MINUTES

POLICY AND PLANNING BOARD MEETING
OFFICE OF GROUP BENEFITS

September 29, 2004

CALL TO ORDER

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

ROLL CALL

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

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

*Mr. Donelon and Mr. Brown arrived after roll call.

Mr. Stan Hurder, General Counsel, administered the Oath of Office to the newly appointed board member, Mr. Buford Huckleberry.

APPROVAL OF MINUTES OF SEPTEMBER 1, 2004 BOARD MEETINGS

The minutes of the September 1, 2004 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 objections, the minutes were approved.

INTRODUCTION OF NEW BOARD MEMBERS

Mr. Wall welcomed Mr. Huckleberry from Monroe to the Board. He also stated that Mr. Mark Brown from Alexandria, will be the CPA appointee replacing Mr. Charles Castaing, who resigned from the Board earlier this year.

Mr. Lincecum requested that Mr. Charles Castaing and Mr. John Warner Smith be presented a plaque for their service on the Board.

FY 2005-06 PLAN OF BENEFITS

Mr. Wall presented and discussed an article that appeared in the Baton Rouge *Advocate*, “Medicare premiums to rise 17.5%, officials say”. This information has been in the national media, as well as, part of the presidential debate. This article refers to Medicare cost increases for next year.

Mr. Wall stated that he was not proposing any benefit modifications this year, but would like to discuss an HSA offering for a low cost option.

Mr. Wall reported that pharmaceutical costs are going up, and doctors and hospitals are requesting higher reimbursement rates to stay in networks.

Mr. Wall reported that Ascension Parish School Board voted last week to withdraw from the OGB program. One factor is that the hospital in Gonzales, St. Elizabeth, which is part of the Our Lady of the Lake network, is not in any plan offered by OGB. Mr. Temple asked how this would effect the vesting requirements for those employees in that school district. Mr. Wall stated that the school board was notified in written communications from Mr. Stan Hurder that would eliminate the grandfathering vesting requirement. If they come back into the program they will be treated as any new employee.

Mr. Wall stated that he will present in the future a consumer-driven health care plan option that is going to be a low-cost plan for employees. This is to try and provide something to the lower paid employees and the retirees of the State. He explained that the PPO and HMO, the two largest plans, are very close. If we have changes in either plan, there will be a lot of plan member dissatisfaction. Looking at the PPO and some type of HMO plan, and possibly a third option, the consumer driven health plan that will be very limited in benefits, but will at least provide catastrophic protection, is what is being considered. Mr. Wall reminded the Board that OGB is a $1 billion program and that a 10 percent increase would need $100 million to maintain benefit levels.

Mr. Wall stated that Arkansas State Employee plan introduced a savings account health plan that only enrolled 112 members. This may not solve the problem, but is an effort to offer a low-cost option to state employees while trying to hold down costs.

Mr. Temple addressed the issue that some entities should not be in the OGB Program. He urged Rep. Powell to block legislation that allows groups that are not made up of state employees into the program. Mr. Wall assured Mr. Temple that he does communicate this to the Division of Administration.

Mr. Mark Brown arrived at this time, welcomed and was administered the Oath of Office by Mr. Stan Hurder.

Mr. Wall reviewed the comparison of health care accounts, the FSA, HRA, and HSA.

> **FSA – Flexible Spending Accounts** – OGB offers this currently in its cafeteria plan. This allows pre-tax employee contributions to a fund that members can use for non-covered medical expenses. The problem with FSAs is that funds not spent cannot roll over to the next year. There is proposed legislation in Congress to allow $500 roll over to the next year. Retirees are not eligible to participate by federal law.
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> **HRA – Health Reimbursement Accounts –** These accounts are extensively used with consumer driven health plan model, like the Definity plan. The difference between a HRA and FSA is that an HRA is employer funded. These accounts can roll forward to the next year. The employer owns this account.
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> **HSA** – **Health Care Savings Accounts** - It permits employer and employee contributions, and it rolls forward to the next year. It can be invested like a 401K, and employees own it and can take it with them. Funds can be built up in these accounts for future medical expenses. The requirement in the law is that for individual policies, there must be a $1,000 deductible in order to permit an HSA, and for family there must be a $2,000 deductible.

Mr. Steve Eschbach, Milliman USA, discussed the overview of the HSAs with the following talking points:

Why were HSAs developed?

- Health care costs continue to escalate.
- Consumer Driven Healthcare is seen as a means of controlling health care costs –
  - Makes patients get involved with the financial implications of health care costs – they have to pay with “their” funds.
  - Gives patients more flexibility in choosing providers.
  - Provides incentives – financial and choice – so patients can become educated consumers.
- To allow an environment supporting of Consumer Driven Healthcare.

What is an HSA?

- A new health care plan design option signed into law by President Bush on December 8, 2003, in the Medicare Modernization Act of 2003.
- Created by a new Internal Revenue Code section 223 which provides certain qualifying individuals to:
  - Exclude contributions made to qualifying HSAs from income.
  - Earn tax free interest on such contributions.
  - Have such contributions reimburse qualified medical expenses tax free.
- A plan for qualified individuals who meet all of the following conditions:
  - Covered under a qualified “HDHP” (High Deductible Health Plan);
  - Not covered by a non-qualified health plan;
  - Not covered as a dependent under another person’s tax return;
  - Not entitled to Medicare due to age, disability, or ESRD.
- Requires an employer to offer a HDHP to coordinate with a HSA.

HSA Overview

- An account the employee owns, which is therefore portable.
- Able to be funded by the employer or the employee – the maximum annual funding limit (from both the employer and the employee) is the annual deductible.
- Flexible and does not need to be completely used every year – unused balances can accumulate with tax-free interest. Account owners decide whether to pay for current expenses with cash or to draw down account balances.
- Used by patients to pay for their qualified medical expenses up to the balance in the account on a tax-free basis. For example, an employee who builds value in the account while active could use the balance to pay COBRA, Medicare or retiree health care premiums while in retirement. Other qualified medical expenses would include dental, vision, long term care, etc.
- Withdrawals by participants for any other (non-medical) use become taxable income with a 10 percent penalty.

- Requires a trust that must be managed by a qualified trustee.

What is a HDHP?

- Has the following design characteristics:
  - Annual deductible of not less than:
    - $1,000 for an individual;
    - $2,000 for a family (in contrast to the current plans, the family must meet the $2,000 requirement, as opposed to two individuals meeting separate $1,000 requirements).
  - Annual out-of-pocket maximum does not exceed:
    - $5,000 for an individual;
    - $10,000 for a family.
  - Offers network incentives.
  - Above values are indexed for inflation beginning 1/1/05 (i.e. 7/1/05 will have increased values).
- May cover preventive care outside of the deductible.
- May have out-of-network deductibles and coinsurance at higher levels.
- Covers prescription drugs similarly to other medical expenses (after the deductible, and subject to out-of-pocket maximum).

Who is eligible?

- Active employees and their dependents who are qualified individuals.
- Retirees under age 65 and their dependents who are qualified individuals.

Mr. Wall presented a spreadsheet which included the EPO, PPO, MCO & HMO, and an HSA and HRA plan offering. This is only for informational purposes. Mr. Wall stated he would focus on the HSA because this is the plan that will most likely provide some benefit to our plan members and at the same time hold down cost.

He stated that the HSA plan design that is presented has the following:

Single - deductible* Coinsurance Maximum out-of-pocket	$1000 $5000
Family – deductible* Coinsurance Maximum out-of-pocket	$2000 $10,000
Primary care physician	$25 copay
Specialist	$35 copay
Inpatient	$150 per day $450 maximum per admission

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* **Mandated by federal law**

Outpatient surgery	$200 copay
Outpatient non-surgical	$100 copay
Emergency room	$150 copay
Prescription drugs Maximum out-of-pocket	50% per script up to $50 maximum None
Out-of-network	None

Mr. Donelon asked for the projected participation in the HSA account.
Mr. Wall stated that he would like to have 5,000 members enrolled, but does not anticipate a large participation the first year.
Mr. Donelon stated that people are asking for a consumer-driven savings accounts to try and reduce their health care cost.

Mr. Culotta suggested that the Board explore increasing deductibles, co-insurance, and copays moderately to find savings in the current plans offered.

Mr. Wall requested direction from the Board regarding offering a low cost HSA or lower benefit HSA.

A motion was made by Mr. Lincecum seconded by Mr. Lazare to request the CEO and actuary to explore the feasibility of offering two plans, a PPO and HMO copay type, in addition to an HSA option with a $1000 deductible.

Yeas	**Nays**
Mr. Brown	Mr. Culottta
Mr. Huckleberry	
Mr. Lazare	
Mr. Lee	
Mr. Lincecum	
Rep. Powell	
Mr. Self	
Mr. Temple	

With seven (8) yeas, and one (1) nay, the motion passed.

Mr. Lee asked what the MCO plan cost was. Mr. Eashbach stated that the cost was approximately 20 percent more than what the Program collected in premiums. Mr. Wall stated that this will drive up the cost of the MCO plan if it is offered next year.

Mr. Wall advised the Board that he would be meeting with the Division of Administration and advise them of the Board's recommendations and review DOA recommendations. Mr. Temple asked that Mr. Wall invite any interested Board members to attend the meetings with DOA.

CEO REPORTS

Mr. Wall presented for informational purposes the report, "Where the Money Goes," which gives an overview of claims and cost.

Mr. Wall advised again that the Ascension Parish School Board voted to withdraw from the Program. This agency did have a positive loss ratio, and someone will be able to offer them lower insurance rates than our Program currently can. Mr. Temple expressed concern for the employees with this agency being affected by the OGB vesting requirements should this agency decide to come back in the OGB program at a later time.

Mr. Wall reviewed the problems with Pointe Coupee Parish and Franklin Parish School Boards. Pointe Coupee Parish School has submitted a workout plan that is acceptable to OGB. Franklin Parish School Board has not and may not be able to. Mr. Temple asked if the Program was developing a policy of cancellation for non-payment. Mr. Wall stated that this was being reviewed and will be addressed.

NEW BUSINESS

None.

OLD BUSINESS

None.

PUBLIC COMMENTS

Ms. Melanie Cormier with the Department of Public Safety advised the Board that an FSA is helpful for employees at all pay grades. If an employee knows they will have sufficient out-of-pocket medical expenses, this is a good plan for them. She also stated that if human resources personnel were educated on the plans, as well as, any changes in the current plans before they are sent out to the all the employees they could help employees, make informed decisions on their insurance needs.

Mr. Wall stated that Statewide Human Resource Association (SHRMA) is having a meeting today and Mr. Lincecum is taking a delegation of OGB employees to speak with them and open a dialogue. He stated that he was to speak earlier this month at a human resources meeting, but it was canceled due to Hurricane Ivan. But he is reschedule to speak with these people next week and his purpose will be to give them a update and solicit members for a group that could come in provide a resource of information to the Program. Also, in March of every year the Program has training sessions for human resources personnel prior to annual enrollment beginning in April. They are provided with all information on the various plans, except premiums.

Mr. Rick Ramsey with LSU suggested to the Board to reconsider offering an HRA to plan members. Also he is concerned that elimination of any plan, especially the MCO could cause serious hardship because other plans may not be able to handle the additional plan members.

ADJOURN

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

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Mr. Aubrey Temple, Chairman