MINUTES

POLICY AND PLANNING BOARD MEETING
OFFICE OF GROUP BENEFITS

March 23, 2005

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. Buford Huckleberry
Mr. Mark Brown*	Mr. Jimmy LeBlanc
Senator James David Cain*	
Dr. James Calvin*	
Dr. Barbara Cicardo	
Mr. Russell Culotta	
Mr. James Donelon*	
Mr. Charles Lazare	
Mr. James Lee	
Mr. Hubert Lincecum	
Representative Tank Powell	
Mr. William Quinlan	
Mr. Jackie Self	
Mr. Aubrey Temple	

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

*Mr. Brown, Sen. Cain, Dr. Calvin, and Mr. Donelon arrived after roll call.

APPROVAL OF MINUTES OF JANUARY 26, 2005 BOARD MEETINGS

The minutes of the January 26, 2005 meeting were presented for approval. There being no objections, the minutes were approved as presented.

FY 2005-06 PLAN OF BENEFITS

Mr. Wall presented several articles that show what is going on in the health care marketplace nationally and internationally. The first article was from *Kiplingers* which is a national financial analysis publication that aims primarily at the private sector. The article indicates the effects of the soon-to-be implemented GASB (Governmental Accounting Standards Board) rule. This rule will become effective in the next couple of years. The article states:

> **"From 1993 to 2003, the number of big companies offering medical coverage to retirees dropped by half: Employer-sponsored medical coverage for early retirees fell from 45% to 28%, and coverage for retirees on Medicare sank from 40% to 21%."**

The article further states:

> **"The sheer magnitude of the unfunded liabilities will shake up the public-sector because most retiree health care is paid for on a pay-as-you go basis. The change is a wake-up call for government employers and is sorely needed, says Karl Johnson, project manager for the Governmental Accounting Standards Board (GASB), the body mandating the change. Without substantial changes, he says, governments will see an increasing portion of their annual budgets allotted to covering promised retiree medical benefits.**
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> **Although governments won't be required to fund the new liabilities, the pressure to do so will mount. A government's liabilities can affect its bond rating, and as a rule, a lower rating raises the cost of borrowing."**

This will impact the OGB program and relates to the future cost of retiree benefits.

The next article from the *Wall Street Journal* gives an idea of what is going on in the private sector. The article states:

> **Separately, a spokeman for Daimler Chrysler AG yesterday confirmed a Detroit News report that the automaker's Chrysler unit has negotiated an amendment of its contract that allows the company for the first time to charge UAW workers annual health-care deductibles of from $100 to $1,000 a year. …**

The UAW unions generally always fought to protect benefits for employees and they have resisted changes in benefits over the years. But, during that time, as health care costs have increased, more available funding for

salaries and benefits have been going to health care benefits which has suppressed salaries and wages.
The next article regarding international news states:

> **Toronto - A letter from the Moncton Hospital to a New Brunswick heart patient in need of an electrocardiogram said that appointment would be in three months. It added: "If the person named on this computer-generated letter is deceased, please accept our sincere apologies."**

This is not an endorsement for nationalized health care and it further states that they are looking at more privatization in the Canadian system due to shortages of nurses, doctors, and hospitals. This problem is not unique to Louisiana or America.

Mr. Wall also reported on an article in the *New York Times* which states that fewer employers cover the full cost of health care premiums. It stated that the percentage of large to medium size employers that pay 100 percent of workers' premiums plummeted to 17% in 2004 from 29 percent in 2000. Even fewer companies pay the full premium for family coverage, six percent of employers in 2004 compared with 11 percent in 2000.

Mr. Wall also reported that Rhode Island completed a cost assessment for its health care mandates through the Medicaid and state-sponsored programs and predicts that health care costs will double in the next six years. It is very likely that Louisiana can be faced with the same situation.

Mr. Wall provided the Board with a chart of OGB's revenues over the past four years. OGB's revenue has increased from approximately $678 million to $919 million, a 36-percent increase. Averaged the past four years, that is approximately a 9-percent increase each year.

Mr. Wall presented the rates for July 1, 2005. The EPO, PPO, and HMOs' rate increases are between 10 and 15 percent. The MCO rates are substantially more because of the high utilization of the program, and this program must cover its own cost. For plan members in the MCO there will be other options, primarily Humana and Vantage health plans which will be lower in cost. Mr. Wall reviewed each plan tier changes.

Mr. Culotta stated that the MCO product was grossly underpriced by the actuary. Mr. Culotta stated that the actuary is trained to produce reasonable rates and last year he did not do that. He added that it is awful that the MCO members have to pay the price for it. Mr. Eschbach stated that these rate increases reflect the expected experience of the MCO participants, including their lower cost drugs. Mr. Wall stated that OGB has fought to keep the rates as low and affordable as long as possible and that plan members in the MCO will still have other options to chose from that have a smaller premium increase.

Dr. Cicardo asked if the MCO had a deficit of $20 million last year. Mr. Wall said that that was correct. Mr. Eschbach reported that the first year the MCO's had approximately $210 million in medical and prescription drug claims and approximately $150 million in premiums were collected.

Mr. Wall reported that for the next several years the program is looking at a 10 to 15 percent rate increase each year.

Dr. Cicardo stated that she thought that the MCO was for the lower paid employee and the higher paid employees moved into the plan because the coverage was better and cheaper. Mr. Lincecum stated that the MCO had no out-of-network benefits and the prescription drugs had a mandatory generic feature and a formulary. Mr. Lincecum state that more plan members chose the MCO plan than was anticipated.

Mr. Wall explained that trying to provide a plan for the lower paid employees has not proved feasible. By the time a plan is developed it has significant deductibles, copays, coinsurance to the point that a low paid employee will not see much value because of so much out-of-pocket expense.

Mr. Donelon asked Mr. Wall if OGB had too many plan offerings. Mr. Wall stated that he would like to see a high and a low option plan. Mr. Donelon asked if the program was looking at these two options. Mr. Wall stated that it was under review.

Dr. Cicardo asked about putting a tax on hospital stays and who would pay it. Rep. Powell stated that this is already in effect, but that the Governor is proposing a bed tax. Dr. Cicardo asked if OGB would cover this and Mr. Wall stated that OGB would cover the cost.

Mr. Lincecum stated that the EPO will be administrated statewide by United Healthcare and they have a national network. EPO participants will have coverage throughout the nation by using United's network. Mr. Lincecum asked if Humana plan members have access to a national network outside the state of Louisiana similar to United Healthcare. Ms. Melissa Macdonald with Humana explained they will have out of state benefits in two different ways 1) if it is an emergency and 2) if they utilize their out-of-network benefits which is a $1,000 deductible and a 70 percent coinsurance of the usual and customary reimbursement.

Senator Cain asked if OGB was doing business with any company that owed the program money, and if so, OGB should not do business with them in the future. Mr. Wall stated OGB and Medco are disputing a payment of approximately $4.5 million, but OGB has held on to the money until this dispute is settled. Medco is no longer the PBM vendor for OGB. Currently OGB has a contract with Catalyst Rx to service our plan members and that contract is currently being audited for OGB.

Dr. Broussard asked that Mr. Eschbach review the PPO retirees with no Medicare rate increases. Mr. Eschbach reported that the rates show an 11-percent increase for single retired on Medicare, 16-percent with spouse, 9-percent with children, and 14-percent with family. Retirees, one with Medicare, 17-percent single, 18-percent with spouse, 16-percent with children, 22-percent with family. Retired two with Medicare, 14-percent. Mr. Eschbach stated that he would provide the Board members with spreadsheets which include percentage increases and dollar amount increases. Dr. Calvin reported that his Medicare supplemental plan with a national organization increases 17 percent each year.

Mr. Temple asked the total cost of the program on an annual basis. Mr. Wall reported that the cost $1.1 billion. The rate increase represents approximately $200 million, with the state covering approximately $140 million and the employees and retirees covering the other $60 million. Mr. Wall reported that the LSU pilot program Definity will have an approximate 20 percent rate increase this year.

Mr. Wall reported that the Board will start meeting in the next several months to discuss the Plan of Benefits for 2006.

LIFE INSURANCE

Mr. Culotta reported on the St. Tammany Parish School Board issue. He stated that the Insurance Committee met with the superintendent of the St. Tammany Parish School Board and other members of the staff to discuss what some school boards are doing. They have had Lafayette Life Insurance write policies for their employees and excluded their retirees. They were advised that they may be in violation of an OGB rule. They questioned why other school boards, such as Washington and Richland Parish School Boards, were doing the same thing with Lafayette Life Insurance. Mr. Lincecum contacted the School Boards in question and discovered that they were in fact having Lafayette Life Insurance write policies for their employees and were excluding retirees.

Mr. Culotta reported that they had met with Prudential Life Insurance representatives which is the carrier for OGB and advised them of the issue involving several school boards. Prudential informed the committee that allowing other insurance companies to offer life insurance to active only plan members and exclude retirees could make the overall age of the Prudential plan members increase because of all of the retirees having to remain with Prudential and this could cause a substantial rate increase for the whole plan.

Mr. Culotta stated that they would be meeting with Mr. Donelon with the Department of Insurance regarding this life insurance plan.

Mr. Culotta reported that LSU is enrolling employees into another life insurance plan with lower premiums and are specifically excluding retirees. Mr. Lincecum reported that OGB has been informed by LSU that they are going to market this plan actively to get all of the active employees out of Prudential Life Insurance plan and into the new plan. This will leave their retirees in the Prudential plan. Mr. Lincecum informed LSU that anyone choosing to cancel their Prudential policy must fill out a GB 01 change document and submit it for the policy to be cancelled. Mr. Culotta reported that the Board has a rule that states in effect that if the agency belongs to the OGB health plan than it must belong to the OGB Life Insurance plan, and if they don't belong to our life insurance plan then they can be excluded from participating in the OGB health insurance plan.

Mr. Lincecum also reported that Louisiana Tech is considering changing their life insurance provider.

Rep. Powell asked if OGB has notified the school boards and universities of this happening. Rep. Powell stated that he has called many school boards and cautioned them about someone approaching them about changing their life insurance provider. Mr. Wall stated that he had spoken to the School Board Association a couple of weeks and advised them of the issues. Rep. Powell stated that OGB should notify the school boards and universities and advise them of the law and the ramifications of changing their life insurance provider.

Mr. Lincecum stated that the insurance committee has discussed the possibility of advising the agencies if they don't have the 50% participation and they offer a plan in competition with the OGB Prudential Life Insurance plan, then the agency is out of the life insurance plan, which in turn would exclude them from participating in the OGB health insurance plan.

A motion was made by Mr. Donelon, seconded by Mr. Culotta, to recommend that the CEO advise the entities through a general advisory as to the law regarding the life insurance program and the possible results if this law is not adhered to. There being no objection, the motion passed.

Mr. Wall advised that he would like to send a general advisory to all participating agencies and work directly with the school boards to be sure that they adhere to the policy.

Mr. Temple stated that he felt that the Division of Administration is working with the program and the board to implement the recommendations of this Board and the Board has a responsibility to make their recommendations heard.

Mr. Temple stated that if the Board knows there is a problem, the Board has to move forward with a recommendation to the Division of Administration. The laws should be followed regarding the participation in the program and as a board we need to be sure that the law is being adhered to.

Mr. Temple also thanked Mr. Wall for doing a great job of conveying the recommendations and concerns from the Board to the Division of Administration.

Mr. Culotta stated that this Board has been charged with making recommendations to the Division of Administration on issues that will affect plan members. If the Board does nothing when they know the law is being violated, the Board is being derelict in its duties.

CEO REPORTS

Mr. Wall provided the Board with the *Where the Money Goes* report for informational purposes.

Mr. Wall reported that DHH has a federal planning grant for uninsured coverage. The grant is targeting programs that will help relieve some of the issues for the state's uninsured. DHH has used some of the money to help fund a study of state employees through LSU, that will give some idea of how many state employees are uninsured. The study is currently under way and should be concluded next week. OGB did a survey approximately four years ago and the findings were that an estimated 9,000 out of 89,000 did not have any insurance coverage. Mr. Wall wanted to express the program's appreciation to DHH for its cooperation and assistance in this effort.

NEW BUSINESS

Mr. Wall stated that the program will begin a review of plan of benefits for July 1, 2006. Anyone on the board who would like to participate is invited. The program will begin identifying options for the upcoming plan year.

OLD BUSINESS

Mr. Lee asked about how many morbid obesity gastric bypass surgeries were done last year. Mr. Wall stated that 40 surgeries were done. Mr. Lee asked if any followup with those members was done allowing for any additional surgeries. Mr. Wall stated that the program is currently reviewing the results of the initial 40 surgeries, but no determination has been made on additional surgeries.

Dr. Broussard asked about the status of the building lease issue. Mr. Wall reported that no final decision has been made and it is still under review.

PUBLIC COMMENTS

No request for public comments.

ADJOURN

There being no further business to discuss, a motion was made by Rep. Powell, seconded by Mr. Lazare, to adjourn. With no opposition, the motion was unanimously adopted.

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Mr. Aubrey Temple, Chairman