

AGENDA AND NOTICE OF MEETING

STATE OF WISCONSIN GROUP INSURANCE BOARD MEETING

Tuesday, November 6, 2007
8:30 a.m.

Department of Employee Trust Funds
801 West Badger Road, Conference Room GB
Madison, Wisconsin

Documents for this meeting are available on-line at:

http://etf.wi.gov/boards/board_gib.htm

To request a printed copy of the agenda items, please contact
Sharon Walk at (608) 267-2417.

Times shown are estimates only

☛ Denotes action item.

- 8:30 a.m. **☛** 1. Consideration of Minutes of August 28, 2007, Meeting
- 8:35 a.m. **☛** 2. Proposed Scope Statement Concerning Amendments to Wisconsin Administrative Code ETF 11.11 Relating to Appointment of Board Counsel
- 8:40 a.m. 3. Miscellaneous
Legislative Update
Budget Update
Local Annuitant Health Plan (LAHP) 2008 Rates
Pending Appeals Report
Location of 2008 Meetings
Items for Future Discussion
- 8:50 a.m. **☛** *4. Appeals
2005-075-GIB
2006-065-GIB
- 9:25 a.m. 5. Announcement of Action Taken on Business Deliberated on During Closed Session
- 9:30 a.m. 6. Adjournment

* The Board may be required to meet in closed session pursuant to the exemptions contained in Wis. Stat. § 19.85(1)(a) for quasi-judicial deliberations.

If a closed session is held, the Board will reconvene into open session for further actions on these and subsequent agenda items.

The meeting location is handicap accessible. If you need other special accommodations due to a disability, please contact Sharon Walk, Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931. Telephone number: (608) 267-2417. Wisconsin Relay Service 7-1-1. e-mail: sharon.walk@etf.state.wi.us.

MINUTES OF MEETING
STATE OF WISCONSIN
GROUP INSURANCE BOARD

Tuesday, August 28, 2007

Sheraton Madison Hotel
706 John Nolen Drive
Madison, WI 53719

BOARD PRESENT: Stephen Frankel, Chair
Cindy O'Donnell, Vice-Chair
Esther Olson, Secretary
Robert Baird
Martin Beil
Jeannette Bell
Janis Doleschal
Jennifer Donnelly
Eileen Mallow
David Schmiedicke

BOARD NOT PRESENT: Gary Sherman

PARTICIPATING ETF STAFF: Dave Stella, Deputy Secretary
Tom Korpady, Administrator, Division of Insurance Services
Bill Kox, Director, Health Benefits and Insurance Plans Bureau
Robert Weber, Chief Legal Counsel
Sharon Walk, Group Insurance Board Liaison

OTHERS PRESENT: Greg Beck, Spectera
Barb Belling, Office of the Commissioner of Insurance
Marcia Blumer, Division of Insurance Services
Jeff Bogardus, Division of Insurance Services
Penny Bound, Dean Health Plan
Bob Conlin, Office of the Secretary
Liz Doss-Anderson, Division of Management Services
Phil Dougherty, Wisconsin Association of Health Plans
Jodi Dunaway, Mercy Care
Colleen Evans-Carter, CompCare Blue
David Fee, Humana
Caitlin Frederick, Department of Administration
Dean Groth, Managed Markets Pharmaceutical
David Grunke, Wisconsin Physicians Service Insurance Corporation
Timothy Gustafson, Deloitte Consulting
Emily Halter, Group Health Cooperative South Central
Ross Hampton, Wisconsin Education Association Trust
Ron Harms, Department of Employee Trust Funds
Sandy Hayes, Dean Health Plan
Pamela Henning, Division of Management Services

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Steve Hurley, Division of Management Services
Kathy Ikeman, Unity Health Insurance
Barbara Johnson, Security Health Plan
Nancy Ketterhagen, Office of the Secretary
Sari King, Division of Retirement Services
Jon Kranz, Office of Internal Audit and Budget
Arlene Larson, Division of Insurance Services
Julie Maendel, Deloitte Consulting
Ann McCarthy, Division of Management Services
Chris Mead, Navitus
Byron Mickle, Navitus
Nancy Nankivil Bennett, Office of the Secretary
Peg Narloch, Division of Insurance Services
Greg Nelson, Wisconsin Physicians Service Insurance Corporation
Bob Olafson, Minnesota Life Insurance Company
Paul Ostrowski, Office of State Employment Relations
Tom Pabich, Navitus
Patrick Pechacek, Deloitte Consulting
Ryan Pelz, Mercy Care
Roxanne Perillo, Humana
Paul Perkins, Group Health Cooperative
Diane Poole, Division of Insurance Services
Beth Ritchie, University of Wisconsin System Administration
Deb Roemer, Division of Insurance Services
Paul Romuald, Minnesota Life Insurance Company
Peter Roverud, Deloitte Consulting
Paul Rudeen, Minnesota Life Insurance Company
James Scearcy, Deloitte Consulting
Chris Schmelzer, Minnesota Life Insurance Company
Sam Schmirler, Gundersen Lutheran Health Plan
Ron Sebranek, Physicians Plus Insurance Corporation
Mel Sensenbrenner, State Engineers Association
Sonya Sidky, Division of Insurance Services
Brian Siegenthaler, Anthem Blue Cross/Blue Shield
Tammie Smithback, American Dental Plan of Wisconsin
Joan Steele, Division of Insurance Services
Jennifer Stegall, Office of the Commissioner of Insurance
John Verberkmoes, American Federation of Teachers-Wisconsin
Mary Walsh, Department of Transportation
John Vincent, Division of Trust Finance and Employer Services
Brandon Widell, United Health Care
Jack Wilson, University of Wisconsin System Administration

Stephen Frankel, Chair, Group Insurance Board (Board), called the meeting to order at 8:33 a.m.

ANNOUNCEMENTS

Mr. Korpady introduced Ann McCarthy, the new Board Liaison for the retirement boards. He also announced that the contract for actuarial services has been awarded to Deloitte Consulting.

MOTION: Mr. Frankel made the following motion on behalf of the Board: Move that the Group Insurance Board officially express its gratitude to Jim Searcy for his 11 years of dedicated service as the Board's lead consulting actuary. During his tenure, Mr. Searcy and his team have been instrumental in helping save the state hundreds of millions of dollars in health insurance premiums through implementation of the Pharmacy Benefits Manager program, negotiations with the health insurance plans, and development of the tiering structure. In addition, Jim has ensured that the Income Continuation Insurance and Long Term Disability Benefit programs remain and are on solid financial footings, and that the disability programs are actuarially sound. Through the years, Mr. Searcy has earned the deepest trust and highest respect of the Group Insurance Board and the other Wisconsin retirement boards to which he provides services. He has repeatedly dealt with very challenging issues with creativity, expertise, great aplomb and an excellent sense of humor. Further move that the Board extend its heartiest congratulations to Jim Searcy on his well-deserved retirement and wish him well in all things to come. Ms. Olson seconded the motion, which passed without objection on a voice vote.

CONSIDERATION OF MINUTES OF JUNE 12, 2007, MEETING

MOTION: Ms. Mallow moved approval of the minutes of the June 12, 2007, meeting as submitted by the Board Liaison. Ms. O'Donnell seconded the motion, which passed without objection on a voice vote.

MOTION TO CONVENE IN CLOSED SESSION

Mr. Frankel announced that the Board would convene in closed session pursuant to the exemptions contained in Wis. Stat. § 19.85(1)(e) for the purpose of discussing the use of public employee trust funds. Staff from the Department of Employee Trust Funds, the Department of Administration, the Office of the Commissioner of Insurance, the Office of State Employment Relations and Deloitte Consulting were invited to remain during 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 the purpose of discussing the use of public employee trust funds. Ms. Olson seconded the motion, which passed on the following roll call vote:

Members Voting Aye: Baird, Beil, Bell, Doleschal, Donnelly, Frankel, Mallow, O'Donnell, Olson, and Schmiedicke.

Members Voting Nay: None

The Board convened in closed session at 8:41 a.m. and reconvened in open session at 10:03 a.m.

HEALTH INSURANCE PROGRAM

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

- For the state plan, the overall rate of increase for the Standard Plan will be 5%. For the State Maintenance Plan (SMP), the increase will be 5%. For the Medicare + \$1,000,000 Plan, the increase will be 7%.
- For the local plans, there will be a 10% decrease in the Standard and SMP plans. For the Medicare + \$1,000,000, there will be an increase of 7%.
- The Board received information on dental plan changes.
- Arise Health Plan (formerly Prevea) will include dental benefits.
- The Board approved the qualification criteria, tiering criteria methodology, and the assignment of tiers for the plans.
- The overall rate of increase across the board is calculated in the state plan as an average weighted increase of 6.8%. For the local plan, the average weighted increase is 6.9%.

The Board took a break from 10:07 a.m. to 10:31 a.m. Mr. Schmiedicke left the meeting at the break.

LIFE INSURANCE PROGRAM ANNUAL REPORT

Paul Rudeen, Minnesota Life Insurance Company (MLIC), presented a summary of the overall highlights for 2006.

Mr. Rudeen presented three reports to the Board: 1) *2006 Policy Year Report*; 2) *Group Life Insurance Plan Coverages for State Employees and Their Spouses and Dependents*; and 3) *Group Life Insurance Plan Coverages for Local Government Employees and Their Spouses and Dependents*.

State Group Life Insurance Plan

Under the state portion of the program, the employee plan experienced moderately high claims, primarily as a result of waiver of premium disability claims. Claims on the spouse and dependent plan were somewhat high but showed improvement for the third consecutive year. Based on the analysis of recent experience, MLIC made the following recommendations:

1. Employee premium contribution rates be increased for additional insurance at all ages under 70;
2. Stop-loss rates be changed effective January 1, 2008; and
3. Spouse and dependent insurance benefits and premiums be continued at their current levels in 2008.

Local Government Group Life Insurance Plan

Mr. Rudeen reported that the local plan continues to experience steady growth. In 2006, nine local government employers entered the plan and twenty-nine participating employers increased the number of coverages offered to employees. Based on the analysis of recent experience, MLIC made the following recommendations:

1. Employee premium contribution rates be reduced in 2008 for basic, supplemental and additional insurance for ages 50 through 59;
2. Stop-loss rates be changed effective January 1, 2008; and
3. Spouse and dependent insurance benefits and premiums be continued at their current levels in 2008.

MOTION: Ms. Bell moved acceptance of the Life Insurance Program Annual Report and approval of the 2008 premium rates as recommended by MLIC. Mr. Baird seconded the motion, which passed without objection on a voice vote.

LONG-TERM DISABILITY INSURANCE (LTDI)

James Searcy of Deloitte Consulting, the Board's actuary, presented the *Long-Term Disability Insurance Plan 2008 Premium Development* report. He reported that the assets in the program are increasing about \$10 million per year due to investment earnings. The incurred claims reserve is growing at about \$18 million per year. Mr. Searcy indicated that the asset growth is slightly less than the liability growth and, as a result, the reserve for future claims (RFC) is beginning to decline slowly. He reminded the Board that it took action a number of years ago to utilize one-fifth of the RFC to offset premiums in any given year. To the extent that one-fifth of this number exceeds the premiums, the premium holiday would be extended.

Last year, when this report was presented, the Board asked Mr. Searcy to make a determination as to how long the premium holiday might last and how long the election window should be left open for the people continuously covered since 1992. In response to that request, Mr. Searcy presented a chart that showed what he believes may occur in the LTDI program. In 2007, claims are exceeding investment earnings. However, there is still a large enough RFC to permit a premium holiday. When this scenario ends, there will be a period of time during which there will be a small premium phasing in and, eventually, as the RFC drops, that premium will grow until it stabilizes the RFC. While Mr. Searcy acknowledges that it is very difficult to predict how long that time period will be, everything would lead an actuary to believe that it is a fairly extended period of time, possibly not before the year 2014. Mr. Searcy recommended that the election window continue to be left open and not force employees to make a choice at this time. He recommends that employees be permitted to make a choice at the time they become disabled, so they can make a more informed choice.

MOTION: Ms. Doleschal moved acceptance of the "Long-Term Disability Insurance Plan 2008 Premium Development" report and approval of the 2008 premium rates. Ms. Olson seconded the motion, which passed without objection on a voice vote.

CONSIDERATION OF 2008 OPTIONAL EMPLOYEE-PAY-ALL RATE ADJUSTMENT

Mr. Kox discussed the request from Spectera for a premium rate increase of 8%. He reported that the Board's actuary, Deloitte Consulting, concluded that the past experience indicates that the rate increase could be higher, but Spectera is offering a very favorable rate to the state program.

MOTION: Ms. O'Donnell moved to accept the Spectera premium rate increase of 8% and the requested open enrollment period to run concurrently with the Dual-Choice period. Mr. Beil seconded the motion, which passed without objection on a voice vote.

Mr. Kox presented a request from DentalBlue for a rate increase of 19.37% on average over the three plans DentalBlue has contracted for, and requested that open enrollment period run concurrently with the Dual-Choice period. Deloitte Consulting found that the dental cost trends in this program are running higher than average. Deloitte Consulting looked at the trend information and some of the other cost factors and found that it is not an unreasonable premium rate increase request.

MOTION: Ms. Mallow moved to accept the DentalBlue rate increase proposal and the requested open enrollment period to run concurrently with the Dual-Choice period. Ms. Olson seconded the motion, which passed without objection on a voice vote.

ADMINISTRATIVE RULES

Mr. Weber asked the Board for approval of the final draft report of Clearinghouse Rule 07-062, the service purchase rule. He explained that the Group Insurance Board oversees only a small portion of this rule dealing with the LTDI program.

MOTION: Ms. Doleschal moved to approve the portion of the final draft report of Clearinghouse Rule 07-062. Mr. Baird seconded the motion, which passed without objection on a voice vote.

Mr. Weber asked the Board for approval of the final draft report on Clearinghouse Rule 07-066 relating to hearsay evidence. This rule would permit the Board to make a finding of fact based upon hearsay to the same extent as allowed in state courts.

MOTION: Ms. Bell moved to approve the final draft report of Clearinghouse Rule 07-066. Ms. Olson seconded the motion, which passed without objection on a voice vote.

Lastly, Mr. Weber provided a brief description of an upcoming rule relating to survivor health insurance.

MISCELLANEOUS

Mr. Korpady referred the Board to several miscellaneous items contained in their packets. The first is a memo from Bill Kox and Joan Steele outlining technical changes to the

Guidelines and Uniform Benefits for the 2008 Benefit Year. He indicated that MetLife has withdrawn its long-term care proposal from consideration by the Board. Mr. Korpady advised the Board that the 2008 Board meetings will be held at the Holiday Inn on Fourier Drive. Further information will be provided to the Board members at the November meeting.

Mr. Korpady referred the Board to a letter that was distributed at the beginning of today's meeting. The letter is from a participant who is dissatisfied with the Beech Street network. Mr. Korpady reported that the Department is working with WPS to continue to expand the network in those areas of the country where the National Preferred Provider Network and Beech Street network may be inadequate.

ADJOURNMENT

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

The Board adjourned at 11:23 a.m.

Dated Approved: _____

Signed: _____

Esther Olson, Secretary
Group Insurance Board



STATE OF WISCONSIN
Department of Employee Trust Funds
 David A. Stella
 SECRETARY

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CORRESPONDENCE MEMORANDUM

DATE: October 18, 2007
TO: Group Insurance Board
FROM: David H. Nispel
SUBJECT: Approval Of Scope Statement Regarding Proposed Amendment to Wis. Admin. Code s. ETF 11.11

The Department of Employee Trust Funds (ETF) proposes to modify Wis. Admin. Code s. ETF 11.11, relating to appointment of legal counsel to advise the governing boards attached to the Department while the boards consider a final decision pertaining to an appeal. The Department requests approval of the attached Scope Statement. Approval of the Scope Statement is the first step in promulgating an administrative rule. The final version of the proposed rule will be submitted to the Group Insurance Board, and the other boards, in the Spring of 2008.

The proposed amendment covered by the Scope Statement concerns appointment of legal counsel by the Employee Trust Funds Board, Wisconsin Retirement Board, Teachers Retirement Board, Group Insurance Board, and the Deferred Compensation Board, and the nature of the legal representation provided to them during their consideration of final decisions pertaining to pending appeals.

Currently, board staff arranges for legal counsel to advise the boards from one of three sources: 1) the Department of Justice, if ETF is a party to the appeal; 2) ETF's chief counsel, if ETF is not a party to the appeal; and 3) outside counsel, if neither the ETF's chief counsel nor the Department of Justice are able to provide legal counsel. The current rule also prescribes a number of specific duties of the legal counsel.

The proposed amendment was prompted by the need to provide the boards with additional flexibility in the use of legal counsel. Under the proposed amendment covered by the Scope Statement, board staff may arrange for legal counsel for the boards as deemed necessary. In addition, the proposed amendment would eliminate the specific duties of the legal counsel contained in the current rule and simply provide that the legal counsel shall provide legal representation to the board.

Reviewed and approved by Robert J. Conlin, Deputy Secretary.	
_____ Signature	_____ Date

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Statement of Scope of Proposed Rule Department of Employee Trust Funds

The Department of Employee Trust Funds (ETF) gives notice pursuant to Wis. Stat. s. 227.135, that it proposes to modify an existing administrative rule, specifically Wis. Admin. Code s. ETF 11.11. The rule relates to legal counsel advising the boards that are attached to the Department while a board considers a final decision pertaining to an appeal.

DESCRIPTION OF RULE

The proposed modifications concern appointment of legal counsel by the Employee Trust Funds Board, Wisconsin Retirement Board, Teachers Retirement Board, Group Insurance Board, and the Deferred Compensation Board and the nature of the legal representation provided to these boards during their consideration of a final decision pertaining to a pending appeal.

POLICY ANALYSIS

Currently, board staff arranges for legal counsel to advise the above boards from one of three sources: 1) the Department of Justice, if ETF is a party to the appeal; 2) ETF's chief counsel, if ETF is not a party to the appeal; and 3) outside counsel, if neither the ETF's chief counsel nor the Department of Justice is able to provide legal counsel. The current rule also prescribes a number of specific duties of the legal counsel.

The proposed modifications were prompted by the need to provide the boards with additional flexibility in the use of legal counsel. Under the proposed modifications, board staff may arrange for legal counsel for the boards as deemed necessary. In addition, the proposed modifications will eliminate the specific duties of the legal counsel contained in the current rule and simply provide that the legal counsel shall provide legal representation to the board.

STATUTORY AUTHORITY

Wis. Stat. ss. 40.03 (2) (i) and 227.11 (2) (a) provide the authority for the proposed rule.

ESTIMATE OF AGENCY STAFF TIME TO DEVELOP RULE:

The Department estimates that state employees will spend 40 hours to develop this rule.

ENTITIES LIKELY TO BE AFFECTED BY THE PROPOSED RULE

The proposed modifications would affect the various boards attached to the Department, the Department itself, and the Department of Justice.

SUMMARY OF AND COMPARISON TO FEDERAL REGULATIONS

No specific federal regulation is implicated by this rulemaking. There is no impact on the provisions of the Internal Revenue Code regulating qualified pension plans. Similarly, there is no impact on Wis. Stat. s. 40.015, which requires that the Wisconsin Retirement System be maintained as a qualified plan.

I have reviewed this Statement of Scope and approve it for publication in the Administrative Register this _____ day of November, 2007.

David A. Stella, Secretary
Department of Employee Trust Funds

Revised Version of Wis. Admin. s. ETF 11.11 (with changes suggested by department)

ETF 11.11 Counsel for the board. (1) Board staff shall arrange for legal counsel to advise the board during its consideration of a final decision, ~~as follows:~~

~~(a) In any appeal to which the department is a party, legal counsel shall be requested from the department of justice.~~

~~(b) In any appeal to which the department is not a party, legal counsel shall be requested from the department's chief counsel.~~

~~(c) If neither the department of justice or the department's chief counsel are able to provide legal counsel, board staff shall follow the appropriate procedures for hiring outside counsel familiar with administrative law and ch. 40, Stats.~~

(2) Any legal counsel asked to represent the board under sub. (1) shall fully disclose any real or apparent conflict of interest to the board chair and state whether counsel is able to render objective advice to the board. The board chair may waive the conflict on behalf of the board.

(3) ~~Counsel to the board shall:~~

~~(a) Identify and explain the material issues of fact and the legal issues that it is necessary for the board to resolve in order to decide the appeal.~~

~~(b) Advise the board and answer board members' questions concerning the applicable law, specifically including limitations affecting the appeal or the board.~~

~~(c) Assess the proposed decision offered by the hearing examiner and explain how it resolves the legal and factual issues.~~

~~(d) Make a specific recommendation for the board action with respect to the appeal in the form of a motion a board member may offer for consideration.~~

~~(e) Advise the board during board deliberations on the legal considerations of alternative results discussed by the board, specifically including whether the result is contrary to law, beyond the authority of the board, unsupported by the evidence and matters officially noticed, based on hearsay or otherwise fails to meet the standards of this chapter for a final decision. Counsel shall assist the board in identifying and interpreting an ambiguous statute, including the legislative intent of the statute.~~

~~(f) Advise and assist the board by drafting legally sufficient revised findings of fact or conclusions of law as necessary to implement the board decision, including the explanation of any variance from the proposed decision, in the form prescribed in this chapter for a final decision.~~

Counsel appointed under sub. (1) shall provide legal representation to the board, including:

(a) advising the board during its deliberations and making specific recommendations for action by the board and

(b) drafting findings of fact and conclusions of law.



STATE OF WISCONSIN
Department of Employee Trust Funds

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SECRETARY

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CORRESPONDENCE MEMORANDUM

DATE: October 17, 2007
TO: Group Insurance Board
FROM: Arlene Larson, Manager, Self-Insured Health Plans
SUBJECT: Local Annuitant Health Plan Rates 2008

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

Attached are the rates for the Local Annuitant Health Plan (LAHP), effective January 1, 2008. LAHP is a fully-insured plan provided by the Standard Plan administrator, WPS Health Insurance, pursuant to s. 40.51(10) of the Wisconsin Statutes. It is available on an individual basis to local government retirees. The rate increase for the Medicare supplement and the under-age-65 Preferred Provider Plan (PPP) is 7.27%. Deloitte Consulting reviewed the renewal and determined that it was reasonable.

The LAHP was authorized under state law on July 1, 1988, as a health insurance program offering individual coverage for 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. The rates are provided annually in November, following the establishment of Medicare deductibles for the following year.

Because many municipalities offer coverage for their annuitants, LAHP insures a very small population and is subject to adverse selection. Enrollment seems to have stabilized after a decline from 2005. Currently, there are a total of 304 subscribers in the program. In 2006 there were 303 subscribers, and in 2005 there were 349. As of June, 2007, there were 291 subscribers enrolled in the Medicare Supplement, of whom 231 are age 75 and over. There are 13 subscribers enrolled in the PPP.

Attachments

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

Signature

Date

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CORRESPONDENCE MEMORANDUM

DATE: October 17, 2007
TO: Group Insurance Board
FROM: Sharon Walk
Board Liaison
SUBJECT: 2008 Meeting Location

At the August 2007 Group Insurance Board meeting, we informed you that the new location of 2008 Board meetings would be the Holiday Inn, 1109 Fourier Drive, Madison, WI. Attached you will find a map and directions to the hotel. As in the past, hotel reservations will be made for you if you have requested a room.

As a reminder, the 2008 Board meeting dates are:

Tuesday, February 12, 2008
Tuesday, April 15, 2008
Tuesday, June 10, 2008
Tuesday, August 26, 2008
Tuesday, November 4, 2008

Please feel free to contact me if you have any questions or concerns.

Reviewed and approved by Bob Conlin, Deputy Secretary.

Signature

Date

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CORRESPONDENCE MEMORANDUM

DATE: October 30, 2007
TO: Group Insurance Board
FROM: Tom Korpady, Administrator
Division of Insurance Services
SUBJECT: Humana Western

Enclosed for your information are a number of pieces of correspondence regarding state and university employee access to health care providers in the border region near Minneapolis and St. Paul, Minnesota.

If you have questions, please let me know.

Reviewed and approved by Robert J. Conlin, Deputy Secretary.

Signature

Date

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Wisconsin Physicians Service Insurance Corporation
1717 W. Broadway—P.O. Box 8190—Madison, WI 53708



THE EPIC LIFE INSURANCE COMPANY
A WPS Company

October 17, 2007

Ms Arlene Larson
Manager, Self Funded Health Plans
Wisconsin Department of Employee Trust Funds
P.O. Box 7931
Madison, WI 53707

Subject: 2008 LAHP Renewal

Dear Ariene,

Annually, WPS Health Insurance reviews the experience of the Wisconsin ETF LAHP plan.

This renewal is based on the actual past experience of this group adjusted for plan and demographic changes. WPS then projects forward to establish what we believe the base cost your new contract year will be. In addition, we evaluate our data on changes in costs of health care services from the provider community. We also consider the enrollment in this group, as well as the cost of administration and reserves. Upon completion of this process, we calculate the premiums for the new contract year which are attached.

Our Customer Service Representatives are specially trained to help you with any questions you may have about benefit coverage, or other service you may require. Do not hesitate to contact them with your concerns. Please remember to communicate to your employees any changes in benefits, which become effective January 1, 2008. If you should need help in this area, we are available to assist you.

Please do not hesitate to call me or Caroline with any question you may have on this renewal of other options. We value your business and look forward to continuing our relationship with you.

Cordially,

David A. Grunke CHC
Account Manager
WPS Administrative Services

cc: Caroline Berghammer



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CORRESPONDENCE MEMORANDUM

DATE: October 29, 2007
TO: Group Insurance Board
FROM: Jon Kranz, Director
Office of Internal Audit and Budget
SUBJECT: FY 2007-09 Department Biennial Budget Update

Attached is a summary of the fiscal year (FY) 2007-09 biennial budget that was signed into law as 2007 Wisconsin Act 20 by the Governor on October 26, 2007. The period covered by the budget is July 1, 2007-June 30, 2009.

Highlights of the biennial budget of interest to the Department of Employee Trust Funds and Group Insurance Board include the following:

- The provision of an additional 24.5 full-time equivalent (FTE) positions to address an increasing workload. The new positions are targeted for the following Department initiatives:
 - 14.5 FTE to address customer service issues associated with the increasing number of employees considering retirement.
 - 9.0 FTE to support efforts to re-engineer critical information technology systems (3.0 FTE permanent and 6.0 project FTE).
 - 1.0 FTE to enhance ombudsperson services.
- An increase of \$3.4 million in ongoing funding to cover increased costs due to membership growth, program complexity, and inflation.
- Provision of one-time funding to plan and implement new information technology applications.
- Increased ongoing funding to support the Department's Value-Based Health Care Purchasing initiatives.

The additional resources represent a 12.7 % increase in staffing levels and a 15.8 % increase in ongoing funding.

In addition, you will recall that a number of fringe benefit-related policy items proposed in various earlier versions of the budget would have had potentially negative effects on our participants. None of those provisions survived in the final version approved by the Legislature.

Reviewed and approved by Robert J. Conlin, Deputy Secretary.

Signature _____

Date _____

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The following is a select list of those policy items that generated the most concern:

- Statutory changes to the health insurance programs that could potentially erode the savings associated with the tiering of the employee share of health insurance premiums.
- Changes to the statutory process for establishing Wisconsin Retirement System (WRS) contribution rates.
- Modifications to the statutory provisions that allow employers to pick up some or all of the employee required WRS contributions.

A description of each initiative related to the Department, along with the final disposition, is included in the attachment. In addition, three tables that summarize the total position and funding request by fund source are included.

Please contact me at (608) 267-0908 should you desire any additional information.

Department of Employee Trust Funds
Summary of Fiscal 2007-2009 Biennial Budget Request

Updated October 29, 2007

2007 Wisconsin Act 20 Effective October 26, 2007

Segregated Trust Fund Dollars Only

	FTE	FY 2008	FY 2009
Base Budget (FY 2007)	193.10	\$21,513,600	\$21,513,600
ETF Request Over Base*	63.00	\$9,844,400	\$5,366,800
Governor's Recommendations**	18.5	\$7,457,900	\$3,294,100
Joint Committee on Finance	24.5	\$7,907,400	\$3,403,300
Legislature	24.5	\$7,957,400	\$3,503,300
Final Enacted Budget	24.5	\$7,957,400	\$3,503,300

* Includes new initiatives and standard technical adjustments

** Includes anticipated correction for Continuation of Critical Customer Service Function request

New Department Initiatives

1. Continuation of Critical Customer Service Functions

	FTE	FY 2008	FY 2009
ETF Request	51.0	\$4,535,900	\$4,222,800
Governor's Recommendations*	9.5	\$2,268,200	\$2,276,600
Joint Committee on Finance**	14.5	\$2,767,700	\$2,485,800
Legislature	14.5	\$2,767,700	\$2,485,800
Final Enacted Budget	14.5	\$2,767,700	\$2,485,800

* Includes an anticipated correction \$917,200 in FY 2008 and \$945,400 in FY 2009

** JCF approved a correction (from the Gov. recommendations) of \$870,800 in FY 2008 and \$945,500 in FY 2009

Funding and positions to address current work backlogs and anticipated workload growth due to the retirement of the "baby boom" generation. Addresses need to continue core customer service functions. Includes the conversion of 3.5 FTE GPR unfunded positions to SEG positions.

Governor's Recommendation: Provides 4.0 FTE permanent positions in FY 2008 and 5.5 FTE 4-year project positions in FY 2009 to accommodate the additional workload. Funding for the 5.5 FTE project positions will be placed in unallotted reserve with release contingent upon Department of Administration approval of an implementation plan submitted by ETF. Recommendations include the deletion of 3.5 FTE GPR positions that are currently not funded.

Joint Committee on Finance: Converts the 5.5 FTE project positions recommended by the Governor for FY 2009 to permanent positions that will be provided in FY 2008. Eliminates the requirement that the Department provide an implementation plan to the Department of Administration to release the associated funding for these 5.5 FTE positions. Provides an additional 5.0 FTE permanent positions beginning in FY 2008.

Legislature: Same as Joint Committee on Finance.

2. Governing Board Operational Flexibility

	FTE	FY 2008	FY 2009
ETF Request	0.0	\$0	\$0
Governor's Recommendations	0.0	\$0	\$0

Statutory changes to provide additional operational flexibility to better allow the Department and Board to fulfill their statutory and fiduciary obligations described in Chapter 40 of the Wisconsin State Statutes. Requested changes include:

- The ability to create or delete position authority based on workload demands (a passive review process similar to s. 16.505).
- Expenditure authority flexibility to ensure resources are available to meet the terms of the Trust (changing the primary administrative appropriation from an annual to an "all funds" continuing appropriation).
- Contracting flexibility to ensure that the Trust is administered at the lowest reasonable cost. This also includes the ability for the Board to appoint outside legal counsel without the approval of the Governor.
- The ability for the Board to establish and administer a compensation plan for the three unclassified executives of the Department. This will assist in attracting and retaining high quality Department leaders.

Governor's Recommendation: None of the items requested are included in the Governor's recommendations.

3. Continuation of Core Processes Reengineering

	FTE	FY 2008	FY 2009
ETF Request	9.0*	\$4,936,800	\$760,700
Governor's Recommendations	9.0*	\$4,936,800	\$760,700
Joint Committee on Finance	9.0*	\$4,936,800	\$760,700
Legislature	9.0*	\$4,936,800	\$760,700
Final Enacted Budget	9.0*	\$4,936,800	\$760,700

* Includes 6.0 2-year project FTE and 3.0 permanent FTE

Funding and positions to continue the replacement of legacy information technology systems coincident with the reengineering of core agency processes. Projects planned for the FY 2007-09 biennium include the completion of the Lump Sum Payment System and planning for the Health Insurance Eligibility and Enrollment System. In addition, the request includes 3.0 FTE positions for the maintenance of the current system used for health insurance processes. These positions will also be used to maintain the replacement system.

Governor's Recommendation: Same as the agency request except that funding will be held in unallotted reserve with release contingent upon Department of Administration approval of a plan submitted by ETF.

Joint Committee on Finance: Same as the Governor's recommendations with the addition of the following reporting and approval requirements: 1) Requires the Department to provide the Joint Committee on Finance (JCF) with copies of any materials submitted to the Department of Administration related to the release of funding from the unallotted reserve; 2) Places \$2,487,900 of funding associated with the lump sum payments project into the Committee's

supplementation appropriation with release contingent upon the submission of a final report on the design and implementation plan for this project. Release of funding would be handled via a 14-day passive review process. 3) Requires the Department to submit a final report to the Committee related to the implementation plan for the integrated health insurance enrollment, eligibility, and processing system. This report will also need to specify how the Department's plan will conform to yet-to-be developed Department of Administration standards for major information technology projects.

Legislature: Same as Joint Committee on Finance.

4. Manager of Medicare Part D

	FTE	FY 2008	FY 2009
ETF Request	1.0	\$59,400	\$63,300
Governor's Recommendations	0.0	\$0	\$0

Funding and a position to manage the Medicare Part D prescription drug benefit component of the Department's health insurance programs. This request also relates to the general increase in workload in the Health Benefits and Insurance Plans Bureau.

Governor's Recommendation: Not included in the Governor's budget recommendations.

5. Value-Based Health Care Purchasing Initiatives

	FTE	FY 2008	FY 2009
ETF Request	0.0	\$425,000	\$425,000
Governor's Recommendations	0.0	\$425,000	\$425,000
Joint Committee on Finance	0.0	\$375,000	\$325,000
Legislature	0.0	\$425,000	\$425,000
Final Enacted Budget	0.0	\$425,000	\$425,000

Funding to continue the Department's initiatives related to value-based health care purchasing. Projects planned for FY 2007-09 include continued support for the Wisconsin Health Information Organization's efforts to create a physician office visit database, contracting with the University of Wisconsin Medical School for the provision of medical advisor services to further Department efforts related to quality and overall value of health care, and pilot projects that offer a high potential for success (to be identified during FY 2007-09).

Governor's Recommendation: Same as the agency request.

Joint Committee on Finance: Same as the Governor and agency request with the following modification. Funding for the Wisconsin Health Information Organization was converted to one-time funding for both years and reduced to \$100,000 for FY 2008 and \$50,000 for FY 2009. The reduction reflects more current Department estimates regarding the amount and timing of these costs.

Senate: Same as the Joint Committee on Finance.

Assembly: Same as the Department request.

Legislature: Same as Assembly/Department request.

6. Ombudsperson Services

	FTE	FY 2008	FY 2009
ETF Request	2.0	\$118,800	\$126,500
Governor's Recommendations	1.0	\$59,400	\$63,300
Joint Committee on Finance	1.0	\$59,400	\$63,300
Legislature	1.0	\$59,400	\$63,300
Final Enacted Budget	1.0	\$59,400	\$63,300

Funding and positions to enhance services provided by the Department's ombudsperson services. 1.0 FTE position is associated with the increasing workload related to insurance related inquiries and complaints. 1.0 FTE position is associated with the expansion of this successful service to retirement related concerns from participants.

Governor's Recommendation: Provide 1.0 permanent FTE to address health insurance concerns.

Joint Committee on Finance: Same as Governor.

Legislature: Same as Joint Committee on Finance.

Summary of Department FTE Positions By Fund Source

	FY 2007 (Base)	FY 2008-09 Department Request	FY 2008-09 Governor	FY 2008-09 Joint Committee on Finance	FY 2008-09 Final Budget Act 20	Change Base to Final Budget
SEG Permanent	193.10	250.10	200.10	211.60	211.60	18.50
SEG Project	0.00	6.00	11.50	6.00	6.00	6.00
SEG Total	193.10	256.10	211.60	217.60	217.60	24.50
GPR Perm	3.50	0.00	0.00	0.00	0.00	(3.50)
All Funds Total	196.60	256.10	211.60	217.60	217.60	21.00

Summary of Department Budget Request By Fund Source Through the Final Budget (10/26/07)

	FY 2008	FY 2009
SEG Funding Adjusted Base (FY 2007)	\$21,513,600	\$21,513,600
Standard Technical Adjustments	(231,500)	(231,500)
<i>New SEG Funded Initiatives</i>	\$8,188,900	\$3,734,800
<i>Total SEG Funded Budget Request</i>	\$29,471,000	\$25,016,900
<i>GPR Funding Adjusted Base (FY 2007)</i>	1,832,600	1,832,600
Standard Technical Adjustments*	(282,200)	(513,900)
<i>Total GPR Funded Budget Request</i>	\$1,550,400	\$1,318,700
<i>All Funds Total</i>	\$31,021,400	\$26,335,600

* Includes JCF reduction to the GPR Supplement appropriation of \$14,900 in FY 2008 and \$12,800 in FY 2009. The reduction was based on an updated estimate provided by the Department.

FY = Fiscal Year - the state fiscal year begins July 1 and ends June 30.

FTE = Full-time Equivalent position

GPR = General Purpose Revenues – represents appropriations from the general fund; these are primarily funds derived from income and sales taxes.

SEG = Segregated Funds – for ETF, this represents appropriations from the Public Employee Trust Fund; the source of funds included employer/employee contributions and investment earnings.

Governor's Initiatives

1. Attorney Consolidation

	FTE	FY 2008	FY 2009
Governor's Recommendations	(1.0)	\$0	\$0
Joint Committee on Finance	-	-	-
Legislature	-	-	-

Governor's Recommendation: Transfer 1.0 FTE attorney position on 7/1/08 to the Department of Administration as part of a statewide attorney consolidation initiative. Funding associated with the transferred position will remain in the Department's base budget to procure legal services from the newly created Division of Legal Services in the Department of Administration.

Joint Committee on Finance: The Committee did not maintain this item in the budget bill.

Senate: Same as the Governor's recommendation.

Assembly: Same as the Joint Committee on Finance.

Legislature: Same as Joint Committee on Finance; maintains current law.

2. Domestic Partner Health Insurance Coverage

Governor's Recommendation: Modify the definition of a dependent for the purposes of the state group health insurance program to include a domestic partner. A domestic partner is defined as an individual who is in a relationship with another individual where both individuals are at least 18 years of age, neither individual is married or in another domestic partner relationship, the two individuals are not related by blood in any way that would prohibit marriage, the two individuals consider themselves to be members of each other's immediate family, and the two individuals agree to be responsible for each other's basic living expenses. This provision would be effective for coverage that begins on or after 1/1/09.

Joint Committee on Finance: The Committee did not maintain this item in the budget bill.

Senate: Includes the Governor's recommendation and provides that local governments that participate in the ETF administered Wisconsin Public Employer Health Insurance program can choose to provide domestic partner coverage.

Assembly: Same as the Joint Committee on Finance.

Legislature: Same as Joint Committee on Finance; maintains current law.

3. Provide State Employer Health Insurance Contribution After Two Months of Employment

Governor's Recommendation: Provide the state employer contribution for group health insurance premiums to eligible state employees not appointed to a limited-term position after two months of employment. Current law provides this contribution after six months of employment except for faculty and academic staff employed by the University of Wisconsin

System (contribution for these employees is provided upon hire). These provisions would be effective 7/1/08.

Joint Committee on Finance: Same as the Governor.

Senate: Same as the Joint Committee on Finance.

Assembly: Deletes the provision and maintains current law.

Legislature: Same as Senate/Joint Committee on Finance.

4. Modification of the WRS Benefit Calculation for Educational Support Staff

Governor's Recommendation: Modify s. 40.02 (17) to specify that participants employed as educational support staff qualify for one year of creditable service if they work at least 1,320 hours in that year. Increases the final average earnings calculated under the current statutory method for educational support staff by 25%. This provision also lowers the minimum number of work hours required for educational support staff to be considered a participating employee to 440 hours per year from the current amount of 600 hours.

Joint Committee on Finance: These provisions were deemed non-budget policy and deleted from the budget bill.

5. Health Care Quality and Patient Safety Council

Governor's Recommendation: Creates the Health Care Quality and Patient Safety Council as an attached Board to the Department of Health and Family Services. Designates the Secretary of the Department of Employee Trust Funds as one of the 20 members of the Council. The purpose of this new entity is to determine the most cost-effective means of implementing a statewide integrated or interoperable health care information system.

Joint Committee on Finance: The Committee did not maintain this item in the budget bill.

6. Coverage for Health Services Related to Autism and Related Conditions by Health Plans

Governor's Recommendation: Provides that health plans including the plans administered by the Group Insurance Board must include coverage for services related to autism and related conditions.

Joint Committee on Finance: These provisions were deemed non-budget policy and deleted from the budget bill.

Senate: Includes the Governor's recommendation.

Assembly: Same as the Joint Committee on Finance.

Legislature: Same as Assembly/Joint Committee on Finance; maintains current law.

7. Increased Minimum Coverage for Mental Health and Alcohol and Drug Abuse (AODA)

Governor's Recommendation: Increases the minimum coverage for mental health and AODA provided by health plans.

Joint Committee on Finance: These provisions were deemed non-budget policy and deleted from the budget bill.

Senate: Same as the Governor's recommendation.

Assembly: Same as the Joint Committee on Finance.

Legislature: Same as Assembly/Joint Committee on Finance; maintains current law.

8. One Percent Assessment on Hospital Revenues

Governor's Recommendation: Provides for up to a one percent assessment on hospital gross revenues replacing the current assessment on private-pay hospital patient revenues. The assessments will be deposited into the proposed Health Care Quality Fund. The revenues will be used to support the Medicaid program.

Joint Committee on Finance: Same as the Governor.

Senate: Same as the Joint Committee on Finance

Assembly: Deletes the provision and maintains current law.

Legislature: Same as Assembly; maintains current law.

9. Includes Certain Public Authorities in the Definition of a State Agency for the Purposes of Chapter 40

Governor's Recommendation: Modifies the definition of a state agency for the purposes of the WRS to include the Healthy Wisconsin Authority and the Health Insurance Risk-Sharing Plan Authority.

Joint Committee on Finance: The Committee maintained this item for the Health Insurance Risk Sharing Plan Authority with a technical adjustment that allows current employees to be immediately eligible for the employer contribution for state group health insurance. The Committee did not maintain any provisions related to the Health Wisconsin Authority in the budget bill.

Legislature: Same as the Joint Committee on Finance.

10. Healthy Wisconsin Authority

Governor's Recommendation: Creates the Healthy Wisconsin Authority which is a public authority and not a state agency. This provision directs the Healthy Wisconsin Authority to develop recommendations for providing reinsurance for catastrophic claims under health insurance policies.

Joint Committee on Finance: This item was not maintained in the budget bill.

11. Milwaukee County Retirement System Pension Obligation Bonds

Governor's Recommendation: Authorizes Milwaukee County to issue appropriation bonds on a one-time basis to pay all or a portion of the prior service liability of the Milwaukee County Retirement System subject to certain conditions. These conditions include enacting an ordinance to implement a five-year plan related to the payment of unfunded employee retirement benefits. This plan must ensure that future annual pension liabilities are funded on a current basis and must include quantifiable benchmarks to measure compliance with the plan.

Joint Committee on Finance: These provisions were deemed non-budget policy and deleted from the budget bill.

Joint Committee on Finance Initiatives

12. Actuarial Study of Military Credit Service

Joint Committee on Finance: Provide \$15,000 GPR to the Joint Survey Committee on Retirement Systems to fund costs associated with an actuarial study of the costs related to 2007 Senate Bill 19. This bill would modify the WRS provisions for military service credit eligibility including the removal of the requirement that the military service be performed prior to the 1974.

Legislature: Same as the Joint Committee on Finance.

Senate and Assembly Initiatives

13. Required WRS Contributions for Non-Represented State Employees

Assembly: Require that the state may not pay the first five percent of earnings related to the employee required WRS contribution for non-represented staff (including the University of Wisconsin faculty and academic staff). The provision would first apply to earnings paid on or after September 1, 2007. In addition, this provision prohibits the ETF Board from approving an employee required contribution rate of less than five percent.

Senate: Maintains current law.

Legislature: Same as Senate; maintains current law.

14. Required WRS Contributions for Local Government Employees

Assembly: Provides that a local government employer subject to the Municipal Employment Relations Act (MERA) may not pay the first three percent of the employee required WRS contribution for employees who first become a WRS participating employee on or after the effective date of the provision.

Senate: Maintains current law.

Legislature: Same as Senate; maintains current law.

15. Health Insurance Contributions for Non-Protective Category Employees

Assembly: Requires that state employees, except for protective occupation employees, be required to contribute 10% of the cost of state group health insurance premiums beginning with coverage effective January 1, 2008.

Senate: Maintains current law.

Legislature: Same as Senate; maintains current law.

16. Elimination of Sick Leave For Certain State Elected Officials

Assembly: Eliminates sick leave for legislators, judges, and state elected officials.

Senate: Maintains current law.

Legislature: Same as Senate; maintains current law.

17. Reduce Sick Leave Benefit for New Non-Protective State Employees

Assembly: Reduce the annual number of sick days provided to non-protective category state employees who begin employment after the effective date of this provision to six days. Current law provides 16.25 sick leave days annually to most employees.

Senate: Maintains current law.

Legislature: Same as Senate; maintains current law.

18. Authority of Local Government Employers to Select Group Insurance Plans

Assembly: Specifies that local government selection of health plans would be a prohibited subject of collective bargaining if the local government employer offers either a plan provided by the Group Insurance Board (GIB) or a plan substantially similar to one offered by the GIB. In addition, this provision would require the Office of the Insurance Commissioner to promulgate rules to be used in determining if a offered plan is substantially similar to one offered by the GIB.

Senate: Maintains current law.

Legislature: Same as Senate; maintains current law.

19. Health Insurance Coverage of a Full-Time Student on Medical Leave

Assembly: Requires health plans including plans offered by the GIB to continue to provide coverage to full-time student dependents who cease to be a full-time student as a result of a medical leave of absence. The coverage provided under these circumstances would continue for up to one year.

Senate: Maintains current law.

Legislature: Same as Senate; maintains current law.

20. Create the Health Wisconsin Authority and the Healthy Wisconsin Plan

Senate: Creates a public authority to design and administer a newly created health plan that would provide health care insurance to most non-Medicare eligible state residents (including state and local government employees). The plan would be funded via a combination of employer/employee assessments, premiums, co-insurance, and co-pays.

Assembly: Maintains current law.

Legislature: Same as Assembly; maintains current law.