

MEETING MINUTES

BOARD OF DIRECTORS

SUSAN B. ANDERSON

JUDITH CASE

MIKE ENNIS

ALLEN ISHIDA

PHIL LARSON

DEBORAH POOCHIGIAN

PETE VANDER POEL

Meeting Location:
Tulare County Employee Retirement
Association Board Chambers
136 N Akers St
Visalia, CA 93921
July 20, 2012
9:00 AM

1. Call to Order

Meeting was called to order by President Vander Poel at 9:03am.

2. Roll Call

Roll was called by Brittany Harlan, Gallagher Benefit Services. Present were President Pete Vander Poel, Director Susan Anderson, Director Phil Larson, Director Mike Ennis and Director Ishida.

3. Approval of Agenda

Director Anderson moved to approve the agenda, Director Case seconded the motion. Motion unanimously approved.

4. Public Comment

President Vander Poel opened the meeting for public comment – no public comment was given.

5. Consent Agenda – Items 5a through 5e.

Director Case moved to approve the consent calendar with the approval to pull 5c and correction of the spelling of Director Larson's name. Director Ennis seconded the motion. Motion unanimously approved.

a. Approval of Minutes – Board Meeting of April 20, 2012

b. Receive and File SJVIA Executive Claims Summary through May 2012

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c. Receive and File Report on SJVIA Marketing Activity

Director Case inquired about the number of small entities that are being quoted and how this affects the administrative cost as well as the underwriting. She asked if the SJVIA should focus more on the larger entities.

LeRoy Tucker, Gallagher Benefit Services (GBS), explained that SJVIA staff and GBS looked at the RMA as a whole although they indicated they would not come in as one group but rather as individuals. LeRoy clarified that the goal is not to pursue only small entities but also the larger Cities and Counties. He mentioned that once the SJVIA respond to interest from this group of small Cities inside the RMA, the focus will return to larger accounts. Paul Nerland, SJVIA Manager added that staff shares the concern that the administrative cost/burden should be reviewed carefully. He added that staff is exploring components of the administration that may be handled by vendors within the current cost structure.

Director Ishida asked if there was any consideration to offer the SJVIA option to the California Partnership of the San Joaquin Valley. LeRoy Tucker, Gallagher Benefit Services, stated that the SJVIA could pursue that option although it may result in smaller individual entities similar to the experience with the RMA. The Board agreed to provide contact information for the Partnership to Gallagher Benefit Services.

d. Receive and File Report on SJVIA Wellness Activities

e. Receive and File Quarterly Financial Reports

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6. Receive and file the results of the RFP for Pharmacy Benefit Manager and direct staff to conduct finalist interviews. (A)

Paul Nerland, SJVIA Manager, explained that currently the SJVIA is contracted with Catalyst for Rx coverages with County of Tulare purchases rates through SJVIA and County of Fresno purchasing on their own. The RFP was conducted assuming both Counties would contract through SJVIA.

Michele Mills, Gallagher Benefit Services, explained that GBS used its Pharmacy Director, Mike Thomas, out of St. Louis to conduct the RFP. Twelve months of claims experience was sent to various Rx carriers to be repriced and specific specialty pricing was also requested. After thorough review of the proposals, Mike recommended making a move away from Catalyst Rx for the 2013 plan year. We are in the final year with Catalyst and while they offered a proposal, they did not present any significant savings off what they are currently giving, which was approximately 1%. Envision Rx and US Script came back very aggressive in their pricing. We can also look at interviewing Catalyst as well as Express Script who just merged with MedCo. However, these two carriers, would expose the SJVIA to any issues that may come from the recent mergers and acquisitions. The best case scenario when looking at repricing claims would be a savings of 1.1 million through US Script.

President Vander Poel asked if this savings would have an immediate effect on the renewal or if we would see that savings later. LeRoy Tucker, Gallagher Benefit Services, confirmed that these savings would be reflected in the 2013 renewal to drive cost down. As of right now, pharmacy savings have not been applied to the preliminary renewal numbers. Michele Mills stated that GBS and staff are looking for

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approval to conduct finalist interviews and make a final decision in the next month.

Director Case requested a report on the pharmacy utilization, specifically high cost drugs. Gallagher Benefit Services committed to providing that data. Paul Nerland, added that the percent of premium going to pharmacy is ranging between 15-20%.

Director Anderson moved to proceed with finalist interviews for pharmacy services, Director Case seconded the motion. Motion unanimously approved.

7. Receive and file the results of the RFP for Special Legal Counsel and direct staff to secure contract for services. (A)

Jeff Cardell, SJVIA Assistant Manager, discussed the results of the RFP for Special Legal Counsel. Interviews were conducted by staff and Gallagher Benefit Services. Initially, Murphy, Campbell, Guthrie & Allison looked impressive on paper due to their experience in working with public agencies, however, after the interviews, it became apparent that McCormick Barstow, LLP was the leading contender. McCormick Barstow, LLP delivered a responsive and thorough presentation and they do have experience with other JPA groups. Our recommendation would be to pursue a contract with McCormick Barstow, LLP.

Paul Nerland, SJVIA Manager, added that some firms looked good on paper but were very small. One of the advantages of McCormick Barstow, LLP was they were larger, had access to more resources and being a local firm were very close in proximity. In addition, they would work in conjunction with County Counsel. Director Ishida asked if there was a fixed fee rather than a range and requested to see a fee

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schedule in relation to these services. Michele Mills, Gallagher Benefit Services, clarified that the lead attorney agreed to a fixed rate of \$2.75.

Director Larson moved to approve McCormick Barstow, LLP for Special Legal Counsel, Director Ishida seconded the motion. Motion unanimously approved.

8. Approve the Revised Underwriting Guidelines to provide procedures for the addition and renewal for smaller entities. (A)

LeRoy Tucker, Gallagher Benefit Services, explained that as GBS began underwriting small entities it became apparent that there is a need to refine a few areas – such as length of commitment for groups that join mid plan year, credibility factors, and CALPERS claim adjustments – in order to be more effective in rating these groups. A revised version of the SJVIA underwriting guidelines is being presented to show these minor changes. LeRoy also clarified that the recommended changes allow for a more conservative approach to entities coming from a CALPERS plan since the SJVIA has no claims experience to work with.

Director Ishida was concerned about entities who provide coverage to Retirees and the high cost associated with them. Bruce Caldwell, Gallagher Benefit Services, explained that GBS take all that into account when underwriting and if a group has high retiree participation, GBS may recommend not moving forward with them.

Director Ennis moved to approve the Revised Underwriting Guidelines, Director Case seconded the motion. Motion unanimously approved.

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9. Approve the Amendment for the Contract with Chimienti & Associates.
(A)

Michele Mills, Gallagher Benefit Services, explained that the SJVIA is currently in the last year of the agreement with Chimienti & Associates. As part of the upcoming 2013 renewal, the SJVIA worked with Chimienti and they agreed to extend the agreement one year while holding rates as current for an additional three years. With respect to timing, staff recommended moving forward with a one year extension of the contract while exploring other options for the future in 2013

Director Larson moved to approve the agenda, Director Anderson seconded the motion. Motion unanimously approved.

10. Approve the release of proposals and authorize the Board President to execute Participation Agreements contingent upon acceptance and approval by the following entities' governing bodies. (A)
- a. City of Clovis
 - b. City of Sanger
 - c. City of Avenal
 - d. City of Riverbank
 - e. City of Fowler
 - f. City of Corcoran
 - g. City of Delano
 - h. City of Mendota
 - i. County of Santa Cruz

LeRoy Tucker, Gallagher Benefit Services, gave a status overview of the entities the SJVIA has responded to recently. City of Clovis, City of Avenal, City of Riverbank, City of Fowler, City of Corcoran, and City of

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Delano have upcoming renewals and will be considering SJVIA. City of Mendota has received a proposal and looking at joining SJVIA for a 10/1 effective date. City of Sanger was very interested however, the timing did not line up for them to make a decision this year. County of Santa Cruz does not look like they will be making a decision to join this year in the interest of timing with CALPERS.

Director Anderson moved to approve the agenda, Director Ennis seconded the motion. Motion unanimously approved.

11. Consideration of Possible Optional Coverage Offerings for the 2013 Plan Year (A)

Paul Nerland, SJVIA Manager, mentioned the opportunities for Kaiser as well as dental and vision coverages to be offered into SJVIA. Staff recommended exploring these options as part of the renewal process for County of Fresno and Tulare.

Director Larson moved to approve the agenda, Director Ennis seconded the motion. Motion unanimously approved.

12. Receive and File Preliminary January 1, 2013 health plan renewal rates. (I)

Alan Thaxter, Gallagher Benefit Services, discussed the preliminary renewal. Although there are still many moving parts, the preliminary renewal numbers are coming in between 7-11%. GBS is in the process of negotiating the fixed costs down and waiting on another month of claims experience. In addition, the savings on prescription drugs and trend factors have not been taken into account yet.

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LeRoy Tucker, Gallagher Benefit Services, mentioned that the HMO pooling point is at 250k but PPO is at 450k. If we look at a lower pooling point of 400k, it would lower the rate significantly. In looking back a few years, the SJVIA averages approximately three claims per year over the current pooling point. LeRoy stated that this may drive down the renewal increase. In addition, the wellness program was implemented this year and although it will take time to see results, the SJVIA will need to build that participation in order to drive cost down.

Director Vander Poel requested to see a report on industry renewal trends to discuss at the next Board Meeting. Alan Thaxter, Gallagher Benefit Services, agreed to work on a few charts to show trend variations and compare to other entities as well as projections for future years against what they would have been.

Director Case asked to discuss Health Care Reform impacts at the next Board Meeting. President Vander Poel agreed and requested an agenda item be added for Health Care Reform updates.

13. Directors Reports. (I)

No Director Reports.

14. Adjournment

Meeting was adjourned at 10:40am by President Pete Vander Poel.

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