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

4301 Garden City Drive, Suite 201
Landover, MD 20785-2210
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
DECEMBER 16, 2011
IN ANNAPOLIS, MARYLAND**

The following Trustees were present:

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

Also present were:

H. Burton - Morgan, Lewis & Bockius, LLP
M. DeLancey - Dickstein Shapiro, LLP
M. Herwig - PNC Bank, NA
C. Little - PNC Bank, NA
A. Sims - Associated Administrators, LLC
K. Walsh - Associated Administrators, LLC
M. Walter - ING/ReliaStar

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 September 12, 2011.

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 September 12, 2011 were approved as presented.

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

The Trustees welcomed Mr. Herwig and Mr. Little from PNC Bank, NA to the meeting. Mr. Little presented the Summary of Activity Report for the period January 1, 2011 through November 30, 2011. Such report showed a beginning market value of $1,108,869, receipts of $4,807,041, disbursements of $4,682,625, investment income of $13,150, and market value loss of $7,723, producing an ending market value of $1,238,711.

Mr. Little presented the asset allocation as of November 30, 2011. The Fund held 79% in a limited maturity bond and 21% in cash. The estimated annual income was $15,419 with an estimated 1.2% yield.

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

IV. CO-COUNSEL REPORT

A. Summary of Material Modification - Catalyst Formulary Change

Mr. DeLancey reported that a Summary of Material Modification, reflecting the Trustees' actions to add ARBs, Bisphosponates, Nasal Steroids, PPIs and Triptans to the 2011 Catalyst Formulary Advantage program, had been drafted by Counsel. Ms. Sims reported that it would be included in the next For Your Benefit newsletter.

B. Summary of Material Modification - Medicaid and the Children's Health and Insurance Program Reauthorization Act (CHIPRA)

Mr. DeLancey reported that a Summary of Material Modification, incorporating the special enrollment requirements under CHIPRA, had been drafted by Counsel. Ms Sims reported that it would be included in the next For Your Benefit newsletter.

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

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

A. <u>Third Quarter 2011</u>

Ms. Sims presented the Administrative Manager Report for the third quarter 2011. The report showed employer contribution income of $1,264,115, employee contributions of $8,278, interest and dividend income of $3,826, and miscellaneous income of $10,609, producing a total income of $1,286,828. Expenses included $708,866 for medical benefits, $37,221 for CIGNA premiums, $91,938 for dental premiums, $37,228 for disability benefits, $210,184 for prescription drug benefits, $8,554 for life insurance benefits, $26,225 for stop loss insurance, $13,059 for optical benefits, and $64,830 in operating expenses, producing total expenses of $1,197,805 and resulting in a surplus of $89,023 for the third quarter of 2011. She further reported that contributions were made on behalf of 656 active participants and that there were no delinquencies. The Fund reserve was $1,284,927 as of September 30, 2011 which represented 3.2 months of reserve.

VI. <u>INVOICES</u>

Ms. Sims presented a list of invoices dated December 16, 2011. 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 December 16, 2011 was approved for payment as presented.**

VII. PARTICIPANT APPEALS

Appeal Number	*Issue*	*Board Decision*
M11/157-0171	Non Par Provider	Approved
M11/161-4983	Additional payment of anesthesia services	Denied

VIII. PROVIDER REPORTS

A. CIGNA Renewal

Ms. Sims reported that at the September 12, 2011 meeting, CIGNA proposed rates based on a three-year renewal period which included a 2% increase in the shared administration fee and re-pricing fee effective September 1, 2011 to $20.39 per employee, per month ("pepm"), September 1, 2012 to $20.79 pepm, and September 1, 2013 to $21.20 pepm.

The Trustees directed the Administrative Manager to offer a counter proposal of a 2% increase effective September 1, 2011 to $20.39 pepm, a 0% increase effective September 1, 2012, and a 2% increase effective September 1, 2013 to $20.79 pepm. Ms. Sims reported that CIGNA approved the counter proposal.

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

> **RESOLVED to approve CIGNA's three-year rate proposal with an increase in the shared administration fee and re-pricing fee of 2% to $20.39 pepm effective September 1, 2011, 0% increase effective September 1, 2012, and a 2% increase to $20.79 pepm effective September 1, 2013.**

B. Catalyst Rx

Ms. Sims distributed copies of Catalyst Rx's Report entitled "Performance Highlights and Strategic Review - Third Quarter 2011." During the period September 30, 2010 through September 30, 2011 there were 13,884 prescriptions filled, for which the Plan paid $1,042,332.10 in prescription costs and the members paid $160,996.47 in co-payments. The average cost per member per month was $51.96. The Fund's generic utilization rate for the period was 62.6%.

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.

C. ING/RELIASTAR

i. Stop Loss Policy Renewal

The Trustees welcomed Mr. Mark Walter of ING/ReliaStar to the meeting. Mr. Walter presented a revised rate proposal, dated December 16, 2011, for the Stop Loss policy renewal effective January 1, 2012. He reported that the revised proposed composite rate for 2012 is $27.28 per member, per month (pmpm) for Plan 1. He reported that this proposal retains the current $275,000 attachment point and $50,000 aggregating deductible but increases the Annual Maximum to $1,250,000 and the lifetime maximum to unlimited. Mr. Walter then reviewed two revised alternative rate proposals: (1) a $300,000 individual deductible and a $50,000 aggregating deductible for a proposed rate of $26.62 pmpm, and (2) a $300,000 individual deductible with an $80,000 aggregating specific deductible for a proposed rate of $22.96 pmpm.

Mr. Walter noted that the revised rates proposed require the Fund to execute cost containment agreements with the following networks: (1) Interlink Transplant Network, (2) OptumHealth Transplant Network, (3) CIGNA Lifesource Transplant Network, (4) LifeTrac Transplant Network, (5) Golden Triangle, and (6) London Medical Management. The Trustees noted that the Fund requires the mandatory use of the CIGNA Shared Administration Network provider in order for benefits to be covered, with limited exceptions, including utilization of the CIGNA Lifesource Transplant Network. They expressed concern that executing cost containment agreements with networks outside of CIGNA will breach the Fund's rules and the exclusivity clause contained in the Fund's contract with CIGNA. The Trustees requested that Mr. Walter provide a revised proposal that did not include the Cost Containment requirements.

Ms. Sims reported that per Trustee directive at the September 12, 2011 Board of

Trustees meeting, the Administrative Manager solicited quotes for Stop Loss coverage from other providers. She stated that the quotes from CIGNA for the current level of Stop Loss coverage provided by ING were $44.95 pmpm and from AIG were $33.15 pmpm.

The Trustees requested that the Administrative Manager poll the Trustees, via electronic mail, upon receipt of the revised Stop Loss proposal from ING.

ii. Basic Life and Basic Accidental Death and Dismemberment Policy

At the September 12, 2011 meeting, Mr. Walters said the Basic Life renewal rate of $0.22 per $1,000 in coverage for the period January 1, 2012 through December 31, 2012 remains the same as for the previous period and the Basic Accidental Death and Dismemberment rate of $0.02 per $1,000 in coverage remains the same as for the previous period.

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

> **RESOLVED to renew the Basic Life Policy for $0.22 per $1,000 in coverage, and renew the Basic Accidental Death and Dismemberment Policy for $0.02 per $1,000 in coverage for the period January 1, 2012 through December 31, 2012.**

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

IX. OTHER FUND BUSINESS

A. Patient Protection and Affordable Care Act (“PPACA”)

Ms. Sims distributed an invoice dated December 16, 2011 for administrative services provided as the result of PPACA changes for Trustee approval. The invoice contained a list of the Administrative Manager’s employees and their hours spent working on healthcare reform for the Bakers Union and FELRA Health and Welfare Fund, for the period January 1, 2011 through September 31, 2011, in accordance with the contractual addendum for these services.

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

> **RESOLVED that the Healthcare Reform invoice dated December 16, 2011 was approved for payment as presented.**

B. Annual Limit Increase Effective January 1, 2012

In order to be compliant with the PPACA regulations, Ms. Sims requested Trustee approval to increase the annual limit for Plan 1 from $1,000,000 to $1,250,000 effective January 1, 2012. She reported that according to Segal this change would be considered to have a *de minimus* cost impact to the Fund from an actuarial perspective.

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

> **RESOLVED to increase the annual limit for Plan 1 from $1,000,000 to $1,250,000 effective January 1, 2012.**

C. Summary Annual Report

Ms. Sims reported that the Summary Annual Report was mailed to participants prior to the September 30, 2011 deadline.

D. Forms 5500 and 990

Ms. Sims reported that Forms 5500 and 990 were filed timely under the extension.

X. NEXT MEETING DATE AND LOCATION

The Trustees directed that the next regular Board meeting be held on Friday, April 20, 2012 at 10:00 A.M. in Landover, Maryland.

XI. ADJOURNMENT

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

Respectfully submitted,

Al Haight, Secretary

(Orig: 12/27/11)

KLW