

**EGYPTIAN AREA SCHOOLS EMPLOYEE BENEFIT TRUST
BOARD OF MANAGERS/EXECUTIVE COMMITTEE MEETING NOTES
CARLYLE, ILLINOIS
JANUARY 20, 2010**

I. CALL TO ORDER:

A joint meeting of the Executive Committee and Board of Managers was held on Wednesday, January 20, 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 50 people in attendance, including 41 representatives from 36 districts (listed on the last page) and 9 advisors.

The notes of the joint Board of Managers/Executive Committee meeting of July 7, 2009 and the Executive Committee meeting of December 2, 2009 were approved as submitted.

II. FINANCIAL REPORT:

Tom Dahncke reviewed the Statement of Changes in Net Assets for November 2009. He noted that contributions and interest income totaled about \$7.3 million for the month while medical claims were \$3.8 million. Administrative costs represent only about 3.5% of costs, compared with 15% to 25% that a commercial carrier typically requires to cover commissions, overhead, profits, taxes, etc. On a cash flow basis November was positive by about \$2.1 million and December was also positive by almost \$2 million. Tom noted that with the holidays and fewer days for paying claims, November and December are often positive months, but January will be negative. As of the end of December the fund balance was about \$9 million. Tom explained that the Trust is not required to hold any specified level of reserves, but the policy is to hold reserves sufficient to cover the IBNR (incurred but not reported claims) and some cushion over the IBNR. The Trust continues to be in very strong financial condition, but has been hit with very large claims this year. The Trust buys stop loss insurance to cover individual claims over \$275,000. In the first 6 months of the fiscal year the Trust has already had 12 individuals with claims over that limit.

Tom also reported that the draft audit for the fiscal year ending June 30, 2009 was complete and would be available for distribution at the March meeting. Contributions for the year ending June 2009 were \$74.4 million, compared with \$68 million for the prior year. Claims increased to \$72 million from \$59 million. The growth in Trust membership would account for expected claims of only \$63 million, so the jump to \$72 million represents a significant increase in claims costs.

Chad Stafko from Regions Morgan Keegan Trust reviewed the Trust's investment portfolio as of December 31, 2009. He stated that the Trust has about \$16 million in investment assets, with 39% held in cash or money market funds, 61% in fixed income investments, and an average yield of 3.51%. Regions expects interest rates to rise, so most of the investments have short term maturities. As discussed later in the meeting, Regions is also recommending certain changes in the Investment Policy Statement to broaden the permitted ranges for cash and other investments.

III. BUSINESS ITEMS:

A. Report of TPA Services – Meritain Health.

Karen Giles reported that Meritain has sent letters to all districts requesting information Meritain is required to file with CMS under Section 111 of the Medicare Extension Act. Section 111 requires Meritain, as the third party administrator, to file this information so that Medicare can determine when Medicare-eligible individuals have other group health coverage. Karen explained that districts may also receive Medicare Data Match questionnaires directly from CMS. The employers are responsible for completing and returning the Data Match questionnaires to CMS. CMS can impose penalties of \$1,000 for each employee for whom information is requested if an employer fails to respond within 30 days of receiving a request.

Karen reported that Congress recently extended the COBRA subsidy to cover employees whose employment is involuntarily terminated through February 28, 2010 and to extend the maximum coverage period to a total of 15 months. The subsidy law continues to require the employer to pay 65% of the COBRA premium and claim it as a credit against the employer's federal payroll taxes. Meritain will send the required notices to terminated employees eligible for the subsidy, but districts must make sure the reason codes are reported correctly when they notify Meritain of terminations.

Karen stated Meritain will be scheduling time to work with new bookkeepers and new districts to make sure they understand all of the requirements for reporting enrollment and other information to Meritain.

B. Report of Prescription Drug Services – Express Scripts.

Rob Herberholt reported that about 20% of the Trust's claims dollars are for prescription drugs, which is normal. The generic fill rate is now over 70%, which is very good, but Express Scripts clinicians believe it is possible to increase the generic fill rate to as high as 85%. The average generic drug costs \$22.45 at retail compared with \$166.45 for the average brand drug, so the cost advantage in switching to generics is substantial. The Trust's trend in Rx costs for the 2009 calendar year over 2008 is 8.7% after accounting for the increase in membership. Specialty drugs continue to represent about 16% of drug costs. The one metric where the Trust falls short is in home delivery, with only 3% utilization. Rob noted that the prior authorization and step therapy programs saved the Trust about \$700,000 in 2009. Rob said he will be reviewing a number of options with the Benefits Committee.

C. Report of PPO Services – HealthLink.

Susan Lehne noted that in addition to maintaining the provider networks, HealthLink handles utilization review for the Trust, including pre-certification of hospital admissions and certain outpatient services and making medical necessity determinations. Susan is also the account representative for the Trust's voluntary vision plan through Univision, a HealthLink affiliate. Susan encouraged members to nominate providers for the HealthLink network. Members should

be receiving e-HouseCalls with information on wellness topics. Members may contact Susan if they are not receiving this information.

Susan also distributed and reviewed summary reports comparing HealthLink savings and utilization for the 2009 and 2008 calendar years. In particular, she noted the increase in high dollar claims over \$50,000 from 84 in 2008 to 140 in 2009.

D. Report of Actuary – Ingenix Consulting.

Jim Drennan stated that claims for the year are higher than he projected. This may be due in part to the H1N1 flu. He noted that claims started trending up right after the new premium rates were set. He is hopeful that claims may smooth out some by spring.

E. Report of Benefits Committee.

Matt reported that the Benefits Committee would be meeting February 22 and again following the March 17 Executive Committee meeting. Members should contact Tom or Leo or Matt with any issues they would like the Committee to consider.

F. Report of Trust Consultants.

Leo Hefner reported that a new district, Elverado #196, will join the Trust effective February 1. He and Tom have meetings scheduled with other districts that are considering the Trust.

Leo recommended that the Trust adopt changes in the Investment Policy Statement recommended by Regions. Specifically, Regions recommends that (1) the outside limit on average maturity be extended from seven to 10 years; and (2) that the ranges for investment classes be expanded, so that the Trust can hold 50% to 70% in U.S. Treasuries, Agencies and Certificates of Deposit and 30% to 50% in cash equivalents. These changes will give Regions more flexibility in responding to interest rate changes.

Larry Weber (Germantown) made a motion, seconded by Dan Niemerg (Teutopolis), to adopt the changes recommended by Regions. Motion carried.

V. **NEXT MEETINGS AND ADJOURNMENT:**

The following meetings have been scheduled for the remainder of the fiscal year:

- Wednesday, March 17, 2010 – Executive Committee
- Wednesday, May 5, 2010 – Executive Committee and Board of Managers

There being no further business, the meeting was adjourned.

Respectfully submitted,

Ruth Hays

Executive Committee: The following members of the Executive Committee attended the meeting: Jeff Fritchitch (Altamont #10), Matt Klosterman (Belleville #118), Joe Novsek (Carlyle #1), Keith Talley (Carmi-White County #5), John Pearson (East Alton-Wood River #14), Larry Weber (Germantown #60), Jan Bush (Murphysboro #186), Gayla Wilkerson (Salem #111), Diana Adams (Sandoval #501), Lisa Telford (Selmaville #10), Dan Niemerg (Teutopolis #50).

Board of Managers: 41 representatives (including Executive Committee members listed above) from the following 36 districts attended the meeting.

Altamont #10
Belleville #118
Belleville #201
Belleville Area Special Services
Bond County #2
Carlyle #1
Carmi-White County #5
Dieterich #30
East Alton #13
East Alton-Wood River #14
Flora # 35
Germantown #60
Harmony Emge #175
Iuka #7
Jasper County #1
Marissa #40
Mascoutah #19
MidState Special Ed.
Mount Vernon #80
Murphysboro #186
Nashville #49
Nashville #99
O'Fallon #90
Palestine #3
Paris #4
Pinckneyville #204
Red Bud #132
Salem Elementary #111
Sandoval #501
Selmaville #10
South Eastern Special Ed.
Teutopolis #50
Trico #176
Tri County Special Ed
West Washington #10
Whiteside #115