

Minutes from the Meetings of the Board of Trustees

**February 23, 2000
Lafayette, LA**

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. Barbara Cicardo
Dr. James Calvin
Mr. Charles Castaing
Mr. Russell Culotta
Mr. Robert Greer
Mr. David Hood *
Mr. James Lee
Mr. Hubert Lincecum
Senator Tom Schedler
Mr. John Warner Smith
Mr. Aubrey Temple
Mr. Kelly Ward

Members Absent

Rep. Chuck McMains
Mr. Richard O'Shee

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

* Mr. David Hood arrived after roll call.

APPROVAL OF MINUTES OF JANUARY 26, 2000 MEETING

The minutes of January 26, 2000 meeting were presented for review and approval. A motion was made by Mr. Lincecum, second by Mr. Greer, to accept the minutes of the January 26, 2000 Board Meeting. There being no objections, the minutes were approved. Dr. Cicardo abstained from voting due to her absence from that meeting. Mr. Temple welcomed Ms. Mary McDaniel to the Board. Ms. McDaniel is presently employed with the Claiborne Parish School Board. Mr. Temple thanked Ms. McDaniel for agreeing to serve on the Board.

CEO/COO

REPORT PPO Comparison Report

Mr. Wall stated that the PPO Comparison Report was provided to the Board for their review.

Operations/ACD Telephone Calls

Mr. Wall reported that the Daily Claims Inventory report was outdated. The claims inventory over the past two weeks has improved significantly. The current claims volume in-house was 159,000 and by the following week the program would be under the 30 day window. Claims payments were being processed at a greater speed. The goal is a 15-day turn around on claims, which would be industry standard.

Mr. Wall reported that call response time on the call system should be one minute or less. At one point, the call response time was seven minutes, which was unacceptable. He noted the call response time had decreased to three minutes due to improvements that have been made. One of the enhancements was the Verifax system, which allows the program to respond to providers with eligibility information.

Mr. Ward questioned whether the claims were out-sourced or paid in-house. Mr. Wall stated that since January the program had been using a TPA in Kansas to process Medicare claims. The TPA processed 6,000 to 7,000 Medicare claims per week for the program. He reported that a TPA contract was currently being finalized to bring employees in-house in order to further decrease the claims inventory in order to meet the 15-day window. The claims volume is just one item that has caused problems for the plan members. The CSCL system tracks calls and letters questioning how the claims were adjudicated. Presently the CSCL list has approximately 1,000 in volume. There were approximately 400 appeals pending, to be researched and processed. Mr. Ward questioned the cost per claim for out-sourcing versus the cost per claim in-house. Mr. Wall stated that the TPA for Medicare was charging \$1.23 per claim even though SEGBP was receiving the claim, entering it into the system, and delivering the claim electronically. Mr. Castaing questioned whether the program had success in hiring claims adjusters. Mr. Wall reported that the program was not successful in hiring new claims adjusters and the program currently had ten vacant positions.

Financial Report

Mr. Bruce Minor, Fiscal Director, indicated that the monthly balance sheet, the statement of revenues, expenditures, and changes in fund balance through the period ending January 2000 was presented for review. He reported that in the month of January 2000, the program lost approximately \$4.5 million dollars due to the extremely high volume of claims payment.

Mr. Minor stated that the revenues have increased for the month of January due to receipts of premiums from St. Landry Parish School Board. He reported that between St. Landry Parish School Board and Vernon Parish School Board, the program would receive \$2.1 million dollars per month.

The cash projection indicated significant changes due to the updated projections received from Aon. The most significant change indicated was the rate that the drug claims would be paid. The previous projection had shown the drug claim payment for the year to be approximately \$84 million dollars. Due to drug utilization data that Aon had received, the projection increased to approximately \$100 million dollars, which would reduce the cash surplus that was projected at the end of the year down to approximately \$4.3 million dollars. Medical claim payments, recoveries, and HMO payments remained within the same percentage originally projected by Aon.

Dr. Cicardo questioned whether the increase that was projected to give SEGBP \$20 million dollars would be cut in half due to the drug increase. Mr. Minor stated that it would. Mr. Lincecum questioned whether the projection included the three-tier co-pay that would be implemented in July. Mr. Minor stated that the three-tier co-pay would not affect the remainder of the fiscal year. Aon indicated that the utilization trend for the EPO drug claims was 35% versus 22-25% that was originally projected.

Mr. Wall reported that at the State and Local Government Benefits Association conference he had attended, Mississippi and Alabama disclosed that their trend on drug utilization was at 23%. He stated that approximately 20,000 additional SEGBP memberships from Advantage Health Plan, Vernon Parish School Board and St. Landry Parish School Board contributed to the increase. Mr. Lincecum stated that educating the plan members on utilization of generic drugs would be beneficial. The cost for generic drugs was 30-60% less than name brand drugs.

Dr. Cicardo stated that a national article predicted 26% drug inflation. Dr. Cicardo voiced her concern in regard to pharmacies charging plan members the co-pay for drugs when the drug itself was cheaper. Mr. Lincecum explained that the plan members should pay for the cost of the drug instead of the higher co-pay. Dr. Cicardo requested Merck-Medco to alert pharmacies to be more careful when charging for drugs. Mr. Wall stated that the program was

currently auditing Merck-Medco and the audit should reflect on that type of activity.

Mr. Temple questioned Mr. Minor concerning the financial statement. With the two new school boards the premiums were \$2 million dollars per month, but the financial statement does not indicate the claims payments. Mr. Minor stated that the claims payment would be included when Aon revised the IBNR figure on June 30th. Dr. Calvin voiced his concern in regard to educating the plan members, with an extensive program in how to conserve benefits and utilize the program in order to keep the premiums down. Mr. Ward stated that the Superintendent of the Vernon Parish School Board indicated that it was part of his plan to educate the employees. Mr. Ward also stated that the present would be a good time for the staff to communicate with the School Board and address the issues that would help lower the cost. Mr. Temple stated that it was imperative for the program to educate the plan members and retirees about the most frugal manner in which they could receive benefits.

Mr. Lincecum stated that there were states that had mandatory generic drugs, which would dramatically reduce the cost. The plan members pay a co-pay for a drug, but need to be educated on how much the drug actually cost SEGBP. Dr. Calvin stated that an itemized list was given automatically at some pharmacies.

Mr. Lee questioned whether the staff received an opinion from the Attorney General's office concerning risk rating the school boards for longer than a year. Mr. Benoit, Board Counsel, stated that the Board had a rule in effect that limits risk rating for one year. The question before the Attorney General's office is whether SEGBP could risk rate the St. Landry Parish School Board at all. Both the SEGBP Board and the school board have requested opinions.

Dr. Cicardo questioned Mr. Minor on the current IBNR figure. Mr. Minor stated that it was currently \$52 million dollars as of February 1, 2000.

Legal Report

Mr. Wall reported that there was a backlog on appeals and that the SEGBP was making an intensive effort to move the appeals and grievance through the process.

CIO REPORT

Chiropractic Consultant Report

Mr. Boesch presented the Chiropractic consultant's report for review. The report indicated the services that Dr. Herring provided. The dollars saved due to the policies Dr. Herring had put in place were \$158,110.00. Mr. Castaing questioned the time period of the report. Mr. Boesch stated that the report covered the period of July 1 - December 31, 1999.

Mr. Boesch reported that the Verifax system processed a total of 2,015 calls within a week for the Customer Service Division and faxed requested data to the providers. Mr. Boesch stated that he anticipated that the volume would continue to increase, as more providers become comfortable with utilizing the program.

Mr. Boesch stated that the implementation process of the new scanning system was currently in progress, and the vendor had been extremely cooperative in providing initial services.

Mr. Boesch reported that the approvals for the electronic claims contract have been finalized and the implementation process would begin the following week.

COMMITTEE REPORTS

Grievance Committee Report

Mr. Culotta reported on the February 17, 2000 Grievance Committee meeting. The Committee heard two cases and decided a third matter, which would be held open for additional evidence. Mr. Culotta reported that the Administrative Claims Committee (ACC) met on January 5 & 25 and February 8, 2000. The Grievance Committee approved a motion adopting the recommendations of the Administrative Committee.

Mr. Culotta reported that the Grievance Committee authorized and directed the ACC to render decisions and order the processing of claims without obtaining prior approval of the Grievance Committee. Summaries of the ACC actions were to be submitted to the Grievance Committee at its next meeting in order to inform them of the issues being considered. Claims involving significant medical liability or complicated, unique, factual or legal issues are to be submitted directly to the Grievance Committee for a full, adversarial hearing.

A motion was made by Mr. Lincecum, second by Mr. Castaing, for acceptance of the report of the February 17, 2000 Grievance Committee meeting. There being no objection, the report was accepted.

NEW BUSINESS

Dr. Cicardo voiced her concern in regard to educating the plan members on the policy that if there were no specialist in the area, the plan would pay at 80% and not 50%. She also questioned whether Verifax could perform verification of pre-certification. Mr. Boesch stated that the per-certification data that SHPS utilized did not interface with the Verifax system.

Mr. Wall delivered a chart indicating the Exclusive Provider Network in each region. Mr. Wall reported that due to the Board authorizing the staff to initiate additional contracting procedures, the SEGBP would have a viable EPO network in seven of the nine regions. The program does not have EPO networks in Region 2 and Region 4. Mr. Wall presented a summary of the facilities in each region that was participating in the EPO network.

Mr. Wall addressed a number of issues regarding plan design, plan options, and provider contracting.

Mr. Temple stated the importance of scheduling a number of work sessions to gather information in order to have a package ready for the year 2001. The Board needed to spend more time being involved because the plan members were being affected. Dr. Cicardo stated that the Board needed additional time to look at the RFPs before releasing them.

Mr. Wall requested that the Board adopt the EPO network panel presented and not to admit any other hospital in the program without the agreement of those who had signed the contract, except in Region 2 and Region 4. Dr. Broussard questioned whether the EPO contract was more standardized than the one last year. Mr. Wall stated that the staff had gone through the contract extensively and corrected it.

A motion was made by Mr. Lincecum, second by Mr. Culotta, to adopt the EPO network panel as reported by the CEO and authorizing him not to let any other providers participate without the permission of those who have currently signed the contract as of February 22, 2000, 12:00 noon, with the exception of Region 2 and Region 4. There being no objection, the motion was approved.

Mr. Wall presented a memo to the Board Members in regard to the Mail Order Pharmaceuticals. He stated that it was not unusual for a plan to have a 90-day pharmaceutical benefit with one co-pay. What was unusual about SEGBP design was that SEGBP provides that benefit through retail. Most plans have it on a mail order only. Mr. Wall recommended seeking the opinion of the Attorney General's office on the issue whether the state was subject to the statute, then file Legislation that would enable SEGBP to utilize mail order drug services. He also recommended allowing the Board the option to determine what drugs would be available only through the mail order system.

A motion was made by Mr. Lincecum, second by Mr. Culotta, to allow the CEO to seek the opinion of the Attorney General's office concerning mail order pharmaceuticals, and report to the Board regarding the options for mail order pharmaceuticals. The motion was approved with one objection (Dr. Cicardo).

Mr. Wall presented a memo to the Board concerning Participating Agencies. Mr. Wall recommended that the Board propose legislation that would prohibit any agency, school board, or political subdivision from joining SEGBP after December 31, 2000.

A motion was made by Mr. Culotta, second by Mr. Castaing, to propose legislation to prohibit any agency, school board or political subdivision from joining SEGBP after December 31, 2000.

Following discussion, Mr. Culotta withdrew the motion and Mr. Castaing withdrew the motion.

A motion was then made by Mr. Lincecum, second by Mr. Castaing, to propose legislation to prohibit any agency, school board or political subdivision from joining SEGBP after December 31, 2001.

Following discussion, Dr. Cicardo moved the previous question on the issue.

Following is a roll call vote on the motion to end debate:

YEAS

NAYS

YEAS

Mr. Castaing
 Mr. Culotta
 Mr. Greer
 Mr. Hood
 Mr. Lincecum
 Mr. Temple

NAYS

Dr. Broussard
 Dr. Calvin
 Dr. Cicardo
 Mr. Lee
 Ms. McDaniel
 Senator Schedler
 Mr. Smith
 Mr. Ward

With six (6) yeas and eight (8) nays, the motion failed.

Mr. Wall recommended that the Board propose legislation that would mandate that premiums and rates be established separately for the following groups based on experience:

- A. State departments and agencies
- B. School Boards
- C. Universities
- D. Political subdivisions, boards, and commissions

Following discussion, a motion was made by Mr. Lee, second by Mr. Smith, to allow staff to prepare proposed rules and guidelines to provide for risk rating school boards, state agencies and departments, and political subdivisions. There being no objections, the motion was approved.

Mr. Wall stated that the Board would be receiving a memorandum in regard to the State and Local Government Benefits Association newsletter. There was an article in the newsletter from New Jersey concerning eliminating the adverse selection problem by implementing Administrative Services Only (ASO) agreements. Mr. Wall stated that he requested Aon to review this option.

Mr. Wall delivered the letter from Central Louisiana Health Alliance and stated that they were the unsuccessful bidders for the EPO in the Alexandria area. Natchitoches Parish Hospital was not included in the evaluation because the cover letter on the proposal stated: "Central Louisiana Health Alliance hospital and physician providers, which are already directly contracted with State Employees Group Benefit Program to participate in the EPO in Region 7, are not included in this proposal. These providers include Natchitoches Parish Hospital, managed by CHRISTUS Health, and the physicians on staff at Byrd Regional Hospital in Leesville, Louisiana." In addition, the list of hospitals proposed for the EPO did not include Natchitoches Parish Hospital.

Mr. Wall stated that the Department of Agriculture had provided information regarding the lease to Division of Administration. The program would draft an addendum to the rental agreement to bring to the Board at the March board meeting. Mr. Wall requested authorization to pay the rent for one more month until the board could receive the addendum. Mr. Temple expressed his concern in regard to the \$8.75 for maintenance service.

Following discussion, a motion was made by Mr. Lincecum, second by Mr. Greer, to pay the rent for the next month. Mr. Temple stated that he would appoint a Committee to assist Mr. Wall in conjunction with the lease. There being no objection, the motion was approved.

Mr. Wall reported that a contract with OLOL emergency room physicians has been completed.

Mr. Wall reported that Commissioner Mark Drennen, Division of Administration, has committed to continuing to search for funds to offset the increases the program needs to fund next year's operation.

OLD BUSINESS

Dr. Cicardo questioned regarding the national PPO, should a plan member make a choice to go to a hospital or physician that was not in the network, would the program pay 80% of allowable charges? Mr. Benoit stated that was correct. Dr. Cicardo questioned if the Lafayette physicians who weren't on the local PPO but are part of NPPN's network could be utilized. Mr. Benoit advised that the contract within NPPN would be for out-of-state providers only.

Mr. Temple thanked everyone for attending the Lafayette meeting.

Mr. Temple recognized Ms. Sandra Frey. He announced that this was her last Board meeting prior to her retirement. Ms. Frey had been with the state of Louisiana for thirty-one years. Mr. Temple thanked Ms. Frey on behalf of the Board for her efforts in working with the committees and Board.

Mr. Wall recognized Jim Blakely and Wayne Diel, along with the rest of their staff, for their efforts and hard work in establishing the EPO network in a short period of time.

Mr. Lincecum announced that there were three representatives from the Lafayette satellite office present to assist plan members in addressing their problems. Mr. Lincecum also thanked the Lafayette satellite office for making the arrangements and setting up for the meeting.

Mr. Temple stated that following the board meeting there would be time for public comments.

ADJOURN

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

PUBLIC COMMENTS

Lafayette, La

Mr. Richard Dunand, LSU Agriculture Center, Project Leader at the Rice Research Station in Crowley La., voiced his concerns regarding the many frustrations that the plan members experienced over the years. He stated that SEGBP does not seem to be a group program any longer. The first breakdown of the program was when HMOs were allowed to become part of the program. The program did not used to have political influences. Mr. Lincecum stated that there was currently less political influence than there has been in the last 25 years.

Mr. Dunand stated that limited access to physicians had been the most recent problem that he had faced. He gave an example of his own experience of seeing a dermatologist in Region 4. The physician prescribed medication to which he had an adverse reaction. When he attempted to return to the physician on Friday, it was the physician's day off. Mr. Lincecum stated that he could have seen another dermatologist that was not in the program and SEGBP would have reimbursed him at 80%. Mr. Dunand voiced his concern in regard to the choice of physicians the plan members needed.

Ms. Connie Hyde voiced her concern in regard to Region 4 having a limited availability of physicians, and her concern about the quality of physicians. She questioned what the program was doing to do about it. How would the plan members get the quality physicians to participate with the PPO? Ms. Hyde gave an example of a plan member having chest pains and trying to find a cardiologist that would accept the SEGBP plan.

An other plan member questioned why the Lafayette area does not have HMOs. He stated that Baton Rouge and New Orleans had the choice of HMOs. Mr. Lincecum stated that a HMO RFP was issued and gave all the HMOs the opportunity to bid for different areas. The HMO in the Lafayette area was United Health Care. It chose not to bid and there were no other bidders. The plan members would have the PPO choice. Mr. Ward suggested that the Lafayette area plan members, as a group, go to the market place and talk to the hospitals and ask them to participate in the program. The program does solicit providers to participate.

The plan member questioned how long would the school board get to participate in the SEGBP. Mr. Lincecum stated that by law three years. Dr. Cicardo stated that she had contacted several legislators and visited several physicians and called the local medical society and there was an unusual situation in the Lafayette area. She stated that she advised the Board when SEGBP first proposed lowering the rates, that Lafayette physicians would never participate. The plan member questioned how can you pass legislation when the legislators were not even in the group? Senator Schedler stated that he does not participate and many of his colleagues do. A lot of Legislators that participate get criticized. He stated that he does not participate because he didn't think it was proper. Senator Schedler stated that it was his choice and he didn't need to join because he had insurance outside. Mr. Castaing stated that the plan member should get about 10 thousand other plan members and address the Legislature. The Board does not have the power to do this. Mr. Lincecum stated that United Health Care was the third HMO that had come in and said it did not want to cover the Lafayette area. Blue Cross folded, and then Hamilton Medical Group closed. Mr. Lincecum stated that the Board couldn't make them come in and participate.

The plan member asked why SEGBP gives the Lafayette area a better deal. Mr. Wall stated that the EPO has better benefits with no deductible and lower copay on drugs; it costs the program more money. The program charges the same premium for EPO and PPO. The providers give SEGBP better contracts. If those physicians and hospitals do not give SEGBP the discounts, the plan could not pass them on to the plan members.

Meeting adjourned.