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

SEPTEMBER 7, 2018
IN LANDOVER, MARYLAND

The following Trustees were present:

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

Also present were:

H. Agoney - Optum Rx
H. Burton - Morgan, Lewis & Bockius, LLP via teleconference
M. DeLancey - Blank Rome, LLP
M. Laurence - Madison Consulting Group
K. Phillips - Associated Administrators, LLC
C. Little - PNC Capital Advisors
J. Valentin - Madison Consulting Group
D. Welch - Associated Administrators, LLC

I. CALL TO ORDER

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

II. TRUSTEE APPOINTMENT

Ms. Welch reported receipt of written acceptance of Trusteeship from Stephanie Ridore on July 11, 2018. She noted that Ms. Ridore will be given the necessary Fund documents and added to the fiduciary liability policy. The Trustees welcomed Ms. Ridore. Ms. Ridore approved all motions passed by the Trustees at the November 17, 2017, April 16, 2018 and June 18, 2018 Board meetings when a quorum was not present.

III. 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.**

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

The Trustees welcomed Mr. Chris Little from PNC Bank, NA to the meeting.

Mr. Little presented the Summary of Activity Report for the period ending July 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 $2,417,977, disbursements of $3,137,989, market value decrease of $11,478, investment return of $10,644, producing an ending market value of $1,040,596.

Mr. Little presented the asset allocation as of July 31, 2018. The Fund holds 77% in limited maturity bonds and 23% in cash. The estimated annual income is $13,976 with an estimated 1.3% yield.

Mr. Little informed the Trustees that he sold $840,000 shares of the PNC Limited Maturity Bond Fund and bought $800,000 shares of the PNC Ultra Short Bond Fund as approved at the last meeting

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

V. PROVIDER REPORTS

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

A. Executive Summary

Ms. Agoney distributed a report entitled, "Bakers Union and FELRA Health and Welfare Fund January 2018 through June 2018 Plan Review," a copy of which is attached and made part of these minutes as Exhibit B. The Fund experienced an overall increase of 28.7% in Plan costs per participant per month for the first two quarters of 2018 as compared to the first two quarters of 2017. During the period, January 1, 2018 through June 30, 2018 there were 4,470 traditional prescriptions filled and 37 specialty prescriptions filled, for which the Plan paid $299,108 and $204,570 respectively. Ms. Agoney reviewed the Plan's drug utilization and costs for the period January 1, 2018 to June 30, 2018, as compared to the period January 1, 2017 to June 30, 2017. The Fund experienced an overall increase of 24.4% in Plan costs per member per month. The cost per member per month(pmpm) in 2018 was $110.02 as compared to the Taft-Hartley book of business ("BOB") of $68.43. The Fund's generic utilization rate for the period was 83.9%. The Fund's average cost per prescription was $111.75, as compared to the Taft-Hartley BOB of $96.56. Specialty drugs represented 40.6% of the Fund's drug cost. The specialty drug cost for the first and second quarter of 2018 was $44.69 pmpm, as compared to the first and second quarter of 2017 of $ 20.46 pmpm, an increase of 118.4%. Ms. Agoney noted that there were six new specialty drugs being utililized on the Top 10 Specialty Drug List . The specialty drug cost for the first two quarters of 2018 averaged $5,528.91, an increase of 84.6% as compared to the first two quarters of 2017. Ms. Agoney reported that the increase in specialty drug cost was due to increased utilization of costly drugs.

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.

Ms. Agoney reported that she reviewed the specialty drugs and determined that thirty seven members from January 1, 2018 to June 30, 2018 were receiving specialty drugs, thirty-two members were in Plan 1 and five were in Plan 3. The co-pays for Plan 1 are generic $10, brand $15, brand name drugs not on preferred formulary $30. The co-pays for Plan 3 are 5% for generic, 15% for brand name drugs, 25% for brand name drugs not on preferred formulary list. She recommended changing the flat co-payment for Plan 1 to a percentage co-payment which would give financial incentive to participants to become aware of and seek the lowest cost alternative. Ms. Agoney stated she would provide a report on the co-pay assistance programs available based on the current member utilization.

Ms. Agoney informed the Trustees of two new programs the Vigilant Drug Program, and the Split Fill Progam. The Vigilant Drug Program is an exclusion program that focuses on choosing clinically appropriate alternative medications that are therapeutically equivalent to brand name or more expensive generic medications. The program is three pronged and includes the "New Drugs to Market," the "Me Too," and the "Non-Essential" programs.

The Split Fill Program is for oral oncology drugs. These drugs have serious side effects that may cause some members to discontinue use. For the first three months of taking these drugs the member will receive half of the regular prescribed supply limit and will be charged half of the copay. This program reduces drug waste and provides increased clinical oversight. Members are contacted by a Optum Rx pharmacist at each refill and screened for drug tolerance and adherence. Members who tolerate the new drug for three months are returned to the standard days supply for the duration of the therapy. The Trustees asked Ms. Agoney if any other drug categories can be part of the Split Fill Program. Ms. Agoney stated she was not aware of any other drug categories in the program but would discuss with the Specialty Team.

At the June 18, 2018 Board meeting, 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 compare to 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. Ms. Agoney reported that she would not be able to provide a comparison with the Taft-Hartley BOB since the plan designs and drug mix of the members would be different for each Plan. After discussion, Ms. Agoney agreed to provide a report comparing co-pay structure and plan design to several comparable Taft Hartley Plans. The Trustees also requested a report that lists all of the members that changed from a generic or brand medication to a specialty from January 1, 2017 to August 30, 2018.

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

B. Rebates

The Fund received a rebate check from OptumRx on April 13, 2018 for the third quarter of 2017 in the amount of $5,935.

VI. MADISON CONSULTING GROUP

The Trustees welcomed Mr. Jorge Valentin and Mr. Matthew Laurence from Madison Consulting Group to the meeting. The Trustees invited Mr. Valentin to discuss performing a Pharmacy Claims Audit.

Mr. Valentin distributed a Pharmacy Claims Audit Proposal from Seneca Consulting Group. The independent auditor review would be performed by Daniel Opinante, President and an Audit Team from Seneca Consulting Group. He stated that the audit would be performed on all of the paid prescription drug claims for all members enrolled in the Plan for the period of October 1, 2017 through the most recent month of claims data. The audit includes data mining of all paid claims for the Plan covering a wide variety of potential errors. The sample for the claims audit is selected from the results of the data mining process, so claims are reviewed based on their potential as errors opposed to a random selection. The detailed focus on exceptions and errors allows for identification of plan improvement opportunites, clarification on plan interpretation, and root causes that can be corrected for future cost savings. Mr. Valentin noted that the Audit Team would test all pricing terms versus avererage wholesale pricing (AWP) using there own MediSpan source and not just the AWP report in the data received from OptumRx. The Audit Team will also test application of all benefits including but not limited to duplicate claims, eligibility confirmation, member cost-sharing, benefit maximums, non-covered drugs and pre-authorization and step-therapy requirements. The Audit Team would also perform a review of all manufacturer rebates. Mr. Valentin stated the fee for the Comprehensive Pharmacy Audit would be $11,500. After discussion and,

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

> **RESOLVED, to hire Seneca Consulting to complete a Pharmacy Claims Audit on all pharmacy claims paid from October 1, 2017 to the current month of claims paid administered by OptumRx.**

Mr. Valentin also discussed stop loss insurance and medical claims auditing services that they provide. After discussion the Trustees requested that Madison Consulting Group review the stop loss insurance renewal quote upon receipt from ULLICO.

Mr. Laurence provided the Trustees information regarding financial management and investment services available through the Madison Consulting Group.

The Trustees thanked Mr. Valentin and Mr. Laurence for there presentation and they were excused from the meeting.

VII. CO-COUNSEL REPORT

Subrogation

Mr. Burton reported on the subrogation lien reduction request discussed at the the last Board meeting. He noted that the attorney for the participant of the Fund is petitioning the Fund to accept $100,000 of the recovery from settlement as full payment of the lien.

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

> **RESOLVED to give Mr. Burton the right to negotiate a settlement of at least $100,000 as payment in full of the lien.**

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

VIII. ADMINISTRATIVE MANAGER REPORT

Second Quarter 2018

Ms. Welch presented the Administrative Manager Report for the second quarter of 2018. The report showed employer contribution income of $847,296, employee payroll deductions of $37,239, employee contributions of $4,672, interest and dividend income of $4263, and miscellaneous income of $5,935 producing a total income of $899,405. Expenses included $605,232 for medical benefits, $31,245 for CIGNA premiums, $60,671 for dental premiums, $10,315 for disability benefits, $247,826 for prescription drug benefits, $4,821 for life insurance benefits, $24,611 for stop loss insurance, $8,005 for optical benefits, and $45,191 in operating expenses, producing total expenses of $1,037,917 and resulting in a deficit of $138,512 for the second quarter of 2018. Ms. Welch reported that contributions were made on behalf of 495 active participants and that there were no delinquencies. The Fund reserve was $945,030 as of June 30, 2018, which was projected to provide benefits for 2.6 months. The Fund reserve was $1,040,596 as of July 31, 2018, which was projected to provide benefits for 2.9 months.

IX. INVOICES

Ms. Welch reviewed a list of invoices dated September 7, 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 September 7, 2018 as presented.**

X. OTHER FUND BUSINESS

A. PNC Treasury Management Fee Increase

Ms. Welch presented a letter, account analysis statement and a unit pricing change schedule received on September 4, 2018 from Steven Palmer, Senior Vice President of PNC Bank in response to a request from the Trustees at the last meeting to provide additional information regarding the proposed Treasury Management Fee increase. The letter provided a list of each of the Treasury Management services for which the account is accessed a fee, and the change in unit price charges for 2018 compared to 2017. Mr. Palmer noted in his letter that the impact of the price changes depends on the mix of services used and related transaction volumes, offset by the level of the account balance.The price changes were scheduled to take effect in January 2018, and PNC deferred the implementation of the fee increases until the month after this Board meeting. PNC worked with Associated Administrators to delete services that were not being utilized or were considered unnecessary. The Trustees requested that Associated Administrators provide a list of all services that were deleted. After discussion, and

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

RESOLVED, to approve the Treasury Management Fee increases noted in the September 4, 2018 letter from PNC.

B. Contribution Rate Increase

Ms. Welch reported that FELRA & UFCW Health & Welfare Plan increased contribution rates effective February 1, 2018. She noted the Plan 1 full time rate increased to $1,082 per month and Plan 1 part time rate increased to $748 per month. The Plan 2 full time rate increased to $334 and the part time rate increased to $128. The Plan 3 full time rate increased to $593 and the part time rate increased to $128. The Plan 4 contribution rate increased to $24. Ms. Welch also noted that the employee payroll deduction increased in January 1, 2018 for Plan 3 full time participants to $10 for single coverage per week, $15 for participant plus one dependent per week and $25 for participant plus two or more dependents per week. The Plan 3 part time employee contribution increased to $10 per week for single coverage, $106.80 per child rate, $213.60 for two children and $320.40 for three or more children.

Ms. Welch noted that the Collective Bargaining Agreement states, "The employer agrees to make monthly contributions to the Bakers Union & FELRA Health and Welfare Fund for each employee eligible for benefits and working in a job classification covered by the collective bargaining agreement at the FELRA Health and Welfare Fund rates then in effect. All rate changes are effective January 1 of each year."

The Trustees tabled further discussion of the contribution rate increase until they could review the collective bargaining agreement.

C. Patient-Centered Outcomes Research Institute (PCORI) Fees

Ms. Welch reported that the Fund's PCORI Fees for the Plan year-ended December 31, 2017 were mailed to the IRS on July 20, 2018, in the amount of $1,806.84 along with Form 720, which was prepared by the Fund's auditor.

D. IRS Form 5500 Annual Return

Ms.Welch noted that the Fund's Form 5500 Annual Return was filed electronically on July 27, 2018 by the Fund Auditor.

E. Claim Review and Negotiation Services

Ms. Welch reviewed a claim review and negotiation services savings analysis that listed the ten highest cost claims processed in the 2018 Plan year. A&S Financial Services completed a claim review and identified services that were billed in error. The claim review resulted in a 20% percent savings in the amount of $142,454.91 for the claims listed. A&S Financial charges 20% of the savings determined by the claims review or negotiation.

After discussion on MOTION made and seconded, the Trustees voted unamimous approval of the following resolution:

> **RESOLVED, to hire A&S Financial Services to review all in-patient and out-patient high dollar medical claims over $30,000. The Trustees agreed to the 20% of savings fee or lower if negotiated.**

F. "For Your Benefit" Newsletter

Ms. Welch reported that the September 2018 "For Your Benfit Newsletter was mailed to participants and included the Notice of Creditable Coverage, Women's Health and Cancer Rights Act Notice and Coordination of Benefits Update form.

G. Summary Annual Report

Ms. Welch distributed a copy of the Summary Annual Report that will be mailed to the participants prior to the September 30, 2018 deadline.

VI. NEXT MEETING DATE AND LOCATION

The Trustees directed that a regular Board meeting be held on Friday, December 14, 2018 at 12:00 p.m. at Ruth's Chris Steak House, 301 Severn Avenue, Annapolis, MD 21403.

VII. 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 July 31, 2018

Exhibit B: OptumRx January 2018 through June 2018 Plan Review