



**NORTHERN ARIZONA PUBLIC EMPLOYEES BENEFIT TRUST  
MEETING MINUTES  
June 15, 2017**

**3. ACTION ITEMS**

**A. Discussion and possible board action on July 1, 2016 Financial Audit** **Mike Townsend**

Mr. Townsend provided an update on the audit for the year ending June 30, 2016. He requested that the Trustees review the draft audit and contact him with any questions prior to the August board meeting. Mr. Townsend further requested that that this item be presented at the August meeting.

**No action was taken.**

**B. Discussion and possible board action on April 30, 2017 interim financial statements** **Lori Jundt**

Ms. Jundt presented the financial report for the period ending April 30, 2017. She advised the following:

- Total assets as of April 30, 2017 were \$11,105,810.
- Cash and cash equivalents were \$10,020,954.
- Total liabilities were \$4,463,671.
- Claims payable were \$1,458,706.
- Reserve for IBNR losses remained unchanged from the prior month at \$1,158,000.
- Net assets as of April 30, 2017 were \$6,642,139.
- The year-to-date deficit of revenues over expenses was \$3,816,100.

Ms. Jundt advised the Trustees that at the end of April \$2M was transferred from the LGIP investment account to the Wells Fargo operating account to cover expenses and that the \$125k deposit with Caremark was expected to be returned in June.

Mr. Coughenour questioned why the year-to-date outside consulting was over budget by \$42k. It was explained that outside consulting expense included actuary fees which were reported as a separate budgeted line.

Ms. Girardo advised that she will confirm that the GASB fees are contemplated in the 2018 budget.

Mr. Coughenour questioned why the accounting fees were also over budget. Ms. Jundt advised that the additional fees were from Members Café.

**NORTHERN ARIZONA PUBLIC EMPLOYEES BENEFIT TRUST**  
**MEETING MINUTES**  
**June 15, 2017**

Mr. Coughenour also questioned why the online enrollment system fees were over budget. Ms. Jundt advised that the additional fees were from Banker Tilly at \$7,800 a month.

**No action was taken.**

**C. Discussion and possible board approval of signature authority matrix** **Lori Jundt**

Ms. Jundt presented the updated signature authority matrix to the Trustees. She advised that a second approver has been added for all checks over \$10k and that the CVS/Caremark was added to the vendor section that is set up for automatic payment distribute.

Mr. Dille questioned Mr. Townsend if this change in approvers would be helpful. Mr. Townsend informed the Trustees that it will be very helpful and is the first step in strengthening the governance structure by creating additional Trustees oversight with approvals of invoices over \$10k, if needed.

**Shane Dille motion, Jami Van Ess second, motion approved.**

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

Ms. Patani presented an overview of NAPEBT's 2016–2017 contributions, claims, and expenses, inclusive of clinic expenses, for the period ending April 30, 2017. Key observations from the report included:

- Claims and expenses (after stop loss reimbursements and pharmacy rebates) exceeded contributions by \$3.53 million, or 17.2 percent of contributions.
- April's medical claims were greater than the average claims for the current or prior plan year, despite a decrease in medical claims compared to March
- Claims expense increased, driven by an increase in medical claims from claimants with individual claims in excess of \$150,000, these ten claimants have a combined \$2.51 million in claims, or 12.8 percent of the total medical and pharmacy paid claims.
- Wellness incentives payouts through April total \$507,000.
- Approximately 17.8 percent of all employees and retirees are enrolled in the buy-up plan, 63.5 percent enrolled in the base plan, and 18.7 percent enrolled

**NORTHERN ARIZONA PUBLIC EMPLOYEES BENEFIT TRUST  
MEETING MINUTES  
June 15, 2017**

in an high deductible health plan with a decrease of 1.2 percent over the prior year's average.

Ms. Patani advised that the year to date loss ratio for contributions and expenses for the plan was 103 percent, which was more favorable than the prior 9 months.

Ms. Patani reviewed the year to date experience by plan type. She noted that once again, while the average claim cost for retirees under the buy-up plan was in line with active employees, there was a significant increase in retiree claim costs for the base and high deductible health plan. The average surplus/deficit across the plans for active employees was 88 percent, compared to retirees at 130 percent.

Ms. Patani also reported that there were two new large claims over 50 percent of the stop loss deductible, reflecting a total of ten claims through April 2017, with four claims now exceeding the \$300,000 threshold and generating a \$282,199K stop loss receivable. Total paid claims (exclusive of stop loss reimbursement) were \$2,507M, or 12.8% of the total medical and prescription claims.

Finally, Ms. Patani presented an update on the wellness program participation through April 30, 2017. She noted that \$506,670 has been paid out for all incentives.

Mr. Coughenour requested the total pay-out for the prior plan year. Ms. Patani advised that it was \$474k for the same 10-month period. She noted that approximately \$33k additional had been paid out this year.

**No action was taken.**

**E. Discussion and possible board action on  
CVS Caremark diabetes care program**

**Amy Girardo**

Ms. Girardo presented an overview on the CVS transform diabetes program to the Trustees. She informed the Trustees that there was no cost associated with the program and would offer additional resources for members that have diabetes.

Ms. Holgersen informed that the program was very popular and a decision would need to be made prior to mid-July. She led a discussion with the Trustees and advised on following components about the program:

- Pre-diabetics are on the rise;
- 1 in 3 people have diabetes;
- approximately \$500k was spent in 2015 by NAPEBT;
- anyone taking a diabetic product will receive a fee meter;
- alerts will be to be sent to CVS to monitor for any concerns;

**NORTHERN ARIZONA PUBLIC EMPLOYEES BENEFIT TRUST**  
**MEETING MINUTES**  
**June 15, 2017**

- 2 free CVS minute clinic visits offered to all with diabetes;
- 83.6 percent of diabetic members are filling at or near a CVS; and
- participants are required to fill their diabetic medications at a CVS retail pharmacy or through mail order.

The Trustees expressed the following concerns and questions to Ms. Holgersen about the program:

- What options were available since Flagstaff doesn't have any minute clinics
- Could Walgreens offer a similar program for the minute clinics
- Could the alerts be considered in invasion of their privacy
- Could a member opt-out of the program
- If opted-out could a member go to any pharmacy
- Are all medications required to be filled at CVS for those with diabetics
- Is it fair to force one population to go to a particular pharmacy
- What piece of the meters is offered (meter/cord/app)
- Will other meters work with the app
- Are the fees for the app covered every year
- Will the pharmacy rebates change
- Online reviews of the app are not favorable, how is this managed

Ms. Holgersen advised that she would need to check on the minute clinic options. She informed the Trustees that participants can opt-out of the program however; they would be required to fill all diabetic supplies at a CVS retail store or through mail order and noted that targeted mailers would be mailed to those participants to inform them of the new program. She clarified that non-diabetic medications can be filled at any pharmacy.

She added that all pieces of the meter are covered and that the app would be free and that 93 percent of all meters are compatible with the app.

Ms. Girardo advised that the rebates are set at the formulary and she would verify.

**No action was taken.**

**F. Discussion and possible board action on  
summary report of trustees interviews**

**Amy Girardo**

Ms. Girardo presented a high-level review of the interviews with the Trustees.

**NORTHERN ARIZONA PUBLIC EMPLOYEES BENEFIT TRUST  
MEETING MINUTES  
June 15, 2017**

Mr. Dille thanked Amy for going through the process and inquired what Segal was planning to do with the information.

Ms. Girardo advised that Segal will review the data for any common threads in the report. She agreed to provide an executive summary back to the Trustees for review.

**No action was taken.**

**G. Discussion and possible board action on  
bylaws and governance structure**

**Mike Townsend**

Mr. Townsend led a conversation with the Trustees regarding the governance structure. He addressed his concern with the internal controls, succession planning, and administration/management oversight. He noted that the Trust has approximately \$30M in expenses and claims without any management in place and that he has additional concerns about the following areas:

- Vera Clinic;
- wellness;
- accounts payable;
- financial;
- risk management ;
- pharmacy;
- human resource benefits; and
- administration process.

Mr. Townsend asked the other Trustees for ideas on how to share the duties of the chair.

Ms. Van Ess agreed that the duties should be shared with the other Trustees and ideally management duty in place so the chair just has approval.

Mr. Kuhn agreed that Katie could use assistance with the clinic and agreed to assist her.

Mr. Coughenour noted that in general a conversation about the clinic would need to take place regarding the 1.3M spent to run the clinic.

Mr. Dille stated that he would prefer that discussions take place prior to the board meetings. He noted that in order to do so, committees would need to be formed. He stated that this would allow the Trustees to make decisions when they meet and to

**NORTHERN ARIZONA PUBLIC EMPLOYEES BENEFIT TRUST**  
**MEETING MINUTES**  
**June 15, 2017**

minimize the volume of discussion during the actual board meeting. He noted that he prefers that his staff continue to attend the meetings going forward for guidance during the discussions.

Ms. Anderson asked the Trustees if they had ever considered having a more standard board set-up with a vice president, secretary, or something similar to share the duties to assist Mr. Townsend.

Ms. Van Ess suggested that the Trustees form sub-committees and include 1 Trustee to help guide the group and to stay on track and to consider additional offices to assist with the work load.

Mr. Coughenour commented that he thought that Segal and Ashton Tiffany were assisting with the additional administration duties. Mr. Townsend advised that Segal provides the compliance, budgeting, and vendor maintenance and Ashton Tiffany's duties are the financials and minimal administrative duties.

Mr. Townsend stated that he liked the idea of the committees to assist with task along with the guidance of a Trustee.

Mr. Kuhn informed the Trustees that he would take the lead with Ms. Wittekind and assisting her with a Vera Clinic committee.

Ms. Van Ess stated that she too would assist with the financial and audit committees.

Ms. Anderson suggested that they put together a program of what the process will be will look like for Mr. Townsend.

Ms. Girardo stated that Segal is working on strategic plan and that will include the future, analytics, and long term plan.

Mr. Townsend suggested that he would like two annual retreats. He stated that he would like the standard budget meeting and the second to follow up on the pools performance later that year.

Mr. Coughenour commented that he prefers only the one retreat however, would like to receive the materials in advance and would like everyone to review them prior to the meeting and not have to review every line item during the meeting.

Mr. Townsend recommended that they start the new structure with assigned duties for each committee, before hiring an addition administration resource.



**NORTHERN ARIZONA PUBLIC EMPLOYEES BENEFIT TRUST  
MEETING MINUTES  
June 15, 2017**

The Trustees agreed to form a committee to discuss the current benefits and next steps.

**K. Discussion and update on compliance and industry changes** **Amy Girardo**

This item was tabled. Ms. Girardo will present at the August meeting.

**L. Discussion and possible board approval of Date and location of the annual retreat** **Amy Girardo**

This item was tabled. Ms. Girardo will present at the August meeting.

**M. Discussion and possible board action on 2017/2018 meeting project plan** **Jennifer Gabriel**

Ms. Gabriel presented the project plan. The Trustees requested modifications. Ms. Gabriel advised that the plan would be updated prior to the next meeting.

**N. Discussion on the review of action items and the timeline** **Sarah Virgil**

Ms. Virgil reviewed the upcoming action items for an upcoming meeting.

Subsequent to the meeting, the following action items were distributed to various participants:

Each agency will have a representative review the financial audit and provide feedback and/or comments to Mr. Townsend prior to the August board meeting.

Ms. Patani will research the stop loss pharmacy claim listed at \$315k and provide findings at next board meeting.

Ms. Holgersen will check alternative the following:

- benefits for the diabetes program in lieu of the two free Minute Clinic visits. Ms. Girardo will follow up with Ms. Holgersen;
- changes in the projection of savings without the Minute Clinic; and
- options for participants to opt out of the program and use non-CVS pharmacies.

**NORTHERN ARIZONA PUBLIC EMPLOYEES BENEFIT TRUST  
MEETING MINUTES  
June 15, 2017**

Ms. Girardo will distribute CVS' follow up on the Diabetes program to trustees for consideration by next board meeting.

Ms. Girardo will check if/how the CVS Diabetic program will affect pharmacy rebates.

Ms. Girardo will provide executive summary of the "Summary Report of Trustee Interviews".

Mr. Townsend will put together preliminary governance structure to review and discuss further with the Trustees.

Mr. Townsend will confirm that Ashton Tiffany will provide their 2018/19 projections for budgeting purposes at the 2017/2018 retreat.

Mr. Kuhn will provide an audit vendor services update at the next meeting.

Ms. Wittekind will work with the designated employees from each employer to begin the RFP process for EAP services.

- 4. CURRENT EVENT SUMMARIES/ANNOUNCEMENTS: None**
- 5. NEXT REGULAR MEETING: June 28, 2017**
- 6. ADJOURNMENT: 12:35 p.m.**