NORTHERN ARIZONA PUBLIC EMPLOYEES BENEFIT TRUST
MEETING MINUTES
November 16−17, 2016

The following consultants/vendors were present:

Amy Girardo	Segal
Nura Patani	Segal
Gary Petersen	Segal
Daljit Johl	Segal (telephonic)
John Ashton	Ashton Tiffany
Tracy Foss	Ashton Tiffany
Jennifer Gabriel	Ashton Tiffany
Marianne Heiderscheidt	Vera Onsite Clinic
Lindsey Gregerson	Vera Onsite Clinic
Mike Ondracek	Vera Onsite Clinic

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

Mike Townsend (chairperson)	Coconino County
Shane Dille	City of Flagstaff
Jami Van Ess	Coconino Community College
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
Rosa Logan	Coconino Community College
Jennifer Moore	Flagstaff Unified School District

The following guests were present:

Katie Wittekind	Coconino County
Tasha Wilson	Coconino County
Meghan Cunningham	Coconino County
Jeanie Confer	Coconino County Accommodation School
Lauree Battice	NAIPTA
Dean Coughenour	City of Flagstaff
Jennifer Caputo	City of Flagstaff
Scott Walmer	Flagstaff Unified School District

Meeting Wednesday, November 16, 2016, 9:00 a.m.

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

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Unanimous approval of the agenda by the Trustees.

2. APPROVAL OF MINUTES October 20, 2016
Unanimous approval of the minutes by the Trustees.

3. ACTION ITEMS

A. Discussion and possible board action on Vera Onsite Clinic

Lindsey Gregerson
Marianne Heiderscheidt
Mike Ondracek

Mr. Ondracek provided a brief overview of the clinic milestones to date. He noted that a survey related to the Page services would be provided during the annual update in March, along with any recommendations for this location.

He reported that the number of encounters had increased in October due to recent health fairs, and that these numbers would be reflected in the next update.
He then presented the total appointments by type. Mr. Townsend inquired as to whether appointment numbers were on track with projections. Mr. Ondracek advised that the ratio of preventive to acute services was 1:3, and staff was working to improve the ratio to 1:2. Ms. Girardo inquired if the data could be broken down to delineate the number of new patients for wellness v. acute visits, by member.

Mr. Ondracek continued with an overview of provider capacity. He advised that the 3.8 FTE providers were projected to provide 32 hours of direct patient care per week, with turnaround times of 45 minutes for acute care visits, and one hour for annual wellness visits. Each visit also includes 15 minutes for paperwork. He further advised that wait times had increased (the largest delay being 4−5 days) due partially to the loss of one provider. However, a replacement provider had started recently, and wait times were expected to go back to the previous level.

There was some discussion on expectations for provider engagement during patient visits. Mr. Coughenour suggested that the initial model had included longer acute care visits (45 minutes) in order to encourage member engagement in clinic services. It was noted that the projected fee to cover the addition of a .5 FTE nurse practitioner was $60,000. Mr. Ondracek stated that he would provide a copy of Vera's staffing analysis for further discussion prior to making a decision to increase provider staffing.

Mr. Ondracek discussed the wellness coaching services. He advised that the program was down one coach and recommended that NAPEBT maintain the existing level of two coaches.

Finally, a review of the physical therapy (PT) services indicated that the program had capacity for 148 visits monthly, or eight per day. NAPEBT PT visits were currently only numbering 118 per month, typically with one cancellation per day. Even with utilization of a wait list, there were 10 to 12 patients turned away each week. There was some discussion of introducing a fee for no-shows. Staff did not recommend this, but rather suggested that the clinic focus on improving engagement to reduce no-shows. It was agreed that the discussion of reducing no-shows through better engagement would be raised at the next clinic operations meeting.

Mr. Ondracek was asked, and confirmed, that VERA physicians were required to see a PT patient prior to starting services as part of the referral process. Ms. Anderson inquired as to whether or not PT services were part of VERA's standard model. Mr. Ondracek advised that this was not part of the current service model. He then presented a proposal to add an additional .75 PT provider for an annual fee of $192,000. The projected monthly cost to NAPEBT would increase from $15,761 to $31,479. However, the cost per visit would decrease from $91 to $81, due to the ability to see more patients. Mr. Coughenour suggested that the Trust may wish to consider an RFI to the open market. Mr. Ondracek advised that the clinic sub-contracted this service to Breotics, and that the contract includes a 180-day termination notice requirement.

No action was taken.

B. Discussion and possible board approval of the market survey update and survey data — **Amy Girardo**

Ms. Girardo delivered a Comparison of Medical Plan Benefits presentation. The survey included 27 Segal clients from Arizona. Ms. Anderson asked if any of the benchmark clients had existing, or implemented new, clinics within past three years. Ms. Girardo advised that there were none, and Ms. Anderson noted that NAPEBT members should be reminded of this major benefit to employees when looking at overall program costs.

Mr. Dille asked if there was any market information related to the recent presidential election. The general consensus from the Segal team was that the impact was unknown at this time. However, there was some expectation that items such as the Cadillac tax would be repealed, and that self-funded programs would continue. It was further noted that dismantling of the ACA may have less impact on self-funded plans than projected financial increases for prescription medications. The Segal team also suggested that self-insured programs should tighten plan designs to limit the impact of fraud or abuse and/or behavior-related issues in areas such as mental

health services. Mr. Dille requested that staff include an update on industry changes as a standing agenda item.

Mr. Townsend asked how quickly one might expect to see any industry changes. Mr. Petersen advised that this could happen quickly, including elimination of mandates to employers to provide coverage, and the Cadillac tax. That being said, dismantling of health exchanges would take time. Ms. Girardo advised that employer reporting requirements will remain, due to the exchanges and subsidies.

Mr. Ashton provided a brief overview of key points from a recent report related to the 2016 election results and implications for healthcare, which also highlighted the significant impact of prescription drug costs.

No action was taken.

C. Discussion and possible board approval of the incurred but not reported (IBNR) certification — **Gary Petersen**

Mr. Petersen presented the estimate of IBNR as of June 30, 2016. The results were 0.5 percent lower than the prior year. The report projected NAPEBT's IBNR to be $1,158,000 at June 30, which included a 2% margin for medical and prescription drugs.

Bob Kuhn motion; Jami Van Ess second to adopt the IBNR.

D. Discussion and possible board approval of the monthly experience report — **Nura Patani**

Ms. Patani presented an overview of NAPEBT's 2016–2017 claim expenses, inclusive of clinic expenses, for the period ending September 30, 2016. She noted that prescription claims were higher than last year's average. It was further noted that, to date, the expenses exceeded contributions, and that the total plan deficit was $1.019 million.

A review of the claims by plan type indicated that the buy-up plans were more costly per member per month (PMPM) than the base or high deductible health plan (HDHP). In a comparison of contributions to medical claims (excluding operations expenses), the buy-up plan's combined active and retiree loss ratio of 144 percent was the most significant of the plans. Ms. Patani noted that programs with good results would be closer to the 80 percent level. She stated that the base and HDHP continue to subsidize the buy-up plan. There was a brief discussion of the potential impact of reducing the number of plan offerings, and it was agreed that further analysis of this would be included during the budget discussion.

Ms. Patani reported that there were no large claims over 50 percent of the stop loss level in the first three months of the program. From a 12 month "look-back," the net medical trend was 4.8 percent, and the prescription trend was 10 percent.

Ms. Patani presented an update on wellness participation and agreed to provide an update at the next meeting as to which of the member agencies had not reported the tier 3 wellness contributions.

No action was taken.

E. Discussion and possible board approval of the health utilization report — **Nura Patani**

Ms. Patani reviewed the change in plan utilization from 2014–2015 to 2015–2016, exclusive of any Vera clinic data. She advised that the largest shift in participant enrollment medical plans was a 29.8 percent increase in the HDHP over the prior year. The average allowed PMPM cost increased 4.1 percent in 2015–2016, from $350.70 to $365.25. A reduction in preventive care expenses may reflect provision of services through the clinic. However, this is difficult to measure, as clinic expenses were not included in the analysis.

Ms. Philpot commented on the limited number of vaccinations previously shown during the Vera presentation. She suggested that the clinic work to improve communications, and requested that Vera staff track these data separately when including the vaccines as part of the general exam. Ms. Wittekind agreed to work with Vera staff to increase and track the number of vaccine services provided. The report also indicated that inpatient admissions were declining, but outpatient utilization was increasing. Mr. Petersen commented that the shifting of services from the inpatient to the outpatient setting typically occurs with the lower cost services (of the generally higher cost inpatient services). So the remaining services in the inpatient setting are, on average, more expensive. Furthermore, outpatient services for Cancer Treatment Centers of America (Phoenix) had not been utilized in 2015, but were driving the highest outpatient cost per claimant in 2016.

In a review of the distribution of allowed charges, Ms. Patani noted that 65.7 percent of all plan participants incurred medical claims under $1,000, up from 63.7 percent the prior year. Conversely, 2.3 percent of all plan participants accounted for claims in excess of $30,000 (or 51.2 percent of total annual allowed claims), compared to 2.5 percent of participants for the prior year (or 47.5 percent of all allowed claims). A six-year review of the large claim summary by diagnosis indicated that history was repeating itself. Mr. Dille expressed concern and asked if there were any identifiable factors leading to the patterns. Ms. Van Ess noted that layoffs in 2008–2009 may have driven people to seek care. Mr. Townsend asked if the Trust should look

deeper into those diagnoses with a current wellness focus. Ms. Wittekind reminded the Trustees that screenings had been implemented to help manage some of these issues, but that results would take time. Ms. Anderson suggested that impending retirements also drive people to seek care.

No action was taken.

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

Ms. Wittekind provided an updated dashboard with talking points on the wellness program. Mr. Townsend suggested sharing the dashboard report with leadership and other key stakeholders at each member agency to demonstrate the benefits of the program to date.

Ms. Wittekind then recapped a proposal request to hire an administrative specialist in anticipation of: (1) increasing the number of lives by 2,900 by opening the program to spouses; (2) an increased demand for portal support; and (3) incorporating a member-targeted service approach. Along with the proposal, Ms. Wittekind provided a summary of responsibilities and requirements for the specialist, as well as her role as manager. The estimated cost for the positon was $53,100.

No action was taken.

G. Discussion and possible board action of the Shape proposal — **Amy Girardo**

Ms. Girardo provided a recap of the Shape proposal for data warehouse, reporting, and data mining services. The proposed annual fee was $24,000, and required a two-year commitment.

No action was taken.

H. Discussion and possible board action on claims auditing services — **Amy Girardo, Dalit Johl**

Mr. Townsend advised the Trustees that a request had been made to Segal to provide claim auditing services to ensure that claims are being processed appropriately, as required by the bylaws. Ms. Girardo provided an overview of Segal's proposal for medical claim auditing services. She further advised that a preliminary report would be provided to BCBS to allow any issues to be addressed. BCBS's findings would then be included in the final report to the Trustees. The proposed cost of this audit was $27,200 or $29,400, depending on the number of

claims selected. Ms. Anderson asked if BCBS had any performance guarantees in its contract, and Ms. Girardo advised that there were none.

Ms. Johl provided a summary of the proposal for pharmacy benefit audit services. The proposal included data collection and an electronic claims data review to ensure that Caremark was processing NAPEBT's pharmacy benefits, as stipulated in the contract. She outlined the process and timeline. The proposed fee was $30,000 for the audit; other optional fees included $7,500 for plan design review; $54,500 for on-site rebate audit; and $7,500 for fraud and abuse review.

Ms. Penado asked if there was any legal recourse once fraud and abuse were identified. Ms. Johl advised that for individual abuse, the PBM was usually able to terminate the individual's ability to obtain prescriptions. Mr. Dille asked Ms. Johl if she could calculate the potential financial benefit for clients engaging in these auditing services. Ms. Johl advised that she would review other client audit outcomes to see whether/how the financial savings could be measured.

No action was taken.

I. Discussion and possible board action on website and mobile application — **Amy Girardo**

Ms. Girardo presented an overview of Segal's proposal outlining oversight of the development, hosting, and maintenance of the Trust's website, including participant mobile access. Segal also proposed providing a 16-page participant enrollment guide for each member.

The development pricing was $50,000−$55,000 for the first year, and $10,000−$15,000 for the second year. Ongoing monthly maintenance fees were set at $250. Printing and mailing fees were excluded.

No action was taken.

J. Discussion and possible board action on open enrollment service proposal — **Tracy Foss**

Ms. Foss provided a brief recap of the proposal to provide open enrollment service support. She noted that the intent of the proposal was to work with members to standardize materials. She advised that the number of in-person meetings had been reduced, per feedback from members, and that an option for Captivate video had been included, which would allow on-demand viewing throughout the year. The proposed fee would be reduced slightly to reflect changes from NAIPTA that had not been captured.

Mr. Coughenour asked for clarification of services, and Ms. Moore noted the potential for duplication if the board also engaged Segal to provide individual enrollment guides as part of its website support. Ms. Foss confirmed that there would be overlap due to the new services outlined by Segal, and suggested that the board may not wish to take action on this proposal based on the number of options already being considered for the renewal.

No action was taken.

K. Discussion and possible board action on Summit Fire District — **Gary Petersen**

Mr. Petersen provided an overview of the enrollment and claim data for the Summit Fire District. The district had previously asked for consideration to join the Trust with a start date of July 1, 2017. It was noted that district data included retirees, and that a higher percentage of the district's current participants were in an HDHP than was the case with NAPEBT. NAPEBT would consider the employees to be City employees under the IGA. However, there was some concern over the possibility of the IGA not being renewed, and over the current inability, under NAPEBT's bylaws, to bring the district into the program on its own. Mr. Dille suggested that the board may wish to re-address the bylaws. Mr. Kuhn noted that there was a precedent of existing NAPEBT members under IGAs that now stand on their own. Ms. Anderson expressed concern related to the addition of retirees. Mr. Townsend recommended that the Trustees hold action on the fire district until the following day.

No action was taken.

L. Discussion and possible board action on the Preliminary Medical Plan Budget Projection — **Nura Patani**

Medical plan design. Ms. Patani reviewed the monthly wellness program assumptions, as well as the self-funded projection summary for the period of July 1, 2017 through June 30, 2018. Without adjustments, the preliminary projection reflected a 17.7% contribution increase across all plans to cover all projected expenses without use of reserves. Suggested changes to the buy-up medical plans—including the use of reserves—reduced the projected increases across the plans to 12%.

Ms. Patani then provided a summary of proposed plan design changes, which included: (a) transgender benefits; (b) increase the in-network deductible by $250; (c) increase in medical out-of-pocket maximums; (d) addition of a co-pay for non-HDHP participant visits to VERA clinic; (e) increased co-pays for retail prescriptions;

and (f) increased co-payment for PCP, specialists, urgent care, and emergency room visits.
Ms. Anderson asked if NAPEBT had collected any funds through the subrogation process. Ms. Girardo advised that the program had been implemented on July 1, 2016, and any funds would be limited. Ms. Foss agreed to confirm subrogation funds received to date.

Contribution strategy. The Trustees discussed evaluating plan options to control costs, which included: (1) increasing employee contributions for the base and buy-up plans, and maintaining HDHP as free to the employee; (2) increasing employer wellness contributions; (3) applying a higher premium increase percentage to the buy-up plan; and (4) addressing retirees and dependents of retirees over 65 that "age out."

Mr. Coughenour asked what percentage, with medical trend, was needed to "stop the bleeding." Ms. Patani clarified that the 17.7% increase would not replenish the reduction in reserves from prior years. Mr. Ashton pointed out that the surplus had decreased from $18 million three years ago, and was expected to be $6 million as of June 30, 2017. He also cautioned that if nothing was done, the program could face future assessments.

Ms. Anderson also noted that certain employer-related services from the Vera clinic have not been billed back to the employers, as initially agreed. Ms. Wittekind agreed to follow up with Vera staff to clarify pre-employment expectations and define the process to bill back pre-employment costs.

Pharmacy benefit manager program options. Ms. Girardo presented a recap of the proposed Caremark program options. She advised that Segal was not recommending moving forward with pharmacy advisor counseling due to limited member engagement, nor with the conditions alerts, as BCBS may already be providing similar oversight. Ms. Philpot reminded the board that she had previously requested the percentage of existing participants opting out of the BCBS customer care follow up calls. Ms. Girardo agreed to follow up with BCBS on this.

Ms. Patani presented the historical medical and prescription claims and trends. It was noted that over the period of 2013–2015, claims increased 19.2%, and rates increased only 5%. Mr. Townsend reminded the Trustees that the decision to limit increases in prior years was based on an effort to utilize surplus to reduce financial impact to members and their employees.

Vera Onsite Clinic expense. Ms. Patani presented a financial analysis of physical therapy visits. Segal calculated the cost per visit to be $181, in comparison with the VERA cost analysis at $91. The difference was due primarily to the fact that the

clinic had not included any operating expenses. Ms. Anderson suggested that the Trust should evaluate the value of the service. Mr. Coughenour expressed that workers' compensation services should also be considered in any analysis (including possibly limiting PT within the workers' compensation occupational health services.) The board agreed not to increase staffing at this time, and to review the initial scope of services at the next clinic operations meeting.

4. CURRENT EVENT SUMMARIES/ANNOUNCEMENTS: None

5. NEXT REGULAR MEETING: December 15, 2016

6. ADJOURNMENT: 4:07 p.m.

Meeting Thursday, November 17, 2016, 9:00 a.m.

1. CALL TO ORDER 9:07 a.m.

Unanimous approval of the agenda by the Trustees.

2. ACTION ITEMS

K. Discussion and possible board action on Summit Fire District (*continued*) — **Mike Townsend, Shannon Anderson**

Summit Fire District. Mr. Townsend reintroduced discussion of the Summit Fire District and expressed support if the district was intending a long-term agreement with the City. Mr. Kuhn suggested obtaining a multi-year commitment if the IGA does not continue. Ms. Anderson advised that a final decision from the City on the IGA would not be made until June 2017. She agreed to work with the district board to discuss long-term plans, as well as identify plans for retirees. Mr. Townsend also agreed to address the establishment of Trust underwriting criteria (i.e., employee count, claims, large claims disclosure, and potential relationships to existing members) along with the ongoing review of the bylaws.

M. Discussion and possible board action of the Preliminary Medical Plan Budget Projection continued — **Gary Petersen, Nura Patani**

Mr. Petersen presented a recap of the revised budget projections and options for FY2018 and FY2019. Based on projections, a 12.7% rate increase for FY2018 would be required to stay within policy surplus guidelines, without any plan design changes. The board broke to review and discuss the various options previously

presented. The board then reconvened and reviewed a revised draft budget based on the options as follows:

- no additional increase in PT staffing (pending review of Vera contract for services and their utilization);
- no additional clinic providers (pending annual review of data in March 2017);
- limitation of coaching staff to one (pending follow-up discussion with Vera on coaching engagement and usage [possibly one internal and one external]);
- inclusion of .5 FTE for wellness administrative support in the budget (consideration of utilizing Vera support or additional staff support from Ashton Tiffany);
- inclusion of Segal Shape program in budget;
- holding costs for medical and pharmacy audits for FY2018; engaging medical audit for FY2019, and pharmacy audit for FY2021 and alternating thereafter; also clarifying whether existing financial audit includes component of claims review;
- holding on full implementation of website and mobile app for FY2018; increasing budget by $2,500, with projected $250 monthly maintenance; revisiting possibility of hosting in-house, and clarifying service options from Segal and Ashton Tiffany; and
- holding any open enrollment service support; looking at future options through open enrollment service providers.

The board then looked at rate options for each of the plans and elected to proceed with a minimum increase of 11 percent for the HDHP, 13 percent for the base, and 15 percent for the buy-up, to remain within the surplus level requirement.

The Trustees reviewed the additional potential plan design changes and elected not to include any additional changes to the program, with the exception of the required transgender benefit.

The Trustees agreed to add a component for pre-employment contributions once there was further discussion with Vera services.

There was some additional discussion on base and buy-up employee contributions, and Ms. Patani agreed to provide updated projection worksheets for each agency. The Trustees discussed the impact of the plan/budget changes to the members and their employees. Mr. Townsend reminded the board that it is important to identify the benefits and values the program has provided to participants, and that further changes may need to be made in the future. Mr. Townsend advised that he would provide a brief summary for member discussion with key stakeholders.

Ms. Patani presented an example of the potential financial impact, including premiums, co-pays, and provider fees, for certain service scenarios related to each of the plans. The scenarios included maternity care, management of type 2 diabetes, and simple foot fracture. The illustrations did not incorporate employer contributions to the HSA program. She further noted that similar illustrations would be included within the coverage examples section of the annual SBC sent to participants.

No action was taken.

N. Discussion and possible board action to approve the meeting project plan for 2016/2017 — **Jennifer Gabriel**

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

O. Discussion and review of the action items — **Tracy Foss**

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

At the next clinic operations meeting, Mr. Ondracek will provide a copy of Vera's staffing analysis.

At the next clinic operations meeting, Ms. Gregerson will bring back discussion of a possible reduction in no-shows through better engagement.

Ms. Gabriel will add a standing agenda item to include an update on industry changes.

Ms. Patani will advise which of the member agencies had not reported the tier 3 wellness contributions.

Ms. Wittekind will work with Vera staff to increase and track the number of vaccine services provided.

Ms. Johl will review other client pharmacy audit outcomes to determine whether/how the financial savings could be measured.

Ms. Foss will confirm the amount of subrogation funds received to date.

Ms. Wittekind will follow up with Vera staff to clarify pre-employment expectations and define the process to bill back pre-employment costs at the next clinic operations meeting.

Ms. Girardo will request the percentage of existing participants opting out of customer care calls from BCBS.

Ms. Wittekind will review the initial scope of services for the Vera Clinic at the next clinic operations meeting.

Ms. Anderson will work with the Summit Fire District board to discuss long-term plans, as well as identify their plans for retirees.

Mr. Townsend will address the establishment of Trust underwriting criteria (i.e., employee count, claims, large claims disclosure, and potential relationships to existing members) along with the ongoing review of the bylaws.

Ms. Patani will provide updated 2017/2018 budget projection worksheets for each agency.

Mr. Townsend will provide a brief summary of 2017/20018 budget considerations for member discussion with key stakeholders.

4. **EXECUTIVE SESSION: None**

5. **CURRENT EVENT SUMMARIES/ANNOUNCEMENTS: None**

6. **NEXT REGULAR MEETING: December 15, 2016**

7. **ADJOURNMENT: 1:53 p.m.**