Bakers Union and FELRA
Health and Welfare Fund

911 Ridgebrook Road
Sparks, MD 21152-9451
Telephone: (410) 683-6500
Toll Free: (866) 662-2537
www.associated-admin.com

8400 Corporate Drive, Suite 430
Landover, MD 20785-2361
Telephone: (301) 459-3020
Toll Free: (866) 662-2537
www.associated-admin.com

DRAFT

MINUTES OF THE MEETING OF THE BOARD OF TRUSTEES OF THE BAKERS UNION AND FELRA HEALTH AND WELFARE FUND

JUNE 18, 2018
IN LANDOVER, MARYLAND

The following Trustees were present:

UNION TRUSTEE	**EMPLOYER TRUSTEES**
L. Jones	M. Goble - Secretary
G. Oskoian - Chairman	

Also present were:

H. Burton - Morgan, Lewis & Bockius, LLP
M. DeLancey - Blank Rome, LLP
J. Herishen - Salter & Company, LLC
K. Phillips - Associated Administrators, LLC
C. Little - PNC Capital Advisors
D. Welch - Associated Administrators, LLC

I. CALL TO ORDER

Ms. Welch reported that due to the resignation of Trustee Brown any motions passed by the Trustees at this meeting are subject to the replacement Trustees approval. The Chairman called the meeting to order.

II. MINUTES

The Trustees reviewed the minutes of the regular Board meeting held on June 18, 2018, which were circulated in advance of the meeting.

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

RESOLVED, that the minutes of the regular Board meeting held on June 18, 2018 were approved as presented.

III. <u>FINANCIAL REPORT – PNC BANK, NA – Summary of Activity</u>

Mr. Little presented the Summary of Activity Report for the period ending May 31, 2018, a copy of which is attached to and made a part of these minutes as Exhibit A. The report showed a beginning market value of $1,760,631, contributions of $1,815,212, disbursements of $2,636,583, market value decrease of $9,814, investment return of $7,939, producing an ending market value of $937,386.

Mr. Little presented the asset allocation as of May 31, 2018. The Fund holds 88.6% in limited maturity bonds and 11.4% in cash. The estimated annual income is $12,914 with an estimated 1.4% yield.

The Trustees discussed moving assets to an Ultra Short High Yield Bond Fund. Mr. Little recommended moving funds from the Limited Maturity Fund to the Ultra Short High Yield Bond Fund he noted that the shorter duration fund would have less impact on its net return from rising interest rates.

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

RESOLVED, to move assets from the Limited Maturity Fund to the Ultra Short Bond Fund.

And

RESOLVED, to accept the PNC Summary of Activity Report for the period ending May, 31, 2018.

The Trustees thanked Mr. Little for his report and he was excused from the meeting.

IV. PROVIDER REPORTS

The Trustees welcomed Ms. Holly Agoney, Account Manager, from Optum Rx to the meeting.

A. Executive Summary

Ms. Agoney distributed a report titled, "Bakers Union and FELRA Health and Welfare Fund January 2018 through March 2018 Plan Review," a copy of which is attached and made part of these minutes as Exhibit B. She reported that the Fund experienced an increase in Plan costs of 28.7% per member per month during the period of January 1, 2018 through March 31, 2018, due to the increasing cost of specialty drugs. The cost per member per month during the first quarter of 2018 was $108.82, as compared to the Taft-Hartley book of business of $67.49. The average cost per member per month was $61.15 for traditional prescriptions and $47.66 for specialty prescriptions. Specialty drug costs represented 43.8% of Plan costs per member per month. The average specialty drug cost per prescription in the first quarter of 2018 was $5,774.70, representing an increase of 109.7% in specialty drug costs per prescription over the first quarter of 2017. There were 2,238 traditional prescriptions filled and 19 specialty prescriptions filled, for which the Plan paid $140,775 and $109,719 respectively. The Fund's generic utilization rate for the period was 83.9%.

The report also reviewed the Fund's Top 5 Diseases by Plan Cost, 10 Therapeutic Classes by Plan Cost, Top 20 Drugs by Total Plan Cost, Cost Drivers and Top Specialty Drugs by Plan Cost.

B. Utilization Management Alignment

Ms. Agoney discussed the new Comprehensive Utilization Management Program which incorporates the 2018 Formulary, Select Step Therapy Medications, Core and Select Prior Authorizations and Select Quantity Limits and the medication lists for each program that were previously circulated. She noted that these programs would encourage appropriate utilization of cost effective medications and promote better pharmacy cost and total cost management for the Fund.

The Trustees requested that Ms. Agoney review the Fund's current Prescription Benefit Plan and provide the Trustees with a report indicating how the benefits measure up against other Taft-Hartley Funds and indicate areas in the Plan that may be more generous than comparable Plans, as well as areas in which coverage may be lacking or additional Utililization Management Programs may be needed.

The Trustees thanked Ms. Agoney for her presentation and she was excused from the remainder of the meeting.

C. Rebates

The Fund received rebate checks from OptumRx on March 16, 2018 for the second quarter of 2017 in the amount of $6,365.

V. CO-COUNSEL REPORT

Co-Counsel reported that there were no legal matters for Board action at this time.

VI. ADMINISTRATIVE MANAGER REPORT

A. First Quarter 2018

Ms. Welch presented the Administrative Manager Report for the first quarter of 2018. The report showed employer contribution income of $859,872, employee payroll deductions of $40,540, employee contributions of $2,002, interest and dividend income of $6,154, and miscellaneous income of $6,365 producing a total income of $914,933. Expenses included $1,123,681 for medical benefits, $31,678 for CIGNA premiums, $59,937 for dental premiums, $16,485 for disability benefits, $250,905 for prescription drug benefits, $4,755 for life insurance benefits, $26,679 for stop loss insurance, $8,139 for optical benefits, and $47,305 in operating expenses, producing total expenses of $1,569,564 and resulting in a deficit of $654,631 for the first quarter of 2018. Ms. Welch reported that contributions were made on behalf of 488 active participants and that there were no delinquencies. The Fund reserve was $1,003,086 as of March 31, 2018, which was projected to provide benefits for 2.8 months.

Ms. Welch reported that the medical expenses in the first five months of 2018 in the amount of $1,447,578.26 were 66% higher then the medical expenses in the first five months of 2017. She noted that seven participants had incurred 70% of the total medical expenses paid in the first five months of 2018. Ms. Welch noted at this time time no participants had reached the $350,000 stop loss individual annual deductible however, four participants had reached the 50% trigger notification amount and ULLICO had been notified.

The Trustees discussed several cost containment services including claims negotiations and medical bill review of high dollar medical claims, and prescription benefit manager audit services. The Trustees directed the Administrative Manager to prepare a sample of the high dollar medical claims paid in the first five months of 2018 and submit to A & S Financial and P.H.H. to determine the amount of savings the Fund would receive if these services were utilized. The Trustees also requested that Madison Consulting Group attend the next meeting to discuss prescription benefit manager audit and stop loss consulting services.

VII. INVOICES

Ms. Welch reviewed a list of invoices dated June 18, 2018. She stated that there were no additions, deletions or changes to the list. The Trustees reviewed the list and determined that all invoices represented proper Fund expenses.

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

> **RESOLVED, to approve payment of the list of invoices dated June 18, 2018 as presented.**

VIII. OTHER FUND BUSINESS

A. Subrogation Lien Reimbursement Check

Ms. Welch reported that a check in the amount $22,207.69 was received from Mr. Robert Bender, an attorney representing a participant. The amount represented 100%

of the subrogation lien, and closed the subrogation case.

B. Subrogation Lien Reduction Request

Ms. Welch discussed a letter dated June 1, 2018 received from attorney Frank Jones from the law offices of Sasscer, Clagett & Bucher representing a participant requesting that subrogation liens totaling $175,538.95 be reduced by $159,895.12. The participant was struck by a motor vehicle that crashed through a Dash In store front at 11:10 a.m. on January 24, 2017. Mr. Jones is disputing all claims paid related to the lumbar spine surgery that was performed on February 13, 2018 and February 14, 2018, due to the participants long history of lumbar and cervical degenerative disc disease prior to the accident. He believes the pre-accident condition would have been subject to coverage by the Plan whether or not the accident occurred.

Ms. Welch also discussed a letter dated June 15, 2018 from Mr. Jones that noted that the defendant had a $300,000 single limit insurance policy through Geico. Mr. Jones noted that his firm has a one third retainer agreement with the participant and the total owed under that agreement would be $99,881.79 and that the firm would be willing to reduce the fee in order to effectuate a reasonable resolution for the participant.

After considerable discussion the Trustees directed the Administrative Manager to request from Mr. Jones a copy of the letter from GEICO that stated the defendant's policy limit and the settlement offer and to inquire if the accident occurred while the participant was on break from work.

C. Denex Dental Renewal Proposal

Ms. Welch distributed the 2017 Utilization Report and 2019 Renewal Proposal provided by Denex Dental. The 2017 Utilization Report noted an average enrollment of 772 participants and dependents, over 2,773 procedures performed and that the 71% cost of care is within the acceptable loss ratio for Denex. Based on the Fund's utilization Denex proposed a 0% rate increase for the period January 1, 2019 through December 31, 2019.

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

> **RESOLVED, to accept the Denex Dental Renewal Proposal to continue the premium at the current rate of $52.53 per member for month for January 1, 2019 to December 31, 2019.**

D. <u>PNC Treasury Management Fee Increases</u>

Ms. Welch reviewed a letter received from PNC Bank notifying the Trustees of Treasury Management fee increases. The letter noted the reason for the fee increase was due to investing in new technology and innovative cash management tools. PNC Bank prepared a comparison of average pricing for 2017 calculated on the services used and related transaction volumes for the month of February 2018. The average fee in 2017 was $23.29 per month and the February 2018 fee which includes the fee increase would be $101.17. The estimated impact would be $77.89 per month. The Trustee requested that PNC attend the next Meeting to discuss the proposed fees.

E. <u>Patient-Centered Outcomes Research Institute (PCORI) Fees</u>

Ms. Welch reported that the PCORI fees for self-insured plans must be filed by July 31, 2018. For the 2018 Plan year, the PCORI Fee increased to $2.39 multiplied by the average number of covered lives. She stated that the Trustees had previously approved the snapshot method to determine the average number of lives. Utilizing this method, the count of the 2018 plan year would be 783. If approved, the count will be provided to the Fund's Auditor along with a Fund check in the amount of $ 1,806.84 to file along with the Form 720 prior to the July 31, 2018 deadline.

After discussion, on MOTION made and seconded, the Trustees voted unanimous approval of the following resolutions:

> **RESOLVED, to approve the snapshot method for determining the average number of lives covered under the Plan and the fee of $ 1,806.84.**

IX. NEXT MEETING DATE AND LOCATION

The Trustees directed that a regular Board meeting be held on Thursday, September 27, 2018 at 10:00 a.m. in Landover, Maryland.

X. ADJOURNMENT

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

Respectfully submitted,
Michael Goble, Chairman

Attachments:

Exhibit A: PNC Capital Advisors Investment Review for Period Ending May 31, 2018

Exhibit B: Optum Rx Bakers Union and FELRA Health and Welfare Fund January 2018 through March 2018 Plan Review