

MINUTES

POLICY AND PLANNING BOARD MEETING OFFICE OF GROUP BENEFITS

March 20, 2002

CALL TO ORDER

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

ROLL CALL

Members Present

Dr. Merline Broussard
Mr. Charles Castaing
Dr. Barbara Cicardo
Mr. Russell Culotta
Mr. Robert Greer
Mr. Charles Lazare
Mr. Hubert Lincecum
Mr. James Lee
Mr. Richard O'Shee
Representative Tank Powell
Mr. Jackie Self
Mr. Kelly Ward
Mr. Aubrey Temple

Members Absent

Dr. James Calvin
Senator Tom Schedler
Mr. John Warner Smith

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

APPROVAL OF MINUTES OF DECEMBER 12, 2001 BOARD MEETING

The minutes of the December 12, 2001 board meeting were presented for approval.

A motion was made by Mr. Lincecum, seconded by Mr. Castaing, to accept the minutes as presented. There being no objection, the minutes were approved. Dr. Cicardo abstained from the vote.

FY 2002 – 2003 PLAN OF BENEFITS

Mr. Wall presented and reviewed the report submitted to the House Appropriations Committee and the Senate Finance Committee from the

Office of Group Benefits Policy and Planning Board on the Fiscal year 2002-03 Plan of Benefits:

Pursuant to LSA-R.S. 42:881 the Office of Group Benefits (OGB) Policy and Planning Board (the "Board") is charged with the responsibility of submitting an annual report to the appropriate legislative oversight committees concerning the plan of benefits proposed by OGB. This report is submitted as specified by statute.

During the regularly scheduled meeting of the Board on July 25, 2001, the chief executive officer of OGB advised that modifications to the plan of benefits would be submitted to the Board in August and requested that the Board submit suggestions or recommendations for consideration. The Benefits Committee of the Board met on August 8, 2001, to receive and review modification recommendations. The Board met on October 17, 2001, to review the recommendations of the Benefits Committee.

The Board has considered the recommended modifications for Fiscal Year 2002-03 and recommends them as appropriate and necessary to maintain operation of the program on a fiscally responsible basis. The Board understands that health care costs are increasing at double-digit rates for the foreseeable future. In the current environment, OGB and other employers face a significant challenge in maintaining viable benefit programs at affordable cost.

Options considered by the Board and pertinent comments are provided below.

Plan Options

- Continue to offer the Exclusive Provider Organization (EPO) in regions in which cost-effective rates can be negotiated. In light of increasing costs, it is recommended that a \$300 deductible be implemented for all EPO services other than physician office visits. Projections indicate that failing to institute minimal cost controls will result in reduced affordability for current participants.**

Mr. Wall reported that the rule has been filed to implement the \$300 deductible. The \$300 deductible applies only to items for which there is not currently a co-pay. Mr. Wall announced that there would be two EPO

options in Baton Rouge, one administered by Blue Cross Blue Shield and the other by a partnership between Best Care and FARA.

- **The benefit structure for the Preferred Provider Organization (PPO) will not be modified this year. It is acknowledged that changes on the prescription drug program for the PPO will likely be necessary for fiscal year 2003-04.**
- **OGB management has informed the Board of its efforts to develop a low-cost option for state employees. Such an option would provide limited benefits in order to achieve lower premium rates. The Board supports such an effort in concept but reserves the right to review and comment on any proposed low-cost option plans.**

Mr. Wall reported that Milliman USA is currently developing models for OGB to use in the future.

- **For the fiscal 2002-03 plan year, OGB will fully implement a four – tier premium structure. The Board recognizes that such a plan will increase costs for some plan members. However, the net effect will result in a more equitable alignment of costs incurred in relation to premiums paid.**

Mr. Wall reported that the four-tier rate structure would not be fully implemented this year due to the adverse impact it will have on two tiers of the rate structure.

- **OGB is in the process of reviewing responses to a request for proposals seeking administrative services for the establishment of a Medical Flexible Spending Account. The Board supports this effort and believes that such an account will benefit OGB participants by allowing for the establishment of tax deferred funds for the payment of medical expenses.**

Mr. Wall reported that a RFP has been completed for the Medical Flexible Spending Account, a contractor has been selected, and it will be effective July 1, 2002.

- **The Board has been advised that a committee of OGB stakeholders has been established to develop proposals for soliciting dental and vision benefits for state employees. The Board supports this initiative. Utilizing the purchasing power of the OGB participant group to secure lower costs for vision and dental services is in the best interest of plan participants.**

Mr. Wall reported that a select committee of stakeholders was appointed to solicit and review proposals for dental and vision benefits. These proposals have been adopted, selected, and finalized at this time. Vision and dental benefits will be available for plan members in the upcoming year.

- **For fiscal year 2001-02, OGB solicited proposals for a fully – insured life insurance program for state employees. The Board recommends that OGB establish a committee to review the contract that has been issued to Prudential Life Insurance Company. The committee should seek to determine if modifications could be made to the contract that would be in the best interest of plan participants.**

Mr. Wall reported that life insurance benefits will be expanded for state employees this year.

- **Previously, the Board has recommended that surgical treatments for the condition of morbid obesity be treated as a covered benefit. The Board recommends that this issue continue to be reviewed and considered in light of developing research in this area of health care.**

Mr. Wall reported that OGB is waiting for proposals from the LSU New Orleans Medical School.

- **The Board has been informed that certain plan participants who retired from the military are eligible for the Tricare health benefit program. The Board recommends that plan participants be permitted to withdraw from participation in OGB in order to enroll in the Tricare program. It is further recommended that provisions be adopted to permit plan members who join the Tricare program to re-enroll in OGB in the future, in the event of a significant reduction in benefits offered through the Tricare program.**

Mr. Wall reported that the OGB is in the process of implementing the rule to allow members to enroll in the Tricare option. Mr. Tommy Benoit, special counsel, stated that it will apply to anyone who dropped OGB coverage and enrolled in Tricare from the time it was offered to eligible members on October 1, 2001.

- **The Board recommends that coverage for the treatment of services resulting from suicide attempts be included in the plan of benefits. The Board feels that such treatments are appropriate and will not result in a significant increase in cost to the plan. Furthermore, federal statutes support extending such services.**

Mr. Wall stated that an amendment has been filed and the program will cover medical costs associated with an attempted suicide, effective July 1, 2002.

- **OGB management has recommended that the period in which to file a claim be established as a maximum of 12 months from the initial date of service. Currently, plan members and providers can file claims for a period of up to six months after the end of the plan year. Plan members have as long as 18 months to file a claim or as little as six months depending on the date of service. The Board recommends a consistent 12 month period in which to file a claim.**

Mr. Wall reported that this simplifies the filing date for OGB staff as well as plan members.

PRUDENTIAL LIFE INSURANCE

Representative Tank Powell reported that OGB will be able to offer an optional life insurance program for active state employees, but will not be able to offer this to retirees because state law limits the life insurance option to active employees. The plan will be offered through September 1, 2002. Only those who currently have OGB life insurance are eligible to participate in the optional life insurance. A participant may purchase up to three times the amount of current life insurance, with a maximum of \$200,000. The optional coverage also has portability, so if an employee leaves state service it can be continued with a small increase in rates if uninsurable. If insurable, he or she can maintain almost the same rates. At age 65 there would be a 25% reduction in the optional life, age 70 there would be a 50% reduction in coverage. At all times there is a right to convert the coverage to whole life policy without evidence of insurability. Dependent life coverage will allow dependents to obtain up to three times the amount of life insurance that they currently have. The monthly rates are as follows:

Age	Monthly Rate	
	Per \$1,000	Per \$1,000
	Optional Life Employee	Dependent Life Spouse
LT-25	\$0.070	\$0.100
25-29	\$0.090	\$0.120
30-34	\$0.120	\$0.120
35-39	\$0.130	\$0.160
40-44	\$0.150	\$0.180
45-49	\$0.220	\$0.300
50-54	\$0.340	\$0.460
55-59	\$0.630	\$0.860

60-64	\$0.970	\$1.320
65-69	\$1.870	\$2.540
70 +	\$3.030	\$4.120
Dependent Children's monthly rate per \$1,000 is \$0.08		

The basic cost is \$0.90 per \$1,000 and the State pays half of that. All of the optional life cost will be paid by the employee. Provisions have been made to protect the basic policy by requiring participants to maintain the basic policy. Participants can buy one, two or three times their basic policy. There is a 20% participation requirement of the current life insurance participants. OGB and Prudential will enroll members from April through September 1, 2002. Rep. Powell thanked the Prudential representatives for their help with this additional optional life policy.

Mr. Lincecum reported that Prudential stated that the certificates of insurance have been mailed to the agencies. The agencies will be responsible for distributing the certificates of insurance to their active plan members, and the retirees' certificates will be mailed in the next few days.

MEDICAL FLEXIBLE SPENDING ACCOUNT

Mr. Wall informed the Board of the status of the medical flexible spending account. The Study Commission appointed through an executive order recommended the implementation of a medical flexible spending account. OGB has concluded the RFP, and Fringe Benefits was selected as the vendor to administer the flexible spending account. It will be implemented on July 1, 2002. Mr. Wall stated that President Bush has proposed changing MSA (Medical Spending Accounts) legislation which would expand the use of MSAs. Plan members have to be very cautious in what they put in their account and make sure they spend all available funds in their account, because if they do not, the funds revert to the state. This will be available to those employees whose agencies are in the Uniform Payroll System.

DENTAL PLAN

Mr. Wall presented information on the dental plan to be offered in plan year 2002-2003. A select committee of stakeholders was appointed to explore benefit options for state employees to have dental services. The two vendors selected were the Louisiana Dental Plan and the Starmount Plan. The Louisiana Dental Plan is a discount plan. If the plan member's dentist participates in the plan, the plan member will receive a discount. This will be available to all plan members at no cost. Starmount Plan is a fully insured plan. It provides a broader range of coverage. There will be a premium for the Starmount Plan and the employee will pay the whole premium cost through payroll deduction.

PREMIUM RATES

Mr. Wall presented the proposed Plan Year 2002-2003 premium rates to the Board to receive comments and advise the Board of the process that OGB went through in establishing these rates. Overall the rates reflect an average 17% increase. The most affected tiers are the employee and spouse, and employee and family. The state pays 65% of the single active employee PPO rate and 50% of the spouse and dependent rate.

CEO REPORT

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 reported that the report “Where the Money Goes?” was not totally complete this month. He reported that OGB is running a cash balance of approximately \$10 million. OGB is paying its claims on time. Mr. Eschbach has reviewed the program’s lag tables (delay in paying claims). Based on the data, he believes that OGB has moved up a month since this time last year. OGB is projected currently to experience a surplus of approximately between \$2 and \$10 million. OGB still has the accumulated deficit, but the legislature has appropriated money to fund a large portion of the deficit.

Mr. Wall reported that OGB has contracted with CSRG for claims outsourcing. Mr. Wall stated that the program has had a contract with Medplans, a third party administrator. They were the overflow contractor. CSRG was the successful bidder on the recent ITB.

A contract for customer service will be issued in the near future. This is needed because of the call response time problem that plan members are currently experiencing. The customer service division has been unable to attract and retain employees sufficient to handle the incoming call volume. Last year ten additional positions were allocated for customer service and between 10 and 20 people were hired to fill these positions. The objective is to have calls answered within a two minute time period. The program will also implement a contract for the intake of claims. OGB has the CASSS Section that images claims and enters the data in the system. The program has a contract to support services for this function in the event that the program experiences an increased workload. In 1999, 20,000 additional plan members were added from Advantage Health Plan, which caused a backlog of claims payments. Outsourcing resources are needed to manage workload changes. The outsourcing is also utilized because the total number of authorized positions allotted OGB is only approximately 356 positions. Mr. Lincecum stated that the program currently outsources some of its claims. The program receives 10,000 claims per day, and it would not be possible to process all claims in a 30-day period. Mr. Wall explained for the last two years that OGB has not been within the acceptable range of adjudicating

claims within a 30-day period. The OGB staff has been informed that this is unacceptable.

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

OLD BUSINESS

Multi-State PBM

Dr. Broussard asked about the status of the multi-state PBM process. Mr. Lincecum reported on the status of the Multi-State Prescription Benefits Manager (PBM) RFP. The Multi-State PBM would combine the buying power of several states to receive a better price for their prescription drugs. Several states have joined in issuing the RFP. A mandatory proposers conference was held in West Virginia on November 7, 2001. From the proposals submitted one company was selected by the multi-state coalition. The selection committee was asked not to publicize this information until April 1, 2002, when West Virginia will issue the final results. The State of Louisiana with some negotiations could possibly have a better plan, and if we find that there is a substantial savings, we would consider participating.

Dr. Broussard asked about the prize money being offered to plan members who receive the survey that has been sent to plan members regarding the quality of service from OGB. If you submit your survey and provide your name it will go in a drawing to receive a \$100 prize. She asked who was paying the prize money. Mr. Wall stated that this was a survey being done by Milliman USA on behalf of the next Study Commission. The last Study Commission determined that it needed to continue the work. This process is beginning with this survey to gather data from plan members. The prize money is to entice plan members to respond to the survey so that the data can be obtained and provided to the Study Commission. Mr. Eschbach stated that Milliman USA is providing the prize money to be given away. Mr. Benoit stated that Milliman USA received the contract for this under a fixed price to complete the entire project. The survey is part of the project. The \$1,000 in prizes was built into the overall cost of the project. If this \$1,000 prize money was eliminated from the project the cost paid to Milliman USA to do this survey would still remain the same.

Dr. Broussard asked about the actuarial review to eliminate the deductible for retirees on Medicare. Mr. Wall advised that the cost would be approximately \$1.3 to \$1.7 million.

Mr. Ward asked about the morbid obesity benefit. Mr. Wall stated that Dr. McKnight is coordinating with LSU regarding this possible benefit. Dr. McKnight stated that the program is waiting on LSU to submit information. Mr. Ward asked if the morbid obesity recommendation would be part of the

recommendation to the legislature once it becomes available. Mr. Wall reported that this would need to be presented to Division of Administration because of the fiscal impact on the program. Mr. Ward asked if there would be a cost savings over the long run to the program. Mr. Wall stated that there is nothing definitive that states that it would be cost savings in the long run. Once the proposal is submitted from LSU Mr. Wall would present it to the DOA with the projected cost to see if funding would be provided for this benefit.

Dr. Cicardo asked where plan members should send their appeals. Mr. Wall stated that they should be mailed to OGB, attention Appeals.

NEW BUSINESS

Dr. Cicardo asked if the Policy and Planning Board would meet monthly. Mr. Temple stated that the board would meet quarterly, and if a request is made from a member of the board to meet, then a special meeting could be called.

PUBLIC COMMENTS

Mr. Temple stated that new legislation provides for public comments at the end of each public meeting. Mr. Temple recommended that anyone who would like to make public comments submit a request in writing, and they will be allowed five minutes to address the board with their concerns. Mr. Wall stated that he would develop rules to govern public comment procedures and submit them at the next meeting of the Board.

New Orleans City Park

Mr. Culotta stated that the New Orleans City Park had representatives who requested to speak to the Board: Mr. Herb Sumrall and Mr. Bob Becker, general manager of the City Park of New Orleans. Mr. Becker requested that the New Orleans City Park employees be eligible to participate in the OGB program as retirees when they retire. Currently the employees of the New Orleans City Park can only participate in the program as active employees. Once they retire they are no longer eligible. Mr. Becker provided the program with the history of the City Park of New Orleans entity and its employees.

Mr. Temple requested that Mr. Wall speak to the Division of Administration regarding the New Orleans City Park situation and to request a legal opinion from the Attorney General's Office.

ADJOURN

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