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TO: The Honorable James R. Fannin, Chairman Joint Legislative Committee on the Budget (JLCB)  
 The Honorable Jack Donahue, Vice Chairman Joint Legislative Committee on the Budget (JLCB)  
 Honorable Members of the Joint Legislative Committee on the Budget (JLCB)

FROM: J. Travis McIlwain, Section Director  
 John D. Carpenter, Legislative Fiscal Officer

DATE: January 16, 2015

SUBJECT: Office of Group Benefits (OGB) Update (January 2015)

Graph 1 below depicts the OGB Fund Balance History from FY 08 to FY 14 along with the ending balance for the months of July 2014 through December 2014 (FY 15). During the month of December, OGB's fund balance lost approximately \$36.1 M, or a 23% fund balance change.

Since the beginning of FY 15, OGB's expenditures have been approximately \$83.8 M more than actual revenue collections through December 2014. This has resulted in the OGB fund balance decreasing from \$207 M to \$123.6 M. The decrease equates to an updated FY 15 monthly burn rate of \$13.9 M per month through December 2014. The November 2014 monthly burn rate was \$9.6 M.

Table 1 below illustrates the monthly OGB fund balance impact in FY 15.

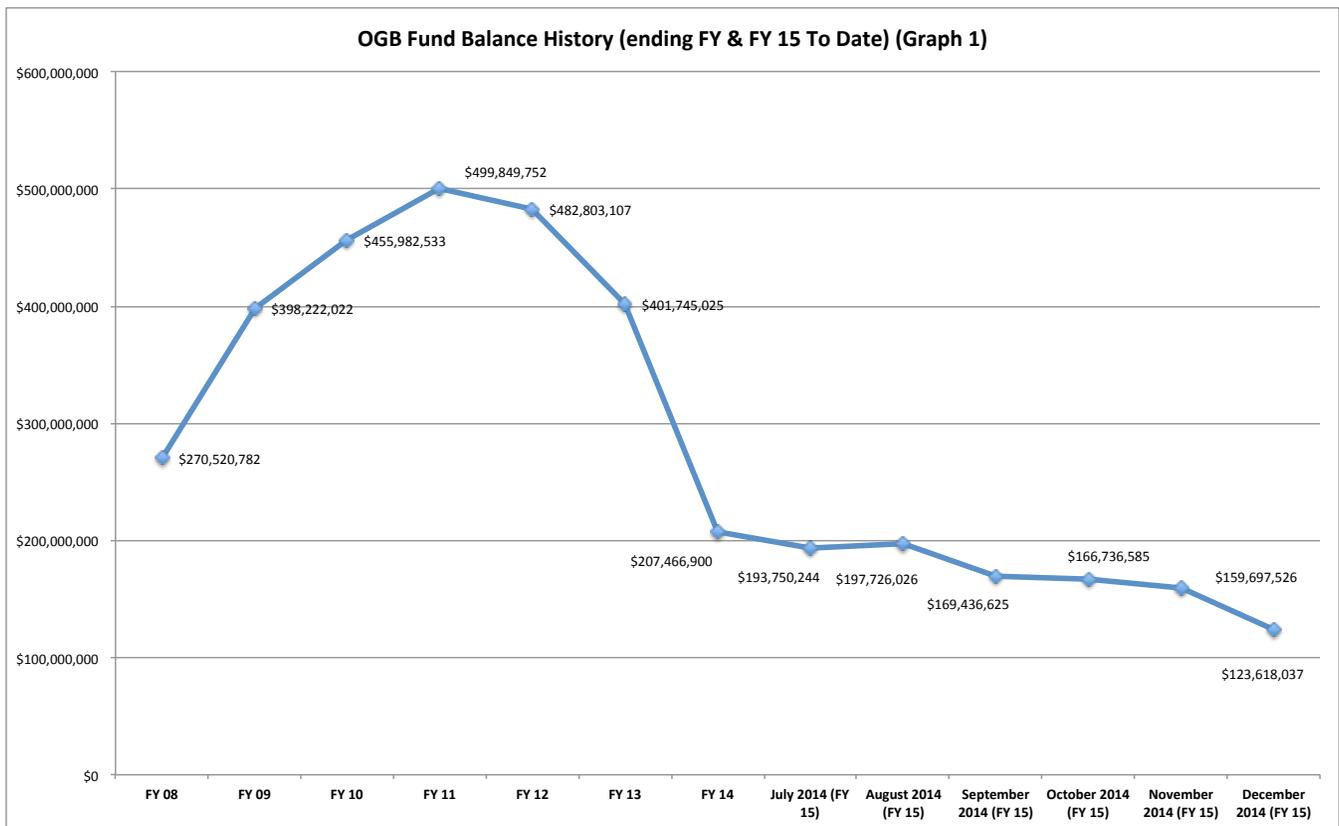
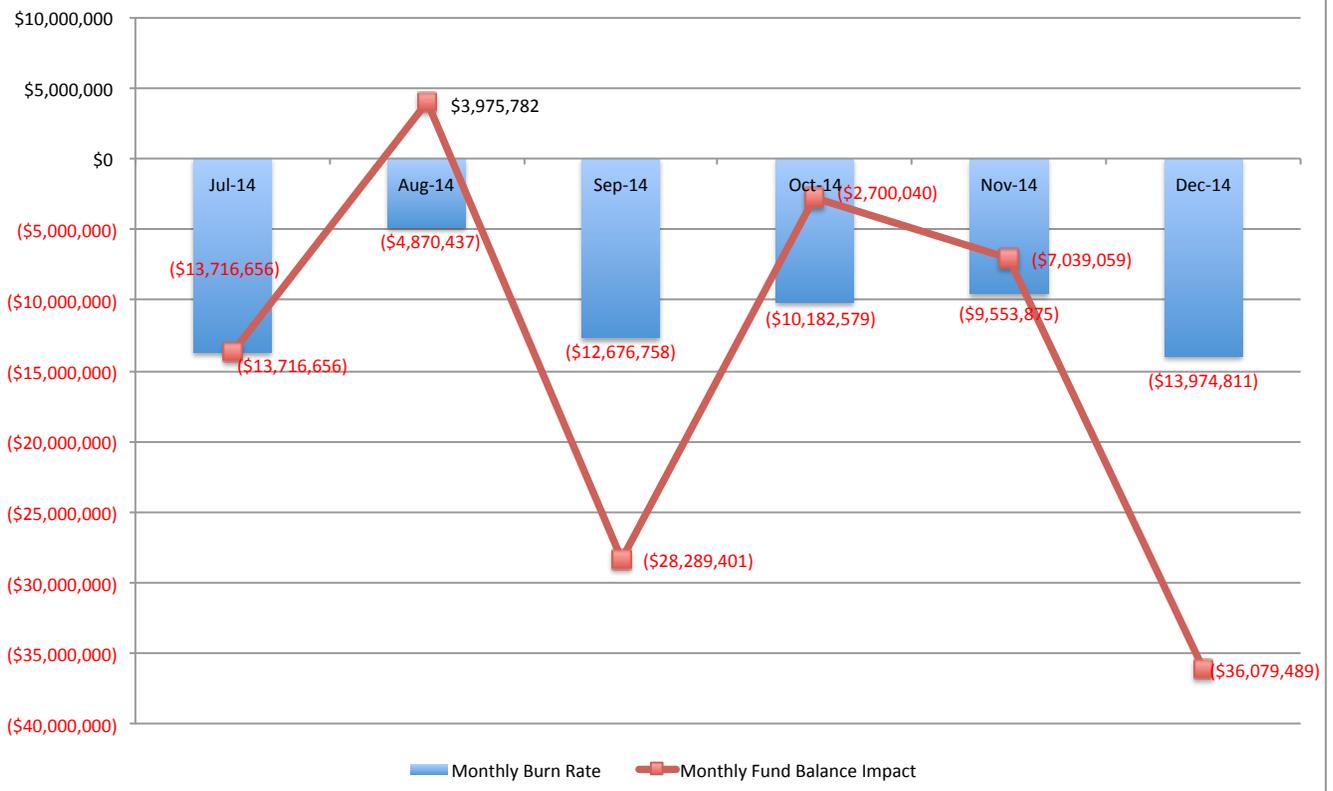


TABLE 1	Fund Balance Impact
July 2014	(\$13,716,656)
August 2014	\$3,975,782
September 2014	(\$28,289,401)
October 2014	(\$2,700,040)
November 2014	(\$7,039,059)
December 2014	(\$36,079,489)
<b>TOTAL</b>	<b>(\$83,848,863)</b>

Graph 2 on the next page depicts the FY 15 Monthly OGB fund balance burn rate along with the monthly fund balance dollar change.

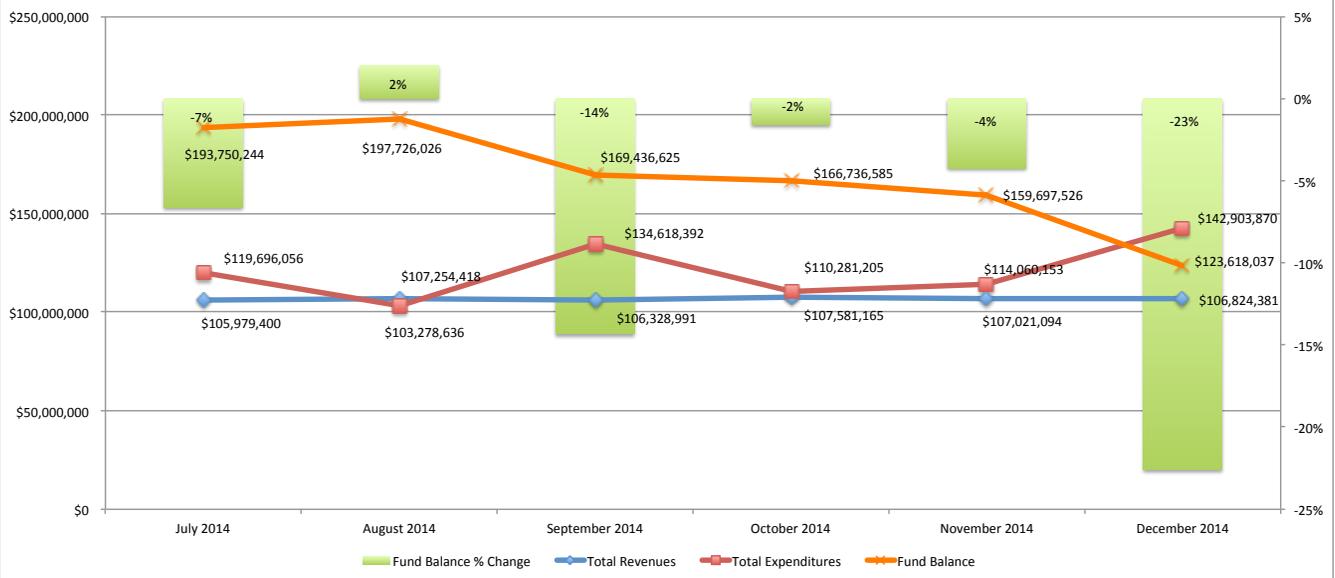
To the extent the burn rate does not change, OGB's FY 15 ending year fund balance could be less than \$40 M. However, once the new plan design changes go into effect on March 1, 2015, the current burn rate of \$13.9 M per month will be reduced, which will likely result in the FY 15 ending year fund balance to be some amount greater than \$90 M.

**FY 15 OGB Monthly "Burn Rate" & OGB Fund Balance Impact (Graph 2)**



Graph 3 below depicts FY 15 monthly OGB revenues, expenditures, fund balance and percentage change in fund balance through December 2014. December 2014 activity utilized approximately \$36.1 M of OGB's current fund balance to pay expenditures, which is a **413% increase** of fund balance use from November 2014 (\$7 M of the fund balance was utilized). In November 2014, OGB utilized approximately \$7 M of fund balance that is illustrated in the negative 4% change of OGB overall fund balance through the month of November, while for the month of December that negative percent change grew to 23%.

**FY 15 Monthly Revenues, Expenditures, Fund Balance and % Change in Fund Balance (Graph 3)**



Graph 4 is a depiction of monthly medical claims expenditures through December 2014 (PPO, HMO and MedImpact Rx claims only) for FY 15. These specific expenditures grew by approximately 22% from the November 2014 data.

This graph can be found on the next page.

FY 15 Monthly Medical Claims (HMO, PPO Plans Only) & Prescription Drug Claims (MedImpact) (Graph 4)

