State of Louisiana
Office of Group Benefits

A. Kip Wall
Chief Executive Officer
OGB operates a self-funded life and health benefits program for state employees and participating school boards.
"Unless there is a fundamental change in the way health care is delivered, costs will double in the next five years."

October 14, 2002

Health Care Cost Increases Expected to Continue Double-Digit Pace in 2003

According to Hewitt Associates, U.S. Employees Will Pay More for Health Care as Companies Share Costs
“Employers should brace for even bigger cost increases in 2003 than this year’s budget-breaking rate hikes.”
OGB Facts

- Total membership – Almost 250,000 individuals
- 313 state agencies and 54 school boards (including charter schools) are insured through OGB
OGB Current Health Benefit Products

- PPO - Preferred Provider Organization
- EPO - Exclusive Provider Organization
- HMO - Health Maintenance Organization
- LSU pilot program
OGB Enrollment

Enrollees by Network by Gender

- PPO Male: 22,321
- PPO Female: 10,292
- HMO Male: 20,618
- HMO Female: 12,463
- EPO Male: 22,321
- EPO Female: 45,312
Average Age of Members

Average Age by Network

Network: EPO, HMO, PPO, TOTAL

- EPO: 36.1
- HMO: 35.0
- PPO: 45.3
- TOTAL: 40.6
OGB Enrollment by Members

Members by Enrollment Class

- Family: 42%
- Single: 9%
- Employee & Spouse: 24%
- Employee & Children: 25%

Legend:
- Family
- Single
- Employee & Spouse
- Employee & Children
OGB Facts

- OGB processes **2.5 million** claims per year
- Current year budget is **$823 million**
- In fiscal year 2001-02, OGB had an operating surplus for the first time since 1997-98.
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>HMOs</td>
<td>$134,276,100</td>
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<tr>
<td>Health Claims</td>
<td>$410,419,819</td>
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<tr>
<td>Drug Claims</td>
<td>$100,407,426</td>
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<tr>
<td>Mental Health</td>
<td>$6,358,673</td>
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<tr>
<td>Life Claims</td>
<td>$27,387,204</td>
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<tr>
<td>Admin. Costs</td>
<td>$32,368,090</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>$711,217,312</td>
</tr>
</tbody>
</table>
### Average State and Employee Contribution

<table>
<thead>
<tr>
<th>State</th>
<th># Actives</th>
<th>Per Capita State Contri</th>
<th>Per Capita Emp Contri</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Missouri</td>
<td>45,000</td>
<td>$4,571</td>
<td>$1,072</td>
<td>$5,643</td>
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<tr>
<td>California</td>
<td>210,000</td>
<td>$4,476</td>
<td>$729</td>
<td>$5,205</td>
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<tr>
<td>Maine</td>
<td>15,200</td>
<td>$7,375</td>
<td>$1,129</td>
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<td>$2,460</td>
<td>$577</td>
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<td>Louisiana</td>
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<td>$2,183</td>
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<td>$1,587</td>
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<td>$5,309</td>
<td>$1,004</td>
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<td>Utah</td>
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<td>$4,717</td>
<td>$248</td>
<td>$4,965</td>
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</table>
OGB Drug Expenses

Total Rx Payments YTD

- Cumulative Dollars

9/24/2001

11/24/2001

1/24/2002

3/24/2002

5/24/2002

7/24/2002

9/24/2002

$140,000,000

$120,000,000

$100,000,000

$80,000,000

$60,000,000

$40,000,000

$20,000,000

$ -
State will increase funding to 75% of the premium for a single, active plan member
Proposed Benefit Modifications

**Prescription Drug Benefit**

- Increase the maximum cost per prescription to $50
- Increase the yearly out-of-pocket maximum to $1,200
Proposed Benefit Modifications

**Choice**

- All regions of state will have:
  - PPO (Administered by OGB)
  - EPO (Administered by BCBS)
  - HMO (Administered by OHP and Vantage)
  - MCO (Managed Care Option Administered by FARA)
Alignment of Plan Year and Deductibles

- Make the plan year and the deductible year coincide by extending deductibles for six months
Proposed Benefit Modifications

Wellness Benefit

- Change the definition for the allowable wellness benefit from “one physical” to “maximum benefit amount of $200 during the qualifying period”
What Does the Future Hold?

Our consultants tell us OGB will have a budget of $1 BILLION by 2005.
OGB Partners

- AdvancePCS – pharmacy program
- Magellen
- MedPlan
- Fringe Benefits
- OHP
- BestCare/FARA
- Blue Cross/Blue Shield
Welcome to SeBois, the official website of the Office of Group Benefits

Welcome to SeBois, the State Employee Benefits Online Information Service!

Members Demo

Providers Demo

Agencies Demo

UPDATE!

URGENT!!! OGB Plan Members in AmCare Protected (See related story in The Advocate®)

Special Notice to Plan Members in Region 6 (Click here to see the Louisiana Region Map).

FREE discount to members. Visit the Louisiana Dental Plan.

Optional Term Life (The enrollment deadline is September 15, 2002).

Colorado State Employees to Pay 25 Percent More for Health Insurance

Health Care Costs Survey by the Kaiser Family Foundation and the Health Research and Educational Trust (HRET).

23
State-of-the-art claims payment system
Allows faster, more accurate claims payment
Has been implemented with minimal program disruption
Please contact OGB for assistance

- **Call:** 1-800-272-8451
- **Write:** 5825 Florida Boulevard
  Baton Rouge, LA  70806
- **Click:** www.groupbenefits.org
2001 Study Commission
Active Vesting of Retiree Health
State Contributions Toward Active Coverage
Provide Plan Choice
Uniform Premiums/Plan Designs
Claims Administration
Medical Management
Plan Procurement
Plan Governance
Continued Evaluation Of Plan
Additional Benefit Improvements
Study Commission Scope

- Conduct Internal Operational Assessment
- Identify and Evaluate Best Practices – Administration
- Identify and Evaluate Best Practices – Pharmaceutical Benefits
- Analyze Future Impact of Providing Health Benefits on State Budget
- Evaluate Provider Reimbursement Methodology and Rates
- Explore Competitive Medical Management Systems
- Explore Medicare Buy-In
- Conducting Public Hearings
Findings

- OGB demographics include a higher number of older employees and a larger number of female participants than many employer-sponsored health plans. Utilization patterns will be largely determined by the demographic make-up of plan members.
Findings

- The average age of plan members enrolled in the EPO is 36.1 years. The average age of plan members enrolled in HMOs is 35.0 years. The average age of plan members enrolled in the PPO is 45.3 years.
- Female participants outnumber male participants by a ratio of almost 2:1.
OGB experience shows significant deviations in certain areas including pharmaceutical usage. Prescription drug utilization among OGB members is almost 20% higher than in comparable state employee populations.
Findings

- Cost of delivering and financing health care services is increasing at double-digit rates.
- OGB is currently fiscally sound.
- Current benefit plans offered through OGB are comparable to benefit designs utilized by large employers in both the public and private sector.
2002-03 Study Commission
Recommendations