



STATE OF WISCONSIN
Department of Employee Trust Funds

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CORRESPONDENCE MEMORANDUM

DATE: October 20, 2005
TO: Group Insurance Board
FROM: Arlene Larson Manager, Self-Insured Health Plans
SUBJECT: Local Annuitant Health Plan (LAHP) Rates 2006

This memo is for the Board's information only. No action is required.

LAHP is a fully insured plan provided by the Standard Plan administrator, WPS Health Insurance, pursuant to s. 40.51(10). LAHP was authorized in the statutes on July 1, 1988 as a health insurance program to offer individual coverage for those retiring local government employees and their dependents who are not offered a group plan by their municipal employer. The program is voluntary for retirees of employers who participate in the Wisconsin Retirement System. There is a Medicare supplement for those over 65 and a Preferred Provider Plan (PPP) for those under age 65. As many municipalities offer coverage for their annuitants, LAHP insures a very small population and is subject to adverse selection. The rates effective January 1, 2006 are attached, provided annually in November following the establishment of Medicare deductibles for the following year.

As presented at the August 30, 2005 Board meeting, the Local Annuitant Health Plan (LAHP) will adopt an age-rating premium structure for the Medicare Supplement subscribers while retaining current benefits; and for the non-Medicare LAHP subscribers, their benefits will change from the current comprehensive major medical program to a PPP. WPS states that this coinsurance change, and a cap on the deductible of 3 per family, are the only changes to the benefits of the entire LAHP program.

As previously discussed, age-rating the Medicare Supplement offers different rates to subscribers based upon their age. This type of rate structure is common among individual Medicare Supplements. This change results in a rate decrease for all our subscribers under age 75 and should make it more attractive to eligible individuals who are not currently enrolled. The rate changes from current, broken into the four age bands are:

65 to 67	-30%	70 to 74	-4%
68 to 69	-22%	75 and older	+9.03%

For retirees under age 65, we are introducing a PPP. The network will be identical to that offered under the State Standard PPP. The LAHP PPP will retain a \$250 individual deductible. However, instead of \$250 deductible per member, it will be capped at 3 per family. The deductible is followed by in-network coinsurance of 80%/20% to \$2,500/\$5,000 and out-of-network coinsurance of 60%/40% to \$2,500/\$5,000. The amounts are combined, so the maximum coinsurance out-of-pocket will be \$2,500/\$5,000 in total. The current coinsurance level is 80%/20% to \$2,400 for each family member covered. This plan provides members with a 2006 rate approximately 7% below current.

Encl.

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

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