United Food and Commercial Workers Unions and Participating Employers Health and Welfare Fund

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MINUTES OF THE MEETING OF THE BOARD OF TRUSTEES OF THE UFCW UNIONS AND PARTICIPATING EMPLOYERS HEALTH AND WELFARE FUND JULY 2, 2013 TYSONS CORNER, VIRGINIA

The following Trustees were present:

UNION TRUSTEES
M. Federici - Chairman
M. Eubank
M. Harris

EMPLOYER TRUSTEES
S. Loeffler – Secretary
G. Anderson
D. Gwin
A. Samad-Salameh

Also present were:

H. Bazemore - Anthem
H. Burton – Morgan, Lewis & Bockius, LLP
J. Chorpenning – UFCW Local 27
G. Everhart – TC-3
E. Foxman – Group Dental Services
M. Herwig – PNC Bank
D. Hyman – Group Dental Services
W. Jensen – Associated Administrators, LLC
S. Krasnoff - Carefirst
R. Lloyd - Anthem
G. Murphy – UFCW Local 27
J. Pedone - Carefirst
J. Sears – Associated Administrators, LLC
B. Slevin – Slevin & Hart, P.C
J. Slivosky – UFCW Local 400
D. Whitney – SuperValu
C. Wyszinski – UFCW Local 400

I. CALL TO ORDER

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

A. Proxy

Mr. Sears reported that Trustee Hipkins was unable to attend the meeting, but had submitted his proxy to Trustee Eubank Harrison to act in all matters coming before the Trustees.

II. MINUTES

The Trustees reviewed the minutes of the regular meeting of December 11, 2012 and the appeals committee meetings of December 13, 2012 and March 8, 2013, 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 of December 11, 2012 and the appeals committee meetings of December 13, 2012 and March 18, 2013 were approved as presented.**

III. FINANCIAL REPORT

The Trustees welcomed Mr. Michael Herwig of PNC Bank to the meeting.

Mr. Herwig distributed the PNC Summary of Activity report for the period January 1, 2013 to May 31, 2013. Such report indicated a beginning market value of $15,593,818, receipts of $16,996,462, disbursements of $17,655,724, and earnings of $234,194, producing an ending market value of $15,168,750 as of May 31, 2013.

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

IV. ACTUARY'S REPORT

The Trustees welcomed Mr. Chris Mietlicki from Cheiron to the meeting.

A. 2013 Engagement Letter

Mr. Mietlicki presented an engagement letter for the 2013 plan year, which will include preparation of the roll-forward FASB ASC 965, for an annual fee of $9,000.

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

> **RESOLVED to approve the 2013 Cheiron engagement request of an annual fee of $9,000.**

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

V. ATTORNEY'S REPORT

A. Restated Trust

Mr. Slevin discussed the restated trust.

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

> **RESOLVED to adopt the restated trust.**

B. Forum Selection and Statute of Limitations

Mr. Slevin discussed the jurisdiction for legal proceedings and the statute of limitations.

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

> **RESOLVED to designate Maryland as the jurisdiction for any legal proceedings against the Fund and adopt a three year statute of limitations to bring actions.**

C. PNC Custody Agreement

Mr. Slevin discussed the PNC contract.

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

> **RESOLVED to amend the PNC Bank custody agreement as may be appropriate to authorize the Board of Trustees to choose the fund for short term cash reserves.**

D. Trustee Expenses

Mr. Slevin discussed recent DOL guidance on Trustee expenses.

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

> **RESOLVED to adopt Amendment Number 1 to the Trustee Expense Policy.**

The Trustees executed the amendment.

E. Fiduciary Liability Insurance Broker

Mr. Slevin discussed the broker for the Fund's fiduciary liability insurance.

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

> **RESOLVED to designate Segal Select as the broker of record.**

F. Cost Sharing

Mr. Slevin presented a new cost sharing agreement between the Fund, the UFCW Unions and Participating Employers Pension Fund, the FELRA and UFCW Pension Fund, the FELRA and UFCW Health and Welfare Fund and the Mid-Atlantic and Participating Employers Pension Fund ("MAP").

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

> **RESOLVED to approve the cost sharing agreement between the Fund, the UFCW Unions and Participating Employers Pension Fund, the FELRA and UFCW Pension Fund, the FELRA and UFCW Health and Welfare Fund, and the Mid-Atlantic and Participating Employers Pension Fund ("MAP").**

G. <u>Affordable Care Act ("ACA") Plan Requirements</u>

Mr. Slevin discussed the requirements of the Affordable Care Act ("ACA") that apply to plans.

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

> **RESOLVED to authorize a subcommittee of Mark Federici, Steve Loeffler, George Murphy, and Alia Samad-Salameh to review and make any ACA-related compliance decisions.**

Mr. Slevin discussed the requirements of the ACA. The Trustees agreed that the Fund should coordinate with the bargaining parties regarding the Plan and employer requirements.

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

> **RESOLVED to send a letter to participants advising of the notice they will be receiving from their employer and a letter to participating employers explaining the ACA employer notice requirement.**

H. <u>ACA – PCORI Fees</u>

Mr. Slevin discussed PCORI fees required by ACA.

I. <u>ACA – Reinsurance Fee</u>

Mr. Slevin discussed the reinsurance fee required by ACA.

J. <u>Mental Health Parity</u>

Mr. Slevin discussed Mental Health Parity. The Chairman and Secretary approved the changes recommended by Segal, and such benefit changes were implemented.

K. <u>Kaiser Permantente Rate Increases</u>

Mr. Slevin discussed rate increases from Kaiser.

L. Health and Human Services Survey ("HHS") – Early Retiree Reinsuarnce Program ("ERRP") Survey

Mr. Slevin discussed a survey from HHS regarding ERRP.

M. HIPAA Hi-Tech Business Associate Agreements ("BAAs")

Mr. Slevin discussed HIPAA BAAs.

N. Subrogation Lawsuit

Mr. Slevin discussed the US Air versus McCutchen subrogation decision.

O. Afram Litigation

Mr. Slevin discussed a lawsuit brought against the Fund by a medical provider.

P. Annual Limit Waiver

Mr. Slevin discussed the annual limit waiver.

Q. Milliman Contract

Mr. Slevin reported on the contract with Milliman. The Board discussed the invoices received from Milliman.

VI. ADMINISTRATIVE MANAGER'S REPORT

A. Fourth Quarter 2012 and First Quarter 2013 Reports

Mr. Sears presented the administrative manager's report for the fourth quarter 2012, which had been pre-circulated to the Trustees. Such report indicated total income of $12,814,902 for the quarter. Total expenses were $12,981,624, producing a deficit of $166,722 for the quarter. Mr. Sears noted that contributions and were made on behalf of 7,290 plan participants.

For the year ending December 31, 2012, the report indicates total income was $49,501,134. Total expenses were $50,119,159, producing a deficit of $618,025 for the year. Contributions were made on an average of 7,324 plan participants.

Mr. Sears also presented the administrative manager's report for the first quarter 2013, which had been pre-circulated to the Trustees. Such report indicated total income of $12,477,700 for the quarter. Total expenses were $12,422,571, producing a surplus of

$55,129 for the quarter. Mr. Sears noted that contributions and were made on behalf of 7,184 plan participants.

VII. INVOICES

Mr. Sears presented a list of invoices dated July 2, 2013. He noted there were no additions, deletions or changes to the list and that all invoices represented proper Fund expenses.

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

> **RESOLVED that the list of invoices dated July 2, 2013 was approved for payment.**

VIII. OTHER FUND BUSINESS

A. Shoppers CBA Changes - Catamaran

Mr. Jensen said that changes to the Catamaran program benefits were being implemented.

B. Maintenance of Benefits ("MOB")

Mr. Jensen discussed MOB calculations. The Trustees decided to table the MOB decision until a conference call within a month.

C. Fund Consultant

The Trustees discussed engaging a Consultant to assist the Fund. Mr. Loeffler said he would provide a suggested reporting format to propose as part of the RFP.

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

> **RESOLVED to prepare a Request for Proposal to hire a Consultant for the Fund.**

The Trustees will discuss who to send it to during the MOB conference call.

D. ING Life Insurance

Mr. Sears reported that ING had offered a renewal for the life insurance for all plans except Richmond/Tidewater. The renewal reflected no increase to the rates of $.175 and $.018, effective March 1, 2013

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

> **RESOLVED to accept ING's renewal effective March 1, 2013.**

E. Value Options

Mr. Sears reported that Value Options had offered a renewal for the mental health benefits. The renewal reflected no increase to the rates, effective January 1, 2013

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

> **RESOLVED to accept Value Options' renewal effective January 1, 2013.**

F. Aetna Dental – Richmond/Tidewater

Mr. Sears reported that Aetna had offered a renewal for the dental program for Richmond/Tidewater. The renewal reflected no increase to the administrative rate of $4.03 per employee per month, effective January 1, 2013

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

> **RESOLVED to accept Aetna's renewal effective January 1, 2013.**

G. CIGNA – Bextra/Celebrex Settlement

Mr. Sears said a check for $1.16 was received as part of the settlement for Bextra/Celebrex.

H. Pediatric Paxil Settlement

Mr. Sears said a check for $3,921.40 was received as part of the settlement for Pediatric Paxil.

I. Warfarin Sodium Antitrust Settlement

Mr. Sears said a check for $76.61 was received as part of the settlement for Warfarin Sodium.

J. Fiduciary Liability Waiver of Recourse Premiums

Mr. Sears said the invoices for the waiver of recourse premiums were mailed to Trustees.

K. Kroger Prescription Plans ("KPP")

Mr. Sears said a check for $132.84 was received from KPP for an audit, and another for $10,517.93 for fourth quarter 2012 rebates.

IX. VENDOR PRESENTATIONS

A. Anthem – Richmond/Tidewater Medical Provider

The Trustees welcomed Ms. Rhonda Lloyd of Anthem to the meeting.

Ms. Lloyd reviewed a detailed claims and enrollment report for the period January 1, 2012 through December 31, 2012. The report indicated paid claims of $7,466,741 for the year and an average of 1,140 monthly participants. She presented a three year contract beginning January 1, 2014, with base administrative rates of $39.37 per contract per month ("pcpm") for 2014 and $40.05 pcpm for 2015 and 2016. The rates reflected an increase of 2.18% for 2014, 1.72% for 2015, and 0% for 2016.

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

RESOLVED to accept Anthem's renewal rates for 2014-2016, as proposed.

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

B. Anthem – Roanoke PPO Provider

The Trustees welcomed Mr. Herb Bazemore of Anthem to the meeting.

Mr. Bazemore reviewed a detailed claims and enrollment report for the period January 1, 2012 through December 31, 2012. The report indicated paid claims of $10,929,221 for the year and an average of 2,363 monthly participants. He presented a three year contract beginning March 1, 2013, with base administrative rates of $20.09 per contract per month ("pcpm") through February 29, 2016. The rates reflected an increase of 1.5% for the period March 1, 2013 through February 28, 2014 and no increase for the two years thereafter.

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

> **RESOLVED to accept Anthem's renewal rates for the period March 1, 2013 through February 29, 2016, as proposed**

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

C. Carefirst – PPO Provider

The Trustees welcomed Mr. Steve Krasnoff and Mr. Joe Pedone of Carefirst to the meeting.

Mr. Krasnoff reviewed a detailed claims and enrollment report for the period January 1, 2012 through December 31, 2012. The report indicated billed claims of $33,817,678 for the year and a savings of $16,373,824. There was an average of 2,777 participants. Mr. Krasnoff discussed the administrative rates, which were $3.80 per participant per month ("pppm") from November 1, 2011 through October 31, 2012 and $3.88 for November 1, 2012 through October 31, 2013 for the Local NetLease program, and $19.23 pppm for November 1, 2011 through October 31, 2012 and $19.61 pppm for November 1, 2012 through October 31, 2013 for the FlexLink program. Mr. Krasnoff noted that 80% of the participants were covered by the NetLease program.

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

> **RESOLVED to accept Carefirst's rates for November 1, 2011 through October 31, 2013, as proposed.**

The Trustees thanked Mr. Krasnoff and Mr. Pedone for their report and they were excused from the meeting.

D. <u>Group Dental Services ("GDS") – Dental Provider</u>

The Trustees welcomed Mr. Ethan Foxman and Mr. Dwight Hyman of GDS to the meeting. They reviewed a report dated July 2013 outlining the Fund's claims experience for 2012.

The report showed total visits for 2012 were 10,826 with 22,704 procedures performed. The value of these procedures totaled $2,859,167, versus total income of $2,298,375, for a relative value of 1.24. The cost of care was $1,558,525 versus premiums paid of $2,168,305 for an experience level of 71.9%. Mr. Foxman said the cost of care trended higher during the latter stages of 2012 after endodontics were added as a covered benefit.

Mr. Foxman said there were several options to increase network availability to participants in the Roanoke area. He said he would prepare a report prior to the next meeting.

Mr. Foxman said that Aetna now owns the majority of GDS and the sale was completed in the past month. He said there were no changes to the GDS management team at this time.

The Trustees thanked Mr. Foxman and Mr. Hyman for their report and they were excused from the meeting.

E. <u>Proposal from TC-3 – Claims Cost Management</u>

The Trustees welcomed Mr. Glen Everhart of TC-3 to the meeting.

Mr. Everhart discussed his firm's services in the claims cost management area. He illustrated the fraud prevention, large claim review, and out-of-network pricing products that they provide and how they could interface with the current networks.

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

X. MISCELLANEOUS CORRESPONDENCE

A. Proposal – Dominion Dental

Mr. Sears said a request to provide a proposal for services was received from Dominion Dental. At this time, the Trustees did not wish to pursue a proposal.

XII. NEXT MEETING DATE AND LOCATION

The Trustees scheduled the following dates for the next meeting:

September 19 – location to be determined

XIII. ADJOURNMENT

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

Respectfully submitted,
Steve Loeffler - Secretary

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