

MINUTES OF MEETING

**STATE OF WISCONSIN
GROUP INSURANCE BOARD**

Tuesday, August 26, 2003

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

BOARD PRESENT:

Stephen Frankel, Chair
Randy Blumer, Vice-Chair
Robert Baird
Martin Boll
Janis Doleschal
Jane Hamblen
Esther Olson
David Riemer
Karen Timberlake

DRAFT

**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
Dawn Duren, Group Insurance Board Liaison

OTHERS PRESENT:

Dave Burnett, Health Choice
Joe Corry, UW Foundation
Brian Eck, Gunderson Lutheran Health Plan
Kendra Eppler, Legislative Audit Bureau
Brian Fusie, Office of State Employment Relations
Elaine Gerber, Department of Administration
Charlotte Gibson, Department of Justice
Lisa Halbach, Cobalt Corporation
Emily Halter, Cobalt Corporation
Kathy Ikeman, Unity Health Insurance
Joe Kachelski, Wisconsin Association of Health Plans
Sandy Karnovsky, Department of Corrections
Jon Kranz, Department of Administration
Lisa Kroener, Cobalt Corporation
Wendy Krueger, Touchpoint Health Plan
Kathy Ledvina, Cobalt Corporation
Eileen Mallow, Office of the Commissioner of Insurance
Debra Nelson, Dean Health Plan
Pete Noel, Epic Life Insurance Company
Bob Olafson, Minnesota Life Insurance Company
Jim Pankratz, Office of State Employment Relations
John Parr, Wisconsin Professional Police Association

Robert Parr, Delta Dental Plan of Wisconsin
Jason Perlman, CompCareBlue
Nicole Popovich, Cobalt Corporation
Paul Rudeen, Minnesota Life Insurance Company
Chris Schmelzer, Minnesota Life Insurance Company
Ron Sebranek, Physicians Plus Insurance Corp.
Mel Sensenbrenner, State Engineers Association
Norma Smith, Group Health Cooperative
Doug Swanson
Diann Thumser, Epic Life Insurance Company
John Vincent, Office of the Secretary of Employment Relations
Mike Weber, Dean Health Plan
Tom Wendlick, Cobalt Corporation

Mr. Frankel, Chair, called the meeting to order at 8:12 a.m.

Election of New Board Secretary.

NOMINATION: Mr. Blumer nominated Esther Olson to serve as Secretary of the Group Insurance Board. Ms. Timberlake seconded the nomination.

MOTION: Hearing no further nominations, Mr. Beil moved to close nominations and cast a unanimous ballot for Esther Olson as Secretary of the Group Insurance Board. Ms. Hamblen seconded the motion, which passed without objection on a voice vote.

Consideration of Minutes of June 3 & June 18, 2003, Meetings. Mr. Frankel announced that there was a correction to the June 3, 2003 closed session minutes. On page 3, first paragraph, "Limited Term Disability Insurance" should read "Long Term Disability Insurance."

MOTION: Ms. Olson moved approval of the minutes of the June 3 & June 18, 2003, meetings as submitted by the Board Liaison with the correction to the June 3, 2003, closed session minutes. Mr. Riemer seconded the motion, which passed without objection on a voice vote.

Motion to Convene in Closed Session. Mr. Frankel announced that the Group Insurance Board would convene in closed session pursuant to the exemptions 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, Office of State Employment Relations, Office of the Commissioner of Insurance, and the Department of Employee Trust Funds' actuaries, Deloitte & Touche, 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, Doleschal, Frankel, Hamblen, Olson, Riemer, and Timberlake.

Members Voting Nay: None.

The Group Insurance Board convened in closed session at 8:18 a.m. and reconvened in open session at 12:46 p.m.

ANNOUNCEMENT OF ACTION TAKEN ON BUSINESS DELIBERATED DURING CLOSED SESSION

Mr. Korpady announced that the Board took the following action during closed session:

- The Board approved the report on the Alternate Plan Financial Status indicating that all plans were qualified to continue providing benefits to the State.
- The Board approved the recommended health plan service area qualifications as recommended by staff.
- The Board approved conversion of the Standard Plan and Standard Plan 2 into a new Standard Plan with a preferred provider network design including a \$100 deductible for in-network providers. The Standard Plan level of benefits will be applied to services from in-network providers with an exception to make it consistent with a preferred provider plan where all network services are paid at the same level. The major medical portion, which used to be paid at 80/20 coinsurance, will now be paid at 100%. To accommodate these changes and an increase in coverage of the drug benefits, there will be a deductible for in-network providers. Out-of-network providers will be reimbursed at the Standard Plan 2 level of benefits. The State Maintenance Plan will be available with a \$100 deductible for single coverage, \$200 for family coverage, in every county where there is not a qualifying Tier 1 alternate plan.
- The Board approved the rates for the state self insured plans, rates for the portion of premium that will cover drug benefits, and rates for local government plans.
- The Board approved the criteria and methodology used to array the alternate plans in the premium contribution tiers. They also approved placing 17 plans in tier one, 4 plans in tier two, and 1 plan in tier three, based on the criteria and recommendations of staff.

LIFE INSURANCE

Life Insurance Annual Report. Mr. Olafson reported on the 2002 Policy Year Report for the Group Life Insurance Program. He reported on the highlights for year 2002 for both the State and Local plans. All four plans, State Employee, State Spouse and Dependent, Local Employee, and Local Spouse and Dependent all had a very positive year in 2002. Given the favorable claims experience for all four plans, Minnesota Life recommended a premium rate reduction for all plans.

Recommendation for 2004 Premium Rates – State. Mr. Olafson reported on the 2004 rate recommendations for State employees. Claims experience for State employees was the second best in the plan's history. Minnesota Life has made the following recommendations: a rate reduction for employee premiums; that premiums be reduced from \$2.50/month to \$2.00/month for each unit of coverage for spouse and dependent; that stop-loss rates be decreased by 7.1%, effective January 1, 2004; and, a temporary increase in the stop-loss limit to 130% of policy year premium.

Recommendation for 2004 Premium Rates – Local. Mr. Olafson reported on the 2004 rate recommendations for Local employees. Minnesota Life has made the following recommendations: that employee premium rates be reduced; a 20% reduction in the employer contribution rate for local government employers who offer the 50% post-retirement benefit; continuing spouse and dependent benefits and premiums at their current levels; and, an overall stop-loss rate decrease of 3.0% effective January 1, 2004.

The pricing recommendations for both State and Local employees would take effect on March 1, 2004.

MOTION: Mr. Blumer moved approval of all rate proposals from Minnesota Life Insurance Company. Ms. Timberlake seconded the motion, which passed without objection on a voice vote.

OPTIONAL PLANS

EPIC Benefit and Premium Rate Proposal. Mr. Kox reported on the EPIC dental and excess medical plan rate and benefit change proposal. He noted that the annuitant claim experience is considerably higher than that of active employees. Because of this, EPIC is proposing the following rate and benefit changes:

| | ACTIVE EMPLOYEES | ANNUITANTS |
|--------------------------|--|--|
| Benefit Reduction | Increase annual deductible from \$100 to \$200 | Increase annual deductible from \$100 to \$200 and reduce lifetime maximum on medical claims from \$250,000 to \$100,000 |
| Premium Reduction | No Change | Overall increase of 16% |

EPIC has requested setting the loss ratio at 72%. After review from the Department's actuaries, Deloitte & Touche, it is recommended that the Board approve this policy with the 72% loss ratio.

MOTION: Mr. Beil moved approval of EPIC's proposed benefit and premium changes. Ms. Hamblen seconded the motion, which passed without objection on a voice vote.

INCOME CONTINUATION & LONG TERM DISABILITY INSURANCE

2002 Long-Term Disability Insurance (LTDI) Annual Valuation Report. Mr. Searcy reported on highlights of the LTDI plan. He reported that the Reserve for Future Claims continues to be very well funded. As a result, his recommendation is to continue the indefinite premium suspension.

MOTION: Ms. Olson moved approval of the recommendation to continue with the premium suspension. Mr. Baird seconded the motion, which passed without objection on a voice vote.

Negotiated Lump Sum Payments. Mr. Korpady reported on a list of possible recipients of a lump sum payment for Income Continuation Insurance (ICI) payments. This voluntary option is being offered only to claimant's whose benefits are less than \$200 per month.

MOTION: Ms. Doleschal moved approval of the negotiated lump sum payment offers as submitted. Ms. Timberlake seconded the motion, which passed without objection on a voice vote.

Monthly ICI Payments – All State Employees. Mr. Korpady reported on the recommendation to change the ICI benefit payment schedule from biweekly to monthly, effective January 1, 2004. He noted that switching to a monthly payment schedule should attract more potential vendors to submit a bid the next time the bid process is conducted.

MOTION: Mr. Beil moved approval of changing the ICI benefit payment schedule for all claimants to a monthly cycle effective January 1, 2004. Ms. Olson seconded the motion, which passed without objection on a voice vote.

MISCELLANEOUS

Legislative and Budget Report. Secretary Stanchfield noted that the legislation and budget reports were included in the packets for the Board's information. He discussed the impact of three bills that would allow individuals or farmers to purchase health care coverage through the Group Insurance Board. Ms. Henning noted that the Department testified in opposition to all three bills at recent public hearings and would keep the Board apprised of any new developments.

Pending Appeals Status Report. The pending appeals report was included in the packets for the Board's information.

The Board took a break at 1:12 p.m.

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) (a) for quasi-judicial deliberations. Ms. Duren, Mr. Fusie and Mr. Kranz 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) (a) for quasi-judicial deliberations. Ms. Timberlake seconded the motion, which passed without objection on the following roll call vote:

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

Members Voting Nay: None.

The Group Insurance Board convened in closed session at 1:23 p.m. and reconvened in open session at 3:06 p.m.

ANNOUNCEMENT OF ACTION TAKEN ON BUSINESS DELIBERATED DURING CLOSED SESSION

Mr. Frankel announced that the Board took the following action during closed session:

Appeals

- **2000-035-GIB.** The Board adopted the Hearing Examiner's proposed decision with amendments as recommended by counsel.
- **2002-048-GIB.** The Board rejected the Hearing Examiner's proposed decision.
- **98-086-GIB.** The Board adopted the Hearing Examiner's proposed decision to uphold DETF's decision with amendments as recommended by counsel.
- **2001-035-GIB.** The Board adopted the Hearing Examiner's proposed decision with amendments as recommended by counsel.
- **2002-067-GIB.** The Board adopted the Hearing Examiner's proposed decision with amendments as recommended by counsel.
- **97-053-GIB.** The Board adopted the Hearing Examiner's proposed decision to pay fees and costs but not interest. The Board also requested the opinion of the Attorney General to determine the source of funds based on the intersection of Chapters 20, 40 & 227.

Adjournment

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

The Group Insurance Board adjourned at 3:12 p.m.

Dated Approved: _____

Secretary: _____
Esther Olson