

MARICOPA COUNTY SELF-INSURED TRUST

BOARD OF TRUSTEES MEETING

301 W. Jefferson Street, Suite 3200
North Conference Room, 3rd Floor, Maricopa County Administration Building
Tuesday, March 19, 2013
Open Meeting Time: 11:00 a.m.

OPEN SESSION

MINUTES

TRUSTEES PRESENT: Susan Strickler (Telephonically), Dan Robledo, Brad Arnett, Beverly Dupree

TRUSTEES ABSENT: Jim Steinkamp

STAFF PRESENT: Meg Blankenship, Christopher Bradley, Dave Hansen, Christine Stutz, MaryEllen Sheppard, Curtia Hunter-Richard

GUESTS: None

Curtia Hunter-Richard distributed a presentation folder to each Trustee and Staff present. The folder included the meeting agenda, February 19, 2013 meeting minutes, February 22, 2013 meeting minutes, March 4, 2013 meeting minutes, financial statements and the Benefits Trust Document Comparison presentation.

The Open Session meeting was called to order by Chairperson Strickler at 11:04 A.M. A quorum was present.

Approval of Last Month's Meeting Minutes

Chairperson Strickler called for the approval of the February 19, 2013 meeting minutes and the February 22, 2013 meeting minutes. No changes were identified. The motion to approve the minutes was made by Trustee Robledo and seconded by Trustee Dupree. The February 19, 2013 and February 22, 2013 minutes were unanimously approved.

Approval of the March 4, 2013 meeting minutes will be added to the May 21, 2013 meeting agenda.

Presentation and Discussion: Review of Financial Statements

Dave Hansen presented a review of the current assets and liabilities related to the Employee Benefits Trust Fund as reflected in the following financial reports:

- Statements of Revenues, Expenses, and Changes in Net Assets – YTD as of February 28, 2013
- Statements of Net Assets – February 28, 2013, February 29, 2012, June 30, 2012, June 30, 2011, and June 30, 2010
- Fund Balance Roll-Forward – Eight Months Ended February 28, 2013
- Revenue & Expenses by Fund – Eight Months Ended February 28, 2013
- Balance Sheet Details – February 28, 2013, February 29, 2013, June 30, 2011 and June 30, 2010
- Notes to Financial Statements – January 2013

As of June 30, 2012, cash and cash equivalents reflected \$60,600,000 as compared to February 28, 2013 at \$62,000,000; a \$1.4 million improvement. Though reserve for losses and loss expenses has dropped to \$10,600,000 in February 28, 2013, it is in line with June 30, 2012 at \$10,900,000 resulting in a YTD change in net assets of \$3.2 million. Claims for the first quarter of 2013 have not materialized as expected due to a mild flu season.

The Fund Balance Roll-Forward for Eight months ended February 28, 2013 reflects a YTD margin for the CMG medical plan of \$1.4 million; OAP medical plan at \$1.171 million dollars; and Choice Fund medical plan at \$650K. Anticipated losses for plans included Behavioral Health and Co-insurance pharmacy.

The question by Trustee Arnett in reference to the \$3.2 million YTD Change in net assets was addressed and clarified. It was confirmed that the County has not yet experienced the number of claims or similar large claims as in the previous year, which could be attributed to a definite lack of flu season as a contributing factor to the net assets of the Plan. This margin reflects the County's position in anticipation of any large claims that may be submitted within the fiscal year-end.

The questions by Trustee Robledo in reference to the expected loss from the Pharmacy account were addressed and clarified. The loss in Pharmacy was anticipated due to the increase in specialty pharmacy claims towards the end of FY 2011-12. The industry increase in pharmacy specialty drug costs was observed after the 2012-13 rates were established. Rates were increased up to 30% for the FY 2013-14 to adjust for the cost differential.

The questions by Trustee Dupree in reference to the primary use of specialty drugs were addressed and clarified. New specialty drugs are developed for the treatment of HIV, rheumatoid arthritis and cancer. The use of the new specialty drugs may also have

a positive impact on the medical side of the plan since they have the potential to reduce medical expenses for members.

Presentation and Discussion – Update on the Medical Subrogation Process

Meg Blankenship presented an update on discussions held with Cigna regarding the recommended improvements in the current medical subrogation process. Xerox handles all of the current subrogation cases under \$50,000 and will keep the County - informed on the progress for each case. There are nine (9) cases remaining that are higher than \$50,000 and the County has been involved extensively in the handling of each case. The County will be negotiating the commission fees of the nine cases with Xerox and Cigna. Of these nine cases, 2-3 may need to be left with Xerox since there is a low potential for recovery.

For future cases, Xerox has agreed to continue to handle the cases under \$50,000, but has not agreed to transfer the recovery of all cases greater than \$50,000 to the County, unless the County is unsatisfied with the recovery process for a specific case.

The question by Trustee Robledo in reference to the compensation currently paid to Xerox was addressed and clarified. The County pays a 25% commission to Xerox at this time and is currently re-negotiating the commission structure for future cases with Cigna.

The questions by Trustee Dupree in reference to the re-negotiation process with Xerox were addressed and clarified. Due to the contractual relationship with Cigna, Xerox as a sub-contractor of Cigna, has the option of declining the County's request for a change in the contract, specifically handling the cases over \$50,000. Xerox wants to keep all of the cases and offered to discuss the commission structure on a case-by-case basis. They are not in agreement with the County assuming full responsibility for cases over \$50,000. The County is working to resolve the issue.

The question by Trustee Strickler in reference to the opportunity in the RFP to give leverage to the County on the re-negotiation process with Cigna and Xerox was addressed and clarified. There is not a service level agreement associated with the current contract with Cigna. The County has control of the contract and has the right to refuse the service, to terminate the contract with Cigna and/or demand a new subcontractor.

Discussion ensued on the opportunity to include a service level agreement and lower commission structure when the RFP process for the medical benefit contract is renewed. The current Cigna contract ends June 30, 2014.

The question by Trustee Arnett in reference to the value of the 25% commission to Xerox was addressed and clarified. The current 25% commission to Xerox represents \$120,000 per year.

Presentation and Discussion – Signature Authority for Documents Pertaining to Approved Settlement Offers on Medical Subrogation Cases

Meg Blankenship requested the authority to sign settlement letters and/or documents on behalf of the Board of Trustees where settlement offers on medical subrogation cases have been approved by the Board of Trustees in an Open Meeting, and applicable settlement letters and/or documents have been reviewed and approved by the board of Trustees' counsel.

The motion to approve the request was made by Trustee Dupree and seconded by Trustee Arnett. The motion was unanimously approved.

Presentation and Discussion – Roles and Responsibilities of the Board of Trustees

The question by Trustee Arnett in reference to finalizing the recommended changes to the Benefits Trust document was addressed and clarified. It was confirmed that final recommendations will be presented to the Board of Supervisors for approval, and counsel will complete the final revised Trust document.

Chris Bradley presented an update on the recommended roles and responsibilities of the Maricopa County Self-Insured Benefits Trust Fund Board of Trustees. The Benefits Trust Document Comparison and Recommendations (3/19/2013) were distributed to the Board of Trustees. Specific suggestions were made in the following areas:

Powers and Duties – Though no specific suggestion was made, the County may want consider adding a general statement about specific powers and duties similar to Chandler and Pima County.

Reserve Levels – A suggestion was made and agreed upon to include the use of an actuarial analysis when the Trust Administrator recommends adequate and appropriate reserves for self-insured programs.

Investment of Trust Fund Assets – No specific suggestion was made but Trustee Robledo had some questions related to this topic.

The questions by Trustee Robledo in reference to the Return on Investments for the Trust Fund were addressed and clarified. It was confirmed that the Trust receives interest earnings that the funds generate according to state statute. The Treasurer manages the process and portions out the interest earnings to each specific fund. The current rate is about 1.5% right now which is reflected YTD as \$132,000. The funds come back to the Trust Fund unrestricted and are designated to cover administrative costs.

Premium Rebates / Holidays – A suggestion was made to add the following language: *“The Trust Administrator may propose premium holidays and/or rebates, which must not reduce Trust reserves below the approved reserve levels.”*

Appointment of Auditor – A suggestion was made to include the following:

- *“An annual financial audit and accounting of the Trust Fund by an independent Certified Public Accountant will be conducted.*
- *The Board of Trustees can request a special audit intermittently for claims.”*

The questions by Trustee Robledo in reference to the systems and process used to audit Trust Funds were addressed and clarified. Accountants must follow the same general accounting principles when presenting financial statements and cannot do anything different than what is governed. However, claims audits do not need to be done by a CPA since there are lower-priced audits conducted by firms that specialize in claims and are knowledgeable about testing for fraud. The County is in the process of its first claims audit since becoming self-insured in July 1, 2007. This will include a review of the major plan changes from FY 2012-13 to ensure that claims are processing correctly. Claims audits are typically done every three years.

Benefit Vendors – A suggestion was made to allow for input by the Board of Trustees in the RFP process and still operate within the procurement code constraints. The following suggestions were requested for consideration:

- Include the opportunity for the Trustees to provide input during the initial procurement process;
- Include the opportunity for the Trustees to provide input in the RFP process prior to the evaluation committee recommendation to the Board of Supervisors;
- Include the opportunity for the Trustees to meet with the RFP evaluation committee in Executive Session once a vendor selection has been made.

Discussion ensued on the opportunity for the Board of Trustees to proactively impact the RFP process for vendor selections. The County clarified the RFP process includes a non-disclosure clause that does not allow the evaluation committee to speak to the Board of Trustees during the RFP responses. The evaluation committee consists of 3-4 people, such as the Director, Manager and a Benefits Analyst, depending on the nature and size of the contract.

The questions by Chairperson Strickler in reference to the Board of Supervisors' approval in the RFP process when finalizing contracts were addressed and clarified. The evaluation committee reviews the RFP responses and makes the selection which then goes to the Board of Supervisor to ratify, either accept it or reject it. The Board of Supervisors does not meet in Executive Session to discuss the details of the selection in the procurement process.

Chairperson Strickler requested a presentation to the Board of Trustees on the County procurement process for the next meeting along with the current medical contract for review in advance.

Call to Public

Chairperson Strickler made a Call to the Public. No one from the public was present.

Next Meeting

Meg Blankenship asked the Board of Trustees to consider not meeting in April due to Open Enrollment and other schedule conflicts, and this was agreed to by all present. The next scheduled meeting is May 21, 2013 from 11am to 12 noon.

Motion to Adjourn

Chairperson Strickler called for a motion to adjourn. The motion to adjourn was made by Trustee Dupree and seconded by Trustee Arnett. The motion passed unanimously.

The meeting was adjourned at 12:20 P.M.