

**EGYPTIAN AREA SCHOOLS
EMPLOYEE BENEFIT TRUST**



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Fairview Heights, IL 62208*

Consultants

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DATE: October 28, 2010
TO: All Board of Managers Members, District Superintendents and Bookkeepers
FROM: Matt Klosterman, Chair, Jeff Dosier, Vice-Chair
Tom Dahncke and Leo Hefner, Consultants to the Trust
RE: November 8, 2010 Board of Managers Meeting

The next meeting of the Executive Committee and Board of Managers of the Egyptian Trust will be held on Monday, November 8, 2010 beginning at 10:00 a.m. at Governor's Run Golf Course, Carlyle, IL. The agenda is included with this memo. All Egyptian Trust school districts, cooperatives and ROE's are urged to send a representative from their organization.

The main purpose of the meeting will be to consider a possible alternative to the prescription card program as requested at the last Board of Managers meeting in September. A memo explaining that possible alternative is included with the agenda.

Unless there are objections, this meeting will replace the December 1, 2010 Board of Managers meeting.

Questions and comments regarding the agenda or meeting notice should be directed to Tom Dahncke at **tdahncke@charter.net** (618-791-5541) and/or Leo Hefner at **lhefner@htc.net** (618-973-8221).

**EGYPTIAN AREA SCHOOLS
EMPLOYEE BENEFIT TRUST
JOINT MEETING**

EXECUTIVE COMMITTEE

And

BOARD OF MANAGERS

Monday, November 8, 2010

10:00 a.m.

Governor's Run Golf Course
Carlyle, Illinois

AGENDA

1. Call to order
2. Approval of minutes: September 22, 2010
3. Financial Reports
4. Business Items
 - A. Report of TPA services: **Meritain Health – Karen Giles**
 - B. Report of prescription card services: **Express Scripts – Rob Herberholt**
 - C. Report of network services: **HealthLink – Susan Lehne**
 - D. Report of actuarial services: **Ingenix Consulting – Jim Drennan**
 - E. Report of legal services: **Husch Blackwell LLP – Ruth Hays**
 - F. Report of flexible benefits & 403b administration: **American Fidelity**
 - G. Report of Benefits Committee: **Matt Klosterman**
 - H. Report of consultants: **Tom Dahncke and Leo Hefner**
 - I. Any other business which might come before the Board of Managers
5. Future Meeting Dates: 2010-11
 - Wednesday, January 19, 2011
 - Wednesday, March 16, 2011
 - Wednesday, May 4, 2011

6. Adjournment

EGYPTIAN AREA SCHOOLS EMPLOYEE BENEFIT TRUST

OFFICERS

JULY 1, 2010 – June 30, 2011

Chairman: Matt Klosterman

Vice Chairman: Jeff Dosier

EXECUTIVE COMMITTEE MEMBERS

JUNE 30, 2011

Carol Elliot	Wood River – Hartford #15
Todd Koehl	O'Fallon #90
David Lett	Pana # 8
Brent O'Daniel	Nashville #49
Kevin Settle	Mt. Vernon #80
Tammy Steckel	Jersey #100
Keith Talley	Carmi-White County #5
Matt Seaton	Red Hill #10
Alison Boutcher	Mid States Special Ed
Joe Novsek	Carlyle
Jeff Fritchtnitch	Altamont

JUNE 30, 2012

Michael Smith	Oakland #5
Lisa Telford	Selmaville #10
Sam McGowen	Mascoutah #19
Matt Klosterman	Belleville #118
Robin Becker	Germantown #60
Michelle Puckett	West Frankfort #168
Becky Dimmick	Jacksonville #117
Mike Middleton	Centralia #135
Jan Bush	Murphysboro
Bill Fritcher	Teutopolis

JUNE 30, 2013

Ken Schwengel	Atwood Hammond
Diana Adams	Sandoval #501
Jeff Dosier	Belleville #201
Jim Helton	Waterloo #5
Travis Wilson	Arthur #305
Gayla Wilkerson	Salem #111
Rich Well	Vandalia #203
David Daum	Wesclin #3
John Pearson	Wood River HS
Chris Long	Kansas

Consultants & Contractors:

Meritain Health	Karen Giles; Scott Giles
ExpressScripts	Rob Herberholt; Michelle Boston
HealthLink	Susan Lehne
Ingenix Consulting	Jim Drennan
Husch, Blackwell LLP	Ruth Hays
Morgan Asset Management	Chad Stafko
American Fidelity	Nancee Roberson
Egyptian Trust	Tom Dahncke; Leo Hefner

TO: Board of Managers Members
FROM: Benefits Committee
DATE: October 27, 2010
RE: Prescription Card Program

At the Egyptian Trust meeting in Carlyle on September 22, the Benefits Committee was requested by those in attendance to take another look at the changes to the prescription card program that became effective September 1. In particular, the committee was asked to re-study the mail order program to see if there was some way to allow local pharmacists to be able to fill 90 day maintenance prescriptions instead of all maintenance medications being filled through mail order only, while also maintaining approximately the same level of savings that were expected with the September 1 changes. The reason for the request was twofold. First, employees in our member school districts expressed concern at being required to fill their maintenance medications through mail order only. Secondly, the local pharmacists expressed their concerns about the amount of business they would lose while pointing out that they support their local schools both financially and with time commitments, and also pointing out that they are a resource for the local employee who needs help with their medications and those who have questions.

The Benefits Committee has met twice since the Trust meeting on September 22, to consider the request. Scripworld and Express Scripts both did some additional analysis. The alternative being presented for your consideration would change the Preferred Home Delivery program adopted effective September 1, 2010 to a program that would allow 90 day maintenance prescriptions to be filled through local pharmacies that belong to the Express Scripts MDN network of pharmacies.

The earliest any change could be made is January 1, 2011 if this proposal is approved by the membership at the November 8, 2010 Board of Managers meeting. Scrip World and Express Scripts are doing an additional analysis of the proposed change to verify how it will impact the savings we expected from the September 1 changes. The preliminary analysis indicates that some savings will be lost if this change is adopted. However, by implementing the plan design changes described below we believe the cost impact may be relatively small. The additional analysis should provide us with a more definitive answer on the savings issue.

The proposed benefit design changes include:

1. All maintenance medications may be filled on a 90 day basis through mail order or the Express Scripts MDN network of pharmacies. Most of the pharmacies in our communities are already a part of the MDN network. Local pharmacies that are not part of the MDN network will have the opportunity to sign a contract with Express Scripts to join the MDN network. The MDN pharmacies agree to accept lower reimbursements from Express Scripts in order to participate in the 90 day fill program.
2. Egyptian Trust members will be able to fill the first two months of a maintenance medication at any local retail pharmacy for the normal 30 day co-pay. After the first two fills, each fill afterward will be required to be a 90 day fill at either an MDN pharmacy or through mail order. Members will not have the option of buying a 30 day supply of maintenance drugs at any retail pharmacy by paying double the normal 30 day co-pay.
3. The prescription card co-pays will be adjusted as shown below. The co-pay for a 90 day fill at the MDN pharmacy will be higher than the mail order co-pay. Currently, the vast majority of generic maintenance prescriptions are being filled on a 30 day basis, which means members are already paying three normal 30 day prescription co-pays. The proposed 90 day MDN co-pay for generic drugs is the equivalent of three 30 day retail co-pays and is needed to help offset the higher discounts the Trust receives for mail order versus the local pharmacy.

The 90 day co-pay for brand formulary and non-formulary medications will also be higher at MDN pharmacies than through mail order for the same reason. This is not any different than what most private insurance plans require. There is usually a lower co-pay for mail order 90 day prescriptions than through the local pharmacy.

If the membership votes to make this change, the co-pays that would be effective January 1, 2011 are as follows:

Platinum and Gold Plans	Retail 30 day supply (no change)	MDN Retail 90 day supply Maintenance drugs after first 2 fills	Home Delivery up to 90 day supply (no change)
Generic	\$12	\$36	\$30
Preferred Brand	\$25	\$85	\$55
Non-Preferred Brand	\$40	\$130	\$100
Injectables	Copay plus 3%	Copay plus 3%	Copay plus 3%

Silver and Bronze Plans	Retail 30 day supply (no change)	MDN Retail 90 day supply Maintenance drugs after first 2 fills	Home Delivery up to 90 day supply (no change)
Generic	\$12	\$36	\$30
Preferred Brand	\$30	\$85	\$70
Non-Preferred Brand	\$45	\$130	\$110
Injectables	Copay plus 3%	Copay plus 3%	Copay plus 3%

Set out below are the prescription drug changes that were approved effective September 1, 2010 and now in effect. This will allow you to compare the current co-pays to the proposed co-pays if the MDN program described above is approved by the membership at the November 8, 2010 meeting.

CURRENT PRESCRIPTION PLAN AS OF SEPTEMBER 1, 2010

- **Require Home Delivery (Mail Order) for Scripts over 30 Days.** The Board (a) eliminated the option of purchasing more than a 30-day supply of any prescription drug at retail pharmacies and (b) implemented a higher co-pay for purchasing maintenance drugs at retail pharmacies. Members will still be able to buy a 30-day supply of maintenance drugs at retail pharmacies, but after the first two fills, the co-pay for maintenance drugs purchased at retail will be double the normal co-pay for a 30-day supply, as shown below. Express Scripts will send targeted mailings to members who are purchasing maintenance drugs at retail in advance of the September 1 effective date.

Platinum and Gold Plans	Retail 30 day supply (no change)	Retail 30 day supply Maintenance drugs after first 2 fills	Home Delivery up to 90 day supply (no change)
Generic	\$12	\$24	\$30
Preferred Brand	\$25	\$50	\$55
Non-Preferred Brand	\$40	\$80	\$100
Injectables	Copay plus 3%	Copay plus 3%	Copay plus 3%

Silver and Bronze Plans	Retail 30 day supply	Retail 30 day supply Maintenance drugs after first 2 fills	Home Delivery up to 90 day supply
Generic	\$12	\$24	\$30
Preferred Brand	\$30	\$60	\$70
Non-Preferred Brand	\$45	\$90	\$110
Injectables	Copay plus 3%	Copay plus 3%	Copay plus 3%

**EGYPTIAN AREA SCHOOLS EMPLOYEE BENEFIT TRUST
BOARD OF MANAGERS/EXECUTIVE COMMITTEE MEETING NOTES
CARLYLE, ILLINOIS
SEPTEMBER 22, 2010**

I. CALL TO ORDER:

A joint meeting of the Executive Committee and Board of Managers was held on Wednesday, September 22, 2010, 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 62 people in attendance, including 49 representatives from 42 districts (listed on the last page) and 13 advisors. In addition, 4 guests attended the first portion of the meeting.

The notes of the joint Board of Managers/Executive Committee meeting of May 5, 2010 were approved as submitted.

II. PRESENTATION FROM PHARMACISTS:

Matt introduced Mike Patton, Executive Director of the Illinois Association of Pharmacists, Todd Evers, pharmacist from Belleville/Collinsville, Eric Bandy, pharmacist from Salem, and Bart Caldieraro, pharmacist from Greenville.

Mr. Patton and the three pharmacists were each given an opportunity to explain their concerns about the change the Trust made effective September 1 that prevents members from buying 90-day scripts for maintenance drugs at retail and requires members to pay significantly higher copays if they choose to buy 30-day fills of maintenance drugs at retail pharmacies. Mr. Patton stated that the Association emphasizes both patient care and cost savings. He stated that national studies indicate that mail order costs are generally 7% to 18% higher than at local pharmacies. He stated he believed the pharmacists could help the Trust save over \$10 million over four years and offered to provide a consultant to advise the Trust with respect to its prescription drug contract and costs.

Mr. Evers distributed a handout focusing on the savings available from an aggressive generic program. He estimated that if the Trust could move just \$75 per member each year from a brand to generic drug the savings could exceed \$2.7 million annually. He noted that generic dispensing rates are higher at retail pharmacies, which average 71% generic fill rates compared with 58% for large pharmacy benefit managers. He predicted that by pushing members to use mail, the Trust's generic fill rate will drop and costs will rise.

Mr. Caldieraro stated that his pharmacy alone fills about \$90,000 in prescriptions for Trust members each year. He described the ways in which he and his wife have personally supported local schools by donating their time and money. He asked members to consider that the loss of dollars for local businesses means lost tax dollars for the schools.

Mr. Bandy summarized the views of the pharmacists by asking the Board to rescind the decision with respect to maintenance drugs. He reiterated that the pharmacists are willing to bring in a consultant to advise the Trust. He emphasized that there are many hidden costs to

90-day mail order programs, including a greater risk of paying for drugs that are never taken when a doctor changes a patient's medication. He also noted that community pharmacists can assure better compliance with medications.

At the conclusion of the presentation, Matt thanked the guests for sharing their concerns and excused them from the meeting.

III. FINANCIAL REPORT:

Tom Dahncke reviewed the statement of changes for the Trust's fiscal year ending June 30, 2010. He noted that at the beginning of the year, the Trust had a positive fund balance of \$10.5 million. Over the year the Trust took in \$85.5 million in premiums and interest, but paid out a total of \$98 million, ending the fiscal year with a negative fund balance of \$1.9 million. Expenses for the year included \$74.7 million in medical claims, \$1.2 million in dental claims, and over \$14 million in prescription drug claims, of which 97% were filled in retail pharmacies. Tom noted that the new mail order program applies only to maintenance drugs so members can continue to purchase acute medications at retail with no penalty. The expenses of operating the Trust continue to be very low, representing less than 4% of costs.

Tom explained that over its 26-year history the Trust has had several 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, with a deficit at the end of July of about \$3.5 million. Karen Giles noted that the Trust expects to receive about \$740,000 in 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 \$9.5 to \$10.5 million to reflect the growth in Trust membership. At the end of June, the Trust had 11,252 employee and retiree members (not including dependents). New districts have joined effective September 1 and October 1.

Tom stated that claims in August exceeded revenues by about \$230,000. Typically, November and December are positive claim months. The hope is that with the premium rate increase effective September 1 and the benefit changes effective September 1 and January 1, the decline in the fund balance will reverse. Jim Drennan reported that there is some positive news. While claims are still going up, the rate of increase has slowed to 5% to 7% compared with about 12% last year. He noted, however, that without any fund balance the Trust will not have much flexibility in setting premium rates next year.

Leo Hefner reminded districts that premiums are due the 5th of each month. Several years ago the Board adopted a 10% penalty for late payment, but the penalty has not been enforced. With the decline in the fund balance, it is more important than ever for districts to remit premiums on a timely basis. Tom and Leo will be calling districts that are late making payments and the penalty policy will be reinstated if districts do not pay timely. Tom noted that despite the drop in the fund balance, new districts have not hesitated to join the Trust. The Trust still represents an attractive alternative to 20% to 55% rate increases in insurance premiums.

Chad Stafko from Regions Morgan Keegan Trust reported that at the end of August the Trust had approximately \$6.4 million in investment assets, with \$1.2 million in mid to intermediate bonds and \$5.1 million with durations under 2 years. The current average yield is 3.35% and all investments are Triple A credit quality. Chad expects the Federal Reserve will continue to keep interest rates low.

IV. **BUSINESS ITEMS:**

A. Report from Benefits Committee.

Prescription Drug Benefit. Matt explained that he and Tom and Leo and many superintendents have fielded calls from local pharmacists objecting very strongly to the new 90-day maintenance drug program. There has also been considerable confusion among members and pharmacies about the program. Express Scripts has a separate network that allows retail pharmacies that join the network to fill 90-day scripts, but only if allowed by the patient's benefit plan. That option is not currently available to Trust members. However, some pharmacists believe the fact that they have agreed to participate in the 90-day retail network means they can fill 90-day scripts for Trust members.

Matt stated that normally the Benefits Committee does not meet before the September meeting. However, given the confusion and the vigorous campaign mounted by local pharmacies, the Benefits Committee held a special meeting on September 8. The same representatives of the local pharmacists were invited to attend that meeting to explain their concerns about the new rules for maintenance drugs. They requested the opportunity to present their concerns to the full Board. Matt stated that at this time the Benefits Committee is not recommending any change, but will continue to review possible options with Express Scripts and Scrip World.

Leo Hefner reminded members that effective September 1, members can no longer obtain 90-day fills at retail pharmacies. A member can get two 30-day fills of a maintenance drug at a retail pharmacy for the regular 30-day copay. After the second fill, the member can still buy a maintenance drug at retail, but will pay a penalty copay of double the normal copay. Alternatively, the member can purchase maintenance drugs through mail order for the normal 90-day copay.

Doug Burgoyne, Chief Pharmacy Officer with Scrip World, provided additional information about the 90-day retail network, known as the MDN network. He explained that Express Scripts has approached its retail pharmacies offering them the opportunity to fill 90-day scripts (if the individual plan allows) but in return the pharmacist must accept lower reimbursement rates. Currently, there are about 63,000 pharmacists in Express Scripts' broader retail network and 55,000 in the MDN network. While most of the large pharmacies have joined MDN, a number of local pharmacies have not. Doug emphasized that retail pharmacies continue to have a very important role in filling acute care prescriptions. Rob Herberholt noted that about 60% of scripts filled for the Trust from January through July were for maintenance drugs. The remaining 40% were for acute medications that members can continue to fill at local pharmacies.

Doug also stated he agreed with the local pharmacy representatives that significant savings can be obtained through using generics. He noted that the Trust has had good programs in place for many years to encourage use of generic drugs. He believes the Trust's generic fill rate can go over 74%.

Several members expressed concern that the change had not been communicated to members. Some believe most members have not received any communication. Doug explained that many members received notification over the summer. Any member who fills a maintenance drug at a retail pharmacy after September 1 will also be notified about the new requirements.

Leo noted that the Trust ended the fiscal year in a worse financial position than was expected when the new premium rates and benefit changes were set in May. The rate increases were established based on assumptions about the savings that would be generated from the maintenance mail order program. Given the Trust's current financial situation, any change that could result in loss of some of the projected savings needs to be approached carefully. As a result of the changes effective September 1, members are not able to fill 90-day scripts at any retail pharmacy, including pharmacies in the MDN network. The Board of Managers would have to vote to amend the Plan to allow filling 90-day scripts at retail pharmacies. While the Benefits Committee is not recommending a change at this time, it is willing to explore this option further if there is interest among the membership. Jeff Strieker from Bond County expressed appreciation for the Committee's time and effort in exploring these issues. He and Rich Well from Vandalia asked the Committee to continue to analyze whether there is any reasonable alternative that will allow greater participation by retail pharmacies.

District-wide Plan Changes. Matt explained that some districts are negotiating with their unions over the possibility of changing plans, for example, from the Platinum to the Gold Plan. Under current Plan rules, changes between Plans are permitted only effective September 1, except the Plan allows districts to change the entire group to the Bronze Plan effective any January 1 to coincide with the IRS rules for high deductible health plans. Some districts have requested the flexibility to change to a different Plan effective January 1 so they do not have to wait until the following September to implement any negotiated change. This request was discussed at the Benefits Committee meeting but the Committee decided not to make this recommendation. However, Matt has been asked to have this issue considered by the full Board.

Jim Drennan stated that allowing this change would not cause the Trust to incur additional costs. The move would only be allowed if a district wanted to move to a less rich Plan and the entire group moved to the same Plan. This would not open up a new enrollment period for employees to make other changes.

Matt Seaton (Red Hill) made a motion, seconded by Jan Bush (Murphysboro), to allow a district to move all of its enrolled members to a less rich Plan effective as of January 1 of any year. Motion carried.

B. Report of TPA Services – Meritain Health.

Karen Giles reported that the fall newsletter would be on the Trust's website the following week. 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 Meritain has developed a new privatized portion of the website for exclusive use of school bookkeepers, superintendents and members of the Board of Managers.

Karen stated that new ID cards would be issued in late October or November. The new cards are required because of the change in the dental insurance program. Delta Dental will issue separate new dental ID cards directly to members. The new medical benefit ID cards will be sent to the districts to be distributed to members. An ID card can also be printed from the web.

C. 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 distributed the Savings Summary and Utilization Summary Report showing 92% of hospital charges are in Tier 1 hospitals.

D. Report of Flexible Benefits Administration – American Fidelity.

Nancee Roberson reported on one key change in the 2010 Health Reform law that affects medical flexible spending accounts (FSA). Effective January 1, 2011, members will not be able to obtain reimbursement for OTC drugs from an FSA without obtaining a doctor’s prescription for the OTC drug. Because of the new prescription requirements, members will not be able to use their FSA debit cards to buy OTC drugs. An attempt to use the debit card will be declined at the point of purchase.

E. Renewal of HealthLink Contract.

Matt requested approval to renew HealthLink’s contract through 2014 at a rate increase of 3% per year. Gary Allison (Belleville Area Special Services) made a motion, seconded by Carol Elliott (Wood River – Hartford) to approve the renewal. Motion carried.

V. **NEXT MEETINGS AND ADJOURNMENT:**

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

- Wednesday, December 1, 2010
- Wednesday January 19, 2011
- Wednesday, March 16, 2011
- Wednesday, May 4, 2011

There being no further business, the meeting was adjourned.

Respectfully submitted,

Ruth Hays

ATTENDANCE
September 22, 2010

Executive Committee: The following members of the Executive Committee attended the meeting: Matt Klosterman (Belleville #118), Jeff Dosier (Belleville #201), Joe Novsek (Carlyle #1), Keith Talley (Carmi-White County #5), Becky Dimmick (Jacksonville #117), Chris Long (Kansas #3), Kevin Settle (Mount Vernon #80), Jan Bush (Murphysboro #186), Brent O’Daniell (Nashville #49), Michael Smith (Oakland #5), Matt Seaton (Red Hill #10), Gayla Wilkerson (Salem #111), Lisa Telford (Selmaville #10), 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: 49 representatives (including Executive Committee members listed above) from the following 42 districts attended the meeting.

Altamont #10	Trico #176
Belleville #118	Tri County Special Ed
Belleville #201	Vandalia #203
Belleville Area Special Services	Wabash #348
Bond County #2	Waterloo #5
Carlyle #1	Wesclin #3
Carmi-White County #5	West Frankfort #168
Central #104	West Washington #10
Elverado #196	Wood River-Hartford #15
Flora # 35	
High Mount #116	
Jacksonville #117	
Jasper County #1	
Jasper CCSD #17	
Jonesboro #43	
Kansas #3	
Kaskaskia Special Ed. #801	
Marissa #40	
MidState Special Ed.	
Mount Vernon #80	
Murphysboro #186	
Nashville #49	
Neoga # 3	
North Greene #3	
Oakland #5	
Pana #8	
Paris #4	
Red Hill #10	
Salem Elementary #111	
Sangamon Valley #9	
Selmaville #10	
Signal Hill #181	
South Eastern Special Ed.	