

**EGYPTIAN AREA SCHOOLS EMPLOYEE BENEFIT TRUST  
BOARD OF MANAGERS / EXECUTIVE COMMITTEE MEETING NOTES  
CARLYLE, ILLINOIS  
SEPTEMBER 28, 2011**

**CALL TO ORDER:**

A joint meeting of the Executive Committee and Board of Managers was held on Wednesday, September 28, 2011, at Governor's Run in Carlyle. Chairman Jeff Dosier called the meeting to order at approximately 10:00 a.m. Jeff appointed vice chairman Matt Klosterman as Secretary to record the minutes of the meeting in Ruth Hays' absence. Jeff asked attendees to introduce themselves. Roll call showed 77 people in attendance, including 65 representatives and 12 advisors.

The notes of the joint Board of Managers/Executive Committee meeting of May 4, 2011 were approved as submitted.

**FINANCIAL REPORT:**

Tom Dahncke reviewed the statement of changes for the Trust's fiscal year ending June 30, 2011. During the month of June, claims and expenses exceeded revenue by over \$5.3 million. The Fiscal Year ended with a negative fund balance of an unaudited \$11,548,585. That amount included an increased Incurred But Not Reported Claims Reserve of \$2 million, bringing the total IBNR to \$12,500,000. The expenses of operating the Trust continue to be very low, representing less than 4% of costs.

Tom explained that over its 27-year history the Trust has had four brief periods with deficit fund balances. The goal is to maintain a positive fund balance, with reserves at least sufficient to cover incurred but not reported claims (IBNR). At this point, however, the IBNR is not fully funded, and districts which seek to leave Trust membership are required to pay their fair share of what they helped create in the form of their withdrawal liability. Karen Giles noted that the Trust expects to receive reimbursements from the stop loss carrier which will partially offset some of the deficit. Tom also noted that the increase in the deficit is due in part to the fact that in June, Jim Drennan increased the reserve required for the IBNR from \$10.5 to \$12.5 million to reflect the growth in Trust membership. At the end of June, the Trust had 11,212 employee and retiree members (not including dependents). Five districts have left Trust membership and three new districts have joined effective September 1 and October 1.

Tom stated that claims in July and August also exceeded revenues; however those financials are not yet published. With the increased premiums, September was expected to be a positive month financially. Jim Drennan reported that there is some positive news. While claims are still going up, the rate of increase has slowed to about 7% in recent months.

Chad Stafko from Regions Morgan Keegan Trust reported that the Trust had approximately \$1.1 million in investment assets with all investments of Triple A credit quality. Chad expects the Federal Reserve will continue to keep interest rates low.

## **BUSINESS ITEMS:**

### **A. Report of TPA Services – Meritain Health.**

Karen Giles reported that the fall newsletter would be on the Trust's website soon. The newsletters are sent by e-mail to districts and posted on the web. Karen asked members to be sure newsletters are distributed to Trust members or at least notify members that they can access the newsletters at the website. Karen also reported that Plan Documents would be shipped next week.

Karen also reviewed the summer Bookkeeper meetings where 132 districts participated. Important topics reviewed included the implementation of electronic submission of premiums, effective with the November 2011 payment cycle; the limitation of eligibility changes to no more than 60 days and the plan to have districts certify employee status and coverage bi-annually.

Karen stated that new ID cards would be issued in early November. The new cards are required because of the change to a new claims processing program. The new medical benefit ID cards will be sent directly to members. Members will also have to re-enroll in the MyMeritain website in order to be able to view their claims on-line.

### **B. Report of Prescription Card Services**

Jessica Renfeldt reported on the ongoing negotiations between ExpressScripts and Walgreens. That contract is up effective December 31, 2012. Currently some 972 Egyptian Trust members use Walgreens services, about 5% of the Trust's 18,000 members. Jessica also reported on several drugs which will lose patent soon and will have generics available.

Generic utilization was up for the past year from 73.2% to 77.4%, a very good increase. Members will have to re-enroll in the ExpressScripts website as well due to the new member ID numbers.

### **C. Report of Voluntary Dental Program – Delta Dental**

Deb Ulmer reported everything seems to be going well with their programs and services. New ID cards will not be issued unless there are significant individual changes for covered members. Deb urged members anticipating major services to have their dentist submit a predetermination of covered costs estimate so members are not surprised by high cost services.

### **D. Report of PPO Services – HealthLink.**

Susan Lehne reminded members that they should be receiving HealthLink's e-house-calls, with useful information to encourage members to take responsibility for their own health. She will be happy to print copies and make them available to districts. Susan also urged members individually and as districts to develop wellness programs to help avoid and minimize costly medical services and medications. Richland Memorial Hospital was reported as having renewed their contract with HealthLink.

D. Report of Actuarial Services – OptumInsight Consulting

Jim Drennan noted that when service providers negotiate with their contractors and try to keep cost increases in line with inflation, it ultimately saves the Trust money and helps keep premium increases lower overall. Health Care Reform has had some impact on the Trust, but not nearly as much as it will a couple of years from now when it is fully implemented. Jim noted that many in Congress are seeking significant changes in the legislation, so the Trust, just like commercial insurance companies will need to wait the results of those negotiations. Jim also noted that health care costs nationally continue to outpace inflation by significant margins on average; however, actual claims experience continues to drive premium increases for care.

E. Report of Flexible Benefits and 403b Administration – American Fidelity

Kim Pugliese, who has returned to manage the state of Illinois for American Fidelity, introduced Elizabeth Rogers, who will manage all enrollments for Illinois. Kim also introduced David Hefner, who will be calling on prospective new districts. Elizabeth and David will attend future Egyptian Trust meetings. Kim handed out information about 403b audits which the Internal Revenue Service is conducting on school districts throughout the country. Kim's advice was for districts to make certain they were in compliance with IRS regulations.

F. Report of Benefits Committee

Matt Klosterman reported on the first meeting of the Benefits Committee, which will continue to meet throughout the year leading up to the Trust's May 9, 2012 Managers meeting where recommendations will be presented for the following plan year. Matt first reviewed a recommendation by the committee to change the late payment of premium penalty from the current 10% amount to a new methodology where premiums that arrived late (after the 5<sup>th</sup> of the month) by less than 7 days would be charged a penalty of 1%. Premiums late by 8 to 14 days would be charged 2% and premiums which were late 15 days or more would be charged 5%. It was the committee's recommendation that these penalties actually be implemented since the new implementation of electronic payment of premiums should allow all districts to have their premiums in on time. There would be an appeals process to the Executive Committee should a district have unforeseen and extenuating circumstances. A motion was made and seconded to approve this new policy and was approved by voice vote.

Matt also reviewed and re-emphasized the establishment of the 60 day time period for retroactive adjustment of employee and/or dependent enrollment status and the plan to bi-annually certify employee status and coverage.

Jeff Dosier then reviewed a proposed and recommended change to the Liability for Partial Withdrawal policy. It was noted that this policy was adopted in 1987, but has never been implemented. The proposed policy change is being made to prevent districts which are considering leaving the Trust from "Gaming" the current withdrawal liability policy. The policy states:

4.3: Liability for Partial Withdrawal. If at any time for any reason, including but not limited to election by employees to participate in another employer-sponsored group health plan, a

Participating Employer experiences a significant decline in the number of its employee Participants, such Participating Employer may be deemed, in accordance with rules established by the Managers, to have partially withdrawn from the Trust. If such a partial withdrawal occurs while the provisions of this Section 4 are in effect, the Participating Employer shall incur a partial withdrawal liability to the Trust in an amount which shall be determined in accordance with rules established by the Managers based on the applicable rates under Section 4.4. In establishing rules for what constitutes a deemed partial withdrawal, the Managers shall give due regard to the special circumstances of Participating Employers with small numbers of Participants.

The policy goes on to enumerate what is deemed a partial withdrawal for districts with 25 or fewer employee participants and for employers with more than 25 employee participants. The most significant issue regarding this recommended change revolves around the establishment of the “Base Period” for determining the level of employee participation. The current policy utilizes the initial 6 months of district participation in the Trust. The recommended change sets the base period as the 6 month period prior to the beginning of a deficit fund balance period. The current policy would be impossible to implement since enrollment records for most districts don’t exist from more than 20 years ago. The proposed change makes sense from the standpoint that there is no full or partial withdrawal liability when the fund balance is in a positive position.

After several questions and the suggestion to wait until the December meeting to consider the matter, it was motioned and seconded to change the base period for calculating enrollment to the 6 month time period prior to any deficit fund balance period. The new policy would take effect December 31, 2011. There will also be an appeals process heard by the Trust’s Executive Committee.

Jeff also noted that the committee will continue to look at all aspects of coverage and costs to come up with recommendations for the next plan year.

Hearing no objection, Jeff also noted that the January 25, 2012 Managers meeting will be replaced by the December 7, 2011 meeting and the January meeting cancelled, since it follows so closely to the December meeting.

**NEXT MEETINGS AND ADJOURNMENT:**

The following meetings have been scheduled for the next fiscal year:

- Wednesday, December 7, 2011
- Wednesday, March 21, 2012
- Wednesday, May 9, 2012

There being no further business, the meeting was adjourned.

Respectfully submitted,

Matt Klosterman

## ATTENDANCE

September 28, 2011

Julie Beasley – Central City  
Jane Schaeffer – Marissa  
Diane Schaefer – New Athens  
Connie Woods – Panhandle  
Jason Henry – Sesser-Valier  
Terry Gibbons – Mascoutah  
John Hasten – Palestine  
Lori Davis – South Eastern Sp Ed  
Rich Wells – Vandalia  
Chuck Lane – Centralia HS  
Myra Pruemmer – Teutopolis  
Mike Green – Mt. Vernon  
James Helton – Waterloo  
Lance Landeck – Oakland  
Brett Robinson – Cerro Gordo  
Lisa Smith – Herrin  
Wanda Honey – Jonesboro  
Carol Elliot – Wood River Hartford  
Cathy Roe – Trico  
Melanie Thorton – Altamont  
Crystal Smith – ROE 12  
Mike Markus – Sangamon Valley  
John Pearson – Wood River HS  
Dan Cox – Jasper Co  
Lorraine Bailey – Paris  
Chris Long – Kansas  
Stephanie Bauza – Nashville HS  
Connie Graham – Salem GS  
Michelle Puckett – West Frankfort  
Jan Bush – Murphysboro  
Gayla Wilkerson – Salem GS  
Matt Klosterman – Belleville GS  
Deb Ulmer – Delta Dental  
Elizabeth Rogers – American Fidelity  
Jessica Renfeldt – ScripWorld / Express Scripts  
Karen Giles – Meritain Health  
Tom Dahncke – Egyptian Trust  
Jim Drennan - OptumInsight  
Denise Rushing – Marissa  
Joanie Titus – Neoga  
Lisa Vonder Harr – Sandoval  
Alison Boutcher – Mid State Sp Ed  
Brad Lee – Carmi-White County  
Lori Niemeier – Jacksonville  
Jill Keller-Weems – South Eastern Sp Ed  
Karen Saller – Flora  
Jeff Strieker – Bond County  
Brad Detering – Salem HS  
Paul Tockstein – Wesclin  
David Cowger - Edwards County  
Kenny Schwengel – Atwood-Hammond  
Michael Smith – Tuscola  
Patrick Kenney – Elverado  
Cindy Bishop – Wabash  
Kim Smithey - Jonesboro  
Becky Dimmick – Jacksonville  
Elaine Hayden- Harmony Emge  
Jeff Fritchnitch – Altamont  
Marlene Williams – Grayville  
Melinda Albers – West Washington Co  
Larry Bussard – East Richland  
Jill Rogers – Martinsville  
Leigh Ann Hettysby – Kansas  
Scott Cameron – Beecher City  
Barbi Cleary – Iuka  
Lisa Telford – Selmaville  
Donna Fager – Tri County Sp Ed  
Justin Miller - Cario  
Jeff Dosier – Belleville HS  
Chad Stafko – Regions Bank  
Susan Lehne – HealthLink  
David Hefner – American Fidelity  
Scott Giles – Meritain Health  
Leo Hefner – Egyptian Trust