

**SISC III**  
**HEALTH BENEFITS PROGRAM**  
**BOARD OF DIRECTORS MEETING**  
**WEDNESDAY, FEBRUARY 16, 2011**  
**1:00 P.M.**

**MINUTES**

The regular meeting of the Board of Directors of SISC III Health Benefits Program was called to order at 1:05 p.m. on Wednesday, February 16, 2011, in the SISC Board Room on the Fifth Floor of the Kern County Superintendent of Schools Office, 1300 17th Street, Bakersfield California, with the following in attendance:

**MEMBERS PRESENT:**

Russell Bigler  
 John Caudle  
 Eva Chavez  
 Karen Cox  
 Brian Hawkins  
 Kip Hearron  
 Steve McClain  
 Gary Pickavet  
 Richard Pierucci  
 Bryon Schaefer

**ALTERNATES PRESENT:**

Tom Valos  
 John Mendiburu

**OTHERS PRESENT:**

Jackie Brouillette  
 Cindy Mattern  
 Bonnie Bowles  
 Jennifer Bennett  
 John Stenerson  
 Nick Kouklis  
 Toni Smith  
 Cherie Payne  
 Lauri Phillips  
 Lola Nickell  
 Raquel Acebedo  
 Rich Edwards – Merrill Lynch  
 Fred Bayles – Wells Fargo  
 Carolyn Temple – Foundation for Kern Co.  
 Jennifer Thomas – Anthem Blue Cross  
 Susan Wooden – Kern High School District  
 Dan Bly – Delta Dental  
 JoeAnna Miller – Buckman Mitchell  
 Turner Houston – Houston Insurance Services

**CONSENT CALENDAR**

Motion was made by Director Caudle, seconded by Director Cox and carried to approve the Consent Calendar as follows:

**Minutes.** Minutes for the January 2011 Regular Board of Directors Meeting amended as follows:

- Fred Bayles is with Wells Fargo Advisors
- Susan Wooden did not attend the January 2011 meeting

**Report of Activity for the Month of January 2011 and Ratification of Payment as follows:**

DELTA DENTAL CLAIMS	8,915,490.49	
DELTA DENTAL ASO	575,049.20	
	<b>TOTAL DENTAL</b>	<b>9,490,539.69</b>
VSP CLAIMS	1,198,023.81	
MES CLAIMS	180,294.42	
VSP ASO	81,645.04	
MES ASO	17,272.75	
	<b>TOTAL VISION</b>	<b>1,477,236.02</b>
	47,177,934.67	

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ANTHEM BLUE CROSS HEALTH CLAIMS		
BLUE SHIELD HEALTH CLAIMS	7,927,393.75	
ANTHEM BC BEHAVIORAL HEALTH CLAIMS	25,383.28	
ANTHEM BC COMPANION CARE RETIREE CLAIMS	245,873.60	
MEDCO DISCOUNT CARD CLAIMS	44,743.40	
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<b>TOTAL HEALTH CLAIMS</b>	55,421,328.70	
ANTHEM BLUE CROSS ASO	1,562,577.17	
BLUE SHIELD PPO ASO	277,547.36	
ANTHEM BC COMPANION CARE RETIREE ASO	48,183.81	
FOUNDATION CLMS PROCESSING ASO	558,099.36	
MEDCO DISCOUNT CARD ASO	3,199.24	
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<b>TOTAL HEALTH ASO</b>	2,449,606.94	
	<b>TOTAL HEALTH</b>	<b>57,870,935.64</b>
MEDCO CLAIMS	12,401,555.91	
AMERICAN HEALTH CARE CLAIMS	2,088,313.25	
MEDCO ASO	711,036.51	
	<b>TOTAL RX</b>	<b>15,259,351.77</b>
<b><u>INSURED PRODUCTS</u></b>		
ANTHEM BC HMO CLAIMS	2,301,092.42	
ANTHEM BC HMO ADMIN FEE	1,701,832.04	
ANTHEM BC EAP	131,392.95	
BLUE SHIELD HMO CLAIMS	1,738,030.44	
BLUE SHIELD HMO ADMIN FEE	1,047,088.67	
KAISER HMO	3,926,092.34	
UNITED HEALTHCARE DENTAL	705.82	
DELTACARE/PMI DENTAL	3,215.37	
KAISER SENIOR ADVANTAGE RETIREE PLAN	66,156.00	
MUTUAL OF OMAHA LIFE INS	162,131.94	
ZURICH LIFE	13,027.20	
	<b>TOTAL INSURED</b>	<b>11,090,765.19</b>
SISC FLEX CLAIMS		<b>172,467.42</b>
WELLNESS		<b>299,246.67</b>
ALL OTHER	<b>TOTAL III PAYMENTS</b>	<b>96,466,850.51</b>

**PUBLIC COMMENT**

Susan Wooden from Kern High School addressed the Board.

**ACTION ITEMS**

**Financial Report.** Cindy Mattern reviewed with the Board the Financial Report for the period ending January 31, 2011. She told the Board there is a decrease in net assets which was expected. She advised the Board that the County of Kern rate is down, with a return of .86% for the period of October 1, 2010 – December 31, 2010. The LAIF rate is up slightly from last month, at 0.54%. The Investment Summary Report for the period October 1, 2010 through December 31, 2010 was presented as well. She advised the Board that we are

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Still holding Lehman Brothers in default, but watching it closely. Cindy mentioned the GASB 45 did very well. Rich Edwards with Merrill Lynch and Fred Bayles with Wells Fargo Advisors provided the Board with an update on the **Effect of Rising Interest Rates on Bond Returns**. After discussion, motion was made by Director Cox, seconded by Director Schaeffer and carried approving the Financial Report as presented.

**Request Approval to Contract with SIMNSA.** Director Bigler provided background about the request from Central Union High School located in El Centro which is located close to the border of Mexico. The district has requested an additional option, allowing classified employees to use the SIMNSA Clinic located in Mexicali, Mexico (with a second location in Tijuana, Mexico). Director Bigler visited the clinic and found it to be very modern and up-to-date. He believes this will help SISC for the following reasons:

- It will give member districts in this area an option no other JPA or Trust provides.
- Having direct contact, instead of going through a broker, gives us more control.
- If the California Education Coalition for Health Care Reform (CECHER) helps pass a law in 2012 that excludes SISC, we need to have as many selling points going for us as possible.
- Brawley Elementary, Brawley High, and Holtville are all very interested.

After discussion, motion was made by Director Pickavet, seconded by Director Caudle and carried approving the request to work towards contracting with SIMNSA.

**Request Approval of Step Therapy for Solodyn.** This item was reviewed last month when John spoke about the shift to generics being primarily due to brand-name drugs losing their patent. Solodyn, used to treat inflammatory lesions of moderate to severe acne has been available in the generic form of the drug, minocycline in various forms and strengths for many years. It is the exact same chemical as the name brand, Solodyn. There is no reason to believe the brand Solydyn will provide a better outcome than the generic and the cost is over 20 times the cost of available generics. Because of these factors, approval for step therapy, requiring two trials of the generic before allowing the name brand Solydyn was requested of the Board.

Director Pickavet mentioned the thought pattern John used shows that SISC is thinking of its members. After discussion, motion was made by Director Pickavet, seconded by Director Chavez and carried approving step therapy for Solodyn.

**Request Approval of the Discontinuation of the Consumer Share Pharmacy Plan with a More Appropriate Pharmacy Plan.** Director Bigler explained to the Board the Consumer Share Pharmacy Plan has out-lived its' usefulness. Some of the reasons, outlined, for changing the plan as follows:

- Today less than 32% of our prescriptions are brand name drugs; more than 68% are generic.
- Many of the expensive non-sedating antihistamines and proton pump inhibitors have lost their patents and are now available over the counter.
- Step therapy programs, implemented in 2007, have addressed problems associated with "me-too" and patent extender drugs.

After discussion, motion was made by Director Chavez, seconded by Director Hawkins and carried approving discontinuation of the Consumer Share Pharmacy Plan to be replaced by a two-tiered plan.

## **INFORMATION AND DISCUSSION ITEMS**

**Show the Monthly SISC PPO Claims History Through January 2011.** John Stenerson reviewed the claims history with the Board. He said this is a good indicator of how a program is doing. The percentage of change over the prior 12 months is up a little from last month at 5.1%, but is still down from the 11.4% of January 2010. In October 2011 there was a big shift in member cost share, because of this, the trend may actually be a couple points higher than indicated.

John also went over the Comparison of Budget-to-Actual, 2010-2011. He said revenue is down slightly and expenses are up slightly from what was budgeted. With this in mind, John created three year-end scenarios:

- Scenario 1 – Based on the actuals from October to January continuing throughout the year.
- Scenario 2 – Based on February through September coming in as originally budgeted.
- Scenario 3 – Based on a mix of Scenario 1 weighted at 40% and Scenario 2 weighted at 60%.

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**Update the Board on California not Changing its Tax Laws.** Director Bigler provided clarification about the question of whether the employer contributions to health coverage for adult children will be taxed by the state or not. The information we have states that an employee will be subject to state income taxes on the value of health benefits provided to an adult child if that child is not otherwise a tax dependent as defined by the Internal Revenue Code.

**Mention the March Meeting will be on March 23, 2011.** Director Bigler mentioned the Board meeting will be on the 4<sup>th</sup> Wednesday in March rather than the normal, 3<sup>rd</sup> Wednesday. Jackie will send a reminder to everyone. Director Bigler informed the Board that he will be on vacation during the next Board meeting and therefore, Director Pickavet will chair the meeting.

**Show the Board the Results of the Revenue SISC Received from Phia Subrogation.** Director Bigler spoke about the success of the Phia Group who was hired to recover unpaid claims in 2005. Since the third quarter of 2005 they have recovered \$5,468,490.84. Of that amount SISC has received \$4,374,544.54. There are 598 current cases with an expected recovery value of \$3,842,068.85.

**Show the Board an Article on a Federal Judge's Ruling the President's Health Care Overhaul is Unconstitutional.** For informational purposes, Director Bigler shared an article from the Bakersfield Californian entitled **Florida judge blocks part of Obama health care law.**

**Update the Board on the California Education Coalition for Health Care Reform (CECHCR).** Director Bigler shared an e-mail from Michael Hulsizer stating that CECHCR has decided not to introduce legislation in 2011. They plan to wait until 2012 to introduce their statewide school insurance pool legislation. Director Bigler said SISC believes there will be no better rates, plan design, or customer service than what we provide.

**Additional Topics from the Board of Directors.** Director Bigler mentioned the April Board meeting falls during the week of spring break. He said there had been inquiries about moving the meeting a week later to accommodate the break. He asked if anyone had any issues with moving the April meeting to April 27<sup>th</sup>. When there were no issues raised he said this change in date will be on the March agenda as an action item.

**ADJOURNMENT**

There being no further business to come before the Board, motion was made by Director McClain, seconded by Director Hearn and carried adjourning the meeting at 2:52 p.m.

**NEXT MEETING**

The next meeting of the Board of Directors will be held **Wednesday, March 23, 2011**, at 1:00 p.m. in Conference Room 1B on the First Floor of the Kern County Superintendent of Schools Office, 1300 17<sup>th</sup> Street, Bakersfield, California.

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KAREN COX, Secretary