



STATE OF LOUISIANA
DIVISION OF ADMINISTRATION
OFFICE OF GROUP BENEFITS



OGB POLICY AND PLANNING BOARD Minutes
Wednesday, April 24, 2019
1:00 PM
1201 North Third Street,
Thomas Jefferson Room C (1-136 C)
Baton Rouge, LA 70802

I. Call to Order

a. Roll Call

PRESENT:

Deborah Copeland
Jeremy Jackson
Frank Jobert
Kenneth Krefft
Tony Murray
Sen. John Smith

ABSENT:

Agnes Andrews
Rep. Robert Billiot
Sen. Ronnie Johns
Sen. Dan Morrish
Valencia Tanner

b. Pledge of Allegiance

Mr. Murray led the Pledge of Allegiance.

II. Approval of Minutes from October 8, 2018 Meeting

- a. Motion to approve Minutes was made by Mr. Krefft and seconded by Ms. Copeland. Motion was unanimously approved.

III. Public Comments

None.

Mr. Teague introduced Renita Williams, OGB's Chief Operating Officer, to the Board members.

IV. Savings Initiatives Update

Mr. Teague reminded the Board members that OGB's actuary, Buck Global, LLC, previously recommended a 5.2% premium rate increase (totaling \$72M) to be given effect January 1, 2019. Because of the State's inability to fund this rate increase, OGB commenced the following cost savings initiatives:

- Capitated Primary Care Option
- Pharmacy Market Check
- New Formulary for EGWP
- Prescription Drug Supplemental Savings Program

Mr. Teague offered the following information regarding these initiatives:

- The RFP for the Capitated Primary Care Network Plan has been completed and the contract awarded to Access Health, Inc. The contract is being prepared, with a projected start date of July 1, 2019. Anticipated savings for the year is projected to be \$11.5M.
- Anticipated savings for the Pharmacy Market Check is projected to be \$31.2M.
- The New Formulary, which became effective January 1, 2019, is expected to generate savings of \$10.6M.
- OGB plans to issue an RFP for the Prescription Drug Supplement. The savings from this initiative is yet to be determined.
- The actual savings from these initiatives may exceed the amount initially projected by OGB's actuary.

Mr. Krefft inquired which initiative generated the most attention. Mr. Teague responded that members were most excited about the Capitated Primary Care Network.

V. Financial Report

a. Current Financial Report

The fund balance through January was \$273.2M. Through March, the fund balance increased to \$287M.

Expenditures through February for medical claims totaled \$592,510,652.00 (61.4%) and prescription claims totaled \$270,750,835.00 (28.1%).

Mr. Krefft commented that OGB's operational expenditures are impressively low at 1.0%.

b. HHS Proposes Changes to Rx Rebates for Medicare Part D Programs

Mr. Teague explained that HHS has proposed a new rule which, if implemented, will significantly limit the current safe harbor protection for prescription drug rebates offered to Medicare Part D plans. These rebates, which HHS would characterize under the proposed rule as "kickbacks", would no longer be available to employers and PBMs. The new rule would result in rebates being dispensed to members at the point of sale. He projected a loss of approximately \$12M annually in rebates received for the EGWP plan only. If this rule is expanded to active employees, the loss of rebates to OGB would be far greater.

Mr. Tomczyk expressed concern for the manner in which this rule will be administered. Rebates currently take 6 - 8 months to be dispensed. He is unsure of the process for calculating and disbursing rebates at the point of sale. He commented that there are far too many unanswered questions, at this time, regarding this proposed rule.

The period for comment on this proposed rule has ended. If implemented, the effective date will be January 1, 2020.

c. Proposed Rate Increase

Mr. Tomczyk provided 5-year fund balance projections under three different scenarios. He projected a fund balance deficit of \$449.2M for the fiscal year ending 2023 if no premium rate increases are implemented in 2020-2023.

Alternatives offered by Mr. Tomczyk:

Scenario 1 – With the cost savings initiatives implemented in 2019, implementation of the initiative to control specialty drugs effective January 1, 2020, along with premium rate increases of 5% on January 1, 2020, and 6% on January 1, 2021, January 1, 2022 and January 1, 2023, there will be a net fund balance of \$292.1M at FYE 2020, \$283M at FYE 2021, \$251M at FYE 2022 and \$199M at FYE 2023..

Scenario 2 – With the cost savings initiatives implemented in 2019, implementation of the initiative to control specialty drugs effective January 1, 2020, along with premium rate increases of 10% on January 1, 2021, January 1, 2022 and January 1, 2023, there will be a net fund balance of \$263M at FYE 2020, \$204M at FYE 2021, \$182M at FYE 2022 and \$204M at FYE 2023..

Scenario 3 – With the cost savings initiatives implemented in 2019, implementation of the initiative to control specialty drugs effective January 1, 2020, and no premium rate increases for plan years 2020 through 2023, there will be a fund balance of \$263M at FYE 2020, \$136M at FYE 2021, -\$100M at FYE 2022 and -\$449.2M at FYE 2023.

Mr. Tomczyk stated that the goal should be to maintain a fund balance approximating \$200M.

Mr. Murray moved to implement Scenario #1 of the alternatives offered by Mr. Tomczyk.

Mr. Jobert offered a substitute motion to implement rate increases on a fiscal year rather than calendar year basis. Mr. Teague pointed out that delaying implementation of a premium rate increase would result in lost income to OGB for one-half year. Mr. Jobert withdrew his motion, but expressed concern for retirees who will not be receiving a cost of living increase.

Mr. Jackson proposed an amended motion to implement a 5% premium rate increase effective January 1, 2020. The motion passed, with Ms. Copeland, Mr. Jackson, Mr. Murray and Senator Smith voting in support, and Messrs. Krefft and Jobert voting in opposition.

VI. Capitated Primary Care Network Initiative

a. Award

Upon completion of the RFP process, Access Health, Inc. was awarded the contract to provide primary, preventative and wellness care with no out-of-pocket expense to OGB members enrolled in the following Blue Cross/Blue Shield Plans:

Pelican HRA 1000
Magnolia Local

Magnolia Local Plus
Magnolia Open Access

A video describing the Capitated Primary Care Network was shown. In addition, Mr. Teague provided the following information:

- Use of these clinics for primary care services is optional and without cost for eligible OGB members. Members may opt to utilize the services of their primary care physician, with such visit subject to the applicable co-pay, co-insurance or deductible.
- The Capitated Primary Care Network does not apply to members enrolled in the HSA plan offered through OGB.
- Access to services provided by the Capitated Primary Care Network will be available throughout the entire state. These providers contract directly with Access Health to provide the required services.
- A listing of primary care services was provided. Each clinic will be required to provide x-ray and laboratory services.
- Services will be provided without the requirement of pre-scheduling an appointment.
- Referrals may be made by the primary care clinic to a specialist or for higher quality laboratory/radiological services. In such event, the member's regular Blue Cross plan requirements and fees would be applicable.

- Upon implementation of the Capitated Primary Care Network, OGB anticipates savings in the nature of reductions in the number of ER visits, which are costly, and earlier treatment of medical conditions.
- The contract with Access Health has a guaranteed Return on Investment ("ROI") of \$11.5M for the initial twelve months.
- Mr. Teague advised that the per member/per month cost for this plan is \$29.21.

Mr. Krefft made a motion to present the Capitated Primary Care Network initiative to JLCB for approval. Mr. Jobert seconded. A vote was taken -- 6 yeas and 0 nays.

b. Possible effective date

Access Health is preparing to implement this service state-wide commencing July 1, 2019. The contract is being prepared and will require JLCB approval.

VII. Requests For Proposals

a. Life Insurance

Mr. Teague stated that the RFP for basic life, supplemental life and AD&D coverage for active and retired employees and eligible dependents is being prepared. This is needed to replace the one-year contract previously issued on an emergency basis. The RFP will propose a contract term of three years, with the ability to extend the contract for two additional 12-month periods at the same price and under the same terms and conditions. The RFP will have the same plan design specifications that currently are in place, including the same age brackets, with the monthly rate capped at no more than \$2.50 per \$1,000.00 billed premium rate. He pointed out that the premium rates now are more favorable to younger plan members.

b. Individual Market Medicare Exchange Broker

An ITB is under review by the Office of General Counsel and will be submitted for approval to the Office of State Procurement. OGB will solicit bids for an individual market Medicare exchange broker for OGB's Medicare retirees, together with administrative services for a health reimbursement arrangement for those retirees who utilize the exchange. The request is for a contract term of three years, with the option of two additional 12-month extensions at the same price and under the same terms and conditions. OGB currently provides a similar program for Medicare retirees under a one-year emergency contract.

c. Supplemental Rx

Mr. Teague explained the purpose of the Prescription Drug Savings RFP which will require that the contractor communicate with members' physicians regarding the option of prescribing a different prescription drug at a lower cost. The process will identify unnecessarily costly prescription drugs for conditions which could be treated with a generic

or lower cost brand drug. The services contemplated under this program will complement the services provided by OGB's PBM.

The RFP will request a contract term of three years, with the option of two additional 12-month extensions at the same price and under the same terms and conditions. OGB anticipates presenting the RFP for consideration by JLCB at its September meeting.

VIII. MedImpact Amendment

This amendment seeks to delegate to MedImpact the duty to meet certain NCQA requirements. It removes Medicare Generation Rx and replaces it with VibrantRx for the EGWP program. The amendment further revises the frequency of submission for payment of rebate deliverables and revises the number of days that the financial guaranty shortfall payment is due.

Mr. Teague advised that Buck is conducting a prescription drug audit and the results will be provided for review upon completion.

Mr. Krefft inquired as to how many days would be allowed? Mr. Teague indicated 180 days.

IX. Proposed Legislation

Mr. Teague stated that OGB is tracking 36 bills pending in the Regular Session. He offered comments regarding certain proposed bills of interest to OGB:

HB 237 – This bill prohibits the imposition of pre-existing condition exclusions and other discriminatory practices based upon a member's health status. He explained that this bill will have no impact upon OGB which already honors these prohibitions which are identified in the Affordable Care Act.

HB 272 – This bill would require OGB to pay for acupuncture. Mr. Teague explained that OGB current pays for acupuncture services under limited circumstances. If this bill passes, OGB will be impacted by the expansion of additional costs for this service.

HB345 – This bill would require OGB to pay for genetic testing for BRCA1 and BRCA2 genes in order to detect an increased risk for breast cancer. Mr. Teague explained that this bill will have no impact in that OGB currently provides coverage for these services.

HB 371 – This bill would provide for a dispute resolution process for "surprise" or "balance" billings from out-of-network providers. Review would be available for a charge in excess of \$500.00. The member would refer the claim through the Department of Insurance to the Division of Administrative Law ("DAL") for resolution. DAL would evaluate the propriety of the charge and determine a fair fee for the services provided.

Mr. Teague anticipates significant opposition to passage of this bill. Members frequently are blindsided by unexpected billings. For example, a hospital may be under contract, but the attending physicians and other service providers are not.

He also mentioned the significant cost of out-of-network air flight ambulance billings which can be as high as \$50,000.00. Addressing the billing for air ambulance services is complicated because the services fall under FAA guidelines.

SB 41 – This bill, if passed, will completely restructure the manner in which PBMs operate in this state by implementing regulatory restrictions. LAHP is vigorously opposing this bill, while OGB is taking no position. The fiscal impact of this bill upon OGB's operations currently is unknown.

SR 35 – This Resolution urges and requests that OGB conduct a study and prepare a cost benefit analysis for providing obesity treatment and services to OGB members. This report would be due on or before February 1, 2020.

Mr. Teague advised that OGB already has a wealth of information due to its prior study on obesity with Pennington Biomedical. OGB will work with Pennington to draft a final report based upon the data obtained from this study.

Mr. Jobert questioned whether the Board's position on proposed legislation could be presented to the Legislature. Mr. Teague cautioned that doing so could constitute prohibited lobbying. Mr. Jobert requested that OGB seek an opinion from the Board of Ethics regarding the scope of the Board's ability to present its position (for or against) proposed legislation to the Legislature. Mr. Teague stated that he would prepare and submit such a formal request to the Board of Ethics for consideration.

X. New Business

None.

XI. Adjournment

Motion to adjourn was made by Mr. Jackson. Motion was seconded by Mr. Murray and unanimously passed.

Approved by Board: 
Date Approved: 9/27/19