



# Lake Havasu Schools Employee Benefit Trust (LHSEBT)

**LHUSD #1 Governing Board Update**

September 18, 2018

# Vendor Introductions

- Erin P. Collins & Associates, Inc. (ECA)
  - Jaime Schulenberg, Senior Account Manager
  - Erin Collins, President
- Jones, Skelton & Hochuli
  - Mike Hensley, Partner
- Cheiron
  - Mike Schionning, Principal and Consulting Actuary

# Background

- ECA retained October 2017
  - Jaime Schulenberg, Senior Account Manager
  - Erin Collins, President
- Part of our proposal:
  - Completion of an End to End Review of the Trust's operations and finances
- Report issued December 6, 2017
  - Serves as a working document with items being completed and new ones added
- Today's presentation
  - Update Governing Board on key issues identified and current status

# Significant Issues Identified

- Questions Regarding Prior Board/Staff/Broker Actions
  - Hired Michael E. Hensley of Jones Skelton & Hochuli to conduct an investigation into a variety of questions/concerns
  - Investigation nearing completion – more to follow
- Rates/Funding
  - Rates were not actuarially set or coordinated with District budget process, resulting in significant underfunding of the Trust
    - Resulted in declining fund balance; and
    - \$2.7 million in supplemental transfers since 2016
  - Rates now actuarially set (Michael Schionning from Cheiron) based on Trust's specific claims experience
    - Projected \$477,000 shortfall at beginning of year
    - Revised downward to \$69,000 for second half after benefit redesign

# Significant Issues Identified

- No Public Meetings Until 2016
  - Resulted in numerous void contracts that have to be ratified and/or renegotiated (in process)
  - All meetings now held in accordance with AZ OML
- No Fiduciary Liability Insurance
  - Placed effective 05/01/18
- Prescription Claims Not Included in Reinsurance
  - Added 07/01/18
  - Resulted in over \$300k in claims not reimbursable in 2017-18

# Significant Issues Identified

- Poor financial controls resulting in audit issues and an unreconciled balance of approximately \$145,000
- Health & Wellness Clinic
  - Challenges in obtaining comparative cost data
    - Lack of internal coding due to no third party billing
    - Duplicated vs. unduplicated visit counts
  - Ultimately received data that could be used for comparison purposes
    - Costs showed roughly \$244 per visit at clinic versus \$130 through community providers.
  - Contract deemed to be void by legal counsel and directed to negotiate by Trustees
  - Unable to come to financial terms resulting in closure of Clinic as of 12/31/18

# Major Issues Going Forward

- Clinic Closure
  - Implement revised benefit schedule for January-June 2019
    - Reduced co-payments
    - Telemedicine (24/7/365 access)
  - Employee Education/Information/Assistance
  - Review additional benefit change options, including addition of a High Deductible Health Plan (HDHP) effective July 01, 2019
    - Reduce deductibles and maximum out-of-pocket amounts
- Finances
  - Work to close gap on funding versus expenses
  - Re-establish connection to/with District budget process relative to rates and funding
    - Wind down of dependent subsidy?
    - Wind down reliance on 301/123 funds?

# Major Issues Going Forward

- Negotiating Remaining Void Vendor Contracts
  - Gilsbar
  - American Health Group
  - Ameritas
  - BCBSAZ
  - Wisconsin/Rx – CVS/Caremark



Questions?