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Health and Welfare Fund

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DRAFT

MINUTES OF THE MEETING OF THE
BOARD OF TRUSTEES OF THE
BAKERS UNION AND FELRA HEALTH AND WELFARE FUND
AUGUST 10, 2012
IN LANDOVER, MARYLAND

The following Trustees were present:

UNION TRUSTEE	**EMPLOYER TRUSTEES**
A. Haight - Secretary	D. Gillis - Chairman
G. Oskoian	F. Stegman

Also present were:

H. Burton - Morgan, Lewis & Bockius, LLP
M. DeLancey - Dickstein Shapiro, LLP
M. Herwig - PNC Bank, NA
J. Herishen - Salter & Company, LLC
A. Hutchins - CIGNA
T. Keelin - Catalyst Rx
C. Little - PNC Bank, NA
J. Middleton - Catalyst Rx
A. Sims - Associated Administrators, LLC
K. Walsh - Associated Administrators, LLC

I. CALL TO ORDER

A quorum being present, the Chairman called the meeting to order.

II. MINUTES

The Trustees reviewed the minutes of the last regular meeting held on May 4, 2012. They directed that the Resolution in Section X, subsection iii titled "Surgical Pathologists, Anesthesiologists and Radiologists" be changed to read *RESOLVED to* *review out-of-network surgical pathology claims on a case by case basis if: (1) the participant uses a participating surgeon/physician, (2) the service is performed at a participating facility/hospital and (3) the Participant follows all other Fund rules. Claims will be paid up to the usual, customary and reasonable rate, in accordance with parameters of the benefit plans.*

On MOTION made and seconded, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED that the minutes of the last regular meeting held on May 4, 2012 were approved as amended.**

III. FINANCIAL REPORT - PNC Bank, NA Summary of Activity

The Trustees welcomed Mr. Little and Mr. Herwig from PNC Bank, NA to the meeting. Mr. Little presented the Summary of Activity Report for the period December 31, 2011 through July 31, 2012. Such report showed a beginning market value of $1,284,230, receipts of $2,934,146, disbursements of $3,056,194, investment income of $6,243, and market value gain of $4,357, producing an ending market value of $1,172,782.

Mr. Little presented the asset allocation as of July 31, 2012. The Fund held 84% in a limited maturity bond and 16% in cash. The estimated annual income was $12,116 with an estimated 1.0% yield.

The Trustees thanked Mr. Little and Mr. Herwig for their report and they were excused from the meeting.

IV. AUDITOR'S REPORT

The Trustees welcomed Mr. Joe Herishen, of Salter & Company, LLC, to the meeting.

Financial Statements for the Years Ended December 31, 2011 and 2010

Mr. Herishen reviewed the Financial Statements for years ended December 31, 2011 and

2010. He stated that the audit reflects an unqualified opinion, in all material respects, of the financial status of the Fund as of December 31, 2011 and 2010. The net assets available for benefits on December 31, 2010 were $2,797,996. He noted total additions for the year ended December 31, 2011 of $5,191,455 and total deductions of $5,022,892, resulting in an increase of net assets available for benefits of $168,563 and producing net assets available for benefits on December 31, 2011 of $1,627,819. He also reviewed the notes to the financial statements, the schedule of administrative expenses, the schedule of employer contributions, and the schedule of benefits. As of December 31, 2011, total assets were $1,746,292 and accounts payable were $118,473. Mr. Herishen reported that the Forms 5500 and 990 were filed on time.

The Trustees thanked Mr. Herishen for his presentation and he was excused from the remainder of the meeting.

V. <u>CO-COUNSEL REPORT</u>

<u>Rate Renewal</u>

Ms. Sims reported that the Fund Office had received copies of Mr. Burton's hourly rates effective January 1, 2012.

Co-Counsel reported that there we no legal matters to come before the Board.

VI. <u>ADMINISTRATIVE MANAGER REPORT</u>

Ms. Sims presented the Administrative Manager Report for the first quarter 2012. The report showed employer contribution income of $1,196,686, employee contributions of $10,269, interest and dividend income of $2,932, and miscellaneous income of $11,191, producing a total income of $1,221,078. Expenses included $820,408 for medical benefits, $36,736 for CIGNA premiums, $90,643 for dental premiums, $35,514 for disability benefits, $304,181 for prescription drug benefits, $8,424 for life insurance benefits, $34,482 for stop loss insurance, $9,816 for optical benefits, and $54,453 in operating expenses, producing total expenses of $1,394,657 and resulting in a deficit of $173,579 for the first quarter of 2012. She further reported that contributions were made on behalf of 649 active participants and that there were no delinquencies. The Fund reserve was $1,231.659.00 as of March 31, 2012 which represented 2.9 months.

VII. INVOICES

Ms. Sims presented a list of invoices dated August 10, 2012. It was noted that there were no additions, deletions or changes to the list.

On MOTION made and seconded, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED that the list of invoices dated August 10, 2012 was approved for payment as presented.**

VIII. PARTICIPANT APPEALS

Appeal Number	***Issue***	***Board Decision***
D12/126-1515	Dental Services	Approved
M12/122-3318	Medical - No Coverage	Denied

IX. PROVIDER REPORTS

A. CIGNA

The Trustees welcomed Mr. Hutchins from CIGNA Healthcare to the meeting.

i. PPO Savings Report

Mr. Hutchins distributed a report entitled "Bakers Union and FELRA Health and Welfare Fund's Plan Year and YTD Savings Results from September 1, 2011 through June 30, 2012." He reported that the Fund's inpatient, outpatient and physician network savings from September 1, 2011 through June 30, 2012 totaled $2,229,987, representing a total network savings of 41.7%.

ii. Annual Performance Guarantee

Mr. Hutchins reviewed CIGNA's proposal for an annual performance guarantee for a 12-month period, effective September 1, 2012. He stated that CIGNA is willing to put $3.00 per member per month at risk for failure to meet the discount guarantee, and $1,250 for: (1) Time to reprice, electronic and paper claims, (2) Financial accuracy of pricing, and (3) payment accuracy. The Trustees requested that CIGNA provide a performance guarantee agreement reflecting the total "illustrative" discount for the PPO network for Co-Counsel's review.

iii. Surgical Pathologists, Anesthesiologists and Radiologists

As requested by the Trustees at the last Board of Trustees meeting, Mr. Hutchins distributed and reviewed a list of all the pathologists, radiologists, and anesthesiologists that participate in the CIGNA network within the Maryland, District of Columbia and Virginia area.

The Trustees thank Mr. Hutchins for his presentation and he was excused from the meeting.

B. Catalyst Rx

The Trustees welcomed Ms. Middleton and Ms. Keelin from Catalyst Rx to the meeting.

i. Executive Summary

Ms. Middleton distributed copies of Catalyst Rx's report entitled "Performance Highlights and Strategic Review for July 2011 - June 2012." During the period of July 1, 2011 through June 30, 2012 there were 10,992 prescriptions filled, for which the Plan paid $942,658.54 in prescription costs and the members paid $116,186.04 in co-payments. The average cost per member per month was $61.51. The Fund's generic utilization rate for the period was 65.3%.

The report also reviewed the Fund's top 10 diseases by Plan cost, top 15 therapeutic classes by Plan cost, top 25 drugs by total Plan cost, and top specialty drugs by Plan cost.

ii. Formulary Advantage Program

Ms. Keelin provided an overview of the Formulary Advantage Program, a generics-oriented, lowest-net-cost formulary management approach. Based upon a review of the Fund’s current benefits and clinical edits in place, Catalyst recommended additional drug classes for the Trustees to consider adopting as part of the 2012 Formulary Advantage Classes. This would drive generic utilization and formulary compliance, which would lead to the lowest net cost. The recommended drug classes are: (1) Albuterol Inhalers, (2) Androgens; (3) Basal Insulin, (4) Antispychotics; (5) Diabetic Test Strips, (6) Fibrates (7) FSH Agents, (8) GLP Inhibitors, (9) Growth Hormones, (10) Hepatitis C, (11) Insulin, (12) Interferons, (13) Multiple Sclerosis Drugs, (14) Ophthalmic Prostaglandins, (15) Sleep Aids, (16) SSRI’s and (17) TNF Inhibitors. Catalyst reported that the Fund could attain an estimated $435 in savings if these drugs are added to the Formulary Advantage Program.

On MOTION made and seconded, the Trustees voted unanimous approval of the following resolution:

RESOLVED to approve adding Albuterol Inhalers, Androgens, Basal Insulin, Antipsychotics; Diabetic Test Strips, Fibrates, FSH Agents, GLP Inhibitors, Growth Hormones, Hepatitis C, Insulin, Interferons, Multiple Sclerosis Drugs, Ophthalmic Prostaglandins, Sleep Aides, SSRI’s and TNF Inhibitors. to the 2012 Catalyst Formulary Advantage program subject to the following conditions: (1) all Participants currently receiving any of the above drugs are grandfathered – i.e., exempt from the requirements of the Formulary Advantage program, for the applicable drug category. Should a Participant stop taking the applicable drug for more than six months, he/she will lose grandfathered status and (2) any Participant for whom a physician specifically prescribes a brand name drug/“targeted medication” because the Participant, for any reason, cannot take a generic or preferred alternative drug, will also be exempt from the Formulary Advantage Program for that drug category.

The Trustees thanked Ms. Middleton and Ms. Keelin for their report and they were excused from the meeting.

X. OTHER FUND BUSINESS

For Your Benefit Newsletter

Ms. Sims noted the July 2012 *For Your Benefit* newsletter was mailed to Participants. The newsletter contained the Summary of Material Modification, including the new Creditable Coverage Notice, the Women's Health and Cancer Rights Act Notice, and notice that the Annual Dollar Limit increased to $1,250,000.

XI. NEXT MEETING DATE AND LOCATION

The Trustees directed that the next regular Board meeting be held on Friday, December 7, 2012 at 12:00 noon in Annapolis, Maryland.

XII. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned.

Respectfully submitted,

Al Haight, Secretary