MEMORANDUM

Agenda Item No. 11(B) 2

TO: Honorable Chairperson and Members
Board of County Commissioners

DATE: July 8, 2003

FROM:

SUBJECT: Nationwide Public Employees Trust (NPET)/PBA Health Plan

As requested by the Board of County Commissioners at the May 20th meeting, staff from the County Manager's Office, Risk Management, Employee Relations, the Office of Management and Budget, and the County Attorney's Office participated in discussions with the State's Department of Financial Services (DFS) regarding the feasibility and advantages of buying down the claims of Miami-Dade County officers/retirees in the Nationwide Public Employees Trust plan (NPET) now.

NPET is currently in the rehabilitation process with DFS. After a review of the available data, DFS estimates outstanding claims for Miami-Dade County participants to be $5,044,290. This does not take into account claims that have been incurred, but not yet reported. If the County decides to provide an amount of money to be used for negotiation of these claims, the process would be to divide the claims outstanding by the money available to settle those claims and extend offers to the providers/participants with unresolved claims. Those who agree would sign a release confirming that they were accepting this amount as payment in full and allowing them no further recourse against the plan or the patient. Those who do not agree to the reduced value of the claim would then take their chances of recovering a larger sum of money in the liquidation process.

An advantage to negotiating claims at this time as opposed to waiting until the program is placed into liquidation, is the additional flexibility DFS would have in spending County funds for the exclusive remedy of Miami-Dade County claims. The negotiation of these claims would be final and binding on the providers/participants and no appeal process would be available to dispute the negotiated settlement. The difficulties being experienced by employees and retirees regarding unpaid claims would end upon successful negotiations and releases from the providers. If money is not made available at this time, DFS will recommend the plan be moved into liquidation. Once approved by the court, the liquidation process could take years. Money identified by DFS to pay expenses of the program will be allocated according to procedures established by state statute. Creditors will be identified and pro-rata distributions may be offered to them. Creditors who do not wish to accept the amount being offered will have an opportunity to appeal the determination through the court. The process may be lengthy, and while this is going on, Miami-Dade employees and retirees may continue to be pursued for resolution of their outstanding claims.

It should be further noted that attempts to negotiate these claims now would necessitate DFS hiring a firm to handle the process. It is anticipated the cost would be approximately $300,000 - $500,000. The urgency expressed by PBA relative to the Board's decision in this matter is due to a determination made by DFS that they need to move forward with the liquidation process due to the unfavorable financial circumstances of NPET.

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