

MINUTES OF MEETING

**STATE OF WISCONSIN
GROUP INSURANCE BOARD**

Tuesday, August 24, 2004

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

BOARD PRESENT: Stephen Frankel, Chair
Randy Blumer, Vice-Chair
Esther Olson, Secretary
Robert Baird
Martin Beil
Janis Doleschal
Jane Hamblen
David Schmiedicke
Karen Timberlake

**BOARD
NOT PRESENT:** None

**PARTICIPATING ETF
STAFF:**

Eric Stanchfield, Secretary
Dave Stella, Deputy Secretary
Tom Korpady, Administrator, Division of Insurance Services
Bill Kox, Director, Health Benefits & Insurance Plans Bureau
Audrey Koehn, Director, Disability Programs Bureau
Robert F. Weber, Chief Legal Counsel
Deborah Godt, Group Insurance Board Liaison

OTHERS PRESENT:

Larry Bach, Blue Cross Blue Shield of Wisconsin
Bob Beglinger, American Federation of Teachers - Wisconsin
Mark Bengry, University of Wisconsin System Administration
Christine Bodilly, Dean Health Plan
Richard Bond, Network Health Plan
Andrea Darling, Touchpoint/UnitedHealthCare
Elizabeth Dye, Group Health Cooperative - Eau Claire
Brian Fusie, Office of State Employment Relations
David Grunke, Wisconsin Physicians Service
Lisa Halbach, Blue Cross Blue Shield of Wisconsin
Sue Hill, Navitus Health Solutions
Kathy Ikeman, Unity Health Insurance
Joy Kaiser, Medical Associates Health Plan
Penney Leverenz, Network Health Plan

Board	Mtg Date	Item #
GIB	11/16/2004	1

Eileen Mallow, Office of the Commissioner of Insurance
Lynn Maulbetsch, Office of State Employment Relations
Deb Nelson, Dean Health Plan
Beca Nix, Minnesota Life Insurance Company
Bob Olafson, Minnesota Life Insurance Company
Sonya Olsen-Hasek, Department of Administration
Michael Polk, Group Health Cooperative - Southcentral
Paul Rudeen, Minnesota Life Insurance Company
Chris Schmelzer, Minnesota Life Insurance Company
Ron Sebranek, Physicians Plus Insurance Corporation
Mel Sensenbrenner, State Engineers Association
Mindy Taranto, American Federation of Teachers - Wisconsin
Mary Walsh, Wisconsin Department of Transportation
Al Wearing, Blue Cross Blue Shield of Wisconsin
Mike Weber, Dean Health Plan
Tom Wendlick, Blue Cross Blue Shield of Wisconsin
Nancy Wenzel, Wisconsin Association of Health Plans
Steve Werner, Wisconsin Professional Police Association
Allan Zimmerman, Navitus Health Solutions

Mr. Frankel, Chair, called the meeting to order at 8:35 a.m.

Mr. Korpady introduced Allan Zimmerman. Mr. Zimmerman is the new Chief Executive Officer of Navitus Health Solutions.

CONSIDERATION OF MINUTES OF JUNE 8, 2004, MEETING.

MOTION: Ms. Olson moved approval of the minutes of the June 8, 2004, meeting as submitted by the Board Liaison. Ms. Doleschal seconded the motion, which passed without objection on a voice vote.

ADMINISTRATIVE RULE / SCOPE STATEMENT

Wisconsin Public Employers (WPE) Premium Tiering Plan

Mr. Weber presented the *Final Draft Report on Clearinghouse Rule 04-075*. Premium tiering was authorized under Wis. Stat. § 40.51 (6) for State of Wisconsin employers effective January 1, 2004. The draft rule permits local units of government a new option with respect to employer contributions to group health insurance premiums. A public hearing was held on the rule on August 17, 2004. Based on comments and questions at the hearing, clarifications were made to the rule provisions and examples of tiering options were added to the rule language. If the report is approved, the rule will be submitted for review and can be promulgated with an effective date of January 1, 2005.

MOTION: Mr. Blumer moved to approve the Final Draft Report on Clearinghouse Rule 04-075. Ms. Olson seconded the motion, which passed without objection on a voice vote.

Acceptance of Documents via Facsimile

Mr. Weber presented a scope statement amending Wis. Admin. Code Chap. ETF 10.30 (5) (b) and (8), 10.75 (2) (a), and 10.82 (2), and creating or amending other provisions of the administrative code as necessary concerning the receipt of electronic documents. The scope statement proposed that electronic documents are functionally the same as original documents and that electronic documents should be accepted with no requirement of also submitting an original.

MOTION: Ms. Hamblen moved approval of the scope statement. Mr. Baird 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 that involve competitive bargaining aspects involving expenditure of public funds. ETF staff, Office of State Employment Relations staff, Office of the Commissioner of Insurance staff, and Jim Searcy were invited to remain during all portions of the closed session.

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

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

Members Voting Nay: None.

The Group Insurance Board convened in closed session at 8:44 a.m. and reconvened in open session at 12:11 p.m. Mr. Frankel stated that the announcement of action taken during closed session will follow the Life Insurance Program discussion.

LIFE INSURANCE PROGRAM ANNUAL REPORT

Bob Olafson, Minnesota Life Insurance Company (MLIC), presented a summary of the overall highlights of the *2003 Policy Year Report*. Mr. Olafson reminded the Board that there are four components to the life insurance program. A plan for employees of the state; a plan for employees of local government; and two separate plans for spouses and dependents of state and local government employees. In addition, Mr. Olafson reported that 2003 was a high claims year for three out of the four components of the program. The exception was the plan for spouses and dependents of local government employees. Despite higher than anticipated claims, all of the plans are in strong financial condition.

Mr. Olafson introduced Paul Rudeen, head of the actuarial department for MLIC. Mr. Rudeen presented the analysis of experience and recommendations for 2005. Regarding the state report, the pricing is reviewed annually and the rates are based on the most recent three years of claims experience. Despite increased claims in 2003, no change to the plan rate is

recommended. This is due to the strongly funded position of the plan and recognizing the importance of rate stability. MLIC also recommended no change to the stop-loss rate for 2005.

MOTION: Mr. Baird moved acceptance of the Life Insurance Program Annual Report and approve the 2005 premium rates. Ms. Olson seconded the motion, which passed without objection on a voice vote.

ANNOUNCEMENT OF ACTION TAKEN ON BUSINESS DELIBERATED DURING CLOSED SESSION

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

- The Board accepted the recommendations for the state self-insured program with some changes.
- The Board increased the Medicare Plus \$100,000 plan per illness/injury maximum to a \$1 million lifetime aggregate maximum and approved a rate reduction of 5.6% on single coverage and 4.0% on family coverage.
- The Board changed the State Maintenance Plan (State only, not Local) coverage to the same as Uniform Benefits.
- The Board approved a decrease of approximately 6% in the premium for prescription drug coverage for 2005. This premium is embedded within the health insurance premiums.
- The Board approved an increase of approximately 13% on both in-state and out-of-state premiums for State Standard Plan (PPP) single rate.
- The Board eliminated the plan stabilization charge for the State Group Health plans.
- The Board approved an increase in the plan stabilization charge for the Wisconsin Public Employer group health plans from \$6 to \$10 per contract.
- The Board accepted the recommendations for the Wisconsin Public Employee group health and prescription drug plans for 2005.
- The Board approved the criteria for plan placement in the three-tier placement structure.
- The Board directed staff to research the feasibility of offering both the current plan and a Preferred Provider Plan with lower benefit levels for future years.

INCOME CONTINUATION (ICI) & LONG-TERM DISABILITY INSURANCE PROGRAMS

2003 Long-Term Disability Insurance Annual Valuation Report

Mr. Searcy presented the *2003 Long-Term Disability Insurance Annual Valuation Report* to the Board. He explained that this program was set up with a mechanism to utilize the surplus to eliminate some or all of the premium rate. As a result, there has not been a premium for this program since 1999. The Reserve for Future Claims (RFC) increased by approximately \$500 thousand this year. This large positive funded status will enable the Plan to continue to suspend premium payments.

MOTION: Ms. Doleschal moved acceptance of the 2003 Long-Term Disability Insurance Annual Valuation Report and approval of the 2005 premium rates. Mr. Beil seconded the motion, which passed without objection on a voice vote.

ICI Military Leave Plan Amendment

Ms. Koehn reported on the August 13, 2003 memo *Military Leave and Third Amendment*. She explained that Governor Doyle signed Wisconsin Act 162 earlier this year. At that time the Department convened a workgroup to study necessary plan changes to make the State and Local ICI plans compliant with the new law. The workgroup recommends that affected employees be allowed to reapply for coverage without submitting an application through Evidence of Insurability. The workgroup also recommended approving the amendment retroactively.

MOTION: Mr. Schmiedicke moved approval of the retroactive amendment to the State and Local ICI plans to bring them into compliance with Wis. Act 162. Mr. Beil seconded the motion, which passed without objection on a voice vote.

Report on ICI Supplemental Coverage

Mr. Korpady presented an update for the Board's information. The supplemental coverage implementation workgroup was asked to consider recommending an additional change to increase the maximum benefit to cover an annual salary of \$150,000. Approximately 675 State employees earn more than the current new maximum annual salary of \$120,000. Based on concerns expressed by the Board's actuary, the Department is not recommending further change to the maximum at this time. The actuary advises that the issue would best be explored in the future, after several years of claims experience can be considered and evaluated.

MISCELLANEOUS

Pending Appeals Status Report: Included for the Board's information. The Group Insurance Board currently has 17 appeals pending.

2005 meeting dates: Included for scheduling purposes. The meeting dates for 2005 are:

Tuesday, February 15, 2005
Tuesday, April 19, 2005
Tuesday June 21, 2005
Tuesday, August 30, 2005
Tuesday, November 08, 2005

Controlled Correspondence Summary: A summary of correspondence for the period of May 1, 2004 to July 31, 2004, was provided for the Board's information. Copies of letters from the Village of Greendale, City of Milton, and Village of Grafton were included for the Board's reference.

ADJOURNMENT

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

The Group Insurance Board adjourned at 12:48 p.m.

Dated Approved: _____

Secretary: _____
Esther Olson