

Group Benefits Policy and Planning Board – Meeting Summary

January 15, 2010

The Group Benefits Policy and Planning Board met January 15, 2010, with 10 members present.

After approving minutes of meetings held September 9 and October 6, 2009, board members discussed several issues but took no formal action.

- OGB general counsel Tommy Benoit announced that OGB will conduct board elections this spring as required by state law. Regular elections are scheduled for three seats, for which the term of office ends June 30, 2010. These seats represent:
 - Employees of the Department of Public Safety and Corrections (now held by Janet Lorena, who was appointed by the board to fill James LeBlanc's unexpired term);
 - All other personnel of state government at large (now held by Hubert Lincecum); and
 - Retired state employees (now held by Russell J. Culotta).

Special elections are also needed to fill two seats held by interim appointees, who represent:

- Employees of the Department of Transportation and Development, for the remainder of the unexpired term ending June 30, 2012 (now held by James Lee, who was appointed by the board when no candidates qualified for the regular election in 2008); and
- Retired teachers and other school employees, for the remainder of the unexpired term ending June 30, 2014 (now held by Dr. Merline Broussard, who was appointed by the board when no candidates qualified for the regular election in 2008).

Following a nomination period in April, elections for the four seats will take place in May, with results to be promulgated by OGB in early June.

- OGB chief executive officer Tommy D. Teague discussed the status of OGB contracts for various plans and services, for which several notices of intent to contract were recently issued. It is possible that a single company could administer all OGB plans if they turn in the best proposals, he said.
 - OGB received three proposals for the HMO health plan. Humana, UnitedHealthcare and Blue Cross / Blue Shield were selected as finalists and meetings with each company will be held the week of January 18.
 - OGB received three proposals for the EPO health plan. UnitedHealthcare and Blue Cross / Blue Shield were selected as finalists and meetings with each are slated for the week of January 18.
 - OGB received three proposals for a new high-deductible plan tied to a health savings account (HD-HSA). The proposals are being reviewed.
 - OGB received four proposals for management of mental health and substance abuse treatment (MS/SA). OGB is reviewing the proposals to select finalists and expects to hold meetings with each company the week of January 25.
 - OGB received five proposals for pharmacy benefit management (PBM) services and a complex evaluation process is underway. OGB is working to select finalists.
- To ascertain whether the PPO plan can be administered more effectively by a private company, the Division of Administration has decided to issue a notice of intent to contract (NIC) for the PPO plan now self-administered by OGB, Teague said. The move is part of ongoing efforts to streamline state government and cut costs to address a state budget deficit. OGB expects to issue the NIC on January 15, but is unsure how many companies are interested. Proposals will be submitted to Deputy Commissioner Barbara Goodson and evaluated by the Division of Administration in close consultation

with Buck Consultants. If the Division of Administration decides it is best to continue to have OGB administer the PPO plan, the NIC will be withdrawn. Teague said privatizing administration of the PPO plan could mean “significant layoffs at OGB—about one-third of the agency’s employees.” He said OGB has 332 positions, but due to a statewide hiring freeze, some are now vacant. Either way, OGB must still do the work performed by the eligibility, fiscal and customer service sections and aggregate all health plan data into a single dashboard to compare plan costs, Teague noted.

- Tom Tomczyk of Buck Consultants presented an actuarial report that highlighted several key points:
 - o The balance in OGB’s operating funds is projected to grow to \$488 million by the end of the fiscal year on June 30, thanks to a rate increase for the 2009-10 plan year that generated additional funds.
 - o The average age of OGB plan members continues to rise. The PPO plan has the highest average plan member age of all OGB health plans, which means the PPO plan’s claim costs are slightly higher than other plans, due to increases in the cost of medical care and more frequent utilization of services.
 - o OGB’s generic drug utilization rate continues to increase slowly, which has significant impacts on prescription drug costs. It grew from 59.9 percent (from November 2007 through October 2008) to 61.4 percent (from November 2008 through October 2009). Each one percent increase in plan member utilization of generic drugs where available equals a one percent reduction in drug costs.
 - o OGB’s average per-prescription drug costs are down—about two percent lower for generic drugs and about 11 percent higher for brand drugs.

Mr. Teague noted that effective July 1, 2010, OGB’s prescription drug benefit will require plan members to pay any additional cost for brand drugs when generic drugs are available, which is expected to increase generic drug utilization. Eligible plan members’ participation in the Living Well Louisiana health management program is also expected to help reduce medical costs, he said. The program offers health coaching, support and information to plan members who have been diagnosed with diabetes, heart disease, heart failure, asthma or chronic obstructive pulmonary disease (COPD), and decreases co-pays on prescriptions to treat these conditions.

- Mr. Teague also provided updates on OGB operations:
 - o The average age of plan members continues to rise for all OGB health plans. The medical home HMO plan has the lowest average age.
 - o OGB’s efficiency in processing PPO plan claims is above the industry average, with a turnaround time of 2.5 days. This is due to the efficiency of OGB staff and the high percentage of claims submitted electronically by doctors and other medical providers. OGB’s efficiency is reflected in the number of providers participating in the PPO plan because they rely on fast claim payments to improve their cash flow.
 - o OGB continues to provide excellent customer service to plan members.
 - o OGB had a fund balance of \$443 million as of December 31, 2009. This fund balance will be used to pay increased costs to avoid raising OGB health plan premium rates for 2010-11 because the budget for state agencies prepared by the Division of Administration does not include funds for a higher state share of premiums for employee health coverage.
 - o The East Carroll Parish School Board has elected to become a participating agency effective March 1, 2010, with premiums based on risk ratings.
 - o The Commission on Streamlining State Government made only one recommendation regarding OGB. In the interest of maximizing efficiency, the panel recommended a single administrator for all OGB health plans—a function OGB is already performing.