Minutes from the Meetings of the Board of Trustees

December 15, 1999

CALL TO ORDER

Mr. Aubrey Temple, Chairman, called the monthly meeting of the Board of Trustees to order.

ROLL CALL

Members Present	Members Absent
Dr. Merline Broussard	Dr. James Calvin
Dr. Barbara Cicardo	Mr. Charles Castaing
Mr. Russell Culotta	Mr. Robert Greer
Mr. James Lee	Mr. David Hood*
Mr. Hubert Lincecum	Mr. John Warner Smith
Representative Chuck McMains	
Mr. Richard O'Shee	
Senator Tom Schedler	
Mr. Aubrey Temple	
Mr. Kelly Ward	

Roll call indicated ten (10) Board Members present, representing a quorum.

*Mr. David Hood arrived after roll call.

APPROVAL OF MINUTES OF NOVEMBER 12, 1999 MEETING

The minutes of November 12, 1999 meeting were presented for review and approval.

A motion was made by Mr. Lincecum, with a second by Mr. Lee, to accept the minutes of the November 12, 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 December Employee of the Month, Ms. Elizabeth Searcy. Ms. Searcy has been employed with SEGBP for over 16 years. He stated that Ms. Searcy was presently employed in the Claims Division as a Group Benefits Claims Adjuster IV. Mr. Wall presented Ms. Searcy with an Employee of the Month plaque and stated that her co-workers recognized her as an outstanding employee. Mr. Wall thanked Ms. Searcy for her contribution to the agency.

Risk Rating School Boards

Mr. Tommy Benoit, Legal Counsel, delivered the November 5, 1999, memo to the Board Members, regarding Risk Rating School Boards. He stated that there was two statutes related to risk rating entities that enter into the SEGBP plan: R.S. 42:851 (A) (5) (b) (iii) [Amended 9/9/88] and R.S. 42:881 [Added 7/2/92]. The 1988 Act mandated that school boards be risk rated at a time when there was no provision for risk rating any other entities. Legislation required school boards be treated differently. Only school boards are authorized to enter into private contracts or self-funded plans for life and health insurance, and to receive state funding for such plans, without the prior approval of the Board of Trustees. He stated that the rule that was promulgated by the Board in September 1991 limiting risk rating of school boards to one-year remains in effect.

Mr. O'Shee questioned whether the statute addressed HMO choices inside of SEGBP or does it imply a school board cannot select SEGBP and also utilize HMO for part of its employees. Mr. Lincecum stated that school boards, upon entry, were not allowed to have a group health and accident plan other than SEGBP. Mr. O'Shee stated that what SEGBP had previously done does not implement what the law reads, and an opinion of the Attorney General's office was needed.

Mr. Gerard Caswell, General Counsel for the St. Landry School Board, expressed his opinion concerning risk rating of school boards. Mr. Caswell stated that the St. Landry School Board respectfully requests that the Board review and address the issue concerning risk rating of school boards following a legal opinion. Mr. Caswell stated that the East Feleciana Parish School Board was not risk rated.

Mr. Wall requested the Board to allow him to consult with the staff and additional legal counsel in order to make a determination regarding whether or not to risk rate the St. Landry Parish School Board. He stated effective January 1, 2000; the St. Landry School Board would be risk rated for a one-year period unless the Board takes action. Mr. Temple stated that it was his opinion SEGBP would risk rate the St. Landry School Board the same as all the other school boards, unless otherwise determined differently in a court of law. Mr. Benoit stated that a resolution from the Board to authorize SEGBP to seek the opinion of the Attorney General's office was needed. A motion was made by Mr. Lee, seconded by Dr. Cicardo, to allow SEGBP staff to seek opinion from the Attorney General's office concerning risk rating of school boards. There being no objection, the motion was approved.

Out of State Provider Compensation

Mr. Wall stated that the out of state provider compensation would be discussed during the Internal Audit/Finance Committee Report.

PPO Comparison Report

Mr. Wall stated that the PPO Comparison Report was the standard report issued each month and it was contained in the Board package for review.

HMO RFP

Mr. Wall stated that the HMO RFP would be discussed during the Internal Audit/Finance Committee Report.

Operations/ACD Telephone Calls

Mr. Wall stated the Operations/ACD Telephone Calls is the standard report issued each month and it is contained in the Board package for review.

Financial Report

Mr. Bruce Minor, Fiscal Director, reported that due to the early Board meeting, the accrual statement for the month ending November 30, 1999 was not complete and that the statement would be mailed to each Board Member at the earliest date. Mr. Minor reported on the monthly cash projection statement as of November 30, 1999. Mr. Wall stated that from the beginning of fiscal year July 1, 1999, to the end of November 1999, the SEGBP has paid approximately $49 million dollars in claims that were incurred last year.

Legal Report

Mr. Wall stated that the Legal Report was the standard monthly report issued each month and it was contained in the Board package for review.

CIO REPORT

General Comments

Mr. Thommy Boesch, CIO, stated that due to a file being over written last month which caused the agency to lose a day of production, the Board had requested an estimated cost to the agency. With the lost hours in the Claims and CASSS Division, and with the Information System staff's numerous hours to correct the problem, the estimated cost to the agency was approximately $27,000 dollars.

Mr. Boesch stated that this included an estimated cost of $10,000 dollars for RIMS. Mr. Boesch stated that the agency's plan was to complete its operations before December 31, 1999 and to shut down the computer center before midnight. The systems would be brought back up in the morning of January 1, 2000 to be tested and to validate the operations. Mr. Culotta questioned whether the system was Y2K compliant.

Mr. Boesch stated that SEGBP was systematically Y2K compliant. Mr. Boesch stated that, as reported in March 1999, the imaging system was not Y2K compliant. Mr. Culotta and Representative McMains questioned how the agency would operate without the imaging system. Mr. Lincecum stated that the agency would operate, as previously, with hard copies. Mr. Boesch stated that the imaging system was a support system or tool that Customer Services utilized to validate phone calls. Mr. Boesch reported that SEGBP was in the process of securing a new imaging system. He stated that in October 1999 a recommendation was made based on the discussions with State Purchasing and the inability to complete contract negotiations with the selected vendor, the imaging RFP was reissued.

COMMITTEE REPORTS

Internal Audit/Finance Committee

Mr. Lee stated that the Internal Audit/Finance Committee met on December 14, 1999. Mr. Lee reported on each recommendation from the Committee meeting and requested that the Board take action on each item.

> **The Committee recommends a salary adjustment for the Interim CEO, effective December 1, 1999, to increase the annual salary to $110,000.00 until such time as a permanent selection was made for the CEO position.**

A motion was made by Mr. Lee, seconded by Dr. Broussard, to approve a salary adjustment for the Interim CEO, effective December 1, 1999, to increase the annual salary to $110,000.00 until such time as a permanent selection was made for the CEO position.

There being no objection, the motion was approved.

The Committee recommends authorizing the Interim CEO to obtain the assistance of Ingenix to review and evaluate the current fee schedules and establish a proposed single fee schedule for the PPO program, effective July 1, 2000.

Mr. Wall stated that representatives from Ingenix, a division of United Health Care, attended the IA/Finance Committee on December 14, 1999. Ingenix markets provider data base information such as the MDR/Medicode fee schedule, HIAA fee schedule, and an RBRVS product. Ingenix would compare SEGBP fees with other fees based on data collected from Louisiana and provide feedback on where the program stood on compensation rates. Ingenix was to provide a price quote and estimation of time in which to gather the information. Based on the information from Ingenix, a recommendation concerning PPO provider compensation rate would be provided to the Board.

A motion was made by Mr. Lee, with a second by Mr. Lincecum, to authorize the Interim CEO to obtain the assistance of Ingenix to review and evaluate the current fee schedules and establish a proposed single fee schedule for the PPO program, effective July 1, 2000. There being no objection, the motion was approved.

The Committee recommends authorizing the Interim CEO and Contracting staff to modify the existing EPO contracts in order to implement uniformity statewide.

Mr. Wall reported that in the effort to get the EPO program started in a quick manner last year, there were intense negotiations and the program was presently experiencing problems in administering the contracts due to the provisions in the contracts that are not standardized. He stated that the program would not cut compensation but would implement uniformity in the process of the contracts.

A motion was made by Mr. Lee, with a second by Mr. Lincecum, to authorize the Interim CEO and Contracting staff to modify the existing EPO contracts in order to implement uniformity statewide. There being no objection, the motion was approved.

The Committee recommends the Board to adopt a three-tier co-pay of $6/20/30 for the EPO and $8/25/40 for the PPO.

Mr. Frank Coliano, Merck-Medco representative, stated that 50% of the products in the third tier have generic equivalents . He reported that 90% of the claims processed were from the first two tiers.

Mr. Wall delivered data compiled by Merck-Medco and stated that the Board requested the Committee to review the issue of the 90 day supply of maintenance medication. Mr. Wall reported that the 90 day supply cost the program $12,162,253 in the first four months of the fiscal year. He stated the drug expenditure for the first four months of this year was $30,032,659. The drug cost for FY 98-99 was $52,000,000. The program was facing $100,000,000 dollars in the drug program for FY 99-2000.

Dr. Broussard questioned whether a maintenance drug could be purchased for a 90 days supply with the generic co-pay the same as purchasing a formulary drug and the third tier drug with one co-pay. Mr. Blunk, Aon Consultant, stated that the medication could be purchased with the one co-pay, provided the drug was on the maintenance medication list. Dr. Broussard questioned whether the Board could receive a copy of the maintenance drug list. Mr. Coliano stated that copies of the maintenance drug list would be made available to the Board.

Dr. Cicardo questioned other insurance companies' ability to implement a $5.00 co-pay. Mr. Wall responded with an article from the business section of The Advocate that stated "With the cost of prescription drugs rising at 15.2 percent, about one-third of big companies made changes to their drug benefits, usually pushing workers to use cheaper generic drugs or brand-named medicines preferred by the health plan."

Following discussion, a motion was made by Mr. Lee, with a second by Mr. Lincecum, to modify the three-tier drug co- pay as adopted at the November Board meeting to read as follows: $6/20/30 for the EPO and $8/25/40 for the PPO. There being no objection, the motion was approved.

The Committee recommends authorizing the Interim CEO to invite representatives of National Preferred Provider Network (NPPN) for interview by the Board to address and resolve any issues or problems in order to move forward and award the contract.

Dr. Cicardo questioned whether a National PPO out-of-state hospital would be compensated at 80%. Mr. Blunk stated that the rate of compensation would be 50% for the out-of-network provider. Dr. Cicardo questioned whether a list of National PPO hospitals could be provided. Mr. Blunk stated that a list would be provided of the National PPO hospitals. Dr. Cicardo questioned whether the Board Members would be notified of the meeting with NPPN. Mr. Wall stated that the Board Members would be notified.

A motion was made by Mr. Lee, seconded by Mr. Lincecum, to authorize the Interim CEO to invite representatives of NPPN for an interview by staff and Board Members, to address and resolve issues and concerns in order to proceed with the awarding of the contract. There being no objections, the motion was approved.

The Committee recommends acceptance of the Budget for FY 2000-2001 and the Financial Statement for the month of November 1999.

A motion was made by Mr. Lee, with a second by Mr. Lincecum, to accept the Budget for FY 2000-2001 and the Financial Statement for the month of November 1999, as presented. There being no objection, the motion was approved.

The Committee recommends acceptance of the Conflicts of Interest Procedure report and to implement the procedures.

A motion was made by Mr. Lee, seconded by Mr. Lincecum, to accept and implement the Conflicts of Interest Procedures. There being no objection, the motion was approved.

The Committee recommends modification of the HMO RFP to permit multiple HMOs in the various regions, allowing one HMO for every 10,000 employees or any portion thereof.

Mr. Benoit stated according to the information provided by the Department of Insurance, there were 13 licensed HMOs in the State to transact business. Five HMOs did not participate in the proposers conference. Mr. Benoit stated that implementing change in the HMO RFP could alter the position of an HMO that had not participated in the proposers conference. He stated that a copy of the transcript of the proposers conference could be provided for the HMOs that did not attend.

A motion was made by Mr. Lee, with a second by Mr. Lincecum, to amend the HMO RFP to permit multiple HMOs in the various regions, allowing one HMO for every 10,000 employees or any portion thereof and to allow proposals from the HMOs that did not attend the proposers conference. There being no objection, the motion was approved.

The Committee recommends allowing the SEGBP to solicit RFP proposals from indemnity carriers to offer the current plan of benefits on a statewide basis.

Mr. Lee stated the RFP recommendation was an effort to offer the plan as many benefit options as possible for the plan members. He stated that the indemnity carrier would be limited to a three-year term, similar to the HMOs. Mr. Wall stated that the agency needed to explore the options for the plan members. Mr. Wall stated that with the additional problems the agency was facing concerning the EPO, attempting to constitute a product under the State procurement restriction was a major challenge and it was causing the plan members problems. To access the private market would provide products that the agency needed. Also, with the lack of providers under the network, private carriers would have different networks that the plan members could access. Mr. Wall stated that it would be recommended in the RFP to require actuarial certification of rates. He stated that Aon Consultants estimated the RFP to go out January 15, 2000 in order to have a fair network statewide and give ample consideration to the process.

A motion was made by Mr. Lee, with a second by Mr. Lincecum, allowing the CEO to solicit proposals from indemnity carriers to offer the current plan of benefits on a statewide basis.

The following is a result of the roll call vote:

YEAS	NAYS
Dr. Broussard	Mr. Culotta
Dr. Cicardo	
Mr. Hood	
Mr. Lee	
Mr. Lincecum	
Senator Schedler	
Mr. Temple	

With seven (7) yeas, and one (1) nay, the motion failed.

The Committee recommends allowing the CEO to write a letter to Our Lady of the Lake Hospital concerning their violation of contract and advise that all ancillary providers be covered under the EPO plan.

Mr. James Blakely, Marketing Director, presented an update on the issue concerning the OLOL hospital and reported that the emergency room physicians had agreed to sign the contract. Mr. Lincecum stated that his position on the issue would be that for those claims that had been adjudicated and plan members' benefits cut, that an abstract would be pulled, the claim reprocessed, and paid accordingly, because the plan members were in an EPO facility and were charged a fee that should not have been charged.

Mr. Lee stated that was the conclusion of the December 14, 1999 Internal Audit/Finance Committee report.

NEW BUSINESS

Mr. Wall delivered a State and Local Government Benefits Association (SALGBA) registration form for the 19th Annual Conference for information purposes. He stated that the conference would be held in Austin, Texas, April 16-19, 2000. Mr. Wall indicated that the conference was a good information resource. At the conference, the SEGAL survey that compares benefits would be distributed. He stated that he would coordinate the trip, if any of the Board Members would like to attend.

Mr. Wall stated that there would be an exit conference with the Legislative Auditors, December 16, 1999 at 2:00 p.m. and Board Members would be welcomed to attend the meeting. Mr. Wall stated that there were a few audit findings but that there was not a disclaimer as last year.

Mr. Culotta questioned whether a report on the contract Chiropractor would be available to determine the cost savings to the agency. Mr. Boesch stated that a report would be produced and presented to the Board.

Mr. Wall reported for information purposes that a dispute had arisen under the Mental Health and Substance Abuse contract. He stated that Magellan (SEGBP contract provider) contracts with Behavioral Health, which was a part of the General Health System. Behavioral Health provides the physician panels to Magellan. The dispute was between Magellan and Behavioral Health. He reported that the SEGBP plan members were being caught up in the dispute.

OLD BUSINESS

Mr. Lincecum stated that he received letters from the Grand Chenier Wildlife Refuge Office expressing concerns on issues in regards to the EOBs and current PPO physician list. He responded by informing them that the EOB problem would be resolved shortly and that an EOB would provide the amount of deductible that had been met. Also, Mr. Lincecum stated that the Contract Section would notify plan members as quickly as possible when a physician drops out of the program. Mr. Lincecum stated that the plan members would be aware through the SEGBP web site, periodic newsletters, and the toll free phone numbers in order to find out needed information on a physician.

Mr. Lee stated that the Internal Audit/Finance Committee meeting was generally held on the day before the Board Meeting. Due to the February Board Meeting scheduled to be held in Lafayette, he questioned whether the Committee meetings should be separated. Mr. Temple stated that the decision was up to the Chairmen of the Committees.

Mr. Benoit reported on the issue concerning the Out-Patient Rehab/Physical Therapy contract for the EPO. He stated that a "Notice of Intent" for Out-Patient Rehab Physical Therapy was issued in May, 1999. The proposal was submitted, reviewed, and a recommendation was made by Aon at the September Board Meeting to award the contract to PTPN statewide. Subsequently, SEGBP received protests to the award from the LSU Physical Rehab Services located in New Orleans and Shreveport, and from Southern Physical Rehab Network. The entire record was submitted to the Office of Contractual Review and Ms. Susan Smith, Director, evaluated the record and offered recommendations for proceeding. Ms. Smith's recommendation was that the record did not support the award of the contract to PTPN. She reported that there was no written communication from PTPN following the formal issuance of the Notice of Intent until after the deadline for submitting proposals. PTPN had actually submitted an informal proposal to the program prior to the time that the formal Notice of Intent was issued. The proposals and subsequent correspondence from PTPN also made reference to PTPN agreeing to or accepting the rate requested by the SEGBP and there was no record of communication with any other vendors about a requested rate. Mr. Benoit stated that the deficiency in the procurement process was not created by or attributable to anything PTPN had done but rather to the manner in which the process was handled. Mr. Benoit stated that it would be unfair to award the contract to another vendor, excluding PTPN from the process. Mr. Benoit stated that his recommendation would be to revoke the award of contract to PTPN, cancel the solicitation, and re-issue the solicitation.

A motion was made by Mr. Lee, with a second by Senator Schedler, to revoke the prior award of contract for the Out Patient Physical Rehab Services that was awarded to PTPN at the September Board Meeting and to cancel the solicitation and re-issue the solicitation for Out-Patient Physical Rehab Services for the EPO. There being no objection, the motion was approved.

Mr. Culotta stated that for a point of privilege to recognize Angele' Davis, DOA representative, who attended all of the Board meetings. Ms. Davis attended graduate school at LSU and would receive her Masters degree, Friday, December 17, 1999. Mr. Temple stated that the next Board Meeting would be held on January 26, 2000 at 9:00 a.m.

ADJOURN

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