

**NORTHERN ARIZONA PUBLIC EMPLOYEES BENEFIT TRUST
MEETING MINUTES
October 19, 2017**

The following consultants/vendors were present:

Nura Patani	Segal
Richard Ward	Segal
Melissa Bissett	Segal
Aaron Genaro	Ashton Tiffany
Sarah Virgil	Ashton Tiffany
Lori Jundt	Ashton Tiffany (telephonic)
Marianne Heiderscheidt	Vera Whole Health
Lindsey Gregerson	Vera Whole Health (telephonic)
Madeline Zobel	Blue Cross Blue Shield of Arizona
Toni Biddle	Blue Cross Blue Shield of Arizona
Amanda House	Blue Cross Blue Shield of Arizona

The following Trustees were present, and a quorum was met:

Mike Townsend (chairperson)	Coconino County
Shane Dille	City of Flagstaff
Jami Van Ess	Coconino County Community College
Bob Kuhn	Flagstaff Unified School District

The following Alternate Trustees were present:

Margaret Penado	Coconino County
Shannon Anderson	City of Flagstaff
Jennifer Moore	Flagstaff Unified School District
Rosa Logan	Coconino County Community College

The following guests were present:

Erika Philpot	Coconino County
Natasha Smith	Coconino County
Amber Baker	Coconino County
Katie Wittekind	Coconino County
Jennifer Caputo	City of Flagstaff
Ginger Wischmann	Flagstaff Unified School District
Scott Walmer	Flagstaff Unified School District
Laurie Battice	NAIPTA

1. CALL TO ORDER 9:15 a.m.

Unanimous approval of agenda items by the Trustees

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2. APPROVAL OF MINUTES September 21, 2017

Shane Dille motion, Bob Kuhn second, motion approved

3. ACTION ITEMS

**A. Discussion and possible board action on Vera Lindsay Gregerson
Onsite Clinic, including an update on the
physical therapy program and a review of the
annual stakeholder satisfaction survey**

Ms. Gregerson provided an overview of the monthly report, highlighting provider capacity, which is approximately 8–10 patients each day.

Ms. Anderson asked if there is currently any tracking in place for appointments scheduled versus actual use. Ms. Gregerson stated that there is no tracking for that, but she will look into the issue and report back to the board.

Ms. Gregerson indicated that the satisfaction survey had a high response rate due in part to a new text response option. She also mentioned that Vera is offering micro-workshops on wellness-related topics to Trust departments and agencies.

Ms. Gregerson stated that a new part-time patient service representative position has been added to the clinic team, and is being paid for by Vera.

No action was taken.

**B. Discussion and possible board action on Lori Jundt
interim financial statements**

Ms. Jundt presented the financial report for the period ending August 31, 2017. She advised the following:

- Total assets as of August 31, 2017 were \$10,353,180.
- Cash and cash equivalents were \$9,187,705.
- Total liabilities were \$4,213,499.
- Claims payable were \$1,633,396.
- Reserve for IBNR losses was \$1,164,000.
- Net assets as of August 31, 2017 were \$6,139,681.
- The year-to-date excess of contributions over expenses was \$188,660.

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Ms. Jundt advised the trustees that there was an increase in net assets of \$30,137 for the month of August. She also stated that \$1 million was transferred from the operating account in order to cover expenditures.

Ms. Jundt advised that the IBNR figure will be modified based on the discussion at the meeting, and will reflect the current budgeted amount of \$28.2 million.

No action was taken.

C. Discussion and possible board action on the Incurred But Not Reported (IBNR) certification **Nura Patani**

Ms. Patani presented the estimate of the Trust's IBNR, including the percentage of prior 12 months' paid claims. She stated that medical is 8.2 percent, prescription drugs is 0.1 percent, and total IBNR is 6.2 percent.

Ms. Patani provided an overview of the additional components, including a recommended increase of 25.8 percent (approximately \$300,000) to "Total IBNR with Administration and Margin."

No action was taken.

D. Discussion and possible board action on monthly medical/pharmacy report **Nura Patani**

Ms. Patani presented an overview of NAPEBT's claims, expenses, and contributions, for the period ending August 31, 2017. Key observations from the report included:

- The total loss ratio was at 95.3 percent.
- Contributions exceeded claims and expenses (reduced for stop loss reimbursements and pharmacy rebates) by approximately \$215,000, or 4.7 percent of contributions.
- The plan's rolling net medical trend was 1.8 percent, and the plan's rolling net pharmacy trend was -3.8 percent.
- There are no claimants with incurred claims in excess of the \$150,000 threshold during the plan year to date.
- Wellness incentive payouts through August totaled approximately \$122,000.
- Sixteen (16) percent of all active employees and retirees were enrolled in the buy-up plan; 64 percent were enrolled in the base plan; and 20 percent were enrolled in the high deductible health plan. Through August, total enrollment

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decreased 1.7 percent over the prior plan year's average. Ms. Patani advised that the -3.8 percent in net pharmacy trend is due to timing of rebate payments (five in the most recent 12 months versus four in the prior 12 months).

No action was taken.

E. Discussion and possible board action on the Blue Cross benchmark report **Madeline Zobel**

Ms. Zobel presented an overview of the Blue Cross Blue Shield of Arizona (BCBSAZ) benchmarks, including key findings in comparison to the Trust's plan performance. Key findings include:

- Overall Allowed PMPM decreased by 3.4 percent from the prior reporting period.
- Average membership increased 0.8 percent from the prior reporting period.
- Inpatient Allowed PMPM increased by 3.5 percent from the prior reporting period, and increased 7.6 percent when viewed over a two-year period. The Inpatient Allowed PMPM is 10.2 percent above the benchmark.
- Outpatient Allowed PMPM decreased by 10.3 percent from the prior reporting period, and is 8.4 percent below the benchmark.
- Emergency room cost decreased by 8.4 percent, and is 57.1 percent above the benchmark. Year-over-year utilization is up 4.2 percent, and is 39.4 percent below the benchmark.
- Professional services per member decreased by 10 percent and is 26.8 percent below the benchmark. The cost of these services increased by 7.8 percent, and is 13.6 percent above the benchmark.
- Two (2) percent of claimants account for 56.2 percent of total paid claims.

Ms. Zobel advised that BCBSAZ will be offering a telemedicine program in 2018. She stated that it would be available for the Trust beginning July 1, 2018, as the Trust currently operates on a fiscal year. She also mentioned that BCBSAZ will assist in marketing the program to Trust member employees.

Ms. Philpot asked what the savings might be if employees were to shift to using telemedicine. Ms. Zobel stated that she would follow up on that question and send the answer to Mr. Townsend for dissemination.

Ms. Zobel stated that she would send telemedicine program marketing materials to Mr. Townsend.

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No action was taken.

F. Discussion and possible board approval of the preliminary medical plan budget projection, plan design, and contribution discussion **Nura Patani**

Ms. Patani presented the budget projections, which included wellness assumptions, self-funded claims cost development, self-funded total cost analysis, and contribution modeling. She also provided a live modeling dashboard that included a six-year reserve projection for the period from June 30, 2018 to June 30, 2023.

Ms. Patani explained that a 6 percent trend assumption for medical coverage and a 9 percent trend assumption for prescription coverage were used in the self-funded claims cost development. Ms. Patani recommended an increase of 11.8 percent in order to cover current costs, and noted that this does not reflect any additional offerings/enhancements to the plan (beyond the statutorily required coverage for statins) or any reserve buildup component. She stated that Segal takes into account the last 24 months of claims data, using a weighted average of the two most recent 12-month periods. This experience is trended forward and adjusted for any anticipated changes in plan design. Stop loss premiums, administrative fees, wellness clinic expenses, and other miscellaneous non-claim expenses are added to arrive at the rate.

Ms. Patani further explained that the current contribution rates are not at a level sufficient to cover current costs; the 11.8 percent increase is sufficient to cover projected costs.

Ms. Patani provided an overview of the dashboard document, which depicts the self-funded projection summary. This includes:

- medical and prescription projections,
- reserve projections and targets,
- historical contribution rate increases each year, and
- modeling of clinic savings assumptions.

The baseline reserve projection includes a clinic savings assumption of a break-even point in fiscal year 2021, meaning that the projection assumes claims saving due to the clinic will be adequate to cover the clinic costs beginning in that year. She explained that the long-term trend assumptions are 5 percent for medical and prescription.

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Mr. Dille asked if the trend assumption of 5 percent was realistic, based on the Trust's history. Mr. Ward stated that it's "in the ballpark," based on a longer historical review by Segal.

Mr. Townsend asked if the plan design changes and savings from the clinic were reflected in the 5 percent trend assumption. Mr. Ward stated that Segal would have more insight into the impact of the clinic on trend when the data from Vera becomes available.

Ms. Patani provided a scenario that included an increase of 20 percent that, in one year, would get the Trust to the minimum claims fluctuation reserve level: 27.5 percent of projected claims. She stated that the increase would cover claims costs, build up reserves, and slow the burn rate resulting from previous years' lower increases.

Ms. Patani offered another scenario that included an increase of 14 percent and incorporating a change in the assumptions in the live modeling dashboard—specifically, consideration of a higher longer-term claims trend and the possibility of not realizing additional savings from the clinic beyond the levels that are already observed. In this scenario, the increase for 2018–2019 would be 14 percent, then 8, 7, and 6 percent, respectively, in 2019–2020, 2020–2021, and 2021–2022. Ms. Patani explained that this approach would result in attaining the minimum claims fluctuation reserve level beginning in 2021–2022, and would allow future increases to be set at approximately 5 percent. Ms. Patani stated that this approach assumes no benefit changes.

Mr. Dille stated that a possible hybrid of the different approaches might be best.

Mr. Townsend asked the group to think about any possible plan design changes that could be discussed at the November retreat.

Ms. Patani presented an overview of unblended active and retiree rates, and stated that the cost for retirees is rising. She noted that actives are currently subsidizing retiree coverage, so establishing self-sustaining retiree rates would require applying a retiree surcharge.

Mr. Kuhn stated that it would be prudent to get a legal opinion on placing a surcharge on retiree rates. Mr. Townsend said that he would work with an attorney on the matter. Ms. Patani mentioned that Segal would review a past legal opinion that was provided around 2009.

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Ms. Patani presented an overview of historical loss ratios, highlighting the distinction between actives and retirees. She also provided an overview on the historical claims analysis; offered clarification of surplus assets; shared information on the claims fluctuation reserve; and discussed claims volatility.

No action was taken.

G. Discussion and possible board action on the reserve guidelines **Mike Townsend**

Ms. Patani presented an overview of the reserve model as part of the live modeling dashboard discussed in Item F.

Ms. Van Ess suggested that the Finance Committee review the information and then provide recommendations at the November meeting.

Mr. Ward stated that there is not much risk of Trust insolvency based on the presented models and projections.

No action was taken.

H. Discussion and possible board action on Trust health benefit costs, including possible executive session to consider contract renewals **Mike Townsend**

Mr. Townsend requested that this item be discussed in executive session.

Jami Van Ess motion, Bob Kuhn second, motion approved

I. Discussion and update on compliance and industry changes **Nura Patani**

Ms. Patani provided an overview of the compliance update. She stated that specialty drugs continue to be the fastest growing component of prescription drug costs.

Mr. Ward advised that Segal will coordinate with CVS regarding prescription drug coupon programs and report at the next regular board meeting regarding the potential impact.

J. Discussion and possible board action on the enrollment system RFP **Bob Kuhn**

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Mr. Kuhn stated that Ms. Anderson has been working on this item, and that there is no other update at this time.

No action was taken.

**K. Discussion and possible board action on
2017/2018 meeting project plan**

Aaron Genaro

Mr. Genaro presented the project plan.

L. Review of action items and timeline

Sarah Virgil

Ms. Virgil reviewed the upcoming action items. The following items were assigned: Segal will update the summary rate projections dashboard to include page number references for each table.

Segal will bring additional projections to the retreat, based on plan design changes presented.

Segal will provide a comparison of the reserve policies of other government trusts.

Segal will provide Mr. Townsend with the previous legal review on retiree options.

Segal will review retiree utilization of the Vera Clinic.

Segal will coordinate with CVS regarding prescription drug coupon programs and prepare this item for discussion at the next regular board meeting.

Vera will review the 70 new employee visits to determine if they are new hires.

Vera will inquire about the actual length of provider visits vs. the allotted time.

Vera will update its appointment call reminder to include notification that the appointment will be cancelled if individuals arrive 15 minutes or more past their scheduled time.

Vera will recommend options for addressing “no-shows.”

BCBS will provide marketing materials for PCMH providers, and will help each agency secure access to the self-service marketing hub.

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BCBS will work with agencies to get updated contact information for condition management.

BCBS will follow up with Mr. Townsend on potential savings from the use of telemedicine.

- 4. CURRENT EVENT SUMMARIES/ANNOUNCEMENTS: None**
- 5. NEXT REGULAR MEETING: November 27–28, 2017**
- 6. ADJOURNMENT: 1:56 p.m.**