

Minutes from the Meetings of the Board of Trustees

March 28, 2001

CALL TO ORDER

Mr. Aubrey Temple, Chairman, called the monthly meeting of the Board of Trustees to order.

ROLL CALL

Members Present

Dr. Merline Broussard
Mr. Charles Castaing
Dr. Barbara Cicardo
Mr. Robert Greer
Mr. Charles Lazare
Mr. James Lee
Mr. Hubert Lincecum
Ms. Mary McDaniel
Mr. Richard O'Shee
Mr. Kelly Ward
Mr. Aubrey Temple

Members Absent

Dr. James Calvin
Mr. Russell Culotta
Rep. Tank Powell
Senator Tom Schedler
Mr. John Warner Smith

Roll call indicated eleven(11) board members present, representing a quorum.

APPROVAL OF MINUTES OF THE FEBRUARY 21, 2001 MEETING

The minutes of the February 21, 2001 meeting were presented for review and approval.

A motion was made by Mr. Lincecum, seconded by Mr. Lee, to accept the minutes of the February 21, 2001 meeting. There being no objections, the minutes were approved.

FY 2001-2002 PREMIUM RATE INCREASE

Mr. Wall presented the schedule of projected premium rates with the state contributing 55.55% of total PPO rates for active employees and 75% of the total PPO rates for retired employees and a schedule of projected premium rates with the state contributing the entire rate increase of 18.2% for plan year 2001-2002. Mr. Wall stated that a 12.5% rate increase was recommended by Mr. Steve Eschbach, Milliman and Robertson, for plan year 2001-2002. Mr. Nick Simmons of Arthur Andersen and SEGBP staff have confirmed that this would be the most probable rate. Mr. Wall stated that there was a 50% chance of SEGBP's liabilities being higher or lower. Based on the experience of the past three years, the most probable rates have not been accurate. Mr. Simmons stated a 5% minimum additional increase to the 12.5% premium rate increase would provide for an acceptable margin of error.

Mr. Wall stated his recommendation to the Board was to adopt the rates as presented which provide for an 18.2% rate increase.

Mr. Lincecum stated that the Board passed a resolution previously that required the Board to adopt actuarially recommended plan of benefits. The actuary has recommended the 5% in addition to the 12.5% premium rate increase. Mr. Lincecum stated that there is no need for a motion to approve the recommended premium rate increase. The 18.2% premium rate increase has been recommended and certified by SEGBP's actuary.

Dr. Cicardo questioned the cost being passed on to the plan member with the 18.2% rate increase. Dr. Cicardo stated that with the state contributing 55.55% that would cover the 12.5% proposed rate increase and that the plan members would not incur a rate increase. She stated that previous rate increases have been absorbed by the agencies.

Mr. Lincecum stated that the legislature has conveyed that they will not approve any mid-year benefit changes or rate increases. Mr. Lincecum stated that the proposed benefit changes for FY 2001-2002 have been submitted to the Legislative Oversight Committee individually so that the committee can act upon them individually, and that the committee may not approve all of the proposed benefit changes. Mr. Lincecum stated that the Oversight committee has until April 29, 2001 to call a meeting to reject any of the proposed benefit changes.

Mr. Ward stated that the 12.5% is an actuarially sound recommendation but that the 5% increase was for any margin of error. Mr. Simmons stated that it would be prudent to add a contingency margin to the 12.5% rate increase if SEGBP would like to avoid the possibility of a deficit. Mr. Simmons stated that many of Arthur Andersen's self-insured clients add a 5% margin for contingency.

Mr. Wall stated that the direction from the Division of Administration (DOA) and the Legislature has been no more deficits in the program and no more mid-year plan changes.

Mr. Wall stated that DOA had proposed to cover the 12.5% increase with the State increasing its contribution to 55.55% so that there is no impact to the plan member. How DOA will address the additional recommended 5% increase has not been determined.

Mr. Lazare stated that the Board should approve the additional 5% increase and advise DOA that SEGBP needs an additional 5% increase so that the plan member is not impacted. The 55.55% was determined because DOA decided to cover all of the proposed 12.5% projected rate increase. Mr. Wall stated that SEGBP recommends the insurance premium rates and the Legislature determines how the funds are appropriated between the agencies and the individual.

Dr. Broussard asked why the premium increase for retirees is greater than for active employees, when retirees cost the program less. Mr. Wall stated that the State currently covers 75% of the retiree's premium rate. The State is proposing to cover 55.55% on active employees only and the active employee will be impacted less than the retirees will.

A motion was made by Dr. Cicardo, seconded by Mr. Ward, to approve a 12.5% rate increase for plan year 2001-2002. After further discussion, Dr. Cicardo withdrew her motion and Mr. Ward withdrew his second to the motion.

Mr. Ward requested the analysis of the additional 5% rate increase. Mr. Simmons stated that it would reduce the chance of a deficit. Mr. Wall stated that the 5% rate increase is to provide an acceptable margin of error. Mr. Wall stated that SEGBP would be filing an emergency appropriations bill for an additional \$15 million of funding to pay claims in a timely basis. SEGBP has not been paying its claims within the time prescribed by law and by the contracts since July 2000. The program has run as much as \$15 million in claims over 30 days and this could subject the Program to penalties and fines.

Mr. Ward asked if Mr. Wall had received any comments from DOA and the oversight committee on the additional 5% increase, and if any additional rate increases would be proposed if the oversight committee rejects any of the proposed benefit changes. Mr. Wall stated that DOA is aware of the 18.2% premium rate increase recommendation and that there could be a request for an additional premium rate increase if any of the proposed changes are rejected by the legislative oversight committee.

A motion was made by Mr. Ward, seconded by Ms. McDaniel, to defer action on the premium rate increase until appropriate discussions have been conducted with DOA and the legislative oversight committee on what percentages will be paid by the state and the employee.

The following is the result of a roll call vote:

YEAS	NAYS
Dr. Broussard	Mr. Castaing
Mr. Lazare	Dr. Cicardo
Ms. McDaniel	Mr. Greer
Mr. Ward	Mr. Lee
	Mr. Lincecum
	Mr. Temple

With four (4) yeas, six (6) nays, the motion failed.

Dr. Cicardo stated that she wanted to be on the record as being opposed to the 18.2% premium rate increase because it would impact plan members.

A motion was made by Dr. Cicardo, seconded by Mr. Lazare, to adopt a resolution requesting that the State fund the entire premium rate increase and that no additional premium increase cost be incurred by the plan member.

The following is the result of a roll call vote:

YEAS

Dr.
Broussard
Dr. Cicardo
Mr. Lazare
Mr. Lee
Mr. Lincecum
Ms. McDaniel
Mr. Ward
Mr. Temple

NAYS

Mr. Castaing
Mr. Greer

With eight (8) yeas, two (2) nays, the motion passed.

OCHSNER HEALTH PLAN RATE INCREASE

Mr. Wall presented a request from Ochsner Health Plan for a rate adjustment. Mr. Wall stated that under Ochsner's contract with SEGBP they have the option to provide for rate adjustments annually. Ochsner is exercising its option to increase rates for their plan members. A letter from Milliman and Robertson provided a summary of rate changes that would cover the current benefit design and would provide a 12% rate increase and an alternative benefit design that would take into consideration the proposed benefit modifications that are being considered for plan year 2001-2002 which provides a 12% for New Orleans and Hammond and 10.2% for the Baton Rouge area, with the average being 11.2% rate increase. Mr. Wall stated that Ochsner is required to provide documentation to justify the request for a rate increase and that Mr. Nick Simmons, Arthur Andersen, has reviewed the proposed rate increases and concurs with the recommendations of Milliman & Robertson. Mr. Wall recommended to the Board to approve the rate increases as requested by Ochsner Health Plan.

A motion was made by Mr. Lincecum, seconded by Mr. Lee, to allow Ochsner Health Plan to increase its rates 12% statewide with current benefit design and by 12% in New Orleans and Hammond, and 10.2% in Baton Rouge, if the proposed benefit changes are not implemented.

The following is the result of a roll call vote:

YEAS

Dr.
Broussard
Mr.
Castaing
Mr. Greer
Mr. Lazare
Mr. Lee
Mr.
Lincecum
Ms.
McDaniel
Mr. Ward
Mr. Temple

NAYS

Dr. Cicardo

With nine (9) yeas, one (1) nay, the motion passed.

CEO REPORT

Employee of the Month

Mr. Wall introduced Ms. Donna Buuck, March 2001, Employee of the Month. Ms. Buuck has been employed with the SEGBP for more than 20 years and is in the Fiscal Division of the agency. Mr. Wall presented Ms. Buuck with the 2001 March Employee of the Month plaque and thanked her for her efforts and contribution to the agency.

Provider Contract Status Report/Operations - ACD Telephone Calls/Key Indicators - Where Does the Money Go?/Legal Report

The Provider Contract Status Report was presented for review.

Mr. Wall presented the report "Where Does the Money Go?". An overview of claims expenses. He reported on the Schedule for Revenues and Expenses for February 2001. Total Revenues - \$58,227,903; total expenses - \$50,559,478; and pended claims at February 28, 2001 - \$27,500,000. The coverage analysis report indicates the breakdown of expenses for medical claims.

The Operations - ACD Telephone Calls Report, Key Indicators Report and the Legal Report were presented for review. Mr. Wall stated that the reports will be changed to provide the board with improved summary and comparative data with the addition of the new SEGBP actuary starting in late April. The new staff actuary is Ms. Jennifer LeFleur, a Louisiana native, and a mathematics major of University of New Orleans. She has been employed with Pan American Life Insurance Co., Health Division, and most recently with Blue Cross Blue Shield of Florida. She is an associate actuary and two tests from becoming a fellow.

Mr. Wall stated that SEGBP is concluding contracting for plan year 2001-2002. Mr. Wall stated that negotiations should get harder with some facilities as the deadline approaches.

COMMITTEE REPORTS

Grievance Committee

Mr. Lincecum reported on the March 7, 2001 Grievance Committee meeting. The Committee acted on five (5) plan member appeals and one (1) appeal from the St. Tammany Parish School Board, and heard recommendations of the Administrative Claims Committee from its meetings on January 9, January 16, January 30, January 31, February 6, and February 14, 2001.

Dr. Cicardo stated that the Board should not have to accept committee reports.

A motion was made by Mr. Lincecum, seconded by Mr. Greer, for acceptance of the report of the March 7, 2001 Grievance Committee meeting. There being one (1) objection, the motion was approved.

Mr. Wall delivered a schedule listing various school boards and other entities that have been penalized for late payment of premiums. Mr. Wall stated that he has received several requests for a waiver of penalty payments from school boards and other entities and has routinely denied them.

OLD BUSINESS

Dr. Cicardo stated that she has received several calls from plan members in regard to Magellan Behavioral Health appeals procedures. Mr. Wall stated that Magellan, as part of their contract, provides SEGBP their appeals procedures. Mr. Wall stated that he would investigate this and provide his findings to Dr. Cicardo.

Mr. Wall advised the Board that the Gulf South rates presented are for another option in the Lafayette, Alexandria, and Houma/Thibodaux regions. This would be in addition to the PPO. There are currently no EPO options in the Lafayette, Alexandria, and Houma/Thibodaux regions. These rates for the self-insured HMO offering are included in the rate structure to be implemented July 1, 2001.

Mr. Lee asked if an SPN (Select Provider Network) product would be offered for plan year 2001-2002. Mr. Wall stated that based on recommendations made during the Study Commission the SPN product would not be offered for the plan year 2001-2002. If the legislature rejects the 50-50 copay drug prescription benefit then that benefit would be an option for the SPN product and could be offered later in the plan year.

Dr. Cicardo requested that the Board be provided with some examples of what policy-making decisions would be made by the Board after the proposed legislation changing the Board from a policy and management board to a policy review and recommendation board.

Dr. Cicardo requested that Mr. Simmons provide equipment that enables him to project the information he is discussing with the Board on a screen for the audience.

Dr. Cicardo requested the administrative cost of the agency prior to the reorganization of the Board. Mr. Wall advised her that it was approximately \$19 million (5% of the total budget for the agency).

Dr. Cicardo asked if the Advanced PCS was associated with the Louisiana Association of Pharmacists and if it is a Louisiana based company. Mr. Benoit stated that they are located in Dallas, Texas.

A motion was made by Mr. O'Shee, seconded by Dr. Cicardo, to have the program staff prepare a supplemental appropriation request for approval by the Division of Administration. With their approval this request would ask the legislature to provide a supplemental appropriation for contingency funding to cover cost overruns. The supplement would be paid out of any excess revenues that may appear before the legislature during this budgeting period.

Mr. Wall suggested that this request be in the form of an urge and request. There is approximately \$50 million that Commissioner Drennen is proposing to use to offset

the debt of this program. Mr. O'Shee's motion would require legislation. Mr. O'Shee agreed with Mr. Wall's request to submit an urge and request to DOA

NEW BUSINESS

Mr. Lincecum reminded everyone of the Public Hearing to be held at the DOTD Auditorium at 6:30 p.m. Dr. Cicardo requested that all the Board members be allowed to make a 2-minute comment. Mr. Lincecum urged all the Board members to attend the Public Hearing.

Dr. Broussard requested that the April Board meeting be changed to April 18, 2001. Mr. Temple advised that he would discuss changing the board meeting with Mr. Wall and that a poll of the board members would be taken and they would be advised of the date of the April Board meeting.

ADJOURN

There being no further business to discuss, a motion was made by Mr. Lee, seconded by Mr. Castaing, to adjourn. With no opposition, the motion was unanimously adopted.