

**EGYPTIAN AREA SCHOOLS EMPLOYEE BENEFIT TRUST  
BOARD OF MANAGERS/EXECUTIVE COMMITTEE MEETING NOTES  
CARLYLE, ILLINOIS  
MAY 5, 2010**

**I. CALL TO ORDER:**

A joint meeting of the Executive Committee and Board of Managers was held on Wednesday, May 5, 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 96 people in attendance, including 86 representatives from 69 districts (listed on the last page), 9 advisors and 1 guest.

The notes of the Executive Committee meeting of March 17, 2010 were approved as submitted.

**II. FINANCIAL REPORT:**

Chad Stafko from Regions Morgan Keegan Trust reported that the Trust had approximately \$13.3 million in investment assets, invested 60% in government bonds and agencies and 40% in cash equivalents. Regions has kept the durations very short in the expectation that interest rates will rise by 2012.

Tom Dahncke reviewed the financial statements for February 2010 reporting total assets of \$16.4 million. The Statement of Changes shows that for the fiscal year through February the fund balance has dropped by almost \$4.7 million. At July 1, 2009, the Trust had a fund balance of about \$10.5 million. Since February, the Trust lost about \$2 million in March and another \$2 million in April, leaving a balance at the end of April of approximately \$1.9 million over the amount reserved to pay incurred but not reported claims (the IBNR). May is typically a positive month, but June is typically negative as Meritain tries to pay all outstanding large claims within the stop-loss contract year. This year the Trust had an unusually high number of very large claims. Jim Drennan reviews claims on an incurred basis and has determined that shortly after rates were set in May 2009 the claim trend increased substantially, running over 20% at one point. The trend has since slowed to below 10%, but as a result of the unexpected claims the fund balance has dropped much more than was anticipated when rates were set last year.

To put the recommendations of the Benefits Committee in context, Tom explained that over the 26 year history of the Trust, the average annual rate increase has been below 7%. In the 1990's the Trust went three years with no rate increase, but then had several years with increases in the range of 19% before benefit reductions. For the past six years, the Trust has had very low increases, averaging about 4.2% annually, including years with increases of only 1.5% and 1.9%. Even if the Board adopts the equivalent of a 16.5% increase as is recommended, the seven year average would remain under 5.8%. With hindsight, it could be argued that the Trust should have adopted annual rate increases of 5% or 6% in each of the last six years, but those increases would have been difficult to justify given the very high fund balances the Trust held in those years.

Tom also noted that the Trust's rates compare very favorably with premiums Tom and Leo have seen when meeting with prospective districts with commercial insurance policies. Most districts they see have plans comparable to the Trust's Gold Plan, with a \$500 deductible and 80/20 coinsurance. For the 2009-2010 school year the Trust's Gold rate was \$440 for individual and \$976 for family coverage. Tom and Leo obtained 2009-2010 rate information for seven districts with comparable plans. The premium rates averaged 37% higher than the Trust's Gold rate for individual coverage and 78% higher for family coverage. Some plans with even greater deductibles had family rates well over \$2,000. This provides some perspective for the rate increases the Benefits Committee has recommended for the Trust.

### III. BUSINESS ITEMS:

#### A. Recommendations of Benefits Committee.

Matt Klosterman noted that Nancee Roberson from American Fidelity was in attendance and would be available to talk with members following the meeting.

Matt explained that Jim Drennan projected that the Trust would need a 16.5% rate increase to maintain a zero fund balance with no benefit changes. The Benefits Committee looked at many different options to come up with a combination of rate increases and benefit changes that would be equivalent to the recommended 16.5% rate increase. In the aggregate the recommended benefit changes are expected to generate 6.5% in savings to keep the rate increase under 10%. The Board of Managers is free to adopt or reject the Committee's recommendations. Matt noted, however, that if the Board votes to reject any of the recommended benefit changes, it will need to make up the loss with a higher rate increase or comparable savings from other changes in benefits.

***Prescription Drug Changes Effective September 1, 2010.*** Matt asked Rob Herberholt from Express Scripts to explain and answer questions about the proposed changes in the prescription drug program.

- **OTC Drugs for Heartburn.** The first recommendation is to allow over-the-counter drugs for heartburn/reflux to be purchased with the drug card with a \$0 copay to encourage members to move away from expensive brand drugs. Rob said the covered OTC drugs include Axid AR, Tagamet HB, Pepcid AC, Prilosec OTC, Prevacid OTC and Zantac. Members would need to obtain a prescription to buy these with the drug card at no cost.
- **Reduce the Generic Copay in the Silver and Bronze Plans.** The recommendation is to reduce the generic copay from \$20 to \$12 for a 30-day supply and from \$45 to \$30 for a 90-day supply. This will match the generic copay in the Platinum and Gold Plans and is intended to encourage members to use much cheaper generic drugs.
- **Home Delivery (Mail Order) for Maintenance Drugs.** The proposal to require members to use home delivery to purchase 90 day supplies of most maintenance drugs generated the most questions and concerns. Matt explained that Express Scripts has recommended this change to the Benefits Committee repeatedly. The Committee finally decided to bring this recommendation to the Board of Managers as one of the cost saving measures to hold down the rate increase. Rob advised that handouts were available at the meeting with information about how to use Express Scripts' home delivery program and a list of

maintenance medications currently subject to the program. Rob explained that members would still be able to purchase maintenance drugs at retail, but the retail purchase would be limited to a 30 day supply. If a member elected to continue purchasing the listed maintenance drugs at retail after the first two fills, the copay would be double the normal copay for a 30 day supply. Rob stated that before the implementation effective date Express Scripts would send targeted personal communications to all members affected by this change. Rob stated that members should generally allow two weeks to obtain drugs through the home delivery program, although the process normally is much faster. Members would also be able to elect to have their prescriptions refilled and delivered automatically. Some members expressed concern that it is not appropriate to require insulin to be purchased through mail since the dosage must be adjusted often to account for physical activity, food intake and other variables. Rob advised that many insulin dependent diabetic patients obtain insulin successfully through home delivery programs. Leo noted that almost all of the plans he and Tom have reviewed for prospective districts require mail order for maintenance drugs.

- **Home Delivery for Specialty Drugs.** Rob explained that Express Scripts has a separate home delivery program for specialty drugs, which include the very high cost injectable, biologic and genetically engineered drugs listed on Express Scripts' Specialty Drug List. If the recommendation is adopted, members will be required to purchase specialty drugs through Curascript specialty home delivery pharmacy which provides specialized care management for patients using these drugs. Rob stated that only 46 members in the Trust currently use these drugs. If the recommendation is adopted Curascript will contact each person individually to explain the change.
- **Step therapy.** The Committee recommends adding all step therapy modules as Express Scripts makes them available. Rob also advised that Express Scripts would again offer a six month \$0 generic copay opportunity to members who are grandfathered and not required to comply with step-therapy to encourage them to make the switch to generic alternatives.
- **Prior Authorization.** The Committee recommends adding all Express Scripts prior authorization (PA) programs. Rob explained that if this recommendation is adopted, when the program is implemented in September patients already taking drugs that require PA will not be grandfathered (unlike the step therapy program) and will have to go through the PA process. A handout with a list of drugs requiring PA was available at the meeting.

***Dental Plan Changes Effective September 1, 2010.*** The Committee recommends eliminating the annual dental exam and cleaning under the medical plan to generate estimated premium savings of 1.3%. Karen Giles explained that to offset this change, the Trust did an RFP for the voluntary dental insurance and is recommending changing to Delta Dental of Illinois. For no increase in cost and a two-year rate guarantee the Trust was able to obtain better coverage through Delta Dental. The new dental plan will cover two annual screening exams and cleanings, making up for the exam dropped from the medical plan. Further there is no waiting period for major benefits and the annual deductible will not apply to preventive care under both the low and high plan options. Members can go to any dentist, but the discounts are greater with Delta Dental network dentists. Members currently enrolled in the voluntary dental plan will be automatically enrolled. Delta Dental will offer an open enrollment effective September 1 for all other members. This voluntary

program is available to district employees and retirees even if they are not enrolled in the medical plan. Karen explained that billing and enrollment will still be handled through Meritain, but members will be issued a separate Delta Dental ID card.

***Other Medical Benefit Changes Effective September 1, 2010.***

- **Increase Copay and Coinsurance for Emergency Room Visits.** Matt explained the recommendation is to increase the ER copay from \$100 to \$200 in all Plans and reduce the coinsurance from 95% to 90% in the Platinum, Gold and Silver Plans. (The ER copay is waived if the patient is admitted, but the patient will instead pay the inpatient hospital copay.)
- **Increase Copay for Inpatient Hospital and Outpatient Surgery Services.** For all Plans, the recommendation is to increase the per admission or per procedure copay for inpatient hospital admissions and outpatient surgical procedures from \$50 to \$150 for network providers (Tiers 1 and 2) and from \$150 to \$450 for out-of-network providers (Tiers 3 and 4). No individual will be required to pay more than three such copays in any calendar year.

***Medical Plan Changes Effective January 1, 2011.***

- **Increase Annual Deductible.** Matt explained that for the Platinum, Gold and Silver Plans, the Committee recommends increasing the individual deductible by \$100 in all Tiers and increasing the family deductible by \$300 in all Tiers. The Bronze Plan deductibles will be changed if the IRS changes the minimum individual and family deductibles for high deductible health plans. (Subsequent to the meeting the IRS issued a notice stating there would be no change in HDHP deductibles for 2011.)
- **Increase Out-of-Pocket Maximum.** The Committee recommends increasing the individual out-of-pocket by \$300 in all Tiers in the Platinum, Gold and Silver Plans. The family OOP is a multiple of the individual OOP. The Bronze Plan OOP will be changed if the IRS changes the maximum OOP for high deductible health plans. (Subsequent to the meeting the IRS issued a notice stating there would be no change in the HDHP maximum OOP for 2011.) In addition, the Committee recommends eliminating in all Plans the out-of-pocket maximum for services provided by out of network providers in the St. Louis Metro area (Tier 4 providers). Members may continue to use Tier 4 providers, but will be required to share in the cost of all services from Tier 4 providers.
- **Coinsurance.** The Committee recommends decreasing the Plan coinsurance by 5 points in the Platinum and Gold Plans in all Tiers. No changes in coinsurance are recommended for the Silver and Bronze Plans.

Schedules with the new Deductibles, Out-of-Pocket Maximum and Coinsurance changes effective January 1, 2011 are included at the end of the notes.

***Rate Increases Effective September 1, 2010.*** Matt explained the Committee is recommending an overall rate increase of 9.9%, as follows:

	Platinum Plan		Gold Plan		Silver Plan		Bronze Plan	
	Current	2010-11	Current	2010-11	Current	2010-11	Current	2010-11
Employee	\$488	<b>\$536</b>	\$440	<b>\$484</b>	\$380	<b>\$418</b>	\$324	<b>\$356</b>
EE + Spouse	\$1,006	<b>\$1,106</b>	\$908	<b>\$998</b>	\$788	<b>\$866</b>	\$666	<b>\$732</b>
EE + Children	\$972	<b>\$1,068</b>	\$876	<b>\$963</b>	\$760	<b>\$835</b>	\$654	<b>\$719</b>
Family	\$1,084	<b>\$1,191</b>	\$976	<b>\$1,073</b>	\$848	<b>\$932</b>	\$720	<b>\$791</b>

**Proposed Changes in Plan Language.** Ruth Hays explained the following Plan language changes the Benefits Committee is recommending:

- The Committee recommends adding language to modify the definition of Genetic Information and to describe the circumstances in which genetic testing is a covered benefit. This is not a change in benefits, but simply a clarification of when genetic testing is covered by the Plan.
- The Committee recommends allowing districts to change to the Bronze Plan effective any January 1, provided the Bronze Plan will be the only Plan option offered by the district. The Bronze Plan is designed to meet IRS requirements for a high deductible health plan that can be paired with Health Savings Accounts. These plans typically operate on a calendar year basis. This is recommended as an exception to the normal requirement that changes between Plan options must be made September 1.
- The Committee recommends adding language to clarify that a child for whom an employee has legal custody prior to age 18 will continue to qualify as an eligible dependent child of the employee (if otherwise eligible) even though the child is no longer technically in the employee's legal custody due to reaching age 18.
- The Committee recommends adding language to clarify that patients with serious or extended illnesses or injuries are required to cooperate with case management as a condition of receiving benefits. In response to questions, Ruth explained that this does not mean case management can require a member to change from a course of treatment that is covered by the Plan. Rather, it means that the member must respond to calls and engage in discussion with the case management nurses if contacted.

Matt explained that at this time the Benefits Committee is not recommending any changes to comply with the Mental Health Parity Act or the new federal Health Care Reform law. As a governmental plan, the Trust has the right to opt out of compliance with the Mental Health Parity Act by notifying participants and the U.S. Department of Health and Human Services. The Committee decided it would be better to wait for final regulations before recommending any changes in the Trust's mental health benefits. The federal Health Care Reform law will apply to the Trust beginning September 1, 2011. Changes to comply with that law will be considered by the Benefits Committee next year.

Following further discussion, Larry Weber (Germantown) made a motion, seconded by Alison Boutcher (MidState Special Ed), to adopt all the benefit changes and rate increases recommended by the Benefits Committee. Motion carried.

Matt thanked the members of the Benefits Committee and the advisors for all the hard work that went into developing the recommendations.

B. Report of Nominating Committee.

Matt stated that the following members of the Executive Committee were planning to retire at the end of the school year: Larry Weber (Germantown), Nancy Gibson (O'Fallon), Marty Reid (Jacksonville), Dan Niemerg (Teutopolis), Diana Adams (Sandoval) and Greg Moats (Belleville #201). Matt thanked these members for their service to the Trust.

Vice-Chairman Greg Moats made the following nominations on behalf of the Nominating Committee:

- The following current members of the Executive Committee whose terms expire June 30, 2010 were nominated to serve new three-year terms through June 30, 2013: Jim Helton (Waterloo #5), Travis Wilson (Arthur #305), Gayla Wilkerson (Salem #111), Rich Well (Vandalia #203), David Daum (Wesclin #3), John Pearson (East Alton-Wood River High School #14) and Chris Long (Kansas #3).
- Jeff Dosier (Belleville #201) and Ken Schwengel (Atwood-Hammond #39) were nominated to serve new three-year terms through June 30, 2013. Jeff Dosier was also nominated to succeed Greg Moats as Vice Chairman of the Trust.
- Michael Smith (Oakland #5) was nominated to serve a two-year term through June 30, 2012. Becky Dimmick (Jacksonville #117), Bill Fritcher (Teutopolis #50) and Robin Becker (Germantown #60) were nominated to serve the balance of the terms of retiring members Marty Reid, Dan Niemerg and Larry Weber, respectively, through June 30, 2012.
- Todd Koehl (O'Fallon #90) was nominated to succeed Nancy Gibson for the balance of her term through June 30, 2011.

Brent O'Daniell (Nashville #49) made a motion, seconded by Marty Reid (Jacksonville #117), to elect all of the nominees. Motion carried.

**IV. NEXT MEETINGS AND ADJOURNMENT:**

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

- Wednesday, September 22, 2010
- 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

**2011 CHANGES IN  
DEDUCTIBLES, OUT-OF-POCKET MAXIMUM AND COINSURANCE  
(changes in bold)**

<b>Platinum</b>	Tier 1		Tier 2		Tier 3		Tier 4	
	Current	<b>2011</b>	Current	<b>2011</b>	Current	<b>2011</b>	Current	<b>2011</b>
Deductible Individual	\$300	<b>\$400</b>	\$500	<b>\$600</b>	\$500	<b>\$600</b>	\$500	<b>\$600</b>
Deductible Family	\$900	<b>\$1,200</b>	\$1,500	<b>\$1,800</b>	\$1,500	<b>\$1,800</b>	\$1,500	<b>\$1,800</b>
OOP Individual	\$900	<b>\$1,200</b>	\$1,500	<b>\$1,800</b>	\$3,000	<b>\$3,300</b>	\$4,700	<b>None</b>
OOP Family	\$1,800	<b>\$2,400</b>	\$3,000	<b>\$3,600</b>	\$6,000	<b>\$6,600</b>	\$9,400	<b>None</b>
Coinsurance	95%	<b>90%</b>	90%	<b>85%</b>	75%	<b>70%</b>	65%	<b>60%</b>

<b>Gold</b>	Tier 1		Tier 2		Tier 3		Tier 4	
	Current	<b>2011</b>	Current	<b>2011</b>	Current	<b>2011</b>	Current	<b>2011</b>
Deductible Individual	\$500	<b>\$600</b>	\$800	<b>\$900</b>	\$800	<b>\$900</b>	\$800	<b>\$900</b>
Deductible Family	\$1,500	<b>\$1,800</b>	\$2,400	<b>\$2,700</b>	\$2,400	<b>\$2,700</b>	\$2,400	<b>\$2,700</b>
OOP Individual	\$1,000	<b>\$1,300</b>	\$1,600	<b>\$1,900</b>	\$3,200	<b>\$3,500</b>	\$5,000	<b>None</b>
OOP Family	\$3,000	<b>\$3,900</b>	\$4,800	<b>\$5,700</b>	\$9,600	<b>\$10,500</b>	\$15,000	<b>None</b>
Coinsurance	90%	<b>85%</b>	85%	<b>80%</b>	70%	<b>65%</b>	60%	<b>55%</b>

<b>Silver</b>	Tier 1		Tier 2		Tier 3		Tier 4	
	Current	<b>2011</b>	Current	<b>2011</b>	Current	<b>2011</b>	Current	<b>2011</b>
Deductible Individual	\$1,000	<b>\$1,100</b>	\$1,500	<b>\$1,600</b>	\$1,500	<b>\$1,600</b>	\$1,500	<b>\$1,600</b>
Deductible Family	\$3,000	<b>\$3,300</b>	\$4,500	<b>\$4,800</b>	\$4,500	<b>\$4,800</b>	\$4,500	<b>\$4,800</b>
OOP Individual	\$2,000	<b>\$2,300</b>	\$3,000	<b>\$3,300</b>	\$5,500	<b>\$5,800</b>	\$7,500	<b>None</b>
OOP Family	\$6,000	<b>\$6,900</b>	\$9,000	<b>\$9,900</b>	\$16,500	<b>\$17,400</b>	\$22,500	<b>None</b>
Coinsurance	80%	<b>80%</b>	75%	<b>75%</b>	60%	<b>60%</b>	50%	<b>50%</b>

<b>Bronze</b>	Tier 1		Tier 2		Tier 3		Tier 4	
	Current	<b>2011</b>	Current	<b>2011</b>	Current	<b>2011</b>	Current	<b>2011</b>
Deductible Individual	\$1,200	\$1,200	\$1,600	\$1,600	\$1,600	\$1,600	\$1,600	\$1,600
Deductible Family	\$2,400	\$2,400	\$3,200	\$3,200	\$3,200	\$3,200	\$3,200	\$3,200
OOP Individual	\$3,600	\$3,600	\$4,800	\$4,800	\$5,950	\$5,950	\$5,950	<b>None</b>
OOP Family	\$7,200	\$7,200	\$9,600	\$9,600	\$11,900	\$11,900	\$11,900	<b>None</b>
Coinsurance	80%	<b>80%</b>	75%	<b>75%</b>	60%	<b>60%</b>	50%	<b>50%</b>

## ATTENDANCE

May 5, 2010

**Executive Committee:** The following members of the Executive Committee attended the meeting: Travis Wilson (Arthur #305), Matt Klosterman (Belleville #118), Greg Moats (Belleville #201), Joe Novsek (Carlyle #1), Keith Talley (Carmi-White County #5), Mike Middleton (Centralia #135), Larry Weber (Germantown #60), Marty Reid (Jacksonville #117), Chris Long (Kansas #3), Alison Boutcher (MidState Special Ed.), Jan Bush (Murphysboro #186), Brent O'Daniell (Nashville #49), Nancy Gibson (O'Fallon #90), Gayla Wilkerson (Salem #111), Diana Adams (Sandoval #501), Lisa Telford (Selmaville #10), Dan Niemerg (Teutopolis #50), Joe Burgess (Tuscola #301), Rich Well (Vandalia #203), James Helton (Waterloo #5), Michelle Puckett (West Frankfort #168), Carol Elliott (Wood River-Hartford #15).

**Board of Managers:** 86 representatives (including Executive Committee members listed above) from the following 69 districts attended the meeting.

Altamont #10	Kansas #3
Arthur #305	Kaskaskia Special Ed. #801
Atwood-Hammond #39	MidState Special Ed.
Belle Valley #119	Mount Vernon #80
Belleville #118	Mt. Olive # 5
Belleville #201	Murphysboro #186
Belleville Area Special Services	Nashville #49
Bond County #2	Nashville #99
Capitol Area Career Center	North Greene #3
Carlyle #1	North Wayne #200
Carmi-White County #5	Oakland #5
Central City #133	O'Fallon #90
Centralia #135	Pana #8
Centralia HS #200	Palestine #3
Cerro Gordo #100	Panhandle #2
Cobden #17	Paris #4
East Alton-Wood River #14	Pinckneyville #50
East Richland #11	Pinckneyville #204
Eastern Illinois Area Special Ed.	Red Bud #132
Elverado #196	Salem Elementary #111
Fairfield #112	Sandoval #501
Flora # 35	Selmaville #10
Germantown #60	South Eastern Special Ed.
Grayville #1	Teutopolis #50
Harmony Emge #175	Trico #176
High Mount #116	Tri County Special Ed
Iuka #7	Tuscola #301
Jacksonville #117	Valmeyer #3
Jasper County #1	Vandalia #203
Joppa-Maple #38	Wabash #348



Waltonville #1  
Waterloo #5  
Wayne City #100  
West Frankfort #168  
West Washington #10  
Whiteside #115  
Winchester #1  
Wolf Branch #113  
Wood River-Hartford #15