

## **Minutes from the Meetings of the Board of Trustees**

**November 10, 2000**

### **CALL TO ORDER**

Mr. Hubert Lincecum, Vice Chairman, called the monthly meeting of the Board of Trustees to Order.

### **ROLL CALL**

#### **Members Present**

Dr. James Calvin  
Dr. Barbara Cicardo  
Mr. Russell Culotta  
Mr. Robert Greer  
Mr. Charles Lazare  
Mr. James Lee  
Mr. Hubert Lincecum  
Ms. Mary McDaniel  
Mr. Richard O'Shee  
Representative Tank  
Powell  
Mr. John Warner Smith  
Mr. Kelly Ward  
Mr. Aubrey Temple\*

#### **Members Absent**

Dr. Merline Broussard  
Mr. Charles Castaing  
Senator Tom  
Schedler

Roll call indicated twelve (12) Board Members present, representing a quorum.

\*Mr. Temple arrived after roll call.

For informational purposes, Mr. Wall announced to the Board the following:

Mr. Thommy Boesch, CIO, is no longer with the agency. Civil Service did not renew the requested approval for the vacant CIO position. SEGBP is continuing to move forward with the implementation of EDI (electronic claims receipt). Also, the agency is in the process of upgrading the RIMS system, in order to implement the new check voucher program, as well as finalizing the implementation of the ScanOptic system. Due to the vacancy, delays may occur in the final implementation of these programs. Dr. Cicardo suggested requesting assistance from the LSU Computer Science Department.

Numerous telephone calls have been received in regard to the proposal to require 40 quarters of participation in SEGBP prior becoming eligible for retirement benefits (20 quarters for disability retirement in the teachers system). There was no projection on the impact of enrollment once this was implemented. When the proposal is introduced in Legislation, there would be a phase-in period included. No plan member would be cut off or prohibited from participating as a retiree without an opportunity to join the program. Dr. Cicardo voiced the concern of higher education

participants. Mr. Lincecum stated that it was his intent that the proposal would not affect present employees, only the state employees hired on or after the effective date of the act.

## **COMMITTEE REPORT**

### **Internal Audit & Finance Committee**

Mr. James Lee stated that the Internal Audit & Finance Committee met November 9, 2000. The Committee reviewed the actuary study concerning the possible rate increases effective January 1, 2001. Mr. Lee presented recommendations from the Committee and requested that the Board take action on each item.

### **The Committee recommends the Board adopt the 15% premium increase effective January 1, 2001.**

A motion was made by Mr. Lee, seconded by Mr. Lincecum, to adopt a 15% premium increase effective January 1, 2001.

Following a lengthy discussion, Mr. O'Shee reported on the Department of Insurance (DOI) actuary report. DOI recommended all agencies to pay 100% premium for active employees and maintain a 75% participation rate.

A substitute motion was made by Mr. Lazare, seconded by Dr. Cicardo, to refer the Department of Insurance actuary report to the appropriate Committee for review and recommendation concerning the change of participation.

Mr. Lincecum suggested adopting an emergency rule that would require the state to assume the entire amount of the 15% increase, until the Legislature convenes and a decision is made concerning the program.

Representative Powell stated that the Governor was currently appointing a new commission to study SEGBP. He stated that a Legislative Committee would not act on SEGBP's recommendations until the receipt of recommendations from the task force that the Governor appoints.

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

#### **YEAS**

Dr. Cicardo  
Mr. Culotta  
Mr. Lazare  
Ms. McDaniel

#### **NAYS**

Dr. Calvin  
Mr. Greer  
Mr. Lee  
Mr. Lincecum  
Representative  
Powell  
Mr. Smith  
Mr. Ward  
Mr. Temple

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

Mr. Temple suggested deferring the issue until the commission makes recommendations to the Governor, and then the program could receive guidance from the study.

Mr. Lincecum stated that he maintained his second to the original motion and suggested a vote on the motion. Following discussion, Mr. Lincecum withdrew his second to the original motion to raise the premium for the program.

Mr. Temple stated that SEGBP needed to forecast the amount of dollars needed between now and June 30th and forward the information to the Division of Administration.

**The Committee recommends that the Board approve the Annual Budget.**

Mr. Bruce Minor, Fiscal Director, delivered the Budget Estimates and Request for fiscal year ending June 30, 2002. He stated that claims expenses and drug expenses projections by the actuary were included when the budget was prepared and presented to the Division of Administration. The budget reflected a significant increase over current operation budget due to projected expenditure increases that are expected next year. In the overall administration of the plan, there were very few material changes made.

A motion was made by Mr. Lincecum, seconded by Mr. Ward, to accept the Annual Budget proposed by the CEO.

The following is the result of a roll call vote:

| <b>YEAS</b>           | <b>NAYS</b> | <b>ABSTAINED</b> |
|-----------------------|-------------|------------------|
| Mr. Culotta           |             | Dr. Calvin       |
| Mr. Greer             |             | Dr. Cicardo      |
| Mr. Lee               |             | Mr. Lazare       |
| Mr. Lincecum          |             |                  |
| Ms. McDaniel          |             |                  |
| Representative Powell |             |                  |
| Mr. Smith             |             |                  |
| Mr. Ward              |             |                  |
| Mr. Temple            |             |                  |

With nine (9) yeas, no nays, and three (3) abstentions, the motion passed.

**The Committee recommends award of the Consulting and Actuarial services to Deloitte & Touche, LLP.**

A motion was made by Mr. Lincecum, seconded by Mr. Smith, to recommend rejection of all bids concerning the Consulting and Actuarial services that were submitted.

Mr. Lincecum stated that based on the cost and the financial condition the program was experiencing, it was in the best interest of the agency to not award a contract based upon the proposals received.

The following is the result of a roll call vote:

**YEAS**

Dr. Calvin  
Mr. Culotta  
Mr. Greer  
Mr. Lazare  
Mr. Lee  
Mr. Lincecum  
Ms. McDaniel  
Representative  
Powell  
Mr. Smith  
Mr. Ward  
Mr. Temple

**NAYS**

Dr. Cicardo

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

**Grievance Committee**

Mr. Culotta reported on the October 26, 2000 Grievance Committee meeting. The Committee acted on six (6) appeals, and heard recommendations of the Administrative Claims Committee from its meetings on September 19, October 2, October 10, and October 17, 2000 (one reversed action). The Committee took no action on an appeal initially heard in August 2000.

A motion was made by Mr. Culotta, seconded by Representative Powell, for acceptance of the report of the October 26, 2000 Grievance Committee meeting. There being no objections, the motion was approved.

**OLD BUSINESS**

**Mr. Culotta** commended Mr. Temple for scheduling the Board Meeting on a holiday, which allowed opportunity for plan members to attend the meeting.

**Mr. Ward** recommended the Board take an immediate approach to review and study the report from the DOI and explore other structural plans concerning the death spiral. Mr. Temple expressed the need for direction from the Legislature and the Governor's office. Mr. Temple requested Mr. Wall to obtain comparisons from the surrounding states in regard to benefit levels and to revisit options to benefit the program. The DOI actuary report was referred to the Benefits and Rate Making Committee for review and recommendations.

**Mr. Lincecum** stated an auditing firm (ProPharma) was retained to audit Merck-Medco. The audit findings indicated Merck-Medco had overcharged SEGBP \$15 million dollars. Merck-Medco did not concur with the finding and requested additional information. Mr. Lincecum requested that staff begin action to collect the funds due to the agency. Mr. Wall stated that the agency was currently awaiting a second response from Merck-Medco.

## **NEW BUSINESS**

**Mr. Lincecum** expressed his concern with the SEGBP's financial situation. He stated that Legislature was currently funding more than 50% for retirees without Medicare. Dr. Calvin stated that Medicare could be bought for plan members not eligible. Mr. Wall stated the agency had run a survey and presented it to the IA/Finance Committee. Approximately 70% of retirees will be eligible for Medicare and that most are below the age 65 and do not qualify as of yet. Mr. Wall stated that a meeting was scheduled with Senator John Breaux's office to discuss what it would cost the agency for plan members not eligible for Medicare.

**Mr. Wall** stated that the Medical Necessity Review Organization Act was passed in 1999. The act creates new Grievance and Appeals procedures and obligations. He suggested the Grievance Committee contact the Department of Insurance for further information.

**Mr. Temple** encouraged staff to communicate with the Department of Insurance concerning SEGBP issues and recommendations or suggestions from DOI, prior to Board meetings.

## **ADJOURN**

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