

**Board of Trustees
State Health Plan for Teachers and State Employees
Special Teleconference Meeting
April 14, 2009**

The North Carolina State Health Plan for Teachers and State Employees began its scheduled special teleconference meeting at 4:30 p.m. on April 14, 2009.

Members Participating:

Steve Beam, Chairman
John Hammond
Dan Myers, M.D.
Andrew Perkins
Pam Silberman
Neppie Stevens

Absent Members:

Charles Hayek, M.D.
Linda Sutton

State Health Plan Staff Participating:

Jack W. Walker
Lacey Barnes, via phone
Linda Forsberg
Wendy Greene
Mona Moon
Lorraine Munk

Mr. Beam welcomed Board members, Plan staff and guests to the special teleconference meeting.

Conflict of Interest

Mr. Beam read the Conflict of Interest Statement and Ms. Silberman stated that she would recuse herself from any discussions regarding the BCBSNC contract.

Status of Dependent Eligibility Audit

The Plan entered into negotiations with the selected vendor but was not able to accept the final vendor offer. The Request for Proposal will be revised and reissued within the next month or two. The audit will be conducted in the upcoming fiscal year.

The Association groups participating in the teleconference meeting offered to post information about the audit in their newsletters which the Board supported.

Claims Audit Vendor Update

Following the report at the February meeting regarding the issues surrounding the claims auditor, additional problems have been brought to the Plan's attention. A HIPAA violation occurred where protected health information was inadvertently released by the auditor in an uncensored transmission. Proprietary contract information was also inadvertently included in a pharmacy report.

Due to the Plan's concerns that the auditor may not have appropriate pharmacy expertise and have not, to date, released any final reports, the Plan, in consultation with the Department of Purchase and Contract, terminated the claims auditor contract. The Plan, however, requested that certain work through December 2008 be completed prior to the termination date.

The Plan is currently drafting a Request for Proposal to rebid for claims auditing services which will hopefully be released with the next few weeks. The Board concurred with the Plan's decision to terminate the contract. A status update will be provided at the May 19 Board meeting.

Cash Flow Update

The Plan experienced a cash shortage at the end of March and held \$20 million in payments during the week of April 6. BCBSNC was informed that the Plan would pay held claims during the week of April 13. The Plan was also able to pay pharmacy claims during this time period and is currently up to date on all claims payments.

Over the next several weeks, the Plan expects to continue holding and paying claims until mid-May. After that point, it is anticipated that the Plan will be in a negative cash situation, as projected, unless the General Assembly appropriates the \$250 million and the Governor signs the bill to allocate those dollars.

Senate Bill 287

The original bill included extended pharmacy retail, a 7.8% premium increase in each of the next two years and \$450 million from the general fund over the biennium. The Senate voted to delete the extended retail portion of the bill which resulted in an additional \$46 million required from the general fund and a premium increase of 8.6% in the next two years.

Various amendments added by the House resulted in \$580 million required from the surplus fund and an annual premium increase of 10%. The bill passed the third reading in the House and will be sent back to the Senate where it will most likely be referred to a conference group.

The Plan emphasized that in order for the Plan to receive any funds, the bill would need to be passed by the legislature and signed by the Governor. The Plan also reiterated that there would be no impact on members receiving care. Payments might be held from hospitals and providers but the Plan has been in contact with leaders of those groups to advise them of the current situation.

The Board expressed appreciation to Plan staff for the weekly updates which have been provided to them.

Upon a request from Mr. Beam, Mr. Perkins made a motion to move into executive session and Dr. Hammond seconded the motion.

Executive Session

Office of the State Auditor Confidential Draft Report

A draft copy of the performance audit was provided to the Board and members were asked to provide comments to the Plan by April 16, 2009. A response from the Plan to the auditor's office is due April 24, 2009. Board member comments will be integrated into the response and a copy of the response will be sent to the Board prior to submission to the auditor.

Long Term Care Lawsuit

Ms. Green provided a brief update on the status of the long term care lawsuit. Activity on the lawsuit was stayed for a long period but discovery and court ordered mediation will resume shortly.

OAH Case

The Board's decision and information on OAH Case 08 INS 0819 can be found on Attachment A.

Adjourn

Mr. Perkins made a motion to return to open session and Dr. Myers seconded the motion. The board voted unanimously to move into open session.

Dr. Myers made a motion to ratify decisions made in Executive Session and Mr. Perkins seconded the motion. The Board members voted unanimously to ratify Executive Session decisions.

Dr. Walker stated that the Plan would send a letter to the Oversight Committee Co-Chairs regarding oversight of the Long Term Care plan administration.

Mr. Perkins moved to adjourn the special teleconference meeting and Dr. Myers seconded the motion. The Board voted unanimously to adjourn the teleconference meeting at 5:50 p.m.