

**SISC III
HEALTH BENEFITS PROGRAM
BOARD OF DIRECTORS MEETING
JULY 18, 2007 - 1:00 P.M.**

A G E N D A

I. CONSENT CALENDAR

- | | | |
|----|---|----------------|
| A. | Approval of Minutes for June 2007 Board of Directors Meeting | Russell Bigler |
| B. | Report of Activity for the Month of June 2007 and ratification of payment as follows: | Russell Bigler |

DELTA DENTAL CLAIMS	4,156,874.93	
SISC ASO	273,106.66	
DENTAL COALITION CLAIMS	835,814.64	
DENTAL COALITION ASO	54,913.01	
DELTACARE/PMI PREMIUM	3,903.00	
TOTAL DENTAL		\$5,324,612.24
VISION SERVICE CLAIMS	944,322.93	
VSP ASO	85,438.22	
MES CLAIMS	33,667.55	
MES ASO	4,371.30	
TOTAL VISION		\$1,067,800.00
PACIFICARE/BEHAV HEALTH	434,008.89	
CIGNA BEHAV. HEALTH (MCC SELECT)	18,080.26	
SECURE HORIZONS PREM (PACIFICARE)	8,914.38	
SENIOR ADVANTAGE PREM (KAISER)	28,700.00	
SENIORITY PLUS PREM (HEALTHNET)	74,269.00	
BLUE SHIELD HMO PREMIUM	767,541.79	
BLUE SHIELD FULLY INSURED PPO	37,608.46	
HEALTH NET PREMIUM	898,745.16	
CALIFORNIA CARE PREMIUM	839,150.00	
KAISER PREMIUM	2,374,419.78	
PACIFICARE PREMIUM	28,331.16	
UNITED HEALTHCARE (FORMERLY PACIFIC UNION DENTAL)	1,939.50	
UNITED HEALTHCARE (LIFE INSURANCE)	149,892.85	
NAT'L BENEFIT RESOURCES (STOP LOSS)	83,113.29	

BLUE CROSS HEALTH CLAIMS	31,880,352.22	
BLUE SHIELD HEALTH CLAIMS	3,338,166.91	
BEHAVIORAL HEALTH CLAIMS	330,111.39	
ITS CLAIMS	1,403,963.50	
COMPANION CARE CLAIMS	140,194.19	
TOTAL BLUE CROSS AND BLUE SHIELD CLAIMS		\$37,092,788.21
BLUE CROSS NETWORK ASO	1,025,824.84	
FOUNDATION ADJUDICATION ASO	516,074.04	
BLUE SHIELD ASO	107,144.96	
BEHAVIORAL HEALTH ASO	140,354.23	
ITS ASO	12,419.76	
COMPANION CARE ASO	28,988.36	
TOTAL BLUE CROSS AND BLUE SHIELD ADMIN.		\$1,830,806.19
TOTAL BLUE CROSS AND BLUE SHIELD		\$38,923,594.40
MERCK CLAIMS	13,952,994.26	
ASO-COPAY	278,985.19	
CLAIMS - DISCOUNT CARD	114,191.72	
ASO - DISCOUNT CARD	2,958.04	
CLAIMS - MEDICARE PART D	440,840.96	
ASO - MEDICARE PART D	10,810.06	
AHC - CLAIMS	2,891,099.83	
AHC - ASO	114,563.10	
TOTAL RX CLAIMS		\$17,806,443.16
TOTAL BC, BSC AND RX		\$56,730,037.56

I. PUBLIC COMMENT

III. ACTION ITEMS

- | | |
|---|----------------|
| A. Financial Report - Financial Statements For Prior Month Presented For Approval | Cindy Sproles |
| B. Election of Vice President | Russell Bigler |
| C. Election of Secretary/Treasurer | Russell Bigler |
| D. Request Approval of the 2006 Defined Benefit Program Audit | Cindy Sproles |
| E. Request Approval Concerning Covering Proton Pump Inhibitor Prescriptions | Russell Bigler |

V. DISCUSSION AND INFORMATION ITEMS

- | | |
|---|----------------|
| A. Monthly Blue Cross/SISC PPO Trend History Through June 2007 | Russell Bigler |
| B. Show the Board three Newspaper Articles on the Michael Moore Movie "Sicko" | Russell Bigler |
| C. Update the Board on the last Six Months of Claims Recovery by the Phia Group | Russell Bigler |
| D. Review the Investment Policy | Cindy Sproles |
| E. Sorting Out the Action on the Health Care Front; Bills on Health Care | Russell Bigler |
| F. Comments from the Board of Directors Will Be Heard | |
| G. Adjournment | |

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| H. Next Meeting: | Wednesday, August 15, 2007
1:00 p.m.
SISC Board Room - City Centre |
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SISC III

HEALTH BENEFITS TERMINOLOGY

Adjudication: Determination of the amount of payment for a claim.

Administrative Services Only (ASO): An arrangement under which an insurance carrier or an independent organization will, for a fee, handle the administration of claims, benefits and other administrative functions for a self-insured group but does not assume any financial risk for the payment of benefits.

Balance bill: Refers to the leftover sum that a provider bills to the patient after insurance has only partially paid the charge that was initially billed.

Calendar Year Deductible: The dollar amount for covered services that must be paid during the calendar year (January 1 – December 31) by members before any benefits are paid by the Plan.

Centers of Expertise (COE) Network: The network of health care providers that have entered into contracts with the carrier and/or one or more of its affiliates. These providers have agreed to participate in a transplant program or other designated specialty program that is/are to be based upon the member's benefit agreements.

Coinsurance: An arrangement under which the member pays a fixed percentage of the cost of medical care after the deductible has been paid. For example, an insurance plan might pay 80% of the allowable charge, with the member responsible for the remaining 20%, which is then referred to as the coinsurance amount.

Coinsurance Maximum: The total amount of coinsurance that an individual pays each year before the carrier pays 100% of allowable charges for covered services. Coinsurance amounts differ with each contract.

Coordination of Benefits: The anti-duplication provision to limit benefits for multiple group health insurance in a particular case to 100% of the covered charges and to designate the order in which the multiple carriers are to pay benefits. Under a COB provision, one Plan is determined to be primary and its benefits are applied to the claim. The unpaid balance is usually paid by the secondary Plan to the limit of its liability.

Co-Payment: The fixed dollar amount a patient pays for a medical service.

Deductible: An amount the covered person must pay before payments for covered services begin. The deductible is usually a fixed amount. For example, an insurance plan might require the insured to pay the first \$250 of covered expense during a calendar year.

Dependent: Person, (spouse or child), other than the subscriber who is covered under the subscriber's benefit certificate.

Employee Assistance Program (EAP): A worksite-based program that is designed to assist in the identification and resolution of productivity problems associated with personal concerns of employees. The program provides employees and their dependents with access to confidential, short-term counseling by qualified practitioners, in person or over the phone.

Explanation of Benefits (EOB): A form sent to the covered person after a claim for payment has been processed by the carrier that explains the action taken on that claim. This explanation might include the amount that will be paid, the benefits available, reasons for denying payment, or the claims appeal process.

Flexible Spending Account: Accounts that let workers set aside pre-tax money from their paycheck toward premiums or costs not covered by their health plan, such as co-payments. All the money must be used within the plan year or it is lost.

Health Assessment – More companies are asking workers to fill out such assessments, which give health improvement tips. Companies can give workers financial incentives to do so.

Health Insurance Portability and Accountability Act (HIPAA): A federal health benefits law passed in 1996, effective July 1, 1997, which among other things, restricts pre-existing condition exclusion periods to ensure portability of health-care coverage between plans, group and individual; requires guaranteed issue and renewal of insurance coverage; prohibits plans from charging individuals higher premiums, co-payments, and/or deductibles based on health status.

Health Maintenance Organization (HMO): An organization that provides a wide range of comprehensive health care services for a specified group at a fixed periodic payment; a prepaid health care plan under which people may enroll by paying a set annual fee. Members then receive all the medical services they need through a group of contracting doctors and hospitals, often with no additional co-payments or fees. Members are generally limited to using providers designated by the HMO.

Health Savings Account: The accounts are paired with a high deductible. Employees can fund these accounts, tax-free, to help offset the deductible. Employers can also fund such plans. Money not used within the plan year is rolled over to the next year.

ID Card/Identification Card: A card issued by a carrier to a covered person, which allows the individual to identify himself or his covered dependents to a provider for health care services. The card is subsequently used by the provider to determine benefit levels and to prepare billing statement.

IBNR: An acronym for "incurred but not reported". This is an accounting estimate used by health plans to accrue for care that was provided "incurred" in one accounting period, but not paid or "reported" until another accounting period.

In-Network: Refers to the use of providers who participate in the carrier's provider network. Many benefit plans encourage covered persons to use participating (in-network) providers to reduce the individual's out of pocket expense.

Lifetime Maximum: Maximum amount the plan will pay toward a member's coverage in a lifetime.

Medical Tourism: To have medical care outside the United States.

Medigap: A private insurance policy purchased by many of the elderly to pay for expenses not covered by Medicare.

Negotiated Rate: The amount participating providers agree to accept as payment in full for covered services. It is usually lower than their normal charge. Negotiated rates are determined by Participating Provider Agreements.

Open Enrollment: For employers with a dual or multiple choice of health plans, the annual time period in which employees can select among the plans offered.

Out-Of-Network: The use of health care providers who have not contracted with the carrier to provide services. HMO members are generally not reimbursed if they go out-of-network except in emergency situations. Covered persons of preferred provider organizations and HMOs with point-of-service options may go out-of-network, but must pay additional costs including deductibles and co-insurance.

Participating Provider: A physician, hospital, pharmacy, laboratory or other appropriately licensed provider of health care services or supplies, that has entered into an agreement with a managed care entity to provide such services or supplies to a patient enrolled in a health benefit plan.

Pre-Authorization: A procedure used to review and assess the medical necessity and appropriateness of elective hospital admissions and non-emergency outpatient services before the services are provided.

Preferred Provider Organization (PPO): A type of managed care organization that has a panel of preferred providers who are paid according to a discounted fee schedule. The enrollees do have the option to go to out-of-network providers at a higher level of cost sharing.

Reasonable and Customary: The amount customarily charged for the service by other physicians in the area (often defined as a specific percentile of all charges in the community) and the reasonable cost of services for a given patient after medical review of the case. Also known as Usual and Customary (U&C) or Customary and Reasonable (C&R).

Skilled Nursing Facility: An institution (or a distinct part of an institution) that is primarily engaged in providing skilled nursing care and related services for patients who require medical care, nursing care or rehabilitation services.

Subscriber: The individual in whose name a contract is issued or the employee covered under an employer's group health contract.

Transparency. With regard to medical care it means: The ability for patients to have easy access to understandable information about the cost and quality of their health care options. They should be able to obtain this information from their health plan and medical providers prior to the time of treatment.



July 18, 2007

TO: SISC III Board of Directors
FROM: Russell E. Bigler, Chief Executive Officer
Insurance Services
SUBJECT: Election of Vice President

BACKGROUND INFORMATION

We need to elect a Vice President for the 2007-2008 fiscal year.

ARTICLE VII(c) - BYLAWS. The Board shall, at the regular July meeting of each year, elect from its membership a vice president, a secretary and a treasurer to serve as officers of the Board for a term of one (1) year.

REB:clp



July 18, 2007

TO: SISC II Board of Directors

FROM: Russell E. Bigler, Chief Executive Officer
Insurance Services

SUBJECT: Election of Secretary/Treasurer

BACKGROUND INFORMATION

We need to elect a Secretary/Treasurer for the 2007-2008 fiscal year.

ARTICLE VII(c) - BYLAWS. The Board shall, at the regular July meeting of each year, elect from its membership a vice president, a secretary/treasurer to serve as officers of the Board for a term of one (1) year.

REB:clp



July 18, 2007

TO: SISC III Board of Directors
FROM: Russell E. Bigler, Chief Executive Officer
SUBJECT: Approval of 2006 Defined Benefit Audit

BACKGROUND INFORMATION

Cindy Sproles will present the 2006 Defined Benefit Audit at the Board Meeting.

ADMINISTRATIVE RECOMMENDATION

It is respectfully requested that the Board approve the 2006 Defined Benefit Audit as presented.

REB:clp

SISC III

INFORMATION ITEMS

- A. **Monthly Blue Cross/SISC PPO Trend History Through June 2007.** John Stenerson will review the monthly Blue Cross/SISC PPO Trend history through June 2007.
- B. **Show the Board Three Newspaper Articles on the Michael Moore Movie “Sicko”.** We can review these articles at the meeting.
- C. **Update the Board on the last Six Months of Claims Recovery by the Phia Group.** We can review this at the meeting.
- D. **Review the Investment Policy.** Pursuant to Ed. Code we are required to bring the SISC Investment Policy to you on an annual basis. We are not requesting any changes and Cindy Sproles will review the present policy with you.
- E. **Sorting Out the Action on the Health Care Front; Bills on Health Care.** This article gives a brief description of the various bills in the California Legislature concerning health care.
- F. **Comments From the Board of Directors.** Comments from members of the Board will be heard at this time.



**INVESTMENT POLICY
FOR**

**SELF-INSURED
SCHOOLS
OF
CALIFORNIA**

1300 17th Street - CITY CENTRE
P.O. Box 1847
Bakersfield, CA 93303-1847

OCTOBER 2005

1.0 Policy Statement

It is the policy of Self-Insured Schools of California (SISC) to invest funds in a manner which will provide maximum security of principal invested. The secondary objective is the liquidity of capital to meet expenditure requirements. The third objective is to achieve a positive return on the funds invested. This policy shall conform to all applicable State statutes governing the investment of public funds. (CA Gov Code 53601)

2.0 Scope

This investment policy applies to all surplus funds not required for the immediate operating need of Self-Insured Schools of California. These funds are accounted for in the monthly financial report and include all or a portion of:

- 9110.00 Kern County Treasurer
- 9150.01 California Local Agency Investment Fund (LAIF)
- 9150.03 Investments

3.0 Prudence

SISC is a Joint Powers Agreement (JPA), comprised of public school districts and county offices that have come together to self-insure various programs. Investment law imposes the role of trustee on California's local government agencies or persons authorized to make investment decisions for them, in effect making them a fiduciary subject to the prudent investor standard. (CA Gov Code 53600.3)

A fiduciary is "a person who has legal responsibility for the conservation and management of property in which another person has a beneficial interest." As a governing body and fiduciary investing public funds, the standard of prudence to be used when investing SISC funds shall be the "Prudent Investor Standard." This Standard states that the fiduciary shall act with care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiar with those matters, would use in the conduct of funds of a like character and with like aims to safeguard the principal and to maintain the liquidity needs of the agency.

4.0 Objective

The primary objectives, in order of priority, of the Self-Insured Schools of California's investment activities shall be:

- 4.1 **Safety:** Safety of principal is the foremost objective of the investment program. SISC investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.
- 4.2 **Liquidity:** SISC's investment portfolio will remain sufficiently liquid to enable SISC to meet all operating requirements which might be reasonably anticipated.
- 4.3 **Return on Investment:** SISC's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account SISC's investment risk constraints and the cash flow characteristics of the portfolio.

5.0 Delegation of Authority

The SISC Board is responsible for the management and oversight of the investment program. The SISC Finance Department shall monitor and review all investments for consistency and compliance with this investment policy. The Board may delegate the daily investment decision making execution authority to the Chief Executive Officer or his designee. The Chief Executive Officer shall follow this policy and such other written instructions as provided. Further, he or she shall be responsible for all transactions undertaken and will establish a system of controls to regulate the activities of appropriate staff members.

6.0 Authorized Financial Dealers and Institutions

Investment services may be provided only by institutions and security broker/dealers authorized by SISC. Criteria used to select broker/dealers shall be credit worthiness and verification of authorization to provide investment services in California.

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply SISC with the following:

- Annual Audited Financial Statements
- Proof of National Association of Security Dealers Certification
- Proof of California Registration
- Verification of having read SISC's Investment Policy and agreement to comply with said Policy

Where applicable, the broker/dealer will facilitate a competitive pricing approach when purchasing securities. It is also understood that the broker/dealer will adhere to applicable Government Code specifications and stay abreast of Government Code revisions and advise the client in a timely fashion of changes that may affect the investment policy or portfolio assets.

7.0 Authorized & Suitable Investments

SISC is empowered by California Government Code 53601 to invest in the following types of securities:

- U.S. Treasury obligations
- Federal agency securities
- Obligations of the State of California, its agencies, and local agencies within California
- Repurchase Agreements
- Certificates of Deposit
- Bankers' Acceptances
- Commercial Paper
- Medium-Term Notes
- Shares of beneficial interest issued by diversified management companies
- Mortgage Pass-Through Securities
- Equipment Lease-Backed Certificates
- Consumer Receivable Pass-Through Certificates
- California Local Agency Investment Fund
- Local Treasury
- Insured savings account or money market account

SISC further reduces its investment risk by establishing a fixed income portfolio restricted to the following types of securities:

- U.S. Treasury obligations:
10 year maximum maturity
- Federal agency securities:
10 year maximum maturity
- Corporate Medium-Term Notes, including corporate bonds:
5 year maximum maturity
- Mortgage Pass-Through Securities:
5 year maximum maturity
- Consumer Receivable Pass-Through
Certificates (Asset-Backed Securities):
5 year maximum maturity
- Commercial Paper:
270 days maximum maturity
- Bankers' Acceptances:
180 days maximum maturity
- Negotiable Certificates of Deposit (CD) :
10 year maximum maturity
- Cash Equivalent Securities

Funds may also be invested with:

- California Local Agency Investment Fund
- Local Treasury

Additionally:

Each individual portfolio established by an approved broker/dealer will adhere to the following guidelines:

1. Corporate securities shall be rated at least 'A' by Moody's and 'A' by Standard and Poor's. If a security rating drops below 'A,' the security will be evaluated by the SISC Finance Department for continuance in the portfolio. A report of the downgrade and the course of action taken will be presented to the SISC Board at the next regularly scheduled meeting.
2. No security shall have a stated maturity date in excess of five years, except those investment types approved by the SISC Board for a maximum maturity up to ten years.
3. The portfolio shall be comprised of no more than 30 percent in Medium-Term Notes or corporate bonds, or any combination of the two.
4. The portfolio shall be comprised of no more than 20 percent in Mortgage Pass-Through Securities, or Consumer Receivable Pass-Through Certificates, or any combination of the two.
5. Purchases of eligible Commercial Paper may not exceed 270 days maturity nor represent more than 10 percent of the portfolio.
6. Purchases of Bankers' Acceptances may not exceed 180 days maturity or 40 percent of the portfolio.
7. The portfolio shall be comprised of no more than 30 percent in negotiable CDs.
8. All assets selected for the portfolio must have a readily available market value and be marketable.

Further, SISC or a SISC approved security broker/dealer shall not invest in derivatives, such as, but not limited to, inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages, or in any security that could result in zero interest accrual if held to maturity.

Note: Although funds held in SISC's bank accounts are not considered surplus under this Policy, they are deposited in a Premium Interest Checking account that is fully collateralized at 110%, provides daily liquidity, and earns a competitive rate of interest.

8.0 Safekeeping and Custody

All security transactions entered into by SISC shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third-party custodian designated by the SISC Board and evidenced by safekeeping receipts. (CA Gov Code 53635)

9.0 Diversification

In an effort to reduce overall portfolio risk while attaining market average rates of return, diversification will be utilized in terms of maturity, as well as security type and issuer. The portfolio will be well diversified to avoid undue exposure to any single economic sector, industry group, or individual security.

10.0 Maximum Maturities

The SISC Finance Department will match its investments with anticipated cash flow requirements. Furthermore, SISC will not invest in any single security with a stated maturity date in excess of five years, except the security types approved by the SISC Board for a maximum ten year maturity. Further, at any one time no more than 30% of the portfolio shall be invested in securities with maturities up to ten years.

11.0 Internal Control

Internal controls shall be utilized to maintain efficiency and prevent fraud. Controls may include, but are not limited to, separation of functions, checks and balances, screening of employees and consultants, and training. The SISC Finance Department shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures.

12.0 Performance Standards

The investment portfolio will be designed to obtain a positive market rate of return, taking into account SISC's investment risk constraints and cash flow needs.

12.1 Market Return-On-Investment (Benchmark):

The basis used by the SISC Finance Department to determine whether market returns are being achieved shall be the return for the California Local Agency Investment Fund (LAIF).

13.0 Reporting

The SISC Finance Department is charged with the responsibility of including a market report on investment activity and returns in SISC's Financial Statements. Quarterly Investment Reports will include:

- Type of Investment
- Issuer
- Purchase Date
- Par/Face Value
- Dollar amount invested (cost)
- Security Rating at Purchase
- Security Rating at Current Quarter
- Yield-to-Maturity at Current Quarter
- Maturity Date
- Security Reduced by Principal Payments (%)
- Principal Balance (%)
- Market Value and source of valuation
- A description of funds or investments under the management of contracted parties:

California Local Agency Investment Fund
Kern County Treasurer

Further, the Quarterly Report shall verify that the SISC investment portfolio is in compliance with SISC's investment policy. The report will also include a statement indicating the ability of SISC to meet its cash requirements for the ensuing six months or to provide an explanation as to why sufficient money shall not or will not be available. A copy of the Quarterly Report will be rendered to SISC's Chief Executive Officer, the internal auditor, and the Board within 60 days following the end of the quarter. (CA Gov Code 53646)

14.0 Investment Policy Adoption

SISC's Investment Policy shall be adopted by the Board. The Policy will be reviewed on an annual basis by the SISC Finance Department, and any modifications made thereto must be approved by the SISC Board.

Adopted: January 4, 1989
Revised: September 16, 1992
Revised: September 15, 1993
Revised: June 19, 1996
Revised: October 16, 1996
Revised: July 15, 1998
Revised: October 19, 2005