

EGYPTIAN AREA SCHOOLS EMPLOYEE BENEFIT TRUST
BOARD OF MANAGERS MEETING NOTES
CARLYLE, ILLINOIS
December 2, 2015

I. CALL TO ORDER:

A meeting of the Board of Managers of the Egyptian Area Schools Employee Benefit Trust was held on Wednesday, December 2, 2015, at Governor's Run in Carlyle. Chairman Jeff Dosier called the meeting to order at approximately 10:00 a.m. Sign-in sheets showed there were 70 people in attendance, including 59 representatives from 44 districts and 11 advisors and guests.

The notes of the Board of Managers meetings of September 23, 2015 and October 23, 2015 were approved as submitted.

II. FINANCIAL REPORT:

Tom Dahncke reported that bound copies of the audited financial statements for the fiscal year ending June 30, 2015 were available for members to pick up at the meeting. A copy will also be posted shortly on the private side of the Trust's website. Tom briefly reviewed the highlights of the audit report. As of June 30, 2015, the Trust had total assets of \$14,414,826 and total liabilities of \$13,595,848, for a positive fund balance of \$818,978. Revenues for the year totaled \$86,792,368 and expenses totaled \$88,128,481, resulting in a loss of \$1,336,113 for the year. Total revenues and expenses were slightly below total revenues and expenses for the prior year ending June 30, 2014, primarily as a result of the decline in membership. Certain expenses were higher, including \$894,096 for the transitional reinsurance fee under the ACA, and higher actuarial and legal fees due to the separate RFP projects for PBM services and network services.

III. BUSINESS ITEMS:

A. Report of TPA Services – Meritain Health.

Karen Giles stated that the winter newsletter would be distributed December 13 or 14. She also explained that Meritain is working to complete a report for each district which will include a file reporting each individual (member and all dependents) enrolled for coverage through the district for each month in 2015. Districts will be responsible for completing and filing Form 1094-C and 1095-C with the IRS. Districts may contact American Fidelity if they want additional assistance in complying with the reporting requirements.

B. Report of Prescription Card Services – ScripWorld/CVS/Caremark.

Don Bishop reported that some formulary changes will occur effective January 1, 2016. These changes will be listed on the website and in the newsletter. Don stated that 16 drugs will move from non-preferred to preferred status, while 33 drugs will move from preferred to non-preferred, including Cymbalta, Avonex and Viagra. Each member who is taking a drug that is moving from preferred to non-preferred will receive an individual notice explaining the alternative preferred

drugs that are available. Don explained that a few drugs are totally excluded from being covered, but members have the right to appeal if there is a medical reason the individual must take an excluded drug. If coverage for an excluded drug is approved on appeal, the drug will be covered for the same copay as a non-preferred drug.

C. Report of Voluntary Dental and Vision Services – Ameritas.

Kip Koll advised that Ameritas received the deductible reports from Delta Dental and will automatically reprocess claims if the deductible was applied twice. Members do not have to request an adjustment. Ameritas is also contacting out of network dentists used by Trust members to invite them to join the network. The dental plan provides out of network benefits when members use dentists outside the network, but the member's costs are likely to be greater.

D. Report of Benefits Committee.

Matt Klosterman explained that the Benefits Committee has been looking at options to help the Trust stay competitive in view of changes in the insurance markets. At the special Board of Managers meeting in October, the Board approved adding a new very high deductible plan option with a different method of pricing. Since many members were not at the October meeting Matt asked Tom Dahncke to introduce Jim Baxter and Gary Wright of Teachers Coalition on Health (TCOH) again and review the reasons for the change approved at the October meeting.

Tom explained that he and Leo were introduced to Jim and Gary by the Superintendent at Mount Vernon High School, one of the founding members of the Trust, but no longer in the Trust. The Benefits Committee met with Jim and Gary and authorized TCOH to undertake a detailed review of the Trust's claims from 2012 through 2014 and make recommendations.

Gary explained that the unique advantages offered by pooling claims through the Trust should allow the Trust to be the most desirable insurance option for all districts. However, the practice of charging all districts the same premium for the same plan has made the Trust vulnerable to insurance companies competing for business in the post-ACA insurance environment. Insurance companies underwrite individual groups based on age, geographical area, participation levels and other criteria. Trust districts with favorable demographic factors are at a very high risk of being cherry picked by insurance companies. These are typically the districts with the most favorable claims experience, so if these districts withdraw from the Trust the costs will be higher for the remaining districts. Therefore, TCOH recommended charging premiums on a "mark to market" approach, where individual districts may receive some discount in premium if they have favorable underwriting characteristics. Under this approach, districts that qualify for mark to market pricing may pay less in premiums than they pay now, but will still contribute substantially to the overhead costs of the Trust, unlike districts that withdraw from the Trust. Mark to market districts will retain the benefit of being pooled with other districts in the Trust for overhead costs (including administration and stop-loss premiums) and for large claims costs. TCOH believes that by offering mark to market pricing and additional plan designs the Trust will be in a great position to grow by attracting new districts. Adding new districts at appropriate rates will improve the long-term health of the Trust.

Tom explained that as a first step in this direction, at the October meeting the Board approved mark to market pricing for districts that elect a high deductible plan (an individual deductible of at least \$6,000) with the Trust. Districts will be able to replicate the benefits provided to employees under the Trust's current plan designs, but at a lower cost, by insuring or self-insuring amounts below the \$6,000 deductible. As approved in October, this option is available for districts to adopt effective January 1, 2016; otherwise, districts currently in the Trust can consider moving to this option effective September 1, 2016. Districts that are interested should contact Tom or Leo. They will arrange for TCOH to meet with the district to further explain mark to market pricing and obtain information required to prepare a mark to market premium quote. With mark to market pricing, each district will have its own unique premium, depending on underwriting factors such as age, participation levels, benefit design, geographic area, etc. Jeff Dosier encouraged all districts to schedule a meeting to explore this option.

In response to a question, Tom explained that the claims experience of mark to market districts will still be pooled with the rest of the Trust for setting premium rate increases. If a district's demographic characteristics change, its mark to market pricing may be adjusted for that reason, but the risk of large claims will be shared with the entire pool. At least for September 1, 2016, the same rate increase required by increases in health care costs will apply across the board to all districts. Tom also confirmed that districts that move to mark to market pricing may elect to move back to standard pricing.

Matt reminded members to contact him or Tom or Leo if they have additional questions or issues they want the Benefits Committee to consider.

IV. NEXT MEETINGS AND ADJOURNMENT:

Future meetings were scheduled for the following dates at 10:00 a.m. in Carlyle:

- Wednesday, March 23, 2016
- Wednesday, May 11, 2016

There being no further business, the meeting was adjourned.

Respectfully submitted,



Ruth Hays

ATTENDANCE
December 2, 2015

Advisors and Guests:

Meritain – Karen Giles, Scott Giles
Scrip World/Meritain – Valerie Fish, Don Bishop
Ameritas – Kip Koll
TCOH – Jim Baxter, Gary Wright
Trust Consultants – Tom Dahncke, Leo Hefner
Husch Blackwell LLP – Ruth Hays
Bushue Human Resources – Jerome Pankey

District Representatives: 59 representatives from the following 44 districts signed in for the meeting.

Altamont #10 – Susan Janz, Melanie Thornton	North Greene #3 – Mark Scott, Marge Anderson, Lawrence Coultas, Shane Feltes
Bartelso #57 – R. Dane Gale	Oblong #4 – Jane Attaway
Beecher City #20 – Scott Cameron	Richland County #1 – Larry Bussard
Belleville #118 – Matt Klosterman, Leanne Meadows-Rahe, Tammy Gramlich	Salem #111 – Connie Graham, Gayla Wilkerson
Belleville #201 – Jeff Dosier	Salem HS #600 – Brad Detering
Benton HS #103 – Barbara Phelps	Sandoval #501 – Lisa VonderHaar
Brownstown #201 – Adam Bussard	Sesser-Valier #196 – Jason Henry
Carlyle #1 – Joe Novsek	Signal Hill #181 – Suzette Lambert
Carmi-White County #5 – Brad Lee	South Eastern Special Ed. – Lori Davis, Jill Keller-Weems
Central City #133 – Julie Beasley	Teutopolis #50 – Bill Fritcher
Centralia City Schools #135 – Mike Middleton	Trico #176 – Cathy Lindner
Clay City #10 – Beth Hance	Tri-County Special Ed – Renee Evans
Cobden #17 – Edwin Shoemate	Tuscola #301 – Michael Smith
Dieterich #30 – Cary Jackson	Valmeyer #3 – Eric Frankford
Eastern Illinois Special Ed – Tony Reeley	Wabash #348 – Cindy Bishop
Freeburg #70 – Mark Janssen	Waterloo #5 – Brian Charron
Freeburg HS #77 – Diane Schaefer	West Washington #10 – Rebecca Krueger
Grant #110 – Matt Stines	Wolf Branch #113 – Amber Reynolds, Lynne Clapp
Harmony-Emge #175 – Pam Leonard, Dennis O’Neill, Pam Erickson	
Kaskaskia Special Ed #801 – Charlene Smith, Jessie Winkeler	
Martinsville #C-3 – Jill Rogers	
Mascoutah #19 – Frank Williams	
Mid-State Special Ed – Brenda Patrick	
Mount Vernon City Schools #80 – Linda Crusier, Aletta Lawrence	
Murphysboro #186 – Jan Bush, Brett Sutphin	
North Clay #25 – Monty Aldrich, Jami Lewis	