

LAKE HAVASU SCHOOLS EMPLOYEE BENEFIT TRUST

2200 Havasupai Blvd., Lake Havasu City, AZ 86403

Trust Board Minutes

October 18, 2018

REGULAR MEETING:

1. Routine Opening of Meeting – Call to Order

The Regular 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 5:01 p.m. on October 18, 2018.

1.1 Roll Call

BOARD MEMBERS PRESENT: Marcia Cox, Chairperson
 Hal Christiansen, Vice Chairperson
 Amy Barney, Trustee
 Pat Rooney, Trustee

BOARD MEMBERS ABSENT: Dr. Fadi Atassi, Trustee
 Julie Sasseen, Trustee

GOVERNING BOARD MEMBERS
PRESENT: John Masden, President

ADMINISTRATION PRESENT:

OTHERS:

Erin Collins, ECA – Broker/Consultant
Storm Kinion, ECA – Broker/Consultant
5 Others

1.2 Pledge of Allegiance/Moment of Silence

1.3 Call for an Executive Session

Mr. Collins suggested a brief Executive Session may be in order to discuss the contract for Prescription Benefits Management (PBM) Services in reference to the renewal of the contract with Wisconsin Rx.

Trustee Barney moved to adjourn to Executive Session regarding the PBM contract renewal, as recommended, seconded by Vice Chairperson Christiansen and unanimously approved.

Regular session resumed at 5:22 p.m.

2. Call to the Public – None

3. Old Business

3.1 Update on Void Contracts

Mr. Collins updated the Board on the review of 6 contracts found to be void advising that 4 of them were renegotiated as follows:

- A. American Health Group (AHG) - The contract now includes improved protections for the Trust including mutual indemnification and updated language that prohibits AHG from taking any revenue other than the fee. It also has non-collusion and standard cancellation provisions, utilizes a standard contract format that complies with the statute and favors the Trust to protect its fiduciaries.
- B. GDK, Mike Bonney's contract, was reviewed; the format did not change but contains adequate language to protect the Trust. Mr. Collins noted that the Board may wish to review the necessity of GDK's services in the future as eventually GDK and ECA will be duplicating statements as Mr. Bonney moves to an accrual basis.
- C. Wisconsin Rx offered a 3-year contract on a calendar year basis. This the 2nd largest area of expense behind medical and ECA requested alignment of the contract to a fiscal year instead of calendar year and/or an extension in order to review options; Wisconsin Rx declined on both counts stating it is a national contract and they do not make changes or adjustments.

If Rx is to go to bid there are 3 elements of penalty:

1. If it cancels mid-term, whatever rebates have not been paid would be forfeited by the Trust;
2. There is a \$5.00 per participant one-time fee that Wisconsin Rx offered to waive; and
3. A potential concern with language stating they (Wisconsin Rx) retain the right, in addition to the aforementioned penalties, to any other additional recoveries or any other remedy available in law or equity.

When the Trust goes to bid it needs to be done through a competitive process for complete transparency. Anytime you change a PBM there is a potential for a tremendous amount of member disruption; each PBM has their own formularies and tiers that can vary dramatically. Based on this information, staff recommends renewing the contract with the current PBM.

- D. Blue Cross Blue Shield provided an updated contract including all amendments since the date of original inception. In addition, the Rate Acceptance Form for the plan year that began July 01, 2018 was requested for retroactive approval of the prior Chairperson's signature.

The last two outstanding contracts are Ameritas (dental) and Gilsbar (third-party administrator). For Ameritas, ECA requested some minor changes which are being

reviewed by their attorney. ECA has moved the Gilsbar contract to the same core document used for AHG. There are some minor changes currently under review with their legal counsel. It is anticipated the final two will be ready by the next meeting of the Trust.

ECA recommends approval of the AHG, GDK, Wisconsin Rx and BCBSAZ as presented.

Regarding the BCBSAZ approval, Mr. Collins asked that whoever moves to approve to include a statement that the Board retroactively approves the prior Chairperson's signature.

Vice Chairperson Christiansen inquired about the earlier conversation regarding the ongoing need for GDK's CPA services. Mr. Collins indicated eventually services would be duplicated since ECA provides financial reporting on an accrual basis. The discussion concluded that for the minimal price of \$300.00 per month there was a level of comfort getting the reports from GDK quarterly.

Chairperson Cox inquired if audits for the School Board were treated the same for the EBT. She stated she understood the school board couldn't use the same auditor more than 3-years in a row; on the 4th year they would need to use a new auditor. Mr. Murray confirmed the auditor procurement requirement however was unsure if the audit for the EBT was different. Chairperson Cox asked Mr. Collins to determine what the requirements were for the EBT, especially in relation to the change in the State District policy brought up by Governing Board President Masden.

Vice Chairperson Christiansen moved to approve 3 contract agreements for AHG, GDK and Wisconsin Rx with Chairperson Cox authorized to sign, seconded by Trustee Barney and unanimously approved.

Vice Chairperson Christiansen moved to approve the BCBSAZ contract and approve Kari Thompson's signature on the 07/01/18 Rate Acceptance Form, seconded by Trustee Barney and unanimously approved.

3.2 Update on 07/01/18 Prescription Co-Pay Implementation

While performing an audit, ECA discovered that the forms required to implement the approved co-pays was not provided to CVS/Caremark. As a result, the Trust was charging lower co-pays than what had been authorized. ECA requested CVS run a report from the effective date to the change date in order to determine the difference in what the Trust should have paid and what they actually paid as a result of the error. Mr. Collins provided a check to Mr. Murray in the amount of \$1,839.57 along with an apology to the Trust. Vice Chairperson Christiansen thanked Mr. Collins for check.

Vice Chairperson Christiansen moved to accept the check, seconded by Trustee Barney and unanimously approved.

4. New Business

4.1 Approval of Meeting Minutes: July 19, August 20, August 29, and September 12, 2018.

Chairperson Cox reported all meeting minutes have been distributed electronically to all members over the past few months and all changes she has made have been corrected.

Mr. Collins reminded the Board they also had Executive Session Minutes which they are approving. Ms. Kinion will collect the Executive Session Minutes at the end of the meeting.

Vice Chairperson Christiansen moved to approve all meeting minutes for July 19, August 20, August 29 and September 12, 2018 including Executive Sessions as presented, seconded by Trustee Barney and unanimously approved.

4.2 Review of Financial Report through July 31, 2018

Mr. Collins reviewed the financial report for the month ended July 31, 2018. He noted there were a couple of anomalies he wanted to bring to the Board's attention:

- A. There was an overall loss of \$120,00.00 that appears to be related to very low revenue over what was budgeted. ECA believes this is related to different withholding schedules, some being on 9-month while others are on a 12-month basis, as well as a July payment which was made in June.
- B. The actuary/legal tend to run high at the beginning of the year and then tend to level out.
- C. The Patient Center Outcomes Research Institute (PCORI), a federal charge, is at 961%. PCORI is a one-time charge, budgeted over 12-months, so that percentage will come in line as the year progresses.

Chairperson Cox brought up the Cerner transaction fee invoice they did not receive for July and inquired about the status. Mr. Collins reported ECA did receive an invoice, however it did not align with the credit. There is an indication of error; Ms. Schulenberg is working with Cerner to obtain the corrected invoice. The Trust will only see this invoice once it has been corrected. Chairperson Cox understood Mr. Collins has limited knowledge of the situation as Ms. Schulenberg has been working on the issue, her concern is ensuring the Trust receives the full credit.

Mr. Collins explained to the Board they would receive the financial reports monthly, typically by the third week.

Chairperson Cox inquired if there was a list being developed to indicate what property is owned by Cerner and what property is owned by LHS. Mr. Collins reported the list is being developed.

Vice Chairperson Christiansen reported the realtor who is representing the owner did a walk-through on 10/17/2018 and indicated they would begin marketing with the next couple weeks, around the first of November. He also said the marketing would state the tenants were not to be disturbed. It is expected to be available 02/01/2018.

Vice Chairperson Christiansen moved to accept the financial reports through 07/31/2018, seconded by Trustee Barney and unanimously approved.

4.3 Discussion and Possible Action re Emergency Checks at District Office

Previously, there were pre-signed emergency checks in the safe in the District Office in the event of an unexpected emergency, or expense requiring immediate attention. Upon the departure of the former Chairperson, the pre-signed checks were destroyed. Chairperson Cox is uncomfortable with pre-signed checks and does not want to revert to using them. Mr. Collins offered two suggestions to resolve the issue: 1) Have Gilsbar expedite a payment, however, because they use a 3rd party vendor, it is unknown how quickly the payment would be processed and received; or 2) ECA can write a check and then be reimbursed by the Trust. Chairperson Cox thought it a little odd that ECA would write a check for the Trust. Mr. Collins pointed out that ECA would not pay a bill without written authorization from the Chairperson and the reimbursement would be submitted with a cover letter, invoice and ECA check number. The reimbursement must be approved by the Chairperson. Mr. Murray indicated he was uncomfortable with pre-signed checks and felt having ECA write the checks would be "cleaner." Trustee Barney inquired how often this might come up; Mr. Collins indicated probably not more than 2-3 times per year. He also indicated he feels that once the Clinic is gone there will be much less of a need for emergency funds as many of the issues requiring them have been due to the Clinic. Chairperson Cox said if ECA is comfortable with the process she is as well. Trustee Barney and Vice Chairperson Christiansen indicated they were also comfortable with the process.

Vice Chairperson Christiansen moved to no longer use pre-signed checks and for infrequent occasions where an expense must be paid immediately, subject to ECA's ability to do so, ECA will cut a check and seek reimbursement on a written authorization for the exact amount, authorized by the Chairperson, seconded by Trustee Barney and unanimously approved.

4.4 Presentation of Clinic Report

No Action. ECA was notified there was no representative able to attend from Cerner.

Vice Chairperson Christiansen moved to postpone the presentation of the clinic report, seconded by Trustee Barney and unanimously approved.

4.5 Administrative Update

Mr. Collins reported ECA has notified Gilsbar and CVS of the January 01, 2019 changes approved by the Board and is working with District staff to do a mid-year open enrollment.

ECA is also working with the District regarding employee meetings that may need to be offered.

Mr. Collins reported that the Teladoc contract had been signed and would be effective January 01, 2019. Gilsbar and Teladoc are working on the eligibility feed with no issues to date. ECA anticipates working with Teladoc on employee education as ECA has done in the past and on marketing strategies, i.e. If an employee registers for Teladoc they are enrolled in a drawing for an ear thermometer.

ECA is also working with Mike Schionning on the IBNP (Incurred but not Paid) calculation. The IBNP will be for the period ending 06/30/18 and represents claims which are incurred but have not been paid and includes an administrative expense component which is relevant if the Trust were to ever shut down. Once the analysis is complete, it will be presented to Trustees for review and incorporated into the financial reporting.

A member of the public asked when open enrollment was going to begin. Mr. Murray indicated the District is looking at November. This open enrollment will be done paper/pen and manually uploaded; in May of 2019 it will be done through Vision. This enrollment won't affect the masses, it will only affect those who want to make changes. Chairperson Cox inquired if everyone would be given the notice and Mr. Murray confirmed notices would be sent to all members. If the employee is happy with their plan, they do nothing, a decline is not required. Mr. Collins clarified this is a passive enrollment and agreed with Mr. Murray indicating he thought there would be approximately a 5% turn-out. Chairperson Cox indicated she wanted to make sure the notice went out frequently and in different avenues of communication to ensure everyone was aware of the enrollment. She also felt it was important for everyone to acknowledge they were making changes or accepting their current plan with no changes. Mr. Murray acknowledged they will have everyone indicate if they are making changes or declining changes. The public also wanted to ensure the members who did not come to the special meeting had a clear understanding of the upcoming changes; Mr. Murray advised he would work with ECA to ensure the packet of information was reader friendly. Trustee Barney reported she sent the benefit information to all district principals so they could push the information out.

Trustee Rooney reported this would be his last meeting. He thanked Chairperson Cox for leading the way to making changes to the EBT.

5. Adjournment

Trustee Barney moved, seconded by Vice Chairperson Christiansen, to adjourn at 6:17 p.m.

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

Minutes of the Special Trust Board Meeting of October 18, 2018 are approved as submitted.

Marcia Cox, Chairperson

Hal Christiansen, Vice Chairperson