

Minutes from the Meetings of the Board of Trustees

January 8, 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
Dr. Barbara Cicardo
Mr. Russell Culotta
Mr. Robert Greer
Mr. Charles Lazare
Mr. James Lee
Mr. Hubert Lincecum
Mr. Richard O'Shee
Rep. Henry "Tank" Powell
Senator Tom Schedler
Mr. John Warner Smith
Mr. Kelly Ward*
Mr. Aubrey Temple

Members Absent

Dr. Merline Broussard
Mr. Charles Castaing
Ms. Mary McDaniel

Roll call indicated twelve (12) board members present, representing a quorum.

*Mr. Kelly Ward arrived after roll call.

Mr. Temple thanked the Board Members for their attendance at the special meeting to consider the modification of benefits for plan year 2001-02.

Mr. Wall presented a memorandum which detailed benefit modifications that were considered by the Benefits and Rate Making Committee on January 4, 2001. He stated that the program had attempted to make benefit changes in order to control the cost and inflationary spiral that SEGBP was experiencing. It was projected that SEGBP would need an increased amount of approximately \$100 million dollars for funding to maintain the current benefit level. He stated the Board had met numerous times to review benefit plan designs, modification to the current benefit, and consider a number of options. Mr. Wall stated that the House Appropriations Committee acted as an oversight to review the proposed January 1, 2001 modifications, and the changes were rejected. Following that meeting, the Benefits and Rate Making Committee met to review and evaluate what could be done to aid the program in controlling its spiraling costs. He stated that amendments to the benefits for Fiscal Year 2001-2002 were needed in January. Actions taken by the Board would be forwarded to the appropriate oversight committee at the Legislature. Mr. Wall stated that the annual open enrollment begins on April 1, 2001.

Mr. Wall stated that Mr. Steve Eschbach, Consultant, Milliman & Robertson, was available to answer questions via the telephone.

Mr. Wall stated that the Benefits and Rate Making Committee voted to recommend the following actions to the Board for consideration:

Increase the annual deductible for the PPO from \$300 to \$500 for active plan members. The deductible for retired plan members will remain at \$300.

Mr. Wall stated that the annual savings projected were \$6.5 million dollars.

A motion was made by Mr. Lincecum, seconded by Mr. Culotta, to increase the annual deductible for the PPO from \$300 to \$500 for active plan members and to maintain the deductible for retired plan members at \$300.

The following is the result of a roll call vote:

YEAS

Dr. Calvin
Mr. Culotta
Mr. Greer
Mr. Lazare
Mr. Lee
Mr. Lincecum
Rep. Powell
Senator Schedler
Mr. Smith
Mr. Temple

NAYS

Dr. Cicardo

With ten (10) yeas, one (1) nay, the motion was approved.

Institute a 50/50 co-insurance program for prescription drugs, where the plan pays 50 percent of the cost and the plan member pays 50 percent, with the maximum payment for plan members at \$50 per prescription.

For informational purposes, Mr. Wall reported on an article from the publication "Business First" which indicated that Ohio State University was facing many of the same problems as SEGBP. Mr. Wall stated that he spoke with the Benefits Manager for Ohio State University and the manager confirmed the information in the article, which indicated that their program was also implementing a co-insurance program. Mr. Wall stated that with the continuing escalation in the drug cost trends, the program needed to adopt corrective action and he recommended to the Board to adopt a 50/50 co-insurance program and replace the 3-tier option.

A motion was made by Mr. Lincecum, seconded by Mr. Lee, to accept the CEO's recommendation of a 50/50 co-insurance for prescription drugs in all plans, with the maximum payment for plan members at \$50.00 per prescription.

The following is the result of a roll call vote:

YEAS

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

NAYS

Dr. Cicardo
Mr. Lazare

With ten (10) yeas, and two (2) nays, the motion was adopted.

Increase the deductible for emergency room services from \$100 to \$150 for all plans.

Mr. Wall stated that the savings for this benefit were projected for approximately \$1.7 million dollars.

A motion was made by Mr. Lincecum, seconded by Mr. Greer, to increase the deductible for emergency room services to \$150 for all plans.

The following is the result of a roll call vote:

YEAS

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

NAYS

Dr. Cicardo

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

Eliminate coverage for Glucometers.

Mr. Wall stated that Glucometers were available at no charge depending on the type of test strips that were purchased. The projected savings would be approximately \$1.0 million dollars.

A motion was made by Mr. Culotta, seconded by Mr. Lee, to eliminate coverage for Glucometers.

Dr. Calvin stated the importance of educating the plan members concerning this item. Mr. Wall stated that plan members would be informed through SEGBP newsletters and also the item would be covered at the annual enrollment meetings.

The following is the result of a roll call vote:

YEAS

NAYS

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 twelve (12) yeas, and no (0) nays, the motion was approved.

Subject new employees to a six-month/one year pre-existing condition limitation, unless they have portability rights under federal laws.

Mr. Wall stated that currently the program does not have a pre-existing condition limitation.

A motion was made by Mr. Culotta, seconded by Representative Powell, to adopt the six-month/one year pre-existing condition clause for new employees, unless they have portability rights under federal laws.

The following is the result of a roll call vote:

YEAS

NAYS

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 twelve (12) yeas, and no (0) nays, the motion was approved.

Increase out-of-pocket expense for the PPO from \$500 to \$1,000.

Mr. Wall stated that currently under the 90/10 plan there is a cap after the plan member reaches \$5,000 in charges. This benefit would extend the cap until the plan member reached \$1,000 out-of-pocket expenses.

The following is the result of a roll call vote:

YEAS

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

NAYS

Dr. Cicardo
Mr. Lazare

With ten (10) yeas, and two (2) nays, the motion was approved.

Mr. Wall reported that the benefit modifications made would result in approximately \$43 million dollars in savings, and that \$57 million dollars in funding would be needed for the plan year based on current projections. Currently, with additions to the budget cuts, the program was estimating a 12.5% premium increase. Mr. Wall stated that two proposals would be presented to the Legislative Oversight Committee - the current plan of benefits and the modified plan of benefits.

Mr. Lincecum stated that the Benefits and Rate Making Committee voted to remove a benefit enhancement that was previously passed that would have cost the program over approximately \$1 million dollars. The benefit was for payment for gastric bypass surgery for morbid obesity to be effective July 1, 2001.

Following discussion, a motion was made by Mr. Lincecum, seconded by Mr. Culotta, to remove the benefit that covers surgery for morbid obesity.

The following is the result of a roll call vote:

YEAS

Mr. Culotta
Mr. Greer
Mr. Lazare
Mr. Lee
Mr. Lincecum
Rep. Powell
Senator Schedler

NAYS

Dr. Cicardo

ABSTAINED

Dr. Calvin

Mr. Smith
Mr. Ward
Mr. Temple

With ten (10) yeas, one (1) nay, and one (1) abstention, the motion was approved.

Mr. Ward voiced his concern in regard to the funding for the program, the death spiral the program was experiencing versus the new benefit modifications. Mr. Temple explained the importance of providing information to the Study Commission and then encouraged Board members to attend the meetings and contribute to the Study Commission.

Mr. Lincecum questioned whether the Internal Audit and Finance Committee should meet and discuss the possibility of a 12.5% rate increase to be included in the package. Mr. Benoit stated the implementation of a rate increase takes place simultaneously with the budget process. Mr. Wall stated that the rate increase needed to be approved in March, prior to the annual open enrollment. Mr. Temple stated that at the next Board meeting an item would be placed on the agenda concerning the adoption of the rule that the Legislature passed in the last session, requiring the program to be actuarially sound.

Dr. Cicardo voiced her opinion of what caused the program to make modifications to the benefits. She stated: 1) previous CEO had questionable credentials; 2) previous CEO's decision to change arrangements with the HMOs; 3) incomplete or erroneous data from previous consultants; and 4) the cost for the EPO program. Dr. Cicardo questioned whether the votes of the Board could be published. Mr. Wall stated that the votes of the Board were posted on the SEGBP web site, in the Board minutes each month.

NEW BUSINESS

Mr. Lee questioned staff when the 4-tier rate structure would be presented. Mr. Wall stated that the possible date would be in March.

Dr. Cicardo questioned whether the program would utilize Medicare DRG averages for EPO and PPO contracts. Mr. Wall stated that January 17th was the deadline for responses on the RFP.

Dr. Cicardo stated for record, in regard to the increased prescription coinsurance benefit, that she would have voted for the \$30 dollar max copay for plan members if it had been available for vote.

Mr. Temple discussed his opinion regarding the comments and criticisms made concerning the program in the Appropriations Committee. He stated that he felt the needs of the program and employees were important, and due to the fact that the Legislature took time and interest in the program, there would be a positive impact upon the program in the long term. The Legislature would have a better working knowledge of the program. Mr. Temple thanked Senator Schedler for his comments concerning the Board at the Appropriations Committee meeting. Mr. Temple also stated that he felt it was important for Board members to express their concerns and

continue to hear the concerns and comments of other Board members at the Board of Trustees meetings.

OLD BUSINESS

Mr. Culotta voiced his opinion concerning comments made at the Appropriation Committee meeting scheduled on December 19, 2000 as follow: 1) previous emergency rules submitted by the Board, 2) Representative LeBlanc's statements concerning Mr. Culotta placing a gag order against the CEO (transcript of the December 13, 2000 Board Meeting was read). Mr. Culotta requested the transcript, along with a letter, be forwarded to Representative LeBlanc to explain the intentions of his statement.

Mr. Lincecum stated that staff met with Mr. Robbie Robbins, Legislative Auditor, for an exit conference concerning an unqualified audit. He stated that Mr. Robbins commended SEGBP for the favorable results of the audit. Mr. Culotta commended Mr. Wall and the staff for their efforts.

Mr. Lazare questioned whether the Board could discuss the possibility of moving the annual open enrollment date. Mr. Temple requested Mr. Wall to research the possibility of moving the annual open enrollment date and place the item on the agenda for the next Board meeting.

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.