

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, February 19, 2013
Open Meeting Time: 11:00 a.m.

OPEN SESSION

MINUTES

TRUSTEES PRESENT: Susan Strickler, Dan Robledo, Jim Steinkamp,
Beverly Dupree

TRUSTEES ABSENT: Brad Arnett

STAFF PRESENT: Meg Blankenship, Christopher Bradley, Dave Hansen,
Christine Stutz, Mary Ellen 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, January 22, 2013 meeting minutes, January 28, 2013 meeting minutes, financial statements and the Benefits Trust Document Comparison presentation.

The Open Session meeting was called to order by Chairperson Strickler at 11:10 A.M. A quorum was present.

Approval of Last Month's Meeting Minutes

Chairperson Strickler called for the approval of the January 22, 2013 and January 28, 2013 meeting minutes. No changes were identified. The motion to approve the minutes was made by Trustee Robledo and seconded by Trustee Steinkamp. The minutes were unanimously approved.

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 January 31, 2013
- Statements of Net Assets – January 31, 2013, January 31, 2012, June 30, 2012, and June 30, 2010
- Fund Balance Roll-Forward – Seven Months Ended January 31, 2013
- Revenue & Expenses by Fund – Seven Months Ended January 31, 2013
- Notes to Financial Statements – January 2013

The January financials are right in line with the County's expectations; Change in net assets reflects a partial margin of \$2.3 million as compared to January at \$3.2 million. This was an anticipated loss of \$800 million in January due to the flu season impact. Cash and cash equivalents are at \$61,097,000 which is an increase from \$59,079,000 in December 2012; the cash position improved due to the Cigna Imprest Account.

Fund Balance Roll-Forward Year-to-Date has remained at status quo and in line with what has been occurring all year. The on-site pharmacy clinic flu shot savings has been included as a line item on the report as requested during the January 19, 2013 meeting. The Self-Insured Fund for Short-Term Disability reflects a loss of \$36,891 Year-to-Date and the Fund Balance is at \$8,690,000 which is the focal point of Agenda Item #4 - Proposal for a Short-Term Disability Premium Rebate.

Presentation and Discussion: Proposal for a Short-Term Disability Premium Rebate

Dave Hansen presented the Short-Term Disability Premium Rebate proposal as a means to reduce the fund reserves currently at \$8,690,643. Short-Term Disability is 100% employee paid and the proposal would refund monies to active, retired, deceased, and terminated County employees who contributed to the fund during the years of July 1, 2007 through 2011. During this four-year period, premium rates had been set in anticipation of claims which never materialized, resulting in the reserve increase from \$2 million to \$8 million. In FY12, the premium rates were reduced by 33% to correct this increase and allow the fund to break even. The rebate amount will be prorated according to the premium amounts contributed by the benefit participants. .

The question by Trustee Steinkamp in reference to the inclusion of former employees in the rebate process was addressed and clarified. The Short-term Disability Premium Rebate would be provided to former employees that contributed to the benefit during the years of July 1, 2007 through 2011. A process has been designed to send rebates to former and deceased employees through payroll. Active employees would be refunded through the normal payroll process.

The question by Trustee Steinkamp in reference to funds kept on reserve following the rebate was addressed and clarified. The Short-term Disability reserves would be at approximately \$2 million after the rebate, which is above the \$600,000 level recommended by the actuaries. This is in anticipation of increased future claims that could occur since the waiting period requirement will change from 3 weeks to 2 weeks for FY 14.

The questions by Trustee Robledo in reference to the reserve levels were addressed and clarified. By the end FY14, the reserve level is projected to be approximately \$1.7 - \$1.8 million. The plan for the rebate is to reduce the reserve level to the same amount (\$2 million) that it was prior to the increases that accrued from July 1, 2007 through 2011. It is expected that the actuaries will recommend the reserve level be increased from \$600,000 to \$900,000 based on the changes in the waiting period for FY 14. The reserve funds are held in the Benefits Trust Fund and not in the County's General Fund.

The question by Trustee Robledo in reference to the interest income from the Short-term Disability fund was addressed and clarified. All interest income for the Benefits Trust Fund is used to offset administrative costs and not allocated to Short-term Disability fund. The Short-term Disability fund is not charged for administrative costs.

The question by Trustee Steinkamp in reference to the rebate payout as an expense to the County was addressed and clarified. The Short-term Disability Rebate will be an expense budget item for the County since it reduces the net assets of the Benefits Trust Fund.

The motion to support the Department's recommendation for a Short-Term Disability Premium Rebate, and present such recommendation to the Board of Supervisors was made by Trustee Steinkamp and seconded by Trustee Robledo. The motion passed unanimously.

Information and Discussion: Budget Reduction Proposal

Chris Bradley advised the Board of Trustees of the County's request for all departments to provide budget reduction proposals due to the decline in property tax values, and addressed the potential impact to the Benefits Trust Fund. Budget proposals based on scenarios of 3%, 5% and 10% would impact the Benefits Trust Fund at levels of \$3.5 million, \$5.8 million and \$11.7 million respectively. These proposals have been submitted to the Budget Office but have not been finalized to date. The FY14 benefits plans have been approved by the Board of Supervisors, consequently the benefit plans cannot be changed. Any proposal approved may require a major restructuring of the benefit plans for FY15.

Discussion ensued in reference to strategies to consider for the FY15 benefits plan in order to maintain an attractive benefit plan and employee satisfaction which is

considered a vital strategy for employee retention and recruitment. The following suggestions and alternative opportunities were identified by the Trustees:

- Use a balanced approach with both employee & employer increases
- Use fixed dollar amounts as opposed to percentages for any increases
- Use other entities for administration of the benefit plans for increased competitiveness and quality of service
- Explore a Banner Hospital deal as a County employee provider
- Partner with the County hospital programs for alternative costs savings opportunities

Information and Discussion: Update on the Medical Subrogation Process

Meg Blankenship presented an update on improvements worked out with Cigna for current and future medical subrogation cases. Currently, 176 cases exist that are under \$50,000 which will continue to be managed by Cigna/XEROX (formerly ACS Recovery Services). On any cases greater than \$10,000, the County will be presented with detailed summaries by Cigna in monthly meetings. Currently, 36 of the 176 cases are greater than \$10,000. Cigna/XEROX have agreed to aggressively pursue recoveries of 100% reimbursement on all potential settlements. In addition, Cigna/XEROX have agreed to involve the County earlier in the case review process, such as when a lien is issued, the pertinent facts of the case are known, or when it's known who the other lienholders are in the case. When factors exist that warrant a potential settlement, Cigna/XEROX have agreed to involve the County in discussions with XEROX prior to going to the injured party's attorney. The commission structure will be revised to reflect the change of responsibilities for current cases.

Cigna/XEROX have agreed to the request for all current cases greater than \$50,000 to be turned over to the County for further negotiation. Cigna/XEROX will provide detailed summaries for each of the current eleven (11) cases and set up conference call with the County and the County Attorney's Office to review the details of each case. The commission structure for Cigna/XEROX will be determined by what has been accomplished to date with each case. Cigna is preparing a proposal to manage future subrogation cases and a commission structure based on the above agreed upon terms. Cigna's proposal is expected within two weeks.

The questions by Trustee Steinkamp on the reduced commission agreed between the County and Cigna were addressed and clarified. It was confirmed that Cigna/XEROX will identify large subrogation cases, turn them over to the County and receive a reduced commission based on the amount of work completed for each case.

The question by Trustee Steinkamp in reference to County resources available to negotiate the subrogation cases was addressed and clarified. It was confirmed that the County Attorney's Office has sufficient resources to manage the current eleven subrogation cases and any future subrogation cases greater than \$50,000.

Convene an Executive Session

Chairperson Strickler called for a motion to convene an Executive Session to address the settlement of Case ID# 11233133 and Case ID# 10560304.

Trustee Robledo moved to convene to Executive Session and the motion was seconded by Trustee Dupree. The motion passed unanimously. The Executive Session convened at 11:55 A.M.

The Open Session meeting resumed at 12:00 P.M. immediately following the adjournment of the Executive Session.

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

Chris Bradley presented a Benefits Trust Document Comparison, a matrix of nine Arizona jurisdictions with self-insured benefits trust documents, for review and analysis of the roles and responsibilities of the Benefit Board of Trustees. The Trustees plan to review the document and have requested the opportunity to discuss the findings at the next meeting.

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 meet February 22nd at 10:00 a.m. to convene in Executive Session to discuss a time-sensitive item on a matter just received from Cigna. The Board agreed. The next regularly-scheduled meeting is March 19, 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 Robledo and seconded by Trustee Steinkamp. The motion passed unanimously.

The meeting was adjourned at 12:10 P.M.