

EGYPTIAN AREA SCHOOLS EMPLOYEE BENEFIT TRUST
BOARD OF MANAGERS MEETING NOTES
CARLYLE, ILLINOIS
May 6, 2015

I. CALL TO ORDER:

A meeting of the Board of Managers of the Egyptian Area Schools Employee Benefit Trust was held on Wednesday, May 6, 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 97 people in attendance, including 85 representatives from 71 districts and 12 advisors and guests.

The notes of the Board of Managers meeting of March 25, 2015 were approved as submitted.

II. FINANCIAL REPORT:

Tom Dahncke reported that cash flow was negative in February by about \$845,000, positive in March by \$264,000, and positive in April by almost \$1 million. May and June are both expected to be negative, with five payment dates in May and all large claims will be paid in June before the end of the stop loss contract year. As of July 1, 2014, the beginning of the current fiscal year, the Trust had a positive fund balance of \$2.155 million. By the end of April this year the fund balance was negative by about \$500,000 and is expected to drop further by the end of June. Tom noted that the Trust has had negative fund balances for short periods from time to time over the course of its history. With the proposed 5% rate increase, the hope is to be able to maintain the fund balance at break even. The actuaries believe this is lowest feasible rate increase. It follows rate increases of 3.4% two years ago and 2.5% last year. Tom stated that the average annual rate increase over the past 12 years has been 6%.

Chad Staffko from Regions reported that the Trust had about \$8.6 million in the investment account, of which \$8.5 million is invested in government agencies, with the balance in cash. The current yield is 1.54%. Regions is keeping maturities very short in the hope that interest rates will pick up and generate more yield.

III. BUSINESS ITEMS:

A. Report of Actuary – Optum.

Jim Drennan reported that Dan Pribe left Optum for other employment. Jim introduced Mike Rasmussen who will be assuming primary responsibility for the Trust's actuarial work. Mike has worked with Jim on a number of Trust projects in prior years so is very familiar with the Trust.

B. Report of Benefits Committee.

Matt Klosterman reported that the Benefits Committee worked very hard this year and is making more than the usual number of recommendations.

Premium Rates. Matt advised that the Committee recommends an across the board rate increase of 5%. The specific rates were stated in the Memo distributed to districts describing the Committee recommendations. Matt explained that the recommended rate increase of 5% is tied to the recommendation that the Board approve a change in the PPO provider network.

Network Recommendation. Matt reminded members that he reported last year and earlier this year that the Committee was considering other network options. The Committee retained a consultant from Optum to prepare a formal RFP and perform a detailed financial analysis of proposals from HealthLink and Coventry/Aetna. Matt stated that HealthLink has been an excellent long-term partner of the Trust and the decision to consider other options was not in any way a reflection on HealthLink's services. However, based on the information provided, the Committee believes that a move to Coventry will result in significant savings for the Trust and Trust members. If the Board decides not to adopt the recommendation to change networks, the Committee estimates conservatively that an additional 4% rate increase, or a total increase of 9%, will be required.

Matt introduced Frank D'Antonio and John Otten from Coventry. Frank explained he had been with Coventry and its predecessor for 18 years. Coventry was acquired by Aetna two years ago so Meritain is now its sister company. This is why Coventry can now make its network discounts available to plans for which Meritain pays claims.

Frank explained that Coventry's self-funded membership in Illinois has expanded. Coventry has many state and other public employer groups and union groups in Illinois, in addition to individual employers. The volume of claims allows Coventry to drive deeper discounts. In addition to Coventry's concentration in Illinois and Missouri, the affiliation with Aetna gives Trust members very broad access to Network providers nationwide, including prominent facilities such as the Mayo Clinic and Vanderbilt University. If the Benefits Committee recommendation is adopted, the new ID cards will show Coventry as the Network in Illinois and Missouri and Aetna Choice POS II as the Network in all other states. The other service providers will remain the same: Meritain will process and pay claims, Care Coordinators by Quantum Health will continue to provide customer service, utilization review and case management services, and Scrip World/CVS will continue to manage the prescription drug card program.

Frank stated that there is about 96% overlap of physicians in the Coventry and HealthLink networks. Coventry has been working very hard to encourage physicians used by Trust members to join the Coventry network and has succeeded in bringing many in. The Trust has about \$1 million in claims from physicians who are not in HealthLink but are in the Coventry and/or Aetna Networks. Members will be able to check the Network status of their doctors and other providers from a link on the Trust's website. Details about how to access that information will be distributed following the meeting if the recommendation is approved.

Matt stated that over the years the Benefits Committee has been extremely sensitive to the issue of provider disruption in considering possible network changes. However, the potential savings are so compelling this year that the Committee concluded it was appropriate to recommend the change. Matt explained that the consultant and the Committee did a very thorough analysis of potential provider disruption, identifying providers that are in the HealthLink network but not in

Coventry/Aetna. As Frank indicated, Coventry has been reaching out to these providers to try to bring them into the Coventry network.

Leo Hefner explained that unlike HealthLink's two Network benefit levels, Tier 1 and Tier 2, the proposed new arrangement with Coventry/Aetna will have only one Network tier and all Network claims will be paid at the higher Tier 1 benefit level. This should benefit members who have been using HealthLink Tier 2 providers. There will also be only one Non-Network benefit level instead of Tiers 3 and 4 with HealthLink. The Non-Network benefit level will correspond with the current Tier 3 benefit level, but with somewhat higher deductibles and out of pocket maximums to encourage members to use Network providers. Karen Giles explained that with this change Network and Non-Network charges will be accumulated separately toward the Network and Non-Network Deductibles and Out of Pocket Maximums. Ambulance charges and all ER charges will count toward the Network limits.

In response to a question from a member about the letter HealthLink sent to districts questioning the Committee's recommendation to change networks, Matt explained that the Committee gave HealthLink every opportunity to provide information to support its position that its discounts were comparable to or better than those available through Coventry/Aetna. The Committee even scheduled an extra meeting to allow HealthLink to provide additional information and make another appearance before the Committee. Tom Dahncke advised that the information HealthLink provided was inconsistent and did not support its claims. The consultant performed a very detailed analysis and still concluded that the move to Coventry/Aetna is expected to provide the Trust with additional savings of 4% or more.

John Otten advised that Coventry/Aetna is willing to commit to a three-year contract with the Trust, but with the option for the Trust to terminate the arrangement any time after one year by providing notice a specified period in advance.

Matt stated that another recommended change which is tied to the change in networks is to cover all in-network independent lab services at 100%. The 100% benefit is currently limited to LabCard labs but this benefit will be expanded since Aetna and Coventry have very good discounts with other independent labs as well.

In summary, Matt explained that the following specific recommendations made by the Committee are bundled with the recommended change in the Network:

- Change from four benefit Tiers to one Network and one Non-Network benefit level;
- 100% lab benefit at all independent Network labs;
- 5% rate increase.

Temporary Moratorium on Plan E-1. Matt explained that the Committee is recommending a temporary moratorium on offering Plan E for districts not already in Plan E. The Benefits Committee will meet again later in the month and a special Board of Managers meeting may be called to make decisions about Plan E.

Eliminate Plan A. Matt explained that the Committee recommends eliminating Plan A effective September 1, 2017. He noted that at this time only about 25% of Trust members are in Plan A and

enrollment in that Plan has steadily decreased. Plan A is at the most risk of being subject to the Affordable Care Act “Cadillac tax” which is scheduled to become effective in 2018. Ruth Hays explained that this is a tax on high cost health benefit plans. The tax is imposed on insurers and plan administrators who will pass the costs on to employers. The Committee believes two years advance notice is important to give districts plenty of time to plan for the elimination of Plan A.

Specialty Drug Copays. Matt explained that the Trust currently charges members an additional 3% of the ingredient cost for injectable specialty drugs. As more specialty drugs are now available in oral form but are still very high cost, the Committee recommends adopting uniform member cost-sharing for all specialty drugs, both oral and injectable. The Committee recommends making this change effective September 1, 2016. In addition, the Committee recommends capping the member cost for any specialty drug at \$150 per month, effective September 1, 2015.

Recommended Plan Language Changes. Ruth Hays explained that the Committee recommends three changes in Plan language.

- **Workers’ Compensation Leave.** The Plan limits employees to a maximum of 12-months of regular coverage while on an approved leave of absence for any reason. After 12 months, the employee must be converted to COBRA coverage even if the employee’s employment has not terminated. The Committee recommends clarifying the Plan language to make clear that this rule applies to employees on leave for workers’ compensation in the same manner as any other leave.
- **Allow Participants to Change Plans when Adding a Dependent Mid-year.** To comply with certain regulations under HIPAA, the Committee recommends allowing participants (and all covered family members) to change to a different Plan option (A, B, C or HDHP) if they add a dependent mid-year due to a special enrollment or qualifying change in status event.
- **Allow Participants to Revoke Coverage Due to Marketplace Special Enrollment.** The Committee recommends allowing participants to drop coverage under the Plan if they have an event that allows them to enroll for marketplace coverage mid-year, provided that the participant and covered family members actually enroll for other coverage through the marketplace or other private health insurance. Section 125 plans may permit an election change in this circumstance only if the individuals enroll in marketplace coverage (not private health insurance). Districts with Section 125 plans should contact their advisers before allowing employees to revoke salary reduction elections to move to private insurance plans outside the marketplace.

Increase the Withdrawal Notice Period to 60 Days. Ruth explained that the Committee recommends increasing the advance notice period for withdrawals from 30 to 60 days.

Changes in Voluntary Products. Scott Giles explained the recommendations of the Benefits Committee with respect to the dental, vision and life insurance plans, all effective September 1, 2015.

- **Dental Benefits.** Scott stated that the Committee recommends moving the voluntary dental program from Delta Dental to Ameritas. Ameritas is offering lower premium rates than the Delta Dental renewal quote along with eliminating the \$50 deductible for

preventive dental services. Ameritas will not require new applications. Members currently enrolled will be automatically enrolled in the corresponding dental plan with Ameritas unless they elect to make changes during open enrollment.

- **Vision Benefits.** Scott explained that the Committee recommends moving the voluntary vision program from Uniview to VSP through Ameritas. VSP includes a Lasik benefit.
- **Life Insurance Benefits.** Scott stated that the current life insurance carrier, Lincoln Financial, proposed a 50% rate increase, from \$1.20 to \$1.80 per \$1,000 in coverage. The Committee recommends moving to Dearborn National at a rate of \$1.00 per \$1,000 for the basic life coverage with a four year rate guarantee. Scott explained that the basic life rate applies only if the district pays the cost of the basic life coverage. If the district requires employees to choose and pay for basic life, the premium for that coverage will be the age-banded premium rates for voluntary life insurance. Those rates will remain the same as the current rates for voluntary coverage over the basic coverage.

Following discussion, Craig Fiegel (Mascoutah) made a motion, seconded by Jan Bush (Murphysboro), to adopt all the recommendations of the Benefits Committee. Matt reminded members that each district is entitled to cast only one vote. The motion carried.

Matt thanked the members of the Benefits Committee and consultants for the considerable time and effort spent this year in coming to these recommendations.

C. Election of Officers and Executive Committee.

Tom Dahncke recommended the re-election of Jeff Dosier as Chair and Matt Klosterman as Vice chair for additional two-year terms. In addition, the following individuals were nominated to serve new three-year terms on the Executive Committee: Michael Smith (Tuscola), Robin Brooks (Selmaville #10), Terry Gibbons (Mascoutah #19), Matt Klosterman (Belleville #118), Robin Becker (Germantown #60), Mike Middleton (Centralia #135), Jan Bush (Murphysboro), Bill Fritcher (Teutopolis).

On motion made and seconded, all of the nominees were elected.

Matt Klosterman acknowledged the following long-time members of the Board of Managers who are retiring this year and thanked them for their service to the Trust: Les Stevens (North Greene), Kelly Stewart (Benton High School), Wendy Davis (Nashville #99).

Karen Giles reminded members about the Bookkeeper/Administrator meetings scheduled for July. She strongly encouraged all districts to send at least one representative as detailed information will be discussed about all of the changes. Additional information will be provided in the newsletter and a notice to districts about the changes approved by the Board.

Leo Hefner reminded members that a special meeting may be held later in the summer to discuss opening up Plan E to additional districts.

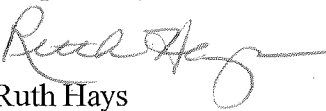
IV. NEXT MEETINGS AND ADJOURNMENT:

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

- Wednesday, May 6, 2015
- 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
May 6, 2015

Advisors and Guests:

Meritain – Karen Giles, Scott Giles
Coventry – Frank D’Antonio, John Otten
American Fidelity – Caleb Wilson
Optum Insight – Jim Drennan, Mike Rasmussen
Trust Consultants – Tom Dahncke, Leo Hefner
Husch Blackwell LLP – Ruth Hays
Regions Bank – Chad Stafko
Bushue HR – Travis Bushue

District Representatives: 85 representatives from the following 71 districts signed in for the meeting.

Altamont #10 – Susan Janz, Melanie Thornton	Kaskaskia Special Ed #801 – Jessie Winkeler, Charlene Smith
Arthur #305 – Kenny Schwengel	Marissa #40 – Jane Schaeffer, Sherry Koch
Bartelso #57 – R. Dane Gale	Martinsville #3 – Jill Rogers
Beecher City #20 – Scott Cameron	Mascoutah #19 – Craig Fiegel
Belleville #118 – Matt Klosterman, Leanne Meadows-Rahe	Meridian #101 – David H. Rademacher
Belleville #201 – Jeff Dosier	MidState Special Ed. – Brenda Patrick
Benton HS #103 – Kelly Stewart	Monroe Randolph County ROE #45 – Tricia Bockhorn, Linda Schmidt
Bond County #2 – Jennifer Mitchell	Mount Vernon City Schools #80 – Linda Crusier, Mike Green, Aletta Lawrence
Brownstown #201 – Adam Bussard	Mulberry Grove #1 – Brad Turner
Carlyle #1 – Joe Novsek	Murphysboro #186 – Jan Bush, Barb Helfrich, Brett Sutphin
Carmi-White County #5 – Brad Lee	Nashville #49 – Michael Brink
Central City #133 – Julie Beasley	Nashville #99 – Wendy Davis
Centralia City Schools #135 – Mike Middleton	North Greene #3 – Les Stevens, Marge Anderson, Mark Scott
Cerro Gordo #100 – Brett Robinson	Oakland #5 – Lance Landeck
Cobden #17 – Aaron Mattox	Oblong #4 – Jane Attaway
Dieterich #30 – Cary Jackson	Pana #8 – David Lett
Dongola #66 – Joni Lewis	Panhandle #2 – Tammi Mixen
East Alton – Wood River #14 – Kevin Gockel	Paris #4 – Lorraine Bailey
East Richland #1 – Larry Bussard	Pinckneyville #50 – Tim O’Leary
Eastern Illinois Special Ed – Tony Reeley	Pope County #1 – Chuck Bleyer
Edwards County #1 – David Cowger	Prairie du Rocher #134 – Tom Springborn
Fairfield #112 – Diana Zurliene	Salem HS #600 – Brad Detering
Freeburg HS #77 – Diane Schaefer	Sandoval #501 – Lisa VonderHaar
Grayville #1 – Marlene Williams	Sesser-Valier #196 – Jason Henry
Hamilton County #10 – Jeff Fetcho	Shawnee #84 – Shelly Clover-Hill
Harmony-Emge #175 – Pam Erickson	Signal Hill #181 – Suzette Lambert
JAMP Special Ed. – Lee Ann Krempasky	
Jasper County #1 – Dan Cox	
Jersey #100 – Mary Schell	

South Central #401 – Ginny Keen
South Eastern Special Ed. – Lori Davis,
Jill Keller-Weems
St. Clair ROE – Annabelle Gillespie
Stewardson-Strasburg #5A – Michele
Vonderheide
Teutopolis #50 – Bill Fritcher
Trico #176 – Jackie Smith, Cathy Lindner
Tri-County Special Ed – Renee Evans
Tuscola #301 – Michael Smith
Valmeyer #3 – Eric Frankford
Vandalia #203 – Lori Meseke
Wabash #348 – Cindy Bishop
Wesclin – Paul Tockstein
West Washington #10 – Rebecca Krueger,
Melinda Albers
Whiteside #115 – Peggy Burke
Winchester #1 – David C. Roberts
Wolf Branch – Amber Reynolds