

**EGYPTIAN AREA SCHOOLS EMPLOYEE BENEFIT TRUST
BOARD OF MANAGERS/EXECUTIVE COMMITTEE MEETING NOTES
CARLYLE, ILLINOIS
MAY 4, 2011**

I. CALL TO ORDER:

A joint meeting of the Executive Committee and Board of Managers was held on Wednesday, May 4, 2011, at Governor's Run in Carlyle. Chairman Matt Klosterman called the meeting to order at approximately 10:00 a.m. Matt asked attendees to introduce themselves. Roll call showed 127 people in attendance, including 114 representatives from 92 districts (listed on the last page), 12 advisors and 1 guest.

The notes of the Executive Committee meeting of March 16, 2011 were approved as submitted.

II. FINANCIAL REPORT:

Chad Stafko from Regions Bank reported that the Trust had approximately \$5.36 million in investment assets, all AAA quality US government and government backed securities, with an average yield of 3.25%. Further discussion of the financial statements was deferred to later in the meeting to be addressed in connection with the recommendations of the Benefits Committee.

III. BUSINESS ITEMS:

A. Report of TPA Services – Meritain Health.

Karen Giles reported that Aetna will acquire Prodigy Health, Meritain Health's parent company. That change in ownership is not expected to change the operations of the Trust.

Karen explained that Meritain will very shortly be sending information to districts about the ACH process the Trust will implement to allow electronic payment of premiums. She also advised that some districts have received worksheets requesting eligibility information for members with stop loss claims. The worksheets must be returned so Meritain can file the claims with the stop loss insurance company.

The annual bookkeeper/administrator meetings are scheduled for the last week in July. Karen encouraged all superintendents, administrators and bookkeepers to attend one of the meetings.

B. Report of Prescription Drug Services – Express Scripts.

Jessica Renfeldt reported that questions and issues relating to the MDN network seem to have died down. The MDN network was implemented January 1, 2011 to allow members to buy 90-day supplies of maintenance drugs at retail MDN pharmacies.

C. Report of Voluntary Dental Program – Delta Dental.

Deb Ulmer reported that almost 80% of dental claims are coming from Delta Dental network providers. This is very good participation in view of the fact that a number of schools are in outlying areas.

D. Report of PPO Services – HealthLink.

Susan Lehne invited members to contact her with questions about HealthLink or the voluntary vision plan. She can also provide districts with materials on wellness benefits, coloring books on healthy eating, pedometers and other no cost products to promote healthy lifestyles. She also encouraged members to visit the HealthLink website for access to discounts for Jenny Craig, hearing aids, and other health related resources.

Mark Haegele talked briefly about HealthLink's provider contract renewal process. HealthLink has contracts with over 400 hospitals and over 50,000 physicians. When a contract comes up for renewal, it is not uncommon that a hospital will send a termination notice as a negotiating tactic. Most contract renewals are resolved promptly. HealthLink is currently in negotiations with the BJC hospitals, the largest provider of hospital services to Trust members. In Illinois HealthLink is not offering provider increases and is focusing on negotiating better contract provisions for high dollar hospital claims. HealthLink is also trying to improve contract provisions to control the high cost of implants and to prevent hospitals from taking advantage of higher outpatient reimbursement rates by billing patients for multiple days of 23 hour observation instead of billing for an inpatient stay.

E. Report of Flexible Benefits Administration – American Fidelity.

Kim Pugliese stated she is now back in Illinois and that Elizabeth Rogers is American Fidelity's new manager for the state of Illinois. American Fidelity administers Section 125 plans and 403(b) plans for about 80% of the schools in the Trust. American Fidelity is also available to provide assistance with issues relating to the federal health care reform law.

F. Report of Benefits Committee.

Tom Dahncke reviewed the recent history of premium rate increases and claims experience. Three years ago the Trust had a rate increase of 1.5%, total assets of over \$25 million and a positive fund balance of almost \$15 million. The prior year the rate increase was 1.9%. Despite the low rate increases, in both years the Trust's premiums exceeded expenses, so the fund balance grew. Two years ago the Trust had a 6.9% rate increase and last year the Trust had a 9.9% rate increase. In both of the last two years claims exceeded premiums, with a loss of about \$12 million for the fiscal year ending June 30, 2010. For the current fiscal year, through March the Trust lost another \$3.4 million. Claims for April were high due to several large claims and five weeks of checks, resulting in a further loss of almost \$2 million. It is hoped that May will be a positive month, but June is almost always negative as Meritain makes sure all large claims are paid by the end of the stop loss contract period.

Tom noted that for five years the Trust received no stop loss reimbursement, but last year received over \$700,000 in reimbursement on large claims. Karen Giles reported that as of April 15 large claims for the current year already exceeded the stop loss corridor and Meritain knows of a number of additional large claims still to be paid, so the Trust can expect an even larger reimbursement this year. Tom noted that large claim reports from Meritain show that just 2% of members account for 42% of the Trust's claim costs.

Tom also shared information about premium rates of districts that inquired about membership in the Trust over the last three years. Ten districts were not eligible to join based on their claims experience, as reviewed by Jim Drennan. Out of 25 districts approved, 24 joined the Trust and realized significant premium savings. The average premium rates for these districts prior to joining the Trust exceeded the Trust's current year rates in the Gold Plan by 24% for employee only coverage and by 60% for family coverage. For over half of the districts the rates used in this comparison date back two or three years.

Tom also noted that many districts have changed how they share premium costs with employees. When the Trust did a survey several years ago the majority of districts paid 100% of the premium for employee coverage. Many districts now have a flat dollar limit or a percentage limit on what the district will pay. In at least 30 districts the district pays nothing and employees pay the entire cost of their coverage.

Tom stated that over the 27-year history of the Trust the average annual rate increase has been less than 7%. Over the past 8 years, including the increase recommended for the coming year, the average increase is 6.6%. While that does not make it easy to accept the recommendation for an 18% increase, it provides some perspective on the premium costs in the marketplace and the ability of the Trust over time to maintain reasonably steady rates.

Jim Drennan explained briefly how he arrived at the recommended premium rate increase. He has claims information through March 2011, representing claims incurred only through January and February, but must project those claims forward through August of 2012 when the new premium period will end. As of the meeting date, he was projecting a loss of \$6.47 million through June 2011, for a loss of about 7.3% of premium. This means the 9.9% rate increase last year was underpriced and should have been closer to 17%. Jim is assuming a 7% medical claim trend and 4% expense trend. Adding the 7.3% loss for the current year plus 7% trend and projecting that forward gets to the 17.7% rate increase he believes will be necessary to have a reasonable expectation of breaking even over the next premium period. Jim noted that the Trust's expenses remain at 3.8% of premium. Commercial insurance companies will have costs of 15% to 20% of premium, which provides a distinct advantage to the Trust. Over time this should allow the Trust to maintain lower premium rates than an insured plan.

Matt Klosterman reported that the work of the Benefits Committee this year was very difficult given the serious financial constraints on the districts and the Trust. Matt stated that the Committee is recommending as a package an 18% rate increase plus several benefit changes that are expected to result in premium savings. Other benefit changes may increase costs but are required by the federal health care reform law.

The recommended premium rates effective September 1, 2011 are as follows:

	Platinum Plan		Gold Plan		Silver Plan		Bronze Plan	
	Current	2011-12	Current	2011-12	Current	2011-12	Current	2011-12
Employee	\$536	\$632	\$484	\$571	\$418	\$493	\$356	\$420
EE + Spouse	\$1,106	\$1,305	\$998	\$1,178	\$866	\$1,022	\$732	\$864
EE + Children	\$1,068	\$1,260	\$963	\$1,136	\$835	\$985	\$719	\$848
Family	\$1,191	\$1,405	\$1,073	\$1,266	\$932	\$1,100	\$791	\$933

Matt reviewed the following benefit changes the Committee recommends to be effective September 1, 2011:

- **Increase the Office Visit Copay for Specialist Physicians from \$25 to \$40.** Specialists include all physicians other than general and family practice physicians, internists, pediatricians and gynecologists.
- **Increase Emergency Room Copay from \$200 to \$300 and Increase Member Coinsurance from 10% to 15% for Emergency Room Visits.** The Bronze Plan coinsurance will remain at 20%.
- **Increase Copay for Inpatient Hospital and Outpatient Surgery Services by \$100, from \$150 to \$250 for HealthLink Network providers (Tiers 1 and 2) and from \$450 to \$550 for Non-Network providers (Tiers 3 and 4).** No individual is required to pay more than 3 such copays in a calendar year, however, the member will have to contact Meritain to request a refund if the member is charged for more than 3 copays.
- **Pre-certification of Additional Services and Certain Chemotherapy Drugs.** The Committee recommends adopting HealthLink's standard list of services for pre-certification. The list now includes certain chemotherapy drugs, whether administered inpatient or outpatient. Matt noted that the purpose of pre-certification is not to deny benefits but to make sure these services and drugs are used as medically appropriate.
- **New Benefit - Consult A Doctor™.** This new benefit will provide members with unlimited 24/7 access to state-licensed physicians for consultation by telephone or e-mail. The program is not intended to substitute for a patient's own physicians, but offers an alternative to urgent care or emergency room care when the patient is traveling or cannot reach his or her physician. Matt stated that the Committee believes this program may result in cost savings to the Trust by avoiding unnecessary office visits and ER visits. The average plan payment for an ER visit is \$1,300. This program may help members decide whether they need to go to the ER.

Matt then asked Ruth Hays to summarize the other benefit changes that will be required to comply with changes in federal and state law. Ruth explained that the changes required to comply with the federal health care reform law will all be effective September 1, 2011.

- **Coverage of Civil Union Partners and their Children.** Effective June 1, 2011, members will be permitted to enroll same sex and opposite sex partners and their children as dependents if the partner qualifies as a civil union partner under Illinois law. This includes

couples registered as civil union partners under Illinois law and couples in same sex marriages, domestic partnerships or civil unions legally entered into under the laws of another state. The employee will be required to provide a certificate of civil union or other documentation issued under the applicable state law.

- **Coverage of Dependent Children to Age 26.** A child of an eligible employee will be eligible for coverage to age 26, regardless of the child's marital status, student status, residency, or dependency on the employee for support.
- **Elimination of Overall Lifetime Dollar Limit on Benefits.** The \$5 million lifetime limit on all benefits paid on behalf of any one person under the Plan will be eliminated.
- **Elimination of Pre-existing Condition Exclusions.** All pre-existing condition exclusions will be eliminated for all covered individuals.
- **Benefits for Alcohol and Substance Abuse Treatment.** The current lifetime and annual dollar limits on treatment for alcohol and substance abuse must be eliminated. The Committee recommends substituting the same hospital day limits and outpatient visit limits that apply for treatment of mental disorders, as follows:

Inpatient Alcohol and Substance Abuse treatment: The Plan will cover up to a total of 50 lifetime days of inpatient hospital care for treatment of all alcohol and substance abuse and mental disorders.

Outpatient Alcohol and Substance Abuse treatment: The Plan will cover up to a total of 52 outpatient visits per calendar year for treatment of all alcohol and substance abuse and mental disorders.

Ruth explained that the Plan is permitted to impose these limits because it is a nonfederal governmental plan and can elect not to comply fully with the requirements of the federal Mental Health Parity law.

- **100% Benefit for Recommended Preventive Services Provided In-Network.** A significant new benefit required by the federal health care reform law is 100% coverage, with no deductible, copay or coinsurance, of certain wellness benefits provided by a HealthLink network provider. The federal law requires 100% coverage for services that are recommended preventive services under guidelines published by the U.S. Preventive Services Task Force, the Advisory Committee on Immunization Practices of the Centers for Disease Control and Prevention and the Health Resources and Services Administration (the Guidelines). The 100% benefit will include routine annual physical exams, some routine screening tests, immunizations and counseling to promote health or prevent health problems, as prescribed in the Guidelines. A list of preventive services covered at 100% will be provided to members along with the new Schedule of Benefits.

Non-Network Preventive Services – Tier 3. Wellness services that are currently covered by the Plan will continue to be covered when provided by Tier 3 Non-Network providers on the same terms as under the current Wellness Benefit.

Non-Network Preventive Services – Tier 4. The Committee recommends amending the Plan to eliminate all Wellness Benefits for services provided by Tier 4 Non-Network providers. The rationale for this recommendation is that in the Metro St. Louis area

members can choose from many HealthLink providers so there is no need for a Tier 4 Non-Network benefit for routine non-emergency services.

Reduce the Calendar Year Benefit for Routine Diagnostic Lab and X-ray Services from \$500 to \$100. Ruth explained that many of the expenses currently covered under the \$500 Wellness Benefit will now be covered at 100% as a recommended preventive service under the federal Guidelines. However, the Guidelines do not recommend for all patients all of the routine lab tests that are commonly prescribed. Therefore, the Committee recommends allowing a benefit of up to \$100 each calendar year that can be used for any routine diagnostic laboratory and x-ray testing that is not otherwise covered as a recommended preventive service for the patient under the Guidelines.

Preventive Drugs Required under the Guidelines. The Guidelines include as recommended preventive services the following drugs:

- **Aspirin** prescribed to prevent cardiovascular disease for men age 45 to 79 with certain health risk factors and for women age 55 to 79 years with certain health risk factors.
- **Oral fluoride supplementation** prescribed for children from birth to age 5.
- **Iron supplementation** prescribed for children from birth to 12 months of age.
- **Folic acid supplementation** prescribed for women of child bearing age.

If prescribed by a physician these drugs will be covered under the prescription drug benefit. Over the counter (OTC) versions of these drugs will be added under the OTC \$0 copay program with a prescription.

- **Internal and External Claim Review Procedures.** The Plan will have new procedures to allow members whose claims are denied to request an external review from a professional independent review organization (IRO) after all internal appeals are completed.

Leo Hefner reminded members that the Trust has had a history of cycles of bad years followed by good years. During the last deficit period, districts were even asked to pay the final month's premium for one fiscal year much earlier in the year to cover claims. Leo stated that the estimated withdrawal liability at the time of the meeting was about \$600 per member. He explained that if the Trust does not have sufficient funds to pay claims, each district is liable for its pro rata share of the deficit. In retrospect, Leo noted that it might have been better to adopt larger rate increases in the years when the increases were only 1.5% and 1.9%. However, given the large fund balances in those years, it was difficult to justify and gain support for larger increases.

Brent O'Daniell (Nashville #49) made a motion, seconded by Jeff Dosier (Belleville #201), to adopt the package of premium rates and benefit changes recommended by the Benefits Committee. The motion carried, with three votes opposed.

G. Report of Nominating Committee.

Jeff Strieker reported that Matt Klosterman has served the maximum number of consecutive terms as Chair of the Board of Managers. Therefore, the Nominating Committee recommends that Vice-Chair Jeff Dosier (Belleville #201) be elected as Chair for the next two-year term, with Matt serving as the Vice-Chair.

Jeff also reported that the following members of the Executive Committee have agreed to serve new terms and that the Nominating Committee recommends their re-election: Carol Elliot (Wood-River-Hartford #15), Todd Koehl (O'Fallon #90), David Lett (Pana #8). Brent O'Daniell (Nashville #49), Tammy Steckel (Jersey #100), Matt Seaton (Red Hill #10), Alison Butcher (Mid States Special Education), Joe Novsek (Carlyle #1) and Jeff Fritchitch (Altamont #10). In addition, the Committee nominates Mike Green (Mount Vernon #80) to succeed Kevin Settle and Brad Lee (Carmi-White County #5) to succeed Keith Talley.

Tim Buss (Wabash #348) made a motion, seconded by Chuck Lane (Centralia #200), to elect all the nominees. The motion carried.

The following retiring members of the Board of Managers were recognized for their service: Kevin Settle (Mount Vernon City Schools #80) and Catherine Trampe (Joppa-Maple Grove #38).

IV. NEXT MEETINGS AND ADJOURNMENT:

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

- Wednesday, September 28, 2011
- Wednesday, December 7, 2011
- Wednesday, January 25, 2012
- Wednesday, March 21, 2012
- Wednesday, May 9, 2012

There being no further business, the meeting was adjourned.

Respectfully submitted,



Ruth Hays

ATTENDANCE
May 4, 2011

Executive Committee: The following members of the Executive Committee attended the meeting: Jeff Fritchitch (Altamont #10), Matt Klosterman (Belleville #118), Jeff Dosier (Belleville #201), Joe Novsek (Carlyle #1), Mike Middleton (Centralia #135), Becky Dimmick (Jacksonville #117), Tammy Steckel (Jersey #100), Alison Boutcher (Mid-State Special Education), Kevin Settle (Mount Vernon #80), Jan Bush (Murphysboro #186), Brent O’Daniell (Nashville #49), Michael Smith (Oakland #5), David Lett (Pana #8), Matt Seaton (Red Hill #10), Gayla Wilkerson (Salem #111), Lisa Telford (Selmaville #10), Bill Fritcher (Teutopolis #50), Rich Well (Vandalia #203), James Helton (Waterloo #5), David Daum (Wesclin #3), Michelle Puckett (West Frankfort #168), Carol Elliott (Wood River-Hartford #15).

Board of Managers: 114 representatives (including Executive Committee members listed above) from the following 92 districts attended the meeting.

Altamont #10	Grayville #1
Beck Area Career Center	Harmony-Emge #175
Belle Valley #119	High Mount #116
Belleville #118	Houghton #29
Belleville #201	Jacksonville #117
Belleville Area Special Services	JAMP Special Ed. Services
Benton #103	Jasper County #1
Bond County #2	Jasper #17
Breese #12	Jersey #100
Brownstown #201	Jonesboro #43
Cairo #1	Joppa-Maple Grove #38
Capitol Area Career Center	Kansas #3
Carlyle #1	Marissa #40
Carrolton #4	Marshall #C-2
Central #104	Martinsville #C-3
Central City #133	MidState Special Ed.
Centralia City Schools #135	Mount Vernon #80
Centralia #200	Mt. Olive #5
Cerro Gordo #100	Murphysboro #186
Cobden #17	Nashville #49
Coulterville #1	North Greene #3
Dieterich #30	North Wayne #200
Dupo #196	Oakland #5
East Alton-Wood River #14	Oblong #4
East Richland #1	Palestine #3
Eastern Illinois Area Special Ed.	Pana #8
Edwards County #1	Panhandle #2
Elverado #196	Paris #4
Fairfield #112	Pinckneyville #50
Flora #35	Red Bud #132

Red Hill #10
ROE #45
Salem Elementary #111
Salem HS #600
Sandoval #501
Sangamon Valley #9
Selmaville #10
Sesser-Valier #196
Shiloh #85
Signal Hill #181
South Eastern Special Ed.
St. Clair County ROE #50
St. Libory #30
St. Rose #14-15
Stewardson-Strasburg #5A
Teutopolis #50
Trico #176
Tri County Special Ed.
Valmeyer #3
Vandalia #203
Wabash #348
Waltonville #1
Waterloo #5
Wayne City #100
Wesclin #3
West Frankfort #168
West Washington #10
Whiteside #115
Winchester #1
Wolf Branch #113
Wood River-Hartford #15
Zeigler-Royalton #188