For Your BENEFIT
FALL 2002
STATE OF LOUISIANA * OFFICE OF GROUP BENEFITS

Annual Report to Plan Members

Dear Plan Member,

This year's Annual Report once again brings you good news and bad news.

The good news is that the Office of Group Benefits has listened to you and has brought you a number of valuable new programs, including:

- A state-of-the-art computer system, named SeBois, which has faster, more accurate claims processing and billing software
- A greatly enhanced website that allows you to check on your own claims as well get plan information quickly and easily
- Discount dental/hearing/massage therapy/cosmetic surgery/vision plan
- A comprehensive dental program for a separate premium
- An increased optional life insurance coverage for active members enrolled in our life insurance program
- An increase in state funding of premiums for single active employees
- A new flexible health care spending account, which is detailed on page four of this Annual Report
- A pilot program with Blue Cross Blue Shield and BestCare/Fara to provide EPO services in the Baton Rouge area

The bad news is that health care costs continue to skyrocket. This is true almost everywhere in the United States and is certainly true in Louisiana. A snapshot of OGB's expenditures for 2001-2002 shows we spent:

- Approximately $400 million in health claims
- More than $100 million in prescription drugs
- More than $130 million in payments to our health maintenance organizations (HMOs).

These trends continue. In the last few months we have been paying almost $5 million every two weeks for prescription drugs.

You have told us time after time that you prefer to maintain your level of benefits. You have also told us you want a large network of providers.

To accomplish these goals in this time of significant medical inflation, we – like other health plans – are facing premium increases. Please know that OGB is doing everything possible to hold down costs and premiums.

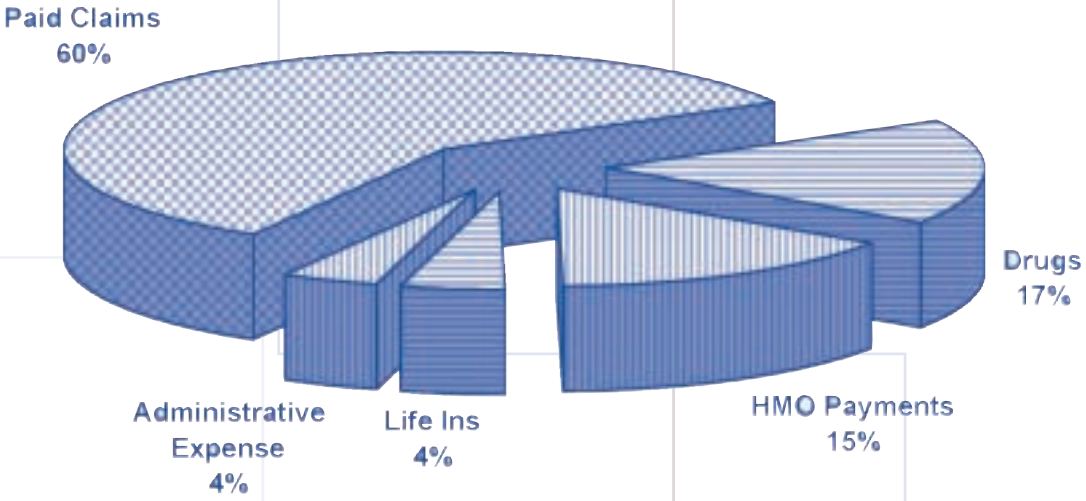
Thank you for your understanding.

A. Kip Wall,
Chief Executive Officer

INSIDE

FINANCIAL

Program Costs FYE 2002



OGB Financial Report

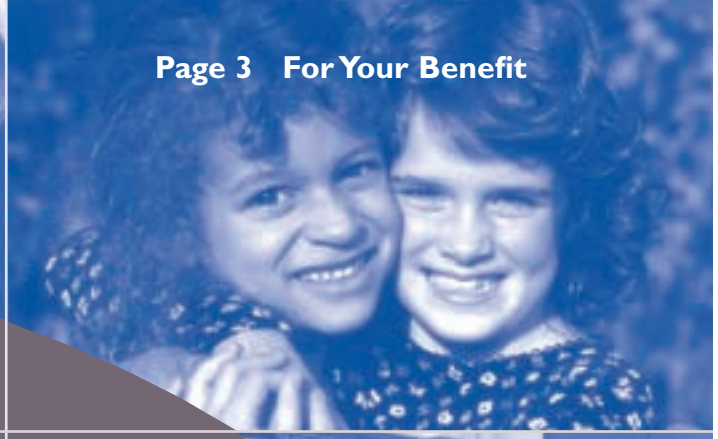
OFFICE OF GROUP BENEFITS
SCHEDULE OF REVENUE AND EXPENSES INCLUDING CASH CARRY FORWARD

Cash Carry Forward	**5,648,049**	**21,926,821**	**15,640,028**	**2,423,489**	**($6,927,552)**
	FY 1997/1998	FY 1998/1999	FY 1999/2000	FY 2000/2001	FY 2001/2002
Rate Increase	**0.9%**	**4.3% Actives-2.9% Retirees**	**10.0%**	**12.5%**	**17%**
REVENUE:	454,811,159	477,562,240	541,493,709	677,921,138	$719,164,416
EXPENSES:					
PAID CLAIMS					
HEALTH	234,252,134	262,020,621	336,358,310	387,611,684	$397,173,342 **
DRUGS	40,250,557	52,700,838	101,086,949	114,677,273	$100,407,426
MH/SA	5,721,224	5,435,408	6,331,648	6,514,135	$6,358,673
AMCARE					$13,246,477
MEDICAL CLAIMS	280,223,915	320,156,867	443,776,907	508,803,092	$517,185,918
HMO PAYMENTS	118,278,997	131,010,998	89,979,979	110,449,970	$134,276,100
LIFE PAYMENTS	22,544,008	25,835,827	26,008,063	25,474,372	$27,387,204
ADMINISTRATIVE EXPENSE	18,965,605	20,691,937	24,298,622	27,977,921	$32,368,090
TOTAL EXPENSE	440,012,525	497,695,629	584,063,571	672,705,355	$711,217,312
PROFIT/LOSS	14,798,634	(20,133,389)	(42,569,862)	5,215,783	$7,947,104
FUND DEFICIT	(30,303,610)	(50,436,999)	(93,006,861)	(87,791,078)	($79,843,974)

* These amounts are included in the health claims column as they were not separate payments during this period.
** Health claims expenses has been reduced by an $8.2 million IBNR adjustment.

FY 2002 figures are unaudited.

LaCHIP



LaCHIP is Available

LaCHIP is a health insurance program designed to bring quality health care to currently uninsured children and youth up to the age of 19 in Louisiana. LaCHIP provides Medicaid coverage for doctor visits for primary care as well as preventive and emergency care, immunizations, prescription medications, hospitalization, home health care, and many other health services.

Children must be under age 19 and not covered by health insurance. Family income cannot be more than 200 percent of the federal poverty level (about $2,942 monthly for a family of four). The federal poverty index increases every April. This means people who do not qualify today because their income is too high might qualify when the index is next updated.

There are no enrollment fees, no premiums, no co-payments and no deductibles. Children can keep their health coverage for one full year regardless of changes in income or other household circumstances.

LaCHIP applications can be obtained by calling the LaCHIP Hotline **1.877.2LaCHIP** (**252.2447**) and at any of the 427 Medicaid application centers throughout the state. Applications are also available at WIC offices, school-based health clinics, community health centers, community action agencies, and other locations throughout the state. Parents, grandparents, and other caregivers may apply for health coverage for children. Grandparents and other caregivers do not have to have legal custody of the children, nor do they have to provide proof of their income.

Coverage can begin as early as three months prior to the month in which the application is received.

Children may be eligible if total family income, before any deductions, is below the amounts in this chart. **Income Amounts are through March 31, 2003.**

Number in family	Weekly Income	Monthly Income	Yearly Income
2	$460	$1,990	$23,800
3	$579	$2,504	$30,040
4	$697	$3,017	$36,200
5	$816	$3,530	$42,360
6	$934	$4,044	$48,520
7	$1,053	$5,070	$60,840
8	$1,171	$5, 070	$60,840
More than 9	For each extra person, add $514 to the monthly amount for 8 people.		

Information is from the web site http://www.dhh.state.la.us/MEDICAID/LaCHIP/index.html
Please contact LaCHIP for full information.

FLEXIBLE SPENDING

Flexible Spending Account

If you have chosen to participate in the health care flexible spending account, you have an expanded list of eligible medical expenses, according to the Internal Revenue Service.

Diagnostic Procedures and Items: Eligible when they qualify as medical care, even without an underlying medical condition, including body scans, pregnancy kits, ovulation monitors, health fairs that check blood pressure, cholesterol, and bone density.

Exercise Programs and Exercise Equipment: Eligible when it is medically necessary for purpose of treating a specific medical condition. Physician letter is needed to substantiate the claim.

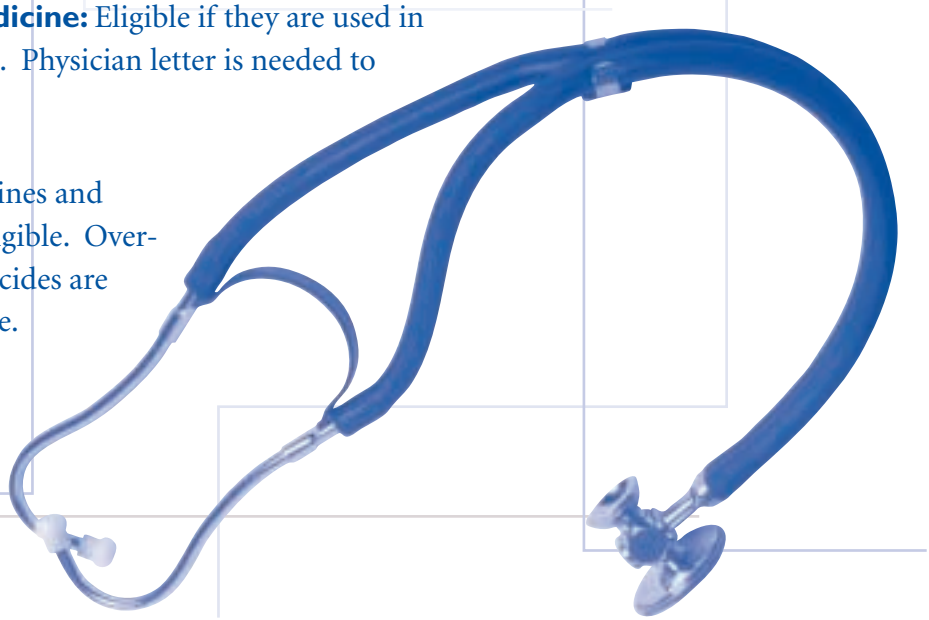
Massage Therapy: Eligible when treatment is essential and is treating a specific medical condition. Physician letter is needed to substantiate the claim.

Teeth Whitening: Eligible when tooth discoloration is caused by disease, birth defect or injury. Physician letter is needed to substantiate the claim.

Vitamins and Supplements: Eligible when they must be taken for specific medical condition. Physician letter is needed to substantiate the claim.

Weight Loss Programs and Medicine: Eligible if they are used in treating a specific medical condition. Physician letter is needed to substantiate the claim.

Birth Control: Prescribed medicines and treatments for birth control are eligible. Over-the-counter condoms and spermicides are also considered a medical expense.



BENEFITS

Benefit Changes Considered

The Office of Group Benefits must remain sufficiently funded in order to provide service to state employees, retirees, and their families. When faced with the challenge of soaring health care costs, the OGB must raise premiums, reduce benefits, or both.

Although no final actions have been taken, the following items are being considered for Legislative review:

Prescription Drug Benefit

increase the maximum cost per prescription to $50
increase the yearly out-of-pocket maximum to $1,200

Genetic Testing

provide testing to detect tendencies for diseases such as breast and colon cancer

Agency-Retiree Premium

formally codify that a person who retires will continue to be considered retired even if he returns to state employment; the agency from which he retired will pay the agency premium

Plan Administration

review proposals for providing both regional and statewide EPO and HMO services

Alignment of Plan Year and Deductibles

Make the plan year and the deductible year coincide.

Wellness Benefit

Change the definition for the allowable wellness benefit from “one physical” to “maximum benefit amount of $200 during the qualifying period”

Surgical Treatment of Morbid Obesity

Conduct a pilot program that would cover the surgical treatment of morbid obesity, with a number of limitations.

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