

SISC III

HEALTH BENEFITS PROGRAM BOARD OF DIRECTORS MEETING WEDNESDAY, FEBRUARY 17, 2010 1:00 P.M.

MINUTES

The regular meeting of the Board of Directors of SISC III Health Benefits Program was called to order at 1:08 p.m. on Wednesday, February 17, 2010, 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
Eva Chavez
Karen Cox
Brian Hawkins
Kip Hearn
Steve McClain
Russell Miller
Gary Pickavet
Richard Pierucci
Dennis Scott

ALTERNATES PRESENT:

Judy Marty
Tom Valos

OTHERS PRESENT:

Cherie Payne
Cindy Mattern
Bonnie Bowles
Jennifer Bennett
Judy Fussel – Buckman Mitchell
Carolyn Temple
John Stenerson
Sue Daniel
Heidi Suburu
Steve Bargeon – Tulare Foundation
Lauri Phillips
Rich Edwards – Merrill Lynch
Megan Hanson

CONSENT CALENDAR

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

Minutes. Minutes for the January 2010 Regular Board of Directors Meeting.

Report of Activity for the Month of January 2010 and Ratification of Payment as follows:

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| DELTA DENTAL CLAIMS | 7,338,704.65 | | |
| DELTA DENTAL ASO | 481,419.08 | | |
| | TOTAL DENTAL | | \$7,820,123.73 |
| VISION SERVICE CLAIMS | 1,232,043.50 | | |
| MES CLAIMS | 103,102.80 | | |
| VSP ASO | 86,598.78 | | |
| MES ASO | 11,186.40 | | |
| | TOTAL VISION | | \$1,432,931.48 |
| ANTHEM BLUE CROSS HEALTH CLAIMS | 39,025,709.02 | | |
| BLUE SHIELD HEALTH CLAIMS | 6,375,658.82 | | |
| ANTHEM BC BEHAVIORAL HEALTH CLAIMS | 251,619.67 | | |
| ANTHEM BC COMPANION CARE RETIREE CLAIMS | 267,941.52 | | |
| MEDCO DISCOUNT CARD CLAIMS | 52,613.82 | | |
| TOTAL HEALTH CLAIMS | 45,973,542.85 | | |
| ANTHEM BLUE CROSS ASO | 1,357,150.01 | | |
| BLUE SHIELD ASO | 163,725.26 | | |
| ANTHEM BC BEHAVIORAL HEALTH ASO | 164,446.61 | | |
| ANTHEM BC COMPANION CARE RETIREE ASO | 45,570.00 | | |
| FOUNDATION CLMS PROCESSING ASO | 557,060.40 | | |
| MEDCO DISCOUNT CARD ASO | 1,749.03 | | |
| TOTAL HEALTH ASO | 2,289,701.31 | | |
| | TOTAL HEALTH | | 48,263,244.16 |
| MEDCO CLAIMS | 11,898,208.71 | | |
| AMERICAN HEALTH CARE CLAIMS | 1,892,307.38 | | |
| MEDCO ASO | 324,698.23 | | |
| AMERICAN HEALTH CARE ASO | 53,534.00 | | |
| TOTAL RX | | | 14,168,748.32 |
| INSURED PRODUCTS | | | |
| ANTHEM BC HMO CLAIMS | 615,143.85 | | |
| ANTHEM BC HMO ADMIN FEE | 552,465.59 | | |
| BLUE SHIELD HMO CLAIMS | 730,062.91 | | |
| BLUE SHIELD HMO ADMIN FEE | 173,556.80 | | |
| AETNA HMO | 1,388,826.39 | | |
| HEALTH NET HMO | 341,610.60 | | |
| KAISER HMO | 2,856,927.39 | | |
| PACIFICARE BEHAVIORAL HEALTH | 509,135.55 | | |
| CIGNA BEHAVIORAL HEALTH | 15,985.80 | | |
| UNITED HEALTH CARE DENTAL | 697.35 | | |
| DELTACARE/PMI DENTAL | 3,608.22 | | |
| KASIER SENIOR ADVANTAGE RETIREE PLAN | 53,721.00 | | |
| HEALTH NET SENIORITY PLUS RETIREE PLAN | 50,555.00 | | |
| AETNA INSURED PPO | 73,096.13 | | |
| BLUE SHIELD INSURED PPO | 0.00 | | |
| HEALTH NET INSURED PPO | 0.00 | | |
| MUTUAL OF OMAHA LIFE | 134,078.51 | | |
| ZURICH LIFE | 12,576.40 | | |
| TOTAL BLUE CROSS AND BLUE SHIELD CLAIMS | | | \$7,512,047.49 |

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| SISC FLEX CLAIMS | 153,174.23 |
| STOP LOSS - VISTA UNDERWRITING PARTNERS | 0.00 |
| WELLNESS | 144,800.00 |
| ALL OTHER | 258,073.73 |
| TOTAL SISC III PAYMENTS | \$79,753,143.14 |

PUBLIC COMMENT

Heidi Suburu, President of the Fruitvale Teachers Association addressed the Board regarding the rates for the 2010-2011 year. Ms. Suburu wanted to speak directly to the board after hearing the rates may increase 10% in the coming year. She wanted the board to know with the lay-offs, and class size increases coming, teachers can not withstand a double-digit increase of health insurance cost. Ms. Suburu told the board she was here to beg for mercy and felt the reserves that have been saved for a rainy day, should be spent. Ms. Suburu mentioned she felt passionate enough about the subject to take a personal day to come and address the board, and asked that the board consider who will be hurt by the rate increase. Several board members addressed Ms. Suburu, and let her know the importance of employees and districts understanding the options available for premium reduction, by choosing different plans. Board members wanted Ms. Suburu to know that no increase is taken lightly, and members are always considered however, rates have been held for the last two years and that is not sustainable. If we continue to hold rates our needed percentage of increase will grow substantially. Several board members discussed the importance of talking throughout the year about options that are available for bringing down rates, so that staff is educated on the process.

ACTION ITEMS

Financial Report. Cindy Mattern reviewed with the Board the Financial Report for the period ending January 31, 2010. She advised the Board that the LAIF rate is at 0.56%. Cindy reviewed the Income Statement and let the Board know it looks likely we will use more than expected of reserves. The Investment Summary Report for the period October 1, 2009 through December 31, 2009 was presented as well. She advised the Board that we are continuing to closely monitor any securities rated less than A. Our financial advisors are recommending we hold those securities at this time. Rich Edwards with Merrill Lynch provided the Board with an update on Lehman Brothers and provided background information on LAIF and the County Treasury. Cindy let the Board know that funds had been moved from the County Treasury to our accounts with Merrill Lynch and Wells Fargo Advisors. She also mentioned additional funds would be moved from LAIF to the County Treasury due to the current low rate of return with LAIF. She will continue to monitor investment funds and rates. Cindy reviewed the last quarter figures for the Defined Benefit Plan and the SISC GASB 45 Trust. In regards to the GASB 45 Trust, Cindy mentioned we have added three new districts and she also provided an update from Fred Bayles regarding current and future investment strategies. After discussion, motion was made by Director Hearn, seconded by Director Pierucci and carried approving the Financial Report as presented.

INFORMATION AND DISCUSSION ITEMS

Show the Monthly SISC PPO Claims History Through January 2010. John Stenerson reviewed the claims history with the Board and discussed our year over year change of 10.0%. John mentioned the medical PPO membership dropped a little more. If the trend continues on this course we will see it close to 13%. John provided the board information about where we expected to be at this time, and where we are currently, showing them several year end scenarios.

John also provided the board with some background around prescription drug changes previously made by SISC including Preferred Drug Step Therapy and Member Pays the Difference, and provided the financial results of the implementation. John discussed the high cost of prescription drugs, particularly around brand medication and reviewed with the board the process that occurs when a drug goes off patent.

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John mentioned that we typically make plan changes effective in October, but in the future it might be more beneficial to make the changes to our plans as the drugs go off patent. John discussed the possibility of implementing step therapy for Angiotensin Receptor Blockers in the future due to our past success with implementation of step therapy. Director Pickavet mentioned the importance of continuing to have these decisions approved by the board and John and Director Bigler confirmed that would continue to be the process.

Update the Board on the Federal Government Health Care Bill. Director Bigler discussed Republican Scott Brown's victory over Democrat Martha Coakley for the Massachusetts Senate seat and how it is causing Democrats to rethink their options regarding health care.

Show the Board the Percentage of Reserves to Liabilities Over the Past 5 Years. John Stenerson reviewed the reserve history for the last 5 years with the board. John explained how buying down an increase can result in financial difficulties down the road. John reviewed the surplus amount we had in the beginning of the year, and discussed the surplus dollars we stand to lose right now.

Mention the 2010-2011 Rates for Every Product except the Medical will be Presented at the March Meeting. Director Bigler reviewed with the Board the decision made at last month's Board Meeting to present Medical Rates one month later to allow more time for determining more accurate rates.

Update the Board on the SISC Wellness Program. Jennifer Bennett reviewed the new Health Assessment available for members and let the board know the assessment is on our own website, and is more consistent. The website is very interactive and questions are asked based on your responses to other questions. Jennifer reported 87 districts have signed up for on-site screenings, and so far we have screened 3400 members. Members receive \$40 for participating in the health assessment, and \$30 if they also participate in the coaching. Members who attend the on-site screenings receive a copy of the book Eat This, Not That. Jennifer let the board know the number of members participating in the coaching is up dramatically over last year.

Update the Board on Continuity of Operations Plan. Director Bigler reviewed with the Board our plan for replicating our servers off-site. Director Bigler let the Board know we have accepted the low bid for construction and work is expected to finish up sometime in April. We are currently getting prices on the equipment we will need once construction is complete.

Update the Board on SISC Flex Enrollment and Deposits. Director Bigler discussed the importance of participating in a Flex Plan, and the financial benefits in doing so. With the cuts going on economically, and health plans changing, we show an increase in enrollment.

Update the Board on the Anthem Changes to their Physical Therapy, Occupational Therapy, and Speech Therapy Networks. Director Bigler and John Stenerson reviewed the changes being made to the networks of physicians for physical therapy, occupational therapy and speech therapy. John mentioned the network was previously rented by Anthem which resulted in less providers. Anthem feels the change will ultimately result in more physicians being available to members for these services.

Discuss Pay as Billed vs. a Payroll Based System. Director Bigler discussed the background on this topic and discussed some questions that have come up that need to be addressed before we make this an action item. Jennifer Bennett provided the board with an overview of the billing process and discussed due dates and cut off times for submitting changes. Jennifer mentioned that if activity is not received timely, there could be a lag or retro adjustment. Several board members discussed how on-line eligibility might be helpful so that districts could make their own changes. Sue Daniel described how the new process would work. Several board members indicated their systems are different than Kern County's and the process would work differently for them. Director Bigler let the board know we would continue to discuss the matter and bring it back to the board at a later date.

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Comments From the Board of Directors. Director Bigler discussed the recent announcement from Anthem Blue Cross about rates increasing 39% on individual accounts. Director Bigler wanted to ensure everyone understands we do not have individual accounts and this announcement does not represent SISC's future rate increases.

ADJOURNMENT

There being no further business to come before the Board, motion was made by Director Miller, seconded by Director Hawkins and carried adjourning the meeting at 3:12 p.m.

NEXT MEETING

The next meeting of the Board of Directors will be held **Wednesday, March 24, 2010**, at 1:00 p.m. in the SISC Board Room on the Fifth Floor of the Kern County Superintendent of Schools Office, 1300 17th Street, Bakersfield, California.

DAN MUNIS, Secretary