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Correspondence Memorandum

Date: April 24, 2018

To: Group Insurance Board

From: Arlene Larson, Manager Federal Health Programs & Policy
 Office of Strategic Health Policy

Subject: Wisconsin Public Employers Underwriting and Surcharge Policy

This memo is for informational purposes only. No Board action is required.

The purpose of this memo is to inform the Group Insurance Board (Board) of a policy change for the underwriting of small local government employers that wish to join the Wisconsin Public Employer (WPE) group health insurance program. This policy change results from reassessing past practice with the Board's consulting actuary.

Background:

Local government employers that wish to join the WPE group health insurance program have been subject to underwriting and the potential application of a temporary surcharge for several years. The underwriting and surcharge process began for large groups with 100 or more employees in 2005. The process was expanded to include large groups of 51 or more employees beginning in 2008 and small groups of 1 to 50 employees in 2009.

This process was performed in part by WPS Health Insurance (WPS) and by Segal Consulting (Segal). Both vendors were paid for their services primarily by the employers who were interested in joining the program. Large employers paid the full fee amounts to the two vendors. Since 2009 small groups were required to pay \$250 for underwriting. If there was more than \$250 due, ETF paid the vendors the difference as shown below. These fees were in place from 2013 through 2017.

Reviewed and approved by Eileen K Mallow, Director, Office of Strategic Health Policy

Eileen K Mallow Electronically Signed 4/24/18

Board	Mtg Date	Item #
GIB	5.16.18	9B

WPE Underwriting and Surcharge Policy

April 24, 2018

Page 2

Group size	WPS fee	Segal fee	WPE paid	ETF paid
1	\$100	\$150	\$250	\$0
2 – 9	\$175	\$250	\$250	\$175
10 – 25	\$275	\$350	\$250	\$375
26 – 35	\$450	\$600	\$250	\$800
36 – 50	\$550	\$750	\$250	\$1,050
51 and over	\$1,000	\$1,400	\$2,400	\$0

The self-insurance Request For Proposal for coverage effective January 1, 2018, required that bidders submit fees to offer the underwriting service that WPS had provided. When self-insurance was not selected and WPS prepared to exit the program, reassessment of the current process became necessary. ETF contacted vendors to determine if they would be willing to bid for this service. Because many fully insured entities no longer perform underwriting, they declined. ETF then approached Segal to discuss the option whether Segal would perform the complete underwriting process.

Segal quoted a price of \$1,400 per small group and \$3,000 per large group. ETF was concerned with subsidizing \$1,150 for each small group following the WPE's \$250 payment. ETF considered passing a greater share of the fee to small employers, but felt that it would be a significant disincentive to join the program. Following discussions, Segal recommended that small group underwriting be discontinued, since the WPE pool has more than 30,000 members and more than \$220 million in premiums. Segal determined that high-cost cases in new, small local government employers could be absorbed without notable impact on the pool. However, it was decided that large groups should continue being underwritten, since a large group with many high-cost cases could negatively impact the pool and result in increased premiums for all participating employers over time. Staff agreed with these recommendations. The increased large group fee remains the full responsibility of the employer.

The Segal contract was signed on February 20, 2018. At that time Segal had completed or made significant progress on underwriting ten small local government employers that had requested to join the program April 1 or July 1, 2018. ETF subsidized the payment and passed the \$1,400 fee per employer to Segal for its work. It was agreed in the contract to discontinue small group underwriting for groups that submitted a request to join the program after February 20 for an initial effective date of July 1, 2018.

Staff will be at the Board meeting to answer any questions.