

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

TRUST MEMBERS PARTICIPATING

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

OTHERS PARTICIPATING

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

David Stewart – Insurance Professionals of Arizona (by telephone)

Mike Bonney - GDK CPA

OTHERS ATTENDING BUT NOT PARTICIPATING (PER SIGN IN SHEET):

Anne Taffe, Kathy Cox, Christie Locatis, Joanne Vianos, Carolyn Alexander, Kristy Morelli, Lori Felish, Tiffany Berry, Sharon Neece, Patrick Barney, Todd Hess, Diana Asseier, Laura Shackelford, Carol Nowakowski, Nichole Cohen, John Masden

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 two.

School district employee Anne Taffe asked the employee benefit trust board of trustees to consider making available a health savings plan for employees as opposed to the current flex savings plan. With the current plan only a small amount of funds may be carried over and it is more of a "use it or lose it" situation, which leaves the member scrambling to spend money at the end of the fiscal year. A health savings plan would allow members to carry over funds that are not used in a fiscal year.

School district employee Christie Locatis read a statement to the board of trustee, sharing support for the LHUSD#1 EBT health & wellness center. Examples of the benefits of having the center were also included in Mrs. Locatis' statement. She also presented a document she said was signed by over 271 members.: "We, the undersigned, support the LHUSD EBT Health & Wellness Center. We want to see continued services of primary care, urgent care, wellness, labs, chronic condition management, prescriptions, referrals, dermatology services, vaccinations, dependent care and other currently provided services."

APPROVAL OF VENDOR REPORTS:

2.1) Ratification of approved minutes of the 3-15-17 employee benefit trust meeting – A motion to approve the minutes as presented was made by Mr. Nexsen and seconded by Mr. Rooney. Vote was approved unanimously: Rooney – Yes; Christiansen – Yes; Cox – Yes; Nexsen – Yes; Thompson – Yes

2.2) Approval of EBT Audit Report - Mr. Nexsen said he had communicated with the firm contracted to complete the 2015-16 audit of the employee benefit trust. Due to requests made at the prior EBT meeting the auditors are waiting for additional information. This item was tabled until May 17, 2017.

2.3) Health Plan Analysis – This presentation was e-mailed to the trustees for review prior to the meeting. A copy of the presentation was also projected for the audience to see. Mrs. Cox had a question on the difference between two claims pages in the report, with a notation on one of the pages that all claims over \$50,000 had been removed. Mrs. Thompson stated that sometimes a large claim can be split into different diagnostic categories. A comment was made on the increased laboratory expenses between this year and the same time last year.

Mrs. Thompson said that medical claims are lower so far this year than the same time frame last year. She said this report will be posted on the district website.

2.4) Dental Plan Analysis – This report was also made available to the trustees prior to today's meeting and was projected in the board room. The spreadsheet is for April 1, 2016 through March 31, 2017. It is a valuable tool to review

PPO savings, claims savings and the portion of expenses paid by employee and by the EBT. The report will be posted on the district website.

2.5) Review/Approve CFAR – Mike Bonney, the CPA contracted by the LHUSD#1 EBT said the CFAR is not complete. He will need approval of the 2015-16 audit in order to complete his report. Mike said that since we are recommending separating the EBT financial data from the CFAR, which will transition us to a financial statement each transaction must be entered manually, that there is 9 months of data (through 3.31/17) to enter and it is requiring more of his time than anticipated. He committed to completing the report one week prior to the June 21 EBT meeting and will send it for review by the trustees prior to that meeting. He also said that information has been flowing in a timely manner from the district and other sources. Mike said a completed financial statement will be more meaningful.

Mrs. Thompson reiterated to the trustees and to the audience that the fiscal year for the EBT is July 1 through June 30 and the time frame for deductibles was changed from the calendar year to that same time frame so all benefits have the same start date.

Mike Murray was asked for the total balances from Morgan Stanley, the company handling investment of EBT funds, as of March 31, 2017. There are two accounts, with one having a balance of approximately \$1.1M and the other a balance of approximately \$2.7M.

ITEMS FOR DISCUSSION AND POSSIBLE ACTION:

3.1) Review/approve EBT Trustee Contact List for Publication on District Website - Mr. Nexsen made a motion to approve the contact list as presented to the trustees. The motion was seconded by Mr. Christiansen and was approved unanimously: Rooney - Yes; Christiansen - Yes; Cox - Yes; Nexsen - Yes; Thompson - Yes

3.2) Change of Address to the District Office for all Documentation - The official address for sending information to the LHUSD#1 Employee Benefit Trust will be the district office address at 2200 Havasupai Blvd., Lake Havasu City, AZ 86403, attention Director of Business Services. A motion to approve was made by Mr. Christiansen and seconded by Mr. Rooney. Approved unanimously: Rooney - Yes; Christiansen - Yes; Cox - Yes; Nexsen - Yes; Thompson - Yes

3.3) History and Review of the Cerner Contract and Possible Renegotiation - Dave Stewart joined the meeting by telephone at 3:37 p.m. He said he had no comment on the spreadsheet sent to the trustees because he had not had time to review it. With regards to the contract between Cerner and the LHUSD#1 EBT he stated that a request for proposals had been issued several years prior and, after reviewing the proposals received, interviews were held with three vendors, including Cerner. After an evaluation by the trustees, Cerner was chosen to provide these services and the center was opened in May, 2012.

The initial proposal provided by Cerner did not include an on-site M.D. Dave Stewart said Missy Wood and Colleen Pankow felt it was important at that point to have an M.D. on staff and a revised proposal was presented, which included an increased cost for the M.D.'s salary and travel expenses since this M.D. worked at the center only certain hours per month and commuted from Tucson, Arizona. Mrs. Marcia Cox asked for clarification between the supervising M.D. and the Medical Director that works for Cerner. The medical director., Dr. Miller, works for Cerner and is available for consultation by many Cerner managed centers. He attended meetings and was available for consultation at no extra charge.

Mrs. Thompson said center hours were also increased to accommodate school district employee hours, to 51 hours/week. Mrs. Cox asked if staff members work that number of hours and was told that, no, Cerner schedules their staffing but the center itself is open 51 hours/week.

Mr. Nexsen asked why this conversation was being held. Mrs. Thompson said that Mr. Stewart had been asked to reach out to Cerner to see if they would be amenable to re-negotiating the current contract with the LHUSD#1 EBT. Mr. Stewart said that, at this point, the answer is no. Part of the contract is a maximum 5% annual increase paid by the EBT to Cerner.

Mr. Nexsen said that the EBT currently has two choices - the first choice is to live with the contract as is and the second choice is to break the contract and pay the money that is owed to Cerner. Mrs. Cohen said there is a fiduciary obligation to determine if contracting with the center is reasonable and if the program has been successful. She said the criteria listed in Exhibit G of the contract tells her nothing about the success of this program. Mrs. Katherine Cox asked Mrs. Cohen what she would need to determine that. Mrs. Marcia Cox said it would need to be determined if members actually are healthier. Mrs. Thompson said the cohort group that has used the center from the beginning is healthier, however that group is getting smaller due to annual turnover. Mrs. Cohen said that it appears the cohort group has actually maintained their health, not improved it. Mrs. Thompson said she is not opposed to asking Cerner to more clearly define their criteria

for defining success. She said she does want to continue monitoring patient satisfaction and ensure the center is meeting member needs. Mrs. Cohen said she would like to see the questions patients are asked as they are exiting the center. Mrs. Thompson said to Mr. Stewart that the 5% increase should be tied to criteria to determine success. Mr. Stewart said the management fees go into effect on May 1 of each year. Mr. Stewart told Mrs. Marcia Cox that Cerner will not disclose how much of the fee paid by the EBT actually goes to salaries and that there are other expenses included in the fee. Mrs. Marcia Cox said we already knew what the salaries were and that she wanted to know what the balance of the management fee is. He also stated that when the contract was initially negotiated with Cerner he insisted wellness be offered at no extra cost. Mrs. Cox said that, once again, she feels it is the board's responsibility to make sure money is spent wisely and, if costs are going up, to ask why. Mr. Stewart said he would ask Cerner to not increase the management fees by 5% next year.

Mrs. Felish said that there is an issue with the hospital and home health care vendors not accepting nurse practitioners as primary care providers. Mrs. Thompson said this will be investigated.

Mrs. Cohen said the center has been open for five years and her question is if the EBT has saved money and how much the center is truly costing. Mrs. Thompson asked Mr. Stewart if he could contact Michael LaPenna, the actuary who did the study before an RFP for a center was issued, and see if he could do an updated study. Mr. Stewart said he would ask Mr. LaPenna how much he would charge to do this study. Mrs. Marcia Cox and Mr. Stewart both said that return on investment needs reviewing, however Mr. Stewart said a lot of companies with on-site or near-site centers also factor in retention, employee well being, etc. Mr. Nexsen said that since there is now five years of history certain measures should be available.

3.4) Review/Approve Changes to the RFP for EBT Consultant - Mrs. Thompson said the RFP previously presented to the EBT trustees was forwarded to the two new trustees appointed to the board of trustees in March, 2017. Mrs. Marcia Cox made some changes and additions which were included in the document presented to the trustees at today's meeting. Mr. Nexsen said his opinion is that some of the verbiage added should not be included in an RFP and Mrs. Cox said she had questions but didn't intend to have them included in the actual document to be issued. Mr. Nexsen also requested the statement that the contracted consultant/broker would look for past "irregularities" be revised. Mr. Stewart said the original document he provided came from the National Association of Health Underwriters.

With regards to the July 1, 2017 effective date for a consultant contract mentioned by Mrs. Thompson, Mr. Stewart pointed out that he has tried to keep his compensation for consulting duties to 1.5% of annual contributions and currently does that through fees paid by Blue Cross Blue Shield and from the reinsurance carrier. If that will no longer be true he will need to obtain quotes from those companies without fees.

Mr. Murray suggested the trustees send their changes and suggestions to Mrs. Thompson for consolidation by Friday, May 5, and that approval of the RFP be added to the May 17 meeting agenda.

3.5) Concern that Certain Medical Conditions Need to be Addressed More Diligently - At the previous EBT meeting Mrs. Marcia Cox stated that certain conditions must be addressed more diligently and that is why this item was added to this meeting agenda. Mrs. Cox said she had asked for claim codes from both Gilsbar and Cerner in order to better determine what conditions need to be addressed. Mr. Stewart said that Cerner does not use CPT codes because they bill the district a fixed fee. Mrs. Cox said they must have some way of tracking, however, since they do provide reports to the trustees.

Mrs. Thompson asked Mr. Stewart if Gilsbar is able to determine if a patient uses the center for primary care, and Mr. Stewart said, no, they are not. Mr. Stewart said he will sometimes work backwards, i.e. will check with Cerner to see if a patient who files a claim with Gilsbar does use the center as their provider. He will then contact American Health Group to manage the case, which often results in a large cost savings. Mrs. Vianos verified that Gilsbar does not know a member is a Cerner patient and said she was glad someone would be comparing the two databases. Mrs. Cox said she needs data from both of the vendors. She is focused on diabetes, BMI, hypertension and hyperlipidemia, metabolic syndrome and hypercholesterolemia. The Cerner reports do not contain sufficient information for her to determine how serious the problem with these conditions actually is.

Mrs. Thompson asked if Cerner would be presenting an annual report in June. She asked Mr. Stewart to ensure that Cerner presents information specifically on the categories mentioned by Mrs. Cox.

3.6 - 3.11) These items were tabled until the May 17 EBT meeting because Mr. Stewart was unable to attend today's meeting in person due to medical issues. Mrs. Thompson asked Mr. Stewart to send information on all of the bids for various services. Mr. Stewart said he normally prepares spreadsheets with the information for the trustees to compare, however Mrs. Marcia Cox said she needs the entire proposal in order to do a thorough review. Mrs. Thompson asked Mr.

Stewart to send the information electronically to the trustees, including the actual submittals from the vendors and the spreadsheets he would normally prepare.

An audience member asked about the rebates that he knows the pharmacy benefits manager get. Mrs. Thompson said the EBT pharmacy benefits manager is a non-profit and the EBT receives all of the rebates. This information is saved in the EBT records.

3.12) Mr. Stewart said that a request had been made for the Vision Care Direct contract that was due to go into effect July 1, 2017, however he has since gone out to bid for all services, including vision, therefore the request is not applicable.

3.13) Review/Approve Purpose of Gathering Data - Mrs. Thompson said that reports were provided to the trustees prior to today's meeting, for the trustee's review, and that practice will continue. She asked if there were other suggestions.

Mr. Nexsen said reports should be sent to the trustees in advance, the trustees should review the reports prior to the meeting, and then just be asked if they have any questions. This will save time for all involved.

Mrs. Thompson thanked Mrs. Cohen for putting binder together, containing the EBT meeting minutes.

3.14) Documentation of Annual Pay for EBT Consultant - Mr. Stewart said he will send the consultant agreement, signed by former chairman, Cinda Ross, at least one week prior to the May 17 meeting. This item was tabled until that time.

3.15) Sub-Committee to Review Trust Document and Develop Policies - Superintendent Asseier said that at the last governing board meeting, an agenda item was added to appoint two board members to a sub-committee. The reasoning was to obtain agreement on the revised trust document by the governing board and the EBT board of trustees before it goes to the attorneys for final review. Mrs. Cohen and Mr. Masden were appointed as governing board representatives. Mrs. Thompson asked if there was a timeline already in place and Mrs. Asseier said nothing had been stated but, hopefully, as soon as possible. The wish is to have two EBT trustees appointed today so the sub-committee can start working.

Mrs. Vianos asked if the trust document was available for review and was told it is on the district website. Mr. Christiansen said that with Mrs. Marcia Cox's background, he would recommend she be appointed as EBT trustee representative on the sub-committee and he would volunteer to be the other representative. Mrs. Thompson said that with her understanding of the EBT chairman's responsibilities she feels she should serve on the sub-committee. Mr. Christiansen agreed and made a motion to appoint Marcia Cox and Kari Thompson as the EBT board of trustee representatives on the sub-committee to review the trust document and to develop policies. The motion was seconded by Mr. Rooney. Approved unanimously: Rooney - Yes; Christiansen - Yes; Cox - Yes; Nexsen - Yes; Thompson - Yes

3.16) Review/Approve Medical Rates for 2017-18 - This item was tabled until May 17. Mrs. Thompson has asked Mr. Stewart to work with the Gilsbar actuary to make sure the extra amount of money authorized by the district's governing board to go to the employee benefit trust is taken into account. Mr. Stewart says he is also trying to determine if working the Rx into the stop loss makes financial sense. Mrs. Thompson asked Mr. Stewart to also make sure the Gilsbar actuary provides an explanation of how the recommended dependent rates were determined. Mr. Stewart said the EBT dependent rates are less than the amount charged in the rest of the country but he will ask for that information.

3.17) E-Mail and Data Gathering Protocol and Protection of Proprietary Information - Mr. Stewart's recommendation is that all requests for information be sent to Kari Thompson first. Ms. Thompson said she would forward the emails to the vendor. Mrs. Cohen stated that not every executed contract is available at the district office. Mrs. Thompson asked for clarification and Mrs. Cohen said that only the executed contracts with the pharmacy benefits manager and Cerner were available. Mrs. Thompson asked Mr. Stewart to send each executed contract to the district office, with a copy to her, by May 5, 2017.

3.18) Gift Card Use Approval - Mrs. Heronema previously sent each of the trustees a spreadsheet showing the ordering and distribution of gift cards, used as incentives for the WOW program. There are a few cards leftover and the recommendation to the board of trustees is to authorize use of these gift cards as incentives for EBT members to attend events promoting wellness. The cards were ordered from AMEX and cannot be returned for credit, but have no expiration date. Mrs. Cox asked if the cards could be cashed at a bank and was told that this probably could not happen. Mr. Christiansen said he had no problem with distributing these cards back to EBT members. Mr. Christiansen made a motion to authorize use of gift cards to incentivize EBT members to participate in wellness events, with Mrs. Thompson

making the decision on behalf of the board of trustees. The motion was seconded by Mr. Rooney and was approved unanimously: Rooney - Yes; Christiansen - Yes; Cox - Yes; Nexsen - Yes; Thompson - Yes

Mrs. Thompson said she will let the other trustees know when a decision has been made to use the gift cards.

3.19) Future of Work on Wellness (WOW) - Mrs. Thompson said the language to require participation in the WOW program or pay 10% of the medical insurance premium was not included in 2017-18 contracts/employment letters and the requirement has been removed from board policy. There needs to be a discussion on how the 2017-18 WOW program will look and how Cerner will run it.

Mr. Christiansen stated that he looked at the 10% assessment as a reward rather than a penalty. For members who chose to participate they were given 10% towards the total premium for the year, whereas people who did not participate did not. An audience member said the issue is that employees don't pay anything towards their insurance premium so 10% of zero is zero.

Another audience member said the original incentive may have pushed her to participate in the program. She did say, however, that requiring members to complete two WOW appointments per year was a problem and that getting convenient appointments with the fasting requirement was difficult. She said she doesn't have the solution to the problem of encouraging people to take charge of their own health without a "carrot or a stick."

Mr. Murray said that discussions had already taken place to simplify the WOW process and reduce the requirement from two WOW appointments/year to just one appointment annually. Mrs. Thompson said she is in support of this and an audience member said that would be very helpful to members. A suggestion was to spread the appointments out through the year, maybe alphabetically, rather than try and fit them in a shorter time frame.

Mrs. Thompson and Mr. Murray both stated that it is too late to come up with an incentive plan for 2017-18 and the hope is that education of both new and continuing members as to how a self funded trust works will be crucial. People need to know that it is their benefits money going into the Trust and the more people take care of their health the better the financial health of the EBT will be.

Mr. Nexsen said he compares this to a person's car insurance. Good drivers get a discount and bad drivers pay more. He feels it is "inequitable" for some people to buy in and others not to and for there to be no difference in the amount paid towards insurance. Mr. Stewart said that when companies have neither incentives or penalties participation usually goes down to under 50%.

An audience member stated that some people simply do not want to go to the center. Mrs. Marcia Cox said that many wellness plans offer more than just one choice. Mr. Nexsen asked how a measurement would be taken if a person doesn't go to the center. Would they self report? Mrs. Asseier and Mrs. Shackelford both discussed scenarios they've seen where people are able to get points by participating in wellness events or completing certain appointments throughout the year.

Mr. Nexsen said this problem obviously will not be solved today. Mrs. Thompson said she just wanted people to start thinking about 2018-19 since it is too late to institute a new program for 2017-18. Mrs. Cox suggested members send their questions/suggestions directly to Mrs. Thompson.

A member of the audience asked about the 2016-17 WOW program. The question is whether people who do not complete the WOW program this year will pay 10% of their medical premium during 2017-18 since the language was removed from the 2017-18 contracts and has been taken out of board policy. It was pointed out that employees did sign contracts/letters with the agreement to complete the WOW requirement in 2016-17 or pay 10% of their premium in 2017-18. Mrs. Asseier said that would be a governing board decision and communication would be sent soon.

There were no appeals and no executive session was necessary.

Future EBT meetings were scheduled:

May 17th - 3:00 p.m.
June 21st - 3:00 p.m.

Mrs. Thompson asked Mr. Stewart to finalize the agenda for the May 17th meeting by May 7th for posting and distribution.

Mrs. Marcia Cox thanked Mrs. Asseier for sending a video on open meeting laws.

Mr. Christiansen made a motion to adjourn the meeting. The motion was seconded by Mr. Rooney. Approved unanimously: Approved unanimously: Rooney - Yes; Christiansen - Yes; Cox - Yes; Nexsen - Yes; Thompson - Yes

Meeting adjourned at 5:50 p.m.

Respectfully submitted,
Kari Thompson, Chairman, LHUSD #1 Employee Benefit Trust