

**NORTHERN ARIZONA PUBLIC EMPLOYEES BENEFIT TRUST
MEETING MINUTES
June 28, 2017**

The following consultants/vendors were present:

Amy Girardo	Segal
Nura Patani	Segal
Richard Ward	Segal
Thomas Bergman	Segal
Quentin Gunn	Segal
Jennifer Gabriel	Ashton Tiffany
Sarah Virgil	Ashton Tiffany
Lindsey Gregerson	Vera Whole Health
Ryan Schmid	Vera Whole Health
Jigang Yang	Vera Whole Health
Brad Frank	Vera Whole Health

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

Mike Townsend (chairperson)	Coconino County
Shane Dille	City of Flagstaff

The following Alternate Trustees were present:

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

The following guests were present:

Katie Wittekind	Coconino County
Rosa Logan	Coconino County Community College
Jeanie Confer	Coconino County Accommodation School
Dean Coughenour	City of Flagstaff
Ginger Wischmann	Flagstaff Unified School District
Amber Baker	Northern Arizona Public Employees Benefit Trust

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

2. ACTION ITEMS

A. Discussion and possible board action on Vera Onsite Clinic monthly and annual report	Lindsey Gregerson and Dr. Brad Frank
--	---

NORTHERN ARIZONA PUBLIC EMPLOYEES BENEFIT TRUST
MEETING MINUTES
June 28, 2017

Ms. Gregerson provided an overview of the clinic utilization monthly report through May 2017, noting that participant engagement was at 61 percent, and that employee engagement was at 68 percent. She also provided an update on engagement by agency, and noted that acute care and wellness continue to be the reason for a majority of visits. She also advised that the ratings remain very high, with an overall patient satisfaction of 4.7 percent out of 5 percent.

Ms. Gregerson informed the Trustees of these upcoming events:

- Whole Health's council meeting on July 27, 2017;
- clinic operations meeting on September 28, 2017; and
- agency provider wellness exam challenge (date not provided).

Ms. Gregerson presented the clinic's highlights for the first year:

- the clinic received the Best of Flagstaff award, wellness center category;
- 57 percent eligible employee engagement;
- 51 percent total eligible member engagement;
- 17 percent of visits were coaching visits;
- 4.8/5.0 patient satisfaction;
- 99 percent would recommend the clinic; and
- 0 deficiencies in the onsite state compliance inspection.

Ms. Gregerson presented an overview of the various appointment types and noted that physical therapy visits are slightly lower than the clinic's book of business. She advised that the clinic has a steady flow of new patients, and that staff continues to try to fill appointments that are cancelled. Ms. Gregerson also stated that Coconino County Accommodation School District and Coconino Community College already have 9 percent of their annual whole health evaluations completed.

Dr. Frank presented the top 10 conditions diagnosed, services delivered, and medications dispensed at the clinic. He stated that the clinic has 50 different medications that can be dispensed to those with acute care issues, which allows the visit to be "one-stop shopping." He advised that all medications are generics and pre-packaged, and that the flu shot was the only vaccine one could receive without seeing a physician.

Mr. Schmid presented the key considerations related to the clinic which included:

**NORTHERN ARIZONA PUBLIC EMPLOYEES BENEFIT TRUST
MEETING MINUTES
June 28, 2017**

- engaging and managing those considered in the riskier population
- operating with minimal fees year one for a net savings;
- 13.7 percent more visits per 1,000 (BCBSAZ + Vera) in year one vs. previous year;
- average of 4 visits per engaged member (1.6 times greater than Vera's average), and increase in mostly preventive or maintenance utilization; and
- expectation of continued year two downward trend, and increase in return on investment (ROI).

Mr. Schmid informed the Trustees that the Vera Clinic has engaged the Trust's higher risk population and that those not engaged will most likely cost the plan more over the next year. He then walked through the following historical trend method:

Performance Y1 expected (PPPM-eligible population)	\$445.96
Performance Y1 actual (PPPM)	\$423.15
Gross PPPM savings	\$ 22.81
# total eligible	x 4,743
Gross savings (12 months)	\$1,298,280
Fully loaded operating cost	(\$3,092,443)
Past through cost (pharmacy/lab)	(\$ 184,619)
Startup cost	<u>(\$301,145)</u>
Net savings	\$2,279,927
Return on investment	(73.7 percent)

He noted that the risk adjusted gross PPPM savings was \$24.74 reflecting a 70.2 percent return on investment

Mr. Schmid stated that the eligible population is continuing to increase in age, and this may contribute to more claims in prior year one, which results in lower savings per member per month. He noted that those engaged are 13 percent higher in taking care of issues earlier and participating in wellness services than those that are not engaged.

Mr. Schmid presented the clinic's performance projection for year two:

Blend the trend method	Prediction using PY2 target PMPM	Prediction using PY1 actual PMPM
Performance Y2 expected (PPPM)	\$458.50	\$458.50
Performance Y2 target (PPPM)	\$349.50	\$384.10

**NORTHERN ARIZONA PUBLIC EMPLOYEES BENEFIT TRUST
MEETING MINUTES
June 28, 2017**

Blend the trend method (continued)	Prediction using PY2 target PMPM	Prediction using PY1 actual PMPM
Gross PMPM savings	\$108.94	\$ 74.40
# total eligible	x 4,743	x 4,743
Gross savings (12 months)	\$6,200,688	\$4,234,550
Fully loaded operating cost	\$3,092,443	\$3,092,443
Passing through cost (pharmacy/lab)	\$ 184,619	\$ 184,619
Startup cost & service fund	<u>\$ 301,145</u>	<u>\$ 301,145</u>
Net savings	\$2,622,480	\$ 656,343
Return on investment	(84.8 percent)	(21.2 percent)

Mr. Coughenour expressed his concern about the amount of money that has been spent on the clinic over the past five months.

Ms. Girardo stated that Segal and Vera will continue to review the data.

Ms. Penado asked if the nurse line could assist the clinic in reducing costs. Ms. Girardo advised that the clinic could redirect members to use the Blue Cross Blue Shield nurse line before going to the emergency room.

Mr. Schmid reviewed with the Trustees the biometric screening results and the health of the population. He noted that approximately 30 percent of the membership was obese, and that this was slightly higher than other clinics in the Vera program. Eighteen percent of the population has pre-diabetes, and six percent are diabetic. Mr. Schmid informed the Trustees that on average members with diabetes-related claims had a PMPM cost of \$782.59. He stated that members with hypertension-related claims had a PMPM cost of \$829.87. One hundred forty-eight (148) members, or 21 percent, have both hypertension and diabetes-related claims.

Ms. Gregerson presented the strategic priorities and recommendations:

- engage in outreach to the increasing and highly impactful risk target group;
- drive members to the care team by increasing biometric screens in the clinic;
- revise incentive structure for 2018–2019 to help drive completion of the annual whole health evaluation; and
- revise physical therapy program to better align with NAPEBT priorities of work completion, pre-employment testing, and onsite prevention services.

Mr. Townsend requested that the clinic provide the reports that were presented in the request for proposal. Mr. Schmid agreed with the request.

**NORTHERN ARIZONA PUBLIC EMPLOYEES BENEFIT TRUST
MEETING MINUTES
June 28, 2017**

No action was taken.

B. Discussion and possible board action on financial reporting requirements (GASB)

**Amy Girardo,
Richard Ward, and
Thomas Bergman**

Mr. Ward and Mr. Bergman led a discussion with the Trustees regarding the change in the financial reporting for GASB filings.

Mr. Ward presented the governmental accounting standard board (GASB) changes for other post-employment benefits (OPEB) to the Trustees. He noted that in June of 2015, GASB released two final statements related to OPEB.

Mr. Ward advised that GASB 74 was effective for fiscal years beginning after June 15, 2016 and GASB 75 is effective for fiscal years beginning after June 15, 2017. Mr. Ward also noted that Segal currently performs GASB 45 evaluations for the following NAPEBT employers:

- City of Flagstaff (including the Housing Authority),
- Coconino Community College,
- Coconino County, and
- Flagstaff Unified School District.

Mr. Ward noted that it was Segal's understanding that all four employers use the fiscal year-end of June, and that the financial statements for the year-end of June 30, 2018 will need to reflect GASB 75. He advised that GASB 74 plan reporting would not be required, as NAPEBT is not an OPEB trust—because it covers both active employees and retirees. He further advised that Segal will request census data in June and July from employers that will be used in valuations for early June 30, 2017 and the June 30, 2018 Comprehensive Annual Financial Report (CAFR) reporting dates.

Mr. Ward presented to the Trustees the prior valuations (under GASB 43/45) which allowed some discretion for assumed return on employer assets; 4.50 percent used in almost all NAPEBT GASB 45 valuations.

GASB 74/75 prescribes a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale).

NORTHERN ARIZONA PUBLIC EMPLOYEES BENEFIT TRUST
MEETING MINUTES
June 28, 2017

One allowable index has ranged from 2.80 percent to 4.00 percent from January 2016 through April 2017. Because the index changes from month to month, it is likely that liabilities will have to be recalculated each fiscal year, unlike under GASB 43/45.

In addition, the following changes were addressed with the Trustees:

- recognition of changes in liability,
- actuarial cost method, and
- additional disclosures.

Mr. Ward reviewed primary controls to manage liability, which included:

- advance funding,
- adjustment of eligibility/access to benefits,
- reduction in benefits,
- limitation on/capping employer premium share, and
- utilizing alternative models.

Additional valuation runs will be required to model the +/- 1% sensitivity for trend and discount rate assumptions. Ms. Girardo presented the cost of the report under GASB 45 was \$14,000 which will increase to \$17,000 under GASB 75 due to the additional work required.

For interim years, an additional run will be required to model the change in discount rate; it is no longer a simple roll-forward. The cost for the interim year report will increase from \$4,000 to \$5,500.

No action was taken.

C. Discussion and possible board action on **Amy Girardo**
CVS/Caremark Transform Diabetes Care Program

Ms. Girardo led a discussion with the Trustees and recommended against the CVS/Caremark Transform Diabetes Care Program.

Mr. Coughenour noted that the Vera Clinic could potentially offer a similar program.

**NORTHERN ARIZONA PUBLIC EMPLOYEES BENEFIT TRUST
MEETING MINUTES
June 28, 2017**

Ms. Girardo informed the board that Segal is gathering data for the Shape Program. Mr. Townsend noted that the Trustees will discuss the Vera report at the August meeting. Ms. Girardo agreed and noted that Segal would review all reports.

No action was taken.

D. Discussion and possible board approval of the FYE 2017 audit vendor services **Bob Kuhn**

This item was tabled. Mr. Kuhn will present the item at the August meeting.

No action was taken.

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

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

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

Ms. Virgil advised that there were no action items for this meeting.

- 3. CURRENT EVENT SUMMARIES/ANNOUNCEMENTS: None**
- 4. NEXT REGULAR MEETING: August 17, 2017**
- 5. ADJOURNMENT: 11:58 a.m.**