MINUTES

Committee Members Present:
Dr. Neil West
Dr. Stegeman
Yousef Awwad
Mark Mansfield
Robert Harbour

Others Present:
Janet Underwood – Recordkeeper
Louis Montoya – Buck Consultants
Cliff Wadhams - Accountant
Debbie Hainke – AmeriBen - phone

MEETING CALLED TO ORDER
Meeting called to order at 5:35 p.m.

CALL TO THE AUDIENCE
No one requested to speak.

QUORUM - A quorum is present.

INFORMATION / ACTION ITEMS

Review Minutes
A motion was made by Mark Mansfield to approve the 4/22/13 minutes; the motion was seconded by Bob Harbour; passed 5-0. A motion was made by Bob Harbour to approve the 5/20/13 minutes with a correction to the meeting adjournment time; the motion was seconded by Mark Stegeman; passed 5-0.

Review Financials
The May Financial update was provided by Cliff Wadhams.
1. We began with a cash balance of $25.8M.
2. Revenues of $2.7M; $124,900 was interest income received from the County along with investment firm settlement. Cliff will investigate the increase for the month.
3. Total expense for May was $1.9M with excess revenue of $825k for May leaving a fund balance less IBNR at $21M.
4. Comparison 2012 to 2013 shows Revenue slightly down.
5. Payroll expense is down $2800 (will be picked up in next Financials as Payroll was not posted by the time the Financials were processed today)
6. Medical claim down $1M; claims have fallen off.
7. Rx claims are up $438k.
8. Rebates balance out the pharmacy.
9. Cash has increased by $3.5M over prior year.

Bob Harbour asked how the reconciliation is done; Barb Armstrong is the person who performs this action. Bob asked how accurately the computations are in the twelve month period and that a true-up is done in September. Cliff provided the Board with graph representations of the trust fund. A snapshot Membership Analysis was also provided of cost/revenue average per member. YTD we are $90+ PEPM however the plan year is not over yet.

**Appeals or Subrogation Cases**
Debbie Hainke reported that there were no appeals or subrogation to report. We will add the subrogation process to a future agenda.

**Old Business**

*Subrogation Update-AmeriBen*
AmeriBen uses SRP as the subrogation vendor and our concerns were provided to their attorneys. They know it to be common practice to file a lien for 3rd party; SRP was not aware of that and thought TUSD Legal may be thinking the provider filed a lien. SRP offered to discuss peer to peer with TUSD Legal. We will coordinate with TUSD Legal for the next regular agenda.

*Pharmacy Update*
Lou Montoya from Buck Consultants provided the Caremark review information.

Data provided is 4th Quarter 2012 and 1st Quarter 2013 as comparative periods at this time (to Caremark’s Employer Book of Business and Industry (school districts/universities). The report includes eligibility and then average monthly utilizers.

- 46% of enrolled employees are using the Rx plan.
- Total gross cost is cost to Plan and Member (total).
- $1.6m and $1.7m at both time periods. Net cost is cost to the Plan.
- Single source 17.4% and 1.5% in utilization is in line.
- Generic substitute rate is about 98% which falls in line with the book of business.
- Total prescriptions in the two time periods are consistent.
- Average days supply is primarily retail.
- Specialty gross cost is higher in the next 3 month period; while low as a percent of users, the cost is attributable to just .8% of the population.

To mitigate Specialty costs, there are guidelines in place (proper diagnosis, and first fill only at retail allowed; subsequent refills must be filled through the Caremark Specialty center). A feasible plan design change to consider is to allow an initial 10 days supply which may reduce waste if the medication does not work out for the member.
Gross spending increased from $1.6m in Oct 2012 to $1.7m for the next period. Specialty increased 8.4% which is more concerning for the time period. The top 5 medications generate 30% of spend; these were identified in disease categories of Asthma, Diabetes, Heart Disease. The retail fill rate is 97.5% and the generic dispensing rate for TUSD is high.

Adherence for TUSD is good for Asthma, but Diabetes adherence is low. Hyperlipidemia and Hypertension adherence is good.

Member Metrics: Oct and Jan numbers PMPM; utilization metrics are 3500 unique members receiving service, which increased to 3757 the next quarter.

Managing Bad Trend – Recommendation from Caremark: Oct-Dec dispense rate vs. Jan-Mar, compared to Industry standard, the Anti-Inflammatory category is about 82%. Asthmatics is 37-39%, industry is only 33%. There may be no generics for inhalers which is a concern for our members. Dr. West noted that Nexium use is high; there is a generic that will be released. Dr. Stegeman noted that he hopes that the numbers are calculated on actual generic availability. Debbie Hainke would like to report on Disease Mgmt at next meeting.

Generic Outlook: Projected savings show that some medications will be available as generics. Over time, the savings with these meds moving to generics will be $203k.

A comparison of therapeutic cost review is included. Top 25 drugs by cost are mostly Specialty, and then Brand. The chart shows the book of business and then TUSD’s rank against that. To clarify, a specialty med is one that treats a disease with biologics; specialty can be in injectable or pill form.

Days supply chart shows members use a high number of generics. Specialty medications review shows us that costs are substantial, at PMPM at $6800 and then $8100 – this is a 19.4% quarter over quarter increase. Oncology drugs are on the Specialty side.

Reserves/Investments
Louie was asked to provide a 3-year projection and provided a handout. Actuaries used existing plans to trend out. Projection thru 2016, trend graph and IBNR update is included. Trending costs are shown and Rx is relatively flat but mid-2012 shows the spike in claims. May use a 2 year time period utilization. Year to year may be roughly 8%; using a standard trend, and incorporating PPACA fees.

IBNR-for this time period, the number comes down to $3.2M, slightly higher than the Dec 2012 figure. There is potential that its a bit overfunded in the June financials. Secondly, Buck provided a Trust stress test that will be provided on a monthly basis. Takes unencumbered assets and how many months of reserve if 1) no additional funding, or 2) with steady funding. Removes current IBNR.

Can include Accruals to Expense, EE/ER Contributions to Accruals, etc. Expenses come directly from the Financial Statement. The net of those two shows we are utilizing Trust Assets. Average monthly expenses are lower

Dr. West suggested that Buck and AmeriBen get together with the Disease Management team and see which utilizers are not using the Disease Management program.

Louie and Janet are waiting on additional drill down from Caremark.

Dr. West noted there are specialty drugs that are driving costs; its a very small number of patients and a way for this to be addressed it to have Caremark and Disease Management work with non-compliant members.

Set this up so analysis is done on a quarterly basis, using Caremark to provide academic detailing - follow up with Caremark.
than the actual; with a Reserve Policy, can set a threshold number.

Quick Look Ratios can be provided.

**Sample Client EBT Discussion of Reserve Levels**
This would be provided on a quarterly basis (target reserve levels, typical risks i.e. IBNR, margin for deviation, premium stabilization reserve, wellness initiatives). Using those categories and our Plan, the IBNR would be $3.2M as of 5/13/13. The total target reserve estimate as of 5/13/13 is $9.9M.

If adopted $9.9M, would develop a strategy for overage. It was noted that the Trust recognizes the reserves are up but would also like to protect the reserve, as the continued rollout of ACA has not yet been realized.

A motion was made by Mark Stegeman to establish a Reserve Policy that incorporates four (4) categories, which results in a target reserve of $14.6M:
- IBNR at $3.2M, as of today
- Adverse claim deviation at 5% of claims
- Premium stabilization of 30% of premium (9.4%, as of today)
- $500k for Wellness

The motion was seconded by Yousef Awwad; the motion passed 5-0.

Yousef provide a handout of rate of return, currently which shows the last 3 years return on investment, on average. Yousef estimates that, in talking with Wells Fargo, using 25 basis points as the norm. For Workers Comp, they are investing in Cd's in a similar manner (2 year increments). The estimate is to get .7%. If you compare this, even if the Trust invested in CD’s, it would be better off.

Dr. West posed the question of how to invest in perhaps a laddered approach, or of short term of 25 basis points; can invest up to five (5) years. A review of the interest return between the County/EBT and Wells Fargo/Worker Comp fund was done. Bob Harbour cautioned against the fluxuation of rates in the market, and this could be just the beginning of an overall market shift.

The group discussed
- moving $20m to Wells Fargo into CDs immediately, laddered over five years (in $250k increments, for FDIC insurance).
- leaving $4m at the County account and continue to pay claims/expenses from there;

The Cliff Wadhams added that on the Workers Comp Trust, amounts of $150k to $200K are used; as these become liquid, it goes back to investment account, and can be reinvested. The Trust can invest $20m with Wells Fargo which will auto-reinvest unless the Trust Board changes its policy. Also, we can move funds from Wells Fargo back to County if necessary.

Mark Stegeman made a motion to begin a process of moving $20M to a laddered investment product to Wells Fargo CDS, leaving the balance in the County, and at the next meeting having a recommendation from Yousef and a presentation by Wells Fargo regarding details. The motion was seconded by Yousef Awwad. The Trust Board can hold another meeting with just this topic on Monday, July 22nd, 5:30 Pacific time. Additional discussion point
provided by Bob in a concern with five year laddering and the amount of funds ($20M); we’ve set the reserve policy and with that in mind, we should work with the District to reduce its contribution over the next year and getting the District at a more reasonable level. Yousef wanted to be sure that we have that cushion for now. Dr. West called the questions/motion, the motion passed 4-1; Bob Harbour with the dissenting vote.

Subsidy Management
As TUSD makes the payment to the Trust from payroll, TUSD will reduce the monthly payment to Trust that accounts for the subsidy.

Benefits Open Enrollment update by Janet
We will hold 15-17 Medical Plan Education Workshop meetings.

Eller College of Business Project Proposal
This proposal was received and they would like to do a 3 year study that looks at TUSD study for 2014-2016 and look at the impact of incentive programs of health care costs. They did a study recently which showed a reduction in ER and hospitalization costs in the targeted population, but other costs increased, to a net of zero savings. The proposal would need to be funded by an outside source. We would need to understand what the study will do for us, and we do need a strategy for the next years.

New Business
AmeriBen Conference in September (25-27th)
Janet and Dr. West will be attending the AmeriBen conference.

Pharmacy Review (drill down)

The next meeting is July 22, 2013, at 5:30 pm.

Mark Mansfield made a motion to adjourn the meeting; and Bob Harbour seconded the motion; passed 5-0. Meeting adjourned at 8:15pm.

Approved this 30th day of September, 2013.

TUSD EMPLOYEE BENEFITS TRUST BOARD

By ________________________________

Dr. Neil R. West, EBT Board Chair