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
VIA VIDEO CONFERENCE
OCTOBER 22, 2020

The following Trustees were present:

Union Trustees
M. Federici - Secretary
J. Chorpenning
A. Hanson
J. Nazario

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

Also present were:

Y. Anwar - UFCW Local 400
L. DuVall - Associated Administrators, LLC
N. Eid - Confidio
J. Hack - UFCW Local 27
J. Harrison - UFCW Local 27
J. Herishen - Calibre CPA Group, PLLC
T. Hipkins - UFCW Local 27
C. Hoffmann - UFCW Local 400
N. Jacobs - UFCW Local 400
D. Jensen - Associated Administrators, LLC
M. Kreps - Groom Law Group
C. McDonough - Investment Performance Services
R. McKnight - Associated Administrators, LLC
C. Murphy - Associated Administrators, LLC
S. Sanchez - Slevin & Hart, P.C.
A. Sims - Associated Administrators, LLC
R. Sichel - Investment Performance Services
B. Slevin - Slevin & Hart, P.C.
J. Timm - The Segal Company
L. Walsh - Associated Administrators, LLC
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 23, 2020, and the Appeals Committee meetings of July 21, 2020, August 12, 2020, and September 9, 2020, 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 23, 2020 and the Appeals Committee Meetings of July 21, 2020, August 12, 2020, and September 9, 2020 are approved, as presented.**

Mr. Jensen noted that the April 16, 2020 minutes contained a mistake under the financial report. He noted that the minutes should be revised to reflect that the resolution "to amend the Investment Policy to reduce the Fund's real estate allocation target to 0%" be removed. After discussion and,

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

> **RESOLVED, that the resolution contained in the April 16, 2020 minutes under the financial report, "to amend the Investment Policy to reduce the Fund's real estate allocation target to 0%," be removed.**

III. FINANCIAL REPORT

A. PNC Bank

1. Summary of Activity Report – ERISA Account – September 30, 2020

Mr. Jensen presented the PNC Summary of Activity report for the period January 1, 2020 through September 30, 2020. Such report indicated a beginning market value of $35,649,725, earnings of $920,679, receipts of $102,344,687, and disbursements of $98,632,177, producing an ending market value of $40,282,914 as of September 30, 2020.

2. Summary of Activity Report – Non-ERISA Account DDA – September 30, 2020

Mr. Jensen presented the PNC Summary of Activity report for the Non-ERISA account for the period January 1, 2020 through September 30, 2020. Such report indicated a beginning market value of

$1,023,038, no earnings, receipts of $101,969,644, and disbursements of $102,030,128, producing an ending market value of $962,554 as of September 30, 2020.

3. Reserves

Mr. Jensen noted that as of September 30, 2020, the FELRA VEBA Fund had $40,491,130, representing 3.67 months of reserves, compared to 3.56 months as of August 31, 2020. The average expense for the four quarters ending June 30, 2020 was $11,042,892.

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, 2020

Mr. Sichel reviewed the Master Consulting Report for the period ending June 30, 2020. Such report indicated a beginning market value of $29,422,368, a net cash flow of $581,681, and a net investment change of $1,464,103, resulting in an ending market value of $31,468,152. The year-to-date performance through June 30, 2020 was 4.6%, gross of fees.

2. Preliminary Performance Update – August 31, 2020

Mr. Sichel reviewed the Preliminary Performance Report for the period ending August 31, 2020. Such report indicated a beginning market value of $39,163,040, negative net cash flow of $6,882,293, and a net investment change of $363,314, resulting in an ending market value of $32,644,061. The year-to-date performance through August 31, 2020 was 0.9%, gross of fees.

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

C. <u>Calibre CPA Group, PLLC (“Calibre”)</u>

The Trustees welcomed Mr. Joseph Herishen of Calibre to the meeting.

1. Financial Statements – December 31, 2019

Mr. Herishen presented the Financial Statements for the period ended December 31, 2019. He stated that the auditor’s opinion was an unmodified opinion and the financial statements were in conformity with generally accepted accounting principles.

Mr. Herishen reported that total assets as of December 31, 2019 were $58,645,823 and total liabilities were $2,245,394, producing net assets available for benefits of $56,400,429. Mr. Herishen reviewed the Notes to Financial Statements, Schedule of Assets Held for Investment Purposes, Schedule of Employer Contributions, and Schedule of Administrative Expenses.

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

RESOLVED, to accept the Auditor's 2019 Financial Statements as presented.

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

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

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

The Trustees welcomed Mr. Josh Timm of The Segal Company ("Segal") to the meeting.

1. Dentegra Dental Insurance ("Dentegra")

Mr. Timm reported on Dentegra's dental benfeit proposal. He noted that the Dentegra proposal represented a 3.5% savings or $211,000 annually. Dentegra would agree to guarantee its proposed rate for three years. Mr. Timm said that Dentegra has two to four times more providers than Group Dental Service. He noted that there would be little disruption to the Plan participants since 73% of Group Dental Service providers are also providers with Dentegra. Dentegra indicated that they would provide $20,000 towards communications to Plan participants.

The Trustees asked Mr. Timm to request a best and final proposal from Dentegra, including caps on future fee increases. After discussion,

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

RESOLVED, to authorize Chairman and Secretary to make a decision on whether to replace GDS with Dentegra after review of Dentegra's final proposal.

2. Cologuard Colon Cancer Screening Test

Mr. Timm reported on Cologuard, an at-home colorectal cancer screening test. He stated the typical cost of a Cologuard test is $600, as compared to $3,000 for a colonoscopy. He noted that most insurance companies now cover the test. He said that approximately 10% of the tests result in a false positive. He noted that the Centers for Medicare & Medicaid Services ("CMS") have guidelines regarding the coverage of Cologuard under Medicare. After discussion,

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

> **RESOLVED, to approve coverage of Cologuard effective January 1, 2021, in accordance with the coverage guidelines used by CMS.**

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

B. <u>Confidio</u>

The Trustees welcomed Ms. Nancy Eid of Confidio to the meeting. Ms. Eid presented a report titled "Managed Pharmacy Report October 22, 2020."

1. Managed Pharmacy Report

Ms. Eid reported that the Fund implemented three new trend management programs between June 1, 2020 – July 1, 2020: PCM, SaveonSP, and ESI UM Programs. She said that the rollout of the trend management programs went smoothly, with no participant complaints to date. Cost savings are accruing at expected levels, resulting in a cumulative savings of $804,809.00 or 23% of annualized target for the first 90 days.

Ms. Eid said that Diabetes, Inflammatory Conditions and Cancer remain the top three drivers of Plan prescription costs. Diabetes accounts for 22.8% of all costs, trending up 16%, but is expected to level off in the fourth quarter 2020, as authorized generics enter the market. Inflammatory conditions represent 16.7% of the total cost, but those costs are also expected to decline, driven by SaveonSP program savings. She noted that the year-to-date trend of 1.5% is holding steady, the non-specialty costs per participant per month decreased by 5.6%, and the specialty per participant per month costs increased by 16.6%. She noted that the effects of COVID-19 will be reported in the fourth quarter.

2. Employer Group Waiver Plan (“GWP”)

Ms. Eid noted that during the June 1, 2020 to July 1, 2020 time period, the retiree EGWP implementation began in anticipation of a January 1, 2021 effective date. Ms. Eid reviewed the EGWP implementation schedule, noting that Phase I had been completed and that Phase II was expected to be completed by December 31, 2020.

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

V. <u>ATTORNEY’S REPORT</u>

A. <u>Patient-Centered Outreach Institute (“PCORI”)</u>

Ms. Sanchez reported on the Fund’s protective PCORI fee refund claim.

B. <u>Non-Discrimination Regulations</u>

Ms. Sanchez reported on the revised final rule on non-discrimination under Section 1557 of the Affordable Care Act.

C. <u>Purdue Pharma L.P. Bankruptcy</u>

Ms. Sanchez provided a status update regarding the Purdue Pharma L.P. Bankruptcy.

D. <u>Drug Class Action Notices</u>

Ms. Sanchez reported on the prescription drug class action settlement notices received by the Fund.

E. <u>Dependent Spouse Audit</u>

Ms. Sanchez reported on the dependent spouse eligibility audit being conducted by Associated. The Union Trustees requested that the Unions be provided with a list of names and phone numbers for the Plan participants who have not responded to the dependent spouse audit so that the Unions can assist the Fund office with attempting to contact these participants. After discussion,

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

> **RESOLVED, that the Fund enter into a Business Associate Agreement with each of UFCW Local 27 and UFCW Local 400 to enable the Fund to release to the Unions the requested dependent spouse audit information.**

F. **Dentegra Dental Insurance**

Ms. Sanchez reported on the Dentegra Non-Disclosure Agreement.

G. **Fiduciary Insurance Renewal**

Ms. Sanchez reported on the Fund's fiduciary insurance renewal.

H. **Beacon Health**

Ms. Sanchez reported on Beacon Health's notice regarding use of subcontractors.

I. **Form 5500**

Ms. Sanchez reported on the Fund's Form 5500, financial statements and Trustee Representation Letters.

J. **Subrogation**

Mr. Jensen stated that Slevin & Hart reported subrogation recoveries of $55,038.18 with $10,607.64 payable to Slevin & Hart for the second quarter 2020.

VI. ADMINISTRATIVE MANAGER'S REPORT

A. **Second Quarter 2020 – Combined Fund Recap**

Mr. Jensen presented the Administrative Manager's Report for the Second Quarter 2020. For the combined VEBA Fund, Active and Retiree Plans, total income was $31,882,496. Expenses totaled $28,936,196, producing a net surplus of $2,946,300 for the Second Quarter 2020. Mr. Jensen noted that contributions were made on behalf of 15,202 active Plan participants.

Mr. Jensen presented a snapshot of work performed by Associated Administrators during the Second Quarter 2020. The report reflected the processing of 357 accident and sickness claims, 114 appeals, 19,890 participant service calls, the production of 496 COBRA notices, the processing of 53,588 medical claims, and mailings to 84,817 Plan participants.

VII. INVOICES

The Trustees reviewed the lists of invoices for the Active Plan and Retiree Plan dated October 22, 2020. 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 October 22, 2020 for the Active Plan and Retiree Plan are approved for payment.

VIII. OTHER FUND BUSINESS

A. Kaiser Permanente Medicare Advantage Renewal - 2021

Mr. Jensen presented the Kaiser Permanente Medicare Advantage Plan renewal for 2021. He noted that Kaiser Permanente has offered a 3.5% decrease in its rates for 2021. The proposed 2021 rates are $243.17 per participant per month and $142.00 per participant per month for the Part Time Spouse Only coverage. After review,

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

RESOLVED to approve the Kaiser Permanente Medicare Advantage Plan renewal effective January 1, 2021 at a rate of $243.17 per participant per month and $142.00 per participant per month for the Part Time Spouse Only coverage.

B. Beacon Health – Change in Prior Authorization Requirement

The Trustees discussed Beacon's recommended change to the Fund's prior authorization requirement and referred the issue to Segal for review.

C. COVID-19 Related Claims Processing – Status

Mr. Jensen provided a summary of COVID-19 medical claims experience for the period March 1, 2020 through August 31, 2020. He indicated that the Fund paid for 1554 COVID-19 tests totaling $165,310.56. One hundred eighty-seven Plan participants and/or dependents sought treatment for COVID-19 resulting in 574 claims totaling $593,959.20. The Trustees requested COVID-19 information be broken down by participant, by dependent, and by Employer.

D. Safeway Payroll Audit – Status Update

Ms. DuVall reported that Calibre CPA Group, PLLC notified the Fund office that it completed the 2014-2017 payroll audit of Safeway and submitted its findings to Safeway for review and response. Mr. Dosenbach confirmed that Safeway is in the process of reviewing the findings.

E. Dependent Spouse Eligibility Audit – Status Update

Mr. Jensen provided a status update on the dependent spouse eligibility audit currently underway by Associated Administrators on behalf of the Fund. He noted that a final notice had been sent on October 15, 2020 to 595 plan participants who have not yet responded. He noted that the Fund office would be following-up with calls to any participants who have not responded to the final notice.

F. Miscellaneous Correspondence

1. International Foundation of Employee Benefit Plans ("IFEBP")

Mr. Jensen noted that the Fund's membership with the IFEBP had been renewed for 2021.

2. Express Scripts, Inc. ("ESI") Rebate

Mr. Jensen reported that the Fund received a rebate check from ESI for the second quarter 2020 in the amount of $1,854,896, which was taken as a credit on ESI's invoice. He further reported that an ESI rebate in the amount of $187,496.63 for the period January 1, 2019 through December 31, 2019 was received on July 21, 2020.

3. FASB ASC 965 Report

Mr. Jensen said that the FASB ASC 965 report from Cheiron was posted to the Trustee Web Portal for the Trustees to review.

4. Patient-Centered Outreach Institute ("PCORI")

Mr. Jensen reported that the Fund filed a Protective Claim with the U.S. Department of Treasury on July 27, 2020 for reimbursement of PCORI fees paid by the Fund should the PCORI fee requirement under the ACA be retroactively invalidated.

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 regular meeting on December 14, 2020 via video conference immediately following the meetings of the FELRA and UFCW Pension Fund, the Mid-Atlantic UFCW and Participating Employers Pension Fund and the UFCW and FELRA Severance Fund.

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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