

# CHEIBA Trust

Chair's Annual Report  
2010-12

July 26, 2012

Submitted by: Mike Dougherty

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**COLORADO HIGHER EDUCATION INSURANCE BENEFITS ALLIANCE TRUST**

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**Chair's Annual Report 2010-12**

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Part I - Summary

This report covers two fiscal years beginning July 1, 2010. The Chair wishes to acknowledge and thank the Trustees for their diligence and participation in all matters of significance related to the Trust's welfare and its operation on behalf of the beneficiaries and participants. As with past reports, the Trust's relationships with our business partners and suppliers have been outstanding; the relationships consistently operate with a flexibility and understanding evolved from many years of working together and appreciating each other's needs.

Additionally, the support received from the Office of the Colorado Attorney General through the Trust's assigned Attorney General, Dixon Waxter, Senior Assistant Attorney General, has continued to be of the highest quality. Specific note also goes to Michele Moreau, Area Vice President, and Barb Batt, Senior Client Manager, from Gallagher Benefits Services, Inc. (GBS), and Paula Wilson, Senior Account Manager, Kathleen King, Account Service Representative Consultant, and Mike Beaton, Anthem Group Underwriting Consultant, from Anthem Blue Cross / Blue Shield of Colorado.

**National Health Care:** Much of the work of the Trust during this two year report period was affected by the passage of the Patient Protection and Affordable Care Act (PPACA) signed into law by President Obama on March 23, 2010, and the regulations that subsequently have been issued by various federal agencies. The education sessions for both the 2010 and 2011 annual meetings of the Trust were focused on gaining understanding of the requirements, implications, and impacts of the Act to the Trust benefits plans. In 2010, the Trust was also presented a new medical home initiative from Anthem that dovetailed with PPACA in concept. In 2011, the establishment of the state health exchange and discussion of risk and behavior modeling was begun. There still remains much uncertainty regarding the implementation of the Act.

The Trustees decided in 2010 to retain "grandfather" status for the Trust plans, confirming this decision in the renewal exercise in 2011. However, the Trust has voluntarily implemented most benefits mandated for non-grandfathered plans by PPACA.

**Pharmacy Benefits Manager:** Anthem's pharmacy benefits manager, NetRx, was acquired by Express Scripts, Inc., from Anthem effective July 1, 2010. The changeover to Express Scripts went reasonably smoothly and has presumably benefitted both the participants and the Trust through reduced pharmaceutical expenses. After the changeover, it was discovered that diabetic supplies were not being correctly reimbursed. This took over nine months to correct as the problem was not restricted to CHEIBA Trust members, but was system-wide within Anthem. Ultimately, about 80 members and 350 claims were affected. Later in 2011, Express Scripts and Walgreens were unable to come to agreement extending Walgreen's participation in the Express Scripts network. The two entities severed their relationship effective December 31, 2011.

**Financial, Plan Design, and Network Matters:** For the two year period, the cumulative percent increase in health insurance premiums was 19.13%. Using a comparison of enrollment data and moving claims data from April of each year, the two year increase in Per Employee Per Month claims is 21.3% and the Per Member Per Month increase in claims cost is 18.8%. At the same time, the number of covered employees increased by 2.2% and the number of covered members increased by 3.7% indicating a slight change in the demographics of the plan.

The plan has generally performed better than trend, but the rate of increase is of concern. Some of the upward pressure on cost derives from mandated changes to coverage from PPACA and the requirement to cover dependents through age 26 regardless of their emancipation or their employment status.

In support of the annual renewal and rating process for both years, the Trust continued its use of a sub-committee working with Anthem and GBS to analyze and map plan changes and their effects on premium rates. The flexibility afforded to the Trustees through this process is limited by the boundaries required to maintain "grandfather" status under PPACA. The plan design sub-committee performed an extensive analysis of potential plan design changes for each plan year. Part of this analysis included calibrating the Trust's plan designs and value against benefits designs commonly found within higher education. In conjunction with the annual renewal for 2012, the Trustees agreed to increase the pooling point to \$350,000 for individual claim stop loss.

Summer of 2011 saw potentially disruptive network availability and contracting issues arise in the Greeley service area between Anthem and Banner Health System. Anthem and Banner reached an agreement in November 2011 for Banner to remain in Anthem's network resolving for the time being the disruptive effects on covered Trust participants in the Greeley area. Since, Banner has announced forming a partnership with Kaiser Permanente; it is unknown how this development will affect services and access in the future.

Similar network consolidation and access issues have arisen in the Durango area. The impacts on services available to participants and the effects on costs may be considerable and will require attention going forward into 2012-13.

Dental premium rates remained unchanged over the two year period of this report. The last dental rate increase was effective January 2004. Especially over the past few years, Anthem has recommended modest increases in the dental premium that the Trust has decided not to accept. In not raising rates, the Trust put a small part of its reserves at risk each year. So far, the dental plan has not run a deficit in any year since the last rate increase and employees and Trust member institutions have both benefitted from these static rates.

Careful analysis of reserve requirements and future potential impacts to the plan allowed the Trust to declare a one month premium holiday for 2011 and a half month premium holiday for 2012. The Trust's rate setting practice includes using the best, actuarially sound information to establish annual premium rates; but to assess each year the growth in reserves, if any, and to adjust the total dollars paid into the Trust plans via premium holidays for member institution and participant premiums. This practice assures that the premiums paid by employees and member institutions are as low as can be supported by the claims volume experienced within the Trust each year.

Other activities and items of note include:

- Fiduciary training was conducted in May 2012 by Heidi Dineen, Assistant Attorney General.
- The Cover Colorado assessments have risen sharply each year. Because of the size of this cost, the Trustees adopted charging a monthly fee through the Anthem billing cycle each month effective for 2012.
- A two-year contract for continued vision benefits was completed with Vision Services Plan with rates guaranteed through 2013. This included an increase in out-of-network benefits.

- A two year rate guarantee continuing the rates in force from Anthem Life Insurance was obtained and signed. The rates are good through 2013.

**Audits:** Anderson & Whitney, the Trust's financial auditors, again provided an unqualified audit report for the fiscal years ending June 30, 2010, and 2011.

**People:** There were no changes to the officers of the Trust or the Trustees themselves in 2010-11. In 2011-12, Marshall Parks, UNC's Trustee, stepped down from the Treasurer's role after serving in this capacity for seven years. Blaine Nickeson, Auraria Higher Education Center's Trustee, was elected to be the new Treasurer.

Also in July 2011, Ken Nufer, CSU-Pueblo's Trustee and Secretary of the Trust, announced he was leaving CSU-Pueblo to take another position. Darren Mathews, Ft. Lewis College's Trustee, was elected to replace Ken as the Secretary to the Trust. Susan Benesh became CSU-Pueblo's Trustee.

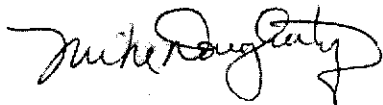
June 30, 2012, was Dee Martinez's last day as CSU Global and System Office's Trustee. Her participation since becoming a Trustee in March 2010 was much appreciated. Replacing Dee on the Trust Committee is Paul Grieving, CSU Global Campus Controller.

The contributions to the Trust by both Marshall and Ken in their respective officer positions have been greatly appreciated. The Trust is fortunate that Marshall continues as UNC's Trustee; his insight and knowledge contribute in substantial ways to reasoned and professional approaches to the many issues that must be addressed each year.

The period from July 2010 through June 2012 presented multiple challenges. Due to strong pressure from increased claims cost and uncertainty with regard to the implementation of PPACA, the Trustees have had to focus significant attention on plan design, the risk profile of the Trust, and the impacts on the plan benefits and finances that an uncertain future holds. While there are multiple challenges ahead, I believe these will be addressed with professionalism and dedication that will benefit the Trust's participants well into the future.

Again I extend my thanks to the Trustees, our business partners, and the collective benefits staffs of the member institutions. It continues to be my privilege to work with each of you, and I thank you for allowing me to serve.

Respectfully submitted,



Mike Dougherty  
Chair  
CHEIBA Trust

## Part II – Meeting Locations and Dates

### 2010-11 Meetings:

Annual Meeting  
Double Eagle Conference Center, Cripple Creek, CO  
July 29-30, 2010

Colorado State University System and Colorado State University – Global Campus  
Greenwood Village, CO  
September 27-28, 2010

Anthem Blue Cross Blue Shield, Denver, CO  
Telephone Conference Call  
November 18, 2010

Colorado School of Mines  
Golden, CO  
January 27-28, 2011

Gallagher Benefit Services, Inc., Greenwood Village, CO  
Telephone Conference Call  
March 31, 2011

Western State College, Gunnison, CO  
May 26-27, 2011

### 2011-12 Meetings

Annual Meeting  
Double Eagle Conference Center, Cripple Creek, CO  
July 27-29, 2011

Adams State College  
Alamosa, CO  
September 26-27, 2011

Gallagher Benefit Services, Inc., Greenwood Village, CO  
Telephone Conference Call  
November 17, 2011

Telephone Conference Call  
December 21, 2011

Auraria Higher Education Center  
Denver, CO  
January 26, 2012

Gallagher Benefit Services, Inc., Greenwood Village, CO  
Telephone Conference Call  
March 29, 2012

Telephone Conference Call  
May 10, 2012

University of Northern Colorado, Greeley, CO  
May 24-25, 2012

### Part III – Officers

#### ◆ 2010-11

Chair – Mike Dougherty  
Vice-Chair – Tracy Rogers  
Secretary – Ken Nufer  
Treasurer – Marshall Parks

#### ◆ 2011-12

Chair – Mike Dougherty  
Vice-Chair – Tracy Rogers  
Secretary – Darren Mathews  
Treasurer – Blaine Nickeson

### Part IV – Projects and Accomplishments

#### ◆ July 29-30, 2010 – Cripple Creek

##### *Educational Meeting*

##### 1. Heath Care Reform

Sally Wineman, Area Corporate Counsel, Gallagher Benefit Services, Inc.

##### 2. Medical Home Project

Dr. Elizabeth Kraft, Anthem Blue Cross Blue Shield Medical Director

##### *Regular Business Meeting Summary*

Health plan performance through June 2010 was reviewed. For the first six months, the plan was performing strongly with an overall loss ratio including retention of 89.9%. Prescription claims were running at 15% of overall claims costs, within the national average range of 14% to 17%. The switch from NetRx to Express Scripts occurred July 1, 2010. The POS/HMO plan was the plan most often chosen with about 63% of the total employee population.

Dental plan performance was running at a 101.7% loss ratio including retention; utilization was somewhat higher than in the previous two years. Life Insurance was running at an 85.9% loss ratio including retention.

The preliminary accounting for the plan year concluding December 31, 2009, was presented along with an in-depth analysis of plan performance. Among the items of significance were:

- Preliminary renewal rate for health insurance was projected to be 9.03%.
- Trend was up 1% from the previous year to 12.9%.
- PPACA required plan enhancements to be effective in 2011 included mental health parity, extending coverage to adult children to age 26, no pre-existing conditions on enrollees under age 19, and no annual or lifetime limits.
- Preliminary renewal rate for dental insurance was 4.11%.
- Dental trend was at 6.5%.
- Initial consideration of the effect "grandfathered" plan status on plan changes was considered.
- Subcommittee appointed to prepare plan change options, analysis, and costs for final renewal meeting in September.

Anthem updates included announcement that Anthem was rolling out a new program, My Health Advantage, on October 1, 2012, in an effort to help participants better manage their health status. Anthem has completed Phase III testing to make sure the mental health benefits are paid on the same basis as medical claims. Two changes to claims payment processes need to be put in place to achieve compliance.

The Trustees adopted a budget for 2010-11.

#### ◆ September 27-28, 2010 – Colorado State University System and Global Campus

Medical plan performance through August remained strong with an overall loss ratio including retention at 90.6%. Paid claims were up 2.8% from the same time in 2009. Prescription drug costs continued to remain in the expected range between 14% and 17% at 14.7%. The 12 month moving claims average was up from the same period in 2009 by 3.6%. Dental continued to run slightly higher than break even at a loss ratio of 102.2% including retention. Life insurance loss ratio dropped to 68.8% including retention.

The final rate renewal with Anthem for the medical plan was lowered to 7.91% from the preliminary renewal projecting 9.03% as claims continued to remain relatively stable. Overall trend was lowered by Anthem from 12.9% to 12.4% due to Anthem filing a lower trend with the Division of Insurance for the PPO. The Trustees discussed the impact of "grandfathered" status and the proposed benefit modifications. Anthem advised that no rate increase was needed to adopt all of the preventive services listed in the benefits modifications. (See "Part V. Motions, Votes, and Results" from the September 27-28, 2010, meeting on page 15 of this report for adopted changes.)

Anthem revised downward its rate renewal for the dental plan from 4.11% to 2.93%. If the Trustees decide not to accept the proposed renewal rate, the Trust would put at risk up to approximately \$74,000 if the loss ratio in 2011 with retention exceeded 100%. There were adequate funds in the dental reserve to cover this amount in the event it became necessary to do so.

Mutual of Omaha agreed to renew the voluntary AD&D coverage at the then current rates through December 31, 2012.

After an analysis of the Trust reserves, the Trustees considered granting a premium holiday for medical and dental insurance in 2011. The approximate cost of doing so for one month was projected to be \$3,052,600. Consideration of potentially granting a two month premium holiday was made, but to do so, the Trustees would have to authorize using some of the 7.5% reserve.

The Trustees reviewed the results of the RFP for business travel accident insurance and decided to change carrier from Hartford to Chubb effective November 1, 2010.



◆ **November 18, 2010 – Anthem Blue Cross Blue Shield -- Telephone Conference**

Plan performance through September continued strong. Loss ratio for medical insurance including retention was 89.8%; prescriptions continued within norms at 14.8% of claims costs. Dental plan performance improved slightly to a loss ratio including retention of 100.8%. The year to date loss ratio for life insurance with retention was 49.5%, but there was a known outstanding claim from October not factored in to the claims experience as of the date of the meeting.

Negotiations between Banner Health System and Anthem had not been concluded at the time of the Trust meeting, but were ongoing. At issue was whether the Banner Health System would continue to remain a network provider after December 31, 2010. This network access primarily affects participants who live in the Greeley area.

A revised final 2010-11 budget was reviewed. Of primary significance was the increase in the Cover Colorado fee. The budget supporting that fee was increased from \$158,000 to \$206,303. This fee is mandated by the state, and the Trust does not have control over the amount.

◆ **January 27-28, 2011 – Colorado School of Mines**

Plan performance through December continued to be positive. The overall medical loss ratio including retention was 92.2% on a paid claims basis. Prescription drugs continued to be within norm at 14.6% of claims costs.

Dental plan performance improved to an overall loss ratio with retention of 97.7% on a paid claims basis. If the loss ratio stays below 100% through the final accounting, the Trust will not have to utilize reserves in order to "true up" the plan with Anthem.

While Life Insurance claims were 37% higher in 2010 than 2009, the loss ratio including retention for 2010 was 62.7%.

Anthem advised the Trust of a change in practices for mailing Explanation of Benefits (EOB) for the PPO and Custom Plus plans. If the member owes nothing on a claim, no hard copy of the EOB will be sent to the member. This is the same practice as is followed for the POS/HMO plan.

Anthem confirmed that Anthem and Banner Health System had reached agreement to continue in Anthem's network for 2011. The agreement was for one year.

A sub-committee was formed to work with GBS on an RFI for medical insurance. The previous RFI was conducted in 2006.

The Trustees engaged in further discussion regarding the effects of health care reform (PPACA). Anthem presented an explanation of how they believe the medical loss ratio requirements will be implemented and how they will affect Anthem. Anthem believed it would meet all requirements for 2011. Another element discussed was the requirement to perform annual discrimination testing. This requirement applies only to "non-grandfathered" plans.

The Trustees began initial discussions regarding a member survey of satisfaction with the plan and Anthem's services.

◆ **March 31, 2011 – Gallagher Benefit Services, Inc., Telephone Conference**

The medical plan performance deteriorated from that of 2010 for the same time period. While prescription drugs dropped to 13.9% of claims, a number below the expected norm, this was due to an approximate 20% increase in net medical and prescription claims paid through February. The paid claims loss ratio including retention was at 88.8% for all plans combined, but this compared to the prior year loss ratio at the same time of 75.1%.

The dental plan loss ratio with retention stood at 85.5% year to date (paid claims) versus 84.9% for the prior year at the same point in time. Life had zero claims through the first two months of 2011.

Anthem reported that 9.4% of CHEIBA Trust participants were utilizing the Anthem website as of December 31, 2010. This compares to Anthem's total book of business utilization rate of 4.41%. In August 2010 due to the combining of Anthem and WellPoint, Anthem had refreshed its website and all members were required to re-enroll. Web site users are surveyed for feedback on their experience with the site.

The Trustees decided to move forward with issuing an RFP for Section 125 plan administration.

◆ **April 11, 2011, Conference Call – RFI for Medical Insurance**

After a careful review of the RFI responses and analysis for medical insurance from the Trust's benefits consultant, GBS, the Trustees decided not to move forward to the RFP process.

◆ **May 26-27, 2011 – Western State College of Colorado**

Plan performance continued to deteriorate; the overall paid claims medical loss ratio including retention through April stood at 93.5%. This compared to the April 2010 loss ratio of 89.7% (paid claims basis). Prescription drugs were running at 14% of the total paid claims – within the expected norm. The average paid claims per employee per month was about 15.3% higher than for the same period in 2010. The rise in overall claims experience was fueled by an increase in large claims through the first four months of the year. Seventeen claims, or 0.5% of the total population, made up 17.27% of the total paid claims costs.

Dental loss ratio with retention was at 101.0% with utilization up about 5.7% from 2010. There were four life claims and a loss ratio including retention of 53.7%. At the same time in 2010, there had been 16 life claims paid.

Anthem announced that John Martie, Anthem's President for Colorado, had been promoted to head Anthem's national large accounts division. Helen Drexler assumed the Interim President for Colorado.

Anthem presented a 360° Health Integrated Account Report covering 2008, 2009, and 2010. The program supports participants with chronic health conditions. In 2010, there were 849 members in the program – more than 10% of the population – who receive follow up disease management.

The Flexible Spending Account RFP was considered. There were no compelling reasons uncovered in the analysis of the responses to change claims payer; the Trustees decided to continue the relationship with PayFlex.

The Trust's assigned Attorney General, Dixon Waxter, presented issues associated with the Trust's coverage through the State of Colorado's Risk Management (SRM) program. A number of Trust schools have left SRM and this has raised questions about what entity is providing coverage to the Trust as a whole. This topic will be considered going forward.

Further work was done on the participant survey. A sub-committee was appointed to develop a draft.

The updated, final Operating Plan document was presented.

The Trustees discussed offering Long Term Care as group coverage. They decided not to address this as a Trust matter but to approach this on a campus-by-campus basis.

◆ **July 27-29, 2011 – Cripple Creek**

***Educational Meeting***

1. Heath Care Reform  
Sally Wineman, Area Corporate Counsel, Gallagher Benefit Services, Inc.
2. Healthcare Reform Exchange Modeling  
Michele Moreau, Matt Zilhaver, and Sally Wineman, Gallagher Benefit Services, Inc.

***Regular Business Meeting Summary***

Plan performance through June showed some stabilizing of claims expenses. The overall loss ratio including retention for the medical plan was 94.4%; prescription drugs were 13.5% of total claims. April and May were high claims months and current paid claims are 16% higher than at the same time in 2010. Large claims account for 28% of the claims cost. The 12 Month Rolling Claims for all medical plans are up 11.2% compared to 2010.

Anthem provided an average age by employee and member from 2008 to 2011 for each medical plan design. In 2011, the Custom Plus plan average age is 56.55 years, the PPO is 50.7 years, and the POS/HMO is 43.9 years – roughly a 6 to 7 year average age difference from one plan to the next. The Custom Plus plan has been frozen for new membership. As of June 2011, there were 41 remaining employees in the Custom Plus plan (does not include dependent counts). The average age difference among the plans helps explain some of the difference in loss ratios experienced by each design.

The dental plan loss ratio with retention through June was 101.9% with claims cost up 7% from 2010. Life insurance loss ratio was at 50.5% with retention included.

Anthem announced that Mike Ramsier had been named as the President of Colorado Anthem beginning September 1. Helen Drexler will continue in her Interim President role until then.

The preliminary accounting for the plan year concluding December 31, 2010, was presented along with an in-depth analysis of plan performance. Among the items of significance were:

- Preliminary renewal rate for medical insurance was projected to be 11.13%.
- Medical insurance trend was 12.82%.
- Considerable discussion occurred around increasing the pooling point to \$350,000 and its potential effect on premium for 2012.
- Preliminary renewal rate for dental insurance was 7.46%.
- Dental trend was at 6.0%.
- Subcommittee appointed to review possible plan change options and associated cost impacts for decision at the final renewal meeting in September.

Anthem presented its extensive reporting package. The reports included a financial and utilization dashboard that contained paid medical and pharmacy data. It identified the top drugs prescribed to Trust members; the list of drugs and usage is very similar to those of other employer groups. Also included was a report on the top five chronic conditions present in the covered population. Other reports in the reporting package included lists of specialty drugs, top five therapeutic drug categories prescribed, medical paid amounts and savings, membership by plan and member cost share, and medical and pharmacy paid claims.

Anthem provided an update on the 360° Health Integrated Account program. Under the ComplexCare program, Anthem estimates for each dollar invested, a savings in claims costs avoided equal to \$1.98. The returns for the ConditionCare program and the MyHealth Advantage program were estimated to be \$2.00 and \$1.63 respectively for each dollar invested in the programs.

Anthem advised that it was not comfortable embedding the CoverColorado fees into the premiums for 2012. Anthem could support creating an additional fee to be remitted each month as a line item on the premium bill. The final decision on how to proceed with this was scheduled for the September meeting of the Trust.

The financial audit for the year ending June 30, 2010, was presented and accepted. There were no issues with the audit.

The budget for 2011-12 was presented, discussed and adopted.

◆ **September 26-27, 2011 – Adams State College**

The overall medical plan loss ratio including retention was at 97.6% with prescription drugs at 13.3% of the total claims. Overall utilization of the plans is up as well as the incidence and volume of large claims costs. The Rolling 12-Month Claim report showed that the claim cost per employee per month was up about 16% from 2010 but had increased 12% just since the end of 2010.

Dental showed a loss ratio including retention of 101.3%. Life insurance loss ratio including retention was 56.9%. Life claims are down about 20% from 2010.

The final rate renewal with Anthem for the medical plan was raised to 12.49% (up from the preliminary renewal at 11.13%) as claims continued to move upward as compared to the same period in 2010. Within this rate increase, Anthem reduced its retention increase from 3.5% to 1.75%. GBS held its commission at \$3.00 per member per month rejecting any increase in its revenue rate. Overall trend was set by Anthem at 12.82%. A portion of the required rate increase was due to mandated benefits contained in the PPACA.

Substantial discussion was devoted to plan changes and their effect on the rates as well as on "grandfathered" status of the plan. Part of this discussion focused on potential change to the pooling point that was currently set at \$250,000. Changes included options up to \$350,000. (See "Part V. Motions, Votes, and Results" from the September 26-27, 2011, meeting on beginning on page 17 of this report for adopted changes.)

Anthem requested an increase in dental rates for 2012 of 5.88%. If the Trust did not accept the increase and if 2012 then ran a deficit in dental claims, approximately \$129,000 was at risk that the Trust would need to reimburse Anthem. There were adequate funds in the dental reserve to cover this amount in the event it became necessary to do so.

Anthem provided the Trustees with notice of difficulties that Express Scripts (ESI) was having in negotiations with Walgreens to remain in the ESI network of participating pharmacies.

Anthem announced a business partnership with IBM to create a commercial application of the IBM Watson Technology. The purpose was to create a technology that will assist in diagnoses and treatment patterns and is focused on improving quality, outcomes, and reducing cost of care. The program will initially be piloted with select providers and refined based on outcomes.

The Trustees determined that the best way to pay the CoverColorado fees was to include it as a line item addition to the monthly Anthem billing.

After an analysis of the Trust reserves, the Trustees considered granting a one-half month premium holiday for medical insurance in 2012. The approximate cost of doing so for one month was projected to be \$1.6 million.

Further action on the participant survey was tabled until spring 2012.

◆ **November 17, 2011 – Gallagher Benefit Services, Inc. -- Telephone Conference**

Because the meeting occurred prior to AntheMs compilation and release of October claims data, only plan activity through September was available. The medical plan continued to perform poorly. The overall paid claims loss ratio including retention through September stood at 99.4%. For 2011 year to date, five of the nine months of reported claims activity was above a loss ratio of 100%. Paid claims through September were running 23% higher than in 2010. Prescription drugs were at 13.4% of total paid claims. Large claims constituted 32% of total claims; the target range is 15% to 19% of total claims.

Dental claims were up 4.02% from 2010 at the same time period. The loss ratio with retention was at 100.1%. Life insurance loss ratio was at 52.0% with a total of seven claims through September.

Anthem provided an update to the negotiations between Express Scripts (ESI) and Walgreens stating that there had been no change in the status. If progress is not made, Anthem will be initiating an outbound calling campaign to members who utilized Walgreens within the past 90 days advising them of the possibility that Walgreens may not be a network pharmacy in 2012 and providing information about moving prescriptions.

A draft of the updated dependent definition was reviewed. The issue is making the dependent definition equivalent for dependents of domestic partners to the definition of dependents of non-domestic partners.

◆ **December 21, 2011 – Conference Call; Adoption of Revised Dependent Definition**

The Trustees considered and adopted the revised definition.

◆ **January 26, 2012 – Auraria Higher Education Center**

The overall medical plans paid claims loss ratio through December 2011 was 97.6% including retention. There was slight improvement from the loss ratio in November. Prescription drugs amounted to 13.9% of total paid claims for the period. Overall, paid claims were up 16.4% from the prior year. There were 49 claims above \$75,000 for the year. Claims above the \$250,000 pooling point totaled \$1,152,524.

Dental paid claims finished 2011 with a loss ratio of 98.5% including retention. The life insurance plan data was not available through December, but there were three additional claims in November. Through November, the loss ratio including retention was 49.1%, and there were a total of 12 claims.

The LTD plan continued to experience approximately seven active claims at any given time (on average). This is below the expected number of claims for a group the size of the Trust by about 11 or 12 active claims on average.

Anthem presented data on its comprehensive primary care initiative. Early results included quality improvement in nearly all diabetes measures, a 3.6% decrease in acute inpatient admissions per 1,000 participants per year, a 6.1% decrease in total emergency room visits per 1,000 participants per year, a 2% decrease in specialist visits per 1,000 participants per year, and a 1.3% increase in persistent medication usage. There were 16 physician practices involved in the pilot program; about 130 individuals receiving care from one of the 16 physician practices were Trust members.

Anthem announced that Jennifer Parrott, Anthem Life Specialty Account Manager, would be replacing AnnMarie Manders servicing the life insurance plan for the Trust.

Gallagher Benefit Services introduced Ellen Tawson as the new P.A.L. coordinator replacing Lisa Hurley who retired.

The Trustees scheduled fiduciary training for the May 2012 meeting.

◆ **March 29, 2012 – Gallagher Benefit Services, Inc., Telephone Conference**

The medical plan (paid claims basis) began 2012 with good financial performance. The overall loss ratio including retention through February was 82.4%. The year-to-date claims per employee per month were lower than at the end of 2011. Claims were up 7% in total from the prior year, but this was less than the premium increase effective for January 2012.

Dental plan claims costs were up about 12% from the same period in 2011. Loss ratio including retention for the year was running at 107.8%. Life insurance completed 2011 at a 51.1% loss ratio including retention with 15 claims being made. For the first two months of 2012, one claim had been filed and the loss ratio including retention was 17.8%.

The LTD plan continued with lower than expected numbers of claims. January began with eight claims active, but three claims terminated. The final accounting showed that the Claims Fluctuation Reserve had moved into a positive position with a balance of \$94,514. This amount is adjusted once per year in the final accounting. The CFR needs to be at a level of \$200,000 before the plan becomes dividend eligible. The next final accounting will be in 2013.

Anthem shared a report analyzing the actual cost of required plan design enhancements under PPACA. Initially, Anthem added 1% to the required rates. The required PPACA changes actually increased costs between 1.5% and 2.0% on average.

◆ **May 10, 2012 – Telephone Conference Call; Health Fair Vendor, Bio-metric Screening, RFP Marketing Analysis**

Trustees conditionally decided to award Preventive Health Now with the business for fall 2012 screenings.

◆ **May 24-25, 2012 – University of Northern Colorado**

The medical plan averaged a loss ratio through April of 89.3% including retention (paid claims basis). Paid claims continued to run about 7% above 2011. While early in the year, the plan's financial performance for 2012 is positive. There were no large claims that had exceeded the 2012 pooling point of \$350,000. The Rolling 12-Month Claims cost was up 1.4% from 2011.

The dental plan had a year to date loss ratio of 101.8%. Claims are up 12% from 2011. Life insurance has experienced three claims for the year and the loss ratio was 20.2% with retention.

Anthem opened discussion on adding PPACA compliant women's preventive care. As a grandfathered plan, adding the additional services is optional. This will be part of the plan design decision made at the annual renewal meeting in September.

The Trustees discussed a number of items relating to restating the Trust Agreement and making adjustments to the Operating Plan and various contracts with Trust business partners. It was decided to defer further discussion and possible action on these items until the November meeting.

The Trustees were provided fiduciary training by Heidi Dineen, Assistant Attorney General.

The Trustees were presented the financial audit for the years ending June 30, 2010, and 2011. The auditors had no material comments and provided an opinion that the financial statements of the Trust present fairly, in all material respects, the financial position of the Trust.

The new health fair provider, Brett Shrewsbury of Preventive Health Now, met with the Trustees to discuss his services beginning with the fall 2012 wellness fairs.

Discussion continued over network positioning and issues in both the Greeley and Durango areas. Significant changes to how medical services are delivered and billed are in the offing, primarily due to consolidations and shifting partnerships. This issue will continue to be of concern and will be an item for consideration in the July 2012 meeting.

**Part V – Motions, Votes, and Results (by date)**

**2010-11**

◆ **July 29-30, 2010**

**Election of CHEIBA Officers**

Marshall recommended the Trustees continue with the same officers in their positions -- to re-elect the current slate of officers for the next year:

- Mike Dougherty, Chairperson
- Tracy Rogers, Vice-Chairperson
- Ken Nufer, Secretary
- Marshall Parks, Treasurer

A motion was made to re-elect the current slate of officers for the next year. The motion passed unanimously.

### Executive Session

A motion was made to have the Trust convene in Executive Session pursuant to §24-6-402(3)(a)(II), C.R.S., to confer with the Trust's attorneys for the purpose of discussing pending or imminent court action. The motion was made by Tracy and Blaine seconded the motion. The motion passed; the Trustees went into Executive Session.

Upon conclusion of the Executive Session, Mike asked that the minutes of the general Trust meeting reflect that a motion was made to adjourn the Executive Session. The motion was made by Tracy Rogers and seconded by Marshall.

### Annual Budget

A motion was made to approve the budget as amended. The motion passed unanimously.

### Financial Statements - Anderson and Whitney

A motion was made to accept the audit as submitted. The motion passed unanimously.

### **◆ September 27-28, 2010**

#### Business Travel Accident Insurance

A motion was made to award business travel accident coverage to Chubb effective November 1, 2010, subject to their acceptance of the State contract. In the event the Trust is unable to come to terms with Chubb, the Trust would renew another one year policy with Hartford without having a special Trust meeting. The motion passed, eight were in favor and Marshall Parks was not present.

#### July 2011 Annual Meeting Location

A motion was made to accept the committee's recommendation to have the 2011 CHEIBA Trust meeting in Cripple Creek. The motion passed unanimously.

#### Trust Agreement Amendment 11

A motion was made that the plan adopt the preventive services that will be required for non-grandfathered status and to adopt the definition of dependent to age 26 that is consistent with non-grandfathered status (covered dependents to age 26, irrespective of whether they are offered coverage by their employer). The plan will state that it has grandfathered status in the benefit booklet with the understanding that there is no rate impact for plan year 2011 due to this plan design change or dependent eligibility definition. The plan will treat dependents of domestic partners the same as natural children. The motion passed unanimously.

A motion was made to adopt the 11<sup>th</sup> Amendment to the Trust as presented by Dixon. The motion passed unanimously.

#### Final renewal rates

A motion was made that given the uncertainty created by the expansion of the benefits with respect to preventive care and covering dependents through the end of the month of their 26<sup>th</sup> birthday, the medical insurance rates for 2011 will be set 8% higher than the rates for 2010. The motion passed unanimously. The rates effective January 1, 2011, are:



<u>Rates</u>	<u>Rounded Rates</u>	
Employee Only	\$ 465.68	\$ 466
Family	\$1,213.92	\$1,214

The CHEIBA Trustees discussed the retiree rates for 2011. A motion was made that the same 8% increase will be made to the retiree rates so that individual and family rates prior to the 2% administration fee for 2011 will be:

Single	\$595.82 per month
Family	\$1,553.82 per month

The motion passed unanimously.

A motion was made to retain the current dental rates of \$36 per month employee and \$89 per month family for 2011 with the understanding that approximately \$74,000 is at risk due to not accepting Antheims offered renewal of 2.93%. The motion passed unanimously.

A motion was made that a one month premium holiday will be taken for medical and dental insurance premiums for 2011 premiums with the month when the premium holiday is taken to be determined by each campus. Motion passed 7 to 1. CSU-Pueblo voted no.

A motion was made to accept the Mutual of Omaha's proposed rate for voluntary AD&D. The motion passed unanimously.

◆ **November 18, 2010**

Update on Contracts

A motion was made to accept the performance guarantees presented and included in the renewal. The motion passed unanimously.

A motion was made to exercise the automatic renewal clause in the Gallagher Benefit Services Broker of Record Agreement Contract with the CHEIBA Trust. The motion passed unanimously.

A motion was made to authorize Mike and Dixon to develop and execute the contract with HealthSmart Benefit Solutions for the COBRA administration. The motion passed unanimously.

◆ **March 31, 2011**

A motion was made to move forward with conducting a RFP for Flexible Spending administration. The motion passed unanimously.

◆ **May 26-26, 2011**

A motion was made to accept Anthem's offer to adjudicate lab work at 100% with the assumption that the lab work is associated to an office visit and this change will be effective January 1, 2011. The motion passed unanimously.

A motion was made to continue the FSA administration with PayFlex. The motion passed unanimously.