

Minutes from the Meetings of the Board of Trustees

January 31, 2001

CALL TO ORDER

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

ROLL CALL

Members Present

Dr. James Calvin
Mr. Charles Castaing
Mr. Russell Culotta
Mr. Robert Greer
Mr. Charles Lazare
Mr. James Lee
Mr. Hubert Lincecum
Ms. Mary McDaniel
Mr. Richard O'Shee
Rep. "Tank" Powell
Senator Tom Schedler **
Mr. John Warner Smith
Mr. Kelly Ward
Mr. Aubrey Temple

Members Absent

Dr. Merline Broussard
Dr. Barbara Cicardo

Roll call indicated twelve (13) board members present, representing a quorum.

** Senator Tom Schedler arrived after roll call.

APPROVAL OF MINUTES OF DECEMBER 13, 2000 AND JANUARY 8, 2001 MEETINGS.

The minutes of December 13, 2000 and January 8, 2001 were presented for review and approval.

One change was noted for the December 13, 2000 minutes. On page 5, under the Pharmaceutical Benefits Management report, Ms. McDaniel was not present for the vote. With the one correction noted, a motion to approve the minutes of December 13, 2000 and January 8, 2001 meetings was made by Mr. Lincecum and seconded by Mr. Lee. There being no objections, the motion was adopted.

DISCUSSION OF PUBLIC HEARING ON BENEFIT MODIFICATIONS

Mr. Lincecum stated that two public hearings would be held. The State Employees Health Benefit Study Commission appointed by the Governor scheduled a public hearing on February 19, 2001, to report on its efforts and receive public comments.

The hearing will be held at the Department of Transportation and Development (DOTD) auditorium between the hours of 6:30 p.m. and 8:00 p.m.

The second public hearing would be held by the Board for SEGBP proposed benefit modifications. Arrangements for that hearing have not been finalized. Mr. Lincecum stated that staff was waiting on confirmation to utilize the DOTD auditorium. Board members discussed the time of the hearing for the convenience of plan members and decided on March 28, 2001 from 6:30 p.m. to 8:00 p.m.

A motion was made by Mr. Culotta, seconded by Mr. Ward, to schedule the public hearing in the daytime, preferably at 9:00 a.m.

The following is the result of a roll call vote:

YAYS	NAYS	ABSTAINED
Mr. Castaing	Dr. Cicardo	Dr. Calvin
Mr. Culotta	Mr. Greer	Mr. Lazare
Mr. Lincecum	Mr. Lee	
	Ms. McDaniel	
	Rep. Powell	
	Mr. Smith	
	Mr. Ward	
	Mr. Temple	

With three (3) yeas, seven (7) nays, and two (2) abstentions, the motion failed.

CEO REPORT

Employee of the Month

Mr. Wall stated that the Employee of the Month award would not be presented at this board meeting.

Where the Money Goes/Key Indicators

Mr. Wall presented the monthly handout "Where Does The Money Go? An Overview of Claims Expenses". The report indicated total revenues of \$55,547,961 and total expenses \$61,028,973, for the month of December, 2000. Mr. Wall reported \$9,800,000 in pended claims. He stated that the Program's financial situation had not improved, and this was the basis for the benefit plan modifications that were recommended. Mr. Bruce Minor, Fiscal Director, stated that from July 1, 2000 to current, there was less than \$1.6 million in uncollected revenues. Mr. Temple questioned the Program's current liabilities. Mr. Wall stated that currently there were \$21 million in pended claims and \$10.3 million of claims over 28 days old. Mr. Temple suggested staff notify the Division of Administration and keep it informed of the current cash flow problems associated with the operations of the program.

Mr. Wall reported that the most recent pharmaceutical billing had decreased to \$3.3 million. Mr. Ward requested Merck-Medco to provide the Board with the number of plan members on maintenance drugs and eligible for the 90 day 1 copay benefit that didn't take advantage versus plan members that did take advantage of the benefit.

Mr. Lincecum noted that there was an advertisement that diabetic supplies were provided free of charge for Medicare recipients, and the program should not have to pay for diabetic supplies on plan members eligible for Medicare. Mr. Temple requested staff to research the possibilities of Medicare providing free diabetic supplies and determine if the benefit could be restricted from the Plan Document.

Provider Contract Status Report, Operations/ACD Telephone Calls, and Legal Report

Mr. Wall stated that the Provider Contract Status Report, Operations/ACD Telephone Calls, and Legal Report were provided to the Board Members for their review.

House Concurrent Resolution No. 51

Mr. Wall stated that the concurrent resolution was adopted during the 2000 Regular Session. He stated, according to the resolution, the Board of Trustees was urged and requested by the legislature to adopt actuarially certified premium rates in the future.

A motion was made by Representative Powell, seconded by Mr. Lincecum, to accept House Concurrent Resolution No. 51.

The following is the result of a roll call vote:

YEAS

Dr. Calvin
Mr. Castaing
Mr. Culotta
Mr. Greer
Mr. Lee
Mr. Lincecum
Ms. McDaniel
Rep. Powell
Senator Schedler
Mr. Smith
Mr. Ward
Mr. Temple

NAYS

Mr. Lazare

With twelve (12) yeas, and one (1) nay, the motion was adopted.

COMMITTEE REPORTS

Internal Audit/Finance Committee

Mr. Lee reported on the January 30, 2001 Internal Audit/Finance Committee meeting. Mr. Lee stated that the Committee made recommendations to present to the Board and requested action on the following issues:

The Committee recommends adopting the 4-tier rate structure.

A motion was made by Mr. Lee, seconded by Mr. Castaing, to adopt the 4-tier rate structure.

Mr. Ward requested an overview of the tier rating structure. Mr. Wall presented and discussed the handout entitled "Benefits vs. Premium".

Mr. Wall explained that the 4-tier structure was to help the \$32 million gap in the two party active category. The 4-tier structure would consist of the following: Employees only; Employees and Child(ren); Employee and Spouse; and Employee and Family.

The following is the result of a roll call vote:

YEAS

Dr. Calvin
Mr. Castaing
Mr. Culotta
Mr. Greer
Mr. Lee
Mr. Lincecum
Ms. McDaniel
Rep. Powell
Senator Schedler
Mr. Smith
Mr. Ward
Mr. Temple

NAYS

Mr. Lazare

With twelve (12) yeas, and one (1) nay, the motion was approved.

The Committee recommended to the Board awarding SCB Technology the contract to develop a disaster recovery plan.

A motion was made by Mr. Lee, seconded by Mr. Lincecum, to award SCB Technology the contract to develop a disaster recovery plan. There being no objections, the motion was approved.

The Committee recommends acceptance of the Prudential proposal for life insurance.

A motion was made by Mr. Lee, seconded by Mr. Lincecum, to accept and award the five-year contract to Prudential for life insurance. Mr. Lincecum stated the contract would allow plan members to purchase one and one-half their annual salary, up to a maximum of \$50,000. Mr. Ward voiced concern in regard to asking the state for additional funding. Mr. Wall stated that the Board could adopt the recommendation with the current limit of \$40,000 unless the Division of Administration indicates additional funding would be available to allow for \$50,000 in coverage. The motion was amended in accordance with Mr. Wall's suggestion.

The following is the result of a roll call vote:

YEAS

Dr. Calvin
Mr. Castaing
Mr. Greer
Mr. Lazare
Mr. Lee
Mr. Lincecum
Ms. McDaniel
Rep. Powell
Senator Schedler
Mr. Smith
Mr. Ward
Mr. Temple

NAYS

Mr. Culotta

With twelve (12) yeas, and one (1) nay, the motion was approved.

The Committee recommends awarding Arthur Andersen the three-year contract for actuarial services.

A motion was made by Mr. Lee, seconded by Mr. Castaing, to award Arthur Andersen the contract for actuarial service, effective immediately.

The following is the result of the roll call vote:

YEAS

Mr. Castaing
Mr. Culotta
Mr. Greer
Mr. Lazare
Mr. Lee
Ms. McDaniel
Rep. Powell
Senator Schedler
Mr. Smith
Mr. Ward
Mr. Temple

NAYS

ABSTAINED

Dr. Calvin
Mr. Lincecum

With eleven (11) yeas, no nays, and two (2) abstentions, the motion was approved.

A motion was made by Mr. Ward, seconded by Mr. Lee, to recognize and thank Mr. Steve Eschbach, Milliman and Robertson for his outstanding services for SEGBP. There being no objections, the motion was accepted.

The Committee recommends authorizing staff to issue a Notice of Intent to contract with Advance PCS for prescription benefit management.

Mr. Wall stated that Merck-Medco disagreed with the methodology that was employed in the RFP. Adopting the Notice of Intent to contract would initiate the protest process and staff would make recommendation to the Board based on the response submitted by the bidders.

A motion was made by Mr. Lincecum, seconded by Mr. Castaing, to authorize staff to issue the Notice of Intent to contract with Advance PCS.

The following is the result of the roll call vote:

YEAS	NAYS
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Dr. Calvin	
Dr. Cicardo	
Mr. Culotta	
Mr. Greer	
Mr. Lazare	
Mr. Lee	
Mr. Lincecum	
Rep. Powell	
Senator Schedler	
Mr. Smith	
Mr. Ward	
Mr. Temple	

With thirteen (13) yeas, and no (0) nays, the motion was approved.

Mr. Lee reported that the Committee reviewed the Legislative Audit Report in detail and stated that there was no action to be taken by the Board at this time.

The Committee recommends issuance of a resolution to the Division of Administration requesting exemption from the hiring freeze due to critical needs in the areas of CASSS and Claims Processing.

A motion was made by Mr. Lee, seconded by Mr. Castaing, to issue a resolution to the Division of Administration requesting exemption from the hiring freeze.

The following is the result of a roll call vote:

YEAS	NAYS	ABSTAINED
Mr. Castaing	Mr. Greer	Dr. Calvin
Mr. Culotta	Rep. Powell	Mr. Lazare
Mr. Lee	Mr. Smith	Ms. McDaniel
Mr. Lincecum	Mr. Temple	
Senator Schedler	Mr. Ward	

With four (4) yeas, six (6) nays, and three (3) abstentions, the motion failed.

The Committee recommends authorizing staff to develop an RFP for a Fraud Program and EDP Services.

Mr. Castaing explained the importance of a fraud detection plan. Mr. Temple requested a review of the Internal Audit Division's function in conjunction with the Fraud Unit and a report to the Board at the next scheduled Board meeting.

A motion was made by Mr. Lee, seconded by Mr. Castaing, to authorize staff to develop an RFP for a Fraud Unit and EDP Services. There being no objection, the motion was approved.

A motion was made by Mr. Lee, seconded by Mr. Castaing, to accept the report of the Internal Audit and Finance Committee as presented. With no objection, the motion was approved, and the report accepted as presented.

Grievance Committee

Mr. Culotta reported on the January 24, 2001 Grievance Committee meeting. The Committee considered eight appeals, reviewed and articulated greater specifics regarding one of its November, 2000 decisions, reviewed 24 decisions of the Administrative Claims Committee, and heard a presentation by Magellan Behavioral Health regarding their internal appeals process. Mr. Culotta stated that the Committee recommends the Board take action on the following:

The Committee recommends that SEGBP comply with NAIC guidelines regarding Coordination of Benefits

A motion was made by Mr. Culotta, seconded by Mr. O'Shee, that SEGBP comply with NAIC guidelines regarding Coordination of Benefits.

A substitute motion was made by Mr. Lincecum, seconded by Ms. McDaniel, to refer the issue to the Benefits and Rate Making Committee. Following discussion, the substitute motion was withdrawn.

There being no objections, the original motion was approved.

A motion was made by Mr. Culotta, seconded by Representative Powell to accept the January 24, 2001 Grievance Committee report as presented. There being no objections, the motion was approved, and the report was accepted as presented.

NEW BUSINESS

SEGBP - 2001 Legislative Initiatives

Mr. Wall presented a memo in regard to the SEGBP -2001 Legislative Initiatives for the Board Member's review. He stated that SEGBP was in the process of scanning records and the records would be stored in a digitized format. The memo was to ask the Legislature to confirm and give approval of the storage method.

Mr. Wall stated, concerning the proposal - **Exempt SEGBP from the Procurement Code, Title 39 et seq. for the acquisition of actuarial services**, that under the procurement code, certain professionals are currently exempt from the RFP process (doctors, attorneys, CPAs, etc.). Mr. Wall stated that for the purposes of SEGBP contracting, actuarial services should be exempted from the request for proposals

requirement. Mr. Temple questioned whether DOA had the authority to allow the program to exempt actuarial services. Mr. Wall stated that by rule, DOA could add to the list of professionals that could be exempt from the RFP process. Mr. Temple recommended moving forward with a formal request to the DOA concerning the issue and to move forward with the Legislative initiative.

Mr. Culotta questioned the contract of Mercer to study SEGBP. Mr. Wall stated that upon the request of the Study Commission, Mercer was hired to study the program. Mr. Culotta questioned the amount it would cost the program to contract with Mercer. Mr. Wall stated the contract was under \$50,000.00. For the record, Mr. Culotta voiced his concern and opposition of SEGBP funding the contract. Mr. Lincecum stated that in reference to the Executive Order concerning the Study Commission, the Commission was allowed to bring in experts or consultants if necessary, and SEGBP would support the funding.

OLD BUSINESS

Mr. Ward requested Board Members that are on the Study Commission (1) to review prior actions taken by the Board for the program, and (2) to request an increase in state funding both on the employee side and funding through the agencies. In reference to Mr. Ward's request, Mr. Temple stated that the responsibility of the Board of Trustees was in program design and premium charges associated with those program designs. He stated that it was appropriate for Board Members to submit requests to the Study Commission individually but not as a body of the Board. Mr. Ward stated that he felt the Board should wait on the recommendations of the Study Commission but also be active in lobbying the issue. Mr. Culotta encouraged Board Members to attend the Study Commission meetings.

Mr. Wall presented a study of Health Benefits Comparative Analysis by SSA Consultants, Inc. He stated SSA Consultants compared SEGBP with other large plans throughout the state and it confirms that SEGBP is in line with other employers. Mr. Wall suggested that in order to avoid the problems of the past, SEGBP needed to deliver a plan of benefits to the Legislature and DOA no later than November 2001 in order to work through the process in a timely manner.

Mr. Culotta questioned when the plan members would be notified of the Public Hearing on March 28th. Mr. Wall stated that notification would be by individual mailing in early February. Mr. Temple voiced his concern of state agencies taking responsibility in notifying plan members of the public hearing.

Mr. Wall presented a letter from the Teacher's Retirement System requesting approval to increase the employer's share of the Group Benefits premium cost for their active employees from 50% to 75%, effective July 1, 2001. Mr. Wall recommended appointing a Committee, which would include members of the Board of Trustees, the Legislature Fiscal Office, the Office of Planning and Budget, and Civil Service to review the issue and report back to the Board. Mr. Temple suggested the Benefits and Rate Making Committee review the issue and set the procedures associated with the request and report back to the Board. Senator Schedler requested to refer the matter to the Study Commission and defer action until the Study Commission can make its decision on the issue.

Mr. Ward questioned the possibility of re-arranging the board room for the purpose of a working environment versus a hearing room for the meeting. Mr. Temple requested that Mr. Wall provide the Board members at the next meeting a cost associated in remodeling the room.

Mr. Lazare questioned the difference between the Administrative Claims Committee versus the Grievance Committee. Mr. Wall stated that all claims go through the Administrative Claims Committee to determine the error on a claim and if possible, correct the errors prior to being forwarded to the Grievance Committee. Mr. Lazare suggested doing away with the Grievance Committee and have staff function as an appeal unit. Mr. Temple requested Mr. Lazare to review the process of the Grievance Committee and make a recommendation at the next Board meeting.

Mr. Culotta questioned how the plan members would be notified of the Study Commission public hearing. Mr. Lincecum stated that every agency would be blast-faxed the information and it will be the responsibility of the agencies to notify their employees. Mr. Lincecum stated that retirees would be notified via mail.

ADJOURN

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