Minutes from the Meeting of the Policy and Planning Board

August 29, 2001

CALL TO ORDER

Mr. Aubrey Temple, chairman called the meeting of the Policy and Planning Board to order.

ROLL CALL

Members Present	Members Absent
Dr. Merline Broussard	Mr. Richard O'Shee*
Dr. James Calvin	Senator Tom Schedler
Mr. Charles Castaing	Mr. John Warner
Dr. Barbara Cicardo	Smith
Mr. Russell Culotta	
Mr. Robert Greer	
Mr. Charles Lazare	
Mr. Hubert Lincecum	
Mr. James Lee	
Rep. Tank Powell	
Mr. Jackie Self	
Mr. Kelly Ward	
Mr. Aubrey Temple	

Roll call indicated ten (10) board members present, representing a quorum.

*Ms. Pamela Bollinger represented the Commissioner of Insurance.

APPROVAL OF MINUTES OF JULY 29, 2001 BOARD MEETING

The minutes of the July 25, 2001 board meeting were presented for approval.

A motion was made by Mr. Lee, seconded by Mr. Lincecum, to accept the minutes as presented. There being no objection the minutes were approved.

FY 2002 - 2003 PLAN OF BENEFITS

Mr. Wall presented and reviewed the benefit modification proposals for plan year 2002-2003. Mr. Simmons of Arthur Andersen provided information on the development of the proposed pharmaceutical benefit modifications.

1. Implementation of three health care benefit plans

- **EPO** - Retain basic structure. Add co-payments for ancillary services. Reduce coinsurance for pharmaceutical purchases. Add a $300 deductible for non-office visits.

The proposed coinsurance for pharmaceutical benefits would be a 60%-40% with a maximum per script at $35 with a maximum out of pocket expense of $1,200. After a plan member reaches the maximum out of pocket, he will pay a $15 co-pay for each brand name drug purchase and no co-payment for generic drug purchases.

Mr. Ward asked if the program would be able to provide a network for the EPO throughout the State. Mr. Wall stated that there will be an effort to increase provider reimbursements for next year and that would possibly provide for an EPO product throughout the State.

Dr. Cicardo asked when the premium rates would be determined. Mr. Simmons stated that this would be not be done until the Spring 2002 when there is more claims experience is available. Dr. Cicardo stated that the premiums needed to be established in enough time that the plan members can review them before annual enrollment.

- **PPO** - Continue program with monitoring of drug utilization.

  The proposed coinsurance for pharmaceutical benefits would be a 50%-50% with a maximum per script at $40 to $45 with a maximum out of pocket expense of $1,000 to $1,200. After a plan member reaches the maximum out of pocket, he will pay a $15 co-pay for each brand name drug purchase and no co-payment for generic drug purchases.

- **MCO** - Minimal Coverage Option. Develop a low cost health plan providing reduced coverage to create a health care option for lower paid employees.

  The minimal coverage option plan would cover routine services with a low deductible and with co-pay office visits. This plan would have a maximum $50,000 annual limit.

  The proposed pharmaceutical benefit for the MCO would be a 50%-50% coinsurance with no maximum per prescription and no maximum out of pocket expense.

  Mr. Wall stated that there would be extensive education on the MCO option so that plan members are aware that this would be minimal coverage. The target group for this is the younger healthier state employees who are currently participating and do not access much health care services.

  The addition of the MCO option would eliminate the wild card due to adverse selection.

  Mr. Simmons explained that not all three option plans should be offered to retirees with Medicare because it is primary and would not benefit them to pay the cost.

  Dr. Calvin asked what the MCO premium rate would be. Mr. Simmons stated that the employee portion of the premium for single coverage for MCO would be under $100 per month.

Mr. Ward requested that Mr. Wall contact Mr. Brexler, LSU Health Services Center, and discuss how the LSU Charity System services could be incorporated into the MCO plan. Also he should ask if the LSU Charity System could provide information on the cost of state employees who access the system currently. Mr. Wall stated that the program has finalized contracts with the LSU Health Services and the facility in Shreveport. The contracts provide for lower deductibles and provisions for plan members who access it. This will be effective next month.

He requested that Mr. Wall also do a sample survey of the population that would be affected by these options and see what would attract them to each option. Mr. Wall stated that he would contact the Statewide Human Resource Association. They may be able to elicit this information for the program.

2. Implementation of four-tier premium structure

- Employing agency will pay 65% of active employee premium only. Employing agency will pay 50% of spouse, dependant, and family coverage of active employees. This was implemented for the plan year 2001-2002 with the employing agency paying 58% of the active PPO premium rate.

3. Establish a Medical Flexible Spending Account

- Medical Flexible Spending Account to be administered by a third party. This will be offered to employees of state agencies only.

  Mr. Wall stated that an RFP for an administrator would be issued. The proposed implementation date is January 1, 2002. Arthur Andersen has recommended a maximum amount of $2,400 that the employee be allowed to contribute.

4. Provide optional dental and vision coverage

- Create a discount network for dental and vision services through a RFP process. The plan member will pay the costs for these services.

5. Establish optional life insurance coverage

- Increase amounts of life insurance plan members are permitted to purchase.
- Evaluate options for permitting employees to continue coverage after terminating employment.
- Consider offering long-term disability coverage.

  Mr. Wall explained that this policy is not age rated and is not cost effective for many younger state employees so they choose not to participate. Rep. Powell stated that this discriminates against younger employees and that he is working on resolving this issue.

6. Consider including coverage of surgical treatments for the condition of morbid obesity.

Mr. Wall stated that the Benefits Committee requested that coverage of surgical treatments for the condition of morbid obesity. He met with a representative of Pennington Biomedical Center to discuss options. Dr. McKnight and other consultants have reviewed the surgical treatments and the baseline cost for these types of procedures is approximately $15,000 per procedure. There are problems with trying to assess the cost of this benefit. Mr. Wall stated with the rising cost of the programs claims cost that it is doubtful that coverage would be offered.

Mr. Wall stated that he has been in contact with other states regarding the coverage of treatment for the condition of morbid obesity. At this time Oklahoma, Arkansas, Kansas, and Texas do not cover the gastric bypass surgery.

Dr. McKnight recommended coverage for surgical treatment for morbid obesity require that the surgery be done in a center of excellence. Since 1998 there has been medical evidence that gastric bypass was a cost-effective method of preventing disability and prolonging life for people who were morbidly obese. He stated that the cost for surgical treatment could range from $18,000 to $23,000 depending on the procedure. The mortality rate for these procedures is under 1%. Reports indicate that the person will lose 60% or more of the excess weight within two years after the surgery and will remain at that level for two more years.

Mr. Lincecum suggested working with NHS to establish the centers of excellence where these procedures would be performed. Dr. McKnight stated that the centers of excellence requirements are published by the National Institutes of Health.

Dr. McKnight stated that a body mass index (BMI) of 40 and over, or 100 pounds over a person's ideal weight constitutes a person being morbidly obese. He stated that the national average of persons electing to have this surgery is between 1% to 4%. The program would have a higher percentage because the persons who chose surgery primarily are female and the state has a larger percentage of female employees. Dr. McKnight stated that statistics show that 85% of the people who have obesity surgery will have a reduction or elimination of their diabetic and hypertensive medication that they were taking by the end of two years. Mr. Wall asked for this data to be provided to him. Dr. McKnight stated that the cost savings for this treatment are difficult to substantiate in two or three years after the treatment. If you include the lost time away from work and quality of life issues then the cost is approximately $2,600 a month.

Mr. Wall recommended that there should be two centers of excellence in the State: one in North Louisiana and one in South Louisiana. Depending on how many people qualify, the centers of excellence may

not be able to handle them all in the first 6 months. There will be delays in the centers of excellence process. These issues will arise if this becomes a covered benefit.

Mr. Ward suggested that the program should proceed and develop a recommendation with set criteria for the surgical treatment of morbid obesity. The board can than make a recommendation at the next board meeting. Mr. Wall suggested that the previous recommendation from the board of the criteria of coverage be that a person has a BMI of 40 or more and surgical treatment be performed at a center of excellence be acceptable. Mr. Ward requested that a list of the advantages and disadvantages of this type of procedure be provided to the board as part of the recommendation. Dr. McKnight stated that the program would research this information and provide it to the board.

7. Consider allowing individuals that qualify for participation in the federally sponsored Tricare health insurance program to withdraw from OGB with the option to rejoin the program at a later date.

Mr. Wall stated that the program's staff analysis would be favorable to allow the plan members that are eligible to join Tricare health insurance program to do so and could opt to rejoin the program at a later date.

Mr. Simmons suggest that a different level of contribution could be established for members that are eligible for the Tricare program and choose to enroll in it and still maintain their coverage in the program. Mr. Wall stated that further research would need to be done before pursuing this issue.

8. Consider including coverage for services associated with medical treatment arising from suicide attempts.

Mr. Wall stated that Dr. McKnight recommended that the board consider removing the exclusion of coverage for medical treatment for suicide attempts.

Mr. Lincecum explained that the program has an exclusion in the plan - that it does not pay for any medical expenses incurred as a result of a person attempting suicide. The program does cover mental treatment after someone attempts suicide. Mr. Lincecum stated he thinks that the life insurance policy offered through the program does not have an exclusion for death resulting from a suicide. Mr. Wall stated that he would have staff review the life insurance contract and advise the board at the next meeting.

Mr. Wall requested that if any board member had any additional benefit modifications or recommendations please advise him. Mr. Wall stated that any benefit modifications for the plan year 2002-2003 would need to be finalized by the end of September 2001.

VESTING RULE

Mr. Temple asked if the enrollment in the program increased due to the new vesting rule requirements for retirement. Mr. Wall stated that currently approximately 300 or 400 new members have joined due to the new vesting requirements. He stated that he has sent correspondence to LASERS, Civil Service, Retired Teachers, Retired State Employees Association, LAE, LFT, and each agency currently participating in the program notifying them of this change and requesting that they advise their employees and/or members. This information will be mailed out again in October 2001. Also, there will be a direct mailing sent to all LASERS and Teachers Retirement System members notifying them of this change. Properly completed enrollment documents must be received by OGB by November 14, 2001 in order to be enrolled before January 1, 2002.

Mr. Temple stated that public notification of the vesting rule needs to be widespread throughout the state agencies and in the press so that all employees are aware of the impact this will have on their health benefits during retirement.

Dr. Cicardo requested the clarification of the requirements for the new vesting rule. Mr. Wall explained the grandfathering clause and the vesting rule requirements. Mr. Lincecum explained the new vesting rule has rendered moot the previous recommendation from the board requiring state employees to have 40 quarters and school board employees to have 20 quarters to be eligible to participate in the program as a retiree.

PLAN DOCUMENT

Mr. Wall provided to the board for informational purposes a draft of the plan document with proposed changes. These changes are for clarification purposes. They do not change the benefit structure of the plan document. Mr. Benoit explained some of the proposed staff recommendations for changes to the plan document. Mr. Lincecum stated that this draft will be reviewed again by the program staff and final recommendations will be made to Mr. Wall and the Board for final approval.

Mr. Temple and Mr. Greer left the meeting. Mr. Lincecum assumed the chair.

CEO REPORT

Employee of the Month

Mr. Wall introduced Ms. Marcella Palazzo, June 2001, Employee of the Month. Ms. Palazzo has been employed with OGB for more than 2 years as a Plan Analyst in the Plan Administration Division. Mr. Wall presented Ms. Palazzo with the 2001 June Employee of the Month plaque and thanked her for her efforts and contribution to the agency.

Provider Contract Status Report/Operations - ACD Telephone Calls/Key Indicators - Where Does the Money Go?/Legal Report

The Provider Contract Status Report was presented for review.

Mr. Wall presented the report "Where Does the Money Go?" an overview of claims expenses. He reported on the Schedule for Revenues and Expenses for July 2001. Total Revenues - $46,850,406; total expenses - $24,918,331; and pended claims at July 31, 2001 - $21,400,000. The coverage analysis report indicates the breakdown of expenses for medical claims. Mr. Minor explained the zero payments for Magellan, Prudential, HMOs, and AdvancePCS were due to delays in the change of year and contractual issues. These payments will be reflected in next month's report.

Mr. Lincecum reported that the $35.8 million that the program owed to the State Treasury has been paid, but that the program requested and received a $7 million advance from the Treasury.

The Operations - ACD Telephone Calls Report, Key Indicators Report and the Legal Report were presented for review.

Schedule of Claims Experience

Mr. Culotta asked about the schedule of claims experience information that was mailed out to all the board members by Mr. Wall for informational purposes. Mr. Wall explained how the percentages fluctuate in certain groups.

Mr. Lee requested a schedule of claims experience broken down by agencies for comparison purposes. This would help his agency to promote DOTD's Wellness Program. Mr. Wall stated that he would provide this information to Mr. Lee.

NEW BUSINESS

No new business was presented.

OLD BUSINESS

Dr. Cicardo asked AdvancePCS representatives about a document listing medications that AdvancePCS would cover the first 90 day supply of a medication and after that it would be the plan member's responsibility to pay the cost of that medication. Mr. Lincecum explained that in the contract with AdvancePCS there is an agreement to abide by Advance PCS's protocol. One of their protocols is a 90 day supply dispensing of these medications without prior authorization. After the 90 days they would require prior authorization. The program has had discussions with AdvancePCS and this has been discontinued until November 1, 2001. Mr. Wall stated that after November 1, 2001 the plan member would need to have prior authorization. Dr. Cicardo stated that AdvancePCS is still denying these medications. Dr. Calvin stated that the list of medication does not state that the plan member is required to obtain prior authorization; this needs to be clarified for plan members.

Dr. Cicardo also stated that she has received a complaint that plan members are being charged a higher cost with the discount for their prescription than the retail price of the same medication. Mr. Wall requested that this information be forwarded to him immediately so that he can investigate it. Dr. Cicardo stated that she would provide Mr. Wall with this information as soon as possible.

Mr. Ward asked if the program projected an approximate $8 million deficit for the end of June 30, 2002. Mr. Minor explained that this is due to the changes in the pharmacy drug benefit, which added approximately $27.7 million to the program's projected cost for next year. When this was added it did not indicate any additional sources of revenue to cover the $27.7 million.

Dr. Broussard asked Mr. Simmons if he had determined the cash balance for FY 2000-2001. Mr. Minor stated that the IBNR was approximately $76 million. Mr. Wall stated that the staff is working on the final data and it will be available in September.

Dr. Broussard asked Mr. Wall for the average cost per retiree to this program. Mr. stated that he would have this information calculated and provided to her today.

Dr. Broussard asked if any progress had been made on allowing plan members to purchase a 90-day supply of medication. Mr. Wall stated that the program is still reviewing this issue and a decision has not been made to continue offering a 90-day supply of medication due to expense trends.

Dr. Broussard asked if a representative of Magellan was present. She had received complaints from plan members that they were not responding to them. Mr. Wall requested that this information be provided to him so that it can be addressed. There was no representative of Magellan present at the meeting. Mr. Benoit stated that he would check with Magellan to see if they received any notice of the meeting.

Mr. Culotta requested the percentage that the state currently contributes for the active employee's premium. Mr. Wall stated that that it was 58% on the PPO on average. Mr. Simmons stated less than that on the EPO because the overall price of the EPO is higher. Mr. Culotta asked if any of the last premium cost was passed on to the active employees. Mr. Lincecum stated that it was for the members in the EPO.

Dr. Calvin requested that the Division of Administration provide the board with their new board responsibilities. Mr. Wall stated that they are currently developing a plan on how to proceed in the future.

ADJOURN

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