



July 20, 2012

Blue Cross selected to administer state employee health plans

BATON ROUGE – The Office of Group Benefits (OGB) today announced that Blue Cross/Blue Shield has been selected to administer the major health plans that provide health coverage for state government employees, retirees, and their dependents, a move that will save more than \$20 million per year.

Currently, Blue Cross serves as the third-party administrator of the HMO, the most popular plan that covers 164,765 people, while the PPO plan covering 62,010 people is currently self-administered by OGB – a situation that makes Louisiana one of only two states in the country whose state government administers a health insurance plan.

Earlier this year OGB issued a Notice of Intent to Contract (similar to an RFP) seeking proposals from health insurance companies to serve as third-party administrator (TPA) for both the HMO and PPO plans. An evaluation team reviewed three proposals and selected Blue Cross.

The TPA will go into effect at the start of the 2013 calendar year on January 1. The move will mean that members of the PPO plan, which is the plan most retirees belong to, will gain access to a nationwide health care provider network, which HMO members already have but PPO members currently do not.

Annual cost savings of more than \$20 million per year will result from economies of scale, technology cost reductions, and administrative cost savings. As part of a reorganization plan, OGB will also be able to reduce 177 positions from OGB's current level of 327 positions, beginning to align its size with other states, as the same office in Florida employs 23 people, while Mississippi employs 20.

Commissioner of Administration Paul Rainwater said, "The selection of a third-party administrator is an important step toward providing quality care and service to plan members in the most cost-effective way."

Given this governmental streamlining effort, OGB plan members in July began paying 7 percent less in monthly premiums for health coverage. As a result of the premium reduction, for the remainder of the 2012 calendar year state employees and retirees will save almost \$10 million. These lower premium levels will continue for calendar year 2013 as well, resulting in state employees and retirees receiving additional savings of \$19.5 million.