

**LAKE HAVASU UNIFIED SCHOOL DISTRICT #1
EMPLOYEE BENEFIT TRUST
BOARD OF TRUSTEES MEETING – MAY 17, 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

Mike Bonney - GDK CPA

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

John Masden, Marie Kervin, Amy Barney, Carol Nowakowski, Nissa Harris, Kristen Friesz, Christie Locatis

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

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

APPROVAL OF VENDOR REPORTS:

2.1) Ratification of approved minutes of the 4-28-17 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

Mrs. Cohen asked if there was a process in place to address items brought up in prior meetings. Mrs. Thompson said items from previous meetings will be added to the agenda of an upcoming meeting. Mr. Christiansen asked that two issues addressed by members at the 4-28-17 meeting be added to the 6-21-17 agenda.

2.2) Approval of EBT Audit Report - Mr. Stewart explained that he had been in the hospital prior to this meeting and had missed connecting with the EBT audit firm. He said he would follow up the next day. Mrs. Cohen said she didn't understand what additional information the auditors were needing. Mr. Nexsen said they were requesting accrual of payments to Cerner. Mrs. Cohen then said she didn't understand why the auditors charged the EBT \$6,000 to cut and paste what was already included in the district's comprehensive annual financial report. Mr. Nexsen suggested the school board take this up with the audit firm directly. He then stated the draft audit report distributed previously is not what the final report was going to be. This item was tabled until June 21, 2017.

2.3) Health Plan Analysis – This presentation, prepared by Gilsbar, was e-mailed to the trustees for review prior to the meeting. After Mr. Stewart mentioned that office visit claims were down from the prior year, Mr. Masden said he would like to see "year over year" data regarding the number of outside office visits, i.e. since the center opened. Mr. Stewart said he would get the information on office visits and emergency room claims, which is also down since last year. Mrs. Thompson said the report presented today 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. Mr. Stewart said the plan seems to be working well after reviewing PPO and claims savings. Also, most members stayed in network, which is beneficial. The report will be posted on the district website.

2.5) Morgan Stanley Statements from April – The trustees were mailed the entire April statement for review prior to the meeting. Mr. Murray stated to the audience that the balance of the accounts as of April 30, 2017 was \$3,038,283.53. He explained that one account is invested in certificates of deposit that are due to mature in a "laddered" effect, i.e. every six months to one year. This was done so funds can be reinvested but there will still be adequate funds available to use.

2.6) Financials Template - Mike Bonney, C.P.A., provided the trustees with a template in order to discuss the level of detail the trustees would like to see in the future. The balance sheet will show assets and liabilities and the profit/loss statement will show a breakdown of income categories in a different fashion than the CFAR provided to the trustees previously. Once the format is determined the information can be updated on a monthly basis for the trustee's review.

Mr. Bonney said he also was waiting for the audit report to be completed because he needs a more accurate beginning balance. He said Mr. Murray will need to send a letter to the audit firm authorizing them to share work papers with him.

Mr. Nexsen said that, with regards to liabilities, Mr. Stewart can provide the IBNR. He also pointed out one small spelling correction to the template.

Mr. Bonney said he needed a full list of vendors and Mr. Stewart said he can provide that. Mrs. Thompson said the reports, as presented, would be sufficient for the trustee's needs.

ITEMS FOR DISCUSSION AND POSSIBLE ACTION:

3.1) Telemedicine - Mrs. Cox provided information to the trustees prior to the meeting but asked that the item be tabled to June 21, 2017 due to time constraints.

3.2) Review/Approve Changes to RFP for EBT Consultant - Mrs. Thompson sent two versions of the RFP to the trustees for review prior to the meeting. Mrs. Cox provided a clean copy of the version she prepared since the redline version was difficult to read. She said that her version (referred to as #2) was not specific to a particular vendor and offered a level playing field. Mr. Stewart said it looked like experience and qualifications were removed from Version #2. Mrs. Cox said she used RFP's obtained from other school districts and that changes could be made. Version #2 asks for a flat fee from the consultant.

Mr. Christiansen asked if the flat fee would be based on the number of EBT members because the fee now being paid to the consultant is no more than 1.5% of the district's annual contribution. Mrs. Cox said it would be a fixed fee, for example \$75,000/year to perform all of the duties expected by the trustees.

Mr. Nexsen said timing would need to be spelled out, i.e. what is the proposed fee structure now and in the future. The number of years being requested should be outlined in the RFP. He said he would not go beyond three years. Mrs. Cox said she thought two years was reasonable.

Mr. Christiansen asked about the compensation section in Version #1. Mr. Nexsen said it was listed under #5 in that version and does ask for compensation based on a per employee per month (PEPM) basis.

Mr. Nexsen said Version #2 did not specify much in the way of qualifications expected. Mrs. Cox said it is a little more broad but felt the consultants would provide qualifications in their proposals. Mr. Nexsen said he thought it would be easier to specify expected qualifications up front. He also said a liability insurance requirement should be added. After some discussion, it was agreed that ten years of experience with a self funded trust should be required and five years of working with a school district trust would be preferred. Mr. Nexsen said \$3M errors & omissions insurance is a must.

The group agreed that a two year proposal would be the best and that consultants would have the option of proposing a flat fee or asking for compensation on a PEPM basis. Mr. Christiansen said he would volunteer to sit with Mr. Murray to finalize the document.

Mrs. Cox made a motion to accept Version #2 with the option of a PEPM fee to be added, with a two year proposal requested and qualification items #4, #9 and #10 (as stated above) from Version #1 to be added. Verbiage will also be added to say that a vendor selected as a finalist, after the initial evaluation, will be asked to give an oral presentation. Mr. Christiansen seconded the motion. Approved unanimously.

Rooney – Yes; Christiansen – Yes; Cox – Yes; Nexsen – Yes; Thompson – Yes

3.3) Prescription Drug Benefits Offering 2017-18/Review ASO Prescription Drug Services - Mr. Stewart review the pharmacy benefit manager proposals submitted to the trustees for their review prior to the meeting. UMR presented a proposal that was bundled, i.e. all of the vendors they proposed would need to be accepted. Mrs. Thompson asked if the rate offered by National Cooperative, Rx, the current vendor contracted by the EBT, remained the same and she was told yes. Mrs. Thompson verified that UMR would not allow the group to choose National Cooperative Rx. The group decided to eliminate Option #5, offered by UMR, due to the bundling of vendors.

Mr. Nexsen made a motion to choose National Cooperative Rx for pharmacy benefits manager. Mrs. Cox seconded the motion. Approved unanimously.

Rooney – Yes; Christiansen – Yes; Cox – Yes; Nexsen – Yes; Thompson – Yes

Mrs. Thompson also recommended that the standard formulary previously presented to the group by National Cooperative Rx be adopted. The standard formulary will cause a small group of EBT members to be notified that they will

need to change medications to a less expensive alternative, however if the member's physician feels the original medication is the only thing that will work for the patient they may write a letter to National Cooperative Rx to appeal the change. Mr. Nexsen made a motion to adopt the standard formulary as presented by National Cooperative Rx, effective August 1, 2017. Mr. Christiansen seconded the motion. Approved unanimously
Rooney – Yes; Christiansen – Yes; Cox – Yes; Nexsen – Yes; Thompson – Yes

3.4) TPA Services - After reviewing the proposals provided to the trustees prior to the meeting, Mr. Stewart pointed out that Option #2 from the current third party administrator, Gilsbar, removes the \$4 per employee per month that has partially provided his compensation as consultant in the past, through the contract with Blue Cross Blue Shield of Arizona. The monthly administration fee proposed by Gilsbar remains the same at \$17.25. Summit's proposal was \$16.90, using Blue Cross Blue Shield and the SISCO proposal was \$18.40 using the Cigna network.

Mrs. Thompson asked if the COBRA fee listed is for everyone or just people who utilize COBRA. Mr. Stewart said it was for everyone. For flex spending it is \$4.00 administration fee for only those members who utilize it. Mr. Nexsen asked for Mr. Stewart's recommendation. Mr. Stewart said that, although Summit's fees are a little less and the reports look pretty good, the small savings may not be worth the trouble of changing TPA's and transferring data.

Mr. Nexsen made a motion to accept Option 2, continuing with Gilsbar as third party administrator. Mr. Christiansen seconded the motion. Approved unanimously.
Rooney – Yes; Christiansen – Yes; Cox – Yes; Nexsen – Yes; Thompson – Yes

3.5) Utilization Review Services - Mr. Stewart said that only American Health Group responded to the RFP issued. Mrs. Thompson asked if they would be charging the same rate they have in the past and Mr. Stewart said yes. Mr. Christiansen made a motion to accept the proposal from American Health Group, as presented. The motion was seconded by Mr. Rooney. Approved unanimously.
Rooney – Yes; Christiansen – Yes; Cox – Yes; Nexsen – Yes; Thompson – Yes

3.6) Preferred Provider Network Services - Proposals were submitted by Cigna, United Health Network and Blue Cross Blue Shield of Arizona. While access fees from other companies were lower, Mr. Stewart said the discounts offered by Blue Cross Blue Shield of Arizona are deeper, saving the EBT more money in the long run. Mr. Stewart recommended keeping Blue Cross Blue Shield of Arizona. Mr. Christiansen made a motion to accept the proposal from Blue Cross Blue Shield of Arizona. The motion was seconded by Mr. Nexsen. Approved unanimously.
Rooney – Yes; Christiansen – Yes; Cox – Yes; Nexsen – Yes; Thompson – Yes

Mrs. Cohen asked if Mr. Stewart's commission will continue to be paid by Blue Cross Blue Shield of Arizona. Mr. Stewart said that option will be eliminated if he is the successful candidate for consultant when that contract is awarded. He said the fee currently paid by the reinsurer will also be eliminated.

3.7) Employee Assistance Program Services - In evaluating the proposals submitted, Mr. Nexsen mentioned that only 29 people had utilized the program year-to-date. Mrs. Thompson said it is an additional option for members to access mental health services and Mr. Stewart told the group the current provider, Alliance Work Partners, offers six sessions at no charge for each occurrence. Mrs. Heronema told the trustees that some professional growth workshops had already been scheduled for 2017-18 since AWP offers six of those per year as well. Mrs. Cox inquired about one of the other companies, EAP, and wondered if they had the capability to offer virtual sessions. Mr. Stewart said their proposal did not list that option, only telephonic, chat, etc.

Mr. Nexsen once again said he thought this might be an expense that could be eliminated due to lack of utilization. One audience member said it is a higher cost to the trust if members go to an outside provider. Mrs. Cohen asked if there was any penalty for non-renewal and was told no. Mr. Nexsen made a motion to discontinue the employee assistance program effective July 1, 2017. Mr. Rooney seconded the motion. A vote was taken and there were four ayes and one nay.

Rooney – Yes; Christiansen – No; Cox – Yes; Nexsen – Yes; Thompson – Yes

3.8) Life Insurance - The proposals provided to the trustees for review prior to the meeting were discussed. There was a conversation regarding the benefits to bundling district provided life insurance, employee paid voluntary life and employee paid short term disability. Mr. Stewart said it is much easier to administer if one company is chosen. Mr. Nexsen said that, at first glance, Guardian appeared to be the least expensive option, although Mrs. Thompson pointed out that voluntary life premiums are higher than UNUM, the current vendor. Mr. Nexsen asked how many employees paid for voluntary life insurance. Although the exact numbers were not available, Mr. Stewart and Mrs. Tropple indicated that quite a few employees utilize this option.

Mrs. Cox asked if Guardian could be asked to match, for one year, UNUM's premiums for voluntary life insurance. Mr. Stewart said yes, he could tell them they would be awarded the bid for employer paid life insurance and employee paid short term disability if they match the employee paid life insurance premiums currently offered. He said he thought employees would welcome the shorter waiting period for short term disability offered by Guardian, especially employees on maternity leave.

Mr. Nexsen made a motion to accept Guardian, based on the 8 day waiting period, and assuming the company will match UNUM rates for voluntary life insurance. If Guardian chooses not to accept, the group will accept the proposal as is. Mrs. Thompson seconded the motion. Approved unanimously.

Rooney – Yes; Christiansen – Yes; Cox – Yes; Nexsen – Yes; Thompson – Yes

3.9) ASO Vision Services - Mr. Stewart reminded the group that Mr. Nelson from Vision Care Direct made a presentation at a previous meeting and requested that VCD become the administrator for vision care rather than Gilsbar because data had been difficult to obtain and it was hard to discern if billing was happening appropriately. At that time the trustees approved the proposal made by Mr. Nelson.

Under the direction of the trustees, however, Mr. Stewart obtained proposals for additional vendors for vision care services, effective July 1, 2017. Three vendors provided proposals. The proposal provided by UHC provides better benefits, however Mr. Nexsen asked if providers in town accept this insurance. Mr. Murray said there were currently four providers in Lake Havasu City that accepted the plan - Southwestern Eye Center, Lake Havasu Eye Center, Wal-Mart and JC Penney. Mrs. Thompson said that she, personally, would be happy to have Wal-Mart available since the current vision plan isn't accepted at that location. A member of the audience said it would be convenient for employees with children out of town attending school since they could go to Wal-Mart for vision care.

UHC will administer their own claims so Gilsbar, the third party administrator, would not be involved. Mr. Nexsen made a motion to accept the proposal submitted by UHC, effective July 1, 2017. The motion was seconded by Mrs. Thompson. Approved unanimously.

Rooney – Yes; Christiansen – Yes; Cox – Yes; Nexsen – Yes; Thompson – Yes

3.10) Documentation of Annual Pay for EBT Consultant - Mr. Stewart said he had provided documentation that shows he was paid a total of \$78,000 for consulting services. If he had charged the full 1.5% outlined in the consultant agreement the total would have come to between \$90,000-\$100,000. Mrs. Cox said she felt there was still some confusion. Mr. Nexsen said he heard Mr. Stewart say his current fee is no greater than 1.5% of the employer contribution and is currently quite a bit less. Mr. Christiansen said he had also had questions and was glad to hear the actual amount.

Mr. Masden asked if Mr. Stewart's current business associate agreement was still valid. Mr. Stewart said he would get the group an updated agreement. Mrs. Cox asked what the word "ministerial" in the current agreement means. Mr. Stewart said he didn't know but would get clarification. Mr. Rooney asked if this agreement was required to be updated annually and Mr. Stewart said not unless the federal government makes changes.

Mrs. Thompson reminded the group that an RFP for consulting services will be issued shortly.

Mrs. Cohen asked for a full list of agreements that are currently in place. She said she hasn't seen all of the fully executed documents. Mrs. Thompson agreed there should be an actual list of vendors. Mrs. Cox said a copy of all documents should be housed at the district office. Mr. Nexsen suggested Mrs. Cox work with Mr. Murray on this.

3.11) Committee in Conjunction with Governing Board to Review Trust Document and Develop Policies - Mrs. Asseier said a meeting has been scheduled from 8:00 a.m. - 12:00 noon on May 30th. She said that all members of the committee will be present, as far as she knows, and asked that Mrs. Heronema make sure a notice of public meeting is posted. Mrs. Thompson said the representatives from the EBT board will report back in June.

3.12) Review/Approve Medical Rates for 2017-18 - Mr. Stewart said the rates for 2017-18 were based on information from Gilsbar, the group's third party administrator, and included center expenses. The rates represent an approximate 5% increase across the board.

Before reviewing the rates he asked the group to look at the proposals from reinsurance vendors. He reminded the group that his commission from the reinsurance carrier will cease effective July 1, 2017. He also said that earlier in the meeting, the group eliminated UMR's proposal. Per a previous request from the trustees, Mr. Stewart did present proposals that include prescription drugs. Including this coverage would cause an increase to amount charged by the reinsurance carrier.

The group discussed the various number of years the various vendors would be willing to go back and cover large claims. Mr. Stewart was asked how often claims over two years are submitted and he said very seldom. Mrs. Cox said that hospitals and providers are legally obligated to submit billing within 12 months.

Mr. Stewart said his recommendation would be not to include prescription drugs in the reinsurance coverage and manage the one member with very large prescription drug charges separately. He also pointed out that the changes in vision and life insurance carriers, approved earlier in the meeting would bring down costs to the group as well.

Mr. Nexsen said it seems the two choices would be American Fidelity (Renewal Option #1) or United States Fire Insurance Company (#2). Renewal Option #1 has a risk time of 96 months listed. Mrs. Cox asked if the group could be asked to change that to 24 months. Mr. Stewart said he would check. Mr. Stewart said one thing to consider is that American Fidelity rates would be final if approved at today's meeting, i.e. they're locked in. United States Fire will still go through the underwriting process for the next two weeks and rates could change. Because there was no agenda action item to vote on this at today's meeting, approval will be given at the June 21, 2017 meeting.

With regards to the medical rates for 2017-18 that were presented to the trustees, Mr. Christiansen made a motion to approve rates, not to exceed those presented, with corrections to vision and life insurance rates, effective July 1, 2017. Mr. Nexsen seconded the motion. Mrs. Cox asked if there was a plan to scale back the amount the District pays towards dependent coverage for employees. Mrs. Thompson said the budget committee did make recommendations, however it is up to the governing board to make those decisions. Mr. Masden said he would sit with Mrs. Cox and explain the long term plan. A vote was taken with four ayes and one nay.

Rooney – Yes; Christiansen – Yes; Cox – No; Nexsen – Yes; Thompson – Yes

3.13) Open Meeting Law and Executive Session Minutes - Mrs. Cox told the group she had contacted the Arizona Ombudsmen office to get clarification on access to prior executive session minutes by new members of the board of trustees. Although the District's attorney and the attorney hired by the employee benefit trust said it was their recommendation that this not happen, the letter from the Ombudsmen office disagreed and said that, yes, new members should have access to these minutes. Mr. Nexsen agreed with the Ombudsmen letter and said that he thought new board members do have a right to look at the minutes if they have a purpose for doing so.

Mrs. Cox said she wants to review EBT history in order to make appropriate decision in the future. Mrs. Cox made a motion that all sitting employee benefit trust board of trustees have access to prior executive session minutes. The motion was seconded by Mr. Christiansen. Approved unanimously.

Rooney – Yes; Christiansen – Yes; Cox – Yes; Nexsen – Yes; Thompson – Yes

Mrs. Cox then said she has reviewed billing from the attorney hired by the employee benefit trust but has had no access to attorney notes to find out what the billing entailed. Mrs. Cohen said that, as far as she can surmise, the billing doesn't have to do with participation in executive sessions but with Mr. Stewart seeking advice. Mr. Rooney asked Mrs. Cox to speak with the attorney and report back.

Because there was one EBT member appeal to consider, Mr. Rooney made a motion to go into executive session at 7:20 p.m. The motion was seconded by Mr. Nexsen. Approved unanimously.

Rooney – Yes; Christiansen – Yes; Cox – Yes; Nexsen – Yes; Thompson – Yes

The meeting reconvened at 7:38 p.m. and a vote was taken on Appeal #1. Mr. Christiansen made a motion to approve the appeal if the member completed their personal health assessment (a requirement of the work on wellness program) by October 31, 2016, and to deny if the member did not complete their on-line assessment by that date. The motion was seconded by Mr. Rooney and was approved unanimously.

Rooney – Yes; Christiansen – Yes; Cox – Yes; Nexsen – Yes; Thompson – Yes

Future EBT meetings were scheduled:

June 21, 2017 - 3:00 p.m.

Mrs. Thompson asked Mr. Stewart to make sure Cerner was prepared to give their annual update at the June 21, 2017 meeting.

Mr. Christiansen asked that two items be added to the agenda of the June 21, 2017 meeting, the first being a discussion on a health savings plan versus the current Flex spending plan and a comment made by an employee at the previous meeting on whether the hospital and home health care will accept referrals signed by a nurse practitioner.

Three items were tabled during this meeting and will also be added to the June 21, 2017 agenda: approval of reinsurance carrier, approval of employee benefit trust audit report and telemedicine.

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

Meeting adjourned at 7:42 p.m.

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