

## **MINUTES**

### **BENEFITS COMMITTEE MEETING**

**July 9, 2003**

#### **CALL TO ORDER**

Mr. Russell Culotta, chairman called the meeting of the Benefits Committee to order.

#### **ROLL CALL**

##### **Members Present**

Dr. Merline Broussard  
Dr. James Calvin  
Mr. Russell Culotta  
Mr. Hubert Lincecum  
Mr. James Lee

##### **Members Absent**

Dr. Barbara Cicardo  
Mr. Jimmy LeBlanc

##### **Others Present**

Mr. Charles Lazare, Board Member  
Mr. A. Kip Wall, CEO  
Mr. Tommy Benoit, Special Counsel to the Board  
Mr. Steve Eschbach, Milliman USA

Roll call indicated five members present, representing a quorum.

#### **2004-2005 PLAN OF BENEFITS**

Mr. Wall provided the committee with the timeline for FY 2004-05 plan of benefits modifications. He explained that finalized recommendations for the next plan year must be submitted to the Legislative Fiscal Office by October 20, 2003.

He gave the committee information regarding national trends showing a 17% increase, and a regional increase of 26%. Next year the national average increase is projected to be 18%, and the Southwest region is projected to be 20%. Mr. Wall reported on an article showing that the California Public Employee's Retirement System (CalPERS) is facing a 17% rate increase in health insurance payments for next year, which is often used in the insurance industry as a benchmark for other plans.

Dr. Broussard asked about regional differences, and Mr. Wall explained that there were a lot of variables attributed to the differentials.

Mr. Wall also provided an article concerning the Medicare drug benefit. He stated that there will be no immediate impact on the program based on what has been proposed.

Mr. Wall presented the list of modification proposals that are being considered at this time. Additional recommendations and proposals may be presented in the near future.

**Wild Card Option**

Current Option	Proposed Modification
<ul style="list-style-type: none"> <li>Plan members are allowed to change plan selections one time during the year.</li> </ul>	<ul style="list-style-type: none"> <li>Discontinue wildcard option for the FY 2004-05 plan year.</li> </ul> <p><i>This change would be contingent upon no disruptions occurring during annual enrollment next year.</i></p>

A motion was made by Mr. Lee, seconded by Dr. Broussard to recommend to the Policy and Planning Board that the wild card option for the FY 2004-05 plan year be discontinued.

Following discussion of the motion a roll call vote was taken with the following result:

<b><u>Yeas</u></b>	<b><u>Nays</u></b>
Dr. Broussard	
Dr. Calvin	
Mr. Lincecum	
Mr. Lee	
Mr. Culotta	

**With five (5) yeas, and no (0) nays, the motion passed.**

**MCO Lifetime Maximum Benefit**

Current Option	Proposed Modification
<ul style="list-style-type: none"> <li>No Annual lifetime maximum.</li> </ul>	<ul style="list-style-type: none"> <li>Institute a \$1 million lifetime maximum benefit.</li> </ul>

This is to maintain the MCO as a low-cost option.

A motion was made by Mr. Lee, seconded by Mr. Lincecum, to recommend to the Policy and Planning Board that a \$1 million lifetime maximum benefit be instituted for the MCO.

Following discussion of the motion a roll call vote was taken with the following result:

<b><u>Yeas</u></b>	<b><u>Nays</u></b>
Dr. Broussard	

Dr. Calvin  
 Mr. Lincecum  
 Mr. Lee  
 Mr. Culotta

With five (5) yeas, and no (0) nays, the motion passed.

**Dependent Eligibility**

Current Option	Proposed Modification
<ul style="list-style-type: none"> <li>• Dependent can participate until age 21.</li> <li>• Dependents enrolled as full time students can participate until age 24.</li> </ul>	<ul style="list-style-type: none"> <li>• Permit dependents to participate until age 25 without restriction.</li> </ul>

Mr. Wall stated that this would be an enhancement. The program would permit dependents to participate until the age of 25 without restrictions. This age group of participants does not add significant cost to the program. With the current requirements there are administrative problems for the program and parents to present documentation to validate every semester that a dependent is a full-time student.

A motion was made by Mr. Lincecum, seconded by Mr. Lee to recommend to the Policy and Planning Board that dependents be allowed to participate until age 25 without restriction.

Following discussion of the motion a roll call vote was taken with the following result:

<b><u>Yeas</u></b>	<b><u>Nays</u></b>
Dr. Broussard	
Dr. Calvin	
Mr. Lincecum	
Mr. Lee	
Mr. Culotta	

With five (5) yeas, and no (0) nays, the motion passed.

**Retiree Health Options**

Mr. Scott Fontenot, a consultant for the Jefferson Parish School Board, addressed the committee regarding health options for the retirees. The school board hired Mr. Fontenot to evaluate its current health insurance program, which pays approximately \$40 million a year in health care benefits and each year it increases. Below are the two alternate plan designs that the school board is requesting that OGB consider:

Current Option	Proposed Modification
<ul style="list-style-type: none"> <li>Medicare eligible retirees are permitted to participate in the EPO, PPO, HMO, or MCO plans.</li> </ul>	<ul style="list-style-type: none"> <li>Offer a Medicare HMO to retirees</li> <li>Currently, Medicare eligible OGB retirees may enroll in a Medicare HMO and return to OGB under certain conditions.</li> <li>This recommendation was submitted by a consultant for the Jefferson Parish School Board.</li> </ul>

Mr. Fontenot stated that this would save \$100 per member per month for the school board if the employee elected a Medicare HMO. He stated for Jefferson Parish School Board employees the HMO options would be possibly Ochsner or Tenet. This would be a group model Medicare HMO in which they would have limited prescription drugs.

Mr. Wall stated that there are several issues to address concerning these options. He stated that plan members are currently allowed to drop out of the program and participate in a Medicare HMO and return to the program under certain conditions. This could not be done statewide because it is not available in all areas. This would be an additional offering to what is currently offered. Mr. Fontenot asked the committee to consider the feasibility of this option for all eligible retirees in the geographic regions that it would be available. Mr. Fontenot stated that currently Jefferson Parish School Board has approximately 30% member participation in the Ochsner HMO plan. Ms. Melissa McDonald of Ochsner reported that currently Ochsner offers the Medicare HMO in St. Tammany and Washington Parish and the New Orleans area, and five parishes surrounding the Baton Rouge area.

Mr. Fontenot stated that these were options presented to the Office of Group Benefits that might be beneficial to the Jefferson Parish School System. This would be an additional option for retirees.

Mr. Wall suggested to the committee to have Ochsner and Tenet present information at the next scheduled committee meeting to see what is available and to consider the Medicare HMO recommendation.

Mr. Wall recommended considering the retiree options and stated that there may be risks to the program and they need to be evaluated before proceeding with these options. Mr. Culotta requested that Mr. Wall compile a list of questions that need to be asked of Ochsner and Tenet to evaluate the HMO Medicare option.

Current Option	Proposed Modification
<ul style="list-style-type: none"> <li>Medicare eligible retirees are subject to coordination of</li> </ul>	<ul style="list-style-type: none"> <li>Offer a high deductible – catastrophic policy to pre-</li> </ul>

<p>benefit rules in the EPO, PPO, HMO, and MCO plans.</p>	<p>Medicare retirees.</p> <ul style="list-style-type: none"> <li>• The rationale behind this recommendation is that many retirees work in private sector positions which provide health insurance options. It is argued that non-Medicare eligible retirees do not opt into the private sector health plans due to the OGB mandatory participation requirement.</li> <li>• This recommendation was submitted by a consultant for the Jefferson Parish School Board.</li> </ul>
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Mr. Wall reported that many of those who retire from the state return to work in the private sector. In some cases they are offered health insurance in the private sector, and many do not take advantage of the health insurance to retain their eligibility in OGB. The theory behind this option is that OGB might save money by allowing these individuals to take advantage of private coverage during their employment in the private sector and still allow them to return to the program when their private sector employment ends. He stated that this does present a risk of adverse selection, because most of the people that retire and go to work in the private sector are generally healthier, which would cause healthier members being moved out of the program. Mr. Fontenot's recommendation is to offer these individuals a catastrophic policy with a large deductible, which would lower the cost and allow them to continue participating in this program and still take advantage of a private sector program. This would probably be a minimum of a \$5,000 deductible policy, and would be an optional offering for individuals who have coverage available somewhere else.

Mr. Fontenot explained that these retiree options are being presented for consideration in helping to control and reduce cost for 2004 to the Jefferson Parish School Board as well as possibly to OGB.

A motion was made by Mr. Lincecum, seconded by Dr. Calvin, to take the retiree options under advisement for further study.

Following discussion of the motion a roll call vote was taken with the following result:

**Yeas**

Dr. Broussard  
 Dr. Calvin  
 Mr. Lincecum  
 Mr. Lee  
 Mr. Culotta

**Nays**

With five (5) yeas, and no (0) nays, the motion passed.

Mr. Culotta asked if the committee members had any recommendations for consideration for the plan of benefits for 2004-05 plan year.

Mr. Wall reported that the prescription drug costs are increasing each quarter. The program is spending over \$12 million a month on prescription drugs and the program is projected to spend over \$140 million next year for prescription drugs. Mr. Wall stated that even with changes to the drug prescription benefit the program, we are projecting between a 17% to 20% rate increase for FY 2004-05.

Mr. Lincecum invited members of the audience representing agencies covered by OGB to please use the public comments time on the agenda to make any recommendations on benefits they would like to have considered for next year.

Mr. Culotta asked if any legislation in the recent session impacted the operation of OGB. Mr. Wall reported that no significant legislation was presented. But there will be a mandate for hearing aid coverage for minors. The legislation allows a maximum of \$1,400 for hearing aids for minors for every two to three years. Mr. Culotta asked what the projected cost would be to the program. Mr. Wall stated the cost was projected at approximately \$300,000 annually.

Mr. Wall reported on Act 528 of the 2003 Louisiana Legislative Session. This sets the ground work for a low cost health policy. The program will be reviewing this in the near future to see if it applies to OGB. This legislation is not mandatory but it eliminates some of the rules and statutes to allow these types of products to be offered. The legislation mentions OGB but it is not mandatory to comply with the legislation.

Mr. Culotta reported the following information for the plan year 2003-2004 regarding enrollee and dependent coverage:

Enrollee & Dependents	
UHB (Baton Rouge)	6,219
Definity (\$500.00)	12,667
Definity (\$1000.00)	1,049
FARA (MCO)	56,253
Ochsner	56,605
OGB EPO	6,534
OGB PPO	112,488
Vantage	3,351
Total	255,166

Mr. Lee requested a list of procedures for which the EPO \$300 deductible is not applied. He stated that his constituents would rather the \$300 deductible be reflected in their premium cost. Dr. Calvin explained that eliminating the \$300 deductible could cause over-utilization issues. Mr. Wall stated that this puts some decision responsibility on the plan member, because the program does not do managed care.

Mr. Lee asked about the new law allowing members to rollover \$500 from year to year under the Flexible Medical Spending Account. Mr. Wall stated that there is legislation being considered in Congress currently. Mr. Wall also explained that they are close to approving a debit card for the medical spending accounts where members can use the debit card if they have the funds in their accounts instead of having to file claims after they have incurred the cost.

## **PUBLIC COMMENTS**

Ms. Toni Lyons, FARA, discussed eligibility issues concerning surviving spouses and Medicare not being primary. Mr. Wall stated that the program would investigate this issue and determine how to proceed.

Mr. Culotta requested that people in the audience provide their suggestions to any benefits modifications they would like to be considered.

Mr. Wall reported that the program has received several inquiries regarding the use of social security numbers as plan member identification. He stated that this is a growing concern due to identity theft. The problem is that most health care providers use social security numbers as identifiers. The program is looking at this and is going to be considering moving to a unique identifier number.

Mr. Wall reported that the program was projecting a 17% to 20% rate increase for next year.

Mr. Culotta asked if there were any progress with contracting with Our Lady of the Lake Hospital. Mr. Wall reported that currently no progress has been made. Mr. Wall stated that almost every major hospital is in the program except for Our Lady of the Lake and Woman's Hospital. If the program increases the reimbursement rates for them than all the other hospitals will be requesting the same increase in reimbursement.

The next Benefits Committee meeting is scheduled after the OGB Policy and Planning Board meeting on Wednesday, July 23, 2003.

## **ADJOURN**

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