

**LOUISIANA CLERKS OF COURT INSURANCE TRUST
BOARD OF TRUSTEES MEETING
WEDNESDAY, MAY 16, 2007
BATON ROUGE, LOUISIANA**

President Jim Martin called the meeting to order at 1:00 PM. Dot Lundin gave the invocation followed by the Pledge of Allegiance by Mark Graffeo.

MEMBERS PRESENT: President Jim Martin, Michael Thibodeaux, Mark Graffeo, Edmond Kinler, Dot Lundin, Diane Broussard, Pat Gladney, Bill Hodge, Lanell Landry, Ann Johnson, Bubbie Dupont and Bud Bergeron. Also present: Debbie Hudnall, Acting Director; Lloyd Campisi, Insurance Consultant; and Randy Zinna, Attorney. Guest present: Cliff Dressel, Julian Dufresche, Charlie Jagneaux, and Darlene Landry.

APPROVAL OF MINUTES: Bill Hodge moved to accept the minutes of the previous meeting as written, motion seconded by Pat Gladney.
Motion carried.

COMMENTS BY PRESIDENT: President Jim Martin stated that most of the Board Members were present at the Insurance meeting in Alexandria the previous week. Although the financial news on the Insurance Trust wasn't good, there was good input from the members. The direction that the Board received was for the Board to do what they had to do, to keep the program going.

FINANCIAL REPORTS: (Attachment 1) Treasurer Mark Graffeo reported that as of March 31, 2007, the cash was \$77,514 and the cash in investments was about \$303,000. There was a Receivable from the Re-Insurance on March 31st of \$287,754. The year to date income as of March 31st, was \$7.9 million and the total expenses were \$8.2 million for a net loss of \$316,990. Mark reminded the Board that if there had not been the Special Assessment of \$742,000, the net loss would have been \$1,059,000. As to the operating account, Mark reported there was a Net Income of \$15,184.00 as of March 31st.

(Attachment 2) Mark then reviewed the Cash Flow Report.

(Attachment 3) Mark then reviewed the Cash Update as of May 15th, showing a cash balance of \$81,114.15 plus receivables of \$919,21.20, less pending claims of \$257,778.37, leaving a fund balance of \$742,545.98 plus the \$304,482.57 in savings. The projected fund balance for May 31st would be \$1,047,029.55 less projected payables of \$150,165.00 for a projected balance of \$896,863.55.

Motion was made by Pat Gladney to receive the financial reports. Motion seconded by Michael Thibodeaux. **Motion carried**

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(Attachment 4) Mark then presented the Proposed Budget for 2007 – 2008 for administrative expenses for the Insurance Trust. He pointed out that the Revenue is budgeted about \$13,000 higher than the current year due to interest income being a little higher and a small increase in the Administrative Fees based on a few more members in the insurance program. As for expenses, reimbursement to the Association is going from \$6300 to \$6964, mainly because of including the programming, programming maintenance and auto expense into the reimbursement rather than paying it separately. Also, the consultant fee was budgeted \$6000 less than the current year. Motion was made by Mark Graffeo to approve the 2007-2008 Budget. Motion was seconded by Pat Gladney. Motion carried.

COMMENTS BY INSURANCE CONSULTANT: Mr. Campisi reported that at the convention in Lake Charles, he was instructed to send out RFP's. He was subsequently told there was a change in plans and that the Hunt Group would be allowed to send the RFP to Blue Cross and United Health Care and he would be allowed to send it to anyone else. Mr. Campisi stated that he suggested that the Hunt Group be allowed to send out all of the RFP's at no expense to the Trust. He reported that at the meeting in Alexandria, he learned that the Hunt Group had not sent the RFP to everyone he had suggested.

Mr. Campisi reported that what was driving the special assessments was the inordinate number of large claimants and an incredible amount of claims in the last 3 months which had not been funded for.

Bud Bergeron asked how many retirees were in our plan and if all clerks offered the plan to the retirees. It was reported that all clerks do not pay the premiums for retirees. After contacting the Association, Debbie reported there are 262 retirees who are members of the insurance plan.

Mr. Leon Golemi reported that through the month of April, the total claims toward the Aggregate were approximately \$5.3 million. He stated that the plan was a little ahead of the projections that were made in December. He estimates that the plan should trend out on the claims for the months of May and June and the net claims should be approximately \$525,000 to \$535,000. He reported the good news is that no new large claimants have come in the last 3 weeks. He informed the Board, that FARA was doing a week to week analysis of the plan.

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Mr. Golemi further reported that he estimates the paid claims through the month of June to be \$7.5 million and when you add the fixed costs of approximately \$2 million, the total plan costs would be \$9.5 million. Of the \$9.5 million, it includes \$1.1 million of run-out claims from the last year. The \$9.5 million will put the plan about \$300,000 over what FARA projected it would cost. He informed the Board that having 12 large claimants is what put the plan into the condition it is in, because there was no way they could predict that those types of claims would be incurred by 12 people. He reported that the good news is that a number of the cases of the large claimants have been closed. Debbie thanked Mr. Golemi for working with her on the cash flow problem the Trust had been experiencing.

President Martin then asked the Hunt Group to make a presentation on the RFP'S and introduced Brad Fariello and Scott Hunt.

(Report on file in office) Brad reported on the markets they approached and what the results were. The 3 medical provider markets were: FARA, BlueCross Blue Shield of La. and United Health Care. United Health Care declined to bid at this time. They did look at additional Re-Insurance markets that they reported on.

Brad reported on 4 different scenarios:

Scenario A - Renewal FARA/Zurich

Scenario B – Proposed BCBS/Excess Re

Scenario C – Proposed BCBS/Highmark

Scenario D – Proposed FARA/HCC

Brad reported that one of the things they felt important to look at is network pricing issues and being able to purchase claims on a good strong network that would put pricing on a more competitive level for the Trust. He reported that it was clear that BCBS network provided deeper discounts rather than the current network. He said they were unable to run the "re-pricing data" as they would have liked to by a third party because they were unable to obtain the data they needed to do so. However, they did ask the re-insurer to provide a quote and show their aggregate numbers assuming the BCBS network and assuming the PPO Plus network. The re-insurer stated it would increase claims 15% if they were using the PPO Plus network instead of the BCBS network. Additionally, in looking at HCC's proposal with FARA using their PPO Plus network compared to the BCBS proposal with HCC and using BCBS network, that re-insurer applied the same spread in showing lower aggregate funding factors. Brad reported they also compared other re-pricing reports comparing PPO Plus network to BCBS network and historically saw the same level discounts that their numbers projected. They compared in the rural and in the metropolitan areas.

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Scott Hunt reported that when the re-insurers give their quotes, they have run their models to come up with the discount factors.

Brad informed the Board that in looking at quotes from the Stop Loss providers, it is important to look at the Conditions and Assumptions pages that are always attached to their quotes because they will include lasers if there are any. Brad said they did not quote HCC as an alternative with BCBS because HCC had identified several lasers.

Mark asked who derived the number of the Total Expected Claims. Brad stated that they are determined by the re-insurer. Mark asked why BCBS/Highmark had the same Total Expected Claims as FARA/HCC if they were getting the deeper discounts of BCBS. Brad responded that every re-insurer uses a different underwriting formula.

Brad said they did a comparison on the prescription drug numbers and Blue Cross was slightly better. The current provider uses BeneScript and BCBS uses Script Care. A couple of areas of opportunity with the BCBS are the dispensing charges, administration fees, and the rebates.

Brad said he was presenting the results of the RFP's and wanted to focus on some of the key points they found, but most importantly he wanted to answer any questions anyone might have.

Scott Hunt pointed out one of things they felt was most important for a self-funded program was to fund to the maximum liability so that you are not surprised at the end of the year. Also, he thought maybe for the next renewal the Trust might want to consider implementing a staggered rate increase formula.

President Martin asked the Hunt Group what their recommendation was after reviewing the proposals. Brad said their recommendation is that the Clerks consider changing from their current plan to Blue Cross/Blue Shield using Excess Re as the re-insurer and funding to the maximum claims.

Brad said they would have to verify whether or not the lifetime maximum for each person starts new as a result of the new re-insurer. Scott said that the norm is for the clock to start new.

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When asked about the additional \$3.00 administration fee for the Hunt Group, Brad explained that includes enrollment and eligibility services, plan communications, claims issues, employee questions, the monthly billing and handling of funds and all of the day to day services of administering the plan.

The \$30.50 for Blue Cross Blue Shield is \$10.00 more than what FARA proposed, but they felt because of the level of services BCBS brings it is justified. Brad reported these rates were guaranteed for 1 year.

Mr. Bergeron asked for advice on how to treat retirees. Scott responded that was one of the fields he specializes in because of the growing number of retirees, especially with a retirement age of 55 and trying to bridge the gap to Medicare eligibility. He mentioned forming a Trust to fund the unfunded liabilities by pre-funding retirees or possibly instituting a Health Re-Imbursement Account (HRA) that you could also include sick-leave payment into the HRA tax free. Scott further reported that some plans allow the retirees to buy into the prescription only because that is all they are interested in.

Lloyd thanked the Hunt Group and FARA for getting some very aggressive quotes. He informed the Board that the Insurance industry was betting that our claims are going down and that was reflected in the competitive bids.

Lloyd pointed out to the Board that Scenario B (BCBS's proposal) had a total fixed cost of \$1,660,221 and Scenario D (FARA's proposal) had a total fixed costs of \$1,441,071. Brad pointed out that Scenario D had not indicated whether or not there would be lasers included with the HCC proposal. Mr. Golemi then informed the Board that HCC was not the actual re-insurer, but Perrico was the actual re-insurer, he just gave HCC name because he wasn't comfortable providing the Hunt Group with the actual re-insurer. Mr. Golemi further related there was a possibility of one laser with his proposal so therefore their fixed costs could actually be more than the \$1.4 million.

(Attachment 5) Mr. Golemi informed the Board that he was very uncomfortable sharing all of his data and latest and greatest numbers with a competitor. He also pointed out that he found a number of inconsistencies and a number of flaws in the proposals. Mr. Golemi felt that whoever was making the report could make it show the outcome they wanted it to show because all they were dealing with was speculative numbers.

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He further acknowledged that BCBS has better discounts than PPO Plus, but that the utilization of our members was in the rural parishes rather than the metropolitan areas. He said that based on the numbers in Attachment 5, the LCCIT would incur paid claims of about \$7.9 million for 2007-2008. The fixed cost is where there was a significant reduction because it has softened in recent years. Mr. Golemi informed the Board they would have to add \$1.1 to \$1.2 million for the run-out to the BCBS proposal.

Charlie Jagneaux stated that because of the special assessments this year, we had already paid a 20% increase in premiums and if we are going to receive 10% in discounts then we would still be out 10%. He wanted to know if anyone had looked into a 2 tiered plan in order to reduce the benefits.

President Martin stated that the RFP went out on the plan as status quo in order to compare apples to apples, but we would look at other options in the future.

Cliff asked that Fara and the Hunt Group each be given the opportunity to address the Board for 5 minutes to say why the Board should choose their proposal and then to allow Lloyd evaluate what they have said.

Mr. Hunt thanked the Board for the opportunity to address them and explained why the Clerks should select the Blue Cross Blue Shield scenario.

Mr. Golemi thanked the Board for the opportunity to address them and explained why the Clerks should remain with FARA. He said that the Clerks should not make their decision based on the re-insurer quotes, but should make their decision on who the clerks wanted to be their TPA.

After much discussion, it was agreed that Lloyd would meet with the Hunt Group this afternoon and would make a recommendation tomorrow to the Board.

Debbie presented the audit proposal of Duplantier, Hrapmann, Hogan & Maher. Lanell Landry moved that we accept the proposal which was seconded by Mark Graffeo. Motion carried.

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The President announced there would be an Insurance Trust meeting tomorrow upon adjournment of the Board of Director's meeting.

Diane Broussard moved to adjourn, motion seconded by Michael Thibodeaux.

Respectfully Submitted:

Debbie D. Hudnall
Acting Director