488,383	690.10

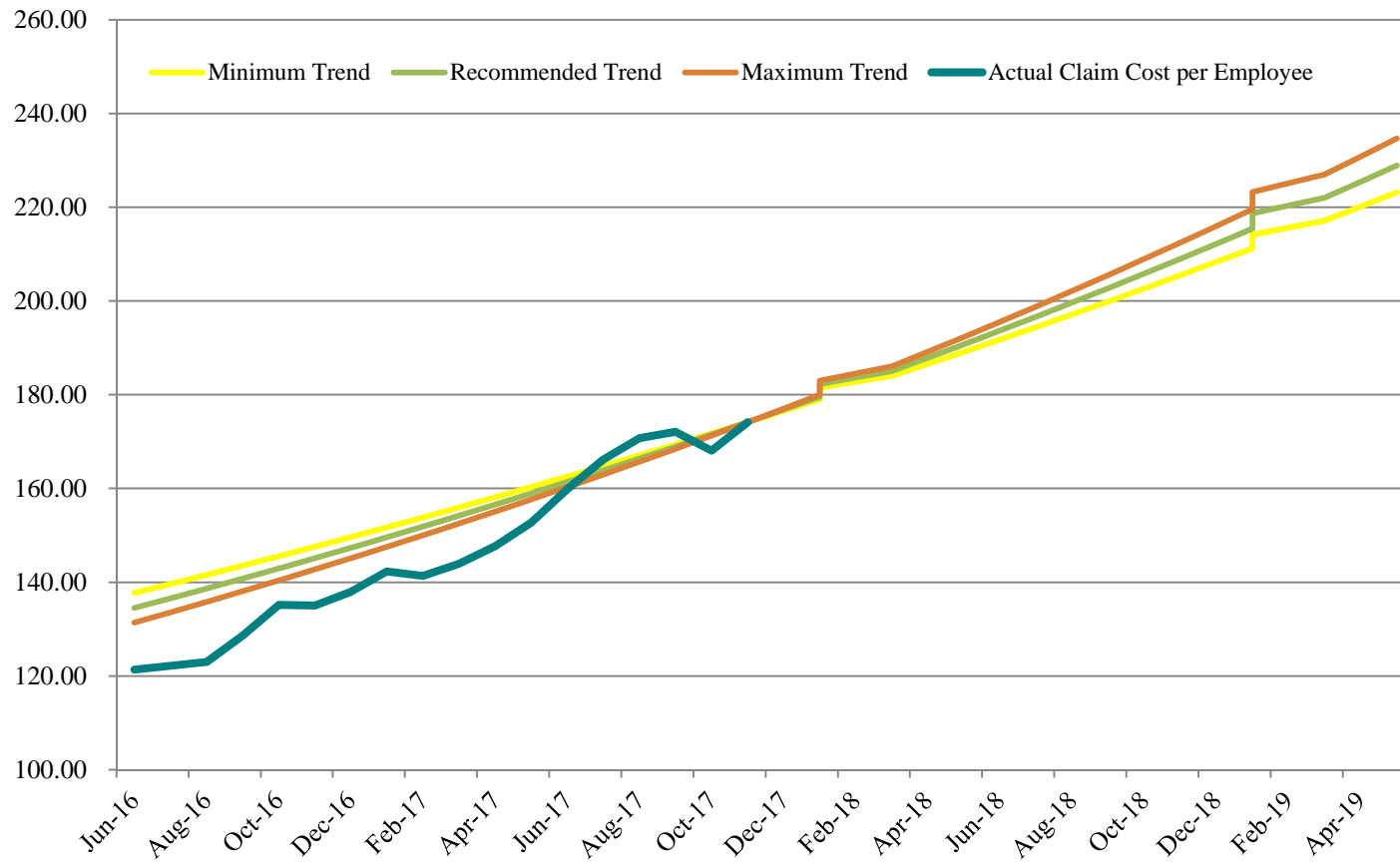
Dental

Rolling 12 Months Ending	Average Number of Employees	Average Number of Ees w Deps	Total Paid Claims	Stop Loss Recovery	Net Claims	Monthly Claim Cost Employee
Nov 2015	490	147	211,670	n/a	211,670	36.00
Dec 2015	496	148	219,339	n/a	219,339	36.89
Jan 2016	501	149	215,888	n/a	215,888	35.93
Feb 2016	505	149	215,882	n/a	215,882	35.61
Mar 2016	509	150	211,400	n/a	211,400	34.60
Apr 2016	513	151	212,816	n/a	212,816	34.58
May 2016	517	151	219,919	n/a	219,919	35.47
Jun 2016	520	152	229,343	n/a	229,343	36.77
Jul 2016	518	151	224,916	n/a	224,916	36.19
Aug 2016	515	150	227,366	n/a	227,366	36.82
Sep 2016	511	149	225,300	n/a	225,300	36.73
Oct 2016	510	148	229,599	n/a	229,599	37.49
Nov 2016	507	147	219,287	n/a	219,287	36.05
Dec 2016	504	146	214,573	n/a	214,573	35.50
Jan 2017	501	145	211,260	n/a	211,260	35.15
Feb 2017	498	144	206,411	n/a	206,411	34.53
Mar 2017	496	143	206,164	n/a	206,164	34.64
Apr 2017	494	143	207,411	n/a	207,411	34.97
May 2017	492	142	201,820	n/a	201,820	34.15
Jun 2017	491	141	197,307	n/a	197,307	33.50
Jul 2017	492	141	194,590	n/a	194,590	32.99
Aug 2017	493	142	188,736	n/a	188,736	31.91
Sep 2017	494	143	190,199	n/a	190,199	32.07
Oct 2017	496	144	184,381	n/a	184,381	30.95
Nov 2017	497	145	184,381	n/a	184,381	30.91

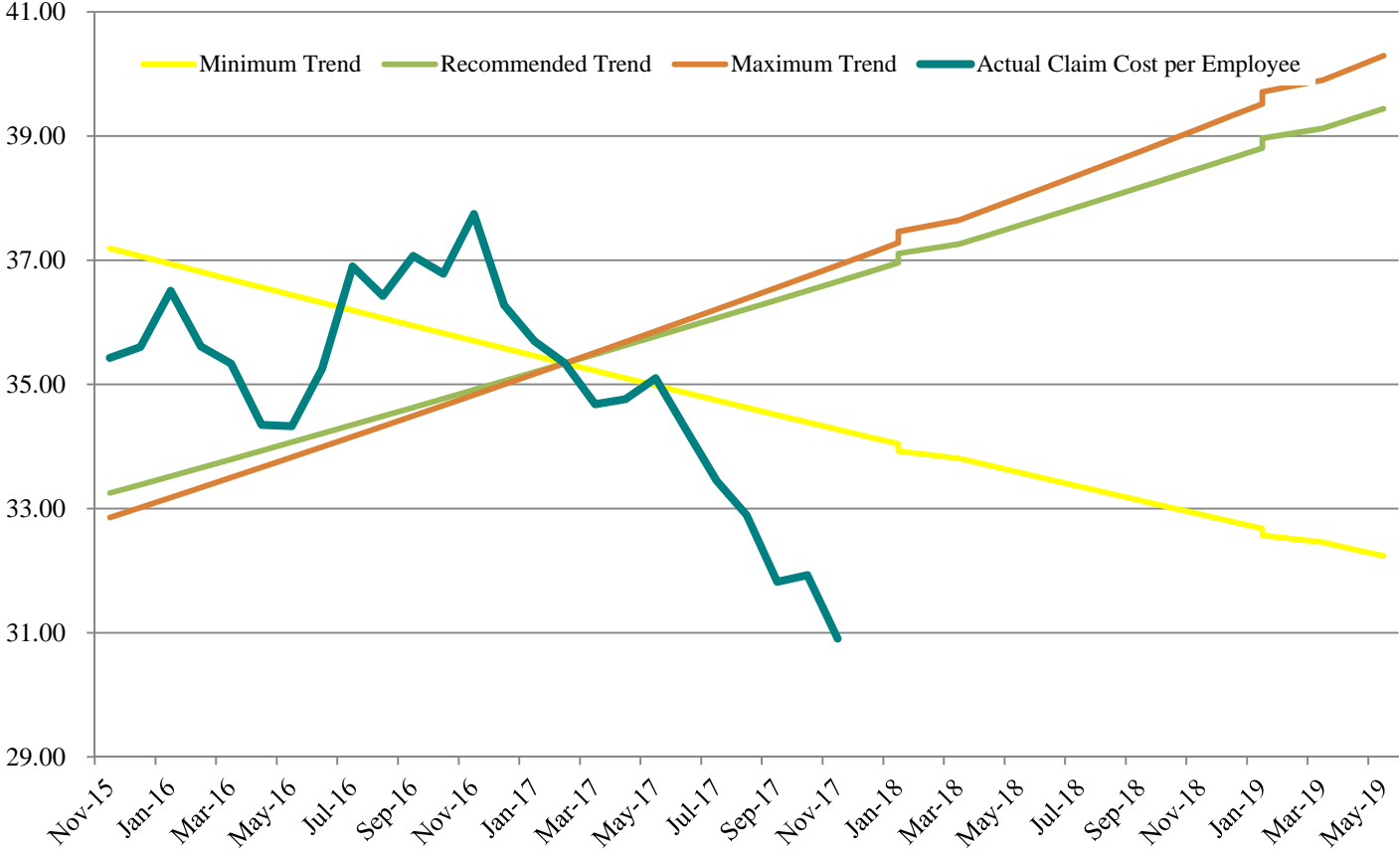
MEDICAL PLAN



PREScription DRUG PLAN



DENTAL PLAN



DRAFT



Classic Values, Innovative Advice

MEMORANDUM

TO: **LHSEBT Trustees**

FROM: **ERIN P. COLLINS & ASSOCIATES, INC. (ECA)**
Elena Lacy, Group Benefits Specialist

DATE: February 1, 2018

RE: Health and Wellness Clinic Review

As of the date of this memo, Cerner has not provided the presentation and/or report for Trustee review. We will forward as soon as we receive it.

If you have any questions between now and the date of the meeting, I can be reached at (928) 753-4700 ext. 306 or via email at elenal@ecollinsandassociates.com.

MEMORANDUM

TO: **LHSEBT Trustees**

FROM: **ERIN P. COLLINS & ASSOCIATES, INC. (ECA)**
Erin Collins, President

DATE: February 1, 2018

RE: 2018-19 Budget Building

During this part of the discussion, we will review all of the components that go into the annual benefit budget and discuss proposed benefits and rates for the 2018-19 plan year.

I have included a copy of the DRAFT 2018-19 LHSEBT budget. The budget includes the recommended claim funding factors, insurance and administrative fees as outlined below.

Recommended Claim Funding Rates

The Medical/Rx claim funding projections included in the draft budget is based on the Actuary's actuarially adjusted recommended funding factors as shown in Exhibit I on page 3 of the renewal report. When combined with the benefit changes noted above, the premiums result in average increase to the Employee Only rates of 49% and 30% for the various Dependent tiers. Between now and the date of the meeting we will be putting together additional information regarding the Trust's various cash balances for the last several years which may shed additional light on its overall performance to aid in the discussion of how we proceed with establishing rates and benefits.

The claim funding projections utilized for the Clinic Rx and Labs are derived from 2017-18 utilization.

For Dental, the premiums also utilize the actuary's recommended funding factors and result in a rate pass.

Insurance/Reinsurance

The Trust's insurance/reinsurance fees included in the draft budget, together with our assumptions, include:

1. Specific and Aggregate Stop Loss – We are estimating a 35% increase to the reinsurance rates to account for the addition of prescriptions under this coverage.

2. Vision – The Trust is currently fully insured through United Health Care and is in the middle of a rate guarantee; as such, there is no change to the Vision premium for 2018-19.
3. Life Insurance – The Life is also fully insured and the budget amount is based on actual expenditures from September 2017 through January 2018. It should be noted that these figures are not included in the calculation of the premiums as they are either paid by the District or the employee.

Claim Administration and General Operating Fees

1. Gilsbar (TPA) – Gilsbar has requested a PEPM (per employee per month) rate increase for both the Medical and COBRA Administration with no change to the FSA Administration as follows:

	2017-18	2018-19	Increase
Medical Admin	\$17.25	\$17.90	\$.65
COBRA Admin	\$1.45	\$1.60	\$.15
FSA Admin	\$4.00	\$4.00	N/A

Gilsbar has offered rate passes in 2014, 2015 and 2017.

2. WisconsinRx (PBM) – The PBM fee is based on the actual charges incurred by the Trust through January 2018.
3. Ameritas (Dental Admin) – Ameritas has offered a rate pass for 2018-19; as a result, their fee will remain at \$3.25/PEPM.
4. BlueCross BlueShield of Arizona (BCBSAZ) (Network) – ECA has not received the rate request for 2018-19 as of the date of this memo, however, we have been told to expect an increase and have assumed \$.75/PEPM based on discussions with BCBSAZ.
5. American Health Group (AHG) (Utilization Review) – AHG has offered a rate pass and therefore the rate will remain at \$2.00/PEPM.
6. Erin P. Collins & Associates (ECA) (Broker/Consultant) – ECA is in its first year of a multi-year contract; the fee for 2018-19 is \$72,000/yr.
7. Cerner Management Fee – Cerner is in the middle of a multi-year contract as well. The fee for July 2018 through March 2019 is \$54,893 with an increase to \$56,214 for April through June 2019.
8. Clinic Operating Expenses – This line item is based on actual expenditures through December 2017 and includes everything from the building lease to medical and office supplies. A breakdown of these expenses is included with the budget.
9. Cheiron (Actuary & GASB) – Cheiron was awarded a contract to provide actuarial and GASB liability analysis effective in October 2017 on a “Not to Exceed” basis through June 30, 2019. Those figures are \$12,500 for actuarial services and \$17,500 for the GASB evaluation.
10. GDK CPA (Accountant) – The Trust is currently utilizing the services of GDK to provide monthly financial reporting at a rate of \$300/mo.

11. Heinfeld Meech (Auditor) – We estimated this line item based on the Letter of Intent which indicates a charge of \$6,000.
12. Cavanagh Law Firm (Legal) – This line item is based on actual legal services provided through December 2017.
13. PCORI Fees – The Trust is required to pay a fee to the IRS for the Patient Centered Outcome Research Institute as mandated by healthcare reform. We estimated this line based on last year's filing using this year's rate of \$2.39.
14. General Admin Expenses – This line item is intended to capture the miscellaneous expenses associated with operation of the Trust which don't fall into these other specific categories. This includes such things as Trustee E&O Insurance, Training/Travel, Meeting Expenses, etc.

Benefit Change Options

Based on ECA's review of the Trust's current benefits, we requested that the actuary price a number of benefit changes for your consideration. A list of those options is attached for your reference.

I look forward to discussing the budget and rate options with you during our renewal meeting. In the meantime, if you have any questions I can be reached at your convenience at (928) 753-4700 ext. 300 or via email at erinp@ecollinsandassociates.com.

2018-19 Draft Budget

LHSEBT

2018-19 DRAFT Budget

	Census Assumptions					
	Emp	Emp + Sp	Emp + Child	Emp + Children	Emp + Fam	Total
Medical/Rx (Gold Plan) - Active	304	43	20	24	64	455
Medical/Rx (Gold Plan) - Retiree	32	9	0	0	0	41
Medical/Rx (Silver/Retiree Plan)						0
Dental	362	44	18	25	58	507
Vision	369	54	16	20	49	508
FSA						14

2018-19 Premium Rates	Emp	Emp + Sp	Emp + Child	Emp + Children	Emp + Fam	
Medical/Rx (Gold Plan) - Active	\$ 919.79	\$ 1,481.46	\$ 1,341.87	\$ 1,665.25	\$ 2,108.16	
Medical/Rx (Gold Plan) - Retiree	\$ 919.79	\$ 1,481.46	\$ 1,341.87	\$ 1,665.25	\$ 2,108.16	
Medical/Rx (Silver/Retiree Plan)	\$ 840.16	\$ 1,338.13	\$ 1,214.46	\$ 1,498.02	\$ 1,893.15	
Dental	\$ 27.00	\$ 56.00	\$ 47.00	\$ 73.00	\$ 102.00	
Vision	\$ 5.18	\$ 10.35	\$ 9.41	\$ 9.41	\$ 16.94	

Dollar Difference vs 2017-18	Emp	Emp + Sp	Emp + Child	Emp + Child(ren)	Emp + Fam	
Medical/Rx (Gold Plan) - Active	\$ 312.79	\$ 388.46	\$ 370.87	\$ 370.25	\$ 468.16	
Medical/Rx (Gold Plan) - Retiree	\$ 312.79	\$ 388.46	\$ 370.87	\$ 370.25	\$ 468.16	
Medical/Rx (Silver/Retiree Plan)	\$ 269.16	\$ 311.13	\$ 301.46	\$ 299.02	\$ 352.15	
Dental	\$ -	\$ -	\$ -	\$ -	\$ -	
Vision	\$ -	\$ -	\$ -	\$ -	\$ -	

Percentage Difference vs 2017-18	Emp	Emp + Sp	Emp + Child	Emp + Child(ren)	Emp + Fam	
Medical/Rx (Gold Plan) - Active	51.53%	35.54%	38.19%	28.59%	28.55%	
Medical/Rx (Gold Plan) - Retiree	51.53%	35.54%	38.19%	28.59%	28.55%	
Medical/Rx (Silver/Retiree Plan)	47.14%	30.30%	33.02%	24.94%	22.85%	
Dental	0.0%	0.0%	0.0%	0.0%	0.0%	
Vision	0.0%	0.0%	0.0%	0.0%	0.0%	

	Emp	Emp + Sp	Emp + Child	Emp + Children	Emp + Fam	\$	Annual Budget	% of Total
CLAIM FUNDS							5,696,036	76.57%
Medical/Rx (Gold Plan) - Active	\$ 646.75	\$ 1,164.15	\$ 1,034.80	\$ 1,358.18	\$ 1,746.23	\$ 4,940,658		
Medical/Rx (Gold Plan) - Retiree	\$ 646.75	\$ 1,164.15	\$ 1,034.80	\$ 1,358.18	\$ 1,746.23	\$ 374,080		
Medical/Rx (Silver/Retiree Plan)	\$ 567.12	\$ 1,020.82	\$ 907.39	\$ 1,190.95	\$ 1,531.22	\$ -		
Medical/Rx (Gold Plan Only) - Actives/Retirees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Medical/Rx (Gold Plan Only) - Actives	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Medical/Rx (Gold Plan Only) - Retirees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Clinic Labs	\$ 16.98	\$ 16.98	\$ 16.98	\$ 16.98	\$ 16.98	\$ 101,065		
Clinic Rx	\$ 11.93	\$ 11.93	\$ 11.93	\$ 11.93	\$ 11.93	\$ 71,007		
Dental	\$ 22.61	\$ 46.88	\$ 39.34	\$ 61.11	\$ 85.38	\$ 209,225		
Vision	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
INSURANCE/REINSURANCE						\$ 550,183		7.40%
Med/Rx Specific Stop-Loss (American Fidelity)	\$ 44.63	\$ 88.90	\$ 78.66	\$ 78.66	\$ 133.52	\$ 379,498		
Med/Rx Aggregate Stop-Loss (American Fidelity)	\$ 2.52	\$ 2.52	\$ 2.52	\$ 2.52	\$ 2.52	\$ 14,999		
Vision (United Health Care)	\$ 5.18	\$ 10.35	\$ 9.41	\$ 9.41	\$ 16.94	\$ 43,670		
Life Insurance (Guardian)	\$ 18.82	\$ 18.82	\$ 18.82	\$ 18.82	\$ 18.82	\$ 112,017		
CLAIM ADMINISTRATION						\$ 244,954		3.29%
TPA Medical (Gilsbar)	\$ 17.90	\$ 17.90	\$ 17.90	\$ 17.90	\$ 17.90	\$ 106,541		
TPA COBRA (Gilsbar)	\$ 1.60	\$ 1.60	\$ 1.60	\$ 1.60	\$ 1.60	\$ 9,523		
PBM (CVS Caremark/Wisconsin Rx)	\$ 0.47	\$ 0.47	\$ 0.47	\$ 0.47	\$ 0.47	\$ 2,797		
TPA Dental (Ameritas)	\$ 3.25	\$ 3.25	\$ 3.25	\$ 3.25	\$ 3.25	\$ 19,773		
TPA Vision	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
TPA FSA (Gilsbar)	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00	\$ 672		
Medical PPO (BCBSAZ)	\$ 15.75	\$ 15.75	\$ 15.75	\$ 15.75	\$ 15.75	\$ 93,744		
Medical UR (American Health Group)	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 11,904		
GENERAL OPERATING						\$ 947,916		12.74%
Consultant (Dave Stewart/American Healthcare Plans)						\$ -		
Broker/Consultant (ECA)	\$ 12.10	\$ 12.10	\$ 12.10	\$ 12.10	\$ 12.10	\$ 72,019		
Cerner Management Fee	\$ 111.34	\$ 111.34	\$ 111.34	\$ 111.34	\$ 111.34	\$ 662,696		
Clinic Operating Expenses	\$ 15.33	\$ 15.33	\$ 15.33	\$ 15.33	\$ 15.33	\$ 91,244		
Wellness Programs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Actuary (Cheiron)	\$ 2.11	\$ 2.11	\$ 2.11	\$ 2.11	\$ 2.11	\$ 12,559		
Actuary (Cheiron) - GASB	\$ 2.95	\$ 2.95	\$ 2.95	\$ 2.95	\$ 2.95	\$ 17,558		
Accountant (GDK CPA LLC)	\$ 0.61	\$ 0.61	\$ 0.61	\$ 0.61	\$ 0.61	\$ 3,631		
Auditor (Heinfeld Meech)	\$ 1.01	\$ 1.01	\$ 1.01	\$ 1.01	\$ 1.01	\$ 6,012		
Legal (Cavanagh Law Firm)	\$ 2.04	\$ 2.04	\$ 2.04	\$ 2.04	\$ 2.04	\$ 12,142		
PCORI Fees	\$ 0.34	\$ 0.34	\$ 0.34	\$ 0.34	\$ 0.34	\$ 2,024		
General Admin Expenses	\$ 11.43	\$ 11.43	\$ 11.43	\$ 11.43	\$ 11.43	\$ 68,031		
GRAND TOTAL BUDGET						\$ 7,439,089		100.00%

Benefit Options

**Lake Havasu Schools EBT
2018-19 Budget Options**

Medical – Gold Plan

1. Add a co-pay for services at the Health & Wellness Clinic of:
 - a. \$10
 - b. \$20
 - c. \$25
2. Change Outpatient Behavioral Health/Mental Health/Substance Use Services from 80% after Deductible to \$55 Co-Pay (Same as Physician Office Visit) [NOTE: We believe that the current benefit structure may not comply with Mental Health Parity.]
3. Change Non-Routine Colonoscopy from 100% with No Deductible to 80% after Deductible
4. Reduce Physician Office Visit from \$55 to \$35
5. Change Physician Office Visit to \$25 PCP and \$35 Specialist
6. Eliminate MOM as the Sole Mammography Provider [NOTE: MOM is billing through BCBSAZ at a rate of \$122.07 for 2D and \$165.86 for 3D.]
7. Assuming only Gold Plan is offered to Active & Retiree, provide separate funding factors for Retirees on the Gold Plan (versus a blended rate)

Medical – Silver Plan

1. Add a co-pay for services at the Health & Wellness Clinic of:
 - a. \$25
 - b. \$40
 - c. \$50
2. Change Outpatient Behavioral Health/Mental Health/Substance Use Services from 80% after Deductible to \$100 Co-Pay (Same as Physician Office Visit) [NOTE: We believe that the current benefit structure may not comply with Mental Health Parity.]
3. Change Non-Routine Colonoscopy from 100% with No Deductible to 80% after Deductible.
4. Change Physician Office Visit to \$100 PCP and \$150 Specialist

5. Reduce all Diagnostic Testing from 100% after Deductible to 80% After Deductible
6. Eliminate Silver Plan

Prescription – Gold Plan

1. Add Specialty Co-Pay of:
 - a. \$150
 - b. \$200
 - c. 20% up to max of \$300

Prescription – Silver Plan

1. Add Specialty Co-Pay of:
 - a. \$250
 - b. \$500
 - c. 20% to Max of \$600

Vision

1. Move coverage back to a fully self-insured program using Vision Care Direct as the Network and Administrator.

MEMORANDUM

TO: **LHSEBT Trustees**

FROM: **ERIN P. COLLINS & ASSOCIATES, INC. (ECA)**
Jaime Schulenberg, Sr. Account Manager

DATE: February 1, 2018

RE: Discussion and Possible Action re Approval of Vendor Contracts

The following is an overview of the administrative contracts that are up for renewal effective July 1, 2018 and each vendor's offer to the Trust:

1. **American Health Group** – AHG is requesting no increase for the 2018-19 plan year; as such, their fee will remain at \$2.00/PEPM.
2. **Ameritas** – Ameritas has offered a rate pass; as such, their fee will remain at \$3.25/PEPM.
3. **Blue Cross Blue Shield of Arizona** – BCBSAZ is requesting an increase in the network rental fee this year, however, as of the date of this memo, that request has not been received. We will report on the requested increase at the meeting on February 7, 2018.
4. **Gilsbar** – Gilsbar has requested increases to their Medical and COBRA Administration fees as follows:

	2017-18 Plan Year	2018-19 Plan Year
Medical Administration	\$17.25/PEPM	\$17.90/PEPM
COBRA Administration	\$1.45/PEPM	\$1.60/PEPM

This request represents an estimated overall annual increase to the budget of \$2,300. Please note that Gilsbar offered rate passes in 2014, 2015 and 2017.

All other vendors providing services to the Trust are in the middle of rate guarantees and therefore do not require action by the Trust at this time.

Staff recommends that these renewals be accepted as presented and that the Trust Chairman be authorized to execute all renewal documents upon review and approval by legal counsel.

If you should have any questions between now and the date of the meeting, feel free to call or email me at (928) 753-4700 x302 or jaimes@ecollinsandassociates.com.

MEMORANDUM

TO: **LHSEBT Trustees**

FROM: **ERIN P. COLLINS & ASSOCIATES, INC. (ECA)**
Erin P. Collins, President

DATE: February 1, 2018

RE: End to End Review and Priority Setting Through 06/30/2019

Attached is a copy of the End to End Review previously forwarded to Trustees on December 6, 2017. ECA has been working with various employees of the District, as well as LHSEBT vendors and others to begin addressing the issues identified in the review. Of particular importance at this early stage has been identification and assembly of the various points of financial data into a single location (the draft budget) to gain a greater degree of understanding of the premium composition, costs and cashflows of the Trust. These items have been compiled into the draft budget which will be reviewed by Trustees at the meeting. The budget likewise includes estimated dollars for the below proposed items and activities, if needed. At this point in the meeting, ECA would like for the Trustees to provide direction on the projects and priorities shown below, as well as any the Trustees may wish to add, as we work to address the issues identified in the Report and any additional items that occur in the normal course of Trust operations.

Priority 1 – To be Completed Now through June 30, 2018

1. **Secure quotes for Trustee/Fiduciary Liability insurance** – ECA is working with NFP, the District's insurance broker, to secure quotes for Trustee/Fiduciary liability coverage. We have budgeted \$12,000 in the draft budget based on our experience with other similar accounts. Assuming NFP is able to secure competitive quotes, we will work with their staff, the Trustees and legal counsel to the Trust to reach a decision on whether to wait until July 01 to place the coverage or to place it at the earliest possible date and work with an off-fiscal year policy term.
2. **Shop Medical Stop-Loss with Rx added in both the Specific and Aggregate coverage** – As previously identified, LHSEBT's current stop-loss policy excludes Rx costs. We will seek quotes to add this coverage as part of a competitive shopping process to be completed for the 07/01/18-06/30/19 policy term.
3. **Review of Regulatory and/or Legal Action-** We have added \$25,000 in the draft budget for an outside review of efforts to recover dollars expended by the Trust in various areas. This item may be the subject of an executive session during the meeting.

4. Review of Current Plan Documents (SPD and SBC) – During our initial review of the Trust’s plan documents, we have identified numerous questions regarding plan language and intent. We will ensure accuracy and full disclosure of applicable benefits and terms in these documents as part of the open enrollment process.
5. Review of Appeals Process – ECA will seek to further understand Trustee involvement with the appeals process and if applicable, develop appropriate language for the SPD.

Priority 2 – To be Completed July 1, 2018 – June 30, 2019

1. Trustee Education – ECA is proposing Trustee education by legal counsel for at least the topics below:

- a. Arizona Open Meeting Law
- b. Fiduciary Liability
- c. HIPAA Confidentiality

We have included \$6,000 in the General Admin line item to cover expected costs for this training.

2. Vendor Re-Contracting - ECA is proposing to review and re-contract with various vendors to incorporate those items included on page 5 of the End to End Review. Contracts specifically to be addressed include:

- a. American Health Group (Pre-Certification, Utilization Review and Case Management);
- b. Ameritas (Dental)
- c. Blue Cross Blue Shield of AZ (Network);
- d. Cavanagh Law Firm (Legal Counsel);
- e. Cerner (Clinic Management);
- f. GDK (CPA);
- g. Gilsbar (TPA);
- h. Heinfeld Meech (Auditor);
- i. United HealthCare (Vision); and
- j. Wisconsin Rx (PBM).

3. LHSEBT Operating Expense Comparisons - ECA will seek to complete cost comparisons on existing areas of Trust operations to get a better handle on how competitively associated costs are versus other available benchmarks. Items identified to date include:

- a. Cerner Clinic
 - i. Cost per visit comparison – Average cost for a visit at the clinic versus a generally similar one through the Blue Cross network.
 - ii. Rx Costs – Costs for prescription medications dispensed at the clinic versus similar medications dispensed through Wisconsin Rx.
 - iii. Lab Expenses – Costs for labs completed at the clinic versus discounts for labs completed through the Blue Cross network.
- b. Wisconsin Rx – Costs for generic and branded medications dispensed through the Wisconsin Rx contract versus contracts ECA has with other PBM vendors in the lower Colorado River area.

4. Retiree Liabilities – ECA will coordinate between Cheiron and District staff to select a valuation date to update the Retiree liability calculations per the applicable Governmental Accounting Standards Board (GASB) pronouncement.

5. Financial Practices and Controls - Several areas of interface between District staff and the Trust merit attention. These include:

- a. Employee elections versus invoices and enrollments – ECA will work with District benefit staff to review current practices in terms of verifying the accuracy of current

- withholding and billing practices for Medical, Dental, Vision and Life policies. This will include an initial audit for accuracy and working with staff on how these processes can be more easily maintained for accuracy going forward.
- b. Payment processes for Miscellaneous vendors – The process of paying vendors, particularly those associated with the Cerner Clinic, appears to be overly cumbersome and ill-defined. ECA staff will work with District finance staff to identify all known vendors, the processes to be followed and who has authority to approve payments in an effort to speed appropriate payments and eliminate the disruptive late notices that have been experienced in the past.
 - c. Process followed in securing vendor services related to the Cerner Clinic – There are quite a few operational vendors associated with the Clinic. These range from internet service providers to janitorial, landscaping and repairs of various sorts. ECA sees opportunities in here for Cerner to take a more active role in managing these vendors and perhaps to save money for the Trust by cooperating with District staff or vendors to provide these services.
6. Financial Modeling of Non-Clinic Centered Benefit Designs - With the Cerner contract in-force until 2020, ample time exists to model alternative structures for providing benefits consistent with the Trust's and District's overall compensation objectives - without the pressure of a pending contract renewal. Some options ECA would propose include:
- a. Preferred Provider Organization/Exclusive Provider Organization (PPO/EPO) – Somewhat traditional deductibles, co-pays and co-insurance.
 - b. High Deductible Health Plan with Health Savings Account (HDHP/HSA) – Tax advantaged high deductible plans with associated savings accounts; and
 - c. Flexible Spending Accounts (FSA's) potentially including
 - i. Full service FSA – Paired with the PPO/EPO plan design
 - ii. Limited Purpose FSA – Paired with the HDHP/HSA
 - iii. Dependent Care – For qualified child care expenses and paired with either the PPO/EPO or HDHP/HSA.
7. Review of Wellness Incentives – To ensure compliance with IRS regulations.

Priority 3 – Contingent Projects

- 1. RFP for Clinic vendor services – Depending on the outcome of the above, ECA will work with the Trustees to secure quotes from Cerner as well as one or more other vendors to provide clinic services.
- 2. RFP for Prescription Benefit Management (PBM) services – Likewise depending on the outcome of the above, ECA will work with Trustees to secure quotes for PBM services from Wisconsin Rx and other qualified vendors of these services.

As you can see, we have a full agenda of significant items to discuss and prioritize. We look forward to working with Trustees now and in the future in all areas of LHSEBT operation. If I can clarify anything here between now and the date of the meeting, please do not hesitate to call or email me at 928.753.4700 x300 or erinp@ecollinsandassociates.com.

End-to-End Review Report

MEMORANDUM

TO: **LHSEBT Trustees**

XC: Michael Murray, Director of Business Services
Michael Schionning, FSA, MAAA - Cheiron

FROM: **ERIN P. COLLINS & ASSOCIATES, INC. (ECA)**
Erin P. Collins, President

DATE: December 6, 2017

RE: End to End Review

Attached for your review and consideration is the End to End Review included in ECA's original proposal to the Trust and incorporated in our resulting agreement for consulting services. This document is intended to bring together our initial findings and impressions based on our review of various significant elements of the Trust's operations since we were selected as consultant in mid-October. Due to the number of issues identified in the report, the availability and reliability of records and on-going reorganization of substantial elements of the Trust's operation (banking, investments, financial reporting, payment approval, etc.), this document should be considered a work in progress which will be subject to change as we move forward, perhaps including discovery of additional issues of material significance.

The End to End review identifies a substantial number of items of material importance to the Trust and its' operations. Many of these overlap into the District's operations (insurance, GASB liabilities, management and financial controls, etc.) since the Trust is essentially a statutory creation of the District. As is implicit in the body of the report, there is a substantial amount of work to be done to improve the Trust's operations. Our best guess at this time is that it will take twelve to eighteen months to address all of these issues. Of significant help is that the Trust appears to be in decent financial condition on a cash basis. That provides at least a measure of time to more fully identify its more recent performance and for the Trustees to chart its future course. It is our hope and intent that this document will bring many of the known issues to the attention of the Trustees in an organized and consolidated manner so as to inform and initiate the conversation on what that direction is to be.

Once Trustees have had an opportunity to review and digest the report, we can circle back and determine how you wish to proceed in terms of discussing its contents as a group and setting priorities going forward. In the meantime, please do not hesitate to call or email me with questions or concerns, or if you need additional information regarding this report. I can be reached at your convenience at 928.753.4700 x300 or erinp@ecollinsandassociates.com.

Lake Havasu Schools Employee Benefit Trust (LHSEBT)

End-to-End Review

PRESENTED BY:

ERIN P. COLLINS & ASSOCIATES, INC. (ECA)

ERIN P. COLLINS, PRESIDENT

JAIME L. SCHULENBERG, SENIOR ACCOUNT MANAGER

DECEMBER 06, 2017

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Trust Finances

Claims Experience

The Claim Fund Account Report (CFAR) used to report claims and expenses for LHSEBT (“LHSEBT” or the “Trust”) is a fairly standard Gilsbar report which varies between clients to reflect expenses pertaining to their respective benefit offerings and operational structures. However, in the case of LHSEBT, the CFAR has a number of data or reporting deficiencies that will ultimately play into the rate-making process:

1. The CFAR reports from Gilsbar do not currently include the Prescription Drug (Rx) claims from the Wisconsin Rx/CVS-Caremark contract. These claims were reported through July of 2016, but do not appear in the CFAR after that date. Our belief is that the figure included in July 2016 is actually credited to June but appeared a month later due to a timing issue. Rx claims for the twelve (12) months ended June 30, 2016 averaged \$69,382 per month. Although Rx claims are debited monthly from the Trust’s checking account, we have not been able to reconcile them to the Wisconsin Rx/CVS-Caremark reports or determine the degree to which these figures were or were not included in the rates.
2. As regards Dental experience, the reports do not break out the claims experience from the expenses associated with network leasing and other services provided through the Trust’s agreement with Ameritas.
3. The claims experience for all self-funded benefits are recorded as expenses but, as with all other expense categories, are not then measured against an adopted budget to determine how well they are, or are not, running versus the projections made at the beginning of the plan/fiscal year.

ECA is currently working with each of the vendors above, as well as District staff, to remedy items 1 and 2 so that claims experience will be more accurately and completely reported going forward. As regards item 3, ECA is working to “back into” the in-force rates using the CFAR reports and other source documents in order to segregate, to the degree possible, the fixed and variable costs for the 2017-18 year. On a going forward basis, ECA’s reports will capture and separately report claims and fixed costs on both a monthly and year to date basis against the adopted budget.

Rates, Rate-Making, Rate Adequacy and Fixed Versus Variable Cost Ratio

The exact method used in developing the current rates is unclear. It is also unclear as to whether, for the self-funded benefits offered through the LHSEBT, the 2017-18 rates are actuarially based and sufficient to cover both expected claims and fixed expenses without relying on 301 monies used to offset District contributions toward employee premiums. Issues in play here include:

1. The deficiencies in reporting noted in the Claims Experience section above.
2. The District currently utilizes “301” monies to offset a portion of its share of employee premiums for eligible certified staff. This subsidy, totaling \$1,275 per eligible certified staff member per year, is divided by three (\$425) and then included in the deposit of employer and employee premiums transferred to the Trust account. 301 funds total approximately \$318,750 per year (assuming \$1,275 times 250 eligible certified staff) Barring renewal of 301 funds, or replacement with some other funding source, 301 monies are reported by district staff to be temporary funds which are set to sunset on 12/31/2020, with some level of discussion at the State level regarding possible continuation of the subsidy after that date.
3. ECA is in the process of working to consolidate premium rates, revenue and expense data for the current and two prior plan years in an effort to better understand the Trust’s financial results for those periods. This will also allow us to:
 - a. Get a better idea of the adequacy or inadequacy of the current rates;

- b. Assess the impact of the potential loss of 301 money;
- c. Calculate a fixed cost ratio for the current offerings of the Trust; and
- d. Work with the Trustees and Cheiron to develop various strategies to align benefits and funding.

On a going-forward basis, and as envisioned in our response to the Trust's RFP, ECA recommends:

1. Claim funding factors for all self-funded benefits, including any changes to those benefits, be priced out by the Trust's actuary at levels expected to be sufficient to cover all claims expenses at a high level of confidence.
2. Expense components (factors) for all fixed costs be reduced to Per Employee Per Month (PEPM) and equivalent numbers for each successive tier of benefits and built into the rates in order to fully recognize all such costs in the premium structure of the Trust.
3. Premiums for insured products offered through the Trust, including at least Basic Life insurance and Vision, be added to the budget and accounted for as any other expense item.
4. All of the above be rolled into an annual budget approved by the Trustees in a public meeting and monitored by ECA, District staff and Trustees for month and year to date performance on an actual versus budget basis.

Banking and Investment Services

As the Trustees are aware, in mid-October Morgan Stanley, the Trust's previous banking and investment services provider, notified the Trust that it was electing to cancel its services effective October 31, 2017. This date has been extended through subsequent discussion between District staff and Morgan Stanley personnel to allow for a more orderly transition. In that vein, the services of Wells Fargo and Claremont Capital have been arranged for banking and investment services respectively. Final steps are underway as of the date of this writing to complete the opening of related accounts with both organizations and transfer associated and necessary balances to the new providers.

Cash Balances, Incurred But Not Paid (IBNP) and Retiree Liabilities

As of October 31, 2017, the Trust's bank accounts were reported to be as follows:

1. Checking Account - \$2,062,712.62
2. Investment Account - \$977,314.13

In addition, District staff had deposits totaling \$814,474.40 in a District safe pending the opening of a checking account at Wells Fargo to replace the Morgan Stanley (Morgan) accounts. This account was opened and the funds were deposited on 11/13/2017.

As regards Incurred But Not Paid (IBNP), ECA has not found any records indicating regular calculation of the involved amounts or their notation in the Trust's financial statements. This item will be addressed through the hiring of Cheiron as the Trust's consulting actuary with the valuations to be calculated starting with the plan year ending 06/30/2018.

As pertains to the District's liabilities associated with retiree benefits, the GASB 45 valuation as of June 30, 2015 included an unfunded Actuarial Present Value of Benefits as of that date identified as \$11,366,258. The next valuation is due to be calculated as of 06/30/2018 and will be completed in accordance with the revised standards under GASB 75.

Financial Controls

Financial controls for the Trust appear to have improved in the last twelve to eighteen months due to a combination of factors including an adverse audit finding which resulted in the Trust retaining an outside CPA firm, Michael E. Bonney with GDK CPA, LLC, to compile financial reports. In addition, expense approval processes were transferred to District financial staff incidental to the selection of ECA as the new consultant. Some associated and additional steps that would further improve practices in this area include developing written procedures clearly identifying who at District staff levels has the authority and responsibility to:

1. Approve which expenses and forward them to Gilsbar for payment;
2. Transfer funds between the checking and investment accounts; and
3. Sign manual checks.

In addition, during our discussions with District staff, the suggestion was made to conduct an internal audit or reconciliation process related to benefit and tier assignment between what is shown (and being deducted for) in the District's payroll system and what is reflected in the various TPA and insurance vendors' systems. Benefits for which this should be done include at least:

1. Medical/Rx
2. Dental
3. Vision
4. Life Insurance

Financial Reporting

Revenue and Expense Tracking – Timely and Detailed

A review of CFARs for the current fiscal year to date and most recent two completed years uncovers anomalies in payment patterns caused by a number of factors including:

1. Failure to incorporate the Prescription Drug (Rx) claims from the Wisconsin Rx/CVS-Caremark as noted under item 1 of the Claims Experience of this report;
2. Late payment of vendors variously attributed to invoices not being timely approved and forwarded to Gilsbar and, conversely, vendor failures to properly credit payments to LHSEBT accounts;
3. Combining administrative and claims expenses into a single line item (such as has been noted with both Ameritas Dental and Clinic expenses); and
4. Normal timing differences.

These anomalies, taken together with the absence of a budget against which to track actual results and other issues raised in the **Trust Finances** section of this report, combine to make it particularly challenging to understand and track the Trust's performance, financial condition and liabilities on a real-time basis. ECA and District staff have already begun the process of clarifying authorities and processes to address these concerns on a going forward basis and will continue to do so until we are confident that expenses are being accurately and timely broken out, processed for payment and reported to the Trustees.

Incurred But Not Paid (IBNP)

IBNP is an estimate of the dollar value of services that have been provided to beneficiaries (the claims have been incurred) but for which payment has yet to be made by the Trust (..but not paid). In addition to the claims costs, IBNP includes an administrative expense component to cover costs associated with

the potential shutting down of trusts such as LHSEBT. IBNP calculation is a standard element both to trust operations and to reporting of liabilities on sponsoring employers' financial statements. As mentioned in the Cash Balances, Incurred But Not Paid (IBNP) and Retiree Liabilities section of this report, ECA does not see evidence of IBNP having been calculated in the past and is therefore unclear as to whether the associated liabilities have been reflected in either the Trust's or district's financial reporting. Also as stated previously, the process of calculating and reporting IBNP for LHSEBT will be initiated with the June 30, 2018 plan year end.

GASB 75 Liabilities

As discussed in the Cash Balances, Incurred But Not Paid (IBNP) and Retiree Liabilities section of this report, the District's liabilities associated with retiree coverage included an unfunded Actuarial Present Value of Benefits identified as \$11,366,258 based on the June 30, 2015 GASB 45 valuation. GASB 75 takes effect for plan years beginning after June 15, 2017 and incorporates material changes in how these liabilities are calculated. These include:

1. Requiring the full liability to be recognized immediately on the District's balance sheet versus in a footnote on the financial statements and with only a portion of the liability passing through to the statements under GASB 45;
2. Providing a specific external index for use in setting the discount rate; and
3. Eliminating the triennial valuation option for small plans.

Taken together, these changes are likely to result in an increased impact of these liabilities on the District's financial statements as well as those of all other employers offering retiree medical benefits.

GASB 75 has some unique elements to be considered in terms of when the valuation is to be completed and whether it is better to do so on a 12/31 or 06/30 basis. Mike Schionning of Cheiron will work with ECA, District staff and the Trustees in determining which approach is best for the District and then complete the GASB 75 valuation.

Management Controls

Trustee Education

Trustees of self-funded benefit plans such as LHSEBT operate in a highly regulated environment of often overlapping law and regulation in carrying out their responsibilities. To help in managing the risks associated with the work of the Trustees, ECA suggests engaging the Trust's legal counsel, or an appropriate alternative provider who is versed in these topics, to provide Trustee training on topics including:

1. Fiduciary Liability – This training will help Trustees understand their responsibilities to the plan as well as individual beneficiaries and taxpayers in the context of LHSEBT operations;
2. HIPAA Confidentiality – Trustees may periodically come into contact with specific and individually identifiable information, primarily through appeals. Training in this area will help Trustees to understand their responsibilities in handling this information and avoiding liability through inadvertent disclosures; and
3. Conflict of Interest – Small communities have their benefits as well as their challenges when dealing in fiduciary positions such as LHSEBT Trustee. Understanding opportunities for both appearance of and actual conflicts of interest may be particularly helpful to Trustees.

Vendor Contracts

The current vendor contracts utilize various forms and renewal terms and at least two (Cerner Clinic and the clinic's lease) do not align with the Trust's plan or fiscal year. In addition, the language is inconsistent on material issues including (but not limited to) ownership of and LHSEBT (or its agents') access to the LHSEBT Trust-specific underlying data, vendor compensation, indemnification of the Trust, insurance requirements, non-collusion, governing law and venue for any legal actions arising under these agreements. Additionally, there is no clear practice of having contracts and their extensions reviewed by legal counsel for LHSEBT prior to their being acted upon in a public meeting by the Trust acting in its capacity as a governing body. In the case of the Clinic renewal, this lack of consistency in practice resulted in the renewal being signed outside of a Trust meeting by a Trustee using the title "Vice Chair," a title which does not exist. This act, combined with outstanding questions pertaining to the Clinic's operations in general, led to additional questions regarding the validity of the extension which are pending final resolution as of this writing. Beyond the Clinic contract, there is no discernable practice as to which services have or are to be awarded through competitive procurement processes and at what frequency. Finally, storage of the contracts has been accomplished in an inconsistent manner with some agreements and/or amendments held in the District office and others at the office of the consultant. LHSEBT utilizes a range of services and products in the course of its normal operations. Thus, exact uniformity is not a reality. However, a much greater degree of consistency is available and should be striven for in contracting. Among these are (in no particular order):

1. All contracts for both products and services should be held in the name of LHSEBT.
2. Prior to being presented to the Trust for consideration and adoption in a public meeting, all contracts should be reviewed by LHSEBT legal counsel, in consultation with ECA, to assure that issues ranging from venue and indemnification to compensation and non-collusion have been addressed to the satisfaction of counsel. All contracts so reviewed and approved should include appropriate counter-signature by counsel for the Trust documenting legal review. All contracts should be signed by the then-sitting Chairperson of the Trust as authorized through this process.
3. Compensation should be specified in the agreement and limited to those amounts and sources agreed to in the contract.
4. The term of the agreements should be set to align with either a plan or fiscal year as best meets the needs of the Trust. For example, contracts for products and services such as third-party claims administration, stop-loss, actuarial and the like are generally best aligned with the plan/fiscal year. In other cases, perhaps including the Trust consultant/broker, a calendar or other basis may be more in line with the needs and/or goals of the Trust.
5. Complete copies of originals of all agreements for products and services should be held at the District office, with copies in ECA's and Trust legal counsel's possession.
6. A process of re-contracting with existing vendors should be undertaken to address the issues identified here in revised agreements.
7. Going forward, Trustees may wish to consider developing guidelines on frequency of competitive RFP's for the various services to be procured by the Trust and the processes through which they are to be secured.

Trust Meetings, Agendas and Minutes

ECA generally reviewed the agendas and minutes of the various meetings available on the District's website as well as some additional minutes provided by Trustee Cox. Our review was limited to assessing these items for indications of Trustee involvement in the LHSEBT's operations. That involvement is evident

in the discussions captured in the minutes. Having said that, we believe Trustee involvement can be strengthened and improved in several ways:

1. Implementing a requirement that backup materials for items to be considered by the Trust be provided to District personnel and distributed to the Trustees along with the agenda seven (7) calendar days ahead of the scheduled meeting date. This will provide Trustees time to review and formulate questions related to the item and supporting documentation.
2. Implementing the contract approval process described under the Vendor Contracts paragraph of the **Management Controls** section of this report.
3. Limiting the specificity of large case and similar materials and information discussed in open meetings to avoid situations that may inadvertently result in a specific individual being identified, along with their underlying medical conditions(s).

LHSEBT Health and Wellness Center (Cerner Clinic)

Outside of Medical and Prescription drug claims, the Cerner Clinic (the “Clinic”) is the single largest on-going expense item financed through the LHSEBT. The Trustees have, since at least October of 2016, made an effort to compare the costs of services provided through the Clinic to generally comparable services provided through the Blue Cross Blue Shield of Arizona (BCBSAZ) Preferred Provider Organization (PPO) network. Specific items of interest to the Trustees include:

1. How does the cost of a visit at the Clinic compare to a similar visit through the BCBSAZ PPO network; and
2. For four (4) specific disease states previously identified in Cerner management reports (Diabetes, Obesity, High Blood Pressure and Hypocholesteremia), is there any indication that receiving care through the Clinic results in better medical outcomes and lower costs than treating these same conditions through the BCBSAZ PPO network.

Answering these questions has been complicated and slowed by several factors specific to the Clinic’s operating approach, including:

1. Clinic management reports that the Clinic does not capture ICD-10 codes for visits, stating that it does not do so because the Clinic does not bill for its services. Rather, the Clinic captures data on an internal “Encounter” basis which identifies specific occurrences of care (“Encounters”) and then identifies “Services” provided during each encounter. Cerner management notes that a single encounter may result in multiple Services being provided, much as may occur through BCBSAZ PPO network providers.
2. Cerner has required that ECA execute a Non-Disclosure Agreement (NDA) prior to releasing LHSEBT data. The NDA presented was sufficiently broad in scope that LHSEBT legal counsel was requested to be consulted (by ECA) so as to ensure that the NDA did not interfere with ECA’s, and LHSEBT’s, ability to complete the cost comparisons in which the Trustees have expressed interest.

As of this writing, the cost comparisons related to per-clinic and the four specified disease states remain “on hold” pending a decision on the scope and applicability of the NDA requested by Cerner management and the receipt and review of clinic encounter and cost data.

In addition to above two items, ECA has identified the following for further exploration:

1. The Cerner Clinic bills the Trust separately for generic drugs dispensed at the Clinic as well as labs ordered through LabCorp during visits. ECA will seek to compare the costs associated with these

items to those available through the BCBSAZ PPO and the LHSEBT's prescription drug vendor (Wisconsin Rx/CVS-Caremark) respectively.

2. ECA has been advised that the current Broker has been responsible for contracting for various support services for the clinic. These include at least janitorial and landscaping services. ECA will discuss whether this is an optimal arrangement with both Cerner management and District administrative staff.

Other Significant Findings and Observations

Insurance Coverages for the Trust, Trustees and the Trust Board

ECA worked with District staff to determine the extent of various forms of insurance coverage that typically are procured for operations of this nature. Our findings included that:

1. Commercial Crime coverage – This product provides coverage in instances of employee theft. We have been advised that the District's current coverage does not currently extend to the Trust but that it can be extended by endorsement at a limit of \$1.5 million.
2. Trustee/Fiduciary Liability coverage – We have been advised that the District's current policies exclude coverage for these exposures.
3. Property Coverage – We have recently become aware of a small policy covering Trust-owned equipment and improvements at the Cerner Clinic. ECA has questioned whether these exposures might be more appropriately, and at a lower cost, covered under the District's master policy.
4. Incidental Commercial General Liability and Automobile coverage – We have not yet received a reply on whether the Trust and Trustees are covered for these exposures.

ECA has been authorized to work with the District's insurance broker, NFP Insurance, to clarify and confirm the above and to also have NFP develop options to provide these coverages.

Electronic Communication with Trustees

Since being selected by the Trust as the LHSEBT's consultant in mid-October, ECA has made a point of communicating with various combinations of the Chairperson, Marcia Cox and the Board as a whole. Our intent in doing so has been to keep the Trustees apprised of our actions in completing this End-to-End Review as well as several significant undertakings that have occurred since then. Among these are replacing Morgan Stanley and working to complete the Cerner Clinic cost reviews discussed earlier in this report. While we believe this communication has been important, ECA also recognizes that under specific conditions, inadvertent violations of public meeting law can occur when taking advantage of the immediacy of modern communications. That being said, we would like to discuss with the Trustees, and Trust legal counsel, parameters for maintaining what we believe to be a valuable line of communication without inadvertently straying over the line on public meeting law.

Rx Costs through Wisconsin Rx/CVS-Caremark

ECA has been in contact with Wisconsin Rx/CVS-Caremark in an effort to gather information on contracted Rx costs to use in comparing them to two other contracts ECA has with PBM's operating in the Colorado River area. Wisconsin Rx/CVS Caremark has requested that ECA execute a Non-Disclosure Agreement (NDA) prior to releasing the needed information. We are in the process of negotiating the scope of the NDA with them so that we will be able to complete the work we envision. Conversations to date have been positive and we are hopeful of accomplishing our goal. If we are unable to come to terms on the scope of the NDA, we will seek guidance from the Trust and legal counsel prior to signing an NDA.

LHSEBT Stop-Loss/Reinsurance

A particularly surprising discovery for us was that the current stop-loss contract does not include prescription drug costs in the contract. Thus, LHSEBT is essentially uninsured for these costs. Given the presence of known high-dollar Rx costs in the current year as well as the broader exposure high priced specialty medications carry, we feel compelled to advise the Trustees of what, to us, is a material deficiency in the structure of the Trust. We will both quote the addition of this coverage at renewal and contact the existing stop-loss carrier to see if they are willing, and it makes financial sense, to add this coverage mid-year.

Current Consultant Compensation

As part of our process of identifying expenses for purposes of building a budget for the Trust, ECA has contacted various vendors and providers to determine whether any commissions, fees or overrides were presently being earmarked or paid to the incumbent broker. Thus far, two of those contacted, American Health Group (AHG) and Wisconsin Rx, have indicated that their current arrangements include compensation to the current broker. In the case of AHG, the amount is \$1.50 per employee per month (PEPM); in the case of Wisconsin Rx, it is \$.25 per prescription. Cerner, Gilsbar and Ameritas have all verbally stated they have no similar arrangements in place. We will contact the remaining vendors and incumbent broker to determine where and in what amounts any other such arrangements may be in place. Once we have that information, we will remove all such dollars effective 12/31/2017.

MEMORANDUM

TO: **LHSEBT Trustees**

FROM: **ERIN P. COLLINS & ASSOCIATES, INC. (ECA)**
Elena Lacy, Group Benefits Specialist

DATE: February 1, 2018

RE: Approval of the November 15 Work Session and December 8, 2017 Executive Meeting Minutes

Attached are the minutes from the Trust meetings held on November 15, 2017 and December 08, 2017. Copies of these minutes were previously provided to Trustees via email for review and revision and as of the date of this memo, one change was suggested and has been added to the November 15 Work Session minutes by the Recording Secretary.

If you have any questions between now and the date of the meeting, I can be reached at (928) 753-4700 ext. 306 or via email at elenal@ecollinsandassociates.com.

November 15, 2017 Work Session
Meeting Minutes

**LAKE HAVASU UNIFIED SCHOOL DISTRICT #1
EMPLOYEE BENEFIT TRUST
BOARD OF TRUSTEES MEETING – NOVEMBER 15, 2017**

TRUST MEMBERS PARTICIPATING

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

OTHERS PARTICIPATING

Mike Murray, Bonnie Breazeal & Mary Heronema – LHUSD #1
Erin Collins, Jaime Schulenberg & Elena Lacy - Erin P. Collins Assoc.
David Stewart – Insurance Professionals of Arizona
Joyce Perez - Gilsbar
Rich Hanna - Ameritas
Patrick Kohnen - Claremont Capital
Tyler Technologies Representatives (via computer and telephone)

OTHERS ATTENDING (PER SIGN IN SHEET):

John Masden, Kathy Cox, Tamara Yates

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) Presentation by Tyler Technologies – Mr. Murray introduced Kim Balentine from Tyler Technologies to the group. He explained that the LHUSD#1 Governing Board recently approved the transition to Infinite Visions financial software, effective July 1, 2018. One of the modules available is benefit enrollment. Another firm, Hodges Mace, recently made a presentation to the EBT Board of Trustees and Mr. Murray said he asked Tyler to do a presentation as well, for comparison purposes.

Mrs. Thompson asked if this was an add on to the package approved by the Governing Board. Mr. Murray said was included in the quotation that was presented to the Board for approval.

Ms. Balentine said the group from Tyler would be doing a three part overview, first from the employee's point of view, followed by the management portion and the third as an enterprise resource. Jamie Whitaker from Tyler took over the presentation and showed the EBT Board of Trustees and District representatives the self service portal that employees will use during open enrollment, new employee orientation and when a "life event" occurs. She said the screens are highly customizable. She also said that employees will not have to re-enter data annually. It will stay the same unless they go in and change it.

The information employees will see is based on settings already put into place in Visions, i.e. the options available will pertain to the type of employee who goes into the portal and the number of pay periods available to that employee. There is also an error checking feature. Pop-ups are available. An employee can go in and print a PDF document after they enter data or make changes.

Visions can generate all required Federal and State forms and employees can download them from the portal. Mrs. Cox asked if it would be possible to send reminders to employees during open enrollment and Jaime said there was a feature to send a message to employees who hadn't completed the enrollment process. Mrs. Cox then asked about paperwork needed to backup the addition of dependents on the district's insurance plans. Jamie said the District can decide what documentation is needed and that forms can be scanned and submitted via the portal.

Mrs. Breazeal asked about Affordable Care Act reporting forms and asked whether they would be automatically populated or if manual entry would be required. She was told that Visions would generate Form 1095C, however there are certain codes that would need to be assigned to employees.

Mr. Collins asked about voluntary life. Ms. Balentine said the settings can be customized per the District's policies. There is also a "pending" category if an outside vendor such as AFLAC is gathering information to determine payroll deduction.

With regards to spouses who are both employed by the District, Mr. Collins said that currently one employee is set as the employee and the spouse is set as a dependent, and asked if that would be an issue for Visions. Ms. Balentine said this is fairly common and she would check into it.

Through the management portal reports can be exported to Excel and once enrollments are posted, the deductions will be set. Visions can also send files to outside vendors. Mrs. Cox asked if there was a maximum number and was told no. Ms. Valentine said there is also a "Third Party Administrator Benefit Interface" option.

Mrs. Cox asked if there was help desk or chat option available when employees are enrolling for benefits on-line. Ms. Balentine said Tyler does have the ability to chat and assist employees with enrollment, however specific questions about benefits offered may need to be answered by District personnel.

Tyler Technologies representatives signed off at 3:44 p.m.

Mr. Murray said there had been some discussion about payment for the benefit enrollment module. Since the price for the module was factored into the quotation given to the District and the system directly ties into Human Resources and Payroll, the District will pay for the module for now. That can be discussed in the future. He also said he was given the name of an Arizona school district that went from Visions to Hodges Mace and recently decided to go back to Visions for benefit enrollment. He will follow up with that district.

Mr. Scarmardo excused himself from the meeting at 3:40 p.m., due to a conflict in his schedule, but said he would return shortly.

Because, at this time, the EBT will be expending no funds for benefit enrollment software, no motion was required.

2.2) Ratification of Minutes - Four sets of minutes were presented for approval:

September 28, 2017 Meeting - Mr. Christiansen made a motion to approve. Motion seconded by Mrs. Cox. Approved unanimously.

October 2, 2017, Special Meeting - Mr. Christiansen made a motion to approve. Motion seconded by Mrs. Cox. Approved unanimously.

October 16, 2017, Special Meeting - Mr. Christiansen made a motion to approve. Motion seconded by Mrs. Cox. Approved unanimously.

October 30, 2017, Special Meeting - Mr. Christiansen made a motion to approve. Motion seconded by Mrs. Cox. Approved unanimously.

2.3) Medical Paid Claims Report – Ms. Perez reviewed the health plan analysis that was provided to the trustees prior to the meeting. In the major diagnostic category report, neoplasms account for the highest dollar amount and involves three EBT members.

Mrs. Thompson mentioned that, overall, medical claims are down significantly from the prior year. Ms. Perez said the total was approximately 37% lower.

There are a few members with high cost claims that could reach the dollar value that would trigger reinsurance. Ms. Perez said she would keep an eye on these claims and report back to the trustees.

2.4) Dental Paid Claims Report – Mr. Hanna reviewed the report that was distributed to the trustees. He said the report is very good and, as always, almost all dental claims were in-network. There is an approximate 9:1 return through savings to the EBT.

2.5) Vision Paid Claims Report - Mr. Stewart said the claims submitted are currently exceeding the premium paid to the provider and reiterated the current provider may seek a rate increase for 2018-19.

Mrs. Thompson said some members told her the new vision care provider at JC Penney, Nationwide, does not accept the district's current insurance, which means only four providers in town do accept it. Mr. Stewart said he would check on Nationwide. Mrs. Thompson said she also heard it is getting hard to get into see the local providers that do take the insurance.

Mr. Stewart said he can talk to the prior vision care provider and see if they can provide a quotation, which the EBT Board can review.

2.6) RX Paid Claims Report - Mr. Stewart said he had asked the current provider to run a claims report from 2011, when they were contracted by the LHUSD#1 EBT. The annual totals do fluctuate somewhat and have gotten higher due to new drugs being introduced and increased drug costs. He pointed out the report only covers prescriptions obtained by members outside of the center. The report showed that 2016-17 costs for prescription drugs, outside the center, were just over \$1,000,000. This was a 20% increase over the prior year.

Mrs. Thompson asked Ms. Perez if she felt 2017-18 Rx costs might surpass 2016-17. Ms. Perez said there are some high cost drugs currently prescribed to a few EBT members, so it is possible. Mrs. Thompson asked Mr. Stewart if it would be possible to get a breakdown of drugs by type. He said he would ask for it and also mentioned that, in the past, there was a very high percentage of members taking stress reduction medications.

Mrs. Thompson asked Erin Collins and Associates to review a presentation made in early 2017 by Wisconsin Rx to the EBT Trustees, which include some potential options.

Mr. Stewart then reviewed the history of rebates from Wisconsin Rx to the LHUSD#1 EBT. Because the group is a consortium, all rebates come back to members. The total is approximately \$295,000.

ITEMS FOR DISCUSSION AND POSSIBLE ACTION:

3.1) Financial Statements/Update on Balances in Morgan Stanley and Wells Fargo Accounts - Mr. Murray told the group that the Morgan Stanley statements for October, 2017, showed an ending balance of \$1,418,916 in the cash account and a total of \$1,619,741 in the investment account. Because the EBT received a letter from Morgan Stanley stating that firm was going to close the LHUSD#1 EBT accounts, no additional funds were deposited into the Morgan Stanley account during October.

A new Wells Fargo account was just opened and a deposit was made on November 13, 2017, in the amount of \$814,474.40. Mrs. Thompson asked if bills were now being paid from the Wells Fargo account, however Ms. Perez from Gilsbar said the implementation process is underway and Gilsbar is hoping to start paying from the Wells Fargo account by December 1, 2017. Mr. Murray asked if a date had been set to stop paying bills from the Morgan Stanley account. He said he had talked to a representative from Morgan Stanley and was told that group did not have a problem with keeping the account open in order to process all outstanding payment written on the account. Ms. Perez suggested a hard stop date of November 22nd, since check runs are done on Wednesdays.

Mr. Christiansen said he would still suggest deposits start being made into the Wells Fargo investment account, once it has been opened. Mrs. Thompson said she would like to re-visit that during a future meeting.

Mr. Bonney distributed the latest financial report to the EBT trustees and Mr. Murray prior to today's meeting. He reiterated that no deposits were made in October so nothing shows on the report. Mr. Christiansen mentioned the bills from Frontier for telephone and internet didn't seem to be paid consistently. Mr. Bonney said he only reports the information he gets from the invoice copies he is provided. Mr. Stewart said the monthly charge for Internet is \$450.00, however the telephone charges fluctuate from month to month. He said Gilsbar has had to call Frontier frequently in the past because payments don't seem to get recorded in a timely manner.

Mrs. Thompson verified that under "income," the "additional district contribution" was a onetime payment and will not be continual. The category "district contribution" covers the premiums that are paid on behalf of employees and will be consistent.

3.2) Investment Policy - A draft policy was forwarded to the EBT Board of Trustees prior to the meeting for their review. Mr. Christiansen did suggest a couple of changes and these were made. Mr. Kohnen told the group it is a conservative policy. Mrs. Thompson asked about the 20% diversification that is included. Mr. Kohnen said there are certain parameters as to how funds can be invested and it is a "short menu." Mrs. Thompson then asked about a timeline. Mr. Kohnen said the goal is to have the account ready by the end of November, 2017. Investments can be made within days.

Mrs. Thompson said the policy had been reviewed the legal counsel for the EBT, Jennifer Sellers.

Mr. Christiansen made a motion to approve the investment policy as presented. The motion was seconded by Mrs. Cox. Approved unanimously.

Mr. Kohnen said that, typically, one person interfaces with Claremont Capital. Mr. Collins confirmed with the group that Mr. Murray would be that person. Mrs. Thompson asked about reporting. Mr. Kohnen said they will provide monthly reports and it is up to the EBT Board how often they want a face-to-face report with the group. Mrs. Thompson asked him to coordinate that through Erin Collins and Associates.

After some discussion with regards to the number of signers needed, it was determined that one person could authorize transfers from one Wells Fargo account to the other (checking and investment).

3.3) Actuarial Services Contract - Mr. Collins said that part of their proposal to the EBT was for actuarial services by an outside firm ECA has worked with, Cheiron. That firm can provide multiple services, including GASB 45 and determination of appropriate premium amounts. Mrs. Cox asked who had provided actuarial services in the past. Mr. Collins said an outside firm provided the GASB actuarial services, however he wasn't sure about services to set premiums. Mr. Stewart said the group had worked with Gilsbar in the past and an actuary had provided a report to the trustees at no extra charge. Ms. Perez said Gilsbar has presented statistical information and has made suggested increases to the current rates, however the rates would always have been finalized by the EBT Board.

Mrs. Cox made a motion to accept the Cheiron actuarial services contract as presented. The motion was seconded by Mr. Christiansen. Approved unanimously. The document will be forwarded to legal counsel for review.

3.4) Center Lease Agreement - Mr. Christiansen is a local realtor. He met with Erin Collins & Associates and the agent for the owner of the building currently being used for the EBT health and wellness center. Since there is no commission involved with this transaction it is not a conflict of interest for Mr. Christiansen to be involved. Currently the EBT is paying the building owner \$3,275/month, or \$1.10/square foot. It is a triple net lease, which means the EBT is responsible for property taxes, insurance and maintenance of the building. The \$1.10/square foot falls in line with current rates. The owners of the building did say they had been approached by a local physician who has an interest in leasing the building, however the owner has agreed to do a 26 month renewal to align the expiration with the expiration of the current Cerner contract. This means the renewal start date would be February 1, 2018 and would run until March 31, 2020.

In 2020, the monthly charge may go up since the economy is improving and there may be interest from other parties. The landlord has asked for a six months heads up as to whether or not the EBT is interested in renewing.

Mr. Scarmardo returned to the meeting at 4:55 p.m.

Mr. Christiansen stated that he had in his possession the addendum, already signed by the landlord. Mr. Christiansen made a motion to accept the addendum, as described above, through March 31, 2020, and to authorize the EBT Chairperson to sign the document on behalf of the LHUSD#1 EBT. The motion was seconded by Mrs. Thompson. Approved unanimously.

3.5) Approval of Additional Signer to the Wells Fargo Account - Mr. Murray told the group that in order to get the Wells Fargo checking account opened as quickly as possible, there are currently three signers - Mr. Murray, Mrs. Thompson and a representative from Gilsbar, since the EBT invoices are actually paid by that vendor. After discussing it with Mrs. Thompson, he said he would feel more comfortable with appointing additional signers. Both Mrs. Thompson and Mr. Murray recommended Mrs. Asseier, Superintendent for the Lake Havasu Unified School District #1, be added as a signer. Mr. Christiansen suggested that Mr. Rooney as a member of the LHUSD#1 Employee Benefit Trust Board of Trustees, but a non-voting member, also be appointed as a signer.

Mr. Stewart told the group that when Morgan Stanley managed the EBT funds, a checkbook was kept at the district office, locked in a safe, for emergency situations. Mr. Scarmardo asked if the checks were pre-signed and was told no, the checks are not signed until they are needed. The group agreed that Mr. Murray would be the person to authorize transfer of funds to and from the Wells Fargo investment and checking accounts, however it was decided that if checks are written, there should be two signers.

Mr. Collins did mention that Wisconsin Rx, the pharmacy benefit manager for the LHS EBT, currently utilizes a direct debit from the account and he will work with Mr. Murray on that.

Mr. Christiansen made a motion to add Diana Asseier and Pat Rooney as signers on the Lake Havasu Unified School District #1 Employee Benefit Trust Wells Fargo accounts. Mr. Scarmardo seconded the motion. Approved unanimously.

3.6) Clinic Cost Analysis - Mr. Collins said ECA has been working to arrange a meeting with Cerner, Gilsbar and Cheiron. The date currently being looked at is November 21st and 8:00 a.m. has been suggested as the starting time.

Mrs. Cox said she would like to see if encounter I.D.s, used by Cerner, can be mapped to CPT codes. She said there also has been some confusion with breaking out wellness visits versus health visits and would like to see if that can be clarified as well.

Mrs. Cox made a motion to authorize Erin Collins and Associates to work with Cerner, Gilsbar and Cheiron to develop a cost analysis as discussed and to provide the Cerner non-disclosure agreement to EBT legal counsel for review. The motion was seconded by Mr. Christiansen. Approved unanimously.

Because no appeals have been filed, there was no call for an executive session.

Mrs. Asseier told the group that because a new Trust Document has been approved and executed, Mr. Rooney will no longer be a voting member of the LHUSD#1 Employee Benefit Trust Board of Trustees, leaving only four voting members. At the November 21, 2017 LHUSD#1 Governing Board meeting, three previously submitted applications will be reviewed and a new EBT Board of Trustees member will be appointed.

SET DATE AND TIME FOR FUTURE TRUST MEETINGS:

Mr. Scarmardo said he would need to miss part of the next EBT meeting if it is held on the suggested February 21, 2018 date. Mr. Collins told the Trustees that his group's usual methodology is to hold an all day meeting to review data provided by vendors and to listen to a report from the contracted actuary, in order to determine premiums for the following school year. Mr. Murray said it would be better to have that determined sooner than later, in order to assist with the budget planning process and to issue employee contracts. The group decided on February 7, 2018 as the date of the next EBT meeting, to start at 8:00 a.m.

Mrs. Heronema said the insurance committee members are normally invited to EBT meetings and had already been sent an invitation for February 21. She was asked to cancel the meeting on February 21, with an explanation of what was going to happen on February 7. A follow up meeting with the insurance committee representatives will be scheduled after the February 7 meeting to update them and allow them to bring information back to their sites.

Another meeting was scheduled at 3:00 p.m. on April 25, 2018.

There were no future agenda items from the Trustees or Mr. Stewart. Mrs. Heronema did tell the group that the updated Trust Document has been signed by members of the LHUSD#1 Governing Board and the LHUSD#1 EBT Board of Trustees, but it was discovered there was a page numbering error, which seems to be imbedded in the document. The attorney for the EBT has asked her assistant to re-format the document, retaining the signatures, and will return it when it is corrected. For now a copy has been posted on the District website, however when the corrected version is available, copies will be sent to Governing Board and EBT Board of Trustee members, to retain in their files.

ADJOURN:

Mr. Scarmardo made a motion to adjourn the meeting at 5:25 p.m. The motion was seconded by Mr. Christiansen. Approved unanimously.

Respectfully submitted,

Kari Thompson, Chairman, LHUSD #1 Employee Benefit Trust

MEMORANDUM

TO: **LHSEBT Trustees**

FROM: **ERIN P. COLLINS & ASSOCIATES, INC. (ECA)**
Erin P. Collins, President

DATE: February 1, 2018

RE: Election of Officers

Section 5.12 – Chairperson and Recording Secretary of the AMENDED AGREEMENT AND RESTATED DECLARATION OF THE LAKE HAVASU UNIFIED SCHOOL DISTRICT #1 EMPLOYEE BENEFIT TRUST (hereafter the “Trust Agreement”) provides for three (3) officer positions as follows:

1. Chairperson - “The Chairperson shall preside at all meetings of the Trustees and shall be empowered to perform all ministerial duties of the Trustees and the Trustees may from time to time delegate to him/her.”
2. Vice-Chairperson - “The Vice-Chairperson shall perform the like in his/her absence.”
3. Recording Secretary - “The Chairperson shall appoint a Recording Secretary, who shall keep minutes of all meetings, proceedings, and acts of the Trustees, which records shall be available for inspection during normal business hours at the Principal Office of the Trust. The Recording Secretary need not be a Trustee. In the event the Recording Secretary is not a Trustee, the Recording Secretary must sign a Business Associate Agreement.”

The Trust currently has a Chairperson in Kari Thompson, however, it does not (to our knowledge) have a Vice-Chairperson and, with the recent retirement of Mary Heronema, we are not aware of whether a Recording Secretary has been appointed by the Chairperson. Operationally, we are also unaware of the Trust’s practices relative to election/appointment of officers and thought this meeting would be as good a time as any to address each of these items. Some questions proposed for discussion include:

- A. How often do the Trustees wish to elect officers?; and
 - a. For what term (duration) do you wish them to serve?: and
 - b. When do the terms commence?

ECA’s clients do this a variety of ways. Some elect or appoint officers until a vacancy arises. Others do so annually and either have the appointments take effect the day of the election or concurrent with the plan or fiscal year. There is really no “right way” to do this beyond having a

clear practice that everyone understands and agrees to. My suggestion is the Trustees determine what you think will work best for the Trust and we will follow that going forward.

- B. Based on the outcome of the discussion above, the Trust may move to hold elections for:
 - a. Chairperson; and/or
 - b. Vice Chairperson.
- C. Finally, the Chairperson will be asked to appoint a Recording Secretary.
- D. Confirmation that all currently seated Trustees live within School District boundaries as required by Section 4.02 of the Trust Agreement.

Please do not hesitate to call or email me at 928.753.4700 x300 or erinp@ecollinsandassociates.com if you have any questions or need additional information.

MEMORANDUM

TO: **LHSEBT Trustees**

FROM: **ERIN P. COLLINS & ASSOCIATES, INC. (ECA)**
Jaime Schulenberg, Sr. Account Manager

DATE: February 1, 2018

RE: Administrative Update

This agenda item will serve as a placeholder to discuss any administrative items that may be of interest to Trustees.

If you have any questions between now and the date of the meeting, I can be reached at (928) 753-4700 ext. 302 or via email at jaimes@ecollinsandassociates.com.