

Group Benefits Policy and Planning Board – Meeting Summary for October 28, 2010

The Group Benefits Policy and Planning Board met October 28, 2010, with nine members present: Barry Blumberg, Dr. Merline Broussard, William Foster, Sen. Butch Gautreaux, Scott Kipper, Kenneth Krefft, James Lee, Janet Lorena and Jackie Self.

Board members approved meeting minutes for July 21, 2010, and discussed several issues but took no formal action.

An actuarial report was presented by Thomas Tomczyk of Buck Consultants. He told the board that figures for the first quarter of the 2010-11 fiscal year show OGB breaking even or with a positive fund balance, but conservative preliminary projections indicate a \$100 million loss for FY 2011 and a projected six percent rate increase for FY 2012, one of the highest rate increases in the past few years. He attributed this to the four percent rate increase projected for the 2010-11 fiscal year but not implemented by the Division of Administration. OGB was directed to spend down the \$455 million fund balance remaining as of June 30, 2010, which is occurring quickly, he said. This means rates must go up the next year to offset costs above the subsidy for the previous year plus projected cost increases, he noted. On the bright side, Mr. Tomczyk said, the projections do not reflect funds OGB will derive from the Early Retiree Reinsurance Program (ERRP) created by the federal Patient Protection and Affordable Care Act (PPACA).

Tommy D. Teague, chief executive officer of the Office of Group Benefits, briefed board members about EERP and other provisions of PPACA, the national health care reform legislation passed by Congress earlier this year.

- ERRP is an incentive program for employers providing health coverage to early retirees ages 55 to 64, who are not yet covered by Medicare. Effective June 2010, employers can request reimbursement for 80 percent of early retiree claims between \$15,000 and \$90,000 per year. OGB anticipates receiving between \$64 and 74 million annually through 2013 when the program expires, or the appropriation of \$5 billion is exhausted. OGB's application has been approved and OGB is now awaiting the format to submit claims now being developed by the US Department of Health and Human Services.
- Health plans must provide coverage for dependents up to age 26 regardless of student or dependent status, effective at the beginning of the next plan year, which is July 1, 2011 for OGB. OGB dependent coverage to age 26 cannot begin earlier due to a law enacted by the Louisiana Legislature earlier this year. OGB estimates that 22,000 additional dependents will be eligible for coverage next year as a result. The projected cost for the first year of implementation is \$3.2 million to \$4.9 million, and higher in subsequent years. Eligible dependents will not be subject to pre-existing condition limitations if they sign up during Annual Enrollment in April.
- PPACA eliminates caps on essential benefits. The projected cost of compliance is presently unknown because OGB is awaiting the HHS definition of essential benefits.
- Other PPACA mandates include:
 - Elimination of co-payments and deductibles for preventive care, for which the cost is expected to be significant, but no figures are available yet;
 - Elimination of pre-authorization and referral requirements for pediatricians, obstetricians, gynecologists and treatment in hospital emergency rooms, which is expected to have only a minimal cost impact; and
 - Implementation of an expanded appeals process, for which the cost is expected to be insignificant, although additional legal staff will be needed.

Mr. Teague also reported on OGB operational activities:

- During July and August, OGB paid over 99 percent of claims within 30 days, averaged turnaround time of less than two days on PPO claims and answered 97 percent of plan member calls in 90 seconds or less.
- OGB's EPO and HMO plans were combined July 1 and the HMO plan is now being administered by Blue Cross and Blue Shield of Louisiana under an emergency contract through December 31. UnitedHealthcare and Humana protested OGB's HMO contract award to Blue Cross, and subsequent lawsuits resulted in judicial remand of the award back to OGB to allow OGB and the companies to supplement the administrative record of the protests. Based on that information, OGB affirmed the contract award to Blue Cross, which was confirmed by Commissioner of Administration Paul Rainwater. If a ruling is not made soon, OGB will extend the emergency contract. If the judge decides OGB was justified in awarding the contract to Blue Cross, OGB will continue the contract.
- OGB hopes to award a new contract in January for self-funded administration of mental health and substance abuse (MHSA) benefits for the PPO and HMO health plans after reissuing a revised notice of intent to contract (NIC). OGB's initial NIC was withdrawn after the US Department of Health and Human Services issued interim final

rules for implementation of the federal Mental Health Parity Act that went further than originally anticipated. OGB then entered into an interim emergency contract with OptumHealth that remains in effect.

- OGB recently issued an NIC for fully insured HMOs in nine regions of the state, but has not yet determined how many Louisiana HMOs meet the requirements. OGB hopes to award one or more contracts in time to conduct enrollment in conjunction with Annual Enrollment in April.
- Over 29,000 OGB plan members have been diagnosed with one or more of five chronic health conditions (diabetes, heart disease, heart failure, asthma and chronic obstructive pulmonary disease or COPD) and about 8,000 of them are now participating in the Living Well Louisiana health management program administered by Health Dialog. OGB is now trying to determine the resulting cost savings. Records from Catalyst Rx, which provides pharmacy benefits for OGB's standard PPO and HMO health plans, indicate a significant number of plan members who were not previously taking prescribed medications for these conditions are now doing so.

At the board's request, Mr. Teague will contact the governor's office to request appointments to fill vacancies resulting from failure to attend board meetings as required. He said the board can appoint someone at the next meeting to represent personnel of higher education until an election is held for the seat vacated by Rick Ramsey when he retired from LSU in July.