MINUTES

Committee Members Present:
Dr. Neil West
Dr. Mark Stegeman
Amber Fernandez
Robert Harbour

Committee Members Absent:
Mark Mansfield

Others Present:
Yousef Awwad
John Povinelli – Segal
Alice Amator – Segal

ITEM | ACTION

MEETING CALLED TO ORDER
Mark Mansfield called the meeting to order at 5:05 p.m.

CALL TO THE AUDIENCE
No one requested to speak.  No action required.

INFORMATION / ACTION ITEMS
1. The Board affirmed that a quorum was present
2. Minutes for 6/13/11 were approved.
3. Old Business
   A. Reserve Policy

   Dr. West wanted John Povinelli to clarify IBNR relative to the lag and if the number included in-house claims at AmeriBen; Povinelli indicated that it is a numeric to show all claims not paid. Pended claims are no longer permitted per Alice Amator. John Povinelli added that with nine (9) months of claims experience and the relationship we have with TPA and network, the number represents 76% of claims incurred; it is claims incurred divided by .76 to get number of claims; he is very comfortable in that it is in $4.6-4.7m range.

   In response to Dr. West’s question as to what is the lag from date of service to pay, Povinelli responded that it’s much different than it was 25 yrs ago – claims are paid quickly in the system in a 3-4 day span or even one (1) for pharmacy claims but many physicians and hospitals claims are the same.

   Povinelli added that his feeling is that the average is 1 ½ months except for pharmacy. Large claims could take longer with hospitalization and sides on conservative side of IBNR. Even with more data, will spot check IBNR in coming months and the new plan year based on a formalize approach, and will ensure margin.

   Dr. Stegeman asked, since the Aetna plan provisions were the same, why not incorporate the Aetna data? Povinelli explained that Aetna won’t release this data (as it was a fully-insured plan) and a fully-insured plan uses a different formula than our self-insured plan with AmeriBen/BCBS; the statistics would read differently.

   Dr. West felt that we may be over-reserved. Yousef indicated that we have classifications of the funds ($14m is pre-paid to plan - not reserve). This reserve policy of 15% of annual expenses and IBNR will allow us to transfer some $14m as the reserve. The rest of the pre-payment could be used in later year(s).

   Discussion of whether the funds are gaining interest and Yousef confirmed they are but at a low percentage. Harbor commented that it could be $25 - $100/year if funds could be invested; Yousef believes the County Treasurer’s office uses an investment pool, and that TUSD is looking into what we can do or not, and may look at moving into bank account and we can discuss at a later date.

   Dr. West added that for the fiduciary responsibility of the Trust Board, would like to gain as much as possible on the funds.

   Dr. Stegeman asked if the Is limitation governed by a statute and Yousef says that yes, there are limits, and we will check into what is allowed and will let the Trust Board know.

   Additional revision of the Reserve Policy to be generated by Segal based on Trust Board recommendation.
Additional, very detailed discussion of the Reserve policy terminology, reserve trigger, etc. and of 15% of total projected expenses and 15% IBNR. Clarification that 15% of total expenses are not of the admin fees since these are fixed. Total expenses will run approximately $31.7M. It was offered that the language should be cleaned up and should be unambiguous. Yousef added that the paragraphs about the reserve percentage are clear (see action item noted above).

Noted that the Reserve Policy does not have to be approved by the Governing Board as the Trust Agreement gives the Trust Board the authority.

4. Medical Rates
1. Yousef reported that based on an analysis and recommendation by our benefits consultant, Segal, the rate increase should be 5% effective 10/01/2011. Dr. West asked about Cobra and PPO as it they are underperforming. Yousef added that what guides the plans (i.e. offering a PPO) is part of TUSD’s consensus agreements.

Segal clarified for the Trust Board that TUSD requested this analysis. Additionally, we reported that there are 3 co-pay changes to plan design: 1) EPO Walk-in clinic changed to $25, and the PPO office visit/specialist co-pays increased to $25/$40 (from $15/$30). The Walk-In clinic co-pay originates from employee concerns expressed to the Benefits office.

Dr. West made a motion to approve the 5% Medical Plan increase and the motion was seconded by Amber Fernandez. The rest of the Trust Board members agreed but member Robert Harbor abstained from voting.

The medical plan increase, if approved by the Trust Board, is set to go to the Governing Board on 7/12/11 and the BAIs have been submitted.

5. Annual Audit
1. It was agreed that the audit should be as of June 30th. We should use economies of scale and therefore will check into using the District’s audit firm of Heinfeld & Meech. It was recommended that we try to negotiate the cost of this audit and that it should be a separate audit report. Yousef reported that we may need a separate engagement letter. Mr. Harbor asked if Segal would supply the IBNR and Segal reports that yes, their actuaries will do this. Mr. Harbor and Dr. Stegeman requested if there were limits to this (i.e. RFI) and what the statutory requirement are. Mr. Awwad affirmed that we would verify.

Determine statutory/procurement rules for obtaining the audit services.
Determine set-up of audit – and get cost/scope.
6. Mr. Harbor stated that it’s very important that we get the cost of the audit up front and MR. Awwad agreed.

7. Financial Discussion
   The TUSD Financial was not available.
   Segal presented their monthly financials – the plan is operating at a substantial surplus with $4.6M IBNR; the EPO and HDP are operating favorably; the PPO is operating at a loss.

   Dr. West inquired as to how often the check runs were processed and Janet Underwood told the group that it’s every 2-3 days. Dr. West requested a copy of the check runs and that we provide this on a regular basis.

   Segal reminded the group that the data in their report is confidential as it relates to large claims and to be very mindful where the data is stored due to PHI.

   Mr. Harbor noted that the surplus has gone up and part of the reason he requested clarification of the reserve terminology. The fact the surplus is increase is a fairly good sign that the Trust is in good shape.

   Additional discussion of the pre-payment and classification of funds. In the case of a month whereby the District may not be able contribute, the, some of the liability funds could be used. Mr. Harbor noted that once the audit is complete, it will show the liability as the IBNR and feels all else may be seen by auditors as a surplus; is just trying to understand. Dr. West notes that it could be a budget issue for the District if state budgets are not enough for TUSD. Mr. Awwad affirmed that the funds are in the Trust and we are protecting the Trust and that in the next few years we’ll see significant reductions in state funding and described some areas the state may have issues with, and a deficit.

   It was noted that a liability for the Trust is an asset to the District.

8. New Business
   A. Second Opinion of Reserve Policy

      Dr. West stated that its not that they are questioning Segal’s methodology but considering if the numbers are credible. Asked the Trust Board members thought, and also considering long term claim payment/limited to number of months. Segal said that there is no extended runout period yet so even Segal’s own actuaries haven’t done a first opinion of this – usually 24 months of data is needed for a triangulation. Dr. West would prefer it done and feels a minimum of 18 months of data would be needed so realistically we can’t suggest a 2nd opinion until the second year. Segal replied that the actuary would provide a signed opinion and may find it acceptable. Dr. West agreed to waiting for 9 more months of data. Dr. Stegeman was sympathetic with the concept of a 2nd opinion at a later date. Issue tabled.
B. Dr. Stegeman suggests that we engage early on toward benefits plan simplification and asked Janet Underwood to begin this process. Janet can partner with Employee Relations and prepare documentation for Trust Board review in October/November. Amber Fernandez suggested that November would be a better time for this.

9. Next Meeting
   A. Monday, August 8, 2011 at 5:00pm.

MEETING ADJOURNED  6:37  p.m.

Approved this ___________ 30th __________ day of _______ August __________ 2011 ________.

TUSD EMPLOYEE BENEFITS TRUST BOARD

__________________________

By _______________________

Dr. Neil R. West, EBT Board Chair

JLU