

MINUTES OF MEETING

**STATE OF WISCONSIN
GROUP INSURANCE BOARD**

Tuesday, June 3, 2003

**Sheraton Hotel - Madison
706 John Nolen Drive
Madison, WI 53719**

BOARD PRESENT: Stephen Frankel, Chair
Randy Blumer, Vice-Chair
Robert Baird
Martin Beil
Jane Hamblen
John Noel
Esther Olson
David Riemer
Karen Timberlake

BOARD ABSENT: Janis Doleschal

**PARTICIPATING ETF
STAFF:** Eric Stanchfield, Secretary
Dave Mills, Deputy Secretary
Tom Korpady, Administrator, Division of Insurance Services
Bill Kox, Director, Health Benefits & Insurance Plans Bureau
Pam Henning, Director, Office of Strategic Services
Kari Zika, Director, Quality Assurance Services Bureau
Dawn Duren, Group Insurance Board Liaison

OTHERS PRESENT: Ailish Barcelo, Department of Employee Trust Funds
Laura Barnard, Minnesota Life Insurance Company
Marcia Blumer, Department of Employee Trust Funds
Sue Chamberlain, University of Wisconsin Systems Admin.
Sonam Dorje, Legislative Audit Bureau
Liz Doss-Anderson, Department of Employee Trust Funds
Rhonda Dunn, Department of Employee Trust Funds
Brian Eck, Gunderson Lutheran Health Plan
David Fee, Humana Health Plan
Brian Fusie, Department of Employment Relations
Carrie Garn, Health Choice
Steve Grob, Department of Employee Trust Funds
Mary Haffenbredl, Atrium Health Plan
Lisa Halbach, Cobalt Corporation
Michael Hall
Emily Halter, Cobalt Corporation
Kathy Ikeman, Unity Health Insurance
Joe Kachelski, Wisconsin Association of Health Plans
Joy Kaiser, Medical Associates Health Plan

Audrey Koehn, Department of Employee Trust Funds
Jon Kranz, Department of Administration
Wendy Krueger, Touchpoint Health Plan
Bill Kumpf, Senior Care Insurance
Arlene Larson, Department of Employee Trust Funds
Penney Leverenz, Network Health Plan
Christina Licari, Department of Employee Trust Funds
Peg Narloch, Department of Employee Trust Funds
Debra Nelson, Dean Health Plan
Bob Olafson, Minnesota Life
Robert Parr, Delta Dental Plan of Wisconsin
Jason Perlman, CompcareBlue
Mary Pierick, Department of Employee Trust Funds
Vicki Poole, Department of Employee Trust Funds
Nicole Popovich, Cobalt Corporation
Beth Ritchie, University of Wisconsin Systems Admin.
Paul Rudeen, Minnesota Life
Chris Schmelzer, Minnesota Life Insurance Company
Shelly Schueller, Department of Employee Trust Funds
Ron Sebranek, Physicians Plus Insurance Corp.
Mel Sensenbrenner, State Engineers Association
Sonya Sidky, Department of Employee Trust Funds
Joan Steele, Department of Employee Trust Funds
John Vincent, Department of Employment Relations
Mary Walsh, Department of Transportation
Mike Weber, Dean Health Plan
Tom Wendlick, Cobalt Corporation
Nancy Wenzel, Wisconsin Association of Health Plans
Steve Werner, Wisconsin Professional Police Association

Mr. Frankel, Chair, called the meeting to order at 8:40 a.m.

Mr. Frankel announced that the Board had newly appointed members and asked Board members to introduce themselves. They are as follows: Steve Frankel, Public Member; Jane Hamblen, Attorney General appointee; John Noel, Governor's Designee; Robert Baird, local government representative; Marty Beil, an insured WRS participant; Esther Olson, teachers retirement representative; Karen Timberlake, Secretary of the Department of Employment Relations; Randy Blumer, Deputy Commissioner of Insurance, appointee of the Commissioner of Insurance; and David Riemer, State Budget Director, appointee of the Secretary of the Department of Administration. Department staff also introduced themselves: Dave Mills, Deputy Secretary of the Department of Employee Trust Funds; Eric Stanchfield, Secretary of the Department of Employee Trust Funds; and Tom Korpady, Administrator of the Division of Insurance Services.

Mr. Korpady asked permission from the Board for staff to develop appropriate resolutions or letters of appreciation to outgoing members Robert Alesch, Gale Dushack and Robert Sherwood.

MOTION: Mr. Beil moved approval of the Department's request to create resolutions for the outgoing members thanking them for their service. Ms. Olson seconded the motion, which passed without objection on a voice vote.

Consideration of Minutes of April 8, 2003, Meeting.

MOTION: Mr. Blumer moved approval of the minutes of the April 8, 2003, meeting as submitted by the Board Liaison. Mr. Noel seconded the motion, which passed without objection on a voice vote.

LONG-TERM CARE INSURANCE PROGRAM

Replacement Policy for Consideration. Mr. Kox presented an overview of the Long-Term Care Insurance Program. He reported that the Board currently approves the companies participating in the program and that Life Investors is asking to replace the current policy with an upgraded policy that meets the new requirements regarding rate stability of the Office of the Commissioner of Insurance (OCI). The new policy reduces the chance of rate increases on future long-term care policies sold in Wisconsin. It has also added enhanced features to the program allowing more flexibility to the subscriber.

MOTION: Ms. Hamblen moved approval of the long-term care insurance replacement proposal submitted by Life Investors. Ms. Timberlake seconded the motion, which passed without objection on a voice vote. Mr. Riemer abstained from voting.

Program Update. Mr. Kox reported on the Long-Term Care Insurance Program update memo. He noted that the memo focused mainly on enrollment levels and marketing activity. There are nearly 5,000 policies issued. Of these, about 2,900 are annuitants and the rest are active employees, spouses or parents. There were 1,283 applications for coverage in 2002. This item was informational and no action was required by the Board.

INCOME CONTINUATION INSURANCE (ICI) PROGRAM

Actuarial Valuation – State Plan. Mr. Searcy was invited to report on the State ICI Plan Actuarial Review. He noted that the plan had very little change from last year. The plan had a very favorable year with claims experience, while there was a continued deterioration of the investment performance of the fund. Because of this, the funded status of the program has declined slightly. The investment earnings for 2002 were 5.0%, as compared to 7.4% in 2001 and 9.9% in 2000.

Investment returns reflected overall market performance. It is hoped that investment performance will increase the funded ratio by next year, which would alleviate the need for a premium change this year.

MOTION: Mr. Blumer moved approval of the State Plan Actuarial Valuation as presented by Mr. Searcy. Mr. Noel seconded the motion, which passed without objection on a voice vote.

Actuarial Valuation – Local Plan. Mr. Searcy also reviewed the Local ICI Plan Actuarial Review. He reported that the local ICI plan continues to be in a strong financial position despite the investment earnings showing the same decline in performance as the State program. Investment earnings were at 5.0% for 2002, 8.6% in 2001, and 10.0% in 2000. The fund had \$13 million in assets and \$2.6 million in liability in 2002. There have been actions taken to bring the surplus down, such as a benefit increase and premium reductions. Over time, the surplus should decline due to weak investment performances and new groups entering the program. At this time, there is no recommendation for additional benefit or premium rate changes.

MOTION: Ms. Olson moved approval of the Local Plan Actuarial Valuation as presented by Mr. Searcy. Ms. Hamblen seconded the motion, which passed without objection on a voice vote.

MISCELLANEOUS

Annual Grievance and ETF Complaint Report. Ms. Zika reported highlights of the Health Plan Grievances and Independent Review Report. Each year in March, the plans are required to report to the Department the number of grievances received from health program participants. Highlights included: the number of grievances continue to decline; over 50% of the grievances filed are resolved in favor of the member; non-covered services is the category with the most grievances across all plans; and, the independent review process was implemented in June of 2002.

Ms. Zika next reported on the 2002 ETF Complaint Report. She noted that with increased ombudsperson staffing, the complaint backlog has been steadily decreasing. Complaints were at a high of 108 in October 2001 and have decreased to 21 as of May 2003. She also provided an overview of both the disability and health insurance complaint processes.

Legislative and Budget Report. Ms. Henning reported on the 2003-2005 Biennial Budget. She noted items specifically of interest to the Group Insurance Board: *Manager of Strategic Health Policy and Manager of Collaborative Purchasing, Private Employer Health Care Coverage Program, Health Insurance Portability and Accountability Act Position, Group Insurance Board Flexibility/Health Insurance Changes, and the Pharmacy Benefit Purchasing Pool.* Ms. Henning also reported on Joint Committee on Finance recommendations.

Ms. Henning reported on two legislative bills that have been introduced during the 2003 legislative session that may affect the Group Insurance Board. There has been no new action taken on these bills since information was provided at the last Board meeting. Ms. Henning will provide updates as available.

Pending Appeals Status Report. Mr. Korpady reported that the Pending Appeals Status Report was included for information only. There were no questions or comments.

Additional Request. Mr. Beil requested that staff develop procedures to provide a review mechanism when participants have missed insurance eligibility opportunities

because of employer error. Mr. Korpady reported that staff will create a plan and bring it back to the Board.

Motion to Convene in Closed Session. Mr. Frankel announced that the Group Insurance Board would convene in closed session pursuant to the exemption contained in Wis. Stats. § 19.85 (1) (e) for deliberations involving competitive bargaining aspects of public fund expenditures. Staff from the Department of Employee Trust Funds, Department of Administration, Department of Employment Relations, and the Office of the Commissioner of Insurance were invited to remain during closed session.

MOTION: Mr. Beil moved to convene in closed session pursuant to the exemptions contained in Wis. Stats. § 19.85 (1) (e) for deliberations that involve competitive bargaining aspects of public fund expenditures. Ms. Timberlake seconded the motion, which passed without objection on the following roll call vote:

Members Voting Aye: Baird, Beil, Blumer, Frankel, Hamblen, Noel, Olson, Riemer, and Timberlake.

Members Voting Nay: None.

The Group Insurance Board took a break at 9:58 a.m.

The Group Insurance Board convened in closed session at 10:23 a.m. and reconvened in open session at 1:17 p.m.

Announcement of Action Taken on Business Deliberated During Closed Session.

Mr. Frankel announced the following activity during closed session:

- The Board adopted the proposal to negotiate a contract for the Wisconsin Public Employees (WPE) Group Life Insurance with Minnesota Life.
- The Board adopted the proposal to negotiate with a vendor for the ICI and Limited-Term Disability Insurance programs contract.
- The Board approved the Dual-Choice enrollment dates of October 6, 2003 – October 24, 2003.
- The Board established a committee to review recommendations for a Pharmacy Benefits Manager, which will report back to the full Board for final approval.

Appeals

- **95-182-GIB.** The Board rejected the Hearing Examiner's proposed decision. Counsel's recommendations were approved.
- **97-053-GIB.** The Board adopted the Hearing Examiner's proposed decision to make payment of the second round of drug claims. The Board remanded the portion of the final decision dealing with attorney's fees to the parties for further information.

Adjournment

MOTION: Mr. Beil moved adjournment. Mr. Riemer seconded the motion, which passed without objection on a voice vote.

The Group Insurance Board adjourned at 1:19 p.m.

Dated Approved: _____

Secretary: _____