



State of Louisiana
Office of Group Benefits
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MINUTES

POLICY AND PLANNING BOARD MEETING OFFICE OF GROUP BENEFITS

July 18, 2008

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CALL TO ORDER

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

ROLL CALL

Members Present

Rep. Robert Billiot*

Dr. Merline Broussard**

Mr. Russell Culotta

Mr. Kenneth Krefft

Mr. James Lee

Mr. Hubert Lincecum

Ms. Janet Lorena**

Mr. Rick Ramsey

Mr. Philip Rebowe

Mr. Jackie Self

Mr. Aubrey Temple

Members Absent

Sen. "Butch" Gautreau

Mr. Buford Huckleberry

Dr. Daniel "Stormy" Johnson

Ms. Karen Reiners Winfrey

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

* Rep. Billiot arrived after roll call.

** During the meeting, Dr. Broussard and Ms. Lorena were appointed to fill vacancies on the Board

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APPROVAL OF MINUTES OF THE APRIL 10, 2008 BOARD MEETING

The minutes of the April 10, 2008 meeting were presented for approval.

A motion was made by Mr. Lincecum, seconded by Mr. Lee to accept the minutes as presented. There being no objections, the minutes were approved as presented.

BOARD ELECTION INFORMATION AND BOARD VACANCIES

Two new members were elected in June for six-year terms.

Kenneth J. Krefft was elected to represent employees of the Department of Social Services and the Department of Health and Hospitals.

Jackie Self, was re-elected without opposition to represent teachers and other public elementary and secondary school employees.

Because OGB received no nominations in the elections for a member to represent retired teachers and the employees of the Department of Transportation and Development, the board appointed two previous board members to serve until the next scheduled election in 2010. (Statutory term limit provisions prevented both persons from seeking re-election to an additional six-year term.)

Dr. Merline Broussard was appointed to represent retired public school teachers.

James Lee was appointed to represent Department of Transportation and Development employees.

The board unanimously accepted the resignation of Secretary James LeBlanc as the representative from the Department of Public Safety and Corrections and appointed **Janet S. Lorena** to fill the vacancy until the next scheduled election in 2010.

Several other newly appointed and ex-officio members were present for the board meeting.

Philip W. Rebowe was appointed by Gov. Bobby Jindal to fill a vacancy as a certified public accountant for an unexpired term ending in 2012.

Rep. Robert Billiot was designated as the ex-officio board member from the House of Representatives’.

ELECTION OF OFFICERS FOR 2008-09

Chairman

Mr. Temple opened the floor for nominations for the office of Chairman of the Board.

Mr. Lincecum nominated Mr. Temple. The nomination was seconded by Mr. Self.

There being no further nominations, upon motion of Mr. Lincecum, seconded by Mr. Self, Mr. Temple was elected by acclamation as Chairman of the Board.

Vice Chairman

Mr. Temple opened the floor for nominations for the office of Vice-Chairman of the Board.

Mr. Lee nominated Mr. Lincecum. The nomination was seconded by Mr. Ramsey

There being no further nominations, upon motion of Mr. Lee, seconded by Mr. Ramsey, Mr. Lincecum was elected by acclamation as Vice-Chairman of the Board.

Secretary

Mr. Temple opened the floor for nominations for the office of Secretary of the Board.

Mr. Lincecum nominated Mr. Lee. The nomination was seconded by Mr. Culotta.

There being no further nominations, upon motion of Mr. Lincecum, seconded by Mr. Culotta, Mr. Lee was elected by acclamation as Secretary of the Board.

DISCUSSION OF PROPOSED ANNUAL BOARD REPORT TO THE LEGISLATIVE OVERSIGHT COMMITTEES

Mr. Teague presented to the Board the proposed report to the Legislative Oversight Committee summarizing the following changes to the plan of benefits:

Lifetime Maximum Benefit

The Board accepted the change to increase the lifetime maximum benefit for all benefits in all plans, including outpatient prescription drugs, to \$5,000,000 per person and delete the separate lifetime maximum for outpatient prescription drugs.

Promulgated: June 20, 2007
Effective: July 1, 2007

Medicare and OGB

The Board accepted the change to modify the Medicare Reduction provision to more clearly express the intent in accordance with OGB's existing administrative interpretation and application regarding participation in Medicare A and B by retirees who reach age 65 on or after July 1, 2005.

Promulgated: April 20, 2008
Effective: April 20, 2008

Ambulance Services

The Board accepted the change to remove the benefits limitations and co-payments, remove references to separate treatment of transportation charges and other services, as follows:

Promulgated: April 20, 2008
Effective: May 1, 2008

Durable Medical Equipment

The Board accepted the change to remove the separate \$50,000 lifetime limit on benefits, otherwise retain the current Plan Document provision.

Promulgated: April 20, 2008
Effective: May 1, 2008

Genetic Testing

The Board accepted the change to modify the general exclusion for genetic testing to provide additional exceptions from the exclusion when such procedure are determined to be Medically Necessary for certain conditions in accordance with the recommendation of OGB's Medical Director.

Promulgated: April 20, 2008

Effective: May 1, 2008

Physician Assistants and Registered Nurse Practitioners

The Board accepted the change to remove the requirement that all claims for services rendered by physician assistants and registered nurse practitioners be submitted by the supervising physician, and set the maximum benefit at 80% of the amount payable for the same service rendered by a Physician.

Promulgated: April 20, 2008

Effective: May 1, 2008

Other

The Board is cognizant of continuing double digit medical inflation. However, mindful of the state's financial position and the burden additional contributions place on our membership, only a modest 3.7% increase was implemented on July 1, 2008.

The Board is also cognizant of the new requirements imposed upon public entities by GASB 45 to recognize the liability to the State of Other Post Employment Benefits (OPEB) which have been promised to retirees. The bulk of this liability is medical benefits which employees are authorized to take into retirement. The State must recognize this liability on its financial statements beginning in 2008 but is not required to fund it. The Board commissioned an actuarial firm to estimate this liability and received a report from Mercer, estimating that this liability to the State of Louisiana will be approximately \$12.9 billion over the next 30 years. It is, of course, up to the administration and the Legislature to decide whether or how to fund this liability.

A motion was made by Mr. Ramsey, seconded by Mr. Culotta to approve the report. With no opposition, the report was unanimously adopted as presented.

MERCER REPORT

Mr. Tomzcyzk reported a projected surplus of about \$121 million for fiscal year 08-09 which will project a total fund balance of approximately \$379 million, resulting from the positive changes made by OGB. Mr. Teague stated that these figures include assumed the 9% medical trend and 10.5% drug prescription trend for next year.

Mr. Tom Tomzcyzk reported that the rate of generic drug utilization by OGB plan members is now above 60 percent. Each percentage point increase in utilization means about a 1 percent decrease in OGB prescription drug cost. Mr. Teague stated that OGB continues to encourage plan members to use generic drugs.

Mr. Teague reported that in the last legislature session a bill was passed that created a trust fund for the state's accrued liability for future retiree benefits such as health coverage and life insurance. (This liability is commonly referred to as the GASB 45 liability because the Governmental Accounting Standards Board recently required state and local government to begin reporting it on financial statements). The State is now contributing over \$200 million toward current retirees. That money may go into that trust and flow back through to OGB. It is up to the State and the Administration to come up with a funding mechanism for GASB liability. Creation of the GASB 45 trust fund is an important first step in funding Louisiana's GASB liability, now estimated at \$12.9 billion. The amount will continue to grow as long as it remains unfunded.

2008 LEGISLATIVE UPDATE

Mr. Teague reported that HB 318, HB 516, and HB 925 enacting coverage mandates will have no impact because OGB already provides coverage required by these new laws. These services are for prosthetic devices and services; rehabilitative services, physical therapy, occupational therapy and speech and language pathology therapy; and certain services provided by licensed marriage and family therapists.

HB 958 requires coverage for diagnosis and treatment of autism spectrum disorders through age 16. This is expected to cost OGB \$1.5 million annually beginning in July 2009, rising to an estimated \$5 million by 2014.

CEO REPORT – OPERATIONAL ACTIVITIES

Mr. Teague reviewed the operational reports which indicated a claims loss ratio of 74.84 percent in May 2008. OGB received 153,230 claims in the month of May and the average turnaround time for claim payment was 2.3 days, far better than industry averages and standards. Mr. Teague reported the administrative cost for June, 2008 was \$2.4 million, representing only 2.5 percent of OGB's revenue which is very low. The June fund balance is approximately \$257 million.

Status of LaChip Program

Mr. Teague reported that OGB began administering this plan on June 1, 2008 and a total of 627 children are now covered, and the program continues to grow.

Dependent Verification Project

Mr. Teague advised that documentation has been received for approximately 38,400 dependents. This is an ongoing project and will continue to be updated monthly.

Disease Management Program

Mr. Teague reported that OGB's contract with APS Healthcare for Disease Management would be terminated. The process of selecting a new Disease Management firm is underway. OGB received eight proposals that staff is currently evaluating.

OLD BUSINESS

Dependent Verification Project

Mr. Ramsey voiced concern about plan members having to produce the original and/or certified copies of birth certificates and marriage certificates for dependent verification. He stated that in some cases this could be a financial burden on plan members. He also stated that in some cases plan members may not be able to produce certified copies of these documents for various reasons. Mr. Teague explained that these issues will be handled through the standard OGB appeal process.

Inpatient deductible for Medicare Retirees

Mr. Teague reported after receiving inquiries from providers he reviewed the \$50 per-day inpatient deductible cost for Medicare Retirees and effective July 1, 2008, plan members for whom Medicare is primary will no longer pay the \$50-per-day inpatient deductible for the first five days after admission to a PPO network hospital.

NEW BUSINESS

Mr. Krefft requested, as a point of personal privilege, that the Board and audience stand and recite the Pledge of Allegiance. He requested that at the beginning of each meeting that the Pledge of Allegiance be recited.

PUBLIC COMMENTS

Michael Kearney spoke to the Board regarding an overage dependent issue.

Carrie Griffin, with the Assumption Parish School Board, spoke to the Board regarding services not covered by the plan affecting retirees.

In response to comments offered Mr. Temple appointed, Mr. Ramsey, Mr. Krefft, and Mr. Cullota to a committee to review definitions of permanent disability and physical handicap and make recommendations to the Board.

ADJOURN

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



Mr. Aubrey Temple, Chairman