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 SEPTEMBER 27, 2021

The following Trustees were present:

Union Trustees	Employer Trustees
M. Federici – Secretary	J. Paradis – Chairman
J. Chorpenning	D. Dosenbach
A. Hanson	M. Goble

Also present were:

Y. Anwar – UFCW Local 400
N. Eid - Confidio
J. Hack – UFCW Local 27
J. Harrison – UFCW Local 27
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
B. Slevin – Slevin & Hart, P.C.
J. Timm – The Segal Company
L. Walsh – Associated Administrators, LLC
M. Wilson – UFCW Local 400
A. Yu – Investment Performance Services

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 June 22, 2021, and the Appeals Committee meetings of July 6, 2021, August 13, 2021 and September 2, 2021, 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 June 22, 2021, and the Appeals Committee meetings of July 6, 2021, August 13, 2021 and September 2, 2021 are approved, as presented.**

III. FINANCIAL REPORT

A. PNC Bank

1. Summary of Activity Report – ERISA Account – August 31, 2021

Mr. Jensen presented the PNC Summary of Activity report for the period January 1, 2021 through August 31, 2021. Such report indicated a beginning market value of $32,607,051, an investment gain of $800,223, receipts of $72,828,732, and disbursements of $87,981,014, producing an ending market value of $18,254,992 as of August 31, 2021.

2. Summary of Activity Report – Non-ERISA Account DDA – August 31, 2021

Mr. Jensen presented the PNC Summary of Activity report for the Non-ERISA account for the period January 1, 2021 through August 31, 2021. Such report indicated a beginning market value of $7,130,603, no investment change of, receipts of $75,390,290, and disbursements of $75,089,998, producing an ending market value of $7,430,896 as of August 31, 2021.

3. Reserves

Mr. Jensen noted that as of August 31, 2021, the FELRA VEBA Fund had $24,754,326 in reserves, representing 2.30 months of reserves, compared to 2.19 months as of July 31, 2021. The average expense for the four quarters ending June 30, 2021 was $10,744,650.

B. Investment Performance Services

The Trustees welcomed Mr. Chris McDonough, and Ms. Angela Yu of Investment Performance Services ("IPS") to the meeting.

1. Master Consulting Report – June 30, 2021

Mr. McDonough reviewed the Master Consulting Report for the period ending June 30, 2021. Such report indicated a beginning market value of $19,145,429, a net cash flow of negative $1,130,421, and a net investment change of $385,215, resulting in an ending market value of $18,400,224. The year-to-date performance through June 30, 2021 was 2.5%, gross of fees.

2. Preliminary Performance Update – July 31, 2021

Mr. McDonough reviewed the Preliminary Performance Report for the period ending July 31, 2021. Such report indicated a beginning market value of $18,400,224, negative net cash flow of $1,727,187, and a net investment change of $127,489, resulting in an ending market value of $16,800,525. The year-to-date performance was 3.2%, gross of fees.

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

C. Calibre CPA Group, PLLC ("Calibre")

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

1. Financial Statements – December 31, 2020

Mr. Herishen presented the Financial Statements for the period ended December 31, 2020. He stated that the auditor's opinion was an unmodified opinion and the financial statements were in conformity with the generally accepted accounting principles.

Mr. Herishen reported that the total assets as of December 31, 2020 were $52,302,947 and the total liabilities were $2,472,788, producing net assets available for benefits of $49,830,159. Mr. Herishen reviewed the notes of the 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 2020 Financial Statements as presented.

IV. CONSULTANT'S REPORT

The Trustees welcomed Mr. Josh Timm of the Segal Company ("Segal") and Ms. Nancy Eid of Confidio to the meeting.

A. The Segal Company

1. Beacon Health Options Renewal

Mr. Timm reviewed the Beacon Health Options renewal pricing proposal. He noted that Beacon was proposing no increase in their rates for calendar years 2022 and 2023, and a 1% increase for 2024. He noted that the proposal appears to be reasonable and competitive.

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

> **RESOLVED to approve the renewal of Beacon Health Options' contract for the MHSA and EAP services for the period January 1, 2022 through December 31, 2024, as presented.**

B. Confidio

1. Managed Pharmacy Report

Ms. Eid reviewed Confidio's Executive Summary – Q2 2021 Key Performance Indicators. She noted that the Pharmacy Benefit Management ("PBM") Program indicated for active members that the average number of members enrolled, per month, decreased from 17,448 in Q2 2020 to 16,647 in Q2 2021, representing a decrease of 5%. The number of unique patients increased from 8305 in Q2 2020 to 10,530 in Q2 2021, representing an increase of 26.8%. The average member age for Q2 2021 was 44. The Plan's net cost in Q2 2021 increased to $6,086,464, compared to $5,902,965 for Q2 2020, representing a 3.1% increase. The Plan net cost PPPM increased to $121.87 in Q2 2021 compared to $112.77 in Q2 2020, representing a 8.1% increase.

Ms. Eid reviewed the Q2 2021 key performance indicators for the EGWP (retiree) Plans, noting that the average number of members enrolled, per month, increased by 23% from 1,620 in Q2 2020to 1,993 in Q2 2021. The number of unique patients decreased from 1,862 in Q2 2020 to 1,837 in Q2 2021, representing a decrease of 1.3%. The average member age for Q2 2021 was 75.6. The Plan's net cost in Q2 2021 decreased to $1,546,420, compared to $1,673,090 for Q2 2020, representing a 7.6% decrease. The Plan net cost PPPM decreased to $258.51 in Q2 2021 compared to $266.20 in Q2 2020, representing a decrease of 2.9%.

Ms. Eid stated that the Fund's three cost management programs are still performing well, with cumulative savings for the period July 1, 2020 through June 30, 2021 of $4,804,618, or 138.5% of the estimated annualized goal.

Ms. Eid reviewed additional Utilization Management (UM) program recommendations for the Trustees' consideration, including prior authorization recommendations and drug quantity limit recommendations, and explained the estimated savings and reasons for the recommendations.

After discussion, On Motion made and seconded, the Trustees voted unanimous approval of the following resolution.

> **RESOLVED, to approve the UM recommendations made by Confidio, effective January 1, 2022 for the Active Plan and Retiree Plan, with grandfathering of current prescriptions as recommended by Confidio.**

Ms. Eid reported that the Trustees will need to execute certain documents to implement the prescription drug program changes.

Ms. Eid reported that the Fund has two near-term opportunities to improve prescription pricing for the Active Plan and Retiree Plan: (1) the Fund has a contractual right to perform a market check by benchmarking the Fund's pricing against pricing that is commercially available in the competitive marketplace for plans materially similar to the Fund for the same period; and (2) the Fund may perform a request for proposal for PBM services in advance of the expiration of the current contract term on December 31, 2022.

Ms. Eid reviewed the requirements for the market check, noting that during Q3 and Q4 2021, the Fund may present evidence to Express Scripts that better pricing is available in the marketplace for clients similar in size, demographics, and contract terms. She said the expected savings to the Fund would be between 2% and 5% annualized and the effective date for adjusting pricing would be January 1, 2022, assuming new pricing is approved by the Fund and Express Scripts no later than November 1, 2021. Ms. Eid stated that Confidio's fee to perform the market check, including preparing and presenting the benchmark reports, negotiating competitive pricing adjustments, and negotiating the necessary contract amendments would be $12, 500.

After discussion, On Motion made and seconded, the Trustees voted unanimous approval of the following resolution.

RESOLVED, to engage Confidio to perform the 2021 Market Check for a fee of $12,500.

Ms. Eid provided an overview of the competitive bidding RFP process, noting that the objective would be to leverage the competitive marketplace to drive best in class pricing, contract terms and conditions. She said the optimal timing for submitting an RFP to vendor candidates would be the second quarter of 2022, for a January 1, 2023 effective date. She noted that this process generally takes three to four months to complete and contract negotiations take an additional 60 to 120 days. Ms. Eid reported that the estimated savings to the Fund would be between 7% and 10% annualized. She stated that Confidio's fee to manage the RFP process, including RFP design, vendor solicitation, scoring and reporting on RFP results, and facilitating contract negotiations would be $60,000.

After discussion, On Motion made and seconded, the Trustees voted unanimous approval of the following resolution.

RESOLVED, to engage Confidio to perform the Competitive Bidding RFP for a fee of $60,000.

Ms. Eid reported on the SaveOn program change effective January 1, 2022, noting that SaveOn is changing from a flat copay program to a 30% coinsurance, which is expected to bring additional savings to the Fund of approximately $0.45 to $0.65 PMPM or a 10% increase in PMPM savings, with no impact on participants.

V. ATTORNEY'S REPORT

A. Blue Cross Blue Shield Class Action

Mr. Slevin reported on a class action involving the Blue Cross Blue Shield Association.

B. Mental Health Parity Review Services

Ms. Sanchez reported on Segal's proposal to provide Mental Health Parity review services for benefits provided by the Fund. Mr. Timm presented the proposal, explaining that Segal would provide a compliance review and documented analysis of the Plan's non-quantitative treatment limits ("NQTLs"). He noted that Segal proposes a fee of the lesser of $30,000 or the actual billed amount to perform this analysis.

After discussion, and on Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED, to approve engaging Segal to perform the NQTL Review for a fee not to exceed $30,000.**

C. <u>Consolidated Appropriations Act</u>

Ms. Sanchez reported on the Consolidated Appropriations Act ("CAA"), including the No Surprises Act, and the Transparency in Coverage Final Rule, as well as agency guidance that has been issued.

D. <u>COBRA Subsidy</u>

Ms. Sanchez reported on the COBRA subsidy under the American Rescue Plan Act of 2021. Ms. Sims reported that the Fund office has issued the required termination notices regarding the subsidy and has filed the Form 940 requesting the tax credit for the subsidized COBRA premiums.

E. <u>ACA Non-Discrimination Requirements</u>

Ms. Sanchez reported on HHS's Final rule implementing Section 1557 of the ACA.

F. <u>Delinquency Policy Amendment</u>

Ms. Sanchez reported on an amendment to the Delinquency Policy.

G. <u>EpiPen Class Action</u>

Ms. Sanchez reported on the EpiPen Class Action.

H. <u>Valeant Pharmaceuticals Class Action</u>

Ms. Sanchez reported on the Valeant Pharmaceuticals Class Action.

I. <u>Mallinckrodt Bankruptcy Action</u>

Ms. Sanchez reported on the Mallinckrodt Bankruptcy Action.

J. <u>Purdue Pharma Bankruptcy Action</u>

Ms. Sanchez report on the Purdue Pharma Bankruptcy Action.

K. <u>Administrative Services Agreement</u>

Ms. Sanchez reported on the amendment to Associated Administrators, LLC's contract.

L. Summary Plan Descriptions ("SPD")

Ms. Sanchez reported on the status of the Fund's SPD restatements.

M. Dentegra – Appeal Process

Ms. Sanchez reported on Dentegra's contract and appeal process.

N. Safeway 2014-2017 Payroll Audit Delinquency

Ms. Sanchez reported on Safeway's payroll audit delinquency.

O. Fiduciary Liability Policy and Fidelity Bond Policy

Ms. Sanchez reported on the Fund's renewal fiduciary liability insurance policy and renewal fidelity bond policy.

P. Calibre Engagement Letter

Ms. Sanchez reported on Calibre's engagement letter and side letter.

Q. Superior Vision Policy

Ms. Sanchez reported on the Fund's Superior Vision Policy and Evidence of Coverage.

R. Symetra Policy

Ms. Sanchez reported on the Fund's Symetra life insurance policy.

S. Subrogation Report

Mr. Jensen stated that Slevin & Hart had reported subrogation recoveries of $31,930.94, with $7,982.74 payable to Slevin & Hart for the second quarter 2021.

VI. ADMINISTRATIVE MANAGER'S REPORT

A. Second Quarter 2021 – Combined Fund Recap

Mr. Jensen presented the Administrative Manager's Report Second Quarter 2021. For the combined VEBA Fund, Active and Retiree Plans, total income was $30,881,297. Expenses totaled $30,260,063, producing a net surplus of $621,234 for the second quarter 2021. Mr. Jensen noted that contributions were made on behalf of 15,895 active Plan participants.

Mr. Jensen presented a snapshot of work performed by Associated Administrators during the second quarter 2021. The report reflected the processing of 323 accident and sickness claims, 100 appeals, 28,678 participant service calls, the production of 2,187 COBRA notices, the processing of 91,045 medical claims, and mailings to 100,875 Plan participants.

VII. INVOICES

The Trustees reviewed the lists of invoices for the Active Plan and Retiree Plan dated September 27, 2021. It was noted there was one addition to the list.

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

> **RESOLVED that the invoices on the lists dated September 27, 2021 for the Active Plan and Retiree Plan, including one additional presented invoice, are approved for payment.**

VIII. OTHER FUND BUSINESS

A. Safeway Payroll Audit – Status Update

Mr. Jensen reported that Safeway has not remitted payment in the amount of $38,141.60 for the payroll audit conducted by Calibre. Mr. Dosenbach indicated that payment is forthcoming.

B. COBRA Rate – Status Update

Mr. Jensen reported that approved COBRA rates effective October 1, 2021 have been implemented and eligible participants were notified of the rate change.

C. 2022 Kaiser Permanente Medicare Advantage Renewal

Mr. Jensen presented the Kaiser Permanente 2022 Medicare Advantage renewal for the period January 1, 2022 to December 31, 2022. He noted that the rates would increase by 1.3% in 2022. The proposed 2022 rates are $246.36 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 1.3% to the Kaiser Permanente Medicare Advantage Plan 2022 – 2024 rates, effective January 1, 2022.

D. Kaiser Permanente Active Rates Effective 10/01/2021

Mr. Jensen noted that that the Kaiser Permanente Active rates, effective for the period October 1, 2021 to September 30, 2022, have been implemented and notices were mailed to eligible participants.

E. COVID-19 Related Claims Processing

Mr. Jensen provided a summary of COVID-19 medical claims experience for the period January 1, 2021 through July 31, 2021. He noted that 5,931 tests were paid at a cost of $737,857.85. Treatment was provided to 1,205 plan participants at a cost of $775,617.45. He noted that there were three COVID claims paid in excess of $50,000. 814 COVID vaccines were paid in the amount of $38,592.04 and 3,762 telehealth claims were paid in the amount of $188,208.00.

F. COBRA Premium Subsidy

Mr. Jensen noted that COBRA Premium subsidy termination notices had been sent to 21 Plan participants on September 1, 2021.

G. Dentegra Transition/Credit

Mr. Jensen reported that the Fund had received the implementation credit allowance of $20,000 from Dentegra.

H. Miscellaneous Correspondence

1. ESI Rebate Checks

Mr. Jensen reported that the Fund had received a rebate check from ESI for the fourth quarter 2020 in the amount of $1,289,451.47. He further reported that the Fund had received a rebate check from ESI related to first quarter 2021 EGWP in the amount of $1,437,235.00.

2. Madoff Victim Fund

Mr. Jensen reported that the Fund had received a check in the amount of $101,990.27 from the Madoff Victim Fund.

3. Patient-Centered Outreach Institute (“PCORI”)

Mr. Jensen reported the fees owed for PCORI were paid on July 7, 2021 in the amount of $51,580.06.

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

After discussion, the Trustees noted that the next meeting is scheduled for December 15, 2021. The meeting will be held virtually.

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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