

**SUMMARY OPEN-SESSION MINUTES
CALIFORNIA SCHOOLS
VOLUNTARY EMPLOYEES BENEFITS ASSOCIATION (VEBA)
June 27, 2018
5:00 p.m. – 6:00 p.m.**

Members Present: Robin Watkins, Ursula Salbato, Clark Hampton, Nadine Bennett, Gregg Robinson, Cindy Marten, Katie Dexter, Ethel Larkins, Patrick Prezioso, Leticia Munguia

Members Absent: Ronda Walen, Ron Reese, Steve Boyle, Brian Marshall, Tim Glover, Barbara Collins, Laura Bowen, Lora Duzyk

Consultant: Ron Mason (Tall Pine Consulting, LLC)

Administrative Staff: Annemieke Tomey, Matt Bittner, Lurinda Green, Suzanna Tomey, Laura Josh, Carrie Asato, Dr. Michael Carey

Guests: Christopher Till, Ibis Rodriguez (Kaiser); James Gaumer (UHC); Jeff Scott (ESI); Grant Webster (Dowling & Yahnke); Ashlynn Ball (RBTK, LLP)

The open-session meeting was called to order by Robin Watkins at 5:11 p.m. A quorum was present.

Opening Comments from Co-Chairs

Robin Watkins welcomed the Board Members, Consultant, Administrative Staff and Guests.

Audit Report

Ashlynn Ball, Audit Partner with RBTK, LLP, (the VEBA's independent accountants) presented the Audit Report for VEBA for the year ending December 31, 2017 and 2016. The auditor provided a "clean," unmodified opinion on the Trust's financial statements, which is the highest opinion an auditor can provide. Ashlynn Ball reviewed the audit report in detail with the Board and noted that the total net assets available for benefits for the year ending December 31, 2017 were \$43,983,697.

MOTION: (Ethel Larkins) to accept the Audit Report as presented by RBTK, LLP for the year ending December 31, 2017 and 2016. Seconded by Nadine Bennett and approved.

MOTION: (Nadine Bennett) to direct the Administrator to file the audit report with the Department of Managed Health Care (DMHC) by June 30, 2018. Seconded by Ethel Larkins and approved.

Ms. Ball exited at 5:22 p.m.

Dowling & Yahnke

Grant Webster, Portfolio Manager with Dowling & Yahnke reviewed the portfolio update of the current returns in the investment portfolio. As of May 31, 2018, the portfolio value is \$20,258,543 and year-to-date return on investment is 0.06%. The fund's current investment allocation is 69% Fixed Income and 31% Equities.

MOTION: (Leticia Munguia) to approve the Dowling & Yahnke Portfolio Appraisal and related portfolio review as of May 31, 2018. Seconded by Katie Dexter and approved.

Approve Minutes:

Draft minutes of the March 28, 2018 Open-Session Board meeting were reviewed.

MOTION: (Ethel Larkins) Approval of the March 28, 2018 Open-Session minutes. Seconded by Nadine Bennett and approved.

Draft minutes of the May 11, 2018 Annual Board Retreat Open-Session Board meeting were reviewed.

MOTION: (Katie Dexter) Approval of the May 11, 2018 Annual Board Retreat Open-Session minutes. Seconded by Patrick Prezioso and approved.

Administrator's Report:

Annemieke Tomey reviewed the VEBA financial statements and disbursements report for March 2018.

MOTION: (Katie Dexter) Approval of the financial statements and disbursements report for March 2018. Seconded by Patrick Prezioso and approved.

Annemieke Tomey reviewed the VEBA financial statements and disbursements report for April 2018.

MOTION: (Patrick Prezioso) Approval of the financial statements and disbursements report for April 2018. Seconded by Nadine Bennett and approved.

Consultant's Report:

Ron Mason presented the following claims updates:

- **HMO**
 - Run-out has fallen off significantly since February. About 80%-85% of all 2017 claims have been paid by the end of April;
 - In 2018, this report will continue as a total for trend purposes. It will be the sum of run-out from the current insured plan, startup of the new Minimum Premium plan, and COSD activity;
 - A separate report will track Minimum Premium by itself to monitor financial status.
- **HMO: Minimum Premium (Contributions vs Costs)**
 - As claims ramp up, VEBA has continued to build its funds for year-end IBNR;
 - At year-end, VEBA will have to establish an IBNR in the estimated range of \$6M-\$7M on this plan;
 - Through April 2018, capitation costs have been under-billed by at least \$1M due to provider contracts that are not finalized. Sharp Rees-Stealy and UHC have still not settled the 1/1/2018 contract.
- **HMO: Minimum Premium (Actual Funding vs Liability Limit)**
 - This compares the contractual funding limit versus what VEBA has paid;
 - The funding limit is how much VEBA can be asked to fund before UHC would owe reimbursement to the plan;
 - It is still too early to project how the year will turn out. School utilization goes up in June-August and those claims are not paid until August-October.

○ **HMO: Combined**

- This chart is the sum of the run-out from the insured plan and the start-up from the MP plan;
- As noted earlier, capitations have been under-billed;
- FFS claims are generally running as expected. This is the part of the experience most prone to negative fluctuations. VEBA retains a stop loss/pooling level at \$300,000 per claimant annually. So far, non-claimants have gone over that point in 2018. VEBA averages about 10 members exceeding this point annually.

○ **PPO/EPO/Out of Area (non-CA participants)**

Overall, claims continued to be favorable for this population primarily made up of 25% out-of-state retirees and 75% students. Enrollment increased about 10% in January.

- Facts at a glance:
 - 14 claimants (3.3% of members) incurred 48% of FFS costs;
 - Members with claims of \$25,000+ average \$84,286;
 - Members with claims <\$25,000 average \$3,127.

○ **PPO/CA**

Claims increased significantly in March and April due to an increase in large claims.

- Facts at a glance
 - 91 claimants (3.4% of members) incurred 50% of FFS costs;
 - Members with claims \$25,000+ average \$88,022;
 - Members with claims <\$25,000 average \$ 3,080.

○ **Kaiser (VEBA Pool)**

For 2017, VEBA claims and expenses almost exactly equaled premiums. The largest growth in costs was for outpatient services.

- Facts at a glance
 - 3 claimants (0% of members) incurred 1% of FFS costs;
 - All 3 claims exceeded \$1M.

Other:

Ms. Watkins reported the Board's decision in closed-session to retain ESI as VEBA'S PBM vendor, effective January 1, 2019.

The Open-Session was adjourned at 5:50 p.m.

The next Open-Session meeting will be held on Wednesday, July 25, 2018, at 5:00 p.m.