NORTHERN ARIZONA PUBLIC EMPLOYEES BENEFIT TRUST
MEETING MINUTES
May 18, 2017

The following consultants/vendors were present:

Amy Girardo	Segal
Nura Patani	Segal (telephonic)
Anna Bell	Segal (telephonic)
Mark Dobrow	Segal (telephonic)
Tara Zika	Ashton Tiffany
Tracy Foss	Ashton Tiffany
Lori Jundt	Ashton Tiffany (telephonic)
Lindsey Gregerson	Vera Whole Health (telephonic)
Marianne Heiderscheidt	Vera Whole Health

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

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

The following Alternate Trustees were present:

Erika Philpot	Coconino County
Margaret Penado	Coconino County
Shannon Anderson	City of Flagstaff
Jennifer Moore	Flagstaff Unified School District

The following guests were present:

Katie Wittekind	Coconino County
Amber Baker	Coconino County
Megan Cunningham	Coconino County
Tasha Wilson	Coconino County
Dietrich Sauer	Coconino County Community College
Dean Coughenour	City of Flagstaff
Jennifer Caputo	City of Flagstaff
Ginger Wischmann	Flagstaff Unified School District

1. CALL TO ORDER 9:09 a.m.

Unanimous approval of the agenda by the Trustees.

2. APPROVAL OF MINUTES

The Trustees reviewed the minutes of April 20, 2017. Mr. Dille requested that the minutes be amended to reflect his presence at the meeting. Ms. Foss indicated that she would make the correction.

Unanimous approval of the minutes by the Trustees, as amended.

3. ACTION ITEMS

A. Discussion and possible board action on Vera Onsite Clinic — Lindsey Gregerson

Ms. Heiderscheidt provided an update on clinic utilization and patient satisfaction. She advised that member engagement was 67 percent, which was 2 percent higher than in the prior report. In reviewing utilization by service type, she noted that April had seen an increase in biometric screenings, at 135, which was likely due to timing for wellness program requirements.

Ms. Heiderscheidt then introduced a new report that provided a summary of patient waitlist related to acute care appointments. The report indicated that 163 patients (82 percent) from the waitlist scheduled an appointment at the clinic, and that approximately 200 people were added to the waitlist between April 10 and May 10. She advised that this information would continue to be tracked going forward.

She then provided an update on the most recent patient satisfaction score, which remained 4.8 out of 5 for the providers, with 96 percent of respondents stating that they would recommend the clinic to a co-worker.

Mr. Dille asked for the total number of patients compared to the 193 survey respondents. Ms. Gregerson advised that she did not have the information readily available, but that the average response rate was 10 percent.

Ms. Girardo suggested that the report should include patient comments on areas for improvement. Ms. Gregerson advised that there was an area for comments in the survey process. Ms. Heiderscheidt also confirmed that comments were reviewed by staff.

Ms. Heiderscheidt advised the board of upcoming items as follows:

- Vera Whole Health Council Meeting on May 25, 2017;

- Clinic Operations Committee meeting on June 22, 2017; and
- annual performance report to be presented on June 28, 2017.

Mr. Coughenour then asked if the listing of appointment by type included physical therapy within the workers' compensation (WC) classification. Ms. Gregerson confirmed that the WC totals included both physical therapy WC and other WC appointments, and agreed to explore breaking out this information in future reports.

No action was taken.

B. Discussion and possible board action on March 31, 2017 interim financial statements **Lori Jundt**

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

- Total assets as of March 31, 2017 were $11,762,732.
- Cash and cash equivalents were $10,344,525.
- Total liabilities were $4,750,718.
- Claims payable were $2,051,355.
- Reserve for IBNR losses remained unchanged from the prior month at $1,158,000.
- Net assets as of March 31, 2017 were $7,012,014.
- The year-to-date deficit of revenues over expenses was $3,151,631.

Ms. Jundt advised the Trustees that operational cash had been declining, and that the transfer requested at the previous meeting was completed in April. She noted that the trend in decreased net assets continued, and that claim expenses for March were higher than in the previous month.

Ms. Van Ess asked why there were no total expenses listed under the Trust Administrator expense category. Ms. Jundt advised that the totals would be added to all future reports.

Mr. Townsend commented that under the Statement of Net Assets, the $7M total net assets, based on recent monthly experience, could lead to an additional $1M deficit from original projections, or a revised estimate of $6M remaining net assets at year end. He further noted that the increase in member contributions for 2017/2018 should assist in replenishing some of the projected loss.

Ms. Wittekind asked if the wellness personal expenses should be included with the other wellness program expenses. Ms. Jundt agreed to update the report accordingly.

No action was taken.

C. Discussion and possible board approval of the audit **Mike Townsend**

Mr. Townsend provided an update on the audit process for the year ending June 30, 2016. He advised that the remaining requested items had been provided, and that the draft audit was in final review by the auditor. He further advised that he would forward the review to the Trustees upon receipt.

Ms. Girardo then advised the Trustees that the Arizona Department of Insurance was expected to begin its field work for the audit during the last week of June.

No action was taken.

D. Discussion and possible board action on audit vendor service **Mike Townsend**

Mr. Kuhn advised the Trustees that bids for financial auditing services for the year ending June 30, 2017, had been received and were under review. He agreed to provide an update at the June meeting.

No action was taken.

E. Discussion and possible board action on monthly 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 March 31, 2017. Key observations from the report included:

- Claims and expenses (after stop loss reimbursements and pharmacy rebates) exceeded contributions by $3.18 million, or 17.3 percent of contributions.

- Claims expense increased, driven by an increase in medical claims from claimants with individual claims in excess of $150,000, as well as an increase in outpatient medical claims.

- Net medical and prescription claims at month end was $1.983 million.
- The total loss ratio was 121.5 percent, resulting in a deficit of $445,289 for the month.

Ms. Patani advised that the year to date loss ratio for the plan was 117.3 percent. However, this did not account for the fact that the cost of the clinic had not been included in the initial contributions. Ms. Patani estimated that approximately $678,000 of the deficit was not associated with the clinic, which would result in an estimated revised total loss ratio of 103.7 percent.

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 plans. The average surplus/deficit across the plans for active employees was 86 percent, compared to retirees at 137 percent.

Ms. Patani also reported that there were three new large claims over 50 percent of the stop loss deductible, reflecting a total of seven claims through March 2017, with two claims now exceeding the $300,000 threshold and generating a $45K stop loss receivable. Total paid claims (exclusive of stop loss reimbursement) were $1.493M, or 8.6% of the total medical and prescription claims.

Finally, Ms. Patani presented an update on wellness program participation through March 31, 2017. In doing so, she responded to a request from the prior meeting for clarification of higher costs under Tier 3. She advised that this was due to timing of payments, including advance payments, and that these costs should level out. The total funds paid to date were $474,090.

No action was taken.

F. Discussion and possible board action on the wellness program — **Katie Wittekind**

Ms. Wittekind presented an updated proposal for the 2018 wellness program incentive structure. She clarified that she had received additional input related to the point structure, and that those items were included. She reminded the Trustees that the intent of the revised structure was to create more incentives and to be less punitive to the members. She stated that this structure was more sustainable through inclusion of more achievable “one and done” items. She further noted that the assigned points could be amended, and that the health assessment would be linked to the Vera HRA.

Ms. Wittekind then provided an overview of the proposed timeline to implement the new wellness incentive structure, including spouses. She advised that the rollout would begin August 2017, with final communication packets to be mailed to all participants by April 2018.

Ms. Wischmann asked if the program would be open to all employee spouses, or just the spouses of members on the plan. Ms. Wittekind advised that this was still under consideration, and that a formal recommendation on the final 2018 incentive structure would be presented at the October board meeting.

Mr. Townsend suggested that Ms. Wittekind clarify the reason behind the slow rollout of the new program. Ms. Wittekind noted that the timing was intentional because change can be difficult, and extended communications would allow for more participant buy-in prior to the rollout.

Mr. Dille agreed that the changes were intended to make the program more inviting. Ms. Wittekind confirmed and stated that incentive programs were a best practice for behavioral change.

Mr. Dille then asked if any cost projections had been developed based on the new model. Ms. Girardo advised that this would be included in the budget projections to be presented at the retreat. Ms. Wittekind also noted that the program had been hovering at 54−56% participation for the past several years, and that she would include an update on participation numbers at the June meeting.

No action was taken.

G. Discussion and update on industry changes — Amy Girardo

Ms. Girardo provided a lengthy update on legislative efforts to amend the Affordable Care Act reported as of May 2017. She noted that the American Health Care Act (HB 1628), approved in early May, had been sent to the Senate. She commented that significant changes were expected as the legislation moved through the Senate, and that the final bill would likely have to go to conference committee for approval.

She further reviewed specific provisions of the bill, including:

- essential health benefits requirements,
- individual shared responsibility penalty,
- employer shared responsibility penalty,
- excise tax on high-cost plans,
- account-based plans,

- over-the-counter medications,
- health insurer tax,
- state health insurance exchanges/federal marketplace,
- Medicaid, and
- taxes and other reporting provisions.

She also noted that the PCORI fees for the most recent plan year had been calculated by Segal using each of the methods available. Because Segal calculates all methods, and recommends that the Trust use the method that is least expensive for the Trust it resulted in a savings of $1,500.

No action was taken.

H. Discussion and possible board action on the fiduciary liability insurance renewal **Anna Bell and M. Dobrow**

Ms. Girardo introduced Anna Bell and Mark Dobrow to present the July 1, 2017 fiduciary liability insurance program renewal proposal.

Mr. Dobrow advised the board on the renewal process and presented the proposal. He advised that based on benchmarking, the limit and premiums are in line with others in this industry. He further confirmed that Chubb had provided a flat renewal with no changes in terms, conditions, or premium. The renewal premium was $11,688.

Mr. Dille requested clarification as to whether there were additional proposals requested, as the memo stated that only a single quote was requested from the incumbent. Mr. Dobrow confirmed that quotes had been requested from Travelers, Hartford, and Hudson. While the quotes had been requested to ensure market competition, Segal had not received quotes from any of the other carriers. Mr. Dille asked that Segal provide an updated memo including the market summary.

Ms. Penado asked if the claims made coverage provision would be impacted by receiving another quote. Mr. Dobrow advised that the existing continuity date and warranty provisions would be extended to avoid any gaps.

Mr. Kuhn asked for clarification on the removal of the hammer clause. Mr. Dobrow advised that this provision is used by the carrier to force settlement terms in a claim, and that removal is beneficial to the insured.

Mr. Kuhn motion, Jami Van Ess second, motion approved.

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I. Discussion and review of the 2017 project plan and action items **Tracy Foss**

Ms. Foss reviewed the upcoming action items for the June meeting. The Trustees requested modifications, and Ms. Foss advised that the plan would be updated prior to the next meeting.

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

Ms. Gregerson will amend future monthly reports to separately identify workers' compensation physical therapy appointments from other workers' compensation visits.

Ms. Gregerson will also amend the monthly report to include patient comments related to potential areas for improvement.

Ms. Jundt will amend future interim financial statements to include a total for the net operating expenses, as well as to include the wellness personnel expense under the wellness program.

Mr. Kuhn will provide an update on the audit vendor services RFP at the June meeting.

Ms. Wittekind will present the final recommended 2018 wellness program incentive structure at the October meeting, including any budgetary costs.

Ms. Wittekind will provide an update on wellness program participation at the June meeting.

Mr. Dobrow will update the memo for the July 1, 2017 fiduciary liability insurance to include a market summary.

4. CURRENT EVENT SUMMARIES/ANNOUNCEMENTS: None

5. NEXT REGULAR MEETING: June 15, 2017

6. ADJOURNMENT: 11:00 a.m.