

EGYPTIAN AREA SCHOOLS EMPLOYEE BENEFIT TRUST
BOARD OF MANAGERS MEETING NOTES
CARLYLE, ILLINOIS
October 23, 2015

I. CALL TO ORDER:

A special meeting of the Board of Managers of the Egyptian Area Schools Employee Benefit Trust was held on Friday, October 23, 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 38 people in attendance, including 30 representatives from 24 districts and 8 advisors and guests.

II. BUSINESS ITEMS:

Report of Benefits Committee.

Matt Klosterman explained that the special meeting was called to consider a recommendation from the Benefits Committee for a new high deductible plan option. He noted that the role of the Benefits Committee is to recommend changes in benefits and premium rates as necessary to address rising health care costs and changes in the health insurance markets.

Tom Dahncke explained that changes made by the Affordable Care Act have increased the pressure on the Trust from brokers and insurance carriers. Insurance carriers are now required to price small groups based on community rating. Brokers and insurance carriers have been very aggressive in trying to increase market share with both small and larger groups. To reduce premium costs, many carriers now offer very high deductible plans paired with health reimbursement accounts (HRAs) to cover some of the out of pocket costs employees would otherwise experience.

Tom noted that historically the Trust has charged all employer groups uniform premiums for the same plan of benefits, without considering a district's participation levels, age distribution, and geographic location, all of which are factors that insurance carriers routinely take into account in pricing group health insurance. While this worked well for many years, it now leaves the Trust at risk of losing groups that can buy cheaper coverage from commercial carriers. Tom explained that the Benefits Committee began meeting with Gary Wright and Jim Baxter of the Teachers Coalition on Health (TCOH) about a year ago. At the Committee's request, TCOH made a detailed analysis of the demographic information and claims experience back to 2012 for all employer groups in the Trust. Based on its analysis, TCOH proposed an entirely new plan option with a very different pricing structure.

Tom explained that the Benefits Committee is now recommending that the Trust offer a new plan option with a very high deductible, generally \$6,000 for an individual. Instead of a uniform premium for all districts, the premium for a district choosing the new plan would be determined based on underwriting criteria commonly used by insurance carriers, including employee and dependent participation percentages, employer contribution levels, geographic location, age curve and benefit levels. The \$6,000 deductible plan would be funded through the Trust, but an

employer electing this option could also establish an HRA to reimburse employees for costs below the deductible. The combination of the high deductible plan and HRA could be designed to replicate the benefits provided by the plans currently offered by the Trust so that employees would not experience a change in benefits. An employer electing this option could choose to self-fund the HRA or could insure the HRA portion of the benefit with an insurance carrier.

Tom explained that the Benefits Committee recommends that this new plan option be offered effective January 1, 2016. Because of the short time frame, the Benefits Committee called this special meeting to give member districts time to consider the new option before the proposed January 1 effective date.

Tom then introduced Gary Wright and Jim Baxter from TCOH. Gary explained that TCOH does a lot of business with school districts in northern Illinois. As they expanded into southern Illinois they learned about the Egyptian Trust and were impressed by the Trust's long-term stability and the unique opportunities offered by the Trust.

Jim Baxter explained that the Trust should be able to offer all districts better rates than they can obtain in the commercial insurance market because the Trust does not include a profit margin in its pricing. However, because the Trust currently charges uniform premium rates to all districts, there is a significant risk that the best groups from an insurance underwriting perspective will be picked off by insurance carriers offering lower rates. The objective is to offer attractive pricing for every district that will beat commercially available rates and protect districts against years they have high claims outside their control. To accomplish this, TCOH recommends charging premiums for a new high deductible plan based on a "mark to market" approach using underwriting criteria commonly used by insurance companies. This will allow the Trust to compete toe to toe against insurance carriers to retain existing groups and attract new districts to the Trust.

Gary Wright explained that Meritain will be able to integrate the high deductible plan with the district's HRA so that the experience and costs to employees should not be any different if the district chooses to replicate current plan benefit levels.

The presentation by TCOH was followed by considerable discussion and many questions from members about the recommendation. Several members stated concern about how pricing for the other plans offered by the Trust will be affected if districts with favorable experience move to the new plan with mark to market pricing. Jim Baxter stated that it is not possible to predict the premium rates that will be required for the other plans, but it is clear that the alternative is that districts with better options on the commercial market are very likely to leave the Trust entirely, which will have an even greater detrimental impact on the costs for districts remaining in the Trust. TCOH has seen other health insurance coalitions fail as the best groups are cherry-picked off by commercial carriers.

Scott Giles stated he believes this proposed change will put the Trust in the best possible position to grow the Trust with new districts. Scott noted that even though the Trust has had extremely low rate increases over the last several years, it has still lost a number of districts. Tom Dahncke reiterated that changes in the insurance marketplace require the Trust to act proactively to make

changes to keep the Trust strong and stable for the future. Matt Klosterman advised that the Benefits Committee may have additional recommendations for consideration by the Board of Managers at the meeting in May.

Louis Obernuefmann (Belle Valley) made a motion, seconded by Brian Charron (Waterloo), to adopt the recommendation of the Benefits Committee to offer the new high deductible plan with mark to market pricing effective January 1, 2016. The motion carried with no votes opposed.

Ruth Hays distributed copies of a proposed Third Amendment to amend the Funding Agreement to authorize setting premiums for the new high deductible plan separately for each employer on a non-uniform basis. Louis Obernuefmann (Belle Valley) made a motion, second by Matt Stines (Grant), to adopt the Third Amendment. The motion carried with no votes opposed.

Tom advised that districts that wish to consider adopting the new high deductible plan as of January 1, 2016 should contact Tom or Leo for further information and analysis.

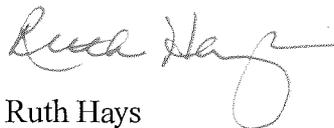
III. NEXT MEETINGS AND ADJOURNMENT:

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

- Wednesday, December 2, 2015
- Wednesday, March 23, 2016
- Wednesday, May 11, 2016

There being no further business, the meeting was adjourned.

Respectfully submitted,



Ruth Hays

ATTENDANCE
October 23, 2015

Advisors and Guests:

Meritain – Karen Giles, Scott Giles
Trust Consultants – Tom Dahncke, Leo Hefner
Husch Blackwell LLP – Ruth Hays
Teachers Coalition on Health – Jim Baxter and Gary Wright
Bushue HR – Travis Bushue

District Representatives: 30 representatives from the following 24 districts signed in for the meeting.

Belle Valley #119 – Louis Obernuefemann
Belleville #118 – Matt Klosterman
Belleville #201 – Jeff Dosier, Rich Hodson,
 Brian Mentzer
Benton HS #103 – Aaron Mattox
Brownstown #201 – Adam Bussard
Centralia City Schools #135 – Mike Middleton
Fairfield #112 – Diana Zurliene
Flora #35 – Joel Hackney
Freeburg #77 – Diane L. Schaefer
Grant #110 – Matt Stines
Harmony-Emge #175 – Pam Leonard,
 Dennis O’Neill
Jersey #100 – Mary Schell
Mascoutah #19 – Craig Fiegel, Frank Williams
New Athens #60 – Shelley Fizer
Patoka #100 – David Rademacher
Richland County #1 – Larry Bussard
Salem HS #600 – Brad Detering
Selmaville #10 – Nancy Jansen
Signal Hill #181 – Suzette Lambert
South Eastern Special Ed. – Lori Davis
Wabash #348 – Cindy Bishop
Waterloo #5 – Brian Charron
West Washington #10 – Rebecca Krueger
Wolf Branch #113 – Amber Reynolds, Scott
 Harres, Cathy Wilson