

UUA Employee Benefits Trust Trustees Meeting
August 4, 2007

Present: Trustees: Brent Wilkes, Mindy Scharlin, David Tedesco, Dan Brody, Tim Brennan, Paul Bluestein, and Kathy Burek (Chair). UUA Staff: Jim Sargent, Ralph Mero, Kati Deneen.

Guest: Bill Thompson from Millman, the EBT's actuarial advisors

Call to Order: Meeting called to order at 9:05, opened with a moment of silence for the victims of the Minneapolis bridge collapse.

Introductions

Approval of Agenda: Agenda approved by all.

Review and Approval of March 20, 2007 Minutes: Minutes from meeting on March 20, 2007 reviewed and accepted without change.

Financial Report

- Tim Brennan: Review of draft income statement and balance sheet. Tim stressed that the information is preliminary, based on the initial close of the UUA books for FY 2007. The statements will be revised as the overall UUA work is completed. The intention is to have the EBT statements mirror the UUA format in a way that will comply with audit requirements.

The revised report will show \$114,000 held by Highmark to cover future claims at contract termination as an asset, and the \$425,000 shown as an expense "Future Claims" will be reduced by the same amount and relabeled Incurred But Not Reported Reserve (IBNR), consistent with Brent Wilkes request.

Overall, the EBT is in a solvent position.

- Jim Sargent reviewed the detailed cash flow, showing actual experience for the first 30 weeks of operations and the projections for the balance of plan year 2007. Because this management tool is cash-based to facilitate close management of cash resources, the reserve figures differ somewhat from the accrual –based income statement. Overall, the EBT is in a solid cash position, with surplus in excess of \$400,000 at the end of week 30, after allocating \$425,000 to IBNR as recommended by Milliman.

Based on a straight-line projection of YTD results, the EBT would have a 2007 surplus of \$500,000 – 600,000, or about \$200,000 above the original projection.

Dan Brody asked if there have been any collection issues, and David asked if new collection procedure was working. Jim reported that there have been remarkably few late payment issues, and that the few habitual slow payers have been personally contacted. He also reported that after reviewing the ConnectiCare collection procedures at Paul Bluestein's request, and finding that ConnectiCare had moved from a three-notice system to a single notice to late payers, the Trust will use a similar single-letter notification. This procedure is also consistent with the other group billing clients serviced by eBDS. For the first few cycles, while data transfer discrepancies are being resolved and congregations get acclimated to the new payment procedures, we will closely monitor late payment activity but not send reminders.

2008 Plan Renewal Discussion – Report from the Actuaries – Bill Thompson, FSA

- Bill Thompson presented discussion points for the 2008 plan year renewal. As a surplus is expected, based on the first six months-plus experience, consideration should be given to how the surplus is used, within the confines of what is allowable under the Trust: i.e. a claims fluctuation reserve, rate increase offset, or benefit improvements.
- Millman's recommendation for an IBNR is \$425, 000, the midpoint of the possible range, based on a review of claims to date and comparison with like groups.
- The primary financial risk to the UUA remains the possibility of claims exceeding projections, up to the aggregate stop-loss level of 125% of expected claims; Current favorable experience is an offset to that risk. There is also a slight risk due to malpractice exposure. Brent Wilkes brought up the possibility of carrying a commercial policy to cover liability of the trust and the UUA in the event of malpractice litigation. Management will explore.
- Current experience is running better than expected. Management should continue to monitor closely and note any changes in trend.
- Bill reviewed the opportunity and risk of offering an Open Enrollment period for coverage effective January 1, 2008; letting members opt in and out could have an effect on costs. The prudent approach would be to proceed with the open enrollment and closely monitor the experience of the cohort entering the plan compared to the members entering their second year.
- Bill and the Trustees discussed the opportunity and risk of lowering the hours-worked-per-year threshold from 1000 to 750. While the group

- recognized that this new cohort is inherently riskier than the current pool, the risk is offset by the significantly smaller potential enrollment. Management should plan for a separate cohort analysis of this group.
- Bill led an initial discussion of possible benefit revisions for 2008. Final discussion will take place during the October conference call, when the Trustees will review Management recommendations based current claims experience and actuarial analysis.
 - Bill discussed the structure of stop-loss insurance and his analysis of the first 30 weeks. His recommendation will likely be to increase the attachment point from \$100k to \$150k. He suggested the total claims be looked at, and not to base repricing on the first 30 weeks, as this may not be the most accurate indicator. The current stop loss rate trend seems to be an increase of 15% or more.
 - Summary – fully fund IBNR; begin to build a claims stabilization reserve; apply remaining funds as determined by the Trustees. In response to a question about what could be done to keep future premium increases below prevailing medical cost trend, Bill suggested:
 1. Healthy lifestyle
 2. Generic drugs
 3. Accessing information and resources
 - ,Bill recommended that Management request from Highmark a breakdown comparing Standard PPO with High Deductible plans. He will provide a full list of other information needed to complete a renewal analysis.

Related Votes

- Moved by Mindy Scharlin, seconded by Paul Bluestein: Staff will prepare for a November, 2007 open enrollment for coverage effective January 1, 2008. Discussion: Open Enrollment should not be presented as an annual event at this time. Consideration must also be given to policies regarding dropping out and reinstating.

Motion passed.

- Moved by Brent Wilkes, seconded by Paul Bluestein: The EBT will amend the eligibility floor to 750 hours per year. Discussion: Many people are worried that congregations may keep employees just under 1000 hour threshold in order to avoid having to add employees to the health plan. There are concerns this may include a group of otherwise “uninsurable” members, and that there will be more risk involved. Jim explained that this change would affect eligibility for approximately 8% of current employees. The notion was also expressed that this change would be perceived as a good-faith effort on the part of the UUA to expand coverage, and that the

expansion might prompt congregations to reexamine their benefit funding policy. Dan asked if this change would go into effect for January 1, 2008, and if the board would be able to change it back for 2009. The board agreed that the change would apply to 2008, and that Management would conduct the appropriate cohort studies to assess the impact.

Motion passed.

Due to a number of concerns expressed at GA 2007, the board addressed the issue of coverage for seminarians in general and in particular the issue of interns in candidate status not consistently being considered eligible for the health plan. Not all interns are described by congregations as “employees” because they are either not paid, or receive only a small stipend.

- Moved by Brent Wilkes, seconded by Paul Bluestein: The Trust will define as eligible to participate: all interns in candidate status, who work at least 750 hours per year for a UU congregation, whether paid or unpaid, or as a Community Minister.

Motion passed.

Other Reports

- **Tim Brennan** – The UUA’s Directors and Officers Liability coverage has been extended to the EBT at no extra cost.

There have been no changes to the investment methodology for surplus funds since the last meeting. For November, Tim and Dan will prepare additional investment scenarios for Board discussion.

UUA Audit Committee passed a charter amendment which added actions to assist the EBT in the auditing process by recommending an auditing firm, receiving and reviewing the audit after the EBT Board has approved it, making recommendations, and responding to questions or concerns from the EBT.

Review of the KPMG audit schedule for both the UUA and the EBT.
Review of the Milliman engagements for reserve and liability evaluations.

- **Paul Bluestein** – Reported on his conversation with Dr. Paul Dubroff, head of the Highmark population management programs. Highmark appears to offer a broad spectrum of programs that can cover all segments of the population according to their health status. The care management includes numerous resources and tools, personal health

coaches, and the encouragement of members to take an active role in their health care decisions. Paul's perception is that Highmark offers very high quality programs.

Jim Sargent – Seconded Paul's evaluation of the programs and added that there is a new program that we are evaluating through the Church Benefits Association that would add outreach to the well population, to involve them in health maintenance programs. More to follow as the evaluation proceeds. Jim also reported on current wellness programs that are available free or at nominal cost and which staff will begin encouraging more members to adopt. Brent encouraged UU branding of all such efforts and suggested exploring ways to target the programs to trends emerging in the claims experience. There were varying opinions expressed on the credibility question; would members be more comfortable receiving correspondence regarding their health care from Highmark or the UUA? Staff will review.

Jim reviewed all of the current Highmark reports that compare EBT experience with Highmark's overall experience. Overall the EBT compares favorably, consistent with the emerging cash flow data. As experience emerges, the Board would like to see more detailed data, such as demographic splits, per member per month (PMPM) budget analysis, more detailed analysis of generic drug use, and comparison to other members of the CBA.

Jim reported on current activity in the CBA, where a significant amount of energy has been focused on prescription drug use, generic usage patterns, and strategies to encourage generic use. Bill Thompson will include a discussion of possible strategies in his next report.

Jim reported that the transition to eBDS as the billing and collection vendor had gone smoothly.

Old Business

- Tim Brennan brought to the Board a draft Memorandum of Understanding explaining the responsibilities of the EBT and the UUA with regards to the direct and indirect expenses of the EBT. The draft met with general approval. Tim will finalize an estimate of indirect expenses for the Board's consideration during the October conference call.

Moved by Brent Wilkes, seconded by Paul Blustein, to accept the language of the Memorandum of Understanding.

Motion passed.

- Paul Bluestein and Jim Sargent presented a recommendation for an independent medical review organization peer reviews, in response to a requirement in the Trust Agreement that the EBT be the final level of appeal. In order to provide the proper level of expertise, and to provide appropriate legal protection for the Trust acting on medical issues, they recommended that the EBT contract with MES Solutions.

Moved by Paul Bluestein, seconded by Mindy Scharlin: The EBT will contract with MES Solutions for peer review services.

Motion approved.

Other Contract Approvals

Moved by Brent Wilkes, seconded by Paul Bluestein: The Trustees approve the following vendor contracts:

1. HM Insurance Group for reinsurance coverages
2. Highmark Inc., d/b/a Highmark Blue Shield, for plan administration
3. HM Benefits Administrators for COBRA administration
4. Employee Benefit Data Services for billing and collection services
5. Millman for review of Trust Liabilities and other actuarial services

Motion Passed

- Moved by Paul Bluestein, seconded by Mindy Scharlin: The Trustees appoint KPMG as Trust Auditor.

Motion Passed

New Business

Tim Brennan discussed the recent action by the UUA Trustees to revise their approach to granting “Affiliate” status to UU organizations. Because the EBT relies on the UUA to define “Affiliate” as a condition for Health Plan eligibility, the EBT needs to amend its documents for consistency with the UUA.

Moved by Mindy Scharlin, seconded by Tim Brennan:

- The Trustees amend the EBT Plan Document to have the same language as the Trust Document: the definition of “Employer” is amended to read, “The term ‘Employer’ means a Congregation or other affiliated entity designated by the Association’s Board of Trustees”, replacing “The term ‘employer’ means a Congregation or other entity that is an affiliated member of the Unitarian Universalist Association”.

Motion passed

- Jim Sargent presented a preliminary draft of 2008 EBT expenses. Once UUA Finance completes an estimate of UUA overhead allocation in accordance with the terms of the Memorandum of Understanding, a final budget will be brought to the Trustees. Brent Wilkes commented that the overhead estimate of approximately 5% is commendable.

Next Meetings:

- Friday, October 5 from 10 am to Noon Eastern, conference call with actuaries to review final 2008 rate information and Open Enrollment plans.
- Saturday, November 3, 9 am to Noon, meeting with KPMG to receive the audit report.

Meeting Review:

Everyone appreciated the information that Jim sent prior to the meeting. Brent asked if it would be possible to receive paper documents as well as email attachments going forward. Kathy requested that all documents reach members a least a week ahead of the meeting. The group felt that Kathy did a great job as chair; she kept the discussions on topic and was able to keep to the timeline set forth in the agenda. David offered clarification on the UUA tradition of asking for abstention: members should make their intention to abstain clear prior to the vote. Morning food and an additional break in the afternoon were suggested.

Adjourned – 3:45pm