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Auditor urges seizure of troopers' health plan Foley calls the plan a "fiscal train wreck." Its current manager says the problems are being fixed.

Author(s): Martha Stoddard WORLD-HERALD bureau **Date:**
March 9, 2011 **Section:** News

LINCOLN - **State Auditor** Mike Foley called Tuesday for the **state** to seize control of a **state** health insurance plan he described as a "fiscal train wreck." But the president of the group running the plan argued that there was no reason for a change.

Foley released an audit report showing that the plan, which covers about 500 **state** law enforcement officials and their dependents, had diverted public funds for land, a building and such things as Direct TV subscriptions.

Brian Petersen, a **State** Patrol employee who heads the **State** Law Enforcement Bargaining Council, or SLEBC, said efforts are under way to fix the problems detailed in the audit report.

"This audit is nothing that we have not been trying to correct for several months," he said.

Since 2002, the insurance plan has been administered by SLEBC, a labor union representing **state** troopers and some officials with the **State Fire** Marshal's Office and the Nebraska Game and Parks Commission.

The organization's management came in for scathing criticism from Foley on Tuesday, based on the findings of his office's 10-month audit.

"The SLEBC officials responsible for this mess were asleep at the switch and lack the administrative ability to run a multimillion-dollar health insurance program," he said.

The **state** sends about \$5 million a year to SLEBC for the health plan. Of that total, 79 percent comes from **state** funds and the remainder from employee contributions.

Foley said the funds had no **state** oversight, which led to "widespread mismanagement and irresponsibility."

Because premiums were higher than claims paid, the plan built up larger-than-needed reserves, he said. But rather than increase benefits or lower future premiums, union officials in 2008 spent \$1.2 million to buy an acre of land along West O Street in Lincoln and to construct an office building.

The organization then spent \$57,000 of members' premiums to buy furnishings, artwork, rugs, large-screen televisions and electronics for the building.

Foley said SLEBC had no need for a building because it doesn't have employees and uses part-time staff from a separate private association, the **State** Troopers Association of Nebraska.

Petersen, the SLEBC head, said the building houses the union's offices, as well as offices for the troopers' association and associations for the other employee groups.

Foley said previous SLEBC officials said they planned to generate rental income from the building, but in two years they had received only \$300 in rent.

"I don't think a prudent person would have ever done that," he said. "As it turns out, it was a terrible investment."

Petersen agreed with Foley, saying it was "not appropriate" to have used premium dollars to build the building.

But he said that decision was made by previous SLEBC leaders without the knowledge or approval of union membership.

The building now is for sale with an asking price of \$850,000.

Money received from the building's sale will be returned to the health plan, Petersen said.

He said he has been trying to increase accountability and transparency of SLEBC and the health plan since taking office in July 2009.

The organization has replaced its legal counsel, labor negotiator, agent of record, CPA and the company that processes health claims, Petersen said.

He said the changes created some strife within the group, including two legal battles with Harvey Wiltsey, the former chief negotiator and insurance consultant. A defamation suit filed by Wiltsey is pending.

Wiltsey did not return a message seeking comment.

Petersen said SLEBC representatives approached Foley's office in April 2010 about having an audit.

Foley, however, said his office already had initiated an audit by then. The SLEBC audit was one of four reviews of **state** employee health plans launched in April 2010. The other three are still under way.

Foley said union officials were uncooperative in providing information for the audit on a timely basis. And at the audit's conclusion, union officials refused to sign what normally is a routine letter confirming that they had disclosed all available information, Foley said.

Petersen said he refused to sign on the advice of legal counsel. But the organization didn't withhold information and was "extremely cooperative" with the **auditor's** staff, Petersen said.

Foley said he shared the audit report with **State** Treasurer Don Stenberg and Attorney General Jon Bruning. Neither responded immediately to messages seeking comment.

In addition to his other criticisms, Foley said many claims lacked proper documentation, some claims were paid for ineligible people and payment systems lacked oversight, such as the use of a signature stamp on checks..

In the audit, SLEBC officials said changes are being made to correct all those problems.

Contact the writer:

402-473-9583, martha.stoddard@owh.com

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