

LAKE HAVASU SCHOOLS EMPLOYEE BENEFIT TRUST
2200 Havasupai Blvd., Lake Havasu City, AZ 86403

Trust Board Minutes
August 20, 2018

SPECIAL MEETING:

1. Routine Opening of Meeting – Call to Order

The Special Meeting of the Board of Trustees of the Lake Havasu Schools Employee Benefit Trust was called to order by Trust Chairperson, Marcia Cox, in the District Boardroom, 2200 Havasupai Blvd., Lake Havasu City, Arizona at 5:04 p.m. on August 20, 2018.

2. Roll Call

BOARD MEMBERS PRESENT: Marcia Cox, Chairperson
Dr. Fadi Atassi (Arrived at 5:21 p.m.), Trustee
Amy Barney, Trustee
Hal Christiansen, Vice Chairperson
Julie Sasseen, Trustee

BOARD MEMBERS ABSENT: Pat Rooney, Trustee

GOVERNING BOARD MEMBERS PRESENT: John Masden, President
Nichole Cohen, Vice President
Kathy Cox, Member

ADMINISTRATION PRESENT: Diana Asseier, Superintendent
Michael Murray, Director of Business Services
Jaime Festa-Daigle, Director of Personnel & Technology

OTHERS: Erin Collins, ECA – Broker/Consultant
Jaime Schulenberg, ECA – Broker/Consultant
5 Others

3. Pledge of Allegiance/Moment of Silence

4. Call to the Public – None

5. Discussion and Possible Action re Legal Counsel Request for Proposal

Ms. Schulenberg summarized the recent Request for Proposal process for Legal Counsel, which included two responses. Both firms who responded are able to provide the requested services, however, ECA recommends retention of Jones, Skelton & Hochuli because Mr. Hensley has been working with the Trust so is familiar with its operations; in addition, their rates were lower than those presented by the other respondent.

Mr. Christiansen moved, seconded by Ms. Cox, to award a contract for legal services to Jones Skelton & Hochuli.

ROLL CALL VOTE: Barney: YES, Christiansen: YES, Cox: YES, Sasseen: YES

6. Update on End to End Plan Review

Ms. Cox requested that the Board move into Executive Session for legal advice on the End to End Review as well as the Cerner Management Contract.

Mr. Christiansen moved, seconded by Ms. Sasseen, to adjourn to Executive Session at 5:12 p.m.

Regular session resumed at 6:11 p.m.

Mr. Collins presented an update on the End to End Review conducted by ECA and presented to the Board December 06, 2017. To summarize, a number of items identified have been addressed, including:

- A) Consolidated financial reporting;
- B) Premium rate-setting done by an actuary and including all related expenses;
- C) Banking and Investment Services were moved from Morgan Stanley;
- D) An Incurred But Not Paid (IBNP) liability analysis will be conducted by the actuary;
- E) Retiree liabilities (GASB 75) is underway with the District and actuary;
- F) Public meetings are conducted in accordance with Open Meeting Law;
- G) Trustees will receive education on various topics including fiduciary liability, conflict of interest, HIPAA, etc.;
- H) Vendor Contracts are being re-negotiated to comply with Open Meeting Law, align with the plan year and are being signed by the appropriate personnel and housed at the District;
- I) Fiduciary Liability insurance was purchased; and
- J) Prescriptions claims were added to the reinsurance contract.

Several items are still in process, including:

- A) Closing the gap in funding between the actuarially set rates and District/Employee contributions;
- B) Negotiating void vendor contracts; and
- C) Clinic operations.

With regard to the Clinic, Mr. Collins reported that the Trust was in negotiations with Cerner regarding costs, noting that the negotiation period expires 08/31/18 and if no agreement is reached, the Clinic would close 12/31/18. Should that occur, ECA is working in the background on plan design changes for January-June 2019 and July 2019 forward to provide a more traditional plan with lower co-pays, deductibles, etc. That will be presented as soon as ECA receives those numbers from the actuary.

Several members of the public commented with questions concerning the clinic lease and how that would work (ECA's assumption is that the Trust will continue to pay the lease unless the owner can sell or rent the building prior to the term date) and physicians who might be

interested in partnering with the Trust to provide services to members. Ms. Cox commented that all of that will be studied as part of any re-design.

Ms. Cohen asked for clarification on the Incurred But Not Paid (IBNP) report and the GASB 75 liabilities. Ms. Schulenberg noted that the data to prepare the IBNP for 06/30/18 was being gathered and would be presented as soon as it was available. Mr. Collins indicated that he felt that the previous GASB liabilities may be undervalued if the under-funded premiums were used as the basis.

7. Discussion and Possible Action re Cerner Management Contract

Mr. Collins summarized the proposal received from Cerner, which included an overview of the cost comparison conducted by the Trust's actuary as well as the proposal to reduce the management fee by cutting the NP staff to 1 and reducing the hours to 40 per week. He noted that Cerner's philosophy was never to compete against the community cost, period. Mr. Collins said Cerner's was a primary care structure and their intent is to spend more time with individuals seeking care whereas a local visit might be 15 minutes, Cerner's would be an hour.

The current contract negotiation period ends August 31, 2018 so Mr. Collins indicated that from his perspective, the current options were:

- A) Request an extension of 30 days to continue negotiations, which would give ECA time to receive pricing from the actuary on alternative benefit designs. He noted that if Cerner refuses to provide additional time, Trustees would need to understand that would mean a closure of the Clinic as of 12/31/18; or
- B) Accept or reject the current proposal.

Members of the public commented that they felt Cerner had been dishonest and not treated members or the Trust properly, not provided requested information and suggested that the Board not consider further negotiations.

Ms. Barney wants to take into account staff who use the clinic and make sure she has all the information available before she is comfortable making a decision. Ms. Sasseen agreed.

Ms. Cohen said she appreciates the staff concerns, however, the Trustees have a fiduciary duty to manage the Trust and if the Clinic is driving costs upwards, making the benefits unsustainable, they have a duty to act in the best interest of all the employees.

Ms. Cox said that the Trust is committed to providing a stable and fiscally sound plan and they have made great strides so far, but there is a lot still to do.

Mr. Masden asked whether the Trust was fiscally sound today? Mr. Collins said yes, but with a "limited shelf life," which he defined as an inability to maintain the current level of benefits with the current revenue for more than 18 months at best.

Ms. Barney moved, seconded by Ms. Sasseen, to request a 30-day extension from Cerner to continue negotiating the contract. Mr. Christiansen asked that legal counsel request that Cerner consider keeping Saturday hours (perhaps by eliminating Mondays or adjusting hours during the week) as part of any ongoing negotiation.

ROLL CALL VOTE: Atassi: YES, Barney: YES, Christiansen: YES, Cox: NO, Sasseen: YES

8. Future Agenda Items – Cerner Clinic Negotiation, Alternative Benefit Design

9. Future Meeting Dates: September 06, 2018

10. Adjournment

Dr. Atassi moved, seconded by Mr. Christiansen, to adjourn at 7:34 p.m.

ROLL CALL VOTE: Atassi: YES, Barney: YES, Christiansen: YES, Cox: YES, Sasseen: YES

Video of the entire meeting may be seen on the District website (www.havasup.k12.az.us) under EBT Documents.

Minutes of the Special Trust Board Meeting of August 20, 2018 are approved as submitted.



Marcia Cox, Chairperson



Hal Christiansen, Vice Chairperson