



State of Louisiana
Division of Administration
Office of the Commissioner

April 29, 2011

Dear Plan Member,

I write to you regarding the possible further privatization of the Office of Group Benefits (OGB). In the past few weeks, numerous rumors about this proposal have caused concern, among government employees and retirees alike, over what it might mean for their future health coverage. I certainly sympathize with those concerns, and I would share them too, if the rumors were true – but they are not.

As Commissioner of Administration, with responsibility for overseeing OGB, I believe strongly in the need to provide you with the facts, to separate rumors from reality, and hopefully alleviate any concerns you may have.

As you know, OGB has long used private companies to deliver various health plans, including the most popular plan, the HMO. These plans operate successfully and provide quality service, with administrative oversight by OGB. Only the PPO plan – which provides coverage for 61,469, or 27 percent, out of a total of 225,870 government employees, retirees, and dependents covered through OGB – is self-administered by state government, and it is only this plan, under the proposal, that would change in that regard.

My pledge to all plan members is this:

- **You will continue to receive quality service and coverage regardless of the potential further privatization of OGB.**
- **Premiums rates, likewise, would be unaffected by this transition, and increases, when they occur, will continue to be reflective of medical market rates, as they are now.**
- **Benefits for all plan members, including retirees, will NOT change. We will continue to provide an HMO, PPO, and other plans with a benefit structure that is the same or better than the health plans OGB now offers.**
- **Current eligibility rules for coverage will not change for all plan members, active and retired alike.**
- **And OGB's administrative oversight will continue, securing the continued success of all the plans.**

As for the allegation that OGB's surplus will somehow be "stolen" and diverted for other budgetary purposes, let me be absolutely clear: This claim is categorically untrue. **Strong restrictions remain in place governing the OGB surplus, and it will continue to be utilized just as it is now – solely for the purpose of providing health coverage for plan members.**

So why, then, explore such a proposal? Well, the simple fact of the matter is that taxpayers, who pay 75 percent toward plan member premiums and the cost of providing coverage, also have a stake in this discussion. A preliminary estimate suggests that a financial transaction with a commercial health provider involving the HMO and PPO plans could generate for the state at least \$150 million. In a time of serious fiscal challenges, these funds, in future years, could go a long way toward protecting critical taxpayer-supported services that benefit all our citizens.

Our research of best practices shows that every other state besides Louisiana that offers a PPO plan does so through private companies, so we know it can be done with positive results. In the coming weeks we will engage an expert financial advisor to assist us in a thorough evaluation of this proposal, and to help us make a careful determination to proceed on a course of action that's in best interest of both plan members and taxpayers.

This lengthy evaluation will also prepare us to present a detailed presentation of the proposal to you, as well as to the Legislature's appropriation and finance committees, whose members have jurisdiction over OGB and whose approval would be needed for any contract involved.

In closing, I hope that expressing to you the reality of the situation, which runs so counter to the rumors you may have heard, has helped to dispel concerns these rumors have caused. As we gather more information, I will see to it that you are given updates as they develop. More importantly, I will make sure that you continue to receive the quality service and coverage from your health plan that you expect and deserve.

Sincerely,



Paul Rainwater
Commissioner of Administration