FELRA & UFCW Health & Welfare Plan
A Plan of the Food Employers Labor Relations Association
and United Food and Commercial Workers
VEBA Fund

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MINUTES OF THE MEETING OF THE BOARD OF TRUSTEES OF THE FELRA AND UFCW VEBA FUND SEPTEMBER 24, 2019 LANDOVER, MARYLAND

The following Trustees were present:

Union Trustees
M. Federici - Secretary
J. Chorpenning
A. Hanson
E. Masten

Employer Trustees
J. Paradis - Chairman
D. Dosenbach
M. Goble

Also present were:

Y. Anwar - UFCW Local 400
N. Eid - Confidio (via teleconference)
J. Harrison – UFCW Local 27
T. Hipkins - UFCW Local 27
C. Hoffmann - UFCW Local 400
N. Jacobs - UFCW Local 400
D. Jensen – Associated Administrators, LLC
W. Jensen - Associated Administrators, LLC
M. Kreps - Groom Law Firm
C. McDonough - Investment Performance Services
R. McKnight - Associated Administrators, LLC
S. Ridore – Safeway
R. Sichel - Investment Performance Services
B. Slevin - Slevin & Hart, P.C.
J. Timm - The Segal Company (via teleconference)
L. Walsh - Associated Administrators, LLC
R. Wildt - UFCW Local 27
J. Williams - Kaiser Permanente
M. Wilson - UFCW Local 400

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 July 18, 2019, and the Appeals Committee meetings held on June 13, 2019, July 10, 2019, August 13, 2019 and September 4, 2019, all of which were pre-circulated.

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

> **RESOLVED that the minutes of the regular meeting held on July 18, 2019, and the Appeals Committee meetings on June 13, 2019, July 10, 2019, August 13, 2019, and September 4, 2019 are approved as presented.**

III. FINANCIAL REPORT

A. PNC Bank

1. Summary of Activity Report – ERISA Account – August 31, 2019

Mr. Jensen presented the PNC Summary of Activity report for the period January 1, 2019 through August 31, 2019. Such report indicated a beginning market value of $27,570,275, earnings of $1,509,343, receipts of $92,752,924, and disbursements of $92,358,695, producing an ending market value of $29,473,847 as of August 31, 2019.

2. Summary of Activity Report – Non-ERISA Account – August 31, 2019

Mr. Jensen then presented the PNC Summary of Activity report for the Non-ERISA account for the period January 1, 2019 through August 31, 2019. Such report indicated a beginning market value of $1,180,645, no earnings, receipts of $103,100,083, and disbursements of $96,244,306, producing an ending market value of $8,036,422 as of August 31, 2019.

Mr. Jensen noted that as of August 31, 2019, the FELRA Welfare Fund had $36,271,791 representing 3.31 months of reserves compared to 3.29 months as of July 31, 2019. The average expense for the four quarters ending June 30, 2019 was $10,948,017 per quarter.

B. <u>Investment Performance Services</u>

The Trustees welcomed Mr. Rich Sichel and Mr. Chris McDonough of Investment Performance Services to the meeting.

1. Master Consulting Report – June 30, 2019

Mr. Sichel presented the Master Consulting Report for the quarter ending June 30, 2019. Such report indicated a beginning market value for the Second Quarter 2019 of $28,221,465, net cash flow of $1,443,497, and net investment change of $504,507, producing an ending market value of $30,169,469 for the quarter. The performance was 1.4% for the quarter.

The Trustees thanked the representatives of IPS for their report and they were excused from the meeting.

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

A. <u>Confidio</u>

The Trustees welcomed Ms. Nancy Eid of Confidio to the meeting, via teleconference.

1. Reimbursement Status - Revised

Ms. Eid reported that ESI sent a draft settlement agreement regarding repayment of the $2.3 million owed the Fund by ESI in a lump sum payment. Fund counsel is reviewing the draft agreement.

2. Plan Experience

Ms. Eid reviewed the ESI experience report for the six months ended June 30, 2019. She said that the Fund's trends were good compared to the UFCW peer group's experience. Specialty costs remain high. Generic fill rates improved slightly from the same period in 2018.

3. Limited Distribution Drugs

Ms. Eid reported on a very small group of specialty drugs known as Limited Distribution Drugs. By contract, the manufacturers of these drugs have reached agreements with specific specialty pharmacies to distribute these drugs. Currently a small number of these drugs are sourced solely from CVS Specialty. Because CVS is excluded from the Fund's network, participants currently would not be able to receive coverage for such drugs, even though they are covered medications under the Plan. Ms. Eid recommended an exception to the network rule that excludes CVS Specialty such that these Limited Distribution Specialty drugs solely sourced from CVS Specialty would be covered if the other requirements of the Plan are met, with monitoring by Confidio (?). After discussion,

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

> **RESOLVED to cover Limited Distribution Specialty Drug prescriptions filled through CVS Specialty only to the extent that the prescription is not available from another covered pharmacy and the prescription otherwise meets the Plan's requirements for coverage.**

4. 2020 Renewal

Ms. Eid reported on the proposal ESI renewal contract effective January 2020. It will provide a one-time credit in January 2020 of $1.8 million, as well as additional savings.

5. Optional Savings Opportunities

Ms. Eid discussed optional savings opportunities with utilization management programs offered by ESI, and review of newly developed drugs being introduced into the market. She agreed to attend the next Board meeting to review specific recommendations, which would be submitted in advance of the meeting.

The Trustees thanked Ms. Eid for her report and she was excused from the meeting.

B. <u>The Segal Company</u>

The Trustees welcomed Mr. Josh Timm of the Segal Company to the meeting, via teleconference.

1. Conifer/Carewise Health Transition

Mr. Timm reported that the revised proposal by Conifer to replace both Carewise and Health Dialog for Utilization Management and Disease Management respectively was accepted by the Trustees. The proposed agreements are being reviewed by Fund Counsel. Associated has begun working with Conifer on the transition with the exchange of non-PHI information. PHI will not be shared with Conifer until a business associate agreement is executed between the Fund and Conifer. Conifer's services will be effective as of January 1, 2020.

2. Plan XX and Plan XXX Costs Per Enrolled Dependent Child

Mr. Timm presented proposed Plan XX and XXX part-time costs for the 2020 Plan year per enrolled dependent child.

	Per Child Rate	**3 or More Children Rate**
Plan XX	**$134.43**	**$403.29**
Plan XXX	**$132.49**	**$397.47**

These amounts will be offered to the participants during the annual open enrollment process. After review,

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

> **RESOLVED to adopt the 2020 Plan XX and Plan XXX part-time dependent full cost rates, as presented, effective January 1, 2020.**

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

V. ATTORNEY'S REPORT

A. Appointment of Fund Co-Counsel

Mr. Slevin reported that, between meetings, the Trustees terminated Morgan Lewis & Bockius as Fund Co-Counsel and hired Groom Law Group as Fund Co-Counsel. The Groom Law Group ("Groom") executed an engagement letter with the Fund. The Trustees welcomed Mr. Michael Kreps of Groom to the Fund.

B. Deadlocked Participant Appeal

Mr. Slevin reported on the arbitration of a deadlocked participant appeal .

C. Superior Vision Transition

Mr. Slevin provided a status report on the transition from Advantica to Superior Vision. He presented a business associate agreement between the Fund and Superior Vision. The document was executed.

D. Subrogation

Mr. Jensen stated that Slevin & Hart reported subrogation recoveries of $133,094.60 with $26,618.92 payable to Slevin & Hart for the second quarter 2019.

VI. ADMINISTRATIVE MANAGER'S REPORT

A. Second Quarter 2019 – Combined Fund Recap

Mr. Jensen presented the Administrative Manager's Report for the Second Quarter 2019. For the combined VEBA Fund, Active and Retiree Plans, total income was $33,864,864. Expenses totaled $33,402,023, producing a net surplus of $462,841 for the Second Quarter 2019. Mr. Jensen noted that contributions were made on behalf of 15,949 active Plan participants.

Mr. Jensen presented a snapshot of work performed by Associated Administrators during the Second Quarter 2019. The report reflected the processing of 360 accident and sickness claims, 119 appeals, 11,506 participant service calls, the production of 535

COBRA notices, the processing of 88,012 medical claims, and mailings to 118,600 Plan participants.

VII. INVOICES

The Trustees reviewed the lists of invoices for the Active Plan and Retiree Plan dated September 24, 2019. It was noted there were no additions, deletions or changes to the lists.

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

RESOLVED that the invoices on the lists dated September 24, 2019 for the Active Plan and Retiree Plan are approved for payment.

VIII. OTHER FUND BUSINESS

A. Safeway Overpayment

Mr. Jensen said Safeway had submitted a credit request for overpayments made on behalf of Plan XL participants. After review by the Chairman and Secretary, the credit request was referred to Calibre's payroll auditor. Calibre is performing a routine three year payroll audit, and will include the credit request review as part of its report.

B. Kaiser Permanente Medicare Advantage Renewal Proposal

The Trustees welcomed Ms. Jennifer Williams from Kaiser Permanente to the meeting. Ms. Williams presented the Kaiser Permanente 2020 Medicare update. Kaiser Medicare membership as of July 2019 was 2,371. Currently, 1,619 of the members have transitioned to the Medicare Advantage Plan, and the remaining 752 will transition on January 1, 2020. Ms. Williams presented the January 1, 2020 rates for the Kaiser Permanente Medicare Advantage Plan. She noted that the rates would increase by 2.3% in 2020. After review,

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

RESOLVED to approve the 2.3% increase to the Kaiser Permanente Medicare Advantage Plan 2020 rates effective January 1, 2020.

The Trustees thanked Ms. Williams for her report and she was excused from the meeting.

C. <u>Advantica Transition to Superior Vision</u>

Mr. Jensen noted that Advantica had been acquired by Superior Vision effective September 1, 2019. He said that although the benefit plan offered by Superior Vision improved slightly, the network itself was not an exact match of Advantica's network. New identification cards were mailed to the Plan participants in September 2019. The Trustees discussed a potential search for vision providers in the future.

D. <u>Group Vision Services</u>

Mr. Jensen said that he had received correspondence from Group Vision Service requesting the opportunity to submit a proposal for vision benefit services. The Trustees did not express interest in the GVS request at this time.

E. <u>Miscellaneous Correspondence</u>

1. Beacon Health Options

Mr. Jensen noted that Beacon Health Options had changed its Utilization Management provider to InterQual. He noted that existing utilization review requirements are not changing.

2. Fraudulent Checks

Mr. Jensen reported that several fraudulent VEBA Fund checks had been presented for payment, but were rejected and not paid because the Fund's positive pay program had captured them. Positive pay requires a match between the payee and amount for the check to be cleared.

3. Cheiron ASC-95 Report

Mr. Jensen noted that the Cheiron ASC-95 (SOP) Report was available for review on the Trustee Web Portal.

IX. ADOPTION OF COMMITTEE RECOMMENDATIONS

After review of the recommendations made by the Severance, Legal and Scholarship Committees during their meetings,

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

> **RESOLVED that the recommendations made by the Severance, Legal and Scholarship Committees are adopted.**

X. NEXT MEETING DATE AND LOCATION

The Trustees decided to hold their next meeting on December 12, 2019 in Landover, Maryland, beginning at 1:00 p.m.

XI. ADJOURNMENT

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

Respectfully submitted,

Mark Federici, Secretary

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