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ADVISORY GROUP ON EFFICIENCY AND BENCHMARKING

MINUTES MEETING OF OCTOBER 19, 2009 APPROVED: November 4, 2009

I. CALL TO ORDER

A meeting of the Advisory Group on Efficiency and Benchmarking was held on Monday, October 19, 2009, in Senate Committee Room E at the State Capitol in Baton Rouge, Louisiana. The Chairman, John Kennedy, called the meeting to order at 10:31 A.M.

II. ROLL CALL

The secretary called the roll and the following was noted:

MEMBERS PRESENT

John Kennedy, Chairman
Leonard Hardman, Member
Jim Napper, Member
Ron Gomez, Member
Jeb Bruneau, Member

STAFF PRESENT

Greg Waddell, Coordinator
Chris Adams, Attorney
Janice Hughes, Secretary

WITNESSES PRESENT

Thomas Bickham, Louisiana Department of Correction
Cynthia Bridges, Louisiana Department of Revenue
Chris Broadwater, Office of Workers Compensation
Charles Castille, Louisiana Department of Health and Hospitals
Patrick Dobard, Louisiana Department of Education
Berkley Durbin, Louisiana Maternal & Child Health
Debi K. Faucette, BESE
Clarence J. Lymon, Department of Revenue
Thomas A. Schmidt, Louisiana Women's Healthcare Association
Debbie, Schum, Louisiana Department of Education
Bret M. Talbot, P.O. Box 45171, Baton Rouge, LA 70895
M.J. Terrebonne, Louisiana Department of Health and Hospitals

III. APPROVAL OF MINUTES

Mr. Hardman made a motion to approve the minutes from the 09/29/09 meeting. Without objection, the minutes were approved.

IV. DISCUSSION

Mr. Kennedy stated to Mr. Broadwater that they wanted to ask him some questions about our mediation.

Mr. Kennedy stated that we mandate per trial mediation in every disputed claims, is that correct?

Mr. Broadwater, that is correct.

Mr. Kennedy, and I believe that we have eleven full time mediators.

Mr. Broadwater, that is correct.

Mr. Kennedy, are they all attorneys?

Mr. Broadwater, they are all attorneys.

Mr. Kennedy, we spend about \$825 thousand dollars a year?

Mr. Broadwater, that is correct. Salary and benefits.

Mr. Kennedy, they don't have a very good record. I am looking at claims settled.

Mr. Broadwater, the numbers have historically been rather low.

Mr. Kennedy, 15 to 25%. Some private insurance companies that sell workers comp use outside mediators and have a higher success rate. I understand, is that correct?

Mr. Broadwater, that is correct.

Mr. Kennedy, it was my experience when I practiced law that the parties didn't really mediate. It never hurt to have them talk and if they didn't want to settle you were not gonna make them settle. Do you have any thoughts on that?

Mr. Broadwater, I do. I think on of the reasons that our rates are low historically in terms of successfully resolving cases is because of that very fact. Forcing two parties in the same room does not necessarily equate to resolution. Whenever you are running through about six thousand claims a year you are trying to do that with eleven mediators, it forces you to set multiple meditations in a given day so we set the attorneys up for failure before we start. It is not that they are not good a what they do, we have a flawed process in my opinion. There are two things working against them, volume and sometimes a unwillingness of the parties to participate in terms of seeking resolution. When the private market contracts with mediators they have two distinctive advantages 1. The parties elect to be there and 2. They dedicate in most occasions an entire day or additional days to work on resolving that dispute and so you are better align for success there, so in my opinion I think we have a flawed process currently.

Mr. Kennedy, would you have any objected or would you think it would improve the situation if we made the meditation voluntary?

Mr. Broadwater, I think it could, if you look historically at where we have been until about or four years ago the meditation that was mandatory was at the very beginning of the process. It was designed so that the party being sued would accept service there at that initial meditation. A lot of cases were settled and taken out of the system before they ever got started back then. However there was significant frustration among the parties of having to show up at a meditation many times before the defense attorney even knew what the dispute was about so in that case there was a shift in the law that took it away from the initial meditation and moved it to a pre trial meditation at the end. If you went to a voluntary system, I do think that you would have a couple of benefits. Number one, you would reduce the volume somewhat and give our mediators a better chance of success in terms of being able to control their calendar. Number two, the parties would want to be there, I think the one thing that you do lose is that we do settle some cases with parties who probably would not have elected to be there but the return on the investment there would be rather small so I think one of the things that we would suggest is that we can consider going to an optional system but certainly leave the judge the discretion to order an meditation if they think that is going to be beneficial to the parties.

Mr. Kennedy, if we went to a voluntary system we would need eleven attorneys?

Mr. Broadwater, that depends, we have a back log of cases in our system, it would depend a great deal on demand, I think one of the benefits going to a voluntary system is that you would let the market dictate the quantity of people that you need addressing those cases as well as being able to evaluate who is being chosen to mediate the case if it turns out to be a pretty good performance review that happens based on market conditions.

Mr. Kennedy, well if you were a betting man. You think everybody who is being mandated to meditate now will do so in the future if it is voluntary.

Mr. Braodwater, not on every case.

Mr. Kennedy, so we will need at least some fewer.

Mr. Broadwater, lets go back to every mediator now is scheduling any where from six to twelve meditations in a given day. The best lawyer you can find in the state cant mediate twelve cases successfully in a day. If fifty percent of the people quite choosing meditation then you go to three to six in a day. Does that mean that we are necessarily going to need fewer mediators, in some districts maybe not, it would depend on what the market is demanding there and their rate of success.

Mr. Kennedy, well if we do go voluntary and if we keep the same number of mediators and if those mediators continue to have fifteen to twenty five percent success rate then we probably got the wrong mediators.

Mr. Broadwater, that is probably correct.

Mr. Kennedy, I don't mean to put anybody down cause I don't even know who the mediators are. But if you go to an outside group I am told the meditation rate with an outside group is seventy seven percent to ninety percent.

Mr. Broadwater, that is correct as well. What I would say is this, we are not interested in maintaining any service that is not wanted or not good. My suggestion would be let's provide them the greatest chance for success. If they are succeeding well than they are adding value in the system. If the market is determinating both their volume and also showing us who is best because there is more request for meditation there, then that helps us determine who needs to maintain that position. It may be all eleven if may be five of them but this is the beauty of the market having some determination.

Mr. Napper, thanks for coming today.

Mr. Broadwater, yes sir glad to do it!

Mr. Napper, it just sounds like to me and I used to be a real lawyer too, if somebody is scheduling six to twelve meditations a day or three to six meditations a day it is never going to work is it ?

Mr. Broadwater, it's not and let me tell you one reason why they are doing that as well, we have a flaw in our hearing rules in that if there is an untested motion to continue a matter the court has no discretion and must grant it. So there is some days where twelve meditations are scheduled if six or eight of them continue the mediator can end up with two or three on their plate the next day could have twelve. So they have to over schedule in order to insure they have something. That hurts them in cases, the other reason that they are doing that is you cannot go on to your trial if you have not had the pretrial meditation in order to keep that docket moving and keep these claims from lingering even longer than they already do. Is in imperative that you get that meditation set. Even if the party shows up and say we hate each other and we want to go to trial sign the paper, at least then they can get their trial and we can get them moved through the system. It is one of the things that's killing us across the board is our time and our system. We have an average disability duration in Louisiana of thirty four weeks. Our competitive states if you look at Arkansas and Texas there are sixteen and twenty weeks average disability duration, part of the problem and the reason we still have people that remain disabled that long is because we are not effectively resolving their claims to allow them to have a final determination one way or other. That is costing businesses a lot of money, keeping people out of the job market.

Mr. Napper, and you are the individual that is in charge of this and over sees it all?

Mr. Broadwater, I am.

Mr. Napper, and you have twice said that the process is flawed, is it in statue, the law is going to have to be changed to do something about it?

Mr. Broadwater, there will have to be a change in hearing rules to change some of those processes, there will also have to be change in statue in terms of when the meditation occurs or how it occurs.

Mr. Napper, thank you very much.

Mr. Broadwater, yes sir.

Mr. Kennedy, why don't you just change the rules?

Mr. Broadwater, we can change the rules and that is something we are working with the parties to do now, we have a committee that has been working over the last year that has done a thorough review of

all the hearing rules will be providing recommendations to the advisory council for adoption relatively quickly.

Mr. Kennedy, Pres can you can out the motion.

Mr. Kennedy, Louisiana law provides for mandatory pretrial mediation in every disputed claim for worker's compensation benefits filed with the Office of Worker's Compensation of the Louisiana Workforce Commission. Currently, the OWC employs 11 full-time mediators, who are attorneys, at an annual cost of \$825,000, to perform this service. About thirty percent of disputes are resolved through mediation. The Louisiana Workforce Commission reports that several insurers who jointly have a significant market share of Louisiana's worker's compensation insurance state that their rate of success with OWC mediators ranges from fifteen percent to twenty five percent, but when they privately contract for mediation services their rate of success ranges from seventy seven percent to ninety percent. The Louisiana Streamlining Government Commission recommends to the governor and the Louisiana Legislature that pretrial mediation of disputed claims filed with OWC be made voluntary, which will eliminate the need for six attorney mediators at the OWC at an average annual savings of \$75,000 for each mediator.

Mr. Kennedy, I will make that motion is there a second.

Mr. Napper, I second.

Mr. Kennedy, without objection, the motion is approved.

Mr. Kennedy, while we have you here Mr. Broadwater, you have a field audit program through which you audit businesses for unemployment insurance?

Mr. Broadwater, the unemployment division has a field audit program that does that. We work collaboratively on many occasions to do some audits to determine whether or not there is sufficient unemployment insurance tax being paid as well as whether or not employers are in compliance with maintaining worker's compensation insurance or properly reporting the payroll.

Mr. Kennedy, and I mis-spoke, we know you run the worker's comp division but you are a senior member of management at the workforce commission.

Mr. Broadwater, correct.

Mr. Kennedy, how do you feel about moving that field audit program for unemployment compensation insurance to the department of revenue?

Mr. Broadwater, I think probably Mrs. Marion Sullivan would be in a better position to give you more details on that since that is part of her program. I think just in a general statement from the workforce commission, if there is anything we can do that is going to improve efficiency or get a better return on a program we are glad to look at any program like that.

Mr. Kennedy, O.K. very diplomatic answer.

Mr. Broadwater, that is good LSU law training.

Mr. Kennedy, there you go. You are a smart man.

Mr. Kennedy, thank you very much.

Mr. Broadwater, thank you sir.

Mr. Kennedy, I see Secretary Bridges came in. Madame Secretary. I have a few ideas I would like to run by you here.

Mrs. Cynthia Bridges, good morning Cynthia Bridges, Department of Revenue.

Mr. Kennedy, let me throw out some ideas that I would like you to give us your insight on Cynthia. Our department of public safety and corrections has an audit program under the International Registration Plan. The Department of Revenue you currently audit under the International Fuel Tax Agreement.

Mrs. Bridges, that is correct.

Mr. Kennedy, I like your thoughts on transferring the auditing responsibilities of public safety for the International Registration Plan to revenue. That is number one. Number two, The Department of Natural Resources has a field audit program, they audit oil and gas expiration companies for royalties due the state. Now, I know revenue audits oil and gas companies for taxes due the state and ya'll are very good at it. I also like your thoughts on moving the DNR Program to revenue so while you are at the office of the oil and gas expiration company auditing for taxes due you can also audit for royalties due. Workforce commission we just talked about, they audit businesses for unemployment insurance taxes. You audit businesses for taxes, taxes while you are auditing a business for sales tax, corporate income tax, or franchise tax, seem to me you are already there you can also audit for unemployment insurance tax rather than having the work force commission do it. I am trying to centralize the auditing in ya'll shop. Because you are very good at it.

Mrs. Bridges, thank you.

Mr. Kennedy, O.K. I am not asking you to, this is not a reflection on DNR or the Workforce Commission or Public Safety it is more a reflection on trying to achieve some efficiency, O.K. Give us your thoughts if you would.

Mrs. Bridges, certainly, actually I am not all that familiar with what the IRP's requirements are, but we do conduct audits as a requirement of participating in the international field tax agreement, so I would assume that there has got to be some similarities, a least we are dealing with the same businesses and or entities involved in those transactions, so I would without having detailed knowledge of it, I would think that would probably be feasible.

Mr. Kennedy, I am willing to bet your auditors who are very well educated accomplished folks can learn it if they don't know it.

Mrs. Bridges, O.K. as far as the royalties associated with the audits conducted by DNR, I think that again the department of revenue would be in a good position to include or incorporate those activities into it's audit program as well. As you stated we are auditing the same client base while we are conducting oil and gas servants tax examinations we can also conduct the examinations for royalties. It is also my understanding that some of the information that is obtained in the oil and gas servants taxes also an component in computing the royalties. Unemployment insurance, again I think there are some economics

of scale that could also be realized, more specialty with the unemployment insurance and are withholding taxes because we are utilizing the same information for both items. So again I think it would be a very good fit. The thing with the unemployment insurance there are some federal mandates that are required. I think that because of our participation in the international fuel tax agreement we are already familiar with some of the mandates from that program so taking on federal mandates would not be anything new for the Department of Revenue.

Mr. Kennedy, let me ask your thoughts on something else.

Mrs. Bridges, yes.

Mr. Kennedy, we send out auditors at the state level to audit for state sales tax, local government sends out auditors to audit for local sales tax. It would be less disruptive to the business community to audit once as oppose to twice. It would be cheaper for the state if we could work out an agreement with local government to audit only once. I don't have a motion on this today. I like you to study it, and come back to us within a week if you could. But here is my thinking, why cant we ask local government auditors while they are out there auditing for local sales tax to also audit for state sales tax and report their findings to us and maybe we can pay them a small fee similar to what we pay vendors to collect our sales tax. I think St. Tammany for years audited both for the state and for local, and they would just say call us up and say we are auditing for local and we found this money for ya'll too. Your thoughts on that?

Mrs. Bridges, well first of all we do have an exchanged agreement executed with all of the local jurisdictions, so whenever they run across some audit deficiencies they do share that information with us and likewise we will do the same. Secondly we had embarked upon a pilot program with one of our local jurisdictions where by they did actually audit on behalf of the state and their local jurisdiction. However do to recent budget reductions or budget cuts we ended up terminating that program. Because it required us to make a small payment to the local jurisdictions for their time and effort.

Mr. Kennedy, what was the payment do you remember?

Mrs. Bridges, I don't recall, it was like \$35 an hour.

Mr. Kennedy, could you get us that information?

Mrs. Bridges, certainly. However, just recently members of the local association of tax administrators or some members I should say did meet with some department representatives, they are interested in establishing some kind of joint audited program whereby they would do exactly as you have indicated that they would actually conduct audits as representative of multiple jurisdictions in addition to the state. So we are looking into it. And of course in that arrangement there would not be any payment, it would just kind of be whenever they conducted and audit we in turn would also in our audits conduct examinations for their jurisdictions so it would be kind of a in kind exchange.

Mr. Kennedy, what I'm thinking of, and any data you could get to us, I haven't drafted anything yet that can be under consideration. What I am thinking of is less of a corporative endeavor agreement and more of a formal agreement to say, ask our colleagues and local government when they are auditing for local sales tax to audit for state sales tax and we will pay them for it. Now, I don't think that will mean we will need fewer auditors, because auditors who are auditing sales tax will now be freed up to audit for the new taxes we just gave them. I am not looking to reduce auditors here. I am looking to reduce work load to allow us to be more efficient which I think will end up paying off in dollars and cents.

Mrs. Bridges, we often see this as an augmentation of our current audit staff. You are increasing the ability to be able to expand your audit coverage.

Mr. Kennedy, let me ask you another question. You have a state of the art document and remittance processing system for processing tax returns. What does that mean and what does that do?

Mrs. Bridges, what that means is that we have a lot of very large, very fast, sophisticated high speed scanners, as well as what we call the mail machines, they are huge, it is room size, it can sort the mail, it can identify whether or not there are checks and based on certain codes that are on the envelopes it can also sort by tax types, so you also apply that to any other paper document that exist, but we really have several huge expensive scanning and imaging equipment.

Mr. Kennedy, it opens the mail, my understanding, it can do imaging, data entry, it can do everything, it could look into an envelope and tell if there is a check in it.

Mrs. Bridges, that is correct. We have coded the machines so that we are also able to detect what we consider to be our large dollar tax payers, so that we can make sure that we can identify those checks quickly and get those into the bank.

Mr. Kennedy, well we have other departments as you know who also have remittance processing needs and I doubt that we have another department that has a system as good as yours.

Mrs. Bridges, I rather doubt it too.

Mr. Kennedy, the problem is, I understand our revenue system is idol fifty eight percent of the time because it is efficient. You can operate it hundred percent of the time. How would you feel about us directing other agencies to either not buy or sell their equipment and hire ya'll?

Mrs. Bridges, we believe that, that is a natural evolution for the agency with the investment that the state has made in the equipment that we have.

Mr. Kennedy, Okay I got another idea for you. We have all these circular flows of money in Louisiana, Okay businesses have to pay inventory tax to local government and so they pay it and the state wants to give them relief so we turn around and say Okay you pay local government and you can take credit on your state income tax for what you pay local government. So, let's say Mr. Gomez who is a business who makes a hole bunch of money ya'll just take my word for it Okay , he pays his local tax alright, say \$500,000 now he is going to get it back on his state income tax but that is a year or year and a half later. He gets the use of \$500,000 for a year and a half. Wouldn't that be better, just to have the state write a check to the local government?

Mrs. Bridges, that is an idea that we have often tossed about at the Department of Revenue. We believe that it would probably be a lot easier and I think the term was if maybe a warrant was drawn on the treasury or something like that. Certainly I think it would improve the business climate within the state of Louisiana. Yes, that would be one of the examples of what we consider to be a circular flow of money.

Mr. Kennedy, Okay we got another, I think we give active or reserve members of the military and their spouses or dependents free non commercial hunting or fishing licenses.

Mrs. Bridges, Yes.

Mr. Kennedy, Okay but we don't just give it to them. We make them take an income tax credit.

Mrs. Bridges, that is correct.

Mr. Kennedy, wouldn't it be just easier to just to give it to them?

Mrs. Bridges, it would be but I believe that there is an impact to perhaps the self generated fees that Wildlife and Fishers requires to continue its operations. I believe the present procedure is, of course that they actually pay for a fishing license and they have to take a tax credit for it.

Mr. Napper, I am trying to think, it increases Wildlife and Fishers self generated revenues but it decreases general tax revenues. The net?

Mrs. Bridges, Yes, I think that basically what you could do is just do a swap by just making a general fund contribution to Wildlife and Fishers.

Mr. Kennedy, Yes, and let these folks have it, if we are trying to reward them, recognize their service to the country just give them the license for free instead of making them hire a CPA to go file a form with a tax credit. The CPA will cost more than the hunting license.

Mr. Napper, just in this general vein, on the Louisiana income tax return, how many potential credits are there on there now approximately like twenty or thirty?

Mrs. Bridges, it is a huge number, because we notice a few years ago that increasing number of credits, and of course to insure that all of our citizens businesses were taken advantage of, the credits that were provided by the legislature, we did begin to go ahead and list them on the tax return.

Mr. Napper, but if we can somehow reduce that and find a more efficient way to take care the same situation, that would help you wouldn't it?

Mrs. Bridges, it certainly would, I think the tax practitioner would also want to thank you as well.

Mr. Kennedy, let me ask you one last question Madmen Secretary. Let's suppose I get, and this is not a criticism of the department cause I know you have really been asked to do more with less. But suppose I get a notice in the mail, Kennedy you filed your state income tax and you owe more money and I disagree with that. What do I have to do? After a certain period of time if I don't disagree with that it becomes final. What do I need to do if I want to disagree with that?

Mrs. Bridges, well it depends on how the assessment was determined. If it is just perhaps from a regularly filed return or, lets say you did not file a return and for some reason the department obtained information that perhaps you should have then we would issue you what we call a thirty day notice. That is just to inform that we intended to assess this amount. Generally you have the ability to be able to protest that assessment.

Mr. Kennedy, how do you protest?

Mrs. Bridges, normally you would contact the party, the division or unit that actually issued the assessment. In most instances a lot of those actually are derived from our Field Audit Program, for instance if we conduct an examination we issue a thirty day notice and you believe that maybe there was misinterpretation of certain facts that occurred during the examination, we would go ahead and schedule a protest conference or if you want to conduct by phone you would try to do that as well.

 Mr. Kennedy, I am really thinking more Cynthia in terms of this the average tax paper. Here is where I am headed. I would like to see us develop some kind of program where tax payers can respond to these notices on line. Cincinnati does it, right now if you get one of these notices you have to either write a letter, well the folks at revenue are busy and you generally get sent around to several different people. Then you are told I think you have to write a formal letter and send. Why couldn't with technology we just set up a on line program so you can send an e-mail and say I disagree with this and here is why, double check your records and get back with me. Rather than going through all the paper and the letters and certified mail receipts. That is what I am thinking and I know that takes money to do that but it will pay off in the long run.

Mrs. Bridges, yes, we will look into that. We do have a system that is not wide spread but we do entertain inquires via e-mail as well.

Mr. Kennedy, alright let me read some of these resolutions to see what ya'll think. The Louisiana Department of Revenue sends thousands of notices of tax due each to Louisiana taxpayers, these notices usually require the tax payer to protest the alleged delinquency within a certain period of time after which the additional taxes conclusively presume to be due. Currently tax payers must call LDR if they have questions about the alleged delinquency often times having to speak to more than one person. Appeals by tax payers must be filed in writing. The Louisiana Streamlining Government Commission recommends to the governor and the Louisiana Legislature that LDR be authorized and directed to establish provisions on its website so that tax payers may ask questions about tax notices and receive answers on line through e-mail and allow tax payers to file an appeal on alleged delinquency on line.

Mrs. Cynthia Bridges, I do have one other comment. The procedure that I just discussed is pretty much more of an informal process. Generally after the conclusion of the thirty day notice and maybe after listening to the informal protest, than a final assessment is issued or sixty day notice of assessment at which time they do have the authority to be able to go to the board of tax appeals. But they have to do so within that sixty day time frame otherwise the assessment becomes final.

Mr. Kennedy, I would like to make that motion, is there a second?

 Mr. Napper, I second

Mr. Kennedy, is there any objection? Any discussion? Without objection, the motion is approved.

Mr. Kennedy, let me read the second one, The Revenue processing center for the Louisiana Department of Revenue has a state of the art document and remittance processing system for processing tax returns which includes mail receipt and opening document preparation imaging data entry and remittance processing deposit. The LDR processing and remittance are design to operate around the clock and therefore is idle approximately fifty eight percent of the time. Other state agencies perform similar document and remittance processing. Louisiana Streamlining Government Commission recommends to the governor and the Louisiana Legislature that they direct other departments and agencies or state government to contract with LDR to have their documents and remittance processing performed by the

LDR until the LDR equipment is used as close to one hundred percent of the time as is practical as possible. We have a motion to adopt that resolution, is there a second?

Mr. Napper, second.

Mr. Kennedy, we have second, is there any objection? Without objection, that one is approved.

Mr. Kennedy, The Louisiana Workforce Commission has a field audit through which it audits businesses for unemployment insurance taxes. Louisiana Department of Revenue audits the same businesses for various business taxes including sales tax and withholding tax. Louisiana Streamlining Government Commission recommends to the governor and the Louisiana Legislature that the LWC's (Louisiana Workforce Commission) audit program for unemployment insurance taxes be transferred to the Louisiana Department of Revenue and that no more than seventy five percent of the money spent by the Louisiana Workforce Commission from this service be appropriated annually to the Louisiana Department of Revenue to perform the service. Now I know you are not going to like that last part. But if we are going to consolidate all of this auditing under the Department of Revenue there should be some economic scale and sufficiencies. So, what I am going to propose on all these motions if the sub committee agrees is to move auditing under you but with only seventy five percent of the money.

Mrs. Bridges, this is reasonable.

Mr. Napper, Mr. Chairman, the secretary said that she thought that was reasonable and I would like to offer this motion for adoption.

 Mr. Kennedy, is there a second?

Mr. Napper, second.

Mr. Kennedy, is there any objection? Without objection, that one is approved.

Mr. Kennedy, Clarence can you identify yourself for the record.

Clarence Lymon, Under Secretary, The Department of Revenue.

Mr. Kennedy, Thank you for coming today.

Mr. Kennedy, The Louisiana Department of Natural Resources has a field audit program through which it audits oil and gas exploration companies for royalties due Louisiana from state leases. The Louisiana Department of Revenue also audits many of the same companies for severance taxes due the state. The Louisiana Streamlining Government Commission recommends to the governor and the Louisiana Legislature that DNR's field audit program for royalties be transferred to the LDR and that no more than 75% of the monies spent by the LDR to perform this service be appropriated annually to the LDR to perform the service.

 Mr. Napper, I move.

Mr. Kennedy, is there a second.

Mr. Gomez, second.

Mr. Kennedy, is there any objection. Without objection, that one is approved.

Mr. Kennedy, the last one. The Louisiana Streamlining Government Commission recommends to the governor and the Louisiana Legislature that they transfer the audit functions and responsibilities of the International Registration Plan currently administered by the Louisiana Department of Public Safety and Corrections to the Louisiana Department of Revenue, which currently performs audits for the International Fuel Tax Agreement, and that no more than seventy five percent of the monies spent by the DPSC to perform these services be appropriated to the DOR to perform the services. Is there a motion.

Mr. Napper, I would like to motion to approve.

Mr. Kennedy, is there a second.

Mr. Gomez, I second.

Mr. Kennedy, is there any objection. Without objection, that motion is approved. Thank ya'll very much for coming and your good work at revenue.

Mrs. Bridges, thank you.

Mr. Kennedy, is somebody here from The Department of Education? We passed a motion at one of our meetings to direct kids who have too many suspensions and absences into the new Louisiana Youth Challenge Program. At the meeting ya'll mentioned some other programs we should consider, could you give us a real quick overview of those and success rate and the cost?

Patrick Dobard, Department of Education. I will let Debbie Schum the director of high school redesign explain those programs to you.

Debbie Schum, I would like to start with JAG (Jobs for America's Graduates) that is one of the programs, I think you have copy of the information, on the second page is the one that gives the most informative results talking about the graduation rate. We have a higher rate with our JAG Program in Louisiana than the national standard but they have a ninety three percent graduation rate.

Mr. Kennedy, how long has JAG been in operation?

Debbie Schum, I think about fifteen years.

Mr. Kennedy, so we have a long track record.

Debbie Schum, yes.

Mr. Kennedy, if we are able to, and JAGS, helps to get their GED, right?

Debbie Schum, or a diploma it works both ways.

Mr. Kennedy, well if we got a ninety three percent track record, then how come we are losing eighty kids a day? who are dropping out.

Debbie Schum, good question, we don't have it in enough schools.

Mr. Kennedy, why we don't have it in enough schools?

Debbie Schum, because of the cost and the money we had, Debbie you want to finish that part.

Debbie Faucette, yes, we have had this program, we started about thirteen years ago with three sights.

Mr. Kennedy, I understand and I appreciate that but we got a long agenda today and I want to try to stay on the subject. Why don't we have it in enough schools?

Debbie Faucett, because we have secured some funding through DSS, we at one time had some state general funds, it is a voluntary program for the schools to implement.

Mr. Kennedy, Okay let me be sure I understand. We are losing eighty kids a day, we just got statistics this morning that we are the only state in the south that has dropped in terms of graduation rate and dropped like a rock. From sixty four percent to sixty percent. The Department of Education has one and a half billion dollars more in its budget today than it had in 2005. We've got a program that we know works and we don't have the money to get it in the schools. Is there anything wrong in the statement I just made?

Debbie Schum, I just want to point out that the graduation rate is for 2006, it is not the current graduation rate that was in the paper today. That is not today's graduation rate.

Mr. Kennedy, right, Okay I don't want to get off on that. Why aren't we requiring kids to go into this program? Why are we letting them quite?

Debbie Schum, if I could just go one step further.

Mr. Kennedy, sure.

Debbie Schum, one of the things we are doing this year in high school redesign and working with delivery unit is we are working to get out to each of the regions and inform principals and district superintendents of programs that we believe make a definite change in the number of graduates getting to the eighty percent graduation rate.

Mr. Kennedy, does BESE not have the authority to mandate.

Debbie Schum, mandate with dollars?

Mr. Kennedy, Yea.

Patrick Dobard, not the authority to mandate in districts as far as recommending programs like this. We have come before and asked for additional funds for JAG, but again, it is a prioritization at the local level they can fund JAG in those districts I believe most of them are putting local dollars towards JAG.

Mr. Kennedy, we are spending ten thousand five hundred dollars a year per public school student in Louisiana. If a kid drops out you just saved ten thousand five hundred dollars, right?

Debbie Schum, well, I don't know if I would say it's a savings.

Mr. Kennedy, but you don't have to spend ten thousand five hundred dollars. You are not returning that money to the general fund. Why couldn't you just use a small portion of that ten thousand five hundred dollars that you are no longer having to spend because the kid quite? JAG doesn't cost ten thousand five hundred dollars does it?

Debbie Schum, No.

Mr. Kennedy, how much does it cost?

Debi Faucett, I think about sixteen hundred to two thousand dollars per student.

Mr. Kennedy, and we know it works. Is there any doubt in your mind that it works?

Debbie Schum, no, we have data that shows that it has been very affective in every place that it has been implemented.

Mr. Gomez, do you have the current figures, you have 2006 graduation rate?

Debbie Schum, this year it is sixty seven percent.

Mr. Gomez, so we are back up and above where we were.

Patrick Dobard, the legislature just recently required that we raise the graduation rate which is silently different, but still progressive in the sense of making certain students complete school. We have to get up to eighty percent by 2014. Our initiative and focus is to try to basically coordinate everything which we are doing within the department to hit these targeted goals. As Debbie mentioned when we were talking about the delivery unit within the department it has a specific goal to achieve that. In looking these things that we'll need in order to go forward and do that. When it comes to having the funds to be available to do that it is a direct reflection in when we look at and say Okay if we want a district to use JAG but it requires them to come with a bit of local money because we do not have the money statewide ,then it is a matter of them deciding whether they can afford to be able to do it.

Mr. Kennedy, let me ask you a question. Tell me here and now how much money per student we need to spend on Louisiana kids in order to get that graduation rate up to ninety percent? We are told it is never enough so let me ask you. Tell me how much we need to spend per student?

Patrick Dobard, I think that would be depended upon, and don't think any of us are the experts as for as just being able to give you a number right now without talking to the experts.

Mr. Kennedy, you just know you need more.

Patrick Dobard, not always, we do need more in some instances but a lot of it is the fidelity in which programs are implemented. A lot of it is the quality of leadership within the different districts within the different school buildings.

Mr. Kennedy, can ya'll go back and get for me the figure. You have one point five billion dollars more today then you had four years ago. That is obviously you say is not enough. I just want to know how much is enough. How much money would it take.

Patrick Dobard, from a budget stand point or per student?

Mr. Kennedy, I want to know how much we need to spend per kid? Ya'll are the experts to get these kids an education. Instead of just chasing a number ya'll tell us. Is there another program besides JAG we need to know about?

Debbie Schum, another thing we included in the back of the packet is the Alternative Schools Program and there is an excel alternative school that has been implemented in two model regional alternative programs but I will tell you I don't know if we have enough data to save it as much as we do with JAG. JAG we know it has been implemented, we know we see the results. In this program we do see some improvement but I know that we have enough data.

Mr. Kennedy, do you have any problem with a rule that would say you have been suspended more than five days for the school year or you have more than ten unexcused absences, do you have any problem with a rule that says you are not going to quite though. You can quite when you are eighteen but you are not eighteen you are going into the JAG Program. Do you have a problem with that?

Debbie Schum, the only thing I would like to point out, I am a former high school principal and sometimes students that are suspended for five days it can be varying by region I think it would have to be some determination of whether that was the best case for that individual student. I am not saying that it would be for all students but I would think that it would fit.

Mr. Kennedy, let's call it he has been suspended for twenty five days a year for the last four years and he wants to quite, do you have a problem with a rule that says you are not going to quite you are sixteen your whole life is ahead of you, you are going into JAG.

Debbie Schum, no I don't, I think that would probably be a very good recommendation.

Mr. Kennedy, but right now it is not required we just suggest it, right?

Debbie Schum, correct.

Mr. Kennedy, and all our schools don't even know about it?

Patrick Dobard, they know about it, I would say that all of them do know about the program but again it comes to as we just mentioned the cost per district.

Mr. Kennedy, How much does it cost JAG? Sixteen hundred dollars?

Debi Faucett, between sixteen hundred and two thousand.

Mr. Hardman, you know I think it is a very good program, I think you and I talked about that once before and I also talked with some principals about the program. Again, you are saying that basically it is voluntary, based on regional, based on those individual getting involved in that program.

Debbie Schum, it is a local school districts decision if they would like to implement the program in their district.

Mr. Hardman, but based statistics and those statistics has been given to those principals in those particular areas but yet still you only have how many, what is the percentage that is involved in it.

Debbie Schum, we have sixty sights , some of those are in school and out of school models, about thirty five to forty of the sights are in school models and that is what would affect their graduation rate.

Patrick Dobard, one of the things we wanted to make certain was that, not only for kids who are behind grade level that we wanted them to be able to be in an environment that is going promote their education but to also offer things that are going to really get them ahead and JAG was one the things we strongly felt would be able to do that and so we really believe in the program but it is just a matter of having the districts to implement them, as far as them having the financial resources to be able to do it.

Debbie Schum, and I just want to add it is also probably because we partially fund from the state the cost of the JAG specialist but the district has to fund a certain percentage so that is where the agreement from the local district has to come in.

Mr. Kennedy, one last question real quickly, you are a former principal, God Bless You, suppose we ask public officials who are making policy for elementary and secondary education to come substitute and teach a while and find out what is our schools lacking. Do you think that is a silly idea?

Debbie Schum, I think that would be very effective in letting them see, I used to wish someone would follow me just for one day.

Mr. Kennedy, Okay thank you madame, thank ya'll so much for coming today. I am sorry you had to wait.

Mr. Kennedy, I am going to offer a motion that we amend our previous motion directing the kids into youth challenge also direct them into JAG as well. Is there any objection to that? Okay

Mr. Gomez, we are compared to other states as far as the drop out rate by that report that came out in today's or yesterday's papers, do we have the figures from other states of what it cost per pupil?

Mr. Kennedy, I will get those. That is a good question.

Mr. Gomez, it would be interesting.

Thomas Bickham, Under Secretary for the Department of Corrections.

Mr. Kennedy, Mr. Secretary thank you for coming. We use prison labor to clean the capitol, how many other departments do we contract with?

Thomas Bickham, we contract with them through the office of state buildings and we do several buildings here in the capitol complex. I do believe we do all of the newly constructed buildings like Bienville, Iberville, Galvez, it is one contract through state buildings to provide the service for that, we also do it for DOT on a separate contract.

Mr. Kennedy, are there any buildings we don't use prison labor in?

Thomas Bickham, I would have to ask state building that question, but at least in the capitol complex I am not aware of anything. We don't do revenue I will tell you that.

Mr. Kennedy, if we directed them to use prison labor could ya'll do it?

Thomas Bickham, I would tell you we do have some difficulty finding people that are suitable for this type of work in other words I mean we got a prison population that we have to thoroughly look at certain crimes and we have to do evaluations on whether or not these people could work in a public setting and sometimes we do have issues with that and finding enough people to work the contracts. Yes sir that would put a strain on us identifying the ones because we only have certain prisoners we can pull from here in the area.

Mr. Kennedy, I want to read a motion. The Louisiana Streamlining Commission recommends to the governor and the Louisiana Legislature that they direct all departments and agencies of Louisiana state government to contract with the Louisiana Department of Public Safety and Corrections for the maximum extent possible for prison labor to perform cleaning and janitorial services. Does anybody have a problem with that one?



Mr. Hardman, I guess my only question and concern about this is who are providing these services now, whether are not they are public employee's providing these services.

Thomas Bickham, I don't know, that would be more of a question for state buildings and grounds.

Mr. Kennedy, I know that at LHFA they are all contracted out. Do I hear a motion?

Mr. Napper, I motion.

Mr. Gomez, I second,

Mr. Kennedy, is there any objection. Without objection, the motion is approved.

Mr. Kennedy, I need to ask you one other question while I have you Mr. Undersecretary and I need you to get back to us. I received an anonymous letter from somebody in your department. This letter says that and it is pretty well researched that on the Department of Corrections payroll there are twenty-six teachers I need you to verify that for me and then he sent me to a website where I could look up their salaries. Top teacher makes seventy two thousand a year. I am looking seventy two thousand, seventy one thousand, seventy thousand, sixty nine thousand, sixty eight thousand, sixty eight thousand, sixty seven thousand, sixty six thousand, sixty four thousand, sixty four thousand, and they are suppose to be teaching inmates? I need you to verify those salaries for me and then he say's the rules say that the teachers under the rules have to hold an adult education certification and he says only nine of them do, and the one making seventy two thousand a year doesn't and this is the core of our program to get prisoners a GED right?

Thomas Bickham, yes sir it is.

Mr. Kennedy, can you verify all that for us?

Thomas Bickham, I will check that out for you and get back in touch with you.

Mr. Kennedy, I need the twenty six teachers I don't need names I need their salaries, base salaries and I need to know how many of them have an adult education certification.

Thomas Bickham, sure.

Mr. Kennedy, and he says two of them, one who had the highest salary of seventy two thousand dollars had no record of ever holding a teaching certificate, four teachers had certificates that are no longer valid, and he got this all off the internet.

Mr. Gomez, can you give us the website?

Mr. Kennedy, www.teachLouisiana.net, and he got the salaries off the internet and I will get you a copy of the salary schedule. I have not been to the teacher site but this is the core of our program, to get GED's for prisoners, first of all, I think the salary is higher than what the average teachers make in the public schools.

Thomas Bickham, if I could just explain on how we pay our teachers, we pay based upon the parish that they teach in, for years of experience we take the same rate of pay the school board gives that teacher and that pay is for nine months but we pay our teachers for twelve months so there is going to be about a thirty three percent difference between what they make from normal teachers.

Mr. Kennedy, well lets see if they all have a teaching certificate and why we pay them seventy two thousand a year. Can you get back to us on that?

Thomas Bickham, I can sir.

Mr. Kennedy, Greg can you get me copies made of this for the members of the commission. Thank you for coming today we really appreciate it.

Mr. Kennedy, the baby bill is somebody here from DHH. Let me tell ya'll what we are talking about. In 2004 we passed a law that says if a child is born in a hospital and the hospital has reason to believe that the child qualifies or is on medicaid, the hospital also needs to talk to the parents and ask the parents if they are eligible for private insurance where they work. Some parents cant afford the private insurance Okay so they pass on it but the question has to be asked, if I get this wrong ya'll correct me, could you buy if you wanted to and if the answer is yes then the state has the right instead of putting the child on medicaid to pay the insurance premium to put the child on the private insurance, you run the numbers and see what is cheaper. We also have a program called the Louisiana Health Insurance Premium Payment Program, which says when a member of a family, let's say you got four members in a family. Let's say the mother is working and she can buy private insurance at her job but she doesn't and let say that one of the children is on medicaid, the state can go in and purchase health insurance for the entire family if it is cheaper than putting one or more of the children or adults for that matter on medicaid. The problem with this is, when did LaHip pass. Anybody know? I know the baby bill passed in 2004.

Charles Castille, LaHip has been around for a few years. It is probably at least five years old but I can find out for sure.

Mr. Kennedy, the problem is that we are not taking advantage of the statue the numbers are the numbers. I am looking at less than a thousand. We got one point two million people on medicaid and I asked to have Charlie here and also our folks from the private sector here to walk us through this and the question is what can we do to A. Insure adequate health care for these children and B. Save money for the Louisiana tax payers through LaHip and the baby bill. If you can tell us who you are the floor is yours.

Berkley Durbin, with the Louisiana Maternal and Child Health Collation, I would like to thank you for asking the provider community to be engaged in solving some of these problems that have come before us. We do appreciate that and today we have got information from practice managers both from the obstetrics community as well as the pediatricians community here in Baton Rouge.

Mr. Kennedy, can you for the record introduce yourself.

Tom Schmidt, I am the chief executive officer for Louisiana Woman's Healthcare Association of twenty six OBGN's.

Bret Talbot, I am the practice manager of Infamedics.

Mr. Kennedy, tell us what we need to do to utilize the baby bill and LaHip.

Berkley Durbin, if I could make one more point from the problem side before we move into the solution side just so you will all appreciate the magnitude of what we are dealing with. One piece of data that may be useful for you. In fiscal year 2007 the medicaid program supported approximately forty two thousand newborns and of those forty two thousand newborns about six thousand of those infants were preterm and what that means in cost was about two hundred and eight million dollars were spent on those six thousand infants, medicaid dollars.

Mr. Kennedy, six thousand preterm.

Berkley Durbin, correct.

Mr. Kennedy, and how much we spend?

Berkley Durbin, two hundred and eight million roughly so sixty percent of that pool was spent on those six thousand infants which is about fourteen percent.

Mr. Kennedy, two hundred and eight million?

Berkley Durbin, preterm infants are very expensive. These are your little bitty sick babies.

Mr. Kennedy, do we know how many of the preterm children we could have purchased private insurance for?

Berkley Durbin, I do not have the answer to that. What I can tell you is that what happens typically is women are coming into the obstetrics office on private insurance somewhere in the fourth, fifth, sixth month pregnancy, they are coming back on medicaid and don't seem to appreciate the ramifications of dropping their private insurance not only for themselves but also for their children. What happens for that woman once she has her baby she is no longer got medicaid available to her unless she is in that very small segment of the population that is twelve or thirteen percent of poverty.

Mr. Kennedy, why are they dropping the insurance?

Tom Schmidt, it is cheaper for them when they have private insurance, they have deductibles, they think its cheaper I should say.

Mr. Kennedy, do they know we will buy it for them?

Tom Schmidt, no they don't. They are told about LaHip at the very beginning of their pregnancy but I don't think they can appreciate what that means to them at the time because they are thinking about having this baby they are thinking about all the things that are going to be costly.

Mr. Kennedy, so you see a lot of mothers coming in with private insurance as they get further along they drop it they go to medicaid. The patients are worse off and the tax payers are worse off.

Tom Schmidt, I would give you some statistics that, this is the minimum of the problem because these are the only numbers that we can actually count, in the last two years we know of three hundred and twelve mothers who switched from insurance to medicaid during their delivery cycle. In the last week there were six. Excuse me in the last two weeks there were six.

Mr. Kennedy, just in your groups practice.

Tom Schmidt, we do approximately twenty two hundred medicaid deliveries a year and forty three hundred deliveries total, so we do about six point three percent of the deliveries in the state of Louisiana.

Mr. Kennedy, how can we fix that?

Tom Schmidt, I think there is a few areas to investigate, right now and I think that DHS can probably provide us with information on how the process works, to my understanding right now if a person comes in they first have to fill out a application for medicaid.

Mr. Kennedy, where?

Tom Schmidt, I think they can get that done at Women's Hospital, they can get it done at the field offices. We don't do it so I really couldn't tell you exactly where they get their medicaid.

Tom Schmidt, once they get to that level they will then have to apply for LaHip if they are eligible. When they fill out their application they are asked whether or not they have insurance. I don't know how many of them say yes or no cause I don't have anyway of knowing what that data is. I just know that at least a few will slip through the cracks with insurance at some point.

Mr. Kennedy, do we ask them if they have access insurance.

Tom Schmidt, I don't do that part of the process.

Mr. Kennedy, do many of them think that if they either have insurance or have access to insurance that will disqualify them from medicaid?

Tom Schmidt, that is what they tell us.

Mr. Kennedy, maybe they are not telling us the truth.

Tom Schmidt, could be.

Mr. Kennedy, maybe we should tell them up front that hey please tell us if you either have access to insurance or haven't and you can still get the medicaid if you want it. Nobody is going to get in trouble.

Tom Schmidt, I think that is an important misconception that should be dispelled at a minimum. I also think that right now the idea is that they are going to get on medicaid. Everyone's incentive is for that person to get on medicaid. No one at the Department of Health is trying to keep this person from getting on medicaid and correct me if I am wrong I think it is just the opposite.

Charlie Castille, I don't agree.

Mr. Kennedy, I want to be sure I understand, the child and the mother are better off with the private insurance?

Tom Schmidt, definitely the mother is, the child is definitely going to be better off if anything goes wrong with the child because they will have access to specialist that they may not have access to.

Mr. Kennedy, the child and the mother is better off and Louisiana tax payers and better off.

Tom Schmidt, the mother will be better off because once that delivery is done she now no longer has insurance.

Mr. Kennedy, and we are doing the exact opposite by not pushing this program.

Tom Schmidt, yea, I don't know if we are doing the exact opposite, we are not definitely doing the best job we can of keeping people on their insurance. I am not saying that anyone person or any system in here is doing everything they can to keep a person on medicaid that is not what I am saying. The barriers to entry into LaHip and the actual knowledge of LaHip is minimal and the barrier to entry is rather great.

Mr. Kennedy, would it make sense, if we got one point two million on medicaid spending seven billion dollars a year and we know we can save money by just paying the health insurance premium that they qualify for at work, wouldn't it make sense for us to maybe sent a few employees out just to go see our medicaid patients and say look we need to ask you a question here, you are not going to get in trouble, you are actually going to get better insurance?

Tom Schmidt, I actually think that discussion has to occur at the time they are being screened for medicaid and they do have to be told that there is no harm in having insurance. Take every measurable step at that point of seeing if they are illegible for LaHip without having them go through this entire elaborate process which is completely separate to actual getting of medicaid. If a person says they have insurance after they been told that there is no cause for alarm about having insurance at that point we should be asking them if they would be illegible for LaHip and don't make the form another eight page process in getting all the information it should be incorporated into initial medicaid.

Mr. Kennedy, and I assume the only entity is going to be if we started really implementing LaHip and the baby bill. The only group that is going to be unhappy will be the health insurance company.

Tom Schmidt, I think that all parties, well it depends on whether they consider themselves to be here for the patient are not. I think most health insurance companies that have the health of their clients involved would actually be happy about it.

Mr. Kennedy, I think that is most of them. Maybe I am naive but let me ask you this, based on ya'll experience and I know it is impossible to quantify this to the penny but based on your experience how many medicaid patients included but not limited to children would qualify under the baby bill that are not being qualified. Does that make sense? Based on ya'll experience is it in the thousands, is it in tens of thousands, is it in the millions?

Bret Talbot, it is plenty, lets go back to the original intent of the baby bill. You have to realize the baby bill was set up originally because we were seeing in our unit a tremendous amount of sick children, premature children who's mom delivered on a private health insurance plan and the babies were being discharged on medicaid and the whole inference behind the baby bill is we simply could not find a pediatrician to take care of these children. We had a hard time finding specialist, it was an access driven issue. The reason why we originally proposed it.

Mr. Kennedy, who helped drafted it from what I understand.

Bret Talbot, yes, and that is where is started so are we still seeing moms coming in on private health insurance and babies being discharged yes. These are very expensive babies as Berkley mention. Now what we didn't figure then was the delivery fee in terms of what Tom is talking about is the amount of mothers who have health insurance that are dropping it for medicaid. It is even a bigger issue then we even anticipated. These babies are very, very expensive babies, and they have insurance for catastrophe reasons. That is why you have health insurance. That is why employer's provide health insurance. We have be been working on this since 2004 very closely with the department to try to get things done. The numbers are low and in 2004 when the original baby bill was passed and in 2006 I think a house resolution was passed to investigate to see what was going on and then we looked at the LaHip Program that helped because one of the barriers of interest that was identified was the moms did not want to pay the co-pays or deductibles. We got over that barrier and it is just a communication piece and understanding what medicaid is in terms of being the last resort and what it actually provides.

Mr. Kennedy, if we fully implemented and I know these are hard questions but I am looking for some evidence here based on ya'll experiences. If we fully implemented LaHip and the baby bill how much money you think we could save?

Thomas Schmidt, well in our case I have already given you some numbers and I think those are the conservative numbers.

Mr. Kennedy, do you think we can save over a hundred million dollars?

Thomas Schmidt, across the state? I couldn't tell you. No, I don't think you could. Just looking at the broad spectrum of things if you have to spend twenty eight, twenty nine hundred dollars for delivery.

Berkley Durbin, I think you could if you look in terms of maintaining some of these women who have premature babies and we are only looking at six thousand infant costing two hundred and eight million dollars and that was in fiscal year 2007. If those women in fact had access to insurance into conception between pregnancies and these women who have premature babies are much more likely to have a subsequent premature baby, those women had health care during that inter conception period the likelihood of that second premature baby is going to significantly decrease. Let me just make a note that one of the barriers to the LaHip Program is the cost analyses the department engages in when someone calls to say if I do want to enroll in LaHip the department would do an analyst on whether it is more expensive or less expensive to maintain the person on a private insurance or enroll them on medicaid but the

department doesn't have access to the information about that woman's health or the potential that she will have a sick child.

Mr. Kennedy, let me ask Mr. Castille, Charlie there is a rumor going around that you are thinking about retiring.

Mr. Castille, that is true.

Mr. Kennedy, you cant, I am sorry. I am going to pass a resolution today. You cant retire.

Mr. Castille, I think one statement that was made is absolutely true and that is it is a communication issue. It is a very difficult program. The point is we do have a LaHip Program, it was design to try to the analyses to determine whether or not it was cheaper for everybody and better for everybody, the parent, child, the state, taxpayer and the provider to keep the person if they had access to insurance to make sure that it was less expensive for the state to pay the premium because the whole idea of the LaHip Program is to instead of paying a claim that we at least to regards to these preterm babies we know is going to be huge. To the extend that we can do a better job of communicating to moms, families out there to say hey there is not a penalty here for divulging whether or not you have insurance or whether or not you have access to insurance. The whole idea is to try to get medicaid to provide you the level of services that you need and if medicaid can do it better about paying the premium rather than actually paying it through the regular medicaid program then we would certainly would want to do that. One of the things that we have reduced the form from fourteen pages to one front and back. I don't if we can save one hundred million but we can approach that.

Mr. Hardman, I think the greatest concern that we are all probably looking at the same thing is benefit whether or not the citizens of Louisiana those mothers can get the care that they need at the time that they need in the event that there is a child that is needing special care. You said something about the percentage of low income and I am sure that everything is based on that analyses of low income, my concern it that a mother is not to concerned at the time when they come in and that analyses is done but she is more concerned about of course her health and the health of her baby I could understand the process and I could understand that we need to look at some areas here but at the same time I don't want us to get away from the main issue here and I think all of you agree that the mother gets the care that they need, I think it is so vital. I think that prenatal is so important at that time.

Berkley Durbin, absolutely and please don't let me mis speak, prenatal care and care during delivery and care for those infants is absolutely critical emphasize that this state needs to continue. What we don't want to do is have women and infants who could have maintain their private insurance with the support of the state to switch over to into medicaid when we could have more cost effectively and creating greater access not only for those women who want to keep their obstetric services going in between pregnancies.

Mr. Kennedy, we need to put the petal to the medal with LaHip and the baby bill that is clear. I thank ya'll. I am going to offer a motion that the Louisiana Streamlining Commission recommends to the governor and the Louisiana Legislature that the Louisiana Department of Health and Hospitals be directed to immediately and fully implement the provisions of Louisiana Revised Statue 22:1065 at Sec. better known as the baby bill as well as the Louisiana Health Insurance Premium Payment Program and that the DHH report to the legislature on a semi-annual basis it results to fully implement those two provisions in Louisiana Law. We have a motion and a second, do you object.

 Mr. Hardman, I need to do more research on that.

Mr. Kennedy, you object, secretary call the roll.

Mr. Hardman, yes.

Mr. Kennedy, secretary call the roll.

Mr. Bruneau, yes.

Mr. Gomez, yes.

Mr. Hardman, no

Mr. Napper, yes

Mr. Kennedy, the chair votes yes.

Mr. Kennedy, thank ya'll so much for coming today. Charlie while I have you can you give us a quick summary of the prescription drug formulary under medicaid?

Mr. Charles Castille, yes I would be happy to, you know one of the benefits of the medicaid program is payment of pharmaceutical for people. In fact the gross amount and we recently published our annual report and the gross amount that we paid with regard to pharmacy in medicaid is about eight hundred and twenty eight million dollars. We back out about three hundred and one million dollars in rebates we get from drug manufactures as part of our federal program we participate in as well as our state program.

Mr. Kennedy, we have a drug preferred list.

Mr. Charles Castille, yes.

Mr. Kennedy, what does that mean?

Mr. Charles Castille, it means that it is very easy for a physician to be able to have that list and say if a patient comes in and they need a particular drug as with just about every other insurance company that operates there is certain drugs obviously where the efficacies are the same for the drugs one is cheaper than the other and usually what happens is that the cheaper drug with the same efficacy is on the preferred drug list. That way the prescription just goes through. They go to the pharmacy and get it filled.

Mr. Kennedy, to get on the preferred drug list you have to be cheaper with the same efficacy.

Mr. Charles Castille, correct.

Mr. Kennedy, what about generic drugs.

Mr. Charles Castille, generic makes up about seventy two percent of the claims for medicaid drugs. We push generics strongly in this state.

Mr. Kennedy, do you require them.

Mr. Charles Castille, it is not required they are all on the preferred drug list. What you have is this rather unique situation that has happened over the last several years is that often time with the rebates the brand name drugs are cheaper than the generic drugs and what we have done is taken another look at our program and said well lets go back and take a look at generics, how long has it been since we looked at the issue with regard to generic drugs and so one of the things that we have done is in fact the legislature provided us some funding to be able to do that and we are going to hopefully implement that beginning next year is to revise our reimbursement methodology for generic drugs to now do kind of the same incentive with regards to generics that we do for brand name and that is try to get rebates and put those on generic list and we think we can make some significant savings. How much at this point we cant tell but we think there will be savings in the program.

Mr. Kennedy, so have a preferred drug list and to get on the preferred drug list you got to be the cheaper with the same efficacies as your competitors. Is there anything that you would do to save on our prescription drug program that you have tried before but the legislature has disagreed?

Mr. Charles Castille, they have disagreed for a long time because at one time the law required you to actually pay the cost and actually that was changed when the law was changed to provide for the preferred drug list.

Mr. Kennedy, what if we had a rule that said that we are going to find out two drugs that are the most effective and the cheapest and you have to use one of those two. Will that save money?

M. J. Terrebonne, yes it should because you should be able to get more competition into the market play that way because the drugs companies will compete.

Mr. Kennedy, if we did that, if we said whether you are generic or brand name we are going to pick the two most effective that are also the cheapest. How much you think we can save?

M. J. Terrebonne, I do not know.

Mr. Kennedy, do you say one million dollars, could we save ten million dollars?

M. J. Terrebonne, you probably save ten million dollars.

Mr. Kennedy, could we save fifty? we are spending five hundred million dollars.

Mr. Charles Castille, I think you could say that you could save ten of millions it is not whether or not it is ten or fifty I don't know but the point is that could be savings now one thing M. J. mention is what we need to do is level a playing field with the generics and lets look at it to limited the drugs to two.

Mr. Kennedy, the two most effective that are the cheapest after the rebate. I am going to offer an motion that this advisory group recommends to the full commission the governor and the legislature that the Louisiana drug formulary in it's medicaid program be changed to provide for the two and only the two most effective drugs that are also the cheapest for each illness. Did I say that right? We put all the generics all the brand names the rebates are in account in whether they are the cheapest but we will pick the two. You start with efficacies.

 Mr. Charles Castille, I think you said formulary, I think if you would say preferred drug list.

Mr. Kennedy, so we start with efficacies cause what's best for the patient is first but among those that are equally effective we are going to pick the two cheapest and that doesn't matter whether it is generic it's brand name rebate we are going to consider all that stuff.

Mr. Kennedy, I offer that motion, we got a second. Is there any objection, without objection the motion is approved. Thank you.

Mr. Kennedy, I forgot to read in one of these motions when Cynthia was here so let me read it. Louisiana law provides for numerous tax credit programs through which a taxpayer pays a tax to one branch of government and then seeks reimbursement of the tax from another branch of government through a tax credit. One example is the tax credit for ad valorem taxes paid by businesses on inventory. A business inventory is assessed each by local government and the business pays ad valorem tax to the local government based on the assessment. The business that pays this inventory tax then receives its money back from an inventory tax credit that is claimed on corporate income and franchise tax returns filed with the Louisiana Department of Revenue. In effect, the state is paying the local inventory tax for businesses. A similar situation exists with respect to the taxes and tax credits for vessels in the Outer Continental Shelf

Lands Act and for surcharges and tax credits pertaining to the Louisiana Citizens property Insurance Corporation. Another example is the individual income tax credit given for amounts paid by active or reserve members of the military and their spouses or dependents for Louisiana noncommercial hunting or fishing license. The Louisiana Department of Wildlife and Fisheries could issue free licenses instead of collecting for the licenses and requiring the individuals to claim a tax credit on their state income tax. The Louisiana Streamlining Government Commission recommends to the governor and the Louisiana Legislature that these inefficient circular flows of tax payments and tax credits be eliminated by having the state make a direct payment to the local government or entity levying the tax or surcharge for which tax credits are taken. What we are doing on Citizens now is we are telling folks to take a tax credit on their personal income tax and it is a very inefficient way we are to just go ahead and make the payment directly. Is there objection to approve that motion. Without objection the motion is approved.

 **V. ADJOURNMENT**

Mr. John Kennedy adjourned the meeting at 12:18 P.M.

November 4, 2009

DATE APPROVED

Chairman John Kennedy