

MINUTES OF MEETING

**STATE OF WISCONSIN
GROUP INSURANCE BOARD**

Tuesday, November 16, 2004

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

DRAFT

BOARD PRESENT: Stephen Frankel, Chair
Randy Blumer, Vice-Chair
Esther Olson, Secretary
Robert Baird
Martin Beil
Janis Doleschal
Jane Hamblen
David Schmiedicke
Jim Pankratz (representing 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
Christine Bodilly, Dean Health Plan
Christopher Burke, Broadspire
Lydia Colon, Blue Cross Blue Shield of Wisconsin
Brian Eck, Gundersen Lutheran Health Plan
Colleen Evans-Carter, Blue Cross Blue Shield of Wisconsin
Brian Fusie, Office of State Employment Relations
Elaine Gerber, Department of Administration
Charlotte Gibson, Department of Justice
David Grunke, Wisconsin Physicians Service
Lisa Halbach, Blue Cross Blue Shield of Wisconsin
Emily Halter, Group Health Cooperative South Central
Kathy Ikeman, Unity Health Insurance
Rebecca Kapustay, Blue Cross Blue Shield of Wisconsin

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Jana Knapp, Blue Cross Blue Shield of Wisconsin
Lisa Kroener, Blue Cross Blue Shield of Wisconsin
Kathy O'Neil, The Alliance
Sonya Olsen-Hasek, Department of Administration
Robert Parr, Delta Dental Plan of Wisconsin
Tim Patrick, Broadspire
Beth Ritchie, University of Wisconsin System Administration
Ken School, Blue Cross Blue Shield of Wisconsin
Chris Schmelzer, Minnesota Life Insurance Company
Ron Sebranek, Physicians Plus Insurance Corporation
Mel Sensenbrenner, State Engineers Association
Victoria Strobel, Marshfield Clinic
Lisa Struck, WEA Trust
Jill Thomas, Office of State Employment Relations
John Verberkmoes, American Federation of Teachers - Wisconsin
Al Wearing, Blue Cross Blue Shield of Wisconsin
Mike Weber, Dean Health Plan
Tom Wendlick, Blue Cross Blue Shield of Wisconsin
Steve Werner, Wisconsin Professional Police Association
Allan Zimmerman, Navitus Health Solutions

Mr. Frankel, Chair, called the meeting to order at 8:36 a.m.

Mr. Frankel announced that Jim Pankratz would be acting as the designee of Karen Timberlake.

CONSIDERATION OF MINUTES OF AUGUST 24, 2004, MEETING.

MOTION: Mr. Baird moved approval of the minutes of the August 24, 2004, meeting as submitted by the Board Liaison. Ms. Olson seconded the motion, which passed without objection on a voice vote.

INCOME CONTINUATION INSURANCE (ICI) AND LONG-TERM DISABILITY (LTDI) INSURANCE PROGRAMS

Fourth Amendment – State and Local ICI Plan Revisions Effective 1/1/05

Ms. Koehn presented to the Group Insurance Board recommended revisions and changes to the State and Local Income Continuation Insurance plans. Staff recommends that the Board approve the revisions and changes to the State and Local ICI plans with an effective date of January 1, 2005. These amendments will allow staff to implement the previously approved ICI supplemental coverage and benefits, and incorporate the recommendations of the Board's ICI workgroup.

MOTION: Ms. Doleschal moved to approve the Fourth Amendment as submitted by the department. Mr. Blumer seconded the motion, which passed without objection on a voice vote.

Implementation Update: Supplemental ICI Coverage and Benefits

Ms. Koehn updated the Board on progress implementing the new ICI supplemental coverage provisions that provide increased maximum benefits for the State and Local ICI plans. The supplemental coverage is optional and employees who choose this pay the full premium for the additional benefit. This update was for informational purposes only.

ADMINISTRATIVE RULE PROCEDURAL CHANGE

Proposed changes in Administrative Rule-making process

Mr. Weber presented to the Board a proposed change in the administrative rule-making process. This process will apply to rules required for the administration of group health, long-term care, income continuation, life insurance and long-term disability insurance, or any other group insurance program that may be created in the future. The Department of Employee Trust Funds Secretary will be responsible for approving the Scope Statement and Notices of Submission and Public Hearing. The Board will be regularly informed of the status of the rule-making through each step of the procedure. The Board will be asked to approve the rule after receiving the Final Draft Report.

MOTION: Mr. Blumer moved approval of the changes to the rule-making process as recommended by the department with a stipulation that a status report on administrative rules in process be presented for the Board's information at each meeting. Ms. Hamblen seconded the motion, which passed without objection on a voice vote.

MISCELLANEOUS

Update on Local Annuitant Health Plan (LAHP) rates: Mr. Korpady reviewed the memorandum. The rates are provided annually in November, following the establishment of Medicare deductibles for the following year. This year's increase for the Medicare supplement Classic Blue is 13.68% and the increase for the under age 65 Copay Plan is 12.32%. This memo is for the Board's information only.

Report on Health Plan Employer Data and Information Set (HEDIS®) Consumer Assessment of Health Plans Survey (CAHPS®) results: This compares how well participating health plans perform to each other and to health plans nationwide. This is an informational piece and does not require Board action.

Claim Technologies Incorporated (CTI) Audit – Blue Cross Blue Shield of Wisconsin (BCBSWI): The CTI report and BSBSWI letter is provided for the Board's information only. No action is required. Overall BCBSWI is performing acceptably, better than average in the majority of areas that were measured, but less in others. Staff will follow up with BCBSWI to assure that all identified issues are corrected. No Board action required.

Letter from Minnesota Life Insurance Company (MLIC): Mr. Korpady presented a letter addressed to the Department of Employee Trust Funds from MLIC regarding their rating from Standard & Poor's. The letter indicates that MLIC continues to be one of the 16 most highly rated life insurers in America. For information only, no Board action required.

2004 Quality Improvement Plan Report: This report is for the information of the Board. Most health plans improved scores in multiple areas including how people rate their health plan and how people rate their health care.

Correspondence Summary: This summary is provided for informational purposes and contains a listing of issues raised by participants relating to insurance benefits under the authority of the Board. The information provided is from the period of August 1, 2004 to September 30, 2004.

Mr. Korpady informed the Board that the department has received several contacts from a number of municipalities regarding the Board's instruction to cease using opt-out incentive provisions. He has met with legislators to discuss this issue as well. There is a concern that employers are unable to remove the provisions from contracts because it must be negotiated through collective bargaining. Senator Ron Brown suggested that the Board consider grandfathering in those municipalities that currently have these provisions to continue as long as they don't increase the level of participation. The Board took no action at this time, but Mr. Korpady said staff would monitor this and bring the issue back before the board before taking action against any employer. Mr. Korpady also reported that these opt-out provisions may carry the same tax consequences as allowing employees to cash-out sick leave conversion credits instead of using them to pay for health insurance. If constructive receipt occurs, a tax liability issue could result. Mr. Korpady has asked Rob Weber to research the ramifications of the opt-out. Mr. Weber has advised that there may be a similar problem for local governments that have opt-out provisions. Constructive receipt means the entire amount of the incentive becomes taxable income for every member who would be eligible for the opt-out regardless of whether they took the opt-out or not.

Pending Appeals Status Report: The Group Insurance Board currently has 23 appeals pending.

Budget Summary: A copy of the summary of the Department of Employee Trust Funds 2005-2007 Biennial Budget request was provided to the Board. No Board action is required.

Management Changes: Rhonda Dunn has been appointed to the position of Executive Assistant. Pam Henning has been appointed Division Administrator for the Division of Management Services, formerly held by Ms. Dunn. Vicki Poole has recently been assigned the role of Director of Departmental Communications in addition to her current duties the Director of Planning and Legislation. Jean Gilding has been appointed as the Deputy Administrator of the Division of Retirement Services. Ms. Gilding formerly held the position of Administrator of the Division of Trust Finance and Employer Services. Julie Reneau resigned her position as Division Administrator for the Division of Retirement Services to accept a position as the Benefits Administrator for the Ohio Public Employees Retirement System.

The Board took a break at 9:10 a.m. and reconvened at 9:27 a.m.

HEALTH INSURANCE PROGRAM

Presentation by Blue Cross Blue Shield of Wisconsin (BCBSWI)

Rebecca Kapustay, CEO of BCBSWI discussed the Cobalt merger.

Lisa Halbach presented the 2003 Utilization Summary to the Board. The report summarized the healthcare utilization of the State of Wisconsin Employees and Wisconsin Public Employees members; compared statistics to normative data; assists in monitoring utilization patterns; and identifies ways to optimize the use of the health care benefits.

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) (a) and (e) for quasi-judicial deliberations and for deliberations which involve competitive bargaining aspects involving expenditure of public funds. ETF staff, Office of State Employment Relations staff and Office of the Commissioner of Insurance staff were invited to remain during that portion of the closed session that did not involve deliberation on the appeals. Mr. Fusie, Ms. Gibson, Ms. Godt and Ms. Thomas 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. Stats. § 19.85 (1) (a) and (e) for quasi-judicial deliberations and for deliberations which involve competitive bargaining aspects involving expenditure of public funds. Ms. Hamblen seconded the motion, which passed without objection on the following roll call vote:

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

Members Voting Nay: None.

The Group Insurance Board convened in closed session at 10:04 a.m. and reconvened in open session at 10:45 a.m.

ANNOUNCEMENT OF ACTION TAKEN ON BUSINESS DELIBERATED DURING CLOSED SESSION

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

Consideration of Re-Bid Process for Health Plan Administrative Services Contract

The Board approved the proposed Request for Proposals (RFP) for the Administrative Services Only (ASO) contract for the self-insured health plans for 2006 through 2008. The Board further approved the staff's request for authority to finalize the RFP as required subsequent to input from the Board.

Appeals

- **2003-105-GIB.** The Board adopted the hearing examiner's proposed decision with minor changes.
- **2004-009-GIB.** The Board adopted the hearing examiner's proposed decision.

ADJOURNMENT

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

The Group Insurance Board adjourned at 10:46 a.m.

Dated Approved: _____

Secretary: _____
Esther Olson