



Report Highlights

Office of Group Benefits

Division of Administration

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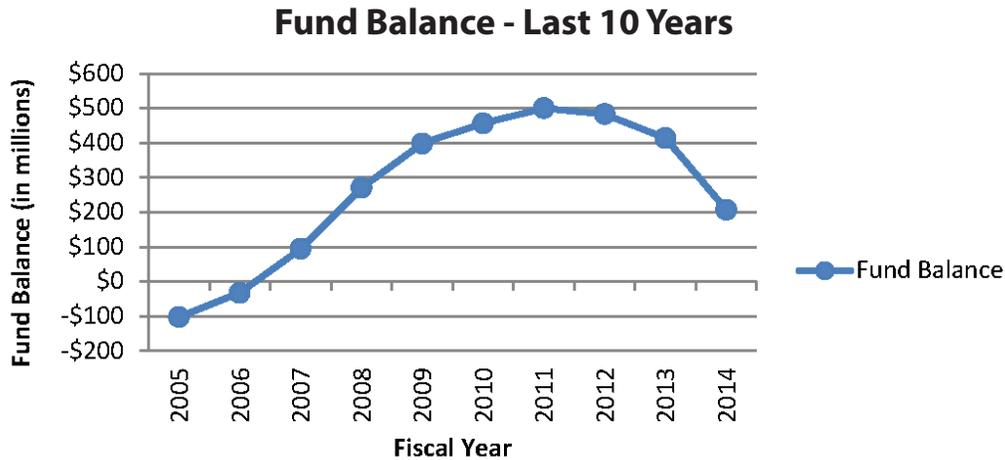
Audit Control # 80140067
Financial Audit Services • December 2014

Why We Conducted This Audit

We performed certain procedures at the Office of Group Benefits (OGB) to evaluate its accountability over public funds, and as a part of our audit of the Comprehensive Annual Financial Report of the state of Louisiana, for the fiscal year ended June 30, 2014.

What We Found

- In May 2014, we issued a report analyzing the actual and projected changes in OGB’s fund balance between January 1, 2012 and December 31, 2014, to evaluate the financial sustainability of current operations. The OGB fund balance is the accumulation of the surplus or deficit of revenues minus expenses over time and includes incurred but not reported claims. From a peak of \$500 million in 2011, OGB’s fund balance dropped to \$207 million as of June 30, 2014. The chart below shows the changes in OGB’s fund balance for the last 10 years:



Source: OGB Annual Fiscal Reports, as adjusted

- The decline in OGB’s fund balance occurred, in part, because of premium decreases of 7% and 1.77% in August 2012 and 2013, respectively, when health care trends for medical and drug costs were increasing by 5% to 8%. The premium reductions resulted in budget savings for state agencies during fiscal years 2013 and 2014. OGB increased premiums by 5% in July 2014, introduced new health care plans, and cut benefits for plan members. After numerous legislative committee hearings, OGB extended its enrollment period through December 7, 2014, and made additional changes to its health care plans and benefits. The effective date of most of these changes was moved from January 1, 2015, to March 1, 2015.
- Financial information relating to revenues, health claims expenditures, drug claims expenditures, and other postemployment benefits disclosures was fairly presented. Internal control related to those accounts provides reasonable accountability over public funds for the period examined.

View the full report at www.lla.la.gov.