

**Everett School Employees Benefit Trust**  
**May 18, 2009**  
**Minutes**

**Attendance**

Betsy Selders  
Mike Gunn  
Susan Lindsey  
Molly Ringo  
David Jones

**Absent**

John Morrill

**Also Attending**

Darla Van Duren  
Randi Seaberg  
Jayson Davidson  
Sean White  
Gail Buquicchio

**1. Call to Order**

The meeting was called to order by Betsy Selders at 4:00 pm.

**2. Adoption of Agenda**

The agenda was revised and approved.

**3. Approval of the Minutes**

The minutes of the April 20<sup>th</sup> meeting were approved as written.

**4. Adjourn Regular Meeting**

The regular meeting was adjourned at 4:05 pm for the executive session.

**5. Executive Session**

• **Investment Manager Interview**

The executive session convened.

**6. Reconvene Regular Meeting**

Betsy reconvened the regular meeting at 5:20 pm

**Investment Manager**

A motion was made and seconded to select Becker Capital Management as the Trust's investment manager. The motion passed.

**7. Employee Medical Benefit Appeal #09-001**

Randi provided background information regarding appeal #09-001. Randi introduced HR Director, Carol Stoltz who gave the group an overview of the appeal. The employee and spouse were in Pendleton, Oregon when the spouse sustained a head injury and other medical issues and was transferred to the hospital for treatment. The physician coded part of the treatment as alcohol related and the spouse was transferred to an alcohol treatment facility. Once all the coding was completed the couple had reached their limit (\$5,000). The employee tried to get the bill recoded since the treatment was a medical issue but was denied by HMA and was also unable to get it recoded by the attending physician due to the fact that the doctor no longer worked at the hospital. Carol reported that a large portion of the bill has already been paid through financial and charity assistance leaving a balance of \$6,000. Alcohol may have played a role but it was a medical condition and

the spouse should have received services and been compensated through the health care plan. The employee is requesting that the Trust pay the balance of the bill. Carol's recommendation is that the Trust pay the total amount of \$1,715 to the medical group and \$4,535 to Providence Medical Center. Melanie Curtice has reviewed the claim and is also recommending the Trust pay. Discussion followed. A motion was made and seconded to pay the balance owed. The motion passed.

## **8. Financial Report**

Darla provided the trustees with the financial report for April.

- Consultant invoicing for March was offset again by commissions and so the prepaid balance of \$(12,905) will remain.
- Increase in fund balance for the month of April was \$171,526 which is an increase for the fiscal year of \$2,203,807.
- Fund balance for April was \$13,710,274 compared to \$11,032,944 a year ago. Overall assets total \$14,847,274 compared \$12,253,944 last April.
- Darla pointed out that she had separated the CDs and the mortgage and asset back securities and government bonds so they match the totals. There were four CD purchases for the month of April. Four maturities and one full call of \$95,000.
- There was a redemption of one mortgage and asset security for \$21,000, a purchase of four government bonds each worth \$250,000 with varying maturity dates and a full call of one government bond.
- Sound Health Solutions second payment of \$5,313 was made.
- The second quarter payment for the investment consultant of \$4,375 was made.
- HMA claims were \$4,714 less this month than a year ago and overall claims were \$38,678 more than a year ago.
- ESI/NMHC claims were \$50,514 more this month than a year ago. Darla reported that there was no rebate to offset this so it is a true claims cost. Overall this year's claims were \$160,535 more than a year ago.

## **9. Review Auditor Engagement for Annual Audit.**

Darla reported that the cost for Toyer and Associates service last year was \$8,950 which is what they estimate their fees will be for this year. A full audit will be done. Darla reminded the group that Toyer's cost is \$10,000 less than the simplified audit Moss Adams did a few years ago and she recommended that the Trust continue using Toyer's services. A motion was made and seconded to engage Toyer and Associates to perform auditing services for the Trust for the stated fee of \$8,950. The motion passed.

## **10. Consultant Report**

### **➤ Consultant Engagement/Budget Review**

Mercer is currently operating with an annual budget of \$180,000 and is proposing no changes for the next fiscal year. Sean added that Mercer is at a level now where the commission income they receive is generally enough to cover the annual retainer and is potentially going to increase because the commissions are tied to the premiums and the premiums increase over time. One of the items at Mercer's disposal this year is that they can adjust commission levels as appropriate to bring the renewals down but still bring enough commissions in to essentially meet the budget requirements. This could be something that might come into play this year. But in terms of an overall budget for the next year Mercer is proposing no change to what they have in place currently.

Sean commented that Mercer nationally has changed their requirements around their engagement letters so if the trustees are in agreement on the proposed fee Mercer will follow up with a formal document for review. Molly pointed out that Melanie would review the document and that the chair would sign off per the review. A motion was made and seconded to approve the annual fee of \$180,000 for consulting services with the understanding that documentation will be provided for review at the next meeting. The motion passed.

### **➤ Recommended Renewal Actions Summary**

Sean reported that he had met with Molly, Randi and other HR staff to review the renewals that were coming up for the plan year. There are some minor service issues on several of the plans that will be pursued through the renewal process including the implementation of the health risk assessment, and coaching vendor and the wellness website but in general the renewal strategy recommendation was to pursue a status quo. Discussion followed. The trustees were in agreement and Sean will proceed accordingly.

### **➤ Paid Claims Experience Report**

The Paid Claims Experience report showed the first three months of the current benefit plan year. Recommended plan funding is up 1.4%. The budget recommendation Mercer initially made was for a rate pass and then the plan changes made to the PPO caused the increase in the budget. Actual experience for medical claims is up 3.3%, the pharmacy claims quarter over quarter are 5.2% for an overall increase of 3.7% which is on the low end of what is being seen in the market. The fixed costs are the administrative fees paid to HMA and the stop loss fees to Sun Life are up 5.6% year over year. Adding in the estimated IBNR change brings a total plan cost for the first three months of \$1.96 million which is a 3.3% increase year over year. The loss ratio of 76% is a low result. This implies that actual costs are 24% below projection so the plan continues to perform very well against budget and the market. Sean made one cautionary note. He said that historically

**Everett School Employees Benefit Trust**  
**May 18, 2009**  
**Minutes - continued**

when recessionary periods occur they have often been correlated with spikes in health care costs. When layoffs happen, utilization and stress levels increase which increases discretionary care. Now with the COBRA legislation there will be more COBRA enrollment causing additional costs so Mercer wants to continue to monitor but the plan is still performing very well.

➤ **Annual Claims and Utilization Review**

Sean reviewed the most recent 12 months of data (through March) using the D2Hawkeye. The intent was to review the underlying cost trends on the plans to help understand what is happening and to help in the area of renewal, wellness strategy and program design planning. The data provided by HMA covered claims data for the two-year period (April 2007 through March 2009) and included medical plan data and pharmacy data. Sean reported that the pharmacy data collected from April 2007 through March 2008 was incomplete. The issue is now resolved however Mercer wasn't able to report on year over year pharmacy detail using the D2Hawkeye.

Sean reported that 2005 was not a good year with a loss ratio of 109%. Actual costs exceeded projection by 9% and since then we've performed well against budget with a loss ratio of 96% in 2006, 81% in 2007 and 85% in 2008. A year ago there was some question as to whether this was a fluke however with 12 more months of data that trend continues which is good news. From 2005 to 2006 per employee per month basis there was an increase of 8%, a reduction of 9% in 2007 and 2008 had a 5% increase over that. 2008 is only 3% higher than 2005 which is really positive.

When looking at plan cost drivers large claims are typically looked at first. Mercer found that the large claims were generally in line with benchmarks. Plans for the most recent 12 months were 15% driving 72% of the cost. 1% of claimants on Everett's plan are driving just under 20% of the cost compared to the norm of 31%. With the stop loss marketing done a year ago Mercer was successful in getting an 18 month contract (July 07 – Dec 08) to sink that policy up with the rest of the benefit programs. Claims \$100,000 and over in 2004-05 were a bit over the benchmark with nine claims above \$100,000 representing just under 15% of the total paid claims against a benchmark of 10%. However since that time it has been stable and in line with benchmarks but not unusually low which would explain the better than expected experience. Sean said that for an 18 month period to be at 7.5% against a 12 month benchmark of 10% was promising but again our experience is generally in line with benchmarks and doesn't seem to be a driver of that continued low trends that are seen on the plan.

Having ruled out large claims the next thing looked at was some utilization statistics on the plan. Across the board and similar to last year, Mercer is seeing some surprising reduction in the level of utilization on the plan. ER visits are down 14%. Most notably in-patient days admissions and claimants in general are down between 28 and 37%, a significant reduction in in-patient costs.

Changes in the mix of utilization of services can also impact program costs. Mercer is seeing a consistent mix of services over time so they can't say a change of mix from in-patient to an out-patience setting is driving that reduction in costs.

In summary the driver of the lower than expected cost of the plans continues to be reduction in utilization of services. That reduction could be due to numerous factors such as improvement in the average health status of the covered population, increased efficiency in the utilization by members or it could be a cyclical random downturn.

### **11. Wellness**

Gail distributed some "good news" information about the Wellness program. She mentioned that at the beginning of the school year the e-mails she received had a bit of a suspicious tone to them. She feels the program has turned a corner and she is receiving more and more positive e-mail. People are starting to understand that the wellness program is for them and they have good feelings about it.

Health Education -- Gail is continuing the "Assess your Stress" classes and had classes at three sites last month and another two sites this month.

Health Promotion -- The best news of this month were the two seasonal campaigns, the "Bike to Work" campaign and the "EPS Trails Challenge". Gail was hoping for a participation rate of 10 to 20% and she reported that over 35% of the population is participating in these two campaigns. 19 million steps were walked equaling 9,541 miles last week for the trail challenge. Sean felt that this was very encouraging and spoke to the culture that's being built throughout the school district.

Classes --- Yoga and Zumba classes continue with excellent participation and staff would like them to continue next year.

Activity clubs have been developing such as Triathlon, Runner clubs and a volleyball group. Another discount will be launched for gym membership June 1<sup>st</sup> (LA Fitness and Team Fitness).

"Weight Watchers at Work" has four active meetings going adding Emerson last month.

Web-Portal and HRA --- Gail, Sean and Ron Burt have begun the implementation process for the Wellness Challenge and the HRA is scheduled to begin January 1, 2010.

Survey --- Gail has completed putting together the end-of-the-year wellness survey and will be sending out another survey to get a sense of how the program went. She is curious to hear how many people heard about it and how they participated.

Proposal --- Gail would like the wellness program to stand on its own so that staff understands that it is a separate program. To do this she suggested creating a logo or branding. In researching she found that other organizations including school districts use a separate logo. She also mentioned that in their mission statement, the wellness council wanted the program to be separate. The staff and employees want to feel that this

program is not to make them better at what they do but just for them. The logo is another way to say this. Sean, Gail and Ron Burt talked about it and felt that it was an important step to take. Sean said that Mercer could develop a logo or branding with the surplus funds in its account. He said that if the Trust was interested in pursuing this service Mercer could put together a proposal. If the proposal was accepted there would be no bill because it would be offset by commissions. It was suggested that perhaps staff members with graphic design training might be interested in submitting ideas. Gail felt there was a time sensitive issue about the logo because of the implementation process with Health Force Partners and they would like some kind of a logo for the web portal. Gail will check with staff to see if there is any interest and Sean put a proposal together and bring it to the June 15<sup>th</sup> meeting.

## **12. Proposed COBRA change**

Randi spoke about the subsidized COBRA. She said the district has employees that, because of the RIF situation, qualify as involuntarily terminated and are eligible for the subsidized COBRA. Some time ago the Trust had a discussion allowing anyone that was involuntarily terminated and signed up for COBRA to change to a lower cost plan. Randi believed there was a consensus at that time however there were no written minutes. She was requesting a restatement from the trustees. Discussion followed. Molly felt that this might require a change in policy. Randi said that this would be a change from the current practice regarding COBRA. The COBRA language in the stimulus package states that they may either stay where they are or move to a less expensive plan but cannot move to a more expensive plan. This could be a financial benefit both to the employee and the Trust. Sean mentioned that if in the absence of change they would abstain from COBRA and through this change they enrolled in a lower cost plan that would represent an increased cost to the Trust. Even though it may be a higher cost it ultimately would provide better health coverage for employees who were in a RIF situation. This would apply to anyone who falls into the involuntarily terminated class. Molly recommended proposing a revision to the policy and then coming back with some language that could be voted on so that Randi could move on assisting staff members as they receive their notice. She suggested sending out the revision and doing an electronic vote if the trustees concur conceptually with that concept and then vote on the language. With Melanie's review this could be done in a week and then come back to the trustees for a vote.

A motion was made and seconded that the Trust may allow subsidized COBRA enrollees to change to a lower cost medical and/or dental plan at the time of initial enrollment. The motion passed.

**Everett School Employees Benefit Trust**  
**May 18, 2009**  
**Minutes - continued**

13. Annual Calendar

May calendar --- several items on the May calendar were highlighted for discussion including "review performance of investment advisor" and "approval of annual investment policy review by trustees". Molly felt that the calendar placement of these items was not really appropriate right now but they could be held there until the Trust gets into a flow and a cycle with Jayson.

June calendar ---"review compensation for trust financial services" comes up at the June meeting. Molly announced that Susan Sacha would be retiring in January and that the trustees would want to give some consideration as to who they would want to serve as recorder. Because of the details of keeping track of the records she feels it is helpful to have someone from the Center or Longfellow. Molly will bring a replacement recommendation.

14. Other

Molly will have Susan prepare a draft meeting calendar for 2009-2010 for the June meeting.

15. Adjournment

The meeting was adjourned at 6:45 pm.

Sincerely,

Molly Ringo  
Secretary