

Minutes from the Meetings of the Board of Trustees

August 27, 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
Rep. Chuck McMains *
Mr. Malcolm Myer *
Senator Tom Schedler
Mr. John Warner Smith
Mr. Aubrey Temple
Mr. Kelly Ward

Members Absent

Mr. Richard Miles
Mr. Richard O'Shee *

Roll call indicated nine (9) Board Members present, representing a quorum.

* Dr. James Calvin, Mr. James Lee, Representative Chuck McMains, Mr. Malcolm Myer, and Mr. John Warner Smith arrived after roll call.

PPO Comparison Summary

Dr. Walker presented the PPO comparison report that indicated the current number of physician contracts compared to the number SEGBP previously had in 1998. He stated that the participation rate was currently 93.6%.

Mr. Lincecum questioned whether the report included the LSU physicians. He stated that the LSU physicians are not full time physicians with available office hours for plan members. Dr. Walker stated that LSU physicians were included in the report and that there would be a meeting with the LSU staff to discuss the physician issues described by Mr. Lincecum.

Non Contracted Out-Patient Surgery Facility Fee

Dr. Walker reported examples of non-contracted facilities, both-in state and out-of-state that charge the Program very high facility fees. It was his recommendation that the Plan implement a hospital facility cap as follows:

	<u>In-State Facility</u>	<u>Out-of-State Facility</u>
	Non-PPO	
Medical	\$1,500/day	\$2,000/day
Surgical	2,000/day	2,500/day
ICU, NICU, CCU	3,000/day	3,500/day
Cardiovascular Surgery	5,000/day	5,500/day
Rehab	750/day	800/day
Ambulatory (Outpatient) Surgery	3,000 max/occurrence	3,750 max/occurrence

He recommended a cap on out-patient surgery of \$3000 for non-contracting in-state facilities and \$3,750 for out-of-state facilities. Finally, he recommended that no payments be made to non-contracting physicians for facility fees or to non-Medicare facilities approved.

A motion was made by Mr. Lincecum, with a second by Mr. Castaing, to allow staff to take necessary and appropriate action to implement provisions, effective September 1, 1999, to the Plan Document which would add to the Schedule of Benefits for both EPO and PPO in-state (only) facility fees as shown above (maximum allowable charges). Also, to amend Article 3, Section IX of the plan document to add a new subsection, NN, to read as follows: No benefits are provided under this Plan for facility fees for services rendered in a physician's office or in any facility not approved by the federal Health Care Finance Administration for payment of such fees under Medicare. Mr. Myer requested for implementation of the change be put on the web site for the plan members to view. There being no objections, the motion was approved.

A motion was made by Dr. Cicardo, with a second by Mr. Myer, to table the out-of-state facility fee maximums pending research and recommendations by the Benefits and Rate Making Committee. There being no objections, the motion was approved.

Recommendation from the Commissioner of Administration concerning Interim CEO

Mark Drennen, Commissioner of Administration, recommended the appointment of Mr. Kip Wall as interim CEO of the SEGBP in light of Dr. Walker's resignation. Mr. Drennen stated that Mr. Wall's appointment as interim CEO would be effective immediately and until such time a permanent CEO candidate could be appointed. He stated that Dr. Walker has agreed to stay with the program through September.

A motion was made by Mr. Myer, with a second by Mr. Castaing, to appoint Mr. Kip Wall as interim CEO for SEGBP at his current salary. Dr. Cicardo questioned whether Dr. Walker's compensation would continue at his current salary. Mr. Temple stated that it was his recommendation that Dr. Walker continue to be compensated at his current level for at least thirty days. Mr. Culotta questioned Mr. Drennen whether the search for CEO would be statewide or nationwide. Mr. Drennen stated that it would be the decision of the search committee, but it was his recommendation it be opened to everyone. There being no objections, the motion was approved.

Mr. Smith asked Dr. Walker to explain the reason for his resignation. Dr. Walker stated that the expense and physical impact of traveling home to North Carolina every week was getting more difficult. Also, he stated that he would like to spend more time with his family.

RFP for EPO

Dr. Walker provided a draft RFP for the Exclusive Providers Organization. He stated that the recently implemented EPO was based on an open solicitation basis and did not use the formal RFP process. At the Board's request, a formal RFP process would be developed for the renewal of the EPO contracts. The evaluation process previously utilized by Aon graded bidders using 60% of the points for financial impact and 40% of the points for market acceptability. Dr. Walker stated that, should the Board choose the 60%/40% split, the current EPO hospitals would likely be chosen again using the RFP process. Discussion followed regarding changing the evaluation points from 60% financial and 40% market acceptance to 70% financial and 30% market acceptance.

A motion was made by Mr. Lincecum, seconded by Senator Schedler, to retain the 60%/40% point system that was used on the EPO evaluations.

A substitute motion was made by Mr. Myer, seconded by Dr. Cicardo, to accept the 70%/30% plan. The motion was based on the assumption that the 70%/30% could reduce the amount of a potential rate increase. Following further discussion, Mr. Myer withdrew his motion and Dr. Cicardo withdrew her second.

The following is the result of a roll call vote on the original motion.

YEAS

Dr. Broussard
Dr. Calvin
Mr. Castaing
Dr. Cicardo
Mr. Culotta
Mr. Greer
Mr. Lee
Mr. Lincecum
Rep. McMains
Mr. Myer
Senator Schedler
Mr. Smith
Mr. Temple
Mr. Ward

NAYS

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

Dr. Cicardo requested that Aon provide the Board with a chart representing SEGBP's total expenditures over the last five years and include the cash balance at the end of each fiscal year. Mr. Temple stated that Bruce Minor could furnish that information.

Reserves and Waiver of Premium

Aon Consultant Ken Viera reported on the waiver of premium reserves and the incurred but not reported (IBNR) claims. The waiver of premiums reserve is \$4.7 million. The one-year term premium, which is the cost of death claims for the year is projected to be approximately \$686,300. The 1999 estimated IBNR is \$37,183,237. This is approximately \$12 million lower than the IBNR for 1998. Mr. Wall stated that SEGBP's cash balance, as of fiscal year end 6/30/99, was \$15 million.

PPO Physician Fees for 2000/2001

It was Dr. Walker's recommendation, for the year 2000/2001, that SEGBP retain the current fee schedule with physicians. Dr. Calvin stated that any further reduction in the fee schedule would reduce participation.

Vernon Parish School Board

Dr. Walker informed the Board that Vernon Parish School Board (VPSB) has formally requested re-admission into SEGBP. SEGBP informed VPSB that the effective date would be November 1, 1999. Due to VPSB's impending loss of coverage with their current carrier there is a need for coverage to be effective September 1, 1999 on an emergency basis. VPSB has been given a 37% risk-rate premium for the period November 1, 1999 through October 31, 2000 and also for interim emergency enrollment for the months of September and October. The school system has asked that they not be penalized with the increase risk-rate for 14 months. They feel they should only be given the higher rate for 12 months.

Dr. Cicardo questioned whether SEGBP was advised that they had to furnish new employees with insurance. Mr. Lincecum stated that VPSB was directed to advise their new employees to retain their Cobra coverage or other insurance coverage through November 1, 1999.

The Board Chairman asked Mr. Richard Schwartz, Superintendent of Vernon Parish School Board to speak to the Board. Mr. Schwartz stated that there were approximately 100 new employees. Dr. Walker stated that the SEGBP staff was not prepared to enroll an additional 100 new employees by September 1, 1999. The earliest would be October 1, 1999. Senator Schedler stated that in the private sector there was a 30-60 day window of no coverage for new employees. Mr. Benoit stated that under SEGBP's plan, if a VPSB employee was hired on August 15th, under the eligibility provision, the earliest effective date the employee could have was October 1, 1999.

Following further discussion, a motion was made by Mr. Lincecum, seconded by Senator Schedler, to allow Vernon Parish School Board to rejoin SEGBP on September 1, 1999 with the risk-rate premium to start on September 1st and end on August 31, 2000.

Mr. Culotta questioned Dr. Walker about the cost to the Program to allow Vernon Parish School System to rejoin, with the two-month slack period. Dr. Walker stated that the cost would be approximately \$300,000. Mr. Schwartz stated that the Department of Insurance proposed the September 1st roll over.

A substitute motion was made by Representative McMains, seconded by Mr. Myer, for SEGBP to allow the early entry and charge the additional cost of \$300,000 to Vernon Parish School Board.

After further discussion, Representative McMains restated his substitute motion to allow VPSB to enter the program October 1 for open enrollment purposes and on an emergency basis for currently enrolled employees with a September 1 effective date. The premium for that 13 month period would include the 37% risk-rated subsidy. Mr. Myer seconded Representative McMains restated motion.

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

YEAS

Dr. Calvin
Mr. Castaing
Mr. Greer
Mr. Lee
Rep. McMains
Mr. Myer
Senator Schedler
Mr. Smith
Mr. Ward

NAYS

Dr. Broussard
Dr. Cicardo
Mr. Culotta
Mr. Lincecum
Mr. Temple

With nine (9) yeas, and five (5) nays, the motion passed.

Customer Service ACD Report

Dr. Walker stated that the Customer Service ACD Report was available for the Board to review.

COO Report

Employee of the Month

Mr. Wall introduced the August Employee of the Month, Ms. Sandra Compton. Ms. Compton has been employed with SEGBP for 25 years and she is a Customer Service employee. Mr. Wall stated that Ms. Compton was greatly appreciated for her efforts.

Operation, Financial & Legal Report

Mr. Wall reported that the Daily Claims Inventory report indicated the total of all claims in-house was higher due to higher claims volume, and processing the new EPO/PPO claims. Mr. Wall delivered a draft RFP for claims adjudication services. He stated that the out-source services would be utilized only when needed. Mr. Culotta questioned why additional staff wasn't hired as opposed to out-sourcing the work. Mr. Wall reported that additional staff had been hired in the Customer Service and in the Claims Processing division.

Mr. Ward stated a disaster recovery plan was needed and out-sourcing service would provide the security. He also stated that the program needed to improve its efficiency of claims processing and that the Claims Committee would be setting

performance and efficiency targets for the effective processing of claims. Mr. Wall stated that SEGBP was currently assisting Civil Service in a pay adjustment request for the claims adjusters in order to retain the qualified employees.

Dr. Broussard questioned at what point would the out-sourcing be required. Mr. Wall stated that should the inventory reach approximately 85,000 claims or should the program lose a significant number of qualified employees, then out-sourced services would be needed.

A motion was made by Mr. Myer, seconded by Mr. Ward, to accept the RFP for a Claims Processing Service Contract.

The following is a result of the roll call vote:

YEAS

Dr. Broussard
Dr. Calvin
Mr. Castaing
Mr. Greer
Mr. Lee
Mr. Lincecum *
Rep. McMains
Mr. Myer
Senator Schedler
Mr. Smith
Mr. Temple
Mr. Ward

NAYS

Dr. Cicardo
Mr. Culotta

With twelve (12) yeas, and two (2) nays, the motion passed.

* Mr. Lincecum questioned Mr. Wall, for the record, whether the out-sourced services displace any present employee in the Claims Processing department under the terms of the contract. Mr. Wall stated that it would not.

Mr. Wall stated that the Claims Payment report indicated \$18 million was paid out and there was a cash balance of \$12 million as of August 25, 1999. The Financial Statement and Legal Report were available for review.

Mr. Wall delivered a draft summary of the public hearing meeting. A draft prepared by Ms. Runyan, entitled "SEGBP Annual Report to Plan Members" was also presented. Mr. Wall stated that the report should be provided to all the plan members by the end of each fiscal year. Mr. Wall asked the Board to review and make comments for input and the report would go out to the plan members by the end of the month.

Mr. Wall inquired if the Board felt it needed additional public hearings. Following discussion, it was concluded that public hearings would be announced after the plans for the 2000-2001 fiscal year were developed.

CIO Report

Mr. Boesch stated that a form would be sent to each Board Member requesting his/her electronic communication preference.

Mr. Boesch stated that the evaluation committee for the imaging RFP had selected a vendor. The award letter would be sent out shortly and it would be publicly announced. The proposal was within SEGBP budget restraints that were set internally. Dr. Cicardo requested to review the committee's evaluation.

Approval of Minutes of July 28, 1999 Meeting

The minutes of July 28, 1999 meeting were presented for review and approval.

A motion was made by Mr. Ward, with a second by Mr. Greer, to accept the minutes of the July 28, 1999 Board Meeting. There being no objections, the minutes were approved.

Committee Reports

Benefits and Rate Making Committee

Mr. Myer reported on the August 3, 1999 Benefits and Rate Making Committee meeting. He stated that a motion was approved to study all items on the agenda. Mr. Myer requested the agenda of the meeting be attached to the minutes. He stated that action was taken to review the evaluation of the two-party rate options. A motion was made for staff to investigate the feasibility of a disease management program for diabetes and asthma. He stated that the Committee was also reviewing differential pricing alternatives and cytogenetics. Dr. Broussard instructed Dr. McKnight to obtain information on VAX-D from the Louisiana Orthopedic Association and to report back to the Committee. Dr. Walker requested Aon to study, review, and provide the cost of raising the co-insurance from 50% to 70% when plan members utilize out-of-network providers.

A motion was made by Mr. Myer, with a second by Mr. Lincecum, to accept the Benefits and Rate Making Committee report. There being no objections, the report was accepted.

Mr. Lincecum clarified that the CNA vendor would not need to attend Board Meetings unless there was a life insurance issue on the agenda.

Grievance Committee Meeting

Mr. Culotta reported on the August 25, 1999 Grievance Committee Meeting. The Committee heard seven appeals and two requests for re-hearings. Mr. Culotta requested that Legal Counsel, Mr. Benoit, clarify and report to the Board with a recommendation concerning the definition of "accident" and "sound natural tooth". After a brief summary, a motion was made by Mr. Castaing, with a second by Mr. Lincecum, for acceptance of the report of the August 25, 1999 Grievance Committee meeting. There being no objections, the report was accepted.

Internal Audit/Finance Committee Meeting

Mr. Lee reported on the Internal Audit/Finance Committee Meeting held on July 26, 1999. He stated that due to the lack for a quorum, the Committee discussed several agenda items, and no action was taken. The items would be brought back before the next Committee meeting. A motion was made by Mr. Castaing, with a second by Dr. Cicardo, to accept the Internal Audit/Finance Committee report. There being no objections, the report was accepted.

New Business

Mr. Temple stated that the next SEGBP Board Meeting would be September 29, 1999. Mr. Lee requested the meeting be held in the Houma/Thibodaux area. Representative McMains stated that he objected to holding a meeting outside of Baton Rouge until plans were more final. Mr. Lee stated that an explanation should be given to the plan members concerning how and why decisions were being made in an affected area. Mr. Temple requested that staff present a schedule for the remainder of the year including the places and time for the Board meetings.

A motion was made by Mr. Lincecum, with a second by Mr. Myer, to adopt a resolution that the Board urge and request the Legislature increase the contribution of state insurance premiums to a level equivalent to that of the retirees with a copy of the resolution to be sent to each member of the Legislature. There being no objections, the motion passed unanimously. A copy of the resolution would also be sent to the plan members via the SEGBP newsletter.

Dr. Cicardo requested a list of all professional service contracts and equipment purchases that were issued in FY 98/99 in excess of \$15,000. Mr. Wall stated that the CRISP report would provide the information requested on service contracts.

A motion was made by Mr. Culotta, with a second by Dr. Cicardo, to request a personnel report that list the number of positions and job appointments, with the amount paid to employees, to be presented to the Board.

The following is the result of a roll call vote:

YEAS

Dr. Cicardo
Mr. Culotta

NAYS

Dr. Broussard
Dr. Calvin
Mr. Castaing
Mr. Greer
Mr. Lee
Rep. McMains
Mr. Myer *
Senator Schedler
Mr. Smith
Mr. Temple
Mr. Ward

ABSTAINED

Mr. Lincecum

* Mr. Myer originally voted yea, but changed his vote to nay before the results of the vote were reported.

With two (2) yeas, ten (10) nays, and one abstention, the motion failed.

Old Business

Mr. Myer stated that the SEGBP web site needed to be updated. Ms. Runyan stated that outdated information had been removed from the web site and replaced by a notice that those areas were "under construction". Mr. Myer stated that agency Human Resource sections utilize the web site and it was a tool to inform and communicate with retirees and plan members. Dr. Cicardo suggested that the approved Board minutes also be scanned and put on the SEGBP web page.

ADJOURN

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