

**SUMMARY MINUTES  
SOUTHERN CALIFORNIA SCHOOLS  
VOLUNTARY EMPLOYEE BENEFITS ASSOCIATION (VEBA)  
March 7, 2007**

Members Present: Doretha Albee, Edward Nelson, Ruth Peshkoff, Steve Kaplan, Lois Shive, Mark Anderson, Janice Cook, Kevin Ogden, Elizabeth Ahlgren, Lora Duzyk, Wayne Murphy, John DeBeck, Joyce Lafleur, Erik Olson Fernandez

Absent: Jesus Gandara, Cynthia McDaniel

Administrator: George McGregor, Gina Lane, Annemieke Tomey

Consultant: Ron Mason, Susan Giesting, Lan Brown, Anna Thomasson

Guests: Barbara Severino, Sharon Vegas, Cathy Arana, Linda Townley, Ronnie Adair, Lou Ann Holaday, Michael Kin. Tom Eggleston, Monica Witt, Desiree Klaar, Jessica Ghaemmaghami

The meeting was opened at 8:05 a.m.

There was a quorum present.

**PUBLIC COMMENTS:** None

**SUPERINTENDENT'S REPORT:** None.

**CO-CHAIRS REPORT:** None.

**MINUTES**

\****MOTION:*** (Wayne Murphy) that the OPEN minutes of February 7, 2007, Board meeting be approved. Seconded by Doretha Albee and approved.

**OLD BUSINESS**

Lag Schedule Review

Ron Mason presented the Claim Update as of March 2007. Prescription drug claims trends have slowed, and should continue to slow over the next few months. Change in the number of days of therapy per member per month (PMPM) is up 4.06%. Mail use in most recent months is 54% of therapy days.

HMO (PMPM) costs were up +10.04% over the previous 12-month period. Ron Mason reported that enrollment in HMO declined by 5% in January. He also reported that enrollment in Scripps plans appears to be less than 1000 members which is a 75% reduction. Fee for Service (FFS) Claims are up 14.04% within the HMO.

The POS capitation costs PMPM were up +11.18%, with the PMPM Fee for Service claims reflecting a 3.96% increase. The aggregate 12-month trend is 7.84%.

Out of Area costs average about broke even over the past 12 months. There are 300 members in this plan.

Medicare Supplement plan had a PMPM rise in costs of +53.30% for in-patient hospital care. Aggregate paid claim trend on a rolling 12-month basis was +24.14%

Continuity of Care

Ron Mason went over the Continuity of Care cases PacifiCare has processed thus far. There have been 97 cases received through February 10, 2007. Of the 97 cases, 15 were redirected and not opened and 2 were in triage. Of the remaining 80 cases, 29 had been approved, 5 were approved but in transition (still open in case management), 4 were denied, 2 were pending additional information, 3 POS so COC not needed, 35 COC redirected and 1 had no response after opening.

Ron Mason reported that he will not know the retro data until May 2008; they accrue it monthly.

Rate Tiers/Underwriting

Ron Mason prepared a special report to the Board regarding rate tiers and underwriting, based on a request from the February 7, 2007 retreat, in which an initial report on current district contribution levels was discussed. One suggestion was a more complex tier system, but it became readily apparent that it would be too complex. Ronald Mason, instead, presented the Board with a point system alternative to see if they felt it would be a better way to illustrate costs and tiers. The Board decided it did not want to go to a completely new way of rating; after the 2007 plan design changes another significant change would not be advisable at this point. They also did not want to wait until the 2009 renewal year to do anything about

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compliance issues. They asked Ron Mason to rework the current underwriting structure and come back with his suggestions at the April board meeting for approval.

Ron Mason showed charts illustrating how rate tiers spread risk within a single risk pool, and what happens when participation drops in health plans (adverse selection). The charts prompted a discussion on the need for an education component for districts on the topic of underwriting and what types of things they can do to positively impact not only their own rates, but also that of the entire pool.

In order to achieve a more collaborative relationship and better communication with districts, it was suggested that personal visits be made to all VEBA districts starting in April. Districts not in compliance with underwriting rules would be targeted for visits firsts so that they are given an awareness of the situation as soon as possible, followed by districts that are currently not in their correct rating tiers. Ron Mason mentioned that districts that were currently not in their correct rating tiers would be placed in their correct tiers as of January 1, 2008. George McGregor let everyone know that Ron Mason would also be preparing individual risk assessment profiles for each of the districts.

Erik Olson suggested that the groups visiting the districts consist of 1 board management representative, 1 board labor representative, 1 McGregor Van De Moere Staff member, and 1 Towers Perrin Consultant. Erik stated that the meeting should focus on underwriting basics and communication, with fact sheet handouts.

Ruth Peshkoff elaborated on the content of meetings with the districts, saying that they should consist of information on the foundational history of the VEBA/purpose, an update on the Scripps Clinic Freeze, which has impacted so much of our membership and key talking points and renewal calendar. Towers Perrin was charged with coming up with these communication materials. Ed Nelson asked that the district be polled on what VEBA needs to give them. How can the VEBA remain a competitive benefits package?

Many of the board members stressed wanting to supply strategies to help the districts get into compliance over time, within the next two years, and help districts improve their rates. There was a concern regarding some districts possibly leaving the VEBA as opposed to complying with underwriting policies, and concern over whether that would strengthen or weaken the risk pool. Ron Mason said that it could possibly weaken the VEBA to have fewer members, but to have non-compliant members leave the risk pool would never hurt the VEBA's loss ratio.

In regards to the 2008 rate renewal, a question came up regarding whether or not different bargaining units within the same district could be rated on different rate tiers based on their bargaining agreements; with a possible scenario of one unit having a better rate than another. Ruth Peshkoff said that the notion of individual units getting individual rates by making separate decisions did not seem to align with "unified" being a core value. She stressed how important it was to make unified decisions, making the VEBA stronger in the marketplace and as a risk pool, and that variation within individual bargaining units costs not only the units but the VEBA. Wayne Murphy said that at the Community Colleges, they try to keep their 12 unions consistent with one another. Steve Kaplan felt that there were such large issues of compliance and communication around this issue, that is was a larger discussion best held for the May retreat.

### Executive Committee Report

George McGregor let everyone know that the Advisory Committee Meeting would be held on April 18, 2007. David Hansen, CEO of PacifiCare of California agreed to be a featured speaker on the program. The new Health Advocacy Offices in Mission Valley will be ready in time to host the meeting so we will be having it there. It will be a good way to introduce this new service as well. The meeting will start in the evening at 4:30 p.m. and go until 8:00 p.m.

### 2007 Project Update

George McGregor informed the Board that the VEBA Participation Agreements were currently under review by the Trust attorney, Hirsch Adell, for any possible changes prior to having schools re-sign their agreement this year.

The first Communication Council meeting was held with very good results. Karl Christensen attended on behalf of the CBO group. He took notes and distributed them to all the CBOs. He has agreed to take the notes for the group in the future, and they will be distributed to the entire Advisory Committee after being reviewed by George McGregor.

As a part of improving communication with the districts and our stakeholders, there will be a new section added to the VEBA website for our leadership contingent. This section will contain items of special interest to them, and they will also

be able register to receive different items of interest, such as news bulletins, which will be pushed to their email address of choice.

George McGregor stated that VEBA was profiled at the Managed Markets Summit in Florida on February 28, 2007, and will be featured again at the Conference Board in San Diego on March 15, 2007.

#### Health Advocacy Department Update

Nancy White gave the status report of the Health Advocacy Programs. Nancy is still working on development of a plan for increased inbound utilization of the program. Nancy is actively working on the third weight loss challenge, with 100 slots given to Cajon Valley and additional slots for other district(s) still to be identified. The Health Advocacy Offices have been leased, demolition of the space is complete, and work is underway to get the office running by mid April to May 2007. Nancy White has contacted CHCC on behalf of VEBA and let them know VEBA had concerns about Blue Shield as a partner in San Diego.

#### PacifiCare Issues Update

George McGregor showed the group a letter dated February 15, 2007, regarding a meeting with PacifiCare United and McGregor Van De Moere, Inc. staff to go over 2007 enrollment issues. The meeting went extremely well in that the problems that the trust has been experiencing were acknowledged at the highest levels and David Hansen, the CEO of PacifiCare, gave his full and personal assurance that any issues will be monitored and addressed in a timely fashion.

#### Policy and Procedures

Ron Mason will clarify the existing underwriting procedures and tiers by the next Board meeting, and they will then be incorporated into the Board Policy document and the Policy and Procedures manual, to be voted on in April.

### NEW BUSINESS

#### Top 5 Business Strategy Focus

George McGregor went over the VEBA Business strategies that the Board selected to focus on from the February 7, 2007 retreat. They were:

1. **Create an overall communication plan.** The communication plan has the highest number of board votes, and is an area that the Board plans to put a lot of effort into during 2007.
2. **Develop an effective monitoring process for District participation in the VEBA, and for those districts not in compliance, create individual compliance plans that are personalized for each district.** This ties in with the visits to all of the districts by the board members/group and related communication efforts, including getting out a renewal calendar and possibly rate "estimates" earlier this year.
3. **Integrate and establish the Health Advocacy Department across our business plan, including disease management.**
4. **Examine Potential Growth Strategies** – This will be covered at the May retreat; both Ruth Peshkoff and John DeBeck felt this should be a near term goal.
5. **Review the concept of a dedicated VEBA representative/ombudsman, employed through MVI, to take on the broker role currently missing.** George McGregor, Ruth Peshkoff, and Mark Anderson will work together on creating a job description for the new position being created for the dedicated VEBA representative and they will bring forth to the April Board meeting for action.

#### Communication Strategy

Susan Giesting and Anna Thomason of Towers Perrin gave the Board a communications strategy presentation. They handed out a matrix of the communication projects they are working on through December 2007, with the strategic priorities they align to and a listing of metrics to determine the effectiveness of each activity. Anna Thomason said they would continue to provide metric updates on a regular basis.

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Retreat Planning

George McGregor let the Board know that Rick Brown was not available to facilitate this year's board retreat; however, he had introduced his business partner Allen Goldstein and offered to bring him up to speed on the VEBA. Steve Kaplan and George McGregor will be having a phone interview with Mr. Goldstein prior to contracting with him for the retreat.

Possible agenda items for the retreat are:

1. Detailed working session on underwriting
  - Policing ranks
  - Detailed policy
2. Long term strategy on health
  - Growth strategy
  - Competitive analysis including market research of competitors
3. What are we doing to build the VEBA brand/marketing
4. Communications assessments for future and past 6 months overview

**OTHER**

Lois Shive reported on her attendance at the CalSTRS meeting in Sacramento. Lois said that there would be possible Medicare B for retirees. There are also possible GASB issues. Early retiree issues are being addressed. Lois felt that it was a very constructive meeting.

Carrier Comments

None

The meeting adjourned at 10:25 a.m.

The next meeting will be held April 4, 2007 at 8:00 a.m.