Group Benefits Policy and Planning Board

Meeting Summary – January 19, 2011

The Group Benefits Policy and Planning Board met January 19, 2011, with nine members present: Rep. Robert Billiot, Barry Blumberg, Dr. Merline Broussard, Nancy DeWitt, Sen. Butch Gautreaux, Kenneth Krefft, James Lee, Janet Lorena and Jackie Self.

Board members approved minutes for the October 28, 2010, meeting and discussed several issues but took no action:

- Office of Group Benefits Chief Executive Officer Tommy D. Teague provided an executive summary of an OGB-supported obesity study conducted by Pennington Biomedical Research Center as required by House Concurrent Resolution 231 of the 2010 Regular Session of the Louisiana Legislature. The report noted the importance of structuring health care reimbursement for weight-loss treatments to focus on individuals with health conditions that justify intervention to derive medical benefit, due to the large number of individuals who would desire weight-loss treatments. The report recommended that OGB undertake a demonstration project conducted by an experienced team of obesity specialists, to be used to develop approaches to train medical professionals statewide in best practices for medical management and weight-loss surgery for severe obesity.

- Mr. Teague presented a report on OGB operations. He said OGB recently received an initial $6.086 million in reimbursements from the Early Retiree Reinsurance Program (ERRP) created by the federal Affordable Care Act (ACA), the 2010 federal health care reform legislation. ERRP reimbursements are based on health care claim costs for early retirees between ages 55 and 64 who are not yet eligible for Medicare coverage. The program is mandated to end in December 2013 or when the $5 billion appropriated for claim payments is exhausted. With over $1 billion paid out during the first two months of the program, he said, the funds will be gone quickly.

- Mr. Teague reported on the status of the Living Well Louisiana health management program administered by Health Dialog for OGB plan members diagnosed with one or more of five targeted health conditions: diabetes, heart disease, heart failure, asthma and chronic obstructive pulmonary disease (COPD). The terms of the Health Dialog contract require a dollar-for-dollar return on investment, he pointed out, and OGB spent $5.07 million during the program's first year but saved $6.1 million. He said that figure does not include prescription costs, but even with those included, "OGB has saved money and plan members are getting better results." Figures prepared by Thomas Tomczyk of Buck Consultants indicate OGB can expect to see even higher results in the program's second year. Mr. Tomczyk noted that inpatient care is one of the largest cost reductions seen by OGB, which he termed "a positive result." The Living Well Louisiana program has experienced a significant increase in participation and now has about 9,800 participants of a possible 27,000, he said, but can only succeed if enrollment occurs. He credited the LWL prescription incentive implemented in 2010 for increased program enrollment. LWL participants who qualify for the prescription incentive are not subject to the standard $1,200 out-of-pocket maximum on covered prescription drugs used to treat any of the five targeted conditions with which they have been diagnosed.

- Turning to new business, Mr. Teague said OGB is evaluating proposals for a new contract for the 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) that reflects interim final rules for implementation of the federal Mental Health Parity Act issued by the US Department of Health and Human Services. OGB's interim emergency contract with OptumHealth remains in effect. Mr. Teague stated that Vantage Health Plan is the only company that responded to OGB's request for proposals from Louisiana-based companies for fully-insured HMO plans.

- Mr. Teague answered questions from board members generated by news coverage about possible privatization of OGB to aid in resolution of the state's budget woes. He said OGB is providing data to the Division of Administration to aid DoA in determining if the "sale" of OGB to a private company is appropriate, and DoA will seek outside expertise to determine a valuation. He characterized OGB's operations as "a significant book of business—we cover about 250,000 plan members and dependents and collect $1.1 billion in premiums per year."

- Mr. Tomczyk presented an actuarial report. He said OGB is "still anticipating a loss of about $5 million for the 2010-11 fiscal year that began July 1, but the loss would have been about $11 million without ERRP money." He said OGB will be eligible to receive an estimated $60-70 million in ERRP funds, but ERRP reimbursement money allocated by Congress will likely be gone by June 30. He projected a $113 million loss for FY 2012 based on a six percent rate increase. Otherwise, he said, OGB would see a $180 million loss for FY 2012. Mr. Tomczyk said OGB's current positive fund balance accumulated due to OGB's efforts to control costs without passing them on to plan members via initiatives such as the Living Well Louisiana program. He estimated an eight percent trend (increase) in medical costs and a 10 percent trend in drug costs for the current plan year. "Trends go down and then back up," he cautioned, "and are currently better than anticipated, but drug cost trends are still in the double digits." He said generic drugs are one area with great potential to reduce costs. And in many cases, he said, plan members can get the same results with over-the-counter medications as with pricier prescription drugs, as many drugs no longer require prescriptions and are now available over the counter. Mr. Tomczyk told board members cost trends are currently going down due to an 11 percent decrease in inpatient admissions and inpatient doctor costs and fewer complicated or catastrophic claims, noting that "these figures show the value of OGB."

- OGB general counsel Tommy Benoit reported on litigation initiated by UnitedHealthcare and Humana after OGB's award of a contract to Blue Cross and Blue Shield of Louisiana for a self-insured HMO plan with a nationwide network of doctors and hospitals and OGB's subsequent decision not to offer an EPO plan, which traditionally included national coverage. The HMO plan is being administered by Blue Cross under an emergency contract, pending the legal outcome of the case. A ruling on December 5, 2010, by state District Judge Mike Caldwell reversed a decision by the Commissioner of Administration to affirm OGB's decision to award the HMO contract to Blue Cross. OGB can appeal the verdict, but the time frame to file an appeal has not yet commenced and OGB is still in discussion with the Division of Administration regarding possible options.

- Frank Jobert, executive director of the Retired State Employees Association, addressed the board at the end of the meeting in the time alloted for public comments "to voice opposition to the proposed sale of OGB. It seems like a bad idea to us," he said. "If a private contractor buys OGB, active and retired employees would likely end up paying higher premiums." Mr. Jobert asked board members to take a formal stand against the proposal. In response, the board asked Mr. Teague to request that Commissioner of Administration Paul Rainwater attend the next board meeting to discuss the issue.