



State of Louisiana
Office of Group Benefits
P.O. Box 44036
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MINUTES

POLICY AND PLANNING BOARD MEETING OFFICE OF GROUP BENEFITS

Area offices

October 28, 2010

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CALL TO ORDER

Mr. James Lee, Chairman, called the meeting of the Policy and Planning Board to order.

ROLL CALL

Members Present

Mr. Barry Blumberg
Dr. Merline Broussard
Sen. "Butch" Gautreau
Mr. William E. Foster
Mr. Scott Kipper
Mr. Kenneth Krefft
Ms. Janet Lorena
Mr. Jackie Self
Mr. James Lee

Members Absent

Rep. Robert Billiot
Ms. Nancy DeWitt
Ms. Rikki Nicole David
Mr. Philip Rebowe
Ms. Karen Winfrey

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

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APPROVAL OF MINUTES OF THE JULY 21, 2010 BOARD MEETING

The minutes of the July 21, 2010 meeting were presented for approval.

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

ACTUARIAL REPORT

Mr. Thomas Tomczyk, with Buck Consultant's reported that figures for the first quarter of FY 2010-11 show OGB breaking even or with a positive fund balance, but conservative preliminary projections indicate a \$100 million loss for FY 2011 and a projected significant rate increase for FY 2012. He attributed this to the four percent rate increase recommended for the FY 2010-11 but not implemented by the Division of Administration. OGB was directed to use its fund balance to offset raising premium rates for the FY 2010-11.

EARLY RETIREE REINSURANCE PROGRAM (ERRP)

Mr. Teague briefed board members about ERRP and other provisions of the Patient Protection and Affordable Cost Act (PPACA), the national health care reform legislation passed by Congress earlier this year.

- ERRP is an incentive program for employers providing health coverage to early retirees ages 55 to 64, who are not yet covered by Medicare. Effective June 2010, employers can request reimbursement for 80 percent of early retiree claims between \$15,000 and \$90,000 per year. OGB anticipates receiving between \$64 and \$74 million annually through 2013 when the program expires, or the appropriation of \$5 billion is exhausted. OGB's application has been approved and OGB is now awaiting the format to submit claims being developed by the US Department of Health and Human Services.
- Health plans must provide coverage for dependents up to age 26 regardless of student or dependent status, effective at the beginning of the next plan year, which is July 1, 2011 for OGB. OGB dependent coverage to age 26 cannot begin earlier due to a law enacted by the Louisiana Legislature earlier this year. OGB estimates that 22,000 additional dependents will be eligible for coverage next year as a result. The projected cost for the first year of implementation is \$3.2 million to \$4.9 million, and higher in subsequent years. Eligible

dependents will not be subject to pre-existing condition limitations if they sign up during Annual Enrollment in April.

- PPACA eliminates caps on essential benefits. The projected cost of compliance is presently unknown because OGB is awaiting the HHS definition of essential benefits.
- Other PPACA mandates include:
 - Elimination of co-payments and deductibles for preventive care, for which the cost is expected to be significant, but no figures are available yet;
 - Elimination of pre-authorization and referral requirements for pediatricians, obstetricians, gynecologists and treatment in hospital emergency rooms, which is expected to have only a minimal cost impact; and
 - Implementation of an expanded appeals process, for which the cost is expected to be insignificant, although additional legal staff will be needed.

CEO REPORT – OPERATIONAL ACTIVITIES

Mr. Teague reviewed the operational reports for July and August 2010, which indicated a claims loss ratio of 74.98 percent in August 2010. OGB received 103,859 claims in the month of August 2010 and the average turnaround time for claim payments was 1.8 days. Plan member calls received were 20,471 and 99 percent of calls were answered within 39 seconds. The fund balance is \$461,796,054 as of August 31, 2010.

OLD BUSINESS

Mr. Teague reported that OGB's EPO and HMO plans were combined July 1 and the HMO plan is now being administered by Blue Cross and Blue Shield (BCBS) of Louisiana under an emergency contract through December 31. UnitedHealthcare and Humana protested OGB's HMO contract award to Blue Cross, and subsequent lawsuits resulted in judicial remand of the award back to OGB to allow OGB and the companies to supplement the administrative record of the protests. He also stated that based on that information, OGB affirmed the contract award to Blue Cross, which was affirmed by Commissioner of Administration Paul Rainwater. If a ruling is not made soon, OGB will extend the emergency contract. If the judge decides OGB was justified in awarding the contract to Blue Cross, OGB will continue the contract.

Mr. Teague stated that OGB's hopes to award a new contract in January 2011 for the self-funded administration of mental health and substance abuse (MHSA) benefits for the PPO and HMO health plans after reissuing a revised notice of intent to contract (NIC). OGB's initial NIC was withdrawn after the US Department of Health and Human Services issued interim final rules for implementation of the federal Mental Health Parity Act that went further than originally anticipated. OGB then entered into an interim emergency contract with OptumHealth that remains in effect.

He also reported that OGB recently issued an NIC for fully insured HMOs in nine regions of the state, but does not know how many Louisiana HMOs meet the requirements. OGB hopes to award one or more contracts in time to conduct enrollment in conjunction with Annual Enrollment in April.

Mr. Teague reported that East Jefferson Hospital and Blue Cross Blue Shield of Louisiana are currently in a contract dispute but are still in negotiations. However, East Jefferson Hospital is out of network now for members that have the HMO.

Mr. Teague updated Board members on the Disease Management contract on cost versus what OGB saves. Over 29,000 OGB plan members have been diagnosed with one or more of five chronic health conditions (diabetes, heart disease, heart failure, asthma and chronic obstructive pulmonary disease or COPD) and about 8,000 of them are now participating in the Living Well Louisiana health management program administered by Health Dialog. OGB only pays Health Dialog for the number of participants they engage in the Living Well Louisiana program. Records from Catalyst Rx, which provides pharmacy benefits for OGB's PPO and HMO health plans, indicate a significant number of plan members who were not previously taking prescribed medications for these conditions are now doing so.

NEW BUSINESS

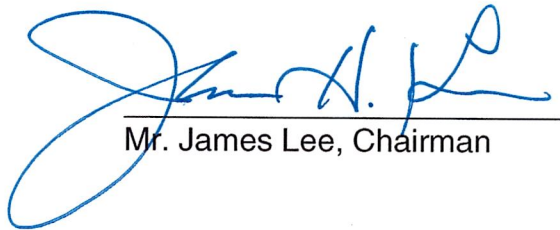
The Board declared a vacancy for the seat Private Sector/CPA that Mr. Philip Rebowe holds. The vacancy is being declared due to his failure to attend board meetings as required. At the board's request, Mr. Teague will contact the governor's office to request appointments to fill several vacancies on the Board. He stated that the board can appoint someone at the next meeting to represent personnel of higher education until an election is held for the seat vacated by Rick Ramsey when he retired from LSU in July.

PUBLIC COMMENTS

Ms. Gayle Cheek with Jefferson Parish Schools spoke to the Board and requested that they help facilitate the negotiations between East Jefferson Hospital and BCBS of Louisiana.

ADJOURN

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



Mr. James Lee, Chairman