



State of Louisiana
Office of Group Benefits
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MINUTES

POLICY AND PLANNING BOARD MEETING OFFICE OF GROUP BENEFITS

January 19, 2011

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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

Rep. Robert Billiot
Mr. Barry Blumberg
Dr. Merline Broussard
Ms. Nancy DeWitt
Sen. "Butch" Gautreau
Mr. Kenneth Krefft
Ms. Janet Lorena
Mr. Jackie Self
Mr. James Lee

Members Absent

Mr. William E. Foster
Mr. Scott Kipper
Ms. Rikki Nicole David

An
Equal
Opportunity
Employer

Nine board members present, representing a quorum.

APPROVAL OF MINUTES OF THE OCTOBER 28, 2010 BOARD MEETING

The minutes of the October 28, 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 presented the actuarial report. He is anticipating a loss of about \$5 million for the 2010-11 fiscal year that began July 1, 2010, but the loss would have been about \$11 without the ERRP reimbursement funds. He projected a \$113 million loss for FY 2012. He estimated an eight percent increase in medical costs and a 10 percent trend in drug cost for the current plan year.

OBESITY STUDY

Mr. Teague presented the Board a summary of the Louisiana Office of Group Benefits Cost Evaluation and Proposal for the Treatment of Obesity report. This report was done by Pennington Biomedical Research Center as required by House Concurrent Resolution 231 of the 2010 Regular Session of the Louisiana Legislature. The report recommended implementation of a comprehensive obesity management program by OGB.

CEO REPORT – OPERATIONAL ACTIVITIES

Mr. Teague reported that OGB recently received an initial \$6.086 million in reimbursements from the Early Retiree Reinsurance Program (ERRP) created by the federal Affordable Care Act (ACA), the 2010 federal health care reform legislation. ERRP reimbursements are based on health care claims costs for early retirees between ages 55 and 64 who are not yet eligible for Medicare coverage. The program is mandated to end in December 2013 or when the \$5 billion appropriated for claim payments is exhausted. With over \$1 billion paid out during the first two months of the program, the funds will be exhausted.

Mr. Teague reviewed the operational reports for September, October and November 2010, which indicated a claims loss ratio of 95.2 percent in

November 2010. OGB received 120,255 claims in the month of November 2010 and the average turnaround time for claim payments was 3.5 days. Plan member calls received were 16,514 and 99 percent of calls were answered within 53 seconds. The fund balance is \$503,678,530 as of December 31, 2010.

OLD BUSINESS

Mr. Teague reported on the status of the Living Well Louisiana health management program administered by Health Dialog for OGB plan members. OGB spent \$5 million during the program's first year but saved \$6.1 million. The Living Well Louisiana (LWL) program has experienced a significant increase in participation and has about 9,800 participants of a possible 27,000. He credited the LWL prescription incentive implemented in 2010 for increased program enrollment. LWL participants who qualify for the prescription incentive are not subject to the standard \$1,200 out-of-pocket maximum on covered prescription drugs used to treat any of the five targeted conditions.

Mr. Teague stated that OGB is evaluating proposals for a new contract for the administration of mental health and substance abuse (MHSA) benefits for the PPO and HMO health plans after reissuing a notice of intent to contract (NIC) that reflects interim final rules for the implementation of the federal Mental Health Parity Act issued by the US Department of Health and Human Services. OGB's interim emergency contract with OptumHealth remains in effect.

Mr. Teague updated Board members on the status of the Fully Insured HMO NIC. Vantage Health Plan is the only company that responded to OGB's request for proposals from Louisiana-based companies for the fully-insured HMO plans.

Mr. Teague reported that East Jefferson Hospital is back in the Blue Cross Blue Shield of Louisiana Network.

NEW BUSINESS

Direction of OGB

Mr. Teague reported that the Governor has announced the administration is exploring the sale and privatization of the PPO as one possible solution to the budget challenges facing the state. Given the \$1.6 billion projected

shortfall in the coming fiscal year, state government must continue to reform its operations to do more with less, but it must also explore maximizing available dollars, just as private businesses do, to streamline government and leverage assets to protect critical investments like higher education and health care.

This is but one creative solution of many being looked at. While providing health care to our employees and retirees is an important service, the operating of a health care plan is not an inherent function of state government, and indeed most states do not do so. Preliminary analysis shows that OGB's PPO operations are a marketable asset with value to the private sector. With OGB's help, after a thorough valuation has been made, the administration will then determine the efficacy of pursuing a sale. As always, in every step along the way, OGB will work closely with the administration to make sure that plan members continue to receive excellent service and health insurance coverage.

After a lengthy discussion the Board requested that Mr. Teague extend an invitation to the Division of Administration to have a representative speak to the Board regarding their possible plans on the sale and/or privatization of OGB.


PUBLIC COMMENTS

Mr. Frank Jobert with the Retired State Employees Association of Louisiana addressed the Board and advised them that the Retired State Employees Association was opposed to the privatization of the Office of Group Benefits.

Ms. Renee Siccone with the La. Retired Teachers Association submitted a public comment sheet which stated that LRTA believes that the privatization of the PPO would be detrimental to their retirees and that they are opposed to the privatization of the PPO.

ADJOURN

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



Mr. James Lee, Chairman