

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

TRUST MEMBERS PARTICIPATING

Kari Thompson, Hal Christiansen, Pat Rooney, Marcia Cox & Mark Nexsen

OTHERS PARTICIPATING

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

David Stewart – Insurance Professionals of Arizona

Sharon Radetic - Cerner

Chris Schanz - National Cooperative Rx

Joyce Perez - Gilsbar

Dawn Bolter - UNUM

Mike Bonney - GDK CPA

OTHERS ATTENDING BUT NOT PARTICIPATING:

John Masden, Kathy Cox, Tony Monday, Joanne Vianos, Nissa Harris, Diana Asseier, Andrea Helart, Carol Nowakowski & Lori Felish

Meeting called to order at 3:00 p.m.. Roll call was taken. Pledge to the flag followed.

Although it was not on the agenda, due to the resignation of two trustees, including the chairman, on March 13, 2017, an emergency vote was taken to elect a new chairman. Mr. Christiansen made a motion to nominate Kari Thompson and the motion was seconded by Mr. Rooney. Marcia Cox made a motion to nominate Mr. Nexsen, stating that he had the most experience and was not a school district employee. The motion was not seconded. A vote to elect Kari Thompson as chairman of the EBT board of trustees was taken and was approved, with four aye votes and one nay: Thompson - Yes; Christiansen - Yes; Rooney - Yes; Cox - No; Nexsen - Yes.

Mrs. Thompson asked for "Calls to the Public." There were three.

School district employee, Gail Kulp, thanked the EBT board of trustees for previously voting to cover insulin supplies. She said this has improved her quality of life.

Lake Havasu Unified School District #1 governing board member, Katherine Cox, addressed the trustees to let them know how much work Colleen Pankow, who resigned from the board on March 13, 2017, had done over the last few years, i.e. preparing newsletters, working as liaison between the center and staff, etc., at no charge to the EBT. She said she would hope one of the current trustees would take on those duties.

Governing board member, Nichole Cohen, told the group that she was sorry there was a misunderstanding about the recent resignations of two EBT trustees and the appointment of two new trustees on March 14, 2017. She said she had not been comfortable with the stability of the employee benefit trust and feels the background and skills offered by Mr. Nexsen and Marcia Cox will be beneficial to the group. She said she would forward e-mails related to the change of trustees to the new EBT chairman, Kari Thompson.

NATIONAL COOPERATIVE RX REPORT: Chris Schanz made a presentation. He explained that his group is part of a large cooperative which gives its members increased purchasing power. The portion of claims currently paid by LHS EBT members is relatively low compared to other groups. Generic utilization is also a little less than other groups in the cooperative.

Specialty medications total approximately 68% of the total Rx claims. Mr. Schanz said that more than half of the groups in the cooperative had moved to a standard formulary. Using this formulary 160 brand name drugs would no longer be covered because there are alternative brand name and generic medications available. This would affect eight EBT

members. If the alternative medications do not work, the patient's physician may file an appeal. It is estimated this change would save the EBT approximately \$40,000. Nissa Harris asked Mr. Schanz if he meant 8 members or 8 medications would be affected. Mr. Schanz said it was 8 staff members and 12 prescriptions.

Mr. Schanz also pointed out that the LHS EBT continues to utilize flat co-pays, i.e. three tiers. He said the vast majority of employers now utilize co-insurance, i.e. require members to pay a percentage of the cost of a prescription. A typical percentage is 10% for generics and 20% for name brand drugs. This would be subject to the out of pocket maximums currently in place.

Mr. Stewart asked Mr. Schanz to confirm that National Cooperative Rx keeps no portion of rebates and returns those funds directly to the LHS EBT. Mr. Schanz said the EBT gets 100% back.

Marcia Cox asked for a copy of Mr. Schanz's presentation. Mrs. Thompson asked that an item be placed on the April meeting agenda so the trustees can vote on a potential change to take effect on July 1, 2017.

CERNER MID-TERM REPORT: Participating via telephone were Cerner representatives Stephanie Lewis, Dakota Zeit and Dalton Jones. Attending the meeting in person was Sharon Radetic. They reviewed the period from July 11, 2016 through December 31, 2016. One of the things discussed was people's perception of their health when completing the personal health assessment (PHA) versus their actual wellness scores after completing their WOW visit. There is also some concern with a high percentage of members who have trouble sleeping and the percentage at moderate or high risk for smoking.

With regards to the initial WOW biometrics, 51% of the cohort group (group that has participated since the center opened) reduced or maintained zero high risk factors. One potential change to target is a high risk for BMI and waist circumference. Some suggestions were made, including participation in the "full plate diet" next fall. A group has gone through the initial program and it has been very successful.

Marcia Cox had some questions on the personal health assessment. Mrs. Radetic from Cerner said she could set up a WebEx. Mrs. Cox had some suggestions to add to the PHA. Mrs. Radetic said a survey can be added to the end of the PHA. The current make-up of the PHA is NCAQ certified and would be difficult to change.

With regards to the number of members with diabetes, Mrs. Lewis mentioned a program called Livongo that uses the Cloud to help people manage their condition. She said she could set up a demo if people are interested.

Marcia Cox said she is concerned that certain conditions need to be addressed more diligently.

GILSBAR HEALTH PLAN ANALYSIS AND ACTUARIAL REPORT: Craig Huval, a medical actuary from Gilsbar, participated by telephone. Participating in person was Joyce Perez. Mr. Huval reiterated that the group has had very high claim experience that last 1-1/2 years. Office visits by EBT members are below the benchmark because the center is available and emergency room visits are also low, probably also because the center is being utilized by members.

A small percentage (7%) of members account for 82% of claims.

Mrs. Thompson asked for a breakdown of fixed costs. Mr. Huval said they could only "drill down" on the reinsurance portion and cannot provide information on Cerner's costs. Mr. Stewart said there is an automatic 5% increase in the Cerner contract, annually, per the contract. Mr. Huval said that during 2014-15 Gilsbar did not request an increase but in 2015-16 there was a 50 cent per member per month increase. He said he would ask Neal from Gilsbar to break down the fixed costs.

Marcia Cox asked about ongoing cases. Mr. Stewart said there was one right now that will continue at a rate of approximately \$20,000 every month. He said that years ago the Rx was taken out of the aggregate stop loss. Specialty drugs can be put back in but it will raise the reinsurance premium and aggregate stop loss factors, which are an estimate of annual paid claims plus a margin of error.

Mr. Nexsen asked what a reasonable per member per month employer average should be since it has increased from \$413 in 2014 to the current amount of \$529. Mr. Stewart said most employers shoot for a 70%/30% split. The LHS EBT is currently 77%/23%. Mr. Stewart said that changes to the Rx plan would make a difference. He said the specialty drug usage for LHUSD#1 is high compared to other districts in the area for which he serves as a consultant.

Mrs. Vianos said she would like to compare the district's plan to plans from other rural school districts. Mr. Stewart said comparisons would need to be "apples to apples." Mrs. Vianos also said that people need to learn to negotiate with the local hospital. Mr. Stewart said the hospital should be charging the negotiated Blue Cross Blue Shield of Arizona rates.

UNUM REPORT: Dawn Bolter participated in person. UNUM is the vendor providing life insurance coverage, both district paid and voluntary, plus short term disability. She pointed out that the average age of members has been trending up and claims experience has also trended up. Currently 120 people pay for short term disability coverage. Although maternity leave would normally be the primary use of this coverage, the typical time out for an employee is 6 weeks and the first 29 days nothing is paid, leaving only 2 weeks of pay under the plan. The primary use by LHS EBT members is musculoskeletal. Because claims have increased and premiums are not keeping up, UNUM will be proposing rate increases.

DENTAL PLAN ANALYSIS: Mr. Stewart presented information on the district's dental plan under Ameritas. Virtually all providers in Lake Havasu City have joined the network. Mr. Stewart asked the EBT members present if they were satisfied and all agreed that they were.

AUDIT REPORT: Mr. Masden asked if the equipment at the center was considered an EBT asset. Mr. Stewart said he had asked the auditors that question and had not received a response. Mr. Bonney from GDK CPA firm said he had not yet spoken to the auditors directly and there may be a valid reason they are not listed in the audit report. He said the report is the EBT's and requests may be made of what should be included.

Mr. Masden asked about administrative costs, in particular a payment made to Insurance Pro. Mr. Stewart said this was the liability insurance and property loss for the building where the center is located. Insurance Pro is just the "pass through" to the carrier and receives no commission.

Mr. Nexsen volunteered to speak to the auditors directly. He asked Mrs. Heronema to send him the contact information. Mrs. Cohen said she was surprised the audit report contained the same information as the district's comprehensive annual financial report (CAFR) and was expecting to see additional information. Mr. Nexsen pointed out that this is a typical audit report and that is what was requested. If more details were requested, the auditors should have been asked. He said it would have been helpful if the auditors were available to attend today's meeting. Mr. Murray said he could ask them to attend the meeting in April.

Mrs. Cohen said she was concerned that this year's report listed a "significant deficiency" as opposed to a "material weakness" the prior year (2014-15). Mrs. Thompson said the issues cited previously are now being addressed. Mrs. Heronema said that Mrs. Morrison in the district's accounting department was able to reconcile the bank accounts for 2015-16 to the auditor's satisfaction, however it didn't happen in a timely manner, therefore there was a reduced finding from 2014-15 to 2015-16.

Mrs. Cohen asked what "cost of services" listed in the CAFR entailed. Mr. Nexsen said he would guess that's the center. Mrs. Cohen said the trustees should be able to answer these questions.

UPDATES ON CFAR REPORT: Mr. Bonney explained that he has worked with Mrs. Morrison and Mr. Murray and has signed the appropriate non-disclosure agreements, and can now start working on monthly profit and loss statement that will be more easily understood by the trustees. He should have the balances as of March 31 available for the meeting in April. Mrs. Cox said she likes detail. Mr. Bonney said he can provide line item details year-to-date month by month. Mr. Nexsen said he would like to see the administrative fees broken down.

MOM REPORTS: Mr. Stewart said that Mobile On-Site Mammography visited Lake Havasu City three days in April and three days in December. Of 178 members seen, one abnormality was found.

TRUST AGREEMENT: Mr. Nexsen said he feels some of the language in the document needs to be changed from "shall" to "may" because using the term "shall" means the district must fund the premiums as voted upon. He said either the language should be changed or the EBT board of trustees and the district's governing board must work closely together. The same holds true for an audit - he suggests "may" have an audit as opposed to "shall" have an audit. Mrs. Cohen said she feels there should be conversations between the EBT board and the district's board. She suggested that the district's legal counsel and the EBT legal counsel work together to firm up the trust document. She said she was not comfortable with just the attorneys working on this, however, and suggested the superintendent and EBT chairman participate as well. Mrs. Thompson asked if it would be possible to get the document back in April.

INTERNATIONAL FOUNDATION OF EMPLOYEE BENEFITS CONFERENCE: Mr. Stewart said he sent some materials to Mr. Murray regarding an upcoming conference. The cost would be approximately \$3,000, which would cover airfare, hotel, conference, meals, etc. Mr. Christiansen asked when this would happen and Mr. Stewart said in May. Mrs. Thompson said she and some other EBT board members had attended a conference in Florida, which takes place every January. Mr. Nexsen suggested that Mr. Murray wait for that conference so he has a little more time to educate himself on the district's employee benefit trust. There may also be more information available by then on health care in general.

There were no appeals so an executive session was not necessary.

Mrs. Thompson asked for the current COBRA premiums. Mr. Stewart said the law allows 2% over the current rate, which is what the EBT currently charges.

Marcia Cox said she has been trying to understand the total costs of the employee benefit trust. By using a report from Cerner she determined the number of visits to the center from January 2016 through March 2016, which totaled 837. She then multiplied that times four for the number of annual visits and then calculated the cost per visit, comparing it to the highest code of a typical visit to a nurse practitioner. Using this information she came up with an amount of approximately \$300.00/visit compared to a typical office visit of \$122.00. She said she would like to see if some changes need to be made or alternatives should be investigated.

Nissa Harris said that it may be misleading to compare a visit to the center to a visit with a typical doctor in town because several topics can be covered during a visit to the center. Claude Sanders said he agrees with Nissa and also pointed out that when going to a primary care physician, an annual physical typically involves three separate office visits with three sets of co-pays. He said that district employees must be the first priority. Aggie Wolter said the availability of the center has been a big positive during the recruitment process.

Mr. Nexsen said that since the center has now been open five years there should be data available to measure cost savings. Mr. Stewart said that many organizations have stopped looking at return on investment (ROI) and are now focusing on the savings related to retention and employee satisfaction. Marcia Cox said she is seeing the same conditions year after year but Mrs. Thompson said much of that is related to the large turnover experienced by the district during the last few years. The data for the cohort group shows more improvement.

Marcia Cox said she would like to look at some options. She then asked about issuing a request for proposals for benefit consultant services. Mr. Murray said the RFP is now being reviewed and finalized.

Mr. Nexsen said the topic wasn't included in the agenda for today's meeting and should no longer be discussed. He said that, in his opinion, this discussion would be very lengthy and should perhaps be handled in a work session.

Mrs. Thompson said that instead of listing "Other Matters from Trustees" on the agenda, there should be an item at the end entitled "Future Matters" that would be included in the agenda for the following meeting. Mr. Stewart said he would like to include an item in the next meeting agenda addressing the board's decision to eliminate the 10% WOW payment for non-participation. Mrs. Asseier said that at yesterday's governing board meeting employee contract language was changed to no longer say that employees who do not participate in the work on wellness (WOW) program will be assessed 10% of their benefit costs. The intent is to revise the current board policy in April, 2017.

Future EBT meetings were scheduled:

April 28th - 3:00 p.m.

June 21st - 3:00 p.m.

Mr. Christiansen made a motion to adjourn the meeting. The motion was seconded by Mr. Rooney. Approved unanimously. Meeting adjourned at 7:44 p.m.

Respectfully submitted,

Kari Thompson, Chairman, LHUSD #1 Employee Benefit Trust