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 APRIL 24, 2012 TYSONS CORNER, VIRGINIA

The following Trustees were present:

UNION TRUSTEES	EMPLOYER TRUSTEES
T. McNutt - Chairman	S. Loeffler – Secretary
M. Eubank	G. Anderson
M. Harris	J. McWilliams
T. Hipkins	A. Samad-Salameh

Also present were:

J. Berry – InforMed
H. Bazemore – Anthem
H. Burton – Morgan, Lewis & Bockius, LLP
J. Chorpenning – UFCW Local 27
M. Christle – Kroger
M. Federici – UFCW Local 400
D. Gwin – SuperValu
M. Herwig – PNC Bank
W. Jensen – Associated Administrators, LLC
S. Krasnoff – Carefirst
G. Kalwarski – Cheiron
S. MacDonald – Aetna
H. Manley – UFCW Local 27
L. Meade – InforMed
C. Mietlicki – Cheiron
B. Rogler – Informed Rx
J. Sears – Associated Administrators, LLC
B. Slevin – Slevin & Hart, P.C.
R. Wagner – Informed Rx
D. Whitney – SuperValu

I. CALL TO ORDER

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

II. NEW TRUSTEES

Mr. Jensen reported that George Anderson had been appointed as an Employer Trustee effective January 13, 2012, replacing Jessica Miles.

Mr. Jensen further reported that Donna Gwin has been appointed as an Employer Trustee, replacing Julie McWilliams, effective April 25, 2012. Ms. Gwin will also replace Ms. McWilliams on the Appeals Committee effective April 25, 2012.

III. MINUTES

The Trustees reviewed the minutes of the December 13, 2011 meeting, which were pre-circulated.

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

> **RESOLVED that the minutes of the December 13, 2011 meeting were approved as presented.**

IV. 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, 2012 to March 31, 2012. Such report indicated a beginning market value of $17,943,337, receipts of $7,281,400, disbursements of $9,293,677, and earnings of $104,084, producing an ending market value of $16,035,144 as of March 31, 2012.

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

V. ATTORNEY'S REPORT

A. Plan Document

Mr. Slevin discussed the AMARA court decision.

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

> **RESOLVED to amend the Summary Plan Description to state that it is the Plan Document.**

B. Early Retiree Reimbursement Program (ERRP)

Mr. Slevin discussed the ERRP. The Board agreed to request that Cheiron confirm that the necessary data is available to prove the Fund has met safe harbor rules in the event of an audit.

C. LM-10 and LM-30 Requirements

Mr. Slevin reviewed the LM-30 requirements.

D. IRS 5500 Form Schedule C Instructions

Mr. Slevin reviewed the IRS Form 5500 Schedule C instructions.

E. Anthem Independent Review Organization Implementation

Mr. Slevin reviewed the implementation of the Independent Review Organizations ("IRO's) by Anthem for the Richmond/Tidewater location.

F. Mental Health Parity

Mr. Slevin reviewed the Mental Health Parity rules that would impact the Fund. The Trustees discussed obtaining consulting advice. Mr. Jensen said that any discussions should include Value Options, the managed mental health benefit manager for the Fund on this compliance matter.

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

> **RESOLVED that the Chairman and Secretary were authorized to make decisions pertaining to Mental Health Parity, including retaining a Consultant, review of consulting advice regarding compliance and making necessary decisions to comply.**

Trustee Samad-Salameh requested that she be kept informed of any developments on this topic.

G. <u>Life Insurance Settlements</u>

Mr. Slevin discussed the Fund's life insurance contract.

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

> **RESOLVED to amend the SPD to reflect the life insurance carrier's distribution process if the carrier will not make direct lump sum distributions.**

H. <u>PNC Bank Money Market</u>

Mr. Slevin reviewed PNC Bank's utilization of money market funds.

I. <u>Express Scripts Audit</u>

Mr. Slevin reviewed the Express Scripts litigation and audit process.

J. <u>Annual Limit Waiver Notice</u>

Mr. Slevin discussed the notice sent to participants, regarding the annual limit waiver granted to the Fund.

K. <u>Subrogation</u>

Mr. Slevin reported on subrogation recoveries during the fourth quarter 2011.

VI. <u>ADMINISTRATIVE MANAGER'S REPORT</u>

A. <u>Fourth Quarter 2011 Report</u>

Mr. Jensen presented the administrative manager's report for the fourth quarter 2011, which had been pre-circulated to the Trustees. Such report indicated total income of $9,671,438. Total expenses were $12,337,237, producing a deficit of $2,197,247 for the quarter. Mr. Jensen noted that contributions and were made on behalf of 7,277 plan participants.

B. Administrative Manager's Contract

Mr. Jensen noted that his firm's contract expired May 31, 2012. He presented a request for a three-year extension of the contract. He requested increases in the fees of 3.5% in the first year, 3.5% in the second year, and 3% in the third year, plus hourly rates for the unknown extent of work related to PPACA compliance and new vendor implementation. He reviewed justification for the fee increases, including increased cost of doing business, especially benefit related expenses, postage, and additional compliance monitoring. He noted that his firm had invested over $416,000 in technology upgrades in 2011, including computers, thin clients, servers, switches, firewalls, and software necessary to keep his firm compliant with PPACA security requirements.

He said that Associated worked with multiple consulting firms in 2011, supplying the vendors with data, which involved work by his firm's IT and accounting departments, as well as the account executive staff. He noted that his firm had filed the quarterly ERRP submission and that the filing resulted in the Fund receiving over $101,093 from HHS. Class Action settlement filings have also spiked, which resulted in $26,260 received in 2011. Medicare reporting for Medicare-eligible participants must now be done on a monthly basis. In addition, Associated implemented a fraud protection process with PNC bank requiring daily file transmittal and monitoring. The Trustees discussed the contract renewal and,

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

> **RESOLVED to approve the three-year extension of the administrative contract at a fee increase of 3.5% effective June 1, 2012, 3.5% effective June 1, 2013, and 3% effective June 1, 2014, plus hourly rates related to PPACA compliance and new vendor implementation.**

VII. INVOICES

Mr. Jensen presented a list of invoices dated April 24, 2012. 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 April 24, 2012 was approved for payment.

VIII. OTHER FUND BUSINESS

A. 2012 Engagement Letter – Cheiron – SOP-92-6

Mr. Kalwarski presented an engagement letter for the 2012 plan year, which reflected a cost of $17,750, an increase of 4.4% over the prior year. He noted that this work included a full SOP-92-6 valuation, which is required every other year.

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

RESOLVED to approve the Cheiron engagement for 2012 with an annual fee maximum of $17,750.

B. Open Enrollment – Kaiser Permanente

Mr. Jensen said the 2011-2012 open enrollment offer for Kaiser Permanente options of coverage was mailed to active participants in Plan JSS2, Y, Y20 and Z on April 24, 2012.

C. Payroll Audit – Delmarva Benefit Administrators

Mr. Jensen reported Bond Beebe had completed a payroll audit of Delmarva Benefit Administrators revealing no deficiencies.

D. Mercer Prescription Benefit Manager (“PBM”) Study

Mr. Jensen said Mercer would issue the Request for Proposal (“RFP”) for the PBM for the non-Kroger Plans.

E. Maintenance of Benefit (“MOB”) Rates

Mr. Jensen reported that the MOB rate notices were sent to the participating employers in December 2011.

IX. VENDOR PRESENTATIONS

A. Anthem – Preferred Provider Organization ("PPO")

The Trustees welcomed Mr. Herb Bazemore of Anthem PPO to the meeting. Mr. Bazemore distributed a report dated April 24, 2012 outlining the Fund's claims experience for 2011 for the K2 & K20 Plans.

The report showed total billed charges for 2011 of $28,275,921 and provider savings of $13,643,533 for 48% provider savings. The report showed administrative fees of $546,819 for 2011 for an average of 2,342 participants per month. Paid claims were $11,313,886 during 2011. There were net savings per dollar of administrative fee of $24.95.

Mr. Bazemore presented a renewal rate request of $19.79 per participant per month for the one-year period March 1, 2012 through February 28, 2013, representing a 1.5% increase over the prior rate of $19.50 per participant per month that was in effect from March 1, 2009 through February 29, 2012.

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

> **RESOLVED to approve the Anthem administrative service fee of $19.79 per participant per month for the period March 1, 2012 through February 28, 2013.**

Mr. Bazemore also informed the Trustees that Anthem had made in error in 2011 resulting in an overcharge of $82,813 to the Fund. He said this amount would be credited back to the Fund. Mr. Bazemore apologized to the Trustees on behalf of Anthem.

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

The Trustees agreed that Anthem should be asked to pay interest on the $82,813 overcharge.

B. Carefirst – Preferred Provider Organization ("PPO")

The Trustees welcomed Mr. Steve Krasnoff of Carefirst PPO to the meeting. Mr. Krasnoff distributed an interim report outlining the savings to the Fund for the period October 1, 2011 through March 31, 2012 for the non-Kroger Plans. He noted that the Carefirst network was implemented effective October 1, 2011.

For the six-month period, there were 11,097 total claims and a monthly average of 3,007 eligible employees. The total billed amount was $7,920,924 and a provider savings of $3,808,638, representing a 48.08% savings rate. The report showed that the local NetLease providers filed 7,560 claims while the FlexLink providers filed 2,594 claims. NetLease facilities filed 676 claims while FlexLink facilities filed 267 claims.

Carefirst's administrative fee for this period was $122,901, or an aggregate cost of $6.81 per participant per month. The total administrative fee paid for the NetLease program was $54,659.54 for the six months ending March 31, 2012. The FlexLink monthly fee was $18.85 per participant per month. The total administrative fee paid for the FlexLink program was $68,241.90 for the six months ending March 31, 2012.

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

C. InforMed – Utilization Management

The Trustees welcomed Ms. Lisa Meade and Mr. Justin Barry from InforMed to the meeting. They distributed copies of their 2011 Annual Report.

Total medical claims paid in 2011 were $28,698,340.80, a 5% increase from 2010. The average medical claims amount paid per month for 2011 was $427.91 per participant, compared to $389.45 in 2010, a 10% increase.

Ms. Meade said that the increased trend was due mostly from charges from outpatient facilities, which increased 27% over this period. Carefirst PPO's discounts may mitigate this trend, as its contract began in October 2011.

Ms. Meade said there were 563 claimants with charges in excess of $10,000 in 2011. They represented $20,550,967 in costs to the Fund.

Ms. Meade said the total savings attributed to InforMed's programs for 2011 was $2,461,902, representing a 3.73% return on investment for the Fund.

The Trustees thanked Ms. Meade and Mr. Barry for their report and they were excused from the meeting.

D. Informed Rx – Prescription Benefit Manager

The Trustees welcomed Mr. Rob Wagner and Ms. Barbara Rogler of Informed Rx to the meeting. They distributed copies of a report detailing the Fund's prescription drug experience for 2011.

Mr. Wagner said the Fund had a monthly average of 6,289 eligible employees in 2011, compared to 6,666 in 2010. The Fund paid 79,213 prescriptions in 2011, 4.4% less than in 2010. Total claims paid in 2011 were $6,541,299, a 1.7% increase over the 2010 amount.

The generic dispensing rate in 2011 was 68.6%, slightly higher than the 66.2% level in 2010. Mr. Wagner said that many of the Fund's most highly utilized drugs would have a generic available during the next two years, and this should have a positive impact on the Fund's experience.

The Trustees thanked Mr. Wagner and Ms. Rogler for their report and they were excused from the meeting.

E. Aetna – Kroger Richmond/Tidewater Dental Plan Provider

The Trustees welcomed Mr. Stuart MacDonald of Aetna to the meeting. His firm provides the dental coverage for the Kroger Richmond/Tidewater plan participants.

Mr. MacDonald said that paid claims were $344,000. The network discount was 31% and the network utilization was 46%. He noted the plan uses a passive PPO plan design.

Mr. MacDonald said Aetna would maintain the current fee of $4.03 per participant per month for 2012.

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

X. NEXT MEETING DATE AND LOCATION

The Trustees scheduled the following dates for the next meetings:

August 22, 2012 – Gaylord Hotel, National Harbor, MD

December 11, 2012 – Hilton Hotel, Baltimore, MD

XI. ADJOURNMENT

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

Respectfully submitted,
Steve Loeffler – Secretary

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