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***Meeting of the  
Board of Directors  
of  
NIHCM LLC***

***February 24, 2009***



## Meeting of the Board of Directors of NIHCM LLC Agenda

*Hay Adams Hotel, 16th & H Streets NW, Washington DC  
February 24, 2009*

- (12:30-12:31) I. Call to Order
- (12:31-12:33) II. Approval of the minutes from November 19, 2008
- (12:33-1:55) III. "Health Plan Collaboration with Physicians and Hospitals," presentation by Booz & Company
- (1:55) IV. Adjournment

### Reconvene Joint Meeting of the Boards of Directors and Advisory Board of NIHCM LLC and NIHCM Foundation

- (1:55-2:10) I. NIHCM Update
  - NIHCM Highlights
  - Report out from the NIHCM LLC and NIHCM Foundation Finance/Audit Committees
- (2:10) VII. Adjournment



# Minutes of the meeting of the Board of Directors of NIHCM LLC November 19, 2008

## THE MEETING OF THE BOARD OF DIRECTORS OF THE NATIONAL INSTITUTE FOR HEALTH CARE MANAGEMENT LLC

### Board Members in Attendance

William Marino (Chairman)  
Horizon Blue Cross Blue Shield of New Jersey

John Forsyth (Vice Chairman)  
Wellmark, Inc.

Angela Braly  
WellPoint, Inc.

Patrick Geraghty  
Blue Cross and Blue Shield of Minnesota

Robert Greczyn, Jr.  
Blue Cross and Blue Shield of North Carolina

Vicky Gregg  
BlueCross BlueShield of Tennessee

James Klingensmith  
Highmark Inc.

Cleve Killingsworth, Jr.  
Blue Cross and Blue Shield of Massachusetts

M. Edward Sellers  
BlueCross BlueShield of South Carolina

Robert Shoptaw  
Arkansas Blue Cross and Blue Shield

### Advisory Board Members in Attendance

Senator William H. Frist  
Vanderbilt University

Paul Ginsburg  
Center for Studying Health System Change

John Iglehart  
Health Affairs

Mark McClellan  
The Bookings Institution

Robert Reischauer  
Urban Institute

Leonard Schaeffer  
Surgical Care Affiliates

Gail Wilensky  
Project HOPE

### Guests

W. David Helms  
AcademyHealth

Mark White  
Arkansas Blue Cross and Blue Shield

Abby Cohen  
Robert King  
Goldman Sachs

Phyllis Yale  
Bain and Company

### NIHCM LLC Staff

Nancy Chockley  
President and CEO

Carolyn Myers  
Administrative Manager

### NIHCM Foundation Staff

Brigid Murphy  
Research and Policy Analyst

Kathryn Santoro  
Program Manager

Julie Schoenman  
Director of Research and  
Development



## Minutes of the Meeting of the Board of Directors of NIHCM LLC November 19, 2008 (cont.)

Chairman Bill Marino called the meeting to order at 10:40 AM at The Washington Club, 15 Dupont Circle NW, Washington DC. The Board unanimously approved the minutes from the September 9, 2008 meeting of the NIHCM, LLC Board of Directors.

Chairman Marino introduced Abby Cohen of Goldman Sachs, who engaged Board members in a discussion of the financial crisis. Ms. Cohen noted that the GDP recession has already been underway for at least a year and predicted the end of this recession by the end of 2009. Her prediction is based on expectations that the fiscal stimulus package(s) will provide short-term relief through extensions to unemployment benefits, intermediate-term investments in infrastructure improvements, and significant assistance to homeowners and state/local governments, and that lenders will begin making credit more accessible again. She also predicted, however, that hiring and recovery of the labor market will likely lag behind the end of the GDP recession by one to two years.

Ms. Cohen does not expect consumer spending to return to prior levels for a very long time (if ever), and indicated that this will contribute to a lower sustainable growth rate for GDP. Dramatically undervalued stocks represent a good investment opportunity, but consumers are reluctant to re-enter the market. Whereas the major stock indices had enjoyed very low volatility between 2003 and mid-2007, spurring consumers to invest freely in higher-risk issues, volatility has increased dramatically since that time, encouraging retrenchment from the market. Banks are also showing reduced risk tolerance, leading to significantly tighter credit standards.

Obligations for retiree health care are weighing heavily on US corporations and the public sector, amounting to nearly \$270 billion for S&P corporations in 2007, and to \$1 trillion for the public sector. The risk posed by these public-sector obligations is causing investors to shun investments in municipal bonds.

Globally, declining commodity prices have caused the dollar to move higher relative to most other currencies. The declining commodity prices help consumers, and suggest that the Federal Reserve and central banks will have more room to implement fiscal stimulus initiatives without worrying about inflation. Ms. Cohen noted that European countries were very slow to recognize and respond to the growing crisis even though many of their banks were in worse financial shape than US banks. Many individual European countries have had (Iceland, Switzerland) or would have difficulty bailing out their failing banks and other industries, and the lack of a central sovereign government in Europe makes it more difficult for help to come through the European Union.

The Meeting adjourned at 12:15 PM.

Respectively submitted,

*Julie A. Schoenman*

Julie A. Schoenman, PhD





## Reconvene

Joint Meeting of the NIHCM LLC and NIHCM Foundation  
Boards of Directors and Advisory Board



# Update on NIHCM Foundation Activities

## NIHCM-Funded Activities

### **Expert Voices**

- Three essays have been published or are in press
  - Jonathan Gruber, MIT – “The Role of Individual Mandates in Health Reform” (January 2009)
  - Paul Van de Water, Center on Budget and Policy Priorities – “CBO Scoring of Health Legislation” (in press)
  - Neal Halfon, UCLA – “Life Course Health Development: A New Approach for Addressing Upstream Determinants of Health” (in press)
- Three additional essays are under review
  - Genevieve Kenney, Urban Institute, “Reaching the Eligible but Not Enrolled”
  - Karen Pollitz, Georgetown University, “High-Risk Health Insurance Pools”
  - Michael Chernew, Harvard University, & Mark Fendrick, University of Michigan, “Value Based Insurance Design”

### **Understanding CBO Scoring**

- CBO’s December 2008 report, “Budget Options Volume 1: Health Care,” presents its scoring estimates for 115 separate reform proposals.
- NIHCM has prepared a summary table presenting all options and budget estimates, as well as accompanying materials describing the options in more depth.
- This work is complementary to Paul Van de Water’s forthcoming Expert Voices essay on “CBO Scoring of Health Legislation” (in press).



# Update on NIHCM Foundation Activities (cont.)

## NIHCM-Funded Activities (continued)

### Loss of Employer-Sponsored Health Insurance

- Project developed in response to query posed by Ed Sellers
- Working with Pam Farley Short at Pennsylvania State University on empirical investigation of issues around loss of ESI
- Results expected in Spring 2009
- Targeting manuscript for publication

### NIHCM Awards

- Currently accepting entries for the 15th Annual Health Care Research and Print Journalism Awards and the Second Annual Television and Radio Journalism Award
- Recipients will be announced at the annual Awards Dinner on June 15, 2009

### NIHCM's 15<sup>th</sup> Anniversary

- Developing “The Power of Partnerships” brochure to describe NIHCM accomplishments over the past 15 years and our commitments for the future
- Planning a Capitol Hill forum for spring/summer 2009 on “Health Care 2015: Defining the Vision”
  - Showcases presentations by Board and Advisory Board members
  - Brings visibility to NIHCM among Hill staff and other policy makers
- Public celebration at the annual Awards Dinner - June 15, 2009



# Update on NIHCM Foundation Activities (cont.)

## NIHCM-Funded Activities (continued)

### **Strategic Partnerships and Co-sponsorships** – leveraging NIHCM funds

- **AcademyHealth’s “Learning from Industrialized Health Systems”** project
  - Synthesis paper on international lessons on comparative effectiveness research (by Jerry Anderson and Kalipso Cahlkidou) under review for publication by Health Affairs
  - Paper presented to invited group of experts (December 8, 2008) and at Academy Health’s National Health Policy Conference (February 2, 2009)
  - Larger policy briefing on comparative effectiveness research to be held in conjunction with GWU’s National Health Policy Forum (February 27, 2009)
  - Recently released call for proposals for a research paper describing international approaches to payment innovations
  - Convened well-attended half-day session for policymakers and researchers on lessons from the Netherlands and Germany, featuring experts from those countries (February 4, 2009)
- Exploring possibility of providing partial support to a joint project by **NGA Center for Best Practices, Brookings Institution and Dartmouth University**
  - Project would provide technical assistance to selected states to foster development, implementation, and evaluation of state-level reforms
  - Explorations on hold for now due to leadership transitions at NGA



# Update on NIHCM Foundation Activities (cont.)

## Externally-Funded Activities

- **Improving Understanding of MCH and Health Care Issues (IUMCH – MCHB)**
  - “Increasing Access to Health Insurance for Children and Families: Innovative Health Plan Outreach and Enrollment Efforts” Issue Brief published February 2009
    - Featured plans and foundations include [BCBS Florida](#), [WellPoint](#), [Highmark](#), [Horizon](#), [BCBS Tennessee](#), and [BCBS Massachusetts](#)
  - Convening health plan foundations via webinar to discuss funding priorities and programs focused on health disparities (March 2009)
  - “Strategies to Support the Integration of Mental Health into Pediatric Primary Care,” Issue Brief to be published in Spring 2009.
- **Partners in Program Planning for Adolescent Health (PIPPAH – MCHB)**
  - “How Social Marketing Can Promote Adolescent Recommended Health Care Utilization” Issue Brief in press.
  - Convened the third meeting of Adolescent Health Council in January 2009, comprised of senior level health plan executives to share information, ideas and best practices to set an agenda to help health plans address adolescent health.
    - Plans participating in Council: [BCBS of Florida](#), [BCBS of Massachusetts](#), [BCBS of South Carolina Foundation](#), [BCBS of Tennessee](#), [Highmark Inc.](#), [Horizon BCBS of New Jersey](#), [BCBS of Western NY](#), [Wellmark](#), and [WellPoint, Inc.](#)
  - Year Three focus is “Practical Strategies for Early Identification and Treatment of Psychosocial Problems among Adolescents”
    - Planning a webinar for summer 2009



# Update on NIHCM Foundation Activities (cont.)

## Externally-Funded Activities (cont.)

- **Employee Wellness Programs (CDC)**
  - “Health Plans Promoting Employee Wellness: Strategies, Program Components and Results” manuscript was revised and resubmitted for publication in the *American Journal of Health Promotion*
    - Features programs of [BCBS Florida](#), [Highmark](#), [Horizon](#), [BCBS Massachusetts](#), [BCBS North Carolina](#), [Premera](#), [BCBS Tennessee](#), and [Wellmark](#)
- **Health Care Financing and Organization - HCFO (Robert Wood Johnson Foundation)**
  - Subcontract to SSS
  - Using multiple years of Medicare claims data to investigate how observation stays are used for Medicare beneficiaries and the financial impacts on hospitals and beneficiaries
  - Currently awaiting receipt of data from CMS
- **Maternal and Child Health Bureau (HRSA)**
  - Small seed grant to explore ways to foster intrastate collaboration between state policymakers, philanthropy, employers and insurers to address a key maternal and child health challenge facing the state
  - Working with 5 other partner organizations - the National Conference of State Legislatures (NCSL), the National Governors Association (NGA), Grantmakers in Health (GIH), Grantmakers for Children, Youth, and Families (GCYF), and the National Business Group on Health (NBGH)
  - Currently planning to build upon on-going process spearheaded by NCSL and NGA that convenes relevant stakeholders from target states for intensive education and consensus building sessions



## Update on NIHCM LLC Activities

### **Sharing Cost Containment Ideas Among NIHCM Plans**

- Project builds on the “Bending the Trend” survey and discussion at September Board meeting
- McKinsey providing pro bono services, Peter Roberts (Wellmark) and David Plocher (BCBSMN) serving as project advisors
- Currently surveying member plans to identify 3-5 of their most promising and transformational ideas for cost containment (generating ~50 ideas in total)
- Results will be organized into a workbook and McKinsey will develop detailed case studies for 4 to 7 of the most promising initiatives
- Convene meeting of CMOs and other plan executives to discuss case studies and lessons learned in April 2009; further analysis and refinement as needed
- Report key findings to Board in June, along with final workbook and case studies



# Report out from the NIHCM Foundation and NIHCM LLC Finance/Audit Committees

## NIHCM Foundation

- Investments
- Financials
  - 2008 End-of-Year and 2009 Budget

## NIHCM LLC

- Investments
- Financials
  - 2008 End-of-Year and 2009 Budget



# NIHCM Foundation Investments

## NIHCM FOUNDATION INVESTMENTS 31-Jan-09

INVESTMENT	VALUE 1/31/09	VALUE 12/31/08	% OF ASSETS	TARGET RANGE	AVERAGE ANNUAL TOTAL RETURNS				
					Q4 '08	FOR PERIODS ENDING 01/31/09			
					3 month return	YTD	1 YEAR	3 YEARS	5 YEARS
500 Index Fund Signal Shares (VIFSX) <i>S&amp;P 500 Index</i>	\$616,032	\$672,569	11.7%		-21.92%	-8.42%	-38.58%	*	*
Extended Market Index Signal Shares (VEMSX) <i>S&amp;P Completion Index</i>	\$249,844	\$272,990	4.7%		-21.94%	-8.43%	-38.63%		
					-26.55%	-8.48%	-40.11%	*	*
					-26.72%	-8.37%	-40.33%		
<b>Total Domestic Equity</b>	<b>\$865,875</b>	<b>\$945,558</b>	<b>16.4%</b>						
International Value Fund (VTRIX) <i>MSCI EAFE Index</i>	\$270,540	\$303,290	5.1%		-20.51%	-10.76%	-43.51%	-11.60%	0.55%
					-19.95%	-9.81%	-43.74%	-12.25%	-0.70%
<b>Total International Equity</b>	<b>\$270,540</b>	<b>\$303,290</b>	<b>5.1%</b>						
<b>Total Equity</b>	<b>\$1,136,415</b>	<b>\$1,248,848</b>	<b>21.6%</b>	<b>25-35%</b>					
Short-Term Investment-Grade Fund Admiral Shares (VFSUX) <i>Barclays US 1-5 Year Credit Index</i>	\$2,754,656	\$2,701,255	52.3%		-2.34%	1.87%	-4.26%	2.58%	2.41%
					1.96%	1.81%	-1.17%	3.74%	2.93%
Total Bond Market Index Fund Signal Shares (VBTSX) <i>Barclays US Aggregate Bond Index</i>	\$359,854	\$362,356	6.8%		4.40%	-0.69%	2.68%	*	*
					4.58%	-0.88%	2.59%		
<b>Total Fixed Income</b>	<b>\$3,114,510</b>	<b>\$3,063,611</b>	<b>59.1%</b>	<b>40-60%</b>					
Prime Money Market Fund Investor Shares (VMMXX) <i>Average Money Market Fund</i>	\$1,018,815	\$1,017,194	19.3%		0.64%	0.16%	2.55%	4.20%	3.39%
					0.33%	0.05%	1.78%	3.49%	2.74%
<b>Total Cash</b>	<b>\$1,018,815</b>	<b>\$1,017,194</b>	<b>19.3%</b>	<b>10-30%</b>					
<b>TOTAL PORTFOLIO</b>	<b>\$5,269,740</b>	<b>\$5,329,653</b>	<b>100.0%</b>	<b>100.0%</b>		Blended rates as of 12/31/08	<b>-14.50%</b>	<b>-0.40%</b>	<b>1.30%</b>

\*new share class

Investment Subcommittee:  
Joe Reichard, Assistant Treasurer, Highmark Inc.; David Kretschmer, Treasurer, WellPoint, Inc.; TBD, BCBSSC



# NIHCM Foundation 2008 EOY Financials and 2009 Budget

**Board approval required**

## NIHCM FOUNDATION

	2008 BUDGET	2008 ACTUAL	2008 BGT/ACTL VARIANCE	2009 BUDGET	2008 ACTL 2009 BGT VARIANCE
<b>REVENUES</b>					
CONTRIBUTIONS	\$ 900,000	\$ 1,025,000	\$ 125,000	\$ 1,040,000	\$ 15,000
ADJUST FOR PREPAID CONTRIBUTIONS <sup>1</sup>	(588,000)	(588,000)	-	(307,200)	280,800
LESS PREPAYMENT DISCOUNTS APPLIED <sup>1</sup>	(13,500)	(12,000)	1,500	(12,800)	(800)
GRANT REVENUES	420,000	347,000	(73,000)	409,000	62,000
INVESTMENT INCOME <sup>2,3</sup>	<u>215,000</u>	<u>224,000</u>	<u>9,000</u>	<u>172,000</u>	<u>(52,000)</u>
TOTAL REVENUES	<u>933,500</u>	<u>996,000</u>	<u>62,500</u>	<u>1,301,000</u>	<u>305,000</u>
<b>EXPENSES</b>					
RESEARCH & PROGRAMS		-			
PERSONNEL	440,000	426,000	(14,000)	436,000	10,000
OUTSIDE SERVICES	359,000	265,000	(94,000)	264,000	(1,000)
OTHER DIRECT COSTS <sup>4</sup>	380,000	394,000	14,000	429,000	35,000
CLEARINGHOUSE	95,000	76,000	(19,000)	94,000	18,000
GENERAL & ADMINISTRATIVE	<u>259,000</u>	<u>219,000</u>	<u>(40,000)</u>	<u>214,000</u>	<u>(5,000)</u>
TOTAL EXPENSES	<u>1,533,000</u>	<u>1,380,000</u>	<u>(153,000)</u>	<u>1,437,000</u>	<u>57,000</u>
NET INCOME (BUDGET)	<u>\$ (599,500)</u>	<u>\$ (384,000)</u>	<u>\$ 215,500</u>	<u>\$ (136,000)</u>	<u>\$ 248,000</u>

<sup>1</sup>2007 contributions included 4 members prepaying 2008 and 4 members prepaying 2008 & 2009

<sup>2</sup>2008 investment earnings are dividends, interest and realized gains (does not include \$1.1mm in current year reductions in fair market values @ 12/31/08)

<sup>3</sup>2009 budgeted at 3%

<sup>4</sup>Direct costs include: meeting expenses, printing, publication dissemination, etc.



# NIHCM LLC Investments

## NIHCM LLC INVESTMENTS 31-Jan-09

INVESTMENT	VALUE 1/31/09	VALUE 12/31/08	% OF ASSETS	TARGET RANGE	AVERAGE ANNUAL TOTAL RETURNS				
					Q4 '08	FOR PERIODS ENDING 01/31/09			
					3 month return	YTD	1 YEAR	3 YEARS	5 YEARS
500 Index Fund Signal Shares (VIFSX) <i>S&amp;P 500 Index</i>	\$836,925	\$913,735	13.5%		-21.92%	-8.42%	-38.58%	*	*
Extended Market Index Signal Shares (VEMSX) <i>S&amp;P Completion Index</i>	\$187,166	\$204,506	3.0%		-26.55%	-8.48%	-40.11%	*	*
<b>Total Domestic Equity</b>	<b>\$1,024,091</b>	<b>\$1,118,241</b>	<b>16.5%</b>						
International Value Fund (VTRIX) <i>MSCI EAFE Index</i>	\$326,524	\$366,050	5.3%		-20.51%	-10.76%	-43.51%	-11.60%	0.55%
<b>Total International Equity</b>	<b>\$326,524</b>	<b>\$366,050</b>	<b>5.3%</b>						
<b>Total Equity</b>	<b>\$1,350,615</b>	<b>\$1,484,291</b>	<b>21.8%</b>	<b>25-35%</b>					
Short-Term Investment-Grade Fund Admiral Shares (VFSUX) <i>Barclays US 1-5 Year Credit Index</i>	\$3,436,233	\$3,369,620	55.4%		-2.34%	1.87%	-4.26%	2.58%	2.41%
Total Bond Market Index Fund Signal Shares (VBTSX) <i>Barclays US Aggregate Bond Index</i>	\$421,313	\$424,242	6.8%		4.40%	-0.69%	2.68%	*	*
<b>Total Fixed Income</b>	<b>\$3,857,546</b>	<b>\$3,793,862</b>	<b>62.2%</b>	<b>40-60%</b>					
Prime Money Market Fund Investor Shares (VMMXX) <i>Average Money Market Fund</i>	\$993,524	\$991,943	16.0%		0.64%	0.16%	2.55%	4.20%	3.39%
<b>Total Cash</b>	<b>\$993,524</b>	<b>\$991,943</b>	<b>16.0%</b>	<b>10-30%</b>					
<b>TOTAL PORTFOLIO</b>	<b>\$6,201,685</b>	<b>\$6,270,096</b>	<b>100.0%</b>	<b>100.0%</b>		Blended rates as of 12/31/08	<b>-14.80%</b>	<b>-0.70%</b>	<b>1.10%</b>

\*new share class

Investment Subcommittee:  
Joe Reichard, Assistant Treasurer, Highmark Inc.; David Kretschmer, Treasurer, WellPoint, Inc.; TBD, BCBSSC



# NIHCM LLC 2008 EOY Financials and 2009 Budget

**Board approval required**

## NIHCM LLC

	2008 BUDGET	2008 ACTUAL	2008 BGT/ACTL VARIANCE	2009 BUDGET	2008 ACTL 2009 BGT VARIANCE
<b>CAPITAL CONTRIBUTIONS &amp; INVESTMENT EARNINGS</b>					
MEMBER CAPITAL CONTRIBUTIONS	\$ 900,000	\$ 975,000	\$ 75,000	\$ 1,040,000	\$ 65,000
ADJUST FOR PREPAID CONTRIBUTIONS <sup>1</sup>	(661,500)	(661,500)	-	(307,200)	354,300
LESS: PREPAYMENT DISCOUNTS APPLIED <sup>1</sup>	(15,000)	(13,500)	1,500	(12,800)	700
INVESTMENT EARNINGS <sup>2,3</sup>	<u>300,000</u>	<u>266,000</u>	<u>(34,000)</u>	<u>202,000</u>	<u>(64,000)</u>
TOTAL CAPITAL CONTRIBUTIONS & INVESTMENT EARNINGS	<u>523,500</u>	<u>566,000</u>	<u>42,500</u>	<u>922,000</u>	<u>356,000</u>
<b>EXPENSES</b>					
MEMBER SUPPORT	208,000	236,000	28,000	234,000	(2,000)
RESEARCH	227,000	230,000	3,000	235,000	5,000
GENERAL & ADMINISTRATIVE	<u>94,000</u>	<u>74,000</u>	<u>(20,000)</u>	<u>96,000</u>	<u>22,000</u>
TOTAL EXPENSES	<u>529,000</u>	<u>540,000</u>	<u>11,000</u>	<u>565,000</u>	<u>25,000</u>
NET CAPITAL CONTRIBUTIONS & INVEST. EARNING OVER EXPENSES	<u>\$ (5,500)</u>	<u>\$ 26,000</u>	<u>\$ 31,500</u>	<u>\$ 357,000</u>	<u>\$ 331,000</u>

<sup>1</sup>2007 capital contributions included 5 members prepaying 2008 and 4 members prepaying 2008 & 2009

<sup>2</sup>2008 investment earnings are dividends, interest and realized gains (does not include \$1.3mm in current year reductions in fair market value @ 12/31/08)

<sup>3</sup>2009 budgeted at 3%

