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MINUTES

POLICY AND PLANNING BOARD MEETING
OFFICE OF GROUP BENEFITS

May 4, 2011

CALL TO ORDER

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

ROLL CALL

Members Present	Members Absent
Rep. Robert Billiot	Mr. William E. Foster
Mr. Barry Blumberg	Ms. Rikki Nicole David
Dr. Merline Broussard	
Ms. Nancy DeWitt	
Sen. "Butch" Gautreau	
Mr. Kenneth Krefft	
Ms. Janet Lorena	
Mr. Jackie Self	
Mr. James Lee	

Nine board members present, representing a quorum.

APPROVAL OF MINUTES OF THE JANUARY 19, 2011 BOARD MEETING

The minutes of the January 19, 2011 meeting were presented for approval.

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

UPDATE ON LEGAL PROCEEDINGS

Mr. Tommy Benoit, special counsel, reported on pending litigation initiated by UnitedHealthcare and Humana. The suit challenged OGB's prior award of a contract to Blue Cross and Blue Shield of Louisiana for a self-insured HMO plan with a nationwide network of doctors and hospitals and OGB's subsequent decision not to offer an EPO plan, which traditionally included national coverage. A prior ruling by state District Judge Mike Caldwell reversed the decision by the Commissioner of Administration affirming OGB's award of the HMO contract to Blue Cross and set aside the contract. OGB has appealed the decision. Because of the pending litigation, OGB sought and received approval from the state Office of Contractual Review for a 90-day emergency contract with Blue Cross. Since then, OGB has continued to extend the contract, which is set to expire June 30. Humana filed for injunctive relief to stay OGB from continuing to utilize the emergency contract beyond June 30. District Judge Janice Clark denied Humana's preliminary injunction request, and Humana has appealed. If the Court of Appeal rules against OGB before July 1 and prevents further extension of the emergency contract, OGB has a contingency plan in place.

ACTUARIAL REPORT

Mr. Thomas Tomczyk of Buck Consultants presented the actuarial report and explained that the analysis would be based on an 18-month period due to the upcoming 6-month 2011 plan year that begins July 1 because deductibles had been extended until January 1, 2012. He projected that OGB would essentially break even with a slight loss for the 18-month period. Mr. Tomczyk projected a loss of approximately $130 million if OGB does nothing by January 1, 2012, however, the cash reserve allows OGB to manage rate increases over the long term, he said, with recent rate increases at about 6 percent, although the market average is about 6 to 19 percent. These reserves give OGB certain options, thanks to a surplus that resulted from actions taken by OGB in the past several years, including elimination of the fully-insured HMO plan, encouraging beneficial actions by plan members and

changing plan vendors. Disease management progress gained through the Living Well Louisiana initiative positively impacts reserve balances, and other trends that reflect utilization are also going down. He stated that said the Living Well Louisiana, now in its second year, is seeing favorable results from a trend standpoint: compared to the previous six-month period, costs have decreased by about eight percent. The Living Well Louisiana health management program, administered by Health Dialog, is aimed at helping OGB plan members diagnosed with one or more of five targeted health conditions: diabetes, heart disease, heart failure, asthma and chronic obstructive pulmonary disease (COPD). Mr. Tomczyk pointed out that continuing to promote utilization of generic prescription drugs has helped keep generic usage between 64 and 69 percent, according to preliminary numbers for the first quarter of 2011. He noted that the cost of specialty drugs is a factor in increasing drug prices, citing two factors that affect drug pricing: the quantity of various drugs used and the unit price. Utilization is up about six percent, he said, and the Medical Home HMO health plan's loss ration stands at about 88 percent, which is not unexpected. He said OGB is receiving fewer claims over $100,000 and inpatient hospital utilization trending downward by 10.9 percent, although outpatient hospital utilization is up by about 12.18 percent.

Mr. Tomczyk pointed out that another factor is $750,000 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 claim 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 about half of the money already paid out, OGB will likely not receive all the money due, Mr. Tomczyk noted.

After further discussions, a motion was made by Sen. Gautreaux, seconded by Mr. Krefft that the Board recommend by a Resolution of the Groups Benefits Policy and Planning Board urging and requesting the Office of the Governor, Division of Administration to take action to forgo the proposed premium rate increase for participants in the Office of Group Benefits health plans, effective July 1, 2011. The motion was passed unanimously.

OGB PROPOSED RULE CHANGES

Mr. Kipper reviewed the proposed rules changes which are proposed to comply with requirements of the federal Patient Protection and Affordable Care Act of 2010:

- Modify the dependent eligibility provisions to extend dependent coverage for children until attainment of age 26;
- Modify the provisions on pre-existing conditions (PEC) limitations to eliminate PEC limitations for enrollees under age 19;
- Modify the schedule of benefits and other applicable provisions to eliminate deductibles, copayments, and coinsurance for those services designed as preventive services in accordance with the federal law;
- Modify the schedule of benefits to eliminate the $5 million lifetime maximum;
- Modify the schedule of benefits and other applicable provisions to eliminate annual dollar limits on essential benefits; and
- Revise internal claims appeal and external review processes to comply with the requirements of the federal law.

In addition, OGB proposes to modify the prescription drug benefit to allow benefits for over the counter proton pump inhibitors as follows:

- A physician prescription is required;
- Member pays 50% of drug costs at point of purchase up to a maximum of $50 per 30-day supply dispensed.

OGB also proposes to modify all plan provisions regarding mental health and substance abuse benefits to provide for full implementation of all requirements of the federal mental health parity act.

AWARD OF CONTRACTS

Mr. Kipper reported that OGB received and reviewed the proposals submitted on the Notice of Intent to Contract on the Fully Insured Health Maintenance Organization (HMO) and one proposal was received by Vantage Health Plan and they were awarded a contract. He also reported that the NIC for the Mental Health and Substance Abuse received from Megellan Health Services, OptumHealth Behavioral Solutions and ValuOptions, Inc. ValueOptions, Inc. was awarded the contract.

CEO REPORT – OPERATIONAL ACTIVITIES

Before presenting the operational report, Mr. Kipper told board members that "the intelligence, knowledge and wisdom of OGB employees has far exceeded my expectations." He said there have been no significant changes at OGB and the program continues to operate very efficiently. He reported

that his directive from the Division of Administration is to maintain OGB operations as before and to continue providing great service to employees, retirees and their dependents.

He also stated that during Annual Enrollment, which ended April 30, that the PPO plan lost about 600 plan members, approximately the same amount gained by the HMO plan administered by Blue Cross. He also reported a current fund balance of $521,526,000.

Mr. Kipper reviewed the operational reports for March 2011, which indicated a claims loss ratio of 89.7 percent in March 2011. OGB received 118,028 claims in the month of March 2011 and the average turnaround time for claim payments was 1.7 days. Plan member calls received were 19.004 and 99 percent of calls were answered within 45 seconds. The fund balance is $521,526,410 as of March 31, 2011.

OLD BUSINESS

The Board members invited former OGB chief executive officer Tommy Teague forward to speak. Mr. Teague said he was "especially appreciative of the opportunity to serve the board for the past 5 years," noting that "we (OGB) pulled ourselves out of a ditch (from operating at a loss to having a comfortable fund balance) and I hope we can stay out."

NEW BUSINESS

Dr. Broussard provided a brief report to the board regarding a meeting of the Louisiana Retired Teachers Association last week. She said retired teachers agreed that "OGB should be left as is because OGB staff works so well with retirees." She also thanked Sen. Gautreaux and Rep. Billiot for their efforts on behalf of all state retirees.

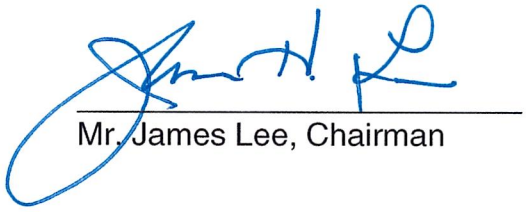
The Board requested that Mr. Kipper invite the Commissioner of administration Paul Rainwater to appear at the next board meeting. Senator Gautreaux discussed testimony at the recent hearings on OGB privatization at the Senate Retirement Committee.

PUBLIC COMMENTS

Mr. Frank Jobert with the Retired State Employees Association of Louisiana addressed the Board and advised them there are "questions around Louisiana about why OGB needs a rate increase if there is a $500 million surplus" and encouraged the board to explore investment opportunities.

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