



Welcome Back!

Important Upcoming Dates

Executive Committee Meetings

September 22, 2009

1:00 p.m.

[note time change]

Full Board Meeting

September 22, 2009

3:00 p.m.

Executive Committee Members

Garry Bousum, President

Robert Della Rosa, Vice President
(CTA)

Sara Perez, Treasurer

Dee Baker, Member

Robin Blakley, Member

Peggy Gilkey, Member (CTA)

Eric Price, Member (CSEA)

Rosie Sanchez, Member (CSEA)

Sherrell Freeman, Executive Director
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www.mcsig.com

Executive Director Update

ADDRESSING THE COSTS OF MCSIG'S MEDICAL PLANS

The MCSIG Executive Committee and Board continue to work diligently to control the costs of the MCSIG medical plans. The Board recently made the following changes to help address medical costs:

- Increased the emergency room co-pay to discourage inappropriate use of the ER for primary care.
- Added the HealthPlace America Surgery Benefit to provide our members with an additional high-quality elective surgery choice at less cost to MCSIG and at no cost to the member.
- Provided 90 day supplies of generic medication through mail-order at zero co-pay to encourage the use of lower-cost generics and mail-order.
- Added a new spouse eligibility rule that requires working spouses of MCSIG enrollees to take their own employer's medical coverage if the employer pays at least 75% of the employee-only premium. This will appropriately shift primary coverage to the spouse's employer plan.
- Added medical necessity review and an annual cap to the durable medical equipment benefit to make sure equipment is appropriate to the patient's medical need.

Over the summer, MCSIG:

- Announced the addition of Tom Edwards to our Keenan support team. Tom will provide high-end consulting and specialized technical expertise to MCSIG. Tom brings more than 25 years of experience in employee benefits analysis and program design, including 19 years at Keenan working with our public agency and health care accounts. Tom will be working collaboratively with our Keenan Account Executive, Keith Brown, to help us address a variety of issues including cross-plan and retiree premium subsidization, premium tier differentials, our Medical Supplemental plan and development of a lower-cost plan option. With his extensive public agency background and technical expertise we are excited to have Tom aboard to help us navigate the challenges ahead.
- Evaluated the TelaDoc program as a possible new benefit to address emergency room costs.
- Held discussions with a local hospital whose inpatient charges are substantially impacting our costs.

We continue to evaluate ways to provide our members with high-quality, lower-cost choices for their medical care. On the next page we share some relevant MCSIG medical program spend statistics.

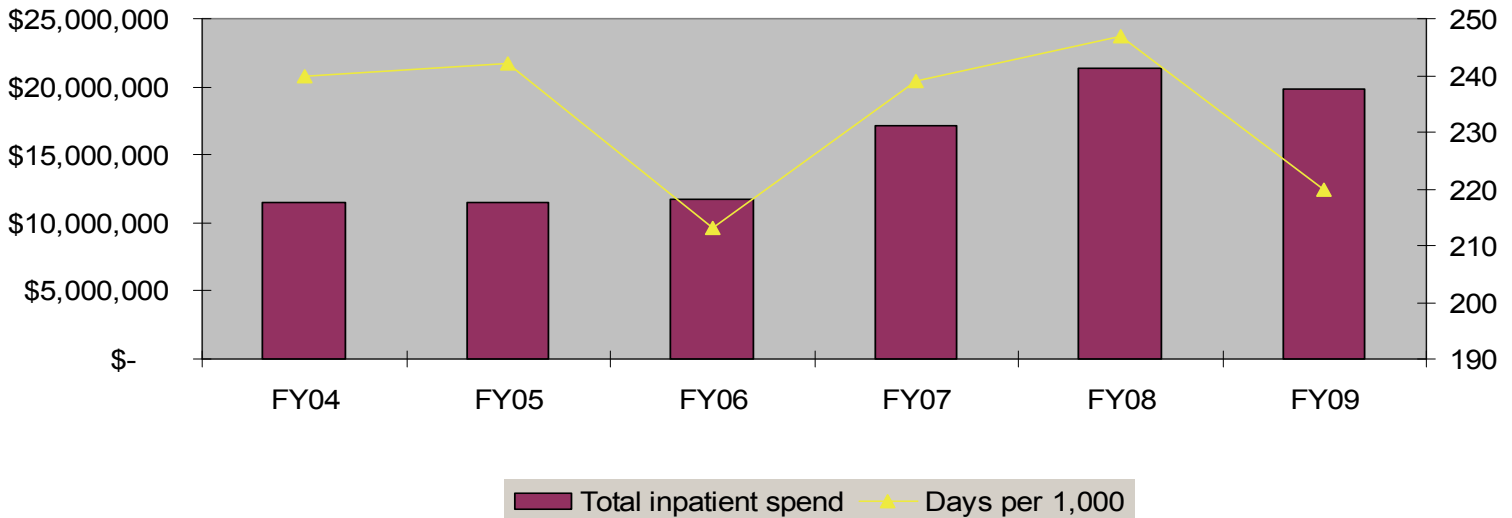


**Monterey County Schools
Insurance Group**

Executive Director Update

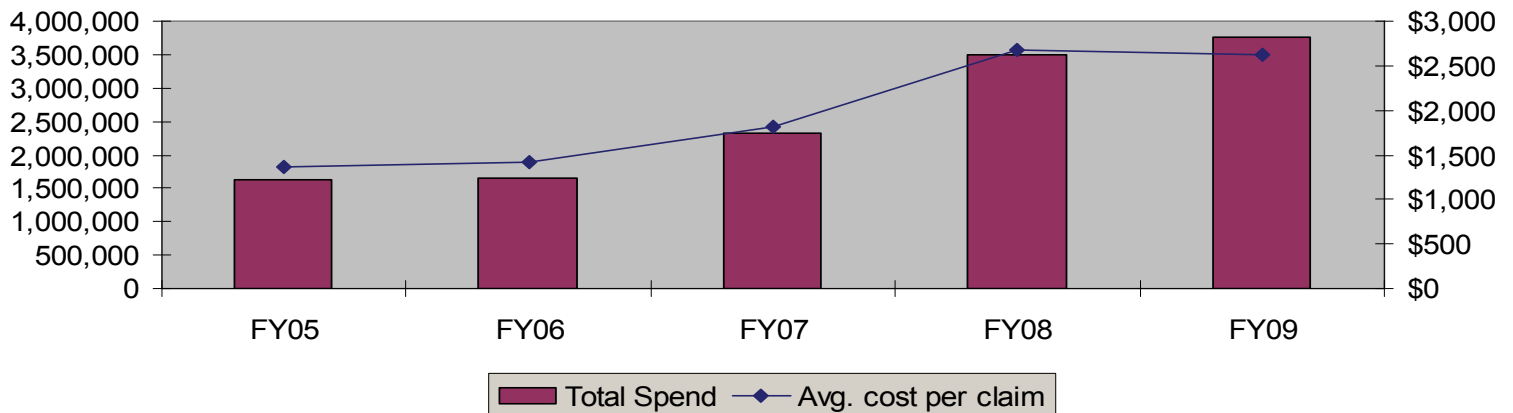
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MCSIG INPATIENT UTILIZATION SNAPSHOT



Above is a six-year snapshot of MCSIG's total inpatient spend. Inpatient hospital charges continue to be MCSIG's most significant challenge to controlling our medical premiums. In FY04 MCSIG's average per-day inpatient hospital spend was \$4,123; in FY09 it was \$7,070...a 71.5% increase in five years! In FY09 our inpatient costs remained high even though our inpatient-days-per-1,000-members fell to 220 from a high of 247 in FY08. This chart tells us that while we were successful at driving down inpatient utilization in FY09 most likely through our wellness and disease management programs and through benefit design, we are being charged more when our members access medical care. Our challenge lies in finding ways to incentivize utilization of our new HealthPlace America Surgery Benefit and our centers of excellence hospitals that are able to provide high quality outcomes for our members at lower costs to MCSIG.

MCSIG EMERGENCY ROOM UTILIZATION SNAPSHOT



Above is a five-year snapshot of MCSIG's total emergency room spend. Emergency room utilization remained relatively flat until FY09 where we experienced an increase of 10 ER visits per 1,000 members. Beginning in FY07, the average cost per ER claim and MCSIG's total ER spend has been increasing. Our challenge is to re-direct inappropriate use of ER services to lower-cost urgent and primary care.