

**SUMMARY OPEN MINUTES
SOUTHERN CALIFORNIA SCHOOLS
VOLUNTARY EMPLOYEE BENEFITS ASSOCIATION (VEBA)
December 5, 2007**

Members Present: Kevin Ogden, Joyce LaFleur, Tom Eggleston, Doretha Albee, Steve Kaplan, Ed Nelson, Sam Wong, Sam Lucero, Mark Anderson, Janice Cook, Lora Duzyk, Jesus Gandara
Absent: Elizabeth Ahlgren, John DeBeck, Erik Olson Fernandez, David Fernandez
Administrator: George McGregor, Gina Lane, Annemieke Tomey, Fay Manabat, Bryce Van De Moere
Consultant: Lan Brown, Hirsch Adell
Guests: Todd Torgerson (Sweetwater Union High School District), Cynthia Haro (Aetna), Deric Fernandez (Aetna), Desi Klaar, Nancy White, Shannon Hoffman, Linda Townley (PacifiCare United), Paul Temby (Dowling & Yahnkee), Bob Whiting , Ronnie Adair

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

PUBLIC COMMENTS: None.

SUPERINTENDENT'S REPORT: None.

CO-CHAIRS REPORT: Ed Nelson and Steve Kaplan wished everyone Happy Holidays and thanked everyone for coming.

INVESTMENT PORTFOLIO REVIEW:

Paul Temby, of Dowling and Yankee, who is the Portfolio Manager of VEBA investments gave his bi-annual report and update to the Board.

As of the 3rd Quarter in 2007 there is a current portfolio value of 14 million being managed with a year to date performance through 11/30/2007 at 5.39%. Paul Temby explained that the portfolio is continually balanced with a mix of equities and bonds. Paul Temby emphasized that buying and selling within the portfolio is done to obtain optimal risk control. The performance vs. benchmark was reviewed and Paul Temby reported that the VEBA had a nice period over the last two years by performing slightly over benchmark, but noted that the numbers will always be near the benchmark due to the portfolio being closely managed.

Steve Kaplan asked how fees were collected and Paul Temby said that the two trusts, VEBA and SDCS/SDEA Retiree Trust, had a combined agreement that lowered the annualized portfolio management fees to only 0.44%.

MINUTES

***MOTION:** (Doretha Albee) that the OPEN minutes of November 14, 2007, Board meeting be approved with the following change: show Lora Duzyk as being present for the meeting. Seconded by Kevin Ogden and approved.

OLD BUSINESS

Committee Reports

California Health Care Coalition (CHCC)

George McGregor said that CHCC managers were working with Ron Mason to do a comparison of the Catalyst Rx and MedCo. George let the Board know that there was an all day CHCC retreat in San Jose on January 28, 2008, and wanted to make sure that Lora Duzyk and Doretha Albee had the information.

California Public Employers Employees Health Care Coalition (CPEEHCC)

The 10th Annual Conference January 16-18, 2008 was mentioned.

California State Teachers Retirement System (CalSTRS)

George McGregor handed out the VEBA position statement drafted at the Executive Committee regarding the CalSTRS report on California's retired educators. Sam Lucero will be taking this to the December 14, 2008, CalSTRS meeting in Sacramento. Steve Kaplan gave the background that additional coverage for retirees would be funded by an increased contribution of over 5% by actives.

***MOTION:** (Doretha Albee) that the position statement be approved and submitted to the CalSTRS Public Education Health Benefits Task Force. Seconded by Tom Eggleston and approved.

Lag Schedule Review

Lan Brown presented information on claims as of December 2007, as well as information on the upcoming RFP.

Prescription Drugs – Claims continue to operate within financial projections. Claims costs increased by 10% over October 2006; 3% of which was driven by an increase in the use of home delivery in October 2007 over last October.

Claims Review – The Value HMO plan continued a fairly steady pattern in 2007 with claims leveling out in October. The Full Network Deductible Plan far exceeds the premium and it was noted that 87% of members in this plan are signed up with Scripps Clinics. The estimated incurred costs are 203% of premium through October 31st and if this trend continues it is expected that the 2009 renewal could come in as high as 50% on this plan. The POS plan had fee for service claims rising again, driven by a 146% increase in Tier 2 (PPO) and Tier 3 (Out of Network) costs in the last 12 months. Specifically, the Tier 2 usage, where Scripps Clinic is now paid, has almost tripled implying that a lot of members are now using Scripps even subject to deductible and co-insurance, and the Tier 3 usage has gone up 50% - primarily in payments to physicians. Lan Brown said that she and Ron Mason were looking at possibly modifying this plan design to bring Tier 2 and 3 behaviors under control. The Out of Area/PPO Plan has 12 claims over \$25,000.00 which accounted for 60% of fee for service costs. A number of the claims appear to have been candidates for Best Doctors. The MediCare supplement is running very stables in claims experience and is below premium.

Steve Kaplan requested that the Deductible/Full Network premium vs. costs be added to the Agenda for the May 2008 Board Retreat.

EAP Utilization – Overall the EAP utilization results are favorable.

Request for Proposal Update -

Lan Brown went over the projected dates and timing for the Medical RFP. The timing is all done with the May 15-16, 2008 Board Retreat in mind so that a decision can be made at that time to select a vendor for the January 1, 2009 enrollment year. The RFP will be released to Aetna, Blue Cross, Blue Shield, and PacifiCare. Steve Kaplan requested that April interviews of the Carriers be scheduled well in advance.

Advocacy Programs Status Report

Nancy White requested Management representation from the Board on the Advocacy Programs Committee. Nancy then gave an overview of Best Doctors outreach, initiatives with Sharp, the Physician Education Project on depression, and the Weight Loss Challenge.

The weight loss challenge will be wrapping up in April 2008 as a program because it has not been scalable to all Districts. The cost effectiveness and value of the lifestyle coaching/counseling through American Specialty Health was a big issue. Nancy White is instead looking into weight loss assistance that is custom tailored at an individual District level and has more resources that are being brought in for this.

Executive Committee Report

August 2007 Financials

***MOTION:** (Joyce La Fleur) That the August 2007 financial statements are approved as submitted. Seconded by Janice Cook and approved.

Ombudsman

George McGregor noted that the VEBA Ombudsman was now officially on board and introduced Bob Whiting to everyone.

Member Appeals

George McGregor addressed the issue of Member Appeals to VEBA board and the guidelines that should be followed when deciding whether or not the Board should hear a certain appeal.

George McGregor explained that there were several different kinds of appeals:

- 1) Contractual - holding carriers accountable, such as denial of coverage.
- 2) Legal - you do have responsibility to review
- 3) Other - there are some issues that fall outside the realm of contractual, legal or medical decisions and are better to be dealt w/ administratively (i.e. wheelchair dust cover example.)
- 4) Medical- medical decisions or denial of claims. There is no basis for setting involved in this because there is already a mechanism in place. The Carriers already have an appeals process that our members are governed to use. First they appeal to the Carrier, if denied that can put in a

second request to the Carrier for re-consideration. In situations where there is still a denial of claim the member can go to the DHMC. George McGregor noted that the VEBA Advocacy Programs Offices also offers assistance to our members with this process.

It was discussed that the Policy and Procedure is ambiguous in regards to the appeals process and that there should be revisions. Steve Kaplan asked that Hirsch Adell work on revising the Policy and Procedures in this regard, and Hirsch responded that he would work with the Carriers and the VEBA Advocacy Programs Office to create a more comprehensive document.

Tenthly Districts

George McGregor reported that the Executive Committee agreed to write off a few VEBA District's tenthly deficits and not load their rates.

NEW BUSINESS

None

Carrier Comments

None

The meeting adjourned at 9:35 a.m.

The next meeting will be held January 9, 2008 at 8:00 a.m. at the San Diego County Office of Education.