

Minutes from the Meetings of the Board of Trustees

SEPTEMBER 29, 1999

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
Dr. James Calvin *
Mr. Charles Castaing *
Dr. Barbara Cicardo
Mr. Russell Culotta
Mr. Robert Greer
Mr. James Lee
Mr. Hubert Lincecum
Representative Chuck McMains *
Mr. Richard Miles
Mr. Malcolm Myer *
Mr. Richard O'Shee *
Senator Tom Schedler *
Mr. John Warner Smith *
Mr. Aubrey Temple
Mr. Kelly Ward

Members Absent

Roll call indicated eleven (11) Board Members present, representing a quorum.

* Mr. Charles Castaing, Representative Chuck McMains, Mr. Malcolm Myer, Mr. Richard O'Shee, and Senator Tom Schedler arrived after roll call.

APPROVAL OF MINUTES OF AUGUST 27, 1999 MEETING

The minutes of August 27, 1999 meeting were presented for review and approval.

A motion was made by Dr. Cicardo, with a second by Mr. Lincecum, to accept the minutes of the August 27, 1999 Board Meeting. There being no objections, the minutes were approved.

CEO/COO REPORT

Employee of the Month

Mr. Wall introduced the September Employee of the Month, Ms. Jean Firmin. Ms. Firmin has been employed in SEGBP's Human Resource Division for four years and has been in state government since 1973. Mr. Wall thanked Ms. Firmin for her contribution to the agency.

Opelousas General Hospital

Mr. Wall informed the Board that St. Landry Parish School Board has made a formal request to join SEGBP. The enrollment date is scheduled for January 1, 2000.

Mr. Wall reported that a letter had been received from the Opelousas General Hospital requesting a rate increase for their PPO agreement. Dr. Walker stated that SEGBP has denied the request.

Out-Patient Rehab EPO

Mr. Tom Blunk, Aon Consultant, stated that 21 providers responded to the EPO Out-Patient Rehabilitation Services Notice of Intent. In an effort to collect consistent information from the vendors, Aon mailed out a secondary request for information. The evaluation was based upon 17 of the 21 original vendors who replied to the secondary request for information. The evaluation criteria used was 60% based upon cost and 40% based upon market acceptability.

Mr. Blunk reported that of the two vendors, Southern Physical Rehab Network and PTPN, covered all nine regions. Aon developed a scoring mechanism for market acceptability: years in business, hours of operation, total number of facilities/providers, and available services/therapies. The cost evaluation consisted of reviewing the fees quoted by each vendor. Each bidder's pricing was given a value relative to Medicare's fee schedule and a weighted average was calculated based on SEGBP's frequency of each procedure. After careful review, it was Aon's recommendation that SEGBP contract with PTPN to provide outpatient rehabilitative services for all regions.

A motion was made by Dr. Cicardo, with a second by Dr. Broussard, to accept PTPN as the outpatient rehab services. There being no objections, the motion was approved.

National PPO RFP

Mr. Blunk stated that SEGBP requested Aon Consultant, Inc. to assist in the solicitation and evaluation of a national PPO provider for employees and retirees residing outside of the State. He stated that the RFP was sent to fifteen (15) national PPO providers and only four (4) vendors responded. Of the four vendors that responded, two were considered non-responsive because of the information submitted. National Preferred Provider Network (NPPN) and CCN were the two national networks that were considered.

A motion was made by Mr. Myer, seconded by Dr. Cicardo, to defer further discussion of the National PPO RFP to the Benefits and Rate Making Committee. There being no objections, the motion was approved.

A motion was made by Mr. Lincecum, seconded by Mr. Culotta, to suspend the payment of out-of-state physician claims at the 60th percentile.

A substitute motion was made by Mr. Myer, seconded by Representative McMains, to defer the issue to the Benefits and Rate Making Committee and have Aon accurately identify the financial impact of out-of-state physician reimbursement.

The following is a result of the roll call vote on the substitute motion:

Yeas

Dr. Merline Broussard
Dr. James Calvin
Dr. Barbara Cicardo
Mr. Russell Culotta
Mr. Robert Greer
Representative Chuck McMains
Mr. Malcolm Myer
Senator Tom Schedler
Mr. John Warner Smith
Mr. Aubrey Temple
Mr. Kelly Ward

Nays

Mr. Castaing
Mr. Lee
Mr. Lincecum
Mr. Miles

With eleven (11) yeas, and four (4) nays, the motion passed.

Life Insurance Report

Mr. Ed Moran, Director of CNA Group Benefits, presented an update of the SEGBP life insurance program. Mr. Moran stated that the preliminary results indicated a slight surplus for the 1998-99 year. In the report, the July and August 1999, results indicated a surplus after retro adjustments of approximately \$172,000. He stated a full report would be available and presented by November 1, 1999. Mr. Lincecum questioned Mr. Moran whether there would be a need to increase the life rates. Mr. Moran said he didn't think a rate increase would be needed, based upon current information.

Mr. Wall stated SEGBP received a response from the Attorney General's Office. The response indicated that the life insurance RFP could have a term of not more than two years. He recommended deferring the RFP until July 1, 2000. Mr. O'Shee questioned whether the policy's summary of benefits regarding the life insurance had been sent to the plan members. Mr. Wall stated that the policy summary was being printed at the present time and would be sent out shortly.

PPO Comparison Report (With & Without LSU)

Dr. Walker stated that at the request of the Board, the PPO Comparison Report was revised to reflect "with" and "without" LSU physicians. The current number of physicians, including the LSU physicians, compared to the number SEGBP previously had in 1998 was 95.7%. He stated that the participation rate, excluding LSU, was currently 91.2%.

A motion was made by Mr. Lincecum, seconded by Mr. Culotta, to publish an accurate PPO Comparison report in the next communication sent out to the plan members.

The following is the result of a roll call vote:

Yeas

Dr. Merline Broussard
Mr. Castaing
Mr. Culotta
Mr. Greer
Mr. Lee
Mr. Lincecum
Representative Chuck McMains
Mr. Miles
Senator Tom Schedler
Mr. John Warner Smith
Mr. Aubrey Temple

Nays

Dr. James Calvin
Dr. Cicardo
Mr. Myer
Mr. Ward

With eleven (11) yeas, and four (4) nays, the motion passed.

Operation, Financial & Legal Report

IBNR Development

Mr. Wall stated Aon has reviewed the previous IBNR calculation and revised the figure upward to \$49.9 million for the end of fiscal year 1998/1999. He stated that the Legislative Auditors Actuaries are also reviewing the IBNR calculation. If their figure is higher than Aon's, the agency may have to revise the IBNR again.

Mr. Wall delivered a revised memo to the Board Members dated September 17, 1999 regarding the Unfunded Deficit - Revenues and Expenditures. He stated that Exhibit B was accidentally excluded from the memo the first time it was sent out. The report reflected the surplus or deficit for each fiscal year since 1985-86. He stated that FY 1998/1999 indicated an unfunded liability deficit of \$48,248,919.

Facility Lease Fees

Mr. Wall presented the facility lease agreement between SEGBP and the Department of Agriculture and Forestry. He stated that he has been advised that the bonds for the purchase and payment for the facility were paid in full in January 1999. Due to the contract language, upon full payment of the bonds, SEGBP would pay a different rate based on the facility maintenance and utility costs. SEGBP and the Department of Agriculture are renegotiating the current lease agreement. Mr. Temple stated the lease agreement would be brought back before the Board once the negotiations are final.

Discussion of Litigation - (Executive Session)

Mr. Temple suggested that the Board go into executive session to discuss pending litigation. A motion was made by Mr. Lincecum, seconded by Mr. Myer, to go into executive session. There being no objections, the motion passed, and the Chairman requested the room be cleared.

Upon return from executive session, Mr. Temple called for order. Mr. Myer, Board Secretary, stated that the executive session was conducted for the sole purpose of reviewing pending litigation, that no other issues were discussed and no action was taken.

CIO REPORT

Mr. Boesch reported that SEGBP was currently negotiating contractual terms with Image Process Design (IPD). IPD was awarded the imaging contract. It was anticipated that the contract issues would be resolved by the end of the week. The Office of State Purchasing would review the contract before it is finalized.

Mr. Boesch stated that staff from the Division of Administration (DOA) reviewed the wiring of the building and was in agreement that rewiring was necessary. An RFP has been initiated.

COMMITTEE REPORTS

Claims Committee

Mr. Ward stated that the Claims Committee met on September 14, 1999 and that no official action was taken. The Committee requested that staff present a brief summary of issues affecting claims payments. He stated that there were 14 vacancies in the Claims Division.

Mr. Ward reported that SEGBP was working with Civil Service to achieve higher grades for claims adjusters.

Other issues discussed in the committee meeting were the TPA RFP and Check/Voucher RFP.

The Committee requested a report from the CIO regarding the status of the Information Systems. Mr. Ward stated that a request was also made for the Human Resource Director to report on the upgrade for Claims Adjusters and Customer Services employees. Both reports were delivered to the Board for review.

Mr. Ward stated that the written minutes of the September 14, 1999 Committee Meeting would be presented for approval at the next committee meeting.

Benefits and Rate Making Committee

Mr. Myer stated that the Benefits and Rate Making Committee met on September 15, 1999. The first topic of discussion was the fee schedule for active out-of-state employees. The discussion included a conference call with Mr. Tom Blunk, Aon Consultant, regarding various potential scenarios for the out-of-state employees.

The Committee then discussed treatment for obesity. Mr. Lincecum recommended that Dr. McKnight study the addition of gastric bypass surgery to the benefit schedule and report back to the Committee.

Four potential Discount Dental Network providers made presentations. It was reported that SEGBP could offer to all state employees a dental discount network

program for \$4,000-\$5,000 per month. SEGBP staff has been instructed to make a recommendation to the Committee regarding a selection process for a dental discount network.

Dr. Cicardo highlighted two issues which she feels all plan members agree on: 1) an increase in the State's contribution; and 2) a wider choice of quality health care providers.

Mr. Lincecum questioned whether there were any decisions made regarding the benefits package for 2000-2001. Mr. Wall advised that Aon would present a recommendation at the October Committee meeting.

Mr. Myer stated that a letter from Civil Service was presented to the committee members regarding to the upgrade of claims adjusters. Mr. Wall indicated that final decisions concerning amended salaries for the claims adjusters could take three to six months.

Mr. Myer stated that Mr. Wall distributed a memo regarding an Emergency Contract for temporary TPA Services. A motion was made by Mr. Myer and seconded by Mr. Lincecum to recognize an emergency necessity to contract for temporary TPA services. With no opposition, the motion was adopted by the Committee.

Following a brief discussion, a motion was made by Mr. Myer, seconded by Mr. Ward, to recognize an emergency necessity to contract for temporary TPA Services depending on the recommendation from the Commissioner of Administration.

The following is a result of the roll call:

Yeas

Dr. Merline Broussard
Dr. Calvin
Mr. Castaing
Dr. Cicardo
Mr. Greer
Mr. Lee
Mr. Lincecum
Representative McMains
Mr. Miles
Mr. Myer
Mr. Smith
Mr. Temple
Mr. Ward

Nays

Mr. Culotta

With thirteen (13) yeas, and one (1) nays, the motion passed.

Internal Audit/Finance Committee

Mr. Lee stated that the Internal Audit/Finance Committee met September 28, 1999. He reported that the committee discussed IBNR, the completed property control

audit, FY 1999-2000 risk assessment, annual audit plan, financial statement (prior & current year), and the budget process.

The Committee requested staff to adopt a formal policy for the use of the agency equipment and forward to the Board for a full vote when completed.

Mr. Lee reported that the Committee voted on the issue of charging all School Boards a \$5,000 charge for their risk assessment and that the risk rates be assessed for three years rather than one year following the return to the Program.

A motion was made by Mr. Lee, seconded by Mr. Castaing, that School Boards will pay a \$5,000 charge for their risk assessment and that the rates be assessed for three years following their return to the Program. The \$5,000 fee would be netted out of the first premium once the school system is in the Program.

Following a lengthy discussion, Mr. Lee withdrew his motion. Mr. Castaing withdrew his second.

Mr. O'Shee suggested that the Board should get an opinion from SEGBP Legal Counsel regarding the term possibilities for risk rating.

A motion was made by Mr. Myer, seconded by Dr. Cicardo, whereas the SEGBP has entered into agreements with School Boards previously participating in other group health plans, and whereas clarification is required regarding the terms for such School Boards entering into the SEGBP, the Board of Trustees hereby authorizes its Legal Counsel to make any request from the Attorney General's office as deemed appropriate.

The following is a result of the roll call vote:

Yeas

Dr. Merline Broussard
Dr. Calvin
Mr. Castaing
Dr. Cicardo
Mr. Culotta
Mr. Greer
Mr. Lee
Mr. Lincecum
Representative McMains
Mr. Miles
Mr. Myer
Mr. Smith
Mr. Temple
Mr. Ward

Nays

With fourteen (14) yeas, and no (0) nays, the motion passed.

NEW BUSINESS

Mr. Culotta requested that the Benefits and Rate Making Committee discuss a benefit change in which there is a one time only assessment of \$300 annual deductible for plan members who are chronically ill. Mr. Myer stated that the item would be discussed at the next Benefits and Rate Making Committee meeting.

Mr. Culotta delivered a list of annual salaries for state department executives, assistant or deputy to department executives, which was obtained from the department of Civil Service as of August 25, 1999. He requested that the Board review the information when considering the CEO replacement.

Mr. Myer stated that the next Benefits and Rate Making Committee Meeting would be held on October 20, 1999.

Mr. Temple stated that the next Board Meeting was scheduled for October 27, 1999.

Mr. Wall delivered a spreadsheet that identifies agencies that habitually make late payments. The issue was deferred to the Benefits and Rate Making Committee for review and recommendation.

OLD BUSINESS

Mr. Lincecum explained the negotiations between SEGBP and Vernon Parish School Board regarding the School Board rejoining the program. He stated that Mr. O'Shee suggested a retro for the school board due to Patient Choice closing of business. A meeting was scheduled the next day and SEGBP agreed to allow the School Board to rejoin as of September 1, 1999. Mr. Lincecum stated that the School Board was told that there would be a 12-month risk rate premium cost. The School Board made arrangements to compensate the amount and then the Board changed it to a 13-month risk rate premium.

A motion was made by Mr. Lincecum, seconded by Mr. Miles, to rescind the vote from the last Board meeting and assess Vernon Parish School Board for a 12 month risk rate premium, being consistent with every school board that has requested to rejoin the program.

The following is a result of a roll call vote:

Yeas

Dr. Merline Broussard
Dr. Calvin
Dr. Cicardo
Mr. Greer
Mr. Lincecum
Mr. Miles
Mr. Temple
Mr. Ward

Nays

Mr. Castaing
Mr. Culotta
Mr. Lee
Mr. Myer

With eight (8) yeas, and four (4) nays, the motion passed.

Mr. Lincecum stated that the Board unanimously passed a resolution that was to be sent to all of the Legislators requesting assistance to properly fund the program. Mr. Lincecum questioned whether the staff had sent out the resolution. Mr. Wall stated that it would be mailed out following the Board's review and approval.

Mr. Wall stated that he had contacted the Assistant Attorney General and was told that the request was sent up for review but there was no response at the present time concerning the fiduciary liability of Board Members. The Attorney General's office forwarded a revised copy of statute R.S. 9:2798.1. Mr. Wall suggested the Board read the memorandum carefully (a copy of herein and made a part hereof). Mr. Wall suggested the Board have someone from the law school, specializing in corporation and trust, to explain the law. Mr. Miles and Mr. Temple both agreed to allow a counsel to advise the Board of the exposures the board was facing.

Mr. Wall stated the Board requested a recommendation from the staff on where the Board meetings would be held throughout the state. Following a brief discussion the following schedule was approved:

January	Baton Rouge
February	Lafayette
March	Baton Rouge
April	Shreveport
May	New Orleans
June	Baton Rouge
July	Alexandria
August	Baton Rouge
September	Lake Charles
October	Baton Rouge
November	Monroe
December	Baton Rouge

Mr. Wall delivered a draft copy of the Annual Report to Plan Members that was developed by Ms. Runyan, Communications Director. He asked Board members to make suggestions or comments concerning any changes that were needed before the communication was sent out to plan members.

ADJOURN

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