MINUTES

POLICY AND PLANNING BOARD MEETING
OFFICE OF GROUP BENEFITS

September 25, 2002

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. James Calvin	Dr. Merlin Broussard
Mr. Russell Culotta	Mr. Charles Castaing
Mr. Charles Lazare	Dr. Barbara Cicardo
Mr. James Lee	Mr. Hubert Lincecum
Representative Tank Powell	Mr. Richard O'Shee
Mr. John Warner Smith	Senator Tom Schedler
Mr. Aubrey Temple	Mr. Jackie Self
	Mr. Kelly Ward

Roll call indicated seven (7) board members present there was not a quorum.

Mr. Temple stated no official action could be taken due to a lack of a quorum.

APPROVAL OF MINUTES OF JULY 31, 2002 BOARD MEETING

No action was taken on this item due to a lack of a quorum.

2003-04 PLAN OF BENEFITS

Benefits Committee Recommendations for 2003-04 Plan of Benefits

Mr. Culotta stated that the Benefits committee had met several times in the last two months and the following are the recommendations from the Committee and OGB staff.

<u>Morbid Obesity</u>

Surgical treatment of morbid obesity at a center of excellence, 40 patients a year going through pilot program (LSU), BMI of 40 or greater, one occurrence lifetime maximum, and no treatment for the reversal of the surgery.

The OGB staff recommendation is to seek to develop a cooperative agreement with the Louisiana State University Health Sciences Center (LSUHSC) to conduct a study of the relative benefits of offering surgical treatments for the condition of morbid obesity. The following restrictions will be applicable:

- **Individuals who participate in the study shall have a body mass index of 40 or greater,**
- **Individuals who participate in the study shall be limited to one such surgical procedure per lifetime,**
- **OGB shall not pay for the reversal of surgical procedures performed as part of the study,**
- **The study shall be limited to 40 individuals or $1 million in total cost, whichever comes first,**
- **LSUHSC shall be responsible for qualifying individuals to participate in the program,**
- **The program shall be funded through a grant from OGB to LSUHSC,**

Implementation of the study shall be contingent upon the development of a mutually agreeable contract between OGB and LSUHSC.

Offering this benefit is recommended by both the Benefits Committee and the Division of Administration.

Mr. Wall explained that during the process of developing this benefit that it was decided to have LSU, as a center of excellence, perform this procedure. But there is issue that LSU has requested an outlier provision in their contract. The Division of Administration has approved a total of $1million for this benefit a year. Mr. Temple stated that it may be necessary to cap individuals at $25,000 per procedure and the patient be responsible for a pro rate share of any additional cost. Dr. Calvin requested that LSU provide the program with the percentage of patients that will fall within an outlier category.

Mr. Culotta reported that after discussing the OGB recommendation in the Benefits committee meetings, the committee voted to recommend to the board as an alternative to OGB staff recommendation to solicit an RFP for surgical treatment for morbid obesity.

<u>Retirees with Medicare</u>

Waive the $50 per day hospital stay for the first five days for retirees with Medicare with facilities contracted with OGB.

Mr. Culotta stated that this is a recommendation from the Benefits Committee. He reported that the proposed cost would be approximately between $1.2 to $2 million a year.

Mr. Culotta reported that the original request was to waive the $50 per day hospital stay for the first five days and the $300 deductible for retirees with

Medicare. The Committee was informed that this would be costly to the program, which would increase the premiums for retirees with Medicare.

Mr. Wall stated that this recommendation would not be included in the plan of benefit modifications proposed by OGB staff.

Mr. Wall explained about the long-term cost of the program. This item will have an impact on the liability for the program. The State is going to require the program to include this as a liability in the future. This is a Governmental Accounting Standard Board requirement. All other governmental entities will be required to submit this information. They will have to include it as a liability as what the future expenses of the program. Every time a benefit and/or group is added or changed, it will affect the liability of the program. This will be in the billion-dollar range.

Prescription Drugs

Increase the maximum cost for a single prescription from $40 to $50. The maximum annual out-of-pocket limit will be increased from $1,000 to $1,200.

Mr. Culotta reported that in FY 2001-02, OGB spent approximately $101 million on prescription drugs. Based on current spending levels, OGB is projected to spend approximately $120 million on drugs during FY 2002-03. OGB has researched alternative benefit designs with the current vendor and one other pharmaceutical benefits manager. No other benefit design options have been identified that would result in the savings necessary to maintain reasonable expenditure levels. In order to maintain affordable benefit programs, it is necessary to increase plan member costs in the area of prescription drugs. The cost savings to the program would be approximately between $7 to $9 million.

Mr. Culotta stated that the recommendation to the board from the Benefits committee was that **any** fiscal impact to retirees and active employees who earn $18,000 or less annually be absorbed by the State.

Mr. Culotta stated that after further consideration that he was not sure if this would be a feasible or reasonable recommendation due to numerous problems that this would cause in trying to administrator.

Mr. Lee explained that the point of this recommendation from the Benefits Committee is the let the legislature understand while the program is having to raise the cost of health care and that the lower paid state employees and retirees are having to choose between healthcare benefits and food. We need to do something for our lower paid state employees and the retirees so that their financial cost can be eased for healthcare.

Rep. Powell stated that all residents of the state of Louisiana are in the same position on how they can afford to pay for healthcare. This is a national problem as we think about helping state employees and retirees the taxpayers are struggling as will to pay for raising healthcare cost.

Mr. Lazare stated that anything based on income levels is going to be hard to administer and control. The data that it will take to verify income levels will be almost impossible to do.

Mr. Culotta stated that he would recommend no changes to the prescription benefits as they currently are.

Mr. Culotta stated that the legislature passed an act that would put a surcharge on each agency for deficit elimination. At the Regular Session of 2001 Legislature recognized the deficit that group benefit had of almost $84 million and all executive and judicial agencies as well as school boards will be billed according to the number of active employees and retirees that they have. The money was put into their budget for this deficit elimination. The money is in the budget of the executive and judicial and school boards in their appropriation for 2002-2003. There are 121,000 plus individual plan members and out of those 84,000 are active and 36,000 are retired. The total deficit was approximately $88 million. So each agency will add money for this deficit elimination in their budget. If they come forward with that money then at the end of the year we are going to have $88 millions that will pay off the deficit that the plan presently has, that is the IBNR. So it would be hard to support any kind of increase with this reserve that OGB will have. Mr. Temple stated that this would not be a reserve it would be funding the liability. Mr. Wall stated that this would actually provide the program with a funding of maybe $8 to $10 million, but the money is their to offset the IBNR because that goes into the Consolidated Annual Financial report to the State.

Our deficit affects our debt rating across the state. Mr. Culotta stated that the State has not funded this program adequately.

Plan Administration

OGB will solicit proposals, on both a fully-insured and self-insured basis, for the following:

- **EPO benefits on a statewide basis,**
- **HMO benefits on a statewide basis,**
- **EPO and HMO benefits on a regional basis**

Mr. Culotta reported that current contracts for HMO services will terminate June 30, 2003. As administrator of life and health benefits for approximately 250,000 Louisiana residents it is incumbent upon OGB to explore and evaluate available alternatives in the delivery of health care services. In order to adequately identify options and assess costs, OGB will solicit proposals, on both a fully-insured and self-insured basis.

Mr. Culotta stated that the Benefits Committee endorsed this recommendation from the OGB staff.

Genetic Testing

OGB will research the advisability of providing coverage for genetic testing to detect tendencies for certain diseases such as breast and colon cancer. A formal recommendation will be submitted.

Mr. Culotta reported that the availability of genetic testing to detect tendencies for certain diseases such as breast and colon cancer has expanded in recent years. Currently, OGB benefits for genetic testing are limited. Current plan language states genetic testing is excluded as a benefit:

> **… except when determined to be Medically Necessary during a covered pregnancy …**

OGB is in the process of identifying and evaluating options that would expand the availability of genetic testing to plan members. Specific recommendations are not final at this time. Any changes will be adopted through a change in the rules and will be presented to the board prior to adoption

Mr. Culotta stated that the Benefits Committee endorsed this recommendation by the OGB staff.

<u>Agency - Retiree Premium Subsidy</u>

OGB will require that once an individual retires, the individual shall be treated as a retiree for all future purposes and that future premiums for the individual shall be paid by the agency from which the individual retired.

Mr. Culotta reported that Act 455 of 2001 created an opportunity for retired state employees to return to active employment without penalty to their retirement income. An issue arose under the act regarding the administration of retiree premiums and the proper allocation of costs. The Louisiana State Employees Retirement System requested that OGB clarify the proper interpretation of the following plan language:

> **A Retiree from one Participant Employer may be covered as an Employee of another Participant Employer or as a retiree of the Participant Employer from which he retired, but not both.**

OGB has interpreted the above language to require that once an individual retires, the individual shall be treated as a retiree for all future purposes and that future premiums for the individual shall be paid by the agency from which the individual retired.

Under the interpretation, if an individual retires and is a member of OGB, the individual would continue to be treated as a retiree if he or she returned to work as an active employee. The retirement premium subsidy for such an employee would continue to be an obligation of the agency from which he or she retired.

Under circumstances in which a retired individual who is not a member of OGB returns to work as an active employee, the individual is allowed to enroll in the health program as a retiree and the premium subsidy is an obligation of the agency through which they are currently employed. Upon terminating active employment, the individual is no longer permitted to participate in the OGB health program as an active or retired member.

OGB proposes to clarify the rule to specify that any future retirement subsidies are the responsibility of the employer from which the individual retired and to prohibit employees from participating in the program if they were not members of OGB during retirement, before returning to work as an active employee. This change is intended to promote adequate funding of the OGB health plan, properly allocate subsidy costs between agencies, and deter adverse selection from individuals who were not formerly participants in the

Mr. Culotta stated that the Benefits Committee endorsed this recommendation by the OGB staff.

Alignment of Plan Year and Deductibles

Mr. Culotta reported that OGB is researching the advisability of aligning the plan year and the deductible year. Under consideration at this time is a proposal that would extend the current deductible year until June 30, 2003. Milliman USA is currently preparing projections for the fiscal impact. Such a proposal, if adopted, would result in a loss of the offset of deductibles during the period of January 1, 2003 – June 30, 2003. A final decision will be made after the cost projections are completed. The preliminary cost projected will be approximately between $8 to $10 million.

Mr. Culotta stated that the Benefits Committee endorsed this recommendation.

Wellness Benefits

Change the Plan Document to read:

$200 every 1095 days – age 16 – 39
$200 every 730 days - age 40 –49
$200 every 365 days – age 50 +

Mr. Culotta reported that this would eliminate the “1 physical max” and allow the maximum benefit amount of $200 during the qualifying period. This would simplify the benefit to plan members, but may cost the Program slightly more in benefits.

Mr. Culotta stated that the Benefits Committee endorsed this recommendation by the OGB staff.

Mr. Temple stated that the Benefits Committee spent a lot of time and energy on these proposed recommendations and that he appreciated all the hard work involved.

Mr. Temple explained that process of preparing a report from the Board to the Legislative Oversight Committee. Mr. Wall stated that the program is required to have a public hearing on the proposed plan changes some time in November or December. The public hearing information, the board report, and OGB recommendations will be submitted to the Legislative Oversight Committee for review. The board report will need to be completed by December.

October 30, 2002 is the next regular scheduled Board meeting and after that meeting. A member of the board will work with Ms. Sharon Runyan to draft a report for the board according to the way the board would like it drafted including whatever language and excluding anything the board doesn't want in it.

CEO REPORTS

Fiscal Reports

Mr. Wall presented the fiscal report for the board to review. The balance is approximately $23 million and claims payments are moving up. When the program went through the conversion the claims payments slowed down temporarily. Many employees worked a great deal of overtime to accomplish the conversion with very little disruption to any plan members. The new claims system is working very well.

OLD BUSINESS

Representative Tank Powell asked about the enrollment of the optional life insurance. Mr. Wall stated that approximately 7 to 8 thousand employees enrolled in the optional life option. Mr. Lee stated that there would have been a better enrollment at DOTD if someone would have given presentations during the enrollment period on information for the optional life insurance. Mr. Wall stated that a team from OGB went around the state working with human resources personnel to provide them with the information and that it was also included in the newsletter sent out to plan members.

Representative Powell stated that this was a tremendous program for state employees.

Mr. Culotta asked if a newsletter will be sent out before the next Board meeting so that plan members will be aware of what is being plan change modifications are being considered for next year. Mr. Wall stated that a newsletter will go out in October and it should have the information in it.

Mr. Culotta also asked when the Board would be able to give their recommendation on the premium rate increase. Mr. Wall reported that the premium rates increase for next year would not be determined until approximately February 2003. He stated that the Board could make a recommendation in their report to the Legislative Oversight Committee.

NEW BUSINESS

No new business was presented to the board.

PUBLIC COMMENTS

Mr. Ed Reed, Legislative consultant for the Retired State Employees Association, spoke on behalf of the association. Mr. Reed provided the Board with a survey that the Retired State Employee Association had conducted among their membership. The survey included data concerning the Office of Group Benefits relevant to retirees. Mr. Reed stated that the association would embark upon a political action program to obtain proper funding for the Office of Group Benefits.

ADJOURN

There being no further business to discuss the meeting was adjourned.

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Mr. Aubrey Temple, Chairman