



STATE OF WISCONSIN
Department of Employee Trust Funds

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CORRESPONDENCE MEMORANDUM

DATE: August 1, 2005
TO: Group Insurance Board
FROM: Steve Grob, Manager, Optional Plans
SUBJECT: EPIC Dental and Excess Medical Plan Limited Enrollment and Rate Proposal

Staff recommends approval of an open enrollment and rate renewal request from EPIC Life Insurance Company (EPIC). The EPIC Dental and Excess Medical Insurance plan is an optional plan that has been approved by the Board for premium payment by payroll deduction under Wis. Stats., § 20.921 (1)(a) 3., and ETF10.20. Plans are reviewed under the Board's Guidelines for Optional Group Insurance Plans Seeking Group Insurance Board Approval for Payroll Deduction Authorization. This plan has been offered by EPIC since 1995 when it purchased the business from John Deere Life.

EPIC has requested approval to conduct a limited open enrollment for state employees this fall. The proposal provides a description of the open enrollment limitations including benefit reductions in the first two years following a deferred enrollment. The dental maximum benefits will be capped at \$350 and \$500 respectively, for the first two years. The purpose of these benefit reductions is to ensure that current subscribers will not have to subsidize late enrollees. In addition, EPIC will track the enrollment applications and prohibit previous state plan subscribers from enrollment at this time. The limited enrollment is designed to provide an opportunity to those who did not enroll when first eligible, and is not intended to provide state employees to opt in and out of the plan as opportunities arise. We note that without a limited open enrollment, there is no opportunity for a state employee to be covered if the initial enrollment opportunity upon hire is waived.

The proposal also includes a rate increase. Rates remained stable from January 1997 through January 2003 when benefits were revised and annuitant rates were decoupled from the active employees. EPIC has requested rate increases of 28% for annuitants and 14.2% for active employees.

Deloitte Consulting reviewed the EPIC proposal. A copy of their full analysis is attached. In their conclusion, Deloitte Consulting states that the rate increases are in line with current industry trends and are reasonable. Further, the benefit restructuring for late enrollees provides adequate assurance that the adverse experience caused by selection bias will be controlled.

Based on the review by staff and Board's actuary, we recommend accepting the EPIC proposal.

Reviewed and approved by Tom Korpady, Division of Insurance Services.
Signature _____ Date _____

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