

**NORTHERN ARIZONA PUBLIC EMPLOYEES BENEFIT TRUST
MEETING MINUTES
September 21, 2017**

The following consultants/vendors were present:

Amy Girardo	Segal
Nura Patani	Segal
Nick Taylor	Segal
Aaron Genaro	Ashton Tiffany
Sarah Virgil	Ashton Tiffany
Lori Jundt	Ashton Tiffany (telephonic)
Marianne Heiderscheidt	Vera Whole Health
Maggie Hopson	Vera Whole Health
Lindsey Gregerson	Vera Whole Health (telephonic)
Donna Hoctor	Briotix
Shaina Holgersen	CVS/Caremark
Craig Christian	Delta Dental

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:

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

The following guests were present:

Dean Coughenour	City of Flagstaff
Amber Baker	Coconino County
Katie Wittekind	Coconino County
Jeanie Confer	Coconino County Accommodation School District
Dietrich Sauer	Coconino County Community College
Ginger Wischmann	Flagstaff Unified School District
Scott Walmer	Flagstaff Unified School District
Lynn Hill	NAIPTA
Laurie Battice	NAIPTA

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Ms. Hocter stated that January 1 was the estimated start date, as it will take some time to set up the program with Briotix.

Ms. Gregerson advised that Vera will confirm the timeline to configure Briotix for the Flagstaff Unified School District pilot program.

Bob Kuhn motion, Mike Townsend second, motion approved

B. Discussion and possible board approval of amendment to the minutes of the June 28 board meeting discussion **Aaron Genaro**

Mr. Genaro advised that staff recently determined that a section of the minutes of the June 28 board meeting, pertaining to Vera's annual report, was incorrect. The data shown on slide 26 in the annual report indicated a net loss. The minutes, on the other hand, reported a net *savings* of 70 percent. In addition, the calculation method referenced in the minutes was drawn from slide 26, and relied on continuous eligibility. Vera staff, however, pointed out that it would make more sense to use the method and data from slide 29, which included all eligible lives.

Mr. Genaro recommended that the board approve the changes to the minutes as presented, and that they be reposted.

Bob Kuhn motion, Jami Van Ess second, motion approved

C. Discussion and possible board action on Trust bylaws and board committees **Mike Townsend**

Mr. Townsend presented the redline changes made to the bylaws, including the addition of a reference to ARS 11.952.01 to allow additional authority to NAPEBT regarding investments; clarification of travel expense reimbursement for trustees; modification with respect to voting for the chair of the board of trustees at the annual meeting; addition of language regarding the chair's authority to create standing committees and appoint working groups; and clarification that any changes to the bylaws must be approved by a majority vote of the board.

Shane Dille motion, Bob Kuhn second, motion approved

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**D. Discussion and possible board action on
interim financial statements**

Lori Jundt

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

- Total assets as of July 31, 2017 were \$10,155,556.
- Cash and cash equivalents were \$9,197,588.
- Total liabilities were \$4,046,012.
- Claims payable were \$1,408,961.
- Reserve for IBNR losses was \$1,164,000.
- Net assets as of July 31, 2017 were \$6,109,544.
- The year-to-date excess of contributions over expenses was \$164,989.

Ms. Jundt advised the trustees that there was an increase in net assets of \$171,166. She stated that expenditures for administration are under budget due to a lower rate from Blue Cross Blue Shield. Ms. Jundt also advised that expenses for the Vera clinic are slightly over budget for the month by \$12,888.

No action was taken.

**E. Discussion and possible board approval of
audit engagement agreement**

Bob Kuhn

Mr. Kuhn stated that three firms provided a proposal. He mentioned that one proposal was very expensive and was not considered. Mr. Kuhn advised that the two remaining firms under consideration were HeinfeldMeech and CliftonLarsonAllen.

Mr. Kuhn stated that NAPEBT has utilized the services of HeinfeldMeech for 13 years.

Mr. Townsend stated that it might be beneficial to have a fresh set of eyes come in to perform the audits.

Mr. Dille agreed that it would be a good idea to make a change due to the length of the engagement with HeinfeldMeech.

The trustees agreed to move forward with the engagement agreement with CliftonLarsonAllen.

Shane Dille motion, Jami Van Ess second, motion approved

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**F. Discussion and possible board action on
Delta Dental utilization report**

Craig Christian

Mr. Christian presented the executive summary of the Delta Dental utilization report. He stated that utilization has been extremely stable and consistent year over year. Mr. Christian advised that for the period from September 2016–August 2017, the total for claims paid was \$1,865,576, and the amount paid per member, per month was \$26.75. Mr. Christian stated that there has been heavier utilization of the premier network than the PPO network for the same time period.

Mr. Christian advised that total fee savings resulting from utilization of the PPO network are approximately 31 percent, and the cost management savings are 32 percent.

Mr. Christian provided an overview of premium and claims history.

Ms. Girardo asked if there were any new developments within the dental industry that the trustees might consider in their plan design discussions moving forward.

Mr. Christian explained that the dental industry is slowly moving away from silver fillings and toward white fillings, that cone film images used for implant procedures are being done more in the dental office than being outsourced to another office, and that use of ceramic and porcelain crowns is on the rise.

Ms. Girardo asked the group if any of the employers would like to consider enhancing their plan designs for next year (FY19) which could be included in the renewal offer by Delta Dental.

Ms. Anderson mentioned that she would like to get pricing on adding dependents up to age 26.

Ms. Logan mentioned that she would like to see choices for a low and high option and rate tier options presented during the renewal for the College to consider.

No action was taken.

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G. Discussion and possible board action on CVS Caremark utilization; including proposed clinical programs **Shaina Holgersen**

Ms. Holgersen presented an overview of the utilization data for the period from July 1, 2016–June 30, 2017. She stated that clinical and other savings amounted to an annual gross savings of approximately \$560,000.

Ms. Holgersen advised that there was a 2.5 percent decrease in the average monthly number of users with respect to eligibility for prescription drugs, and an 18.1 percent increase in the average monthly number of users specifically for specialty drugs. She mentioned that the program is performing well for maintenance and symptomatic drugs.

Mr. Taylor stated that the total expenditure is expected to rise due to an increase in the release of specialty drugs.

Ms. Holgersen advised that there are some generic drugs that are scheduled to be released soon.

Mr. Taylor advised the trustees to consider excluding the drug Metformin from coverage, as there are much cheaper generics available for purchase.

Ms. Holgersen shared the top five chronic conditions that NAPEBT should continue to monitor: diabetes, hypertension, hyperlipidemia, heart failure, and coronary artery disease.

Ms. Holgersen provided an overview of the specialty drug trends, costs, and utilization metrics for NAPEBT, and shared the top 25 specialty drugs being utilized.

Ms. Holgersen presented the Voluntary Maintenance Choice and Access-Based Custom Network programs as two additional opportunities to help drive down costs for prescription drugs. She stated that the voluntary program provides an additional financial incentive to only those patients who use it, and therefore does not impact the costs associated with NAPEBT.

A unanimous decision was made by the trustees to implement the Voluntary Maintenance Choice program, and for CVS Caremark to market the program.

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H. Discussion and possible board approval on **Amy Girardo**
2018 pharmacy formulary

Ms. Holgersen presented the updated formulary changes for 2018.

No action was taken.

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

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

- The total loss ratio was at 92.3 percent.
- Contributions (after stop loss reimbursements and pharmacy rebates) exceeded claims and expenses by approximately \$176,000, or 7.7 percent of contributions.
- Over the prior year, the net medical trend was -1.1 percent, and the net pharmacy trend was 8.4 percent.
- No paid claims were in excess of the \$150,000 threshold.
- Wellness incentive payouts through July totaled \$32,630.
- 16.1 percent of all employees and retirees were enrolled in the buy-up plan; 64.0 percent were enrolled in the base plan; and 19.9 percent were enrolled in a high deductible health plan. Total enrollment decreased 1.6 percent over the prior plan year's average.

Ms. Patani advised that this is the first time retirees have been attributed to less than 10 percent of the overall claims costs. She also noted that there continues to be an enrollment increase in the high deductible health plan.

Mr. Dille asked when the SHAPE claim utilization report will be available.

Ms. Girardo stated that Segal is preparing the report for the November retreat.

No action was taken.

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J. Discussion and possible board action on Trust health benefit costs, including possible executive session to consider contract renewals **Dean Coughenour**

Mr. Coughenour presented the historical performance and future trends of NAPEBT's health benefits costs. He provided an overview of the claims and expenses, discussed the reserves, and mentioned the investment dollars associated with the start-up of the wellness clinic.

Mr. Coughenour presented the annual rate renewals dating back to July 1, 2012, and stated that the rates adopted during the years were insufficient to cover the medical, prescription claims, and expenses. He stated that the implementation and operation of the wellness clinic during fiscal year's 2016 and 2017 along with increases in health care claims costs eroded NAPEBT's reserves at a faster pace than anticipated.

Mr. Coughenour pointed out that the clinic was put in place to assist with wellness, and that it has been a great success. He indicated that employees are excited about the clinic and the services offered through it.

Mr. Coughenour stated that on average, 10,000 visits to the clinic are made each year, and that the average expenditure per visit is \$334 to operate the clinic. This equates to approximately \$3.3 million annually. He also mentioned that the average expenditure per visit, outside the clinic, was as follows: primary care visit, \$115; urgent care visit, \$55; and specialist visit, \$129.

Mr. Coughenour presented on the services that are currently driving claims expense, which are primarily in-patient and out-patient claims (45.1 percent and 28.6 percent, respectively), excluding the clinic.

Mr. Coughenour advised that NAPEBT may experience a 14 to 16 percent increase in FY19 in order to maintain reserves and cover claims and expenses, an 8 to 10 percent increase in FY20, and a 6 to 8 percent increase in FY21.

Mr. Coughenour provided examples of how NAPEBT might "bend the trend" in order to stop the depletion of reserves. He also provided comparisons to a handful of other wellness clinics operating in Arizona with regard to patient load and the cost per covered employee per year.

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Mr. Coughenour concluded by asking the trustees to have an open discussion about how to address the financial concerns related to future renewal rates and the wellness clinic.

Mr. Dille stated that the most recent renewal was difficult for the City of Flagstaff in terms of the budget and employee morale. He shared his concerns about receiving double-digit increases in future years, and said he welcomes the open discussion about where NAPEBT stands today and what tomorrow should look like.

Mr. Townsend stated that he has a different perspective on the trend, as most employees did not have a primary care doctor prior to the opening of the clinic. He mentioned that an 8 percent rate renewal has already been contemplated in the County's budget.

Mr. Dille stated that he is not challenging the success of the clinic, but rather would like to have an open discussion on how to move forward with the information that was presented.

Mr. Townsend asked for clarification on the direction of the discussion.

Mr. Dille mentioned that they were asked to leave out certain parts of the presentation so as not to slant the conversation. He stated that he wants everyone to share ideas and to participate in a dialogue. He shared that the Vera model was selected as the vehicle to realize NAPEBT's desire to open a wellness clinic for employees, but then asked if there might be another vehicle that can provide the same or similar level of service for less.

Mr. Dietrich agreed that NAPEBT should look at all of the options available and should always have options on the table.

Ms. Baker mentioned that NAPEBT may be closer to its desired outcome than the trustees realize.

Mr. Kuhn stated that everyone knew that reserves would be utilized in order to start the clinic, and that the commitment to realizing the desired outcomes would be approximately 30 months. He mentioned that November will be 24 months. He agreed that it would be good to look at modifying the Vera model if possible.

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Ms. Anderson asked when a conversation with Vera should take place regarding management of the clinic moving forward.

Ms. Girardo expressed that there may be an opportunity to negotiate with Vera and reduce costs.

Mr. Dille agreed and said he welcomed a conversation with Vera to discuss costs.

Ms. Wischmann expressed her concern regarding Vera's commitment in Flagstaff, and asked what a realistic reserve level would be.

Mr. Townsend mentioned that the reserve level discussion will take place at the November meeting.

Mr. Kuhn recommended that the discussion of this item be continued at the October board meeting in executive session.

No action was taken.

K. Discussion and possible board action on wellness program

Katie Wittekind

Ms. Wittekind provided an overview of the wellness program incentive structure for 2018. She noted that marketing efforts will focus mainly on spouses in order to get them engaged in the program.

No action was taken.

L. Discussion and update on compliance and industry changes

Amy Girardo

This item was moved to the October board meeting.

M. Discussion and update on enrollment system RFP

Bob Kuhn

Mr. Kuhn stated that the process of gathering information for a draft RFP has begun.

N. Discussion and update on the EAP RFP

Katie Wittekind

Ms. Wittekind shared with the board a handout detailing the timeline and list of "to do" items in order to complete the RFP.

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O. Discussion and possible board approval of date and location of the annual Trustee retreat **Katie Wittekind**

Ms. Wittekind stated that the date for the November retreat will be changed from November 28–29 to November 27–28. The retreat will be held at Thornagers.

No action was taken.

P. Discussion and possible board action on 2017/2018 meeting project plan **Aaron Genaro**

Mr. Genaro presented the project plan.

Q. Review of action items and timeline **Sarah Virgil**

Ms. Virgil reviewed the upcoming action items. Subsequent to the meeting, the following items were assigned to various participants:

Vera will confirm the timeline to configure Briotix for Flagstaff Unified School District to pilot the preventive physical therapy program.

Vera will provide updates on the physical therapy program at each board meeting.

Ashton Tiffany will amend the June 28, 2017 meeting minutes and repost.

Mr. Townsend will update the Committees Agency Membership table to include Mr. Kuhn under Risk Management.

Ms. Girardo will obtain and present a quote from Delta Dental for City of Flagstaff insureds to include dependents through age 26 on their dental plans.

Ms. Girardo will provide a quote from Delta Dental for Coconino Community College to include additional rate tiers, as well as a buy-up dental option.

Ms. Holgersen will provide locations of CVS/Target pharmacies.

Ms. Wittekind will book the retreat location.

Ms. Girardo will update retreat dates and resend the calendar invite.

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- 4. CURRENT EVENT SUMMARIES/ANNOUNCEMENTS: None**
- 5. NEXT REGULAR MEETING: October 19, 2017**
- 6. ADJOURNMENT: 2:22 p.m.**