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 14, 2018 IN ANNAPOLIS, MD

The following Trustees were present:

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

Also present were:

H. Burton - Morgan, Lewis & Bockius, LLP
M. DeLancey - Blank Rome, LLP
J. Herishen - Calibre CPA Group, PLLC
K. Phillips - Associated Administrators, LLC
D. Welch - 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 regular Board meeting held on September 7, 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 September 7, 2018 were approved as presented.

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

Ms Welch noted that Mr. Little was unable to attend the Board Meeting but forwarded copies of the Summary of Activity Report for the period ending November 30, 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 $3,714,662, disbursements of $4,532,471, market value decrease of $11,482, investment return of $23,777, producing an ending market value of $955,118. The Fund holds 84.4% in limited maturity bonds and 15.6% in cash. The estimated annual income is $13,250 with an estimated 1.4% yield.

Mr. Little noted in his portfolio review that year-to-date the portfolio had approximately $800,000 more withdraws than additions which is slightly ahead of the pace in 2017. He reported the account's asset allocation remained consistent and no liquidation of the fixed income fund had been necessary. Additionally, the decision to move to the shorter-duration fund had decreased the impact to the portfolio of higher levels of short-term interest rates and performance of the fund had continued to be positive despite short-term interest rates increasing in the last three months.

IV. <u>AUDITOR'S REPORT</u>

The Trustees welcomed Mr. Herishen, of Calibre CPA Group, PLLC to the meeting.

A. <u>Firm Merger</u>

Mr. Herishen informed the Trustees that effective August 1, 2018 Salter & Company, LLC merged with Calibre CPA Group, PLLC. He noted that the audit team, billable rate structure and fee cap structure would remain the same.

B. <u>Financial Statements for the Years Ended December 31, 2017 and 2016</u>

Mr. Herishen reviewed the Financial Statements for the years ended December 31, 2017 and 2016. He stated that the audit reflects an unqualified opinion, in all material respects, of the financial status of the Fund as of December 31, 2017 and 2016. The net assets available for benefits on December 31, 2016 were $2,182,918. He noted total additions for the year ended December 31, 2017 of $3,847,844 and total deductions $3,972,845, resulting in a decrease of net assets available for benefits of $125,001, and producing net assets available for benefits on December 31, 2017 of $2,057,917. 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, 2017, total assets were $2,073,758 and accounts payable were $15,841. Mr. Herishen reported that the Form 5500 and 990 were filed timely.

Mr. Herishen distributed a copy of the Calibre CPA Group, PLLC proposal to provide auditing services for the Plan year ending 2018. The proposed fee increase was $400 from $11,100 the prior year to $11,500.

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

V. CO-COUNSEL REPORT

Subrogation

Mr. Burton reported on the subrogation lien reduction request discussed at the last Board meeting. He noted that a settlement check was received on September 19, 2018 in the amount of $100,000 and that the case was resolved and closed.

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

VI. ADMINISTRATIVE MANAGER REPORT

A. Third Quarter 2018

Ms. Welch presented the Administrative Manager Report for the third quarter of 2018. The report showed employer contribution income of $839,633, employee payroll deductions of $40,955, employee contributions of $4,952, interest and dividend income of $4,292, and miscellaneous income of $106,900 producing a total income of

$996,732. Expenses included $517,991 for medical benefits, $31,576 for CIGNA premiums, $61,355 for dental premiums, $12,370 for disability benefits, $234,522 for prescription drug benefits, $4,894 for life insurance benefits, $23,998 for stop loss insurance, $9,375 for optical benefits, and $63,019 in operating expenses, producing total expenses of $959,100 and resulting in an increase of $37,632 for the third quarter of 2018. Ms. Welch reported that contributions were made on behalf of 484 active participants and that there were no delinquencies. The Fund reserve was $954,496 as of September 30, 2018, which was projected to provide benefits for 2.7 months.

B. <u>Contract Renewal Request</u>

Ms. Welch stated that the Fund's administrative services contract with Associated Administrators, LLC will expire on December 31, 2018. She presented a letter from Associated Administrators, LLC proposing a three-year contract renewal for the period January 1, 2019 to December 31, 2021 with an annual fee increase of 4% each year. The Trustees excused Ms. Welch and Ms. Phillips from the meeting.

"EXECUTIVE SESSION"

The Trustees welcomed Ms. Welch and Ms. Phillips back to the meeting. After discussion, on MOTION, made and seconded, the Trustees voted Unanimous approval of the following resolution:

> **RESOLVED, to approve a three-year extension of the Administrative contract between the Fund and Associated Administrators, LLC for the period of January 1, 2019 to December 31, 2021 as presented.**

VII. <u>INVOICES</u>

Ms. Welch reviewed a list of invoices dated December 14, 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 December 14, 2018 as presented.**

VIII. PARTICIPANT APPEALS

Appeal Number	*Issue*	*Board Decision*
M18/134-5598	Hospital/Medical Non-participating provider	Approve

IX. OTHER FUND BUSINESS

A. Optum Rx Plan Review January 1, 2019 to September 20, 2019

Ms. Welch distributed a report which was provided by Optum Rx entitled, "Bakers Union and FELRA Health and Welfare Fund January 2018 through September 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 23.6% in Plan costs per participant per month for the first three quarters of 2018 as compared to the first three quarters of 2017. During the period, January 1, 2018 through September 30, 2018 there were 6,659 traditional prescriptions filled and 51 specialty prescriptions filled, for which the Plan paid $451,246 and $286,469 respectively. Ms Welch reviewed the Plan's drug utilization and costs for the period January 1, 2018 to September 30, 2018, as compared to the period January 1, 2017 to September 30, 2017.   The cost per member per month(pmpm) in 2018 was $108.39 as compared to the Taft-Hartley book of business ("BOB") of $87.68. The Fund's generic utilization rate for the period was 84.1%. The Fund's average cost per prescription was $109.94, as compared to the Taft-Hartley BOB of $86.60. Specialty drugs represented 38.8% of the Fund's drug cost. The specialty drug cost for the first three quarters of 2018 was $42.09 pmpm, as compared to the first three quarters of 2017 of $ 21.03 pmpm, an increase of 100.1%. Ms. Welch noted that there were four new specialty drugs being utililized on the Top 10 Specialty Drug List . The specialty drug cost for the first three quarters of 2018 averaged $5,617.04, an increase of 64.7% as compared to the first three quarters of 2017.

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, and Top Specialty Drugs by Plan Cost.

Ms Welch distributed several reports that were prepared by Optum Rx that were requested from the Trustees at the September 7, 2018 Board meeting. The Trustees reviewed the Comparable Taft Hartley Plan Benefit Comparison, Specialty Report, Member Distruption Reports for Prior Authorization, Step Therapy and Quantity Limit, Utilization Management Programs, Over the Counter Program and the Vigilant Savings Program. The Trustees had also asked Ms. Agoney if the Split Fill Program applied to any other categories than oncology medications. Ms. Welch reported that the Split Fill portion of the Smart Fill Program only applied to oral oncology drugs and no other category of drugs was under consideration at this time.

The Trustees tabled a decision on any of the Programs discussed until Ms. Agoney was present at the next Board meeting for further discussion.

B. Rebates

The Fund received a rebate check from OptumRx on August 10, 2018 for the fourth quarter of 2017 in the amount of $6,900**.**

C. Contribution Rate Increase

Ms. Welch distributed a report that listed the FELRA & UFCW Health & Welfare Plan contribution rates that increased effective February 1, 2018. She noted the Plan 1 full time rate increased from the current rate of $830 per member per month(pmpm) to $1,082 pmpm, Plan 2 full time rate from $267 pmpm to $334 pmpm, Plan 3 full time rate from $262 pmpm to $593 pmpm and the part time rate increased from $103 pmpm to $128 pmpm and Plan 4 contribution rate increased from $18.40 pmpm to $24 pmpm.

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 review the collective bargaining agreement.

D. COBRA Rates

Ms.Welch reported that the FELRA & UFCW Health & Welfare Plan was increasing the plans current COBRA rates effective January 1, 2109. She noted that the Bakers Union and FELRA Health and Welfare Fund historically has mirrored the contribution rates for FELRA & UFCW Health & Welfare Plan.

The Trustees tabled a discussion of the COBRA rates until a decision was made regarding the contribution rate increase.

E. Fiduciary Liability Insurance

Ms. Welch presented the fiduciary liability insurance renewal quote, from Chubb, through Segal Select Insurance. Chubb proposed a $16 increase in the annual premium from $3,393 to $3,409 for the period of January 1, 2019 to December 31, 2019.

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

> **RESOLVED, to approve the renewal of the fiduciary liability insurance policy with Chubb, for the period January 1, 2019 through December 31, 2019, at a premium of $3,409.**

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

F. Stop Loss/ Life and AD&A Insurance Renewal

Ms. Welch noted the ULLICO Stop Loss Insurance, Basic Life and Basic Accidental Death and Dismemberment Policy Renewal Offer was circulated to the Trustees prior to the meeting.

Ullico proposed a 5% increase in the current Stop Loss Insurance premium of $25.53 pmpm to $26.81 pmpm. The proposal retains the same $350,000 attachment point and $50,000 aggregating deductible.

The Trustees requested that Madison Consulting provide alternative stop loss providers for consideration. Madison Consulting provided quotes from Vista Underwriting, Amalagamated and Aetna. Vista Underwriting proposed a rate of $24.21 pmpm, which was 10% lower than the renewal rate proposed by Ullico and 5% lower then the current rate of $25.53 pmpm.. The Trustees via email poll unianimously approved the Vista Underwriting quote of $24.21 pmpm.

Ullico proposed no increase to the current Basic Life and Basic Accidental Death and Dismemberment Policy.

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

> **RESOLVED, to approve the Ullico Basic Life and Basic Accidental Death and Dismemberment Policy maintaining the current rate of Basic Life Insurance of $0.205 per $1,000 and the Basic Accidental Death and Dismemberment Policy rate of $0.02 per $1,000 for the period of January 1, 2019 to December 31, 2019.**

G. <u>Prescription Drug Benefit Audit</u>

Ms. Welch reported that Seneca consulting had received all of the requested data to complete the prescription drug benefit audit and had held an initial audit meeting with OptumRx to begin the prescription drug audit.

VI. <u>NEXT MEETING DATE AND LOCATION</u>

The Trustees directed that a regular Board meeting be held on Friday, March 22, 2019 at 10:00 a.m. in Landover, Maryland.

VII. ADJOURNMENT

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

Respectfully submitted,

Gary Oskoian, Chairman

Attachments:

Exhibit A: PNC Capital Advisors Investment Review for Period Ending November 30, 2018

Exhibit B: OptumRx January 2018 through September 2018 Plan Review