

**SUMMARY OPEN-SESSION MINUTES  
CALIFORNIA SCHOOLS  
VOLUNTARY EMPLOYEES BENEFITS ASSOCIATION (VEBA)  
September 27, 2017  
5:00 p.m. – 6:00 p.m.**

- Members Present:** Ethel Larkins, Leticia Munguia, Robin Watkins, Ron Reese, Katie Dexter, Ursula Salbato, Steve Boyle, Nadine Bennett, Laura Bowen, Lora Duzyk, Mark Anderson, Barbara Collins, Greg Ottinger, Ronda Walen
- Members Absent:** Marianne Monfils, Brian Marshall
- Consultant:** Ron Mason (Tall Pine Consulting, LLC), via conference call
- Administrative Staff:** George McGregor, Annemieke Tomey, Matthew Bittner, Lurinda Green, Suzanna Tomey, Laura Josh, Heather Simonson, Elissa Ayala, Rich Garrett, Dr. Michael Carey
- Guests:** Debbie Collins, Todd Hesse, Jane Finley, Ibis Rodriguez, Sabrina Krug, Lindsey Wright, Christina Bernard (Kaiser); Susan Bolger (North County CTA-R), Christine Caloza, Meghan Newkirk (UHC); Paul Temby, Grant Webster, Mike Brown (Dowling & Yahnke)

The open-session meeting was called to order by Robin Watkins at 5:02 p.m. A quorum was present.

**Opening Comments from Co-Chairs**

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

**Dowling & Yahnke**

Paul Temby, Partner, Mike Brown, Partner, and Grant Webster, Portfolio Manager with Dowling & Yahnke introduced themselves to the Board. Mr. Webster reviewed a snapshot of the current returns in the investment portfolio. As of August 31, 2017, the portfolio value is \$19,801,941 and year-to-date return on investment is 5.39%. The fund's current investment allocation is 69% Fixed Income and 31% Equities.

**MOTION:** (Ethel Larkins) to approve the Dowling & Yahnke Portfolio Appraisal and related portfolio review as of August 31, 2017. Seconded by Katie Dexter and approved.

**Kaiser Permanente Presentation**

Debbie Collins, Executive Account Manager, Jane Finley, SVP & Executive Director and Christina Bernard, Business Consultant with Kaiser Permanente presented the Thriving Schools Presentation to the Board. Categories reported on included: A Partnership beyond Health Benefits, Anchor Institutions in our Community, Making a Difference where Members Live, Work & Play, Making a Difference with VEBA, and Thriving Schools Highlights. Upon completion of the presentation the Board thanked the Kaiser representatives for attending and presenting.

### **Approve Minutes:**

Draft minutes of the July 25, 2017, open-session Board meeting were reviewed.

**MOTION:** (Leticia Munguia) Approval of the July 25, 2017 Open-Session minutes. Seconded by Steve Boyle and approved.

### **Proposed 2018 Board Calendar**

Annemieke Tomey reviewed the proposed 2018 Board Calendar including the dates and location for the 2018 Annual Board Retreat. The Board discussed the Ponte Vineyard Inn and South Coast Winery Resort location and date availability. After some discussion, the Board decided to host the 2018 Annual Board Retreat at the Ponte Vineyard Inn due to the May 9-11, 2018 date preference.

### **Administrator's Report:**

Annemieke Tomey reviewed the VEBA financial statements and disbursements report for July 2017.

**MOTION:** (Mark Anderson) Approval of the financial statements and disbursements report for July 2017. Seconded by Laura Bowen and approved.

### **2016 Tax Returns**

Ms. Tomey reviewed the federal and state 2016 tax returns for the California Schools VEBA.

**MOTION:** (Steve Boyle) Approval to file the 2016 tax returns with the Internal Revenue Service and the Franchise Tax Board, respectively. Seconded by Laura Bowen and approved.

Ethel Larkins left the meeting at 5:31 p.m.

### **Consultant's Report:**

Ron Mason presented the following claims updates:

- **Prescription Drugs**
  - Specialty drug trend held at about 12% through July. The normal trend would be 20%-25%.
  - Since February 1, VEBA's net overall trend has been running 7.8% on an annualized basis. Part of this trend is because VEBA negotiated improved terms on June 1, 2016. We want this number to be less than 11%.
  - The increases in costs are attributable to:
    - Antivirals went up due to a tripling of the use of Hepatitis C drugs. Most of the Hepatitis C drugs have dropped in price by 2%-3% over the last year.
    - Rheumatology agents rose in cost --- driven by changes in Humira pricing. The biosimilar process has bogged down.
    - PC has put an inquiry into ESI about antidepressants. Several generics have gone up more than 20% in price during the last year.
    - Miscellaneous urological continue to go up due to ED drugs raising prices 25% a year.
  - These classes represent 75% of VEBA's claim costs.
- **HMO**

Capitation costs fell in July, but it appears that UHC may not be up to date. FFS claims dropped, but the number of large claims continues to increase (even while the FFS population drops).

  - 134 claimants (0.3% of members but 1% of FFS members) over \$50,000 accounted for 42% of FFS claims and 9% of total claim costs.

- Capitation cost per member per month (PMPM) for most recent vs. prior 12 month period: 3.5%.
  - Aggregate paid claim/cap trend on a rolling 12-month basis: 5.2% which includes design changes and new lives on a paid claim basis (but incorrect caps).
- **PPO/EPO/Out of Area (non-CA participants)**  
This population is made up of retirees, a few COBRA, and out of state students. While large claim costs are decreasing, the balance of the population continues to see an increase in PEPM claims.
    - 16 claimants (3.8% of members) incurred 38% of FFS costs.
    - Members with claims of \$25,000+ average \$56,813.
    - Members with claims <\$25,000 average \$3,714.
  - **PPO/CA**  
FFS claims have dropped slightly. As a percent of spend, the claims over \$50,000 increased from 50% to 53% of spend. The number of large claimants fell, but the average size is 19% larger than a year ago.
    - 98 claimants (3.4% of members) incurred 53% of FFS costs.
    - Members with claims \$25,000+ average \$96,673.
    - Members with claims <\$25,000 average \$3,036.

**Other:**

Mr. McGregor reported a number of issues with the CPHCC organization, providing a detailed description of how poorly the meetings have been conducted. Leticia Munguia stated that she has been the CPHCC Representative for two years and noted the lack of governance and structure. She indicated that the issues she has raised concerns about have been ignored and she found that VEBA's contributions are not considered or implemented. Mr. McGregor informed the Board that the Dental Co-Op Benefits will be operational October 1, 2017 and as such there would not be a requirement to continue the CPHCC Membership. He stated that he does not support the current direction and due to the lack of value he does not intend to renew the 2018 membership (\$7,500). After some discussion the Board collectively agreed on this direction.

**MOTION:** (Katie Dexter) to terminate the CPHCC Membership effective December 31, 2017. Seconded by Ethel Larkins and approved.

The Open-Session was adjourned at 6:08 p.m.

The next Open-Session meeting will be held on Wednesday, November 1, 2017, at 5:00 p.m.