

Group Benefits Policy and Planning Board

Meeting Summary – August 17, 2011

The Group Benefits Policy and Planning Board met August 17, 2011, with 8 members present: Barry Blumberg, Nancy DeWitt, William Foster, Sen. Butch Gautreaux, Kenneth Krefft, James Lee, Janet Lorena and Jackie Self.

Board members approved minutes of the previous meeting on June 15, 2011. They also voted unanimously to re-elect James Lee as board chair and to elect Kenneth Krefft as vice-chair and Nancy DeWitt as secretary.

Tom Tomczyk of Buck Consultants presented an actuarial report.

- The 5.6 percent increase in 2011 premium rates for OGB health plans is expected to generate about \$40 million annually.
- OGB will incur added drug and medical costs in 2011 due to extension of plan year deductibles for 18 months: the 2010-11 plan year that ended June 30, 2011, and the short 6-month 2011 plan year that ends December 31, 2011.
- Current cost trends are below average and continue to be very favorable (in contrast to double-digit annual increases before 2010). This is partly due to lower pricing as a result of OGB's HMO contract with Blue Cross and Blue Shield of Louisiana.
- The number of high-cost claimants has decreased to an extent not anticipated. This resulted in part from the excellent prescription drug coverage provided through health plans administered by the Office of Group Benefits and from OGB's Living Well Louisiana health management program, which offers reduced co-pays on prescription drugs to treat any of 5 targeted conditions (diabetes, heart disease, heart failure, asthma and chronic obstructive pulmonary disease, or COPD) with which the participating plan member has been diagnosed.
- The generic drug utilization rate for OGB health plans is now 65 percent (compared to 60 percent a year ago), which will have a favorable impact on OGB prescription drug costs. The 5.6 percent rise in the number of prescriptions filled by OGB plan members indicates more plan members are filling prescriptions, which can help them stay out of the hospital.
- Generic drug costs generally cost 80 percent less than brand-name drugs and generic versions of various expensive brand-name drugs will be available soon, at a projected annual savings of about \$45 million before the impact of the loss of rebates. The full impact of this savings would be realized in 2013.
- OGB earns less than 1 percent per year on the fund balance.

OGB acting Chief Executive Officer Brenda St. Romain gave a report on OGB operations.

- Claims seem to increase at the beginning and end of each plan year. OGB paid about 50,000 more claims in April, May and June 2011 than for the same period in 2010, which indicated an increase in utilization of benefits but they apparently were not high-cost claims.
- There has been little change in OGB enrollment numbers, revenue or expenses. The average turnaround time for claims is just over 2 days and 85 percent of claims are auto-adjudicated.
- OGB had a \$563 million fund balance at the end of the 2010-11 plan year on June 30, 2011, slightly above the \$555 million fund balance as of June 30, 2010.
- A notice of intent to contract (NIC) for administration of the HMO plan was posted to the website. Four companies – Blue Cross (currently contracted to administer the plan), Humana, UnitedHealthcare and Verity – expressed interest in bidding. Proposals are due September 6.
- OGB will hold Annual Enrollment and Medicare Enrollment in October and the first week in November for 2012. Medicare Advantage Fall Enrollment meetings are slated for October 3 through 7 and Annual Enrollment meetings will take place October 10 through November 4. OGB hopes to have premium rates and know which company will administer the HMO plan when the meetings begin.
- OGB will issue an NIC next week for administration of OGB's Living Well Louisiana disease management program. The program is currently administered by Health Dialog, but the company's contract ends December 31.
- House Concurrent Resolution 55, passed this year by the Louisiana Legislature, directed OGB to establish a study program to address Louisiana's high rate of obesity. OGB entered into a 5-year agreement with Pennington Biomedical Research Center to assess and evaluate the health benefits and cost-effectiveness of medical and surgical treatments for obesity through implementation of a program for management of severe obesity in OGB plan members. Under the terms of the agreement, PBRC will focus on 3 tasks:
 - o Selecting 3 centers of excellence at which medical professionals will screen and select potential program participants, perform bariatric surgery (with up to 100 participants in year 1 and an additional 100 participants in year 2), oversee several years of follow-up care and evaluate its effectiveness.

- o Developing, implementing and evaluating an intensive medical management program to achieve weight loss without surgery (with up to 200 participants in year 1 and possibly 100 additional participants in each of years 3, 4 and 5) and defining parameters to identify participants who will respond best.
- o Developing a plan for statewide dissemination of a comprehensive approach to severe obesity that includes formulating and testing effective treatment protocols and may include education, training and certification of Louisiana medical practitioners in the treatment of severe obesity (via bariatric surgery, medical management and less expensive therapies) and dissemination of standardized materials for medical providers and for patients who are severely obese.

OGB will distribute program information and application forms to all OGB plan members later this year.

Under the heading of old business, Mr. Lee told board members he, Ms. DeWitt and Ms. Lorena met with Commissioner of Administration Paul Rainwater and Deputy Commissioner Mark Brady to discuss the board's concerns about the possible privatization of OGB. He said they also were invited to attend interviews of prospective CEO candidates.

Turning to new business, Mr. Krefft suggested addition of a provision to the HMO NIC and to future NICS for other OGB health plans to exclude bids from companies with an officer who is a convicted felon.

During the public comments segment at the end of the meeting, Frank Jobert, executive director of the Retired State Employees Association, spoke. He told the board his organization remained opposed to privatization. He also expressed concerns about the ability of various state agencies to pay increased premiums for OGB health plans.