

**SUMMARY OPEN MINUTES  
SOUTHERN CALIFORNIA SCHOOLS  
VOLUNTARY EMPLOYEE BENEFITS ASSOCIATION (VEBA)  
July 11, 2007**

Members Present: Doretha Albee, Steve Kaplan, Lois Shive, Mark Anderson, Janice Cook, Lora Duzyk, Wayne Murphy, John deBeck, Joyce LaFleur, Bill Kowba, Kevin Ogden  
Absent: Erik Olson Fernandez, David Fernandez, Elizabeth Ahlgren, Jesus Gandara, Ed Nelson  
Administrator: George McGregor, Gina Lane, Annemieke Tomey  
Consultant: Ron Mason, Susan Giesting, Lan Brown  
Guests: Deric Fernandez (Aetna), Cynthia Haro (Aetna), Michael Kin (Kaiser) Ronnie Adair, Francisco Ruiz, Desi Klaar, Barbara Severino, Betty Ormsbee, Kevin Brown (RBTK), Nancy White, Jessica Ghaemmaghami (PCBH)

The meeting was opened at 8:00 a.m.  
There was a quorum present.

**PUBLIC COMMENTS:** None.

**SUPERINTENDENT'S REPORT:** None.

**CO-CHAIRS REPORT:** Steve Kaplan announced that Lois Shive has been asked by CTA to stay through August 2007. Cynthia McDaniel has withdrawn from the Board but noted that CSEA has someone in mind to replace her. CPEEHCC Training will be January 16-18, 2008 so please save the date. It was confirmed that everyone had received IFEBP forms to participate in the annual conference being held in Anaheim in November 2007.

**MINUTES**

\****MOTION:*** (Janice Cook) that the OPEN minutes of June 6, 2007, Board meeting be approved. Seconded by Lois Shive and approved.

**AUDITOR'S REPORT**

Kevin Brown of Rosner Brown Touchstone & Keller, LLP presented the Independent Auditor's Report with Statements of Net Assets for the years ending December 31, 2006 and 2005, respectively. The VEBA was given an unqualified opinion, also known as a clean opinion, meaning that everything is doing well. The Statement of net assets available for benefits for year ending 2006 was \$9,683,026.00 and for year ending 2005 it was \$11,401,447.00.

\****MOTION:*** (John DeBeck) That the 2005 and 2006 Auditors Reports and accompanying statements of net assets for the Southern California Schools VEBA be approved. Seconded by Joyce LaFleur and approved.

**OLD BUSINESS**

**Committee Reports**

**VEBA/SCEET**

Nothing to report

**California Health Care Coalition (CHCC)**

There has been an investigation of an Evergreen consultant being given a job offering with the parent company of Catalyst. The job offer was later redacted due to the appearance of impropriety, although it would appear from the investigation that none existed. George McGregor let everyone know he would be doing a Long's Drugs Mail Order site visit in Sacramento with Sally Covington on July 20, 2007. There was discussion about the mail order capacities of Catalyst and MedCo in relation to the VEBA population. Ron Mason said that once CHCC has finalized any agreement for a PBM, he would price out claims so that the VEBA Board would know what their comparative PBM options were.

**California Public Employers Employees Health Care Coalition (CPEEHCC)**

A training meeting will be held next week on July 16, 2007

**California State Teachers Retirement System (Calstrs)**

Lois Shive reported that CalSTRS was deadlocked on GASB funding with the Office of Finance. If enacted, GASB funds would allow districts to prefund their GASB liabilities through CalSTRS at the CalSTRS investment rates. The Medicare Premium B establishment is still being worked on; which would side carve some funds for retirees over 15 years retired or more. This could raise the contribution rate for actives. This would have a tremendous impact on districts and actives. The changes will be presented later in 2007, and will still be subject to legislative process and vetting.

### **Lag Schedule Review**

Ron Mason presented the 2008 Renewal Summary, 2009 RFP timeline, Claims Update and Rx Renewal Costs as of July 2007.

**2008 Renewal Summary** – PacifiCare initially requested \$179,929,000.00 and negotiated to \$176,420,000.00; this amount was an increase of 10.59% over the previous year's renewal. The one million dollars from reserves approved by the VEBA Board, brought the PacifiCare increase down to 9.96%. Kaiser requested and received \$149,405,000.00 for a percentage increase of 7.67%. The total cost of the 2008 renewal without the one million dollars from reserves, including all ancillary plans and administration, came to \$325,824,000 for a total blended increase of 9.23%. The expenditure of reserves brought the increase down to 8.9%.

**Acupuncture** – Ron Mason researched the details of adding acupuncture that individual district/bargaining units could elect to add to their existing ASHP program and presented several different options and their respective rates. The Board was favorable to the option that incorporated acupuncture with the current 30 visits of chiropractic care, due to there being added flexibility with the same number of visits. George McGregor let the Board know that 4 schools were showing strong interest in this program and asked that this service be approved as a rider so that Districts do not have to go to a separate marketplace to get it. Janice Cook brought up the point of schools on the remedial list and suggested if it were approved, it be done so with guidelines to ensure only districts in compliance can elect to add it as a product. It was decided to hold the vote on this matter for the August Board meeting.

**2009 Request for Proposal (RFP)** – Ron Mason presented the timeline process for the issuance of an RFP to Carriers covering (at minimum) design, rates, performance guarantees, reporting, network, quality of care programs and customer service. February 1, 2008 would be the planned release date of the RFP, with the Board making decisions on the finalists at the May 2008 Board Retreat. George McGregor said he would discuss the involvement of key stakeholders in the RFP process (not for actual approval of the finalists but input and improved communications) at the next Communications Council meeting.

**Prescription Drugs** – Claims continued at a reasonable level for May. Absolute trend dropped slightly to 8.31%. Increases in price are now responsible for more of the cost increase than usage. Change in the number of days of therapy per member per month (PMPM) is up 3.52%. Mail use in most recent months is 55% of therapy days.

**HMO** – The Fee for Service (FFS) claims stayed at the same level as April, but should be dropping since we shifted so much to capitation. The capitation stabilized in May. Steve Kaplan asked for a report splitting out the Deductible/Full Network from the Value network so we could see what is driving the FFS. Mason agreed this was a good idea. Capitation costs PMPM for most recent vs. prior 12 months period was up +14.2% Cost PMPM FFS claims for most recent vs. prior 12 month period were down -4.9% The aggregate paid claim/cap trend on a rolling 12 month basis was +8.0%

**POS** – PacifiCare said they have caught up on their processing and this should be the last month showing the claim backlog catch-up. 22% of May claims were for services received before January 1, 2007, putting this 5 months in arrears on processing (a normal figure would be 11%) The capitation costs PMPM were up +23.7%. The Cost PMPM FFS claims for the most recent vs. the prior 12 month period: +2.8% the blended aggregate paid claim/cap trend is +14.1% which, Ron Mason explained is higher than we want it to be.

**Out of Area/PPO** – This 300 member group ran fine last month and had no big claims.

**MediCare Supplement** – Ron Mason suggested possibly self funding this plan starting January 1, 2009, and running down expenses. Cost PMPM for in-patient hospital compared to prior 12 months: +34.6% Cost PMPM for all other claims compared to prior 12 months -2.1%

**Medco Preferred Drugs** – Ron Mason gave the Board an overview of some discussions he had with Medco over the possibility of VEBA changing to the list of preferred drugs, and what implications such a move would have. As it stands now, if no changes to the plan design are made and members continue on all current drugs, the alternative preferred list, called the “generic formulary”, would actually raise costs by 1% due to loss of rebates and no shift to preferred drugs. However, under a revised design, this approach could develop reasonable cost reductions and still maintain member choice. Ron Mason will continue to work with MedCo on this over the next few months for the Board to consider for a January 1, 2009 implementation.

## **2007 Project Update**

### 2008 Plan Design Cost Summary and Communications

George McGregor presented the Board with the binder handed out at the 2008 Plan Design Cost Summary and Communications Meeting held on June 28, 2007. George thanked Kevin Ogden for sharing his District's experience with Best Doctors at this meeting. Steve Kaplan noted that the information was well received and that many people have noticed a difference in communications in the past 6-10 months.

### PacifiCare Performance Guarantees

PacifiCare sent a \$100,000.00 check to the VEBA based on not meeting 2006 standard of performance guarantees

### Continuity of Care

The Continuity of Care total was much less than initially predicted. The paid claim summary was \$49,512.17 for 28 members.

### Scripps Clinic Utilization

PacifiCare provided a report showing Scripps Clinic patient utilization of services as of April 2007. The 578 members utilizing Scripps Clinic in the HMO are in the Deductible/Full Network Plan. Of the 98 members in the POS plan, 87 were in the grandfathered POS Triple Option plan.

### UCSD Access

It was discussed that Solana Beach and San Dieguito District were having difficulty utilizing UCSD because the doctors were not accepting new patients. George McGregor said he would work with Linda Townley of PacifiCare to help them with these issues.

## **Executive Committee Report**

### Dowling & Yahnkee Portfolio

George McGregor went over the Dowling & Yahnkee Portfolio review dated June 20, 2007 which showed a total portfolio value of \$14,097,414.00. George noted that VEBA's money manager is at or above the benchmark and that our portfolio was performing extremely well. The VEBA and the City Schools Retiree Trust are receiving lower management fees as their invested assets are totaled jointly for fee computation. The Executive Committee accepted the report and will review the portfolio again in 6 months.

### PacifiCare Audit

Towers Perrin has been engaged to perform an on-site audit of the VEBA accounts with PacifiCare. A final audit report is expected by October 2007, at an estimated cost of \$35,000.00. VEBA will pay one-half of the cost and PacifiCare will pay the balance.

### Fallbrook Binder Refund

George McGregor showed the Board a cover letter to Fallbrook sent on June 11, 2007, with their \$500,000.00 binder refund. Fallbrook then issues a \$500,000.00 check in July 2007 to cover premiums for tenths months of August and September 2007.

### March 2007 Financials

**\*MOTION:** (Doretha Albee) That the March 2007 financial statements are approved as submitted. Seconded by John deBeck and approved.

### April 2007 Financials

**\*MOTION:** (Doretha Albee) That the April 2007 financial statements are approved as submitted. Seconded by John deBeck and approved.

### **Communications Update**

Susan Giesting gave a progress report of the VEBA Communications Strategy as of July 2007.

- The Communications Council is involved in all of the communications going out to the VEBA membership such as the “single topic” flyers that are used at enrollment, EAP enhancement communications, and eNews and Of Special Interest e-newsletter templates. They are also kept up to date on the Advocacy Program Activities.
- Susan Giesting and Nancy White met with the SDUSD H&W Insurance Committee on June 13, 2007 to go over the Best Doctors program.
- Calls to Best Doctors increased in June due to outreach meetings with association and district staff, distribution of additional promotional materials upon request, the first email push sent early June, and the FOCUS Newsletter mailed in early June (tracking identified 60 calls from the Newsletter alone).
- On June 28, 2007, there was a vendor partner meeting to go over the communications protocol to ensure proper review channels in advance of member communications and to discuss any new developments for the 2008 plan year.
- Reviewed the 2008 Plan Design Cost Summary and Communications binder handed out at the June 28, 2007 meeting of the Advisory Committee.
- Reviewed the two versions of the HTML newsletters which were developed for both member and leadership groups.
- Review of the VEBAOnline updates as of June 27, 2007. The Medical Plan Comparison tool now has all the 2008 plans added and additional newsletter articles have been added for June/July. In June there were 1,388 visits to the website, which was the highest monthly total for 2007.

### **Health Advocacy Programs Review**

Nancy White reported on the Health Advocacy Programs:

- A MedInitiatives proposal which would allow VEBA to perform outbound outreach to increase Best Doctors participation is still under review. At a cost of approximately \$300,000.00, Ron Mason said that the cost/benefits still need to be determined and suggested revisiting some other areas of outreach that might have similar results.
- Reviewed outreach meetings and communication efforts to reach more key people who meet regularly with site reps.
- Weight Loss Challenge problems with American Specialty Health (ASH) have been discussed at a meeting on June 22 and ASH is aware of the problems and working to resolve them.
- White is working on creating a “Human Initiatives Program Concept Proposal” that addresses a broader spectrum of health and wellness needs. The proposal is intended to build on recommendation from Health Workforce 2010, a strategic planning document developed with oversight from HHS and on recommendations from School Employee Wellness, developed in cooperation with the CDC. Two surveys have been developed, one for district and association staff, and one for employees in order to validate assumptions on the need for the proposal and provide information about district and employee health needs.
- The Advocacy Program office continues to have increased call volume each week and has hired a full time employee.
- Nancy White and George McGregor are working with PacifiCare Behavioral Health (PCBH) to discuss an educational program on depression for all San Diego prescribing physicians. Doctors would earn CME credit for attending. The goal of the program would be to assist doctors in recognizing the sign of depression so they can give their patient’s the best course of treatment.
- There are several new vendor proposals under review, but none are being recommended for approval at this time.
- The Health Advocacy Programs Committee has established a regular meeting schedule, which will be the 4<sup>th</sup> Monday every 8 weeks, starting August 27, 2007. The meetings will be held from 10:00 – 12:00 in the VEBA Advocacy Programs Office. The Committee is currently seeking new members to broaden their mix, such as Benefit Administrators and Association Representatives.

### **NEW BUSINESS**

#### **VEBAOnline Medical Plan Comparison Tool Improvements**

Susan Giesting explained the scope of work involved in improving the VEBAOnline Medical Plan Comparison Tool printing functionality. Medical plan charts could be printed as formatted pdfs, and the online comparison chart tool could

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become the sole source for generation of printed plan summaries or comparisons, eliminating the need for the single-plan summary pdfs posted for each plan and printed for enrollment meeting support. The cost of this upgrade would be approximately \$31,800.00

George McGregor agreed that it would substantially improve the usability of the tool but that it was a non-budgeted item. George also explained that the VEBA has very detailed open enrollment plan design sheets. Initially he thought we could get rid of the customized printed versions; however because schools have asked for them, we still need to provide them. Susan felt that since the upgrade was about efficiency, if a customized print version still had to be produced outside the tool then it should probably be tabled at this time for other communications projects. The project was, therefore, not approved.

### Member Un-enrolled

George McGregor asked for direction from the Board regarding a case in which a member was sent a letter from her doctor saying he no longer would see the patient due to supposed bad behavior. The patient was very upset. There was concern that there might be some misunderstanding between the Front Office Manager, the Doctor and the Patient. Linda Townley was already apprised of the situation. The Board directed George McGregor to follow it through with a call to the Doctors office.

### Santee Request for Claims Data

On July 2, 2007, following the VEBA 2008 Plan Renewal Meeting, the Santee School District sent a request to George McGregor that claims experience data for their district be released to them. The Board was notified they might be receiving direct contact from Santee regarding its request. George McGregor asked for direction from the Board if information should be released, noting that historically claims experience data has never been released to any school district or to the Board. Steve Kaplan commented that this was Board policy and that no joint trust in the State releases this information. Ron Mason said that giving out individual claims experience would defeat the purpose of being in shared risk pool, and commented that claims experience fluctuates from year to year. Pooling is designed to protect individual districts from this fluctuation. The Board agreed to continue with their practice of not releasing this type of information.

### Low Income Subsidy Payments

MediCare D reimbursements have been coming into the VEBA. VEBA will be a conduit to receive the monies and then return the funds to employees/retiree up to the amount they paid for in coverage. Any remaining funds would go to the employer.

### Best Doctors

George McGregor shared an article that he helped to co-author on VEBA and Best Doctors that has been picked up by a national compensation journal. He will let the Board know when the article is published.

### Carrier Comments

None

The meeting adjourned at 10:15 a.m.

The next meeting will be held August 8, 2007 at 8:00 a.m. at the SDCOE