

Minutes from the Meetings of the Board of Trustees

November 12, 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. Richard O'Shee
Senator Tom Schedler
Mr. John Warner Smith
Mr. Aubrey Temple
Mr. Kelly Ward

Members Absent

Mr. Richard Miles

Roll call indicated thirteen (13) Board Members present, representing a quorum.

* Representative Chuck McMains arrived after roll call.

APPROVAL OF MINUTES OF OCTOBER 27, 1999 MEETING

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

A motion was made by Mr. Ward, with a second by Mr. Lee, to accept the minutes of the October 27, 1999 Board Meeting.

There being no objections, the minutes were approved.

CEO/COO REPORT

Employee of the Month

Mr. Wall introduced to the Board the November Employee of the Month, Mrs. Lisa Wilkinson. Mrs. Wilkinson is an employee of the Legal Division. She is an Administrative Services Assistant/Secretary and also the secretary to the Grievance

Committee. Mrs. Wilkinson has been employed with SEGBP for 8.5 years. Her co-workers have recognized her outstanding job performance.

PPO Comparison Report

Mr. Wall reported that at the request of the Board, the information on the PPO comparison report would not be sent out to the plan members in the next communication. He stated that Dr. Cicardo had questioned the availability of physicians in the Lafayette area. At the present, staff was assisting Dr. Cicardo in updating the PPO directory. There were physicians listed in the directory that were not accepting new patients or did not provide services. Mr. Wall stated that staff would present to the Board, recommendations of set standards in order to be listed as a PPO provider in the directory.

Operation, Financial and Legal Report

Mr. Wall reported that the Daily Claims Inventory report indicated that the program was paying claims within a 30-day window. He stated that there was set back in the IS Division which caused a day lost in production, but due to the back up system, the problem was under control. Mr. Wall reported that the TPA RFP was presently being finalized.

Mr. Bruce Minor, Fiscal Director, reported the previous problem SEGBP had with the ISIS system had been resolved. He stated the accrual statement indicated \$5.3 million dollars at the quarter ended September 30, 1999. Mr. Minor stated that a full accrual statement as of June 30, 1999, as requested by Mr. Castaing, would be provided at the next Internal Audit/Finance Committee meeting. He stated that the Program had a cash balance of approximately \$19 million dollars. Mr. Wall stated that as of October 30, 1999 the Program had paid \$47 million dollars in claims attributable to last year's claims, which represented unfunded liability. Dr. Cicardo requested Mr. Ken Vieira, Aon Consultant, be present at the Board Meetings when discussing unfunded liabilities.

Mr. Wall stated that the Legal Report and ACD Telephone Calls report were included in the Board package for review.

CIO REPORT

Mr. Thommy Boesch reported on the update of the imaging RFP. He stated that the RFP had been re-issued and responses were scheduled to be in by November 29, 1999.

Mr. Boesch reported to the Board and discussed the IS error that occurred in relation to the loss of claims. He stated that it was a human error in the IS Department . He reported that due to the backup systems that were placed during the first and second quarter of the year, the IS Department had the ability to recover the loss of claims in a short period of time. Mr. Temple questioned Mr. Boesch whether he had a summary of cost in regards to the loss. Mr. Boesch stated that he would provide a summary of costs to the Board.

COMMITTEE REPORTS

Internal Audit/Finance Committee Mr. Lee stated that the Internal Audit/Finance Committee met on November 4, 1999. Mr. Lee reported on each recommendation from the Committee meeting and requested that the Board take action on each item.

The Committee recommends deferring indefinitely the issue of changing the fiscal plan year to a calendar year.

A motion was made by Mr. Lee, second by Dr. Cicardo, to defer indefinitely the issue of changing the fiscal plan year to a calendar year. There being no objection, the motion was approved.

The Committee recommends extending EPO contracts at the current rate of compensation for Plan Year 2000-01.

A lengthy discussion followed. Mr. Wall distributed copies of a letter received from Ochsner Clinic requesting the opportunity to participate in the EPO.

A motion was made by Senator Schedler, seconded by Dr. Cicardo, to modify the recommendation for extending EPO contracts at the current rate of compensation for Plan Year 2000-01 by deleting the current exclusive provider clause.

A substitute motion was made by Mr. Lincecum, seconded by Mr. Culotta, to authorize the CEO to contact the present EPO providers and research their views on extending the contract at the current rates with the provision that other providers be permitted to join the EPO. Following discussion, Mr. Lincecum withdrew his substitute motion and Mr. Culotta withdrew his second.

The following is a result of the roll call vote on Senator Schedler's original motion:

YEAS

Dr. Broussard
Dr. Cicardo
Senator Schedler

NAYS

Dr. Calvin
Mr. Castaing
Mr. Culotta
Mr. Greer
Mr. Lee
Mr. Lincecum
Rep. McMains
Mr. Smith
Mr. Temple
Mr. Ward

With three (3) yeas, and ten (10) nays, the motion failed.

A motion was made by Mr. Lee, seconded by Mr. Ward, to authorize extending EPO contracts at the current rate of compensation for Plan Year 2000-01.

The following is a result of the roll call vote:

YEAS

Dr. Calvin
Mr. Castaing
Mr. Culotta
Mr. Greer
Mr. Lee
Mr. Lincecum
Rep. McMains
Mr. Smith
Mr. Temple
Mr. Ward

NAYS

Dr. Broussard
Dr. Cicardo
Senator Schedler

With ten (10) yeas, and three (3) nays, the motion passed.

The Committee recommends soliciting HMO contracts according to the current established regions, and selecting only one HMO per region.

Dr. Cicardo and Dr. Calvin expressed their concern of limiting one HMO for each region. Mr. Lincecum stated that it was his recommendation to limit one HMO in each region in order to obtain the best price available. Mr. Culotta questioned whether SEGBP would set the pricing for the HMO. Mr. Wall stated that the financial qualification criteria were discussed. Mr. Wall stated that his recommendation to the Board, as part of the RFP criteria, was to require each HMO to submit a rate adequacy certification signed by an actuary.

A motion was made by Mr. Lee, with a second by Mr. Lincecum, to solicit HMO contracts according to the current established regions, and select only one HMO per region.

The following is a result of the roll call vote:

YEAS

Mr. Castaing
Mr. Greer
Mr. Lee
Mr. Lincecum
Rep. McMains
Senator Schedler
Mr. Smith
Mr. Temple
Mr. Ward

NAYS

Dr. Broussard
Dr. Calvin
Dr. Cicardo
Mr. Culotta

With nine (9) yeas, and four (4) nays, the motion passed.

Mr. Temple requested that the Board take up the matter of filling the vacancy created by the resignation of Malcolm Myer. Mr. Temple introduced Mr. David Hood, Secretary of the Department of Health and Hospitals, and recommended that he be appointed on an interim basis to fill the vacancy on the Board.

A motion was made by Senator Schedler, with a second by Representative McMains, to appoint Mr. David Hood to replace Malcolm Myer. There being no objections, the motion was approved. Mr. Tommy Benoit, Board Counsel, administered the oath of office to Mr. Hood who was then seated as a member of the Board of Trustees.

Mr. Temple welcomed Mr. Hood as member to the SEGBP Board of Trustees. A resume' was delivered on Mr. Hood as follows:

Mr. David Hood was appointed Secretary of the Department of Health and Hospitals by Governor Mike Foster in January 1998. Mr. Hood previously served for two years as Undersecretary of DHH where he directed the \$3 billion Medicaid program and managed the department's overall fiscal, budget, and planning operations. Mr. Hood's service in Louisiana government has spanned 21 years, having served 15 years in the Legislative Fiscal Office where he focused his attention on health care matters, especially cost-containment issues in the Medicaid program. Previously, Mr. Hood served for three years as Director of Capital Expenditure Review for the State Health Planning Office. Mr. Hood also served six years as an officer in the United States Air Force. He has two degrees from Louisiana State University, a B.A. in journalism and an M.A. in Latin American studies/political science. Mr. Hood has lived in Louisiana since he was 17 years old --when he entered LSU.

Mr. Lee continued the Internal Audit/Finance Committee report as follows:

The Committee recommends allowing the HMO RFP, with the approval of the CEO, to provide for variations of pricing between regions.

A motion was made by Mr. Lee, with a second by Mr. Castaing, to allow the HMO RFP, with the approval of the CEO, to provide for variations of pricing among regions. With only two objections (Dr. Cicardo and Mr. Culotta), the motion was approved.

The Committee recommends that HMO RFP include financial qualification criteria established by the CEO, upon consultation with Aon and the Department of Insurance.

A motion was made by Mr. Lee, seconded by Mr. Greer, that HMO RFPs include financial qualification on criteria established by the CEO, upon consultation with Aon and the Department of Insurance.

The following is a result of the roll call vote:

YEAS

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

NAYS

Mr. Culotta

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

Mr. Culotta stated that due to him not having an opportunity to read the HMO RFP his vote would be no to all items concerning the HMOs.

The Committee recommends that an administrative fee be assessed to all HMO participants, as set by the CEO and the Accounts Administrator on an annual basis.

A motion was made by Mr. Lee, with a second by Mr. Ward, that the administrative fee be assessed to all HMO participants, as set by the CEO and the Accounts Administrator on an annual basis.

The following is a result of the roll call vote:

YEAS

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

NAYS

Mr. Culotta

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

The Committee recommends that the CEO be authorized to establish a cost assessment on HMO participation to provide for the fair and equitable distribution of risks across all Plan Members and to avoid adverse selection in the Indemnity Plans.

A motion was made by Mr. Lee, with a second by Mr. Ward, to authorize the CEO to establish a cost assessment on HMO participation to provide for the fair and equitable distribution of risks across all Plan Members and to avoid adverse selection in the Indemnity Plan.

The following is a result of the roll call vote:

YEAS	NAYS	ABSTAINED
Dr. Broussard	Mr. Culotta	Dr. Cicardo
Dr. Calvin		
Mr. Castaing		
Mr. Greer		
Mr. Hood		
Mr. Lee		
Mr. Lincecum		
Rep. McMains		
Senator Schedler		
Mr. Smith		
Mr. Temple		
Mr. Ward		

With twelve (12) yeas, one (1) nay, and one (1) abstention, the motion passed.

The Committee recommends a three tier co-pay system for prescription drugs under the EPO, with a co-pay of \$5 for generic, \$15 for formulary/preferred brands, and \$30 for non-preferred brands, and under the PPO, a co-pay of \$5 for generic, \$20 for formulary/preferred brands, and \$35 for non-preferred brands, effective July 1, 2000.

Mr. Ward asked the consultants to explain how the formulary for the three-tier co-pay system was established and the advantages of it. Ms. Carol Nick-Kresl, Merck-Medco Pharmacist, reported that there was a national committee that met quarterly to introduce new drug products and the committee makes recommendations to Merck-Medco.

Mr. Ward questioned Mr. Blunk, Aon Consultant, on the savings for a three-tier co-pay. Mr. Blunk stated approximately \$2.5 million annually.

Dr. Calvin questioned Ms. Nick-Kresl how the committee qualified generic equivalence. Ms. Krussel stated that the committee relied on the FDA rating system. Mr. Hood questioned Mr. Blunk on the liability issue concerning utilization of the formulary. Mr. Blunk stated that Aon recommended SEGBP not to change the formulary by Merck-Medco.

Dr. Broussard questioned Merck-Medco on the number of generic drugs. Ms. Hoomaian stated that on the formulary there were 296 generic and 336 preferred prescription drugs.

A motion was made by Mr. Lee, with a second by Mr. Ward, to institute a three tier co-pay system under the EPO with a co-pay of \$5 for generic, \$15 for formulary/preferred brands, and \$30 for non-preferred brands, and under the PPO, a co-pay of \$5 for generic, \$20 for formulary/preferred brands, and \$35 for non-preferred brands, effective July 1, 2000.

The following is a result of the roll call vote:

YEAS

NAYS

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

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

The Committee recommends eliminating the 90-day supply of maintenance medications. Mr. Lincecum reported that in the Internal Audit/Finance Committee it was stated that eliminating the 90-day supply of maintenance medication would save SEGBP \$600,000.

Ms. Hoomaian stated that after re-calculating; the savings were \$3 million dollars. Mr. Wall reported that in 1998-99, the pharmaceutical cost increased 25%, 15-20% across the market. Mr. Wall stated that the 90-day supply benefit was not a common benefit and the Board did not have a 25% increase in pharmaceutical cost at the time it was passed.

Following further discussion, a motion was made by Representative McMains, with a second by Dr. Cicardo, to table the issue of eliminating the 90-day supply of maintenance medication and refer the issue back to the Internal Audit/Finance Committee for additional evaluation.

The following is a result of the roll call vote:

YEAS

Dr. Broussard
Dr. Calvin
Mr. Culotta
Dr. Cicardo
Mr. Greer
Mr. Hood
Mr. Lincecum
Rep. McMains
Senator Schedler
Mr. Smith
Mr. Ward

NAYS

Mr. Castaing
Mr. Lee
Mr. Temple

With eleven (11) yeas and three (3) nays, the motion passed.

Mr. Lee stated that was the conclusion of the November 4, 1999 Internal Audit/Finance Committee report. Mr. Temple commended Mr. Lee and the Internal Audit/Finance Committee for the outstanding work that was performed in order to move forward with the Program.

Mr. Culotta reported that he was absent from the last Board Meeting and the October 28, 1999 Grievance Committee report was not added as an item to the agenda.

A motion was made by Mr. Culotta, with a second by Mr. Lincecum to add the Grievance Committee as an item under Committee Reports to the agenda. There being no objections, the motion passed.

Mr. Culotta stated that one of the items discussed at the Grievance Committee was the definition of "accident" which was not in the report. The Committee recommended the item be listed on the next Board agenda to be discussed. A motion was made by Mr. Castaing, with a second by Dr. Cicardo, to accept the report of the October 28, 1999 Grievance Committee without the definition of accident. There being no objections, the motion passed.

Dr. Cicardo stated that in reference to the inquiries on the issue of Errors and Omission Professional Liability insurance for the Board, the greatest liability was on the Grievance Committee. She stated that National Insurance companies would not issue liability policies without bylaws for the Agency.

ELECTION OF SECRETARY OF THE BOARD

Mr. Temple asked for nominations for the Secretary of the Board, in that Malcolm Myer, who has resigned from the Board, had served as Secretary.

Mr. Ward nominated Mr. James Lee for Secretary of the Board, with a second by Mr. Lincecum. There being no further nominations, and without objections, Mr. James Lee was elected Secretary of the Board.

NEW BUSINESS

Mr. Greer requested the Internal Audit/Finance Committee to evaluate the cost savings of implementing a \$10 co-pay on generic drugs versus not implementing the 90-day supply of maintenance medications. Mr. Lincecum recommended that the Internal Audit/Finance Committee meet at the earliest time possible concerning the issue and make a recommendation in order to move forward with the plan, so staff could be prepared for open enrollment.

Dr. Calvin voiced his concern in regard to understanding the HMO RFP. Mr. O'Shee made recommendation to the Board to review the RFP and send Mr. Wall in writing, suggestions and comments on the RFP.

A motion was made by Mr. Culotta, with a second by Dr. Calvin for the Board to meet the following week to discuss the HMO RFP. Mr. Temple suggested the Board discuss the items of concern in regard to the HMO RFP at the present time in order to move forward. A discussion followed with Mr. Tom Blunk, Aon Consultant, concerning the HMO RFP.

A letter was delivered to the Board from Mr. Forest Benedict, Associate Vice Chancellor of LSU System (a copy of which is attached hereto and made a part hereof). Mr. Benedict's letter concerned the impact of limiting choice and allowing consumer choice among competing plans. Mr. Wall stated that staff was assisting LSU in compiling a survey to all plan members, to solicit input on plan design and operation. Mr. Wall stated that plan members would have the opportunity to voice their opinions on issues critical to the agency and the information from the survey would be reported to the Board.

A motion was made by Mr. Ward, with a second by Mr. Lee, to allow staff to move forward with the HMO RFP.

A substitute motion was made by Mr. Culotta to meet the following week to discuss the HMO RFP in order to give Board Members the opportunity to read over the HMO.

The motion failed due to the lack of a second.

The following is the result of a roll call vote on the motion to allow staff to move forward with the HMO RFP:

YEAS

Dr. Broussard
Dr. Cicardo
Mr. Greer
Mr. Hood
Mr. Lee
Mr. Lincecum
Rep. McMains
Senator Schedler
Mr. Smith
Mr. Temple
Mr. Ward

NAYS

Mr. Culotta

With eleven (11) yeas and one (1) nay, the motion passed.

Mr. Wall reported on a letter from Dr. Charles Herring concerning his attendance at future Board meetings held in various locations around the state, which was not in his contract. Dr. Herring questioned the Board if he was required to attend the meetings and how he would be compensated for the additional time that would require travel.

A motion was made by Mr. Lee, with a second by Mr. Lincecum, to allow compensation for travel of the professional contractors (Medical Director, Dentist and Chiropractor) to attend the future Board Meetings held in various locations around the state at the allowable rate of state employees. Representative McMains questioned the need for the professional contractors to attend all the Board Meetings.

Following discussion, the motion was amended by Mr. Lee, with a second by Mr. Lincecum, to allow compensation for travel for the professional contractors to attend future Board Meetings held in various locations around the state, provided they are needed at a particular meeting, and allow compensation at the allowable rate of state employees. There being no objections, the motion passed.

Mr. Culotta reported that the Grievance Committee adopted wording to be presented to the Board on the definition of accidental injury. He stated that there was no definition in the Plan Document concerning accidental injury and the Committee needed guidance in order to make rational and uniform decisions. Mr. Culotta delivered a definition of accidental injury (a copy of which is attached hereto and made a part hereof). He proposed to the Board to adopt language that defines accidental injury as an emergency rule.

A motion was made by Mr. Lincecum, seconded by Mr. Greer, to adopt the definition of accidental injury as official policy of the Program effective January 1, 2000. There being no objections, the motion passed.

OLD BUSINESS

Mr. Wall stated that an audit from Civil Service on the request for upgrade on classifications for Customer Service, Claims, Eligibility and Overpayments employees would be conducted. He reported that it would take several months before implementing upgrades for the agency. Mr. Culotta requested to be included in the discussions with Civil Service on behalf of the agency concerning the upgrades.

Mr. Wall delivered a letter concerning Out-of-Network Fee Information. He requested the Board to review the information concerning the overview of how other plans set out-of-network fees.

Mr. Wall delivered a letter concerning PPO and EPO Contracts. He stated that questions were brought to his attention on how the PPO and EPO contracts should be handled under state law. Mr. Wall requested authorization from the Board to seek the Attorney General's opinion to determine the applicability of the statute to EPO and PPO contracts.

A motion was made by Representative McMains, with a second by Mr. Greer, to allow Mr. Wall to request the Attorney General's opinion to determine the applicability of the statute to EPO and PPO contracts.

There being no objections, the motion was passed.

Mr. Temple stated that the next Board Meeting would be held on December 15, 1999 at 9:00 a.m.

Dr. Cicardo requested the Board to review the possibility of holding two Board Meetings in Alexandria and the remainder of the meetings held in Baton Rouge.

Mr. Lincecum stated that arrangements had been made to hold the Board Meetings at the previously approved locations.

ADJOURN

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