

**NORTHERN ARIZONA PUBLIC EMPLOYEES BENEFIT TRUST
MEETING MINUTES
NOVEMBER 20, 2019**

A meeting of the board of trustees of the Northern Arizona Public Employees Benefit Trust (NAPEBT) was held on November 20, 2019 at Thornagers, 2640 W. Kiltie Lane, Flagstaff, AZ 86005.

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

Shannon Anderson	City of Flagstaff
Jami Van Ess	Coconino County Community College
Bob Kuhn	Flagstaff Unified School District

The following Alternate Trustees were present:

Jennifer Caputo	City of Flagstaff
Jennifer Moore	Flagstaff Unified School District
Erika Philpot	Coconino County

The following consultants/vendors were present:

Amy Girardo	Segal
Quentin Gunn	Segal
Melissa Krumholz	Segal
Nura Patani	Segal
Jennifer Darnall	Ashton Tiffany
Garrett Mahoney	Ashton Tiffany
Lori Jundt	Ashton Tiffany
Julie Almond	Vera Whole Health
Marina Teach	Vera Whole Health
Sue Ferbet	Vera Whole Health

The following guests were present:

Isabella Zagare	Coconino Community College
Megan Cunningham	Coconino County
James Jayne	Coconino County
Maggie Arellano	Coconino County
Mike Townsend	Coconino County
Margaret Penado	Coconino County
Katie Wittekind	Coconino County (Wellness)
Amber Baker	Coconino County (Wellness)
Jared Wotasik	City of Flagstaff
Dean Coughenour	City of Flagstaff
Danielle Tiedeman	City of Flagstaff

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Dawn Anderson
Ginger Stevens
Scott Walmer
Jeanie Confer
Lynn Hill

Flagstaff Unified School District
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Flagstaff Unified School District
Coconino County Accommodation School District
Northern Arizona Intergovernmental Transportation
Authority

1. CALL TO ORDER 9:06 a.m.

2. APPROVAL OF AGENDA

Unanimous approval of agenda items by the Trustees.

3. APPROVAL OF MINUTES October 17, 2019

A motion was made to approve the minutes.

Jami Van Ess, moved
Shannon Anderson, seconded
Motion passed

4. ACTION ITEMS

A. Discussion and possible board action/approval on committee updates

a. Clinic Committee: Bob Kuhn

i. Committee minutes—October 2019

ii. Vera update

Ms. Almond presented the October monthly report and clinic updates.

Ms. Almond presented the 2018/19 actual, 2019/20 forecast, and 2020/21 forecast budget projections. The board posed the question as to why a \$50,000 cost was being transferred to NAPEBT for the clinic hours patient help line for the 2020/21 policy year. Ms. Almond agreed to review the current contract and follow up with the board.

iii. Review of the annual stakeholder satisfaction survey

Ms. Anderson presented the findings of the annual stakeholder satisfaction

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survey.

iv. Clinic performance guarantees

Ms. Almond provided an overview of the 2019 performance guarantees from 12/1/18–11/30/19. The performance guarantees discussed included overall engagement, patient satisfaction, coronary artery disease, and diabetes care management.

Relative to the diabetes performance guarantees, the methodology for which the performance guarantees are measured was discussed in greater detail. Segal recommended that the methodology be modified based on the Healthcare Effectiveness Data and Information Set (HEDIS), to include patients with no AIC on file, and exclude patients with no Vera provider visit. Additionally, it was recommended that the target be modified from 85% to 66%, based on the National Committee for Quality Assurance (NCQA) 90th percentile, adding 42 patients to the evaluation.

v. Update on clinic ROI

Ms. Almond led the ROI methodology discussion. She stated that Segal, Vera, Ms. Van Ess, and Ms. Anderson met to discuss possible factors contributing to the ROI differences. The factors identified included risk score methodology, engagement time period, and depth of engagement. Segal and Vera agreed to follow up on action items and provide recommendations to the board. Additionally, the board may engage a third party for further evaluation.

vi. Year 3 analysis: follow-up information

This item was not discussed at the meeting. Ms. Anderson stated that she would distribute the information to the board and this item would be discussed during tomorrow's meeting.

b. Finance Committee: Jami Van Ess

i. Committee minutes—October and November (draft) 2019

Ms. Van Ess discussed the highlights of the Finance Committee minutes.

ii. Quarterly financial statements (Q1)

Ms. Jundt presented the preliminary financial dashboard and financial

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statements for the period ending September 30, 2019. Total assets were \$10,520,176, consisting primarily of cash and cash equivalents. Total liabilities were \$4,785,632. Total net assets as of September 30, 2019 were \$5,734,544. The increase in net assets year-to-date as of September 30, 2019 was (\$61,780).

c. Benefits Committee: Shannon Anderson

- i. Committee minutes—none, the November meeting was cancelled.
- ii. Health Equity plan document resolution

Ms. Anderson presented and discussed the Health Equity plan document.

A motion was made to adopt the amended welfare benefit plan as presented at the 2/28/19 meeting, that the administrator has implemented the plan, and proper agents of each employer shall notify the employees of the adoption of the plan and deliver the summary plan description of the plan.

Shannon Anderson, moved
Erika Philpot, seconded
Motion passed

d. Wellness Committee: Katie Wittekind

- i. Committee minutes—October and November 2019

Ms. Hill discussed the highlights of the Wellness Committee minutes.

- ii. Quarterly budget review

Ms. Wittekind presented an update on the 2019/20 wellness expenses. There were no proposed increases.

- iii. Annual budget

Ms. Wittekind presented the proposed 2020/21 wellness budget. There were no proposed increases.

- iv. Possible plan changes/incentives

Ms. Wittekind and Ms. Baker presented an overview of NAPEBT incentives and recommended changes for next year and going forward. The goals of the

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redesign of the incentives include simplifying the administrative process, addressing employees' perception of feeling forced to participate, increasing awareness of incentives received, providing financial incentives for once-a-year behaviors only, removing external incentives for behaviors requiring high quality motivation, increasing autonomy with external incentives, and using marketing and programming to increase intrinsic motivation.

e. Risk Management Committee: Dean Coughenour

- i. Committee minutes—none
- ii. NAPEBT updates to fiduciary and fidelity insurance policies

Ms. Penado provided an overview of the changes and updates to the fiduciary and fidelity insurance policies.

B. Discussion and possible board action/approval on vendor items

a. Segal

i. Monthly medical/pharmacy report

Mr. Gunn presented an overview of NAPEBT's claims, expenses, and contributions for the period ending September 30, 2019. Key observations from the report included the following:

- In September 2019, contributions exceeded claims and expenses (after stop loss reimbursements) by approximately \$401,000, or 15.7% of contributions.
- The year-to-date deficit is now approximately \$70,000, or 0.9% of contributions.
- CVS/Caremark processed a credit of approximately \$48,000 in September 2019 due to an audit of contractual terms that were part of the guarantee.
- Based on paid claims and expenses (excluding stop loss reimbursements), the active buy-up and base plans and all the retiree plans experienced operating deficits.
- Approximately 12.5% of all active employees and retirees are enrolled in the buy-up plan, with 62.1% enrolled in the base plan, and 25.3% enrolled in the high deductible health plan.
- Through September 2019, average enrollment has decreased 2.6% over the prior plan year's average.

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- In September 2019, there was one claimant with combined medical and pharmacy claims paid in excess of \$150,000 (50% of the individual medical and prescription-drug-specific stop loss deductible). This claimant appeared for the first time on the report in September and is termed from the plan. There were no claimants with combined medical and pharmacy claims paid in excess of \$150,000 through September 2018 of the prior plan year.
- As of September 30, 2019, the plan's rolling net medical trend increased to 19.0%, and the plan's rolling net pharmacy trend decreased 5.3%.

ii. Survey data

Ms. Patani presented a detailed report of the 2019 Public Sector Benefits Study. She also provided summary data on how NAPEBT compares to other employers with respect to deductibles, copays, out-of-pocket maximums, and contributions.

iii. Compliance and industry update

Ms. Girardo presented the health compliance update addressing Affordable Care Act (ACA) updates, surprise medical bills, mental health parity compliance, required compliance notices, and HIPAA training.

iv. Segal SHAPE Utilization Report

Ms. Krumholz presented the SHAPE Utilization Report for the current period, July 2018–June 2019 (prior year comparison was July 2017–June 2018). Highlights of the report included the following:

- The medical cost trend is unfavorable, reflecting higher inpatient utilization, particularly due to more severe cases including neoplasms and circulatory conditions.
- The pharmacy trend increased more than expected, driven by increased specialty drug utilization and unfavorable price increases. Auto-immune and rare condition medications drove the cost increases.
- While mental health conditions drove the increase in chronic condition prevalence, most chronic conditions reflect a comorbidity, with hypertension being the most common.
- Emergency room utilization for potentially non-emergent care is on the higher range. While access may still be the driver, there is opportunity to reduce select visits for conditions that may be treated in a primary care setting.

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v. Historical claims volatility

Ms. Patani presented the historical claims volatility analysis to support the reserve policy parameters. She provided an overview of IBNR, claims fluctuation reserve, other NAPEBT liabilities, and stop loss. She further described how this information is used to determine projected claims in the future and that NAPEBT's current reserve policy is adequate.

vi. Preliminary medical plan budget projection

1. Medical plan design options (including fourth plan design option)

Segal presented the option for a fourth plan design, an HDHP with no/HSA, to leverage the benefits of the Vera clinic and first dollar drug coverage.

2. Health initiatives (mental health parity)

Segal discussed with the board the opt-in (or opt-out) options for mental health parity.

3. Contribution strategy

Segal presented the detailed contribution rates and various options for the 2020/21 plan year.

4. Reserving

Segal presented and discussed with the board a multi-year reserve projection dashboard, allowing the board to walk through various options related to plan change options, rate changes, etc.

5. Medical/pharmacy financial history

Mr. Gunn presented the medical/Rx plan financial history, which included Segal's recommended increase, the NAPEBT actual rate increase, the medical claims trend, the Rx claims trend, the year-over-year medical/Rx claims trend, and changes in surplus reserves for the past eight years.

6. Stop loss considerations

Mr. Gunn presented a historical stop loss review. For FY2016 through

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FY2019 there has been a slight decrease in the number of claimants over the ISL deductible, but the policy year reimbursement amount has been variable, ranging from a low of approximately \$325,000 to a high of \$755,000. In the past three years, the premium has been approximately \$530,000 to \$545,000 greater than the reimbursement amount, which represents a loss ratio of 37% to 48%. The purpose of stop loss insurance is to protect against unexpected large claims; therefore, not achieving a 100% loss ratio is not indicative of inappropriately set deductible levels.

Mr. Gunn further presented a summary of the number of large claimants for FY2016 through FY2019 based on the medical and pharmacy claims incurred in the fiscal year with up to 12 months of run-out. Complete data for claimants prior to FY2016 are not available. There has been at least one claimant in the \$300,000 to \$350,000 range and the \$450,000 to \$500,000 range for each year sampled. Each year has also had at least one other claim under \$450,000. There have been three claims over \$500,000, with the largest claim being in the \$800,000 to \$850,000 range. This chart also underscores the limited number of claims; the small size of NAPEBT's membership does not make this a credible source for predicting future large claims.

7. Local employer benefit data

Segal presented a summary of local employer benefit data, which included Northern Arizona University and the Northern Arizona Healthcare Organization.

8. Retiree health care summary

Mr. Gunn presented a plan comparison chart for the ASRS group health insurance non-Medicare-eligible retiree benefits. He further presented a comparison of NAPEBT vs. ASRS unblended retiree contribution rates (non-wellness) projected for FY 2021.

Mr. Gunn presented a summary of Segal's retiree project to assist with NAPEBT's decision making.

vii. NAPEBT employer breakout discussions

Each employer group met individually to discuss the plan options for the upcoming 2020/21 plan year. In summary, the consensus of the group was:

- not to make any plan design changes;

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- not to introduce the fourth plan design option;
- to opt out of mental health parity but continue providing the same level of benefit;
- to phase out retiree coverage;
- to conduct further research on HDHP incentives; and
- to implement a 5.7% rate increase.

The board further agreed that more information was necessary to make a final determination on whether to discontinue the Vera after hours/on call provider line.

C. Discussion and possible board action/approval on meeting wrap-up

a. Review of action items and timelines

Ms. Anderson presented the list of action items for the November 21, 2019 meeting, which included the following:

- Vera will obtain clarifications of the contract with respect to the patient help line, including the charges associated with the help line and responsibility for paying them (NAPEBT vs. Vera).
- Coconino County will request from Segal a breakdown of HDHP plan performance this year vs. last year, and of discussion ideas for HDHP cost savings, such as taxes and incentivizing member participation in HDHP plans.
- Ms. Anderson will distribute the Year 3 analysis for Vera Clinic.
- Ms. Anderson will distribute the Health Equity statement of resolution.
- Segal will finalize the executive summary survey findings.

b. February 27 Trust meeting

This item was tabled and was scheduled to be discussed on November 21, 2019.

D. NEXT REGULAR MEETING: November 21, 2019

E. ADJOURNMENT: 4:42 p.m.