



LOUISIANA DEPARTMENT OF INSURANCE

JAMES J. DONELON
COMMISSIONER

ORDER ADOPTING REPORT OF EXAMINATION

OF

OFFICE OF GROUP BENEFITS

AS OF

JUNE 30, 2020

The above Report was completed by examiners of the Louisiana Department of Insurance (Department).

The findings and conclusions of the Department regarding the status of the Company result from consideration of the review of the Report, relevant examiner workpapers, and any written submissions or rebuttals of the Company.

IT IS HEREBY ORDERED that the examination report be accepted, adopted, and filed as an official record of the Department.

James J. Donelon
Commissioner of Insurance
State of Louisiana

BY:

Stewart Guerin, CFE
Chief Examiner
Office of Financial Solvency
LA Department of Insurance

Dated this 6th day of July, 2021

REPORT OF EXAMINATION

OF THE

OFFICE OF GROUP BENEFITS
BATON ROUGE, LOUISIANA

AS OF

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Table of Contents

SCOPE OF EXAMINATION2

HISTORY2

MANAGEMENT AND CONTROL INCLUDING CORPORATE GOVERNANCE3

 Corporate Records3

 Policy and Planning Board (PPB).....3

 Group Benefits Estimating Conference (GBEC).....5

 Executive Management6

PLAN OF OPERATION7

 Executive and Administration9

 Customer Service.....9

 Agency Services9

 Medical/Rx Benefits Administration.....10

 Contract Management.....10

INCURRED BUT NOT REPORTED (IBNR) CLAIMS ANALYSIS10

FUND BALANCE.....11

CONCLUSION.....12



LOUISIANA DEPARTMENT OF INSURANCE

JAMES J. DONELON
COMMISSIONER

May 3, 2021

Honorable James J. Donelon
Commissioner of Insurance
State of Louisiana
1702 N. 3rd Street
Baton Rouge, Louisiana 70802

Dear Sir:

In accordance with your instructions and in compliance with statutory provisions, an examination has been made of the affairs and condition of the

**OFFICE OF GROUP BENEFITS
BATON ROUGE, LOUISIANA**

hereinafter referred to as "OGB". The following report of examination is respectfully submitted.

SCOPE OF EXAMINATION

Pursuant to La. R.S. 42:851.N, this statutory examination covers the period from October 1, 2015 through June 30, 2020, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination. The examination was performed by representatives of the Louisiana Department of Insurance (LDI). This examination included a review of the minutes of corporate meetings, a review of service agreements and other records or procedures relating to OGB's operating practices to determine compliance with OGB's plan of operation document. Work performed also included appropriate procedures to determine compliance with La. R.S. 42:801 through: 883.

The examination relied on Jeff Yeatman, ASA, MAAA, contract examining actuary for the LDI, to determine that appropriate methods and assumptions were used in OGB's calculation of the liability for unpaid losses and loss adjustment expenses while excluding testing of life insurance and annuities.

A management representation letter attesting to the OGB's ownership of all reported assets and to the non-existence of unrecorded liabilities or contingent liabilities by OGB as of the examination date was signed and submitted by the OGB's management.

On March 11, 2020, the World Health Organization declared the outbreak of a corona virus ("COVID - 19") pandemic. The extent of the impact of COVID-19 on OGB's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, regulatory decisions, and the impact on the financial markets, all of which are uncertain and cannot be predicted. Due to the timing of the examination and fieldwork, the effect of the pandemic on this entity are not addressed within this examination report.

HISTORY

OGB is an instrumentality of the State of Louisiana, created within the Office of the Governor, Division of Administration, and effective July 1, 1998. OGB's statutory authority is granted under La. R.S. 42:801. Act 1178 of the 2001 Regular Legislative Session became effective July 1, 2001, and changed the name of the program from State Employees Group Benefits Program to the Office of Group Benefits.

OGB is designed to provide full-time employees/retirees and their legal dependents of state agencies, state colleges and universities, boards, charter schools, commissions, housing authorities, judicial and legislative branches of Louisiana government, levee districts, retirement systems, and participating school board employees with health and group term life insurance and annuity benefits. OGB is part of the Louisiana Division of Administration and as such reports to the Commissioner of Administration. The predecessor to OGB (State Employees Group Benefits Program) was established in the late 1970s in an effort to consolidate the state's bifurcated group life and health benefit plans and bring them under the management of a single entity.

MANAGEMENT AND CONTROL INCLUDING CORPORATE GOVERNANCE

Corporate Records

A review was conducted of OGB's Policy and Planning Board (PPB) and Group Benefits Estimating Conference (GBEC) minutes. It was found that the material corporate events and business affairs of OGB were adequately documented.

Policy and Planning Board (PPB)

La. R.S. 42:882 changed the composition of the PPB to the following eleven (11) voting members:

- Three members appointed by the Speaker of the House, each of whom shall have five years of relevant experience.
- Three members appointed by the President of the Senate, each of whom shall have five years of relevant experience.
- Three members appointed by the Governor, each of whom shall have five years of relevant experience.
- Two members shall be elected by retired participants in plans offered by OGB, one of who shall be a retired school employee and one of who shall be a retired state employee.

La. R.S. 42:883.C requires that the PPB hold regular meetings, although "regular" is not defined. The PPB met on the following dates during the period of review and through the date of this examination:

2016: January 1, July 14, October 10
 2017: January 10, August 10, October 30, November 16
 2018: April 6, July 19, October 9
 2019: April 24, September 27
 2020: July 24, September 9, October 13

The composition of the PPB serving as of June 30, 2020 was as follows:

<u>Member</u>	<u>Seat</u>	<u>Date Appointed</u>	<u>Seat Expiration Date</u>
Jeremy R. Jackson (Chair)	Appointed by Governor	May 4, 2016	May 3, 2022
Agnes S. Andrews	Appointed by Governor	May 18, 2016	May 17, 2022
Vacant	Appointed by Governor		
Senator John R. Smith	Appointed by President of the Senate	February 22, 2016	4 years; concurrent with term of Senate President
Senator Ronnie Johns	Appointed by President of the Senate	February 22, 2016	4 years; concurrent with term of Senate President
Senator Dan "Blade" Morrish	Appointed by President of the Senate	February 22, 2016	4 years; concurrent with term of Senate President
Tony Murray	Appointed by the Speaker of the House	September 14, 2018	4 years; concurrent with term of Speaker of the House
Kenneth Kreffft	Appointed by the Speaker of the House	February 22, 2016	4 years; concurrent with term of Speaker of the House
Deborah Copeland (Secretary)	Elected; Retired Teachers & Other Retired School Employees	June 1, 2016	6 years
Frank L. Jobert, Jr. (Vice Chair)	Elected; Retired State Employees	June 1, 2016	6 years

Note: Subsequent to exam date, vacancy was filled by Michael Saylor on December 18, 2020. Term will last 6 years until December 17, 2026.

The PPB has power to review and recommend benefit programs and premium rates. In making such considerations, the PPB shall be required under the provision of La. R.S. 42:881.B to "... use any official information provided by the Group Benefits Estimating Conference as may be necessary in the review of benefits plans and proposed rate structures..."

Group Benefits Estimating Conference (GBEC)

The GBEC was established under the provisions of La. R.S. 39:21.3.G and consists of the following members:

- A member of the professional staff of the office of the governor to be appointed by the governor.
- A member of the professional staff of the division of administration to be appointed by the commissioner of administration.
- A member of the professional staff of the legislature who shall have fiscal expertise to be appointed by the president of the Senate.
- A member of the professional staff of the legislature who shall have fiscal experience to be appointed by the speaker of the House of Representatives.
- A member of the professional staff of the OGB who shall have fiscal experience to be appointed by the commissioner of administration.
- An individual with a minimum of five years professional experience or fiscal expertise in the industries of health insurance, actuarial services, financial services, or banking to be selected by the other principals from a list of no more than two names submitted by each of the following: the commissioner of insurance, the commissioner of financial institutions, and the legislative auditor.

The GBEC met on the following dates during the period of review and through the date of this examination:

2016: April 12, July 12, September 20

2017: October 23, November 15

2018: April 6, July 18, October 8

2019: April 24, August 27, September 25

2020: July 20, September 9, October 13

The composition of the GBEC serving as of June 30, 2020 were as follows:

<u>Member</u>	<u>Employer & Job Title</u>	<u>Seat</u>	<u>Date Appointed</u>
Nick Albares	Office of the Governor; Policy Advisor	Appointed by Governor	October 4, 2018
Manfredo Dix	Office of Planning and Budget; Economist	Appointed by the Commissioner of Administration	March 2, 2016
Bill Guerra	Office of Group Benefits; Group Benefits Director	Appointed by the Commissioner of Administration	March 2, 2016
Mei Su	Senate Fiscal Services Division; Senior Budget Analyst	Appointed by President of the Senate	November 26, 2019
Chas Nichols	House Fiscal Division; Budget Analyst	Appointed by the Speaker of the House	January 1, 2018
David Dillon	Lewis & Ellis; Senior Vice President and Principal Actuary	Appointed by Conference Principals – submitted by the Commissioner of Insurance	April 12, 2016

Executive Management

OGB operates as an "office" under the Louisiana Division of Administration (DOA). DOA is charged with performing a wide variety of legislatively mandated activities and other required functions of state government, including overseeing the general management of all state finances and financial operations.

La. R.S. 42:803 requires the Commissioner of Administration to appoint a Chief Executive Officer. The Chief Executive Officer shall appoint a Chief Operating Officer. The following were the OGB executive management as of June 30, 2020:

Tommy Teague - Chief Executive Officer (CEO)

Renita Williams - Chief Operating Officer (COO)

Note: Subsequent to June 30, 2020, Tommy Teague retired and was replaced by David Couvillon effective October 21, 2020. Renita Williams was replaced with Melissa Mayers effective September 14, 2020.

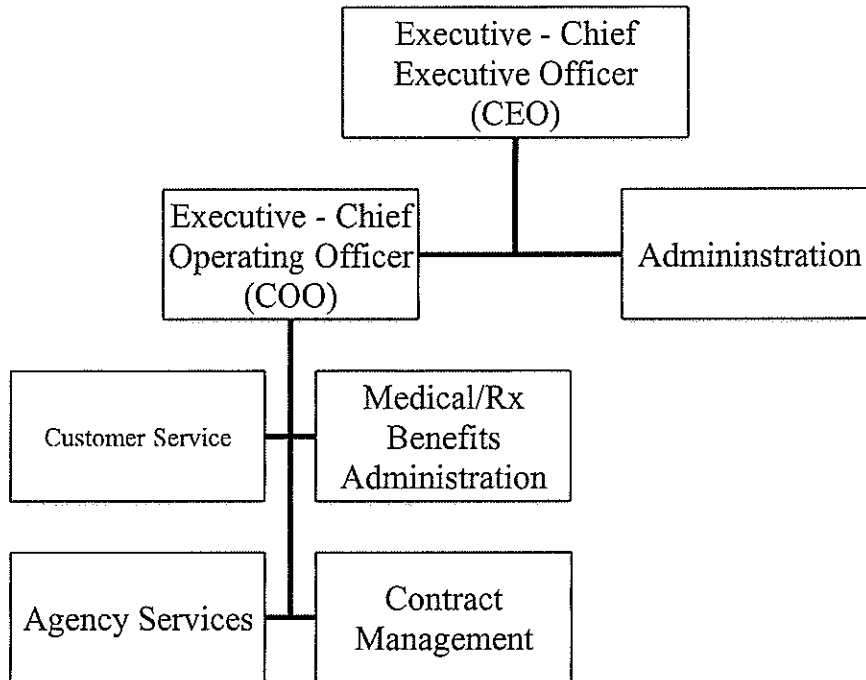
PLAN OF OPERATION

Prior to 2013, OGB internally administered significant aspects of the benefits program including the self-funded medical plans. Effective January 2013, Louisiana Health Service & Indemnity Company dba Blue Cross and Blue Shield of Louisiana, the third party administrator (TPA) for the HMO plan option, assumed additional responsibility for the preferred provider organization (PPO) and consumer driven health plan (CDHP) options of the self-funded medical insurance. This change prompted OGB to adjust the organization from one resembling the operations of an insurance company by administering its own claims, into an ancillary agency of the DOA responsible for managing the administration of the benefit program for active and retired state employees and their legal dependents.

The following chart shows the OGB active contracts with key third party administrators (TPA) or contractors along with a brief description of the nature of the contract as of June 30, 2020 related to the health indemnity plans:

<u>TPA/Contractor</u>	<u>Description</u>
Access Health, Inc.	Capitated provider network
Buck Global, LLC (previously Conduent Actuarial Services)	Actuarial services
Discovery Benefits, LLC dba WEX Health, Inc. HMO Louisiana, Inc.	COBRA and FSA administrative services
Humana Health Benefit Plan of Louisiana	Medicare Advantage Plan for eligible OGB retirees with Medicare A & B
Louisiana Health Service and Indemnity Company dba Blue Cross and Blue Shield of Louisiana	Medicare Advantage Plan for eligible OGB retirees with Medicare A & B
MedImpact Healthcare Systems, Inc.	Third party administrator for self-funded health plans offered by OGB
New Orleans Regional Physician Hospital Organization, LLC dba Peoples Health	Pharmacy Benefits Management Services for self-funded plans and Employee Group Waiver Plan – Prescription Drug Plan
Vantage Health Plan, Inc. (HMO)	Medicare Advantage Plan for eligible OGB retirees with Medicare A & B
Vantage Health Plan, Inc. (MAPD)	Fully Insured HMO provider network
	Medicare Advantage Plan for eligible OGB retirees with Medicare A & B

As a result of the 2013 organization, the personnel of OGB are assigned to one of the functional areas shown in the following chart and description:



Executive and Administration

The Executive and Administration sections primarily consist of the Chief Executive Officer, the Chief Operating Officer and their support staff. This section is responsible for the customary leadership and oversight functions. In addition, the Chief Executive Officer is responsible for presenting to the Policy and Planning Board any proposed changes in benefit plans and/or rates.

Customer Service

Customer Service is the largest section at OGB, by employee count. Customer Service fields inquiries regarding eligibility and complaints regarding service providers (direct questions regarding benefits and claims are routed directly to the appropriate service provider). Customer Service also performs life event benefit changes when the supporting documentation is sent directly to OGB (most commonly by retirees).

Agency Services

The Agency Services section interacts with member state agencies to facilitate the agencies' management of employee benefits. The Agency Services section monitors data to ensure compliance with OGB policies and guidelines, federal and state laws relative to benefit

administration, as well as to provide education and guidance. Member agencies have the ability to activate coverage for employees. OGB has an agency audit program to ensure proper enrollment procedures are followed.

Medical/Rx Benefits Administration

The Medical/Rx Benefits Administration section monitors and manages the relationship with medical and pharmacy vendors providing services to employees and retirees. The section monitors performance of vendors against contract provision and works to resolve disputes. Information gathered during the monitoring process is used in developing recommendations for changes in benefit plan design. Medical benefits to members are provided primarily by BCBSLA and Vantage Health Plan, Inc. OGB manages the sufficiency of these benefit services through frequent periodic meetings with vendors to resolve issues, performance evaluations performed by a healthcare consulting firm and obtaining SSAE 16 (Service Organization Control 1) Reports performed by an independent accounting firm.

Contract Management

The Contract Management section is responsible for the direction and coordination of all activities relating to health services contracts. This includes all activities prior to submission to the Division of Administration and all activities post-contract, such as oversight and evaluation. The section monitors all invoices and claim reimbursement requests to ensure accuracy and determine if invoices reconcile to corresponding OGB data.

INCURRED BUT NOT REPORTED (IBNR) CLAIMS ANALYSIS

In connection with this examination, the LDI engaged Jeff Yeatman, ASA, MAAA of Hause Actuarial Solutions, Inc. to perform an analysis related to the IBNR claims estimates provided by Thomas Tomczyk, FCA, MAAA, ASA of Buck Global, LLC as of June 30, 2020. The OGB coverages analyzed were medical, prescription drug and medical & claim expense. The analysis was performed in accordance with appropriate Actuarial Standards of Practice as promulgated by the Actuarial Standards Board of the American Academy of Actuaries. The Actuarial Standards of Practice particularly relevant to this assignment were ASOP 5 – Incurred Health and Disability Claims, ASOP 23 – Data Quality and ASOP 41 – Actuarial Communications.

OGB's total IBNR estimate of \$101,652,000 as of June 30, 2020 was found to be sufficient for the unpaid claims.

FUND BALANCE

Health benefits administered by OGB are self-funded through a combination of premiums paid by employee/retirees and the State of Louisiana. To the extent that premiums exceed claims and administrative costs, a surplus "Fund Balance" is created; if the reverse scenario happens, a Fund Balance deficit is created. OGB's Fund Balance is the accumulation of the surplus, or deficit, of revenues minus expenses over time and includes IBNR claims.

The following table shows OGB's Fund Balance as provided by OGB for the last six fiscal years:

June 30, 2015:	\$122,311,336
June 30, 2016:	\$146,815,355
June 30, 2017:	\$158,592,559
June 30, 2018:	\$249,693,128
June 30, 2019:	\$298,803,269
June 30, 2020:	\$310,778,544

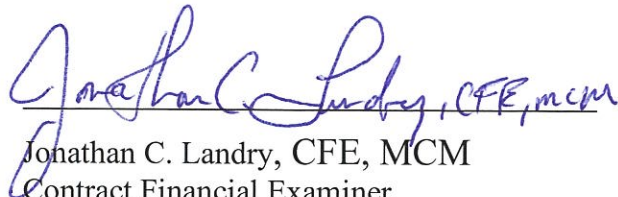
From a peak of \$500 million in fiscal year 2011, OGB's Fund Balance dropped to \$122 million as of June 30, 2015, primarily as a result of premium decreases in fiscal years 2012 and 2013 when health care cost trends were increasing. Due to health and drug plan changes and premium rate increases over the last few fiscal years, OGB's Fund Balance has increased to approximately \$311 million as of June 30, 2020.

CONCLUSION

I, Jonathan C. Landry, CFE, MCM as Managing Member of J. Landry & Associates, LLC, do solemnly swear and affirm that in my capacity as Managing Member of J. Landry & Associates, LLC, I am a contract examiner for the Commissioner of Insurance of the State of Louisiana, and that as such I was assigned to make an examination of the affairs and condition of the **Office of Group Benefits, Baton Rouge, Louisiana**, that I made such examination, and that the above and foregoing is a true and correct copy of my report of the examination of such Association, and the said examination is true and correct to the best of my knowledge, information and belief.

In addition to the undersigned, Jeff Yeatman, ASA, MAAA participated in the examination. Melissa Gibson, CFE, as LDI designee, joins in signing this report.

The examination team acknowledges the courteous cooperation of OGB and its officers and employees.



Jonathan C. Landry, CFE, MCM
Contract Financial Examiner,
Managing Member, J. Landry & Associates, LLC



Melissa Gibson, CFE, MCM
Chief Examiner,
Louisiana Department of Insurance