Bakers Union and FELRA
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 DECEMBER 9, 2016 IN LANDOVER, MARYLAND

The following Trustees were present:

UNION TRUSTEE	**EMPLOYER TRUSTEES**
Al Haight - Secretary	S. Brown - Chairman
G. Oskoian	D. Gillis

Also present were:

H. Agoney - Optum Rx
C. Allenbach - Group Vision Service
H. Burton - Morgan, Lewis & Bockius, LLP
M. DeLancey - Blank Rome, LLP
J. Lewis - Salter & Company, LLC
C. Maus - National Vision Administrators
C. Little - PNC Capital Advisors
D. Welch - Associated Administrators, LLC

I. CALL TO ORDER

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

Ms. Welch reported that, due to extenuating circumstances, Trustee Haight and Trustee Gillis were unable to attend the September 16, 2016 Board of Trustees meeting. Several Motions passed by the Trustees were subject to their approval. For the record, Trustee Haight and Trustee Gillis approved the Motions from the September 16, 2016 meeting

II. MINUTES

The Trustees reviewed the minutes of the regular Board meeting held on September 16, 2016.

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 September 16, 2016 were approved as presented.**

III. FINANCIAL REPORT – PNC BANK, NA – Summary of Activity

Mr. Little presented the Summary of Activity Report for the period December 31, 2015 through October 31, 2016. Such report showed a beginning market value of $2,229,687, receipts of $3,219.848, disbursements of $3,594,545 investment income of $9,651, market value increase of $4,489, investment return of $14,140, producing an ending market value of $1,869,140.

Mr. Little presented the asset allocation as of October 31, 2016. The Fund holds 67% in a limited maturity bond and 33% in cash. The estimated annual income is $13,179 with an estimated 0.7% yield.

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

IV. AUDITOR'S REPORT

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

Financial Statements for the Years Ended December 31, 2015 and 2014

Mr. Lewis reviewed the Financial Statements for the years ended December 31, 2015 and 2014. He stated that the audit reflects an unqualified opinion, in all material respects, of the financial status of the Fund as of December 31, 2015, and 2014. The net assets available for benefits on December 31, 2014 were $1,784,739. He noted total additions for the year ended December 31, 2015 of $3,949,316 and total deductions of $3,245,147, resulting in an increase of net assets available for benefits of $704,169 and producing net assets available for benefits on December 31, 2015 of $2,488,908. 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, 2015, total assets were $2,561,491 and accounts payable were $72,583. Mr. Lewis reported that the Form 5500 and 990 were filed on time.

Mr. Lewis distributed a copy of the Salter & Company's proposal to provide auditing services for the Plan year ending 2016. The proposed fee increase was $350 from the prior year to $10,750.

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

> **RESOLVED to approve Salter & Company, LLC. proposal to provide auditing services, with an annual fee of $10,750 for the Plan year ending 2016.**

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

V. PROVIDER REPORTS

A. Optum Rx

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

i. Executive Summary

Ms. Agoney distributed a report entitled, "Bakers Union and FELRA Health and Welfare Fund – January 2016 through September 2016 Yearly Plan Review." During the period, January 1, 2016 through September 30, 2016 there were 6,693 traditional prescriptions filled and 70 specialty prescriptions filled, for which the Plan paid $442,642 and $313,465 respectively. The average cost per member per month was $63.43 for traditional prescriptions and $44.92 for specialty prescriptions. The Fund's generic utilization rate for the period was 80.7%.

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.

ii. Utilization Management Alignment

Ms. Agoney stated that OptumRx will be updating their Step Therapy Programs on January 1, 2017. She stated that the updates to this program and their Prior Authorization and Quantity Limit Utilization Management Programs would encourage appropriate utilization of cost effective medications and promote better pharmacy cost and total cost management for the Fund.

The Trustees directed Ms. Agoney to provide them with a complete list of the prescription drugs that would be changing within each program and to provide a detailed report of the cost impact/savings and potential member disruption if these changes were implemented.

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

B. Vision Service Provider

Ms. Welch reported that, as previously requested by the Trustees vision provider rate quotes were obtained from the following service providers: (1) Vision Service Providers (VSP), (2) Group Vision Service (GVS), (3) CIGNA, and (4) National Vision Administrators (NVA). She said the proposals and attachments were obtained and distributed to the Trustees for review prior to the meeting. The Trustees selected VSP, GVS, and NVA and invited them to present their proposals during the meeting.

VSP declined the invitation to present their renewal proposal at the meeting and stated, "For groups under 500 that are handled by our team unfortunately, we will no longer be able to provide in person support for their meetings and open enrollment events." VSP made no changes to the renewal proposal distributed at the September 16, 2016 Board of Trustees Meeting. They proposed a 34% increase in the current rate of $6.86 per member per month (pmpm) to $9.20 pmpm.

i. National Vision Administrators (NVA)

The Trustees welcomed Mr. Maus from NVA to the meeting. Mr. Maus provided an overview of NVA, which he explained was a United States based full service managed vision care organization headquartered in Clifton, New Jersey. Mr. Maus said NVA employees have been represented by Local 3246 for over 25 years. NVA serves approximately 7.5 million lives nationwide and is comprised of 50,000 provider locations. Mr. Maus stated that the overall member satisfaction rating in 2015 was 99% and the installation satisfaction rating was 99.5%.

Mr. Maus then discussed the vision benefit plan and proposed fee schedule. He stated the proposed benefit plan matches the current in network plan with no deviations and reviewed the out of network benefits. He also reviewed the following added value services: (1) mail order contact lens replacement program, (2) lasik surgery discounts, (3) hearing exam discounts, and (4) discounted routine retinal screening program. The administrative fee for the Plan would be $7.46 pmpm. The proposed rate would be guaranteed for a 2 year period. Trustee Brown asked if NVA would be willing to guarantee the proposed rate for a 4 year period. Mr. Maus said NVA would be willing to guarantee the proposed rates for a 4 year period.

The Trustees thanked Mr. Maus for his presentation, and he was excused from the balance of the meeting.

ii. <u>Group Vision Services (GVS)</u>

The Trustees welcomed Mr. Allenbach from GVS to the meeting. Mr. Allenbach began his presentation by describing the GVS Select network that is powered by Eye Med Vision Care and includes over 75,000 independent, private and premier retail providers. He said the members will have access to U.S. based customer service representatives 7 days a week and would be serviced locally by a Taft Hartley experienced team. Mr. Allenbach said they mail out welcome kits to all enrolled members that would include two ID cards, a benefit summary and 10 providers near their home zip code. He described the Additional Savings Program which gives members access to discounts in addition to their covered benefits. The Program allows members to get a 40% discount on additional pairs of glasses at any in network provider at any time. Mr. Allenbach also explained the Hearing Savings Plan which provides a 30% to 60% savings on Hearing Aids and reduced costs on services and products and free hearing aid batteries for one year mailed directly to the member's home. He stated the proposed benefit plan would match the current in network plan with no deviations and included an increase in the frame allowance from the $120 to $130. The administrative fee for the Plan would be $6.98 pmpm. Mr. Allenbach originally presented a two year proposal however said that GVS would be willing to extend the contract for a four year term from January 1, 2017 to December 31, 2021.

The Trustees thanked Mr. Allenbach for his presentation, and he was excused from the balance of the meeting.

On Motion made and seconded, the Trustees approved the following resolution:

> **RESOLVED to accept Group Vision Services proposal for optical services, effective for the period of January 1, 2017 to December 31, 2021 with a composite rate of $6.98 pmpm.**

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VI. CO-COUNSEL REPORT

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

VII. ADMINISTRATIVE MANAGER REPORT

A. Third Quarter 2016

Ms. Welch presented the Administrative Manager Report for the third quarter of 2016. The report showed employer contribution income of $918,874, employee payroll deductions of $41,284, employee contributions of $6,071, interest and dividend income of $3,089, and miscellaneous income of $7,065 producing a total income of $976,383. Expenses included $510,769 for medical benefits, $28,168 for CIGNA premiums, $57,573 for dental premiums, $25,317 for disability benefits, $276,320 for prescription drug benefits, $4,902 for life insurance benefits, $29,931 for stop loss insurance, $7,485 for optical benefits, and $53,485 in operating expenses, producing total expenses of $993,950 and resulting in a deficit of $17,567 for the third quarter of 2016. Ms. Welch reported that contributions were made on behalf of 503 active participants and that there were no delinquencies. The Fund reserve was $1,925,780 as of September 30, 2016, which was projected to provide benefits for 5.3 months.

B. Plan 3 Contributions

Ms. Welch reported that the Plan continued to receive incorrect contributions from the participating employers on behalf of all Plan 3 participants. As previously explained contributions for Plan 3 participants were still being paid at the Plan 1 part time rate of $479, or the Plan 2-part time rate of $105 instead of the Plan 3 full time rate of $262, and $103 part time rate. She stated that she has notified the employers and will be working with them to ensure that the required hourly contribution rates are being remitted correctly.

VIII. INVOICES

Ms. Welch presented a list of invoices dated December 9, 2016. 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 December 9, 2016 as presented.

XI. PARTICIPANT APPEALS

Appeal Number	***Issue***	***Board Decision***
M16/141-1432	Hospital/Medical Non-participating provider	Approve
M16/144-1297	Hospital/Medical Excluded Services	Tabled

X. OTHER FUND BUSINESS

A. Fiduciary Liability Insurance

Ms. Welch presented the fiduciary liability insurance renewal quote, from CHUBB, through Segal Select Insurance. CHUBB proposed a 2% increase in the current annual fee of $3,325 to $3,393 for the period of January 1, 2017 to December 31, 2017.

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

> **RESOLVED, to approve the renewal of the fiduciary liability insurance policy with CHUBB, for the period January 1, 2017 through December 31, 2017, at a premium of $3,393.**

Ms. Welch reported that the waiver of recourse premium letters will be mailed to the Trustees for payment directly to the broker.

B. <u>VOYA – Stop Loss/Life/AD&D Renewal</u>

Ms. Welch distributed the Stop Loss Insurance, Basic Life and Basic Accidental Death and Dismemberment Policy Renewal Offer. The Basic Life Insurance renewal rate of $0.205 per $1,000 in coverage for the period January 1, 2017 to December 31, 2017 remains the same as the previous period and the Basic Accidental Death and Dismemberment Insurance rate of $0.02 per $1,000 in coverage remains the same as the previous period. The proposed 2017 premium rate for stop loss insurance would increase by 10% from $29.46 per pmpm to $32.41 pmpm. The proposal retains the same $300,000 attachment point and $50,000 aggregating deductible.

Voya noted in the renewal offer that the renewal rates are set based on the current leveraged trend factors, market conditions, plan designs, medical network, third party administrators, and current demographic factors. The renewal offer also stated that the underwriters will not deviate from their renewal rate methodology.

After considerable discussion on the proposed rates and the significant increase in the proposed Stop Loss rates, the Trustees directed the Administrative Manager to provide alternative Stop Loss providers, via electronic mail, for their consideration.

C. Transitional Re-Insurance Fee

Ms. Welch reported that the Patient Protection and Affordable Care Act ("ACA") established the Transitional Re-Insurance Fee, which is levied on employers and insurers to finance a temporary reinsurance fund to stabilize premiums in the individual market. Ms. Welch said that per Trustee directive at the September 16, 2016 Board of Trustees meeting, the application, enrollment count and fee for 2016 has been filed timely in the amount of $21,060.

XI. NEXT MEETING DATE AND LOCATION

The Trustees directed that a regular Board meeting be held on Friday, March 10, 2017 at 10:00 a.m. in Landover, Maryland.

XII. ADJOURNMENT

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

Respectfully submitted,

Al Haight, Secretary