AGENDA AND NOTICE OF MEETING

State Of Wisconsin
GROUP INSURANCE BOARD MEETING

Tuesday, August 26, 2008
8:30 a.m.

Holiday Inn
1109 Fourier Drive
Madison, Wisconsin

Times shown are estimates only.

8:30 a.m.	⬅	**1.**	**Consideration of Minutes of June 10, 2008, Meeting**
8:35 a.m.	⬅	**2.***	**Health Insurance Program** • Self-Insured Plans ✓ 2009 Rate Setting • Alternate Plans ✓ Dental Plan Changes ✓ Service Area Qualifications ✓ 2009 Tier Assignments
10:30 a.m.		**3.**	**Announcement of Action Taken on Business Deliberated During Closed Session**
10:35 a.m.	⬅	**4.**	**Life Insurance Program** • Life Insurance Annual Report • Recommendation for 2009 Premium Rates
10:55 a.m.	⬅	**5.**	**Long-Term Disability Insurance** • Long-Term Disability Insurance (LTDI) Plan Report
11:30 a.m.	⬅	**6.**	**Consideration of 2009 Optional Employee-Pay-All Rate Adjustment** • Epic • DentalBlue
11:55 a.m.		**7.**	**Miscellaneous** • Draft of Surviving Insured Dependent Administrative Rule • Optional Long-Term Care Insurance Program – Status Update • Correspondence and Complaint Summary • Pending Appeal Report • Future Items for Discussion
12:00 p.m.		**8.**	**Adjournment**

The documents for this meeting are available on-line at:

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

To request a printed copy of any of the above items, please contact the Board Liaison, Sharon Walk, at 608-267-2417.

*** The Board may be required to meet in closed session pursuant to the exemptions contained in Wis. Stats. § 19.85(1)(e) to discuss the use of public employee trust funds. If a closed session is held, the Board will reconvene into open session for further action 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, PO 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

DRAFT

STATE OF WISCONSIN
GROUP INSURANCE BOARD

Tuesday, June 10, 2008

Holiday Inn
1109 Fourier Drive
Madison, Wisconsin

BOARD PRESENT:
Stephen Frankel, Chair
Cindy O'Donnell, Vice-Chair
Esther Olson, Secretary
Janis Doleschal
Jennifer Donnelly
Eileen Mallow
David Schmiedicke
Gary Sherman

BOARD NOT PRESENT:
Robert Baird
Martin Beil

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

OTHERS PRESENT:
Jared Adair, Wisconsin Physicians Service Insurance Corporation
Vickie Baker, Division of Management Services
William Bathke, Wisconsin Physicians Service Insurance Corporation
Michelle Baxter, Division of Trust Finance and Employer Services
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
Christopher Burke, Aetna
Liz Doss-Anderson, Division of Management Services
Phil Dougherty, Wisconsin Association of Health Plans
Rhonda Dunn, Office of the Secretary
Lisa Ellinger, Division of Insurance Services
Kjirsten Elsner, Minnesota Life Insurance Company
Ralph Epifanio, Anthem Blue Cross Blue Shield
Colleen Evans-Carter, Compcare Blue
David Fee, Humana
Caitlin Frederick, Department of Administration
David Grunke, Wisconsin Physicians Service Insurance Corporation
Tim Gustafson, Deloitte Consulting LLP
Emily Halter, Group Health Cooperative South Central
Roni Harper, Division of Insurance Services

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Sandy Hayes, Dean Health Plan
Pamela Henning, Division of Management Services
Kathy Ikeman, Unity Health Insurance
Sari King, Division of Retirement Services
Scott Kowalski, Wisconsin Physicians Service Insurance Corporation
Jon Kranz, Office of Internal Audit and Budget
Bill Kumpf, Senior Care Insurance
Kevin Kumpf, Senior Care Insurance
Arlene Larson, Division of Insurance Services
Jo Musser, Wisconsin Physicians Service Insurance Corporation
Peg Narloch, Division of Insurance Services
Greg Nelson, Wisconsin Physicians Service Insurance Corporation
Tom Ohm, Wisconsin Physicians Service Insurance Corporation
Tom Olson, Wisconsin Physicians Service Insurance Corporation
Paul Ostrowski, Office of State Employment Relations
Tom Pabich, Navitus
Ryan Pelz, Mercy Care
Roxanne Perillo, Humana
Diane Poole, Division of Insurance Services
Gail Reckner, Security Health Plan
Deb Roemer, Division of Insurance Services
Lois Sater, Wisconsin Physicians Service Insurance Corporation
Chris Schmelzer, Minnesota Life Insurance Company
Ron Sebranek, Physicians Plus Insurance Corporation
Terry Seligman, Navitus
Mel Sensenbrenner, State Engineers Association
Sonya Sidky, Division of Insurance Services
Lindsay Sitek, Deloitte Consulting LLP
Joan Steele, Division of Insurance Services
Matt Stohr, Office of Legislation, Communications, and Planning
Jill Thomas, Office of State Employment Relations
Vaughn Vance, Wisconsin Education Association Trust
John Vincent, Division of Trust Finance and Employer Services
Essie Whitelew, Wisconsin Physicians Service Insurance Corporation
Robert Willett, Division of Trust Finance and Employer Services
Betty Wittmann, Division of Insurance Services

Stephen Frankel, Chair, Group Insurance Board (Board), called the meeting to order at 9:08 a.m.

ANNOUNCEMENTS

Mr. Korpady introduced Betty Wittmann, the new Manager of Optional Plans and Audit in the Division of Insurance Services, and Vickie Baker, the new Ombudsperson in the Quality Assurance Services Bureau (QASB).

CONSIDERATION OF MINUTES OF APRIL 15, 2008, MEETING

MOTION: Mr. Sherman moved approval of the open and closed session minutes of the April 15, 2008, meeting as submitted by the Board Liaison. Ms. O'Donnell seconded the motion, which passed without objection on a voice vote.

INCOME CONTINUATION INSURANCE (ICI) PROGRAM

Mr. Korpady introduced Tim Gustafon from Deloitte Consulting, the Board's actuary. Mr. Gustafson presented the *State Income Continuation Insurance Plan Actuarial Review as of December 31, 2007,* to the Board. As of the end of 2007, the state plan had assets of $62 million and liabilities of $64.8 million for a net fund balance of $(2.8) million. The asset balance does not include $13.8 million in deferred market gains which will be smoothed in over the next four years. The net fund balance of $(2.8) million represents 4.3% of the liabilities. The long-term target net fund balance is 15%-25%. The funding level improved in 2007 for the first time since 2004. Since the net fund balance is improving, no premium action is recommended on the state plan at this time.

MOTION: Ms. Olson moved to accept the actuary's report and recommendation to keep premium rates for the State Income Continuation Insurance Program the same as the previous year. Ms. Doleschal seconded the motion, which passed without objection on a voice vote.

Mr. Gustafson also presented the *Local Income Continuation Insurance Plan Actuarial Review as of December 31, 2007,* to the Board. He reported that the local plan is in a strong financial position, with assets of $24.1 million and liabilities of $3.8 million for a net fund balance of $20.3 million. No change to the local plan is recommended at this time.

MOTION: Ms. Doleschal moved to accept the actuary's report and recommendation to keep the premium rates for the Local Income Continuation Insurance Program the same as the previous year. Ms. Donnelly seconded the motion, which passed without objection on a voice vote.

UPDATE ON DISABILITY INSURANCE PLANS

Mr. Korpady introduced Christopher Burke, Aetna Group Insurance Account Executive. Mr. Burke reviewed the history of Aetna's relationship with the Board and the Department of Employee Trust Funds (Department). In 2007, Aetna continued to use the "claim owner" model (i.e., when a participant submits a claim, an adjudicator is assigned so that the member knows who is handling the claim). Mr. Burke noted that Aetna's approach for 2008 will continue to focus on good customer service, maintaining staffing strength and experience, and looking for program efficiency and enhancement opportunities.

The Board took a break from 9:50-10:00 a.m. Ms. Mallow joined the meeting at 10:05 a.m.

HEALTH INSURANCE PROGRAM

Wisconsin Physicians Service (WPS) Presentation to the Board

William Bathke, Executive Vice President and Chief Operating Officer of WPS, presented the *Health Care Utilization Summary* to the Board. In addition to an overview of the financial status of WPS, Mr. Bathke discussed the WPS corporate structure. Essie Whitelaw, Senior Vice President, Private Sector Claims Operations, provided an overview of WPS operations, including a comparison of performance results for 2006 and 2007. Jo Musser, Senior Vice President, Medical Affairs, reviewed integrated care management, the Centers of Excellence approach, and factors that affect costs for procedures such as bariatric surgery. Scott Kowalski, Vice President, Commercial Sales, summarized the presentation by reiterating WPS's commitment to the State of Wisconsin and the Board.

Technical Changes to 2009 Guidelines and Uniform Benefits

Mr. Kox noted that at the April 15, 2008, meeting, the Board granted Department staff the authority to proceed with any needed technical changes in the Guidelines and Uniform Benefits for the 2009 benefit year. He referred the Board to a memo in their packets and noted the following:

1. Language was added to clarify the definition of "student."

2. The per member per month (PMPM) charge that is used to pay for the dual choice booklets is reduced from $.09 to $.06.

3. Language was clarified to reflect that, by contract, the ability to change health plans upon meeting or exceeding the benefit lifetime maximum is extended to annuitants.

4. The definition of "Usual and Customary Charges" has been clarified.

Consideration of Contract Amendments for Self-Insured Health Plans

Mr. Kox discussed proposed changes to the Standard Plans. He summarized the changes as follows:

1. Immunizations. Staff recommends that preventive immunizations, such as the shingles vaccine, which are not covered by Medicare supplement plans, be covered by the Medicare Plus $1,000,000. The cost would be $.30 PMPM. To offset this cost, staff recommends limiting the skilled nursing facility benefit to a maximum of 120 days per benefit period, which will be equal to the Uniform Benefits plans. Mr. Kox noted that the inability to obtain a shingles vaccine has been an issue since it is covered by all plans that offer Uniform Benefits but is not available through the Medical Plus $1,000,000 plan.

2. Gastric Bypass Surgery. WPS reviewed its medical policy and recommends that the body mass index requirement for bariatric surgery be lowered from 40 to 35. This would bring the Standard Plan in conformance with industry trends.

3. Underwriting. At its April 15, 2008, meeting, the Board approved the underwriting process for prospective local government employers with 50 employees or fewer. WPS charges $1,200 for underwriting each group of 51 or more. Small group underwriting depends upon the size of the group and ranges from $100 to $550. Staff is concerned that this cost, if passed on to employers in its entirety, would create a barrier preventing small employers from joining the local government group and, therefore, recommends that the cost be absorbed by the current local participating groups. This service will help to protect the pool from adverse selection.

4. Alternative Care Provision. Staff recommends clarifying the current contract language regarding the Alternative Care provision by adding language that permits a physician to suggest such treatment. The language would also state that WPS has the final authority in determining if the alternative treatment is allowable.

5. Incidental Services and Indirect Services. The contract language would be updated to clarify the existing practice by adding a definition for Incidental Services and an exclusion for Indirect Services. Incidental Services are those that occur at the same time as another service, but do not add significant time or effort so the charge for that secondary service is denied. Indirect Services would include the creation of a laboratory's standards and the calibration of equipment.

6. Annual Out-of-Pocket Amounts. Language will be added to the schedule of benefits of the Standard Plans to specifically state that the overall annual out-of-pocket amounts do not include benefits for the treatment of alcoholism, drug abuse, and nervous and mental disorders. This language is consistent with current practice and Wis. Stat. § 632.89, on which it is based.

MOTION: Ms. Olson moved approval of the recommended changes to the Standard Plans contract for 2009. Ms. Doleschal seconded the motion, which passed without objection on a voice vote.

Financial Review of Alternate Health Providers

Mr. Korpady discussed the memo from Robert Willett, Chief Trust Financial Officer, regarding the financial statements of the Health Maintenance Organizations (HMOs) that have asked to participate in the state's group health insurance program in 2009. Mr. Willett noted that the overall financial condition of the HMOs has not changed significantly since 2007.

MOTION: Mr. Sherman moved to accept the recommendation of staff with respect to the HMO providers for 2009. Ms. Mallow seconded the motion, which passed without objection on a voice vote.

MISCELLANEOUS

Mr. Korpady referred the Board members to the miscellaneous items included in the Board packets. He reviewed the Correspondence and Complaint Summary and the Grievance Report

provided by QASB. He pointed out that Navitus continues to do an excellent job with respect to customer service. Complaints received by the Ombuds staff has declined each year since 2004. In 2007, Navitus had over 229,000 members but the Ombuds staff received only 53 complaints. For the third straight year, grievances for Humana's emergency room services were high, compared to all other plans. There have been discussions with Humana and some changes have been made to correct the problem. There were no reductions in emergency room grievances in 2006 and 2007. However, the first quarter of 2008 looks promising. Staff will continue to monitor this situation.

ADJOURNMENT

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

The Board adjourned at 10:53 a.m.

Dated Approved: _____

Signed: _____
Esther Olson, Secretary
Group Insurance Board

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

801 W Badger Road
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CORRESPONDENCE MEMORANDUM

DATE: August 4, 2008

TO: Group Insurance Board

FROM: Arlene Larson, Manager
Self-Insured Health Plans

SUBJECT: Plan Changes to the Optional Dental Benefits

This memo is for informational purposes only. No Board action is required.

This memo is provided to inform the Board that several health plans have proposed changes to their dental coverage effective January 1, 2009. This memo describes the changes. It should be noted that all alternate health plans for State employees will continue to offer dental coverage. For Wisconsin Public Employers (participating local government employers), eight plans will continue to offer dental coverage.

As described below, Medical Associates Health Plan has notified us that they will be increasing benefits. Group Health Cooperative - South Central Wisconsin is eliminating benefits for prosthodontic, endodontic and periodontic services for State employees only. Unity Community will eliminate coverage for root canal therapy. Benefit outlines provided by the plans are attached.

Benefit increase:

Medical Associates Health Plan (MA) is adding benefits for our members. In prior years, MA offered only coverage for cleanings, exams, x-rays and fluoride treatments. For 2009, they are adding some basic restorative and orthodontic benefits up to specific benefit maximums.

- The individual annual benefit maximum for all services, except orthodontia, will be $1,000.
- The orthodontia benefit limitation maximum will be $1,500 per lifetime.
- MA will cover basic restorative services (fillings) at 80% up to the annual maximum.
- Orthodontia will be covered at 50% up to the orthodontia benefit maximum for children who begin care by age 19.
- Sealants will also be covered for children through age 14 at 100% up to the annual maximum.

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

_____ _____
Signature Date

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Benefit decrease:

1. Group Health Cooperative - South Central Wisconsin (GHC-SCW) is eliminating coverage for prosthodontic, endodontic and periodontic services for State employees. After this change, the dental benefits offered by GHC-SCW will be identical for both State and Wisconsin Public Employer members.

2. Unity Community (UC) is clarifying that root canal therapy is not a covered benefit. Under some circumstances limited coverage for root canal therapy was previously provided. This caused confusion among our members and therefore the clarification is needed. It should also be noted that UC is clarifying language without any change to benefits for sealants, emergency treatment for pain and prefabricated crowns on primary teeth. Following this change, the dental benefits for UC and Unity UW will be identical.

Attachments

2009 Dental Benefits

Medical Associates Health Plans has expanded the dental plan offering for State of Wisconsin Employees and Retirees for 2009.

Dental Network: Open access to dental provider of choice

Annual Deductible: None

Annual Out-of Pocket Maximum (OPM): $1,000 per Member

Orthodontia Lifetime Maximum: $1,500 per Member

Diagnostic/Preventative Services-Covered at 100%, up to annual OPM

Routine Periodic Exams-Covered twice per calendar year.

Full mouth x-rays-Covered once in any three (3) year period.

Bitewing x-rays-Covered once in any calendar year.

Dental Prophylaxis (cleaning of teeth)-Covered twice per calendar year.

Topical Fluoride Applications-Covered twice per calendar year.

Basic Services

Sealants (age 14 & under, permanent teeth)-Covered at 100%, up to annual OPM

Restorative Amalgams (silver)- Covered at 80%, up to annual OPM

Restorative Compositions (tooth colored-front teeth only)- Covered at 80%, up to annual OPM

Orthodontia (children only-must start services by age 19)-Covered at 50%, up to lifetime orthodontia maximum $1,500

There is no dental network. You may use your dental provider of choice.

These dental benefits apply when covered dental charges are incurred by a member of Medical Associates Health Plans while covered under this contract.

Oral Surgery Benefits covered under the Uniform Benefit Plan must be obtained from a Medical Associates Participating Oral Surgery Provider.

Present your medical ID card when receiving dental services.

2009 Dental Plan Summary State of Wisconsin and Local Government (WPEG)

Group Health Cooperative of South Central Wisconsin (GHC-SCW)

Annual Deductible: None
Annual Benefit Maximum: None~~, except Endodontic, Periodontic and Prosthodontic Services~~
Lifetime Benefit Maximum: None, except Orthodontic Services

	Plan Pays	You Pay
Diagnostic and Preventive Services • Examinations • X-rays • Cleaning treatments twice per calendar year • Fluoride treatments twice per calendar year through age 15 • Topical applications of sealants through age 18 • Space maintenance for primary teeth (the first set of teeth) **Restorative Services** • Composite fillings for anterior teeth • Amalgam fillings for posterior teeth • Composite fillings for posterior teeth* • Stainless steel crowns for primary teeth (the first set of teeth) • Simple and surgical extractions ***NOTE: Composite fillings for posterior teeth will be covered at the amalgam filling cost with patient responsibility for the difference. Participant will need to pay this difference on the day of service.**	100%	0%
~~**Endodontic Services (excluding retreatments)**~~ ~~• Root canals~~ ~~**Periodontic Services**~~ ~~• Gingivectomy~~ ~~• Periodontal examination and evaluation~~ ~~• Periodontal scaling and root planing~~ ~~• Osseous grafting~~ ~~• Osseous surgery~~ ~~• Soft tissue grafts~~ ~~• Related specified services~~ ~~**Prosthodontic Services (excluding dental implants)**~~ ~~• Full dentures~~ ~~• Partial dentures~~ ~~• Crowns~~ ~~• Bridges~~	~~50% of the first $1,500 in billed charges (maximum payment by GHC-SCW of $750 per Participant per Calendar Year)~~	~~Balance~~
Orthodontic Services • Dependent children through age 18	50% of the first $3,500 in eligible charges (maximum payment by GHC-SCW of $1,750 per Participant per Lifetime)	50% of the first $3,500 in eligible charges; 100% thereafter
Anesthesia Services • Local anesthesia and analgesia for services related to covered procedures	100%	0%
Emergency Dental Examinations at Dental Health Associates during business hours	100%	0%

Note: Restorative dental services performed strictly for cosmetic purposes are excluded. Refer to GHC-SCW State Dental Plan Exclusions and Limitations on the back of this sheet for a complete listing of services that are excluded from coverage.

(over, please)

2009 Dental Plan Summary State of Wisconsin and Local Government (WPEG)

Group Health Cooperative of South Central Wisconsin (GHC-SCW)

What is the GHC-SCW State and WPEG Dental Plan?

The GHC-SCW State Dental Plan is a comprehensive dental benefit that is included as part of your health care plan at no additional cost.

Who is Covered under the GHC-SCW State and WPEG Dental Plan?

All State of Wisconsin Graduate Assistants and State of Wisconsin/WPEG employees, Annuitants, and Continuants and their eligible dependents enrolled in the GHC-SCW health care plan.

What is Covered under the GHC-SCW State and WPEG Dental Plan?

Please refer to the back of this page to see an outline of services covered under GHC-SCW State Dental Plan.

Where can I Receive Dental Services under the GHC-SCW State and WPEG Dental Plan?

All dental services MUST be obtained from Dental Health Associates in Madison. For an appointment, call Dental Health Associates at:

49 North Walbridge Ave., (608) 246-2555
7017 Old Sauk Road, (608) 833-1889
2971 Chapel Valley Road, (608) 661-6400
7001 Old Sauk Road, (608) 833-2578

Tell the receptionist you have coverage through the GHC-SCW State Dental Plan. When you arrive, present your GHC-SCW ID card. This is the same card used to obtain medical services.

Who do I contact with questions regarding the GHC-SCW State and WPEG Dental Plan?

Please direct any questions about the GHC-SCW State Dental Plan to the GHC-SCW Member Services Department at (608) 828-4853 or (800) 605-4327.

State and WPEG Dental Plan Exclusions & Limitations

- Prosthodontics (e.g. bridges, crowns, caps, dentures)
- Endodontics (e.g. root canals)
- Periodontics
- Deep scale cleaning
- Services from dentists not affiliated with GHC-SCW State Dental Plan
- Emergency out-of-area treatment in excess of $150
- Cosmetic procedures
- Services with respect to any disturbance of TMJ
- Gold foil restorations
- Experimental or investigational procedures
- Oral surgical procedures covered under another plan
- Drugs or administration of drugs
- Hospital or physician services
- Services covered under Workers' Compensation or Employer's Liability Laws
- Treatment provided before coverage was in effect or after coverage is terminated
- Services furnished without charge
- Services, procedures, or amounts not specifically identified as covered

NOTE: This is only a summary of benefits, exclusions and limitations and is subject to the terms and conditions of the contract. Specified oral surgery procedures are available under the medical plan. GHC-SCW does not discriminate on the basis of disability in the provision of programs, services or activities. If you need this printed material interpreted or in an alternative format, or need assistance in using any of our services, please contact GHC-SCW Member Services at (608) 828-4853; TDD (608) 828-4815

Group Health Cooperative
of South Central Wisconsin
1265 John Q. Hammons Drive
P.O. Box 44971
Madison, WI 53744-4971

(over, please)

Unity Health Insurance
UW Health and Community Networks

Deductibles:

Per Person, per Benefit Accumulation Period:	$0.00
Per Family, per Benefit Accumulation Period:	$0.00

Benefit Maximums:

Per Person, per Benefit Accumulation Period:	$1,000.00
Orthodontic Maximum Benefit per Lifetime Per Dependent Child to age 19:	$1,500.00

As a Unity Health Insurance Delta Dental subscriber it is important to note that benefits are provided only when you see a Delta Dental Dentist. Delta Dental PPO dentists agree to accept payment based on a reduced schedule, which means your out-of-pocket costs may be less.

Benefits:	**Delta Dental PPO**	**Delta Dental Premier**
Diagnostic and Preventive Procedures	**100%**	**100%**
Basic Restorative Procedures	**100%**	**100%**
Orthodontic Procedures	**50%**	**50%**

After you have satisfied the deductible requirements as stated, the program provides payment at the indicated percentage of fees, up to the maximum stated for each eligible person in each benefit accumulation period. A benefit accumulation period is a 12-month period of time over which deductibles (if any) and maximums apply. The benefit accumulation period is January 1 through December 31.

Covered Procedures

Please see the Summary of Benefits page for the coverage percentage for each category.

Covered procedures are subject to the limitations described within each coverage category below and the Exclusions outlined later.

Diagnostic and Preventive Procedures

1. Examinations – two per year.
2. Full mouth x-rays, which include bitewing x-rays, at 3-year intervals. Full mouth x-rays may be either individual films or panoramic film.

3. Bitewing x-rays two per year, limited to a set of 4 films.
4. Dental prophylaxis (teeth cleaning) – two per year.
5. Topical fluoride applications two per year for dependent children to age 19.
6. Space maintainers for retaining space when a primary tooth is prematurely lost.
7. Topical application of sealants for dependent children through the age of 15 years. Application is limited to the chewing surface of permanent teeth and benefits are limited to one (1) application per tooth per lifetime.
8. **Palliative (emergency) treatment of dental pain – minor procedure**

Basic Restorative Procedures

1. Extractions – nonsurgical
2. *a.* Amalgam (silver) restorations;
   b. composite (tooth-colored) restorations in anterior (front) teeth;
   c. stainless steel prefabricated crowns — 1 per primary tooth in a 3-year period.
3. Local anesthetic as part of a dental procedure.
4. Simple endodontics — pulpotomy, pulp caps, and pulpal therapy (pulpotomy related to root canal procedure is excluded).

Orthodontic Procedures

Orthodontic services include orthodontic appliances and treatment, and related services for orthodontic purposes, including examinations, x-rays, extractions, photographs and study models, for persons eligible as stated on the Summary of Benefits page.

Your coverage includes orthodontic treatment in progress. Delta Dental's payment for orthodontic treatment in progress extends only to the part of the treatment plan that occurs after your coverage becomes effective.

Repair or replacement of orthodontic appliances is not covered by this dental plan.

If orthodontic treatment is stopped for any reason before it is completed, Delta Dental will pay only for services and supplies actually received. No benefits are available for charges made after treatment stops.

Delta Dental calculates all orthodontic treatment schedules according to the following formula: One-fourth of the total case fee is considered the initial, or down-payment, fee. The remainder of the allowed fee is divided by the total number of months of treatment. Monthly payments are made by Delta Dental at the coverage percent stated on the Summary of Benefits page.

STATE OF WISCONSIN
Department of Employee Trust Funds

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Madison WI 53707-7931

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CORRESPONDENCE MEMORANDUM

DATE: August 12, 2008

TO: Group Insurance Board

FROM: Marcia Blumer, Program Manager
WPE Group Life Insurance Program

SUBJECT: Wisconsin Public Employers (WPE) Group Life Insurance
2007 Policy Year Report and Recommendations

Attached are the WPE Group Life Insurance program 2007 Policy Year Report and the plan reports and recommendations for the state and local government life insurance plans. The significant results of the 2007 policy year operations are highlighted in a letter from Bob Olafson and Paul Rudeen of Minnesota Life Insurance Company (MLIC) found inside the Policy Year Report. More detailed information regarding the 2007 plan experience and MLIC's recommendations for 2009 can be found in the separate state and local government plan reports.

Recommendation

Staff supports the recommendation of MLIC to maintain the employee and employer premium contribution rates, the Spouse and Dependent benefits and premium rates, and the stop-loss rates at their current levels in 2009.

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

Signature _____ Date _____

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Deloitte.

The State of Wisconsin Group Insurance Board & Employee Trust Funds Board

Long-Term Disability Insurance Plan 2009 Premium Development As of December 31, 2007

Prepared By:
Timothy D. Gustafson, FSA, MAAA
Deloitte Consulting LLP

Table of Contents

I. Introduction

The purpose of this report is to summarize our actuarial review of the Long Term Disability Insurance ("LTDI") Plan. Included are a brief review of the Plan's experience during 2007, development of 2009 LTDI premiums, a summary of benefits paid and corresponding reserves, and an estimate of the Plan's Reserve for Future Claims ("RFC", or the fund surplus of the Plan).

The results of our review indicate that the LTDI Plan is in a strong financial position, with assets of $325,385,011 and estimated liabilities of $135,756,290. The asset balance does not include $2.0 million in deferred market losses which will be smoothed over the next four years. The RFC has decreased in each of the last four years, primarily due to the Plan receiving no contributions for each of those years.

We recommend that contributions not be reinstated at this time.

In preparing this report, we have relied on claim information provided by Aetna and the Department of Employee Trust Funds. We have not audited this information, but have relied on it as submitted after making reasonableness checks as we deemed appropriate under the circumstances.

Deloitte Consulting LLP ("Deloitte Consulting") and Gabriel, Roeder, Smith & Co. ("GRS") shared the development of the LTDI numbers for December 31, 2007. The results of the GRS work are contained in a separate document. This report contains the Incurred Claims Reserve and the recommended premium rates for 2009, both of which were developed by Deloitte Consulting. Additional items, developed by GRS, are displayed in this report as required to support the recommended premiums.

II. 2007 Experience and Highlights

	12/31/2007	12/31/2006	12/31/2005	12/31/2004	12/31/2003	12/31/2002
LTDI Beg Assets	$309,687,976	$296,747,117	$289,288,911	$277,654,620	$266,967,728	$260,550,273
Closing Adjustments	($2,574,197)	($2,075,655)	($76,319)	($380,135)	($799,976)	$417,059
Contributions	$0	$0	$0	$0	$0	$0
Inv Earnings	$37,442,701	$28,493,846	$18,444,252	$21,943,394	$19,403,498	$12,394,761
Paid Claims	$17,774,253	$12,329,911	$9,863,169	$8,817,188	$7,039,042	$5,592,879
Expenses	$1,397,216	$1,147,421	$1,046,558	$1,111,780	$877,588	$801,486
LTDI Ending Assets	$325,385,011	$309,687,976	$296,747,117	$289,288,911	$277,654,620	$266,967,728
Incurred Claims Reserve	$135,756,290	$108,286,975	$90,302,382	$71,254,858	$53,950,828	$43,806,162
RFC	$189,628,721	$201,401,001	$206,444,735	$218,034,053	$223,703,792	$223,161,566
Regular Premium (% of payroll)	0.20%	0.19%	0.21%	0.22%	0.22%	0.24%
RFC Adjustment	-0.20%	-0.19%	-0.21%	-0.22%	-0.22%	-0.24%
Recommended Premium Rate	None - 2009	None – 2008	None – 2007	None – 2006	None – 2005	None – 2004

The funded status of the LTDI plan decreased slightly as evidenced by the approximately $11.8 million decrease in the Reserve for Future Claims ("RFC"). While the Plan's assets increased by 5.1%, the Incurred Claims Reserve (which includes both the Disabled Life and IBNR reserves) increased by 25.4%, which results in a decrease in the RFC from year end 2006 to year end 2007. The 25.4% Incurred Claims Reserve increase is explained in part by growth in both the number of open claims (increased 18.3% over the prior year) and the average net benefit (increased 5.1% over the prior year). As premiums have been suspended since 1999, we would expect the fund balance to decrease if the sum of the paid claims and the increase in the Incurred Claims Reserve is more than investment earnings. The Reserve for Future Claims does not include deferred market losses of $2.0 million in 2007 which will be smoothed into the asset balance over the next four years. This large positive Reserve for Future Claims will enable the Plan to continue to suspend premium payments for another year.

III. Development of 2009 LTDI Premiums

Based Upon the 5-Year Adjustment of the RFC as of December 31, 2007

			Protective		
	General	**Executive & Elected**	**With Social Security**	**Without Social Security**	**Total**
$ in Millions					
1) Payroll	$10,277.9	$94.6	$1,035.6	$173.7	$11,581.8
2) RFC	154.6	1.3	26.8	7.0	189.6
%'s of Active Member Payroll					
3) Regular Premium	0.18%	0.16%	0.31%	0.48%	0.20%
4) RFC Adjustment: 20% x (2)/(1)	(0.30)	(0.27)	(0.52)	(0.80)	(0.33)
5) 2009 LTDI Rate	0.00%	0.00%	0.00%	0.00%	0.00%
Prior Year Rate	0.00%	0.00%	0.00%	0.00%	0.00%

*Items 1, 2, & 3 provided by GRS

2009 Premium Recommendation:

The 2009 premium rates shown above are based upon a continuation of the 20% (5 year) adjustment to the Reserve for Future Claims that was adopted by the Board in connection with the development of the 1996 rates and continued thereafter. The assets as calculated under this methodology have been sufficient to temporarily suspend premiums since 1999.

Premium rates merely designate amounts to be transferred from the WRS retirement fund to the LTDI fund, so reductions in premium rates only result in a different allocation of funds and not in a reduction in amounts collected. The plan continues to be well funded as evidenced by the large positive Reserve for Future Claims. The current funded status allows for substantial lead time for any changes necessary in the allocation of funds, in the event that claim levels increase dramatically in 2010 or beyond.

We recommend continuing the indefinite premium suspension as the the Plan continues to have a large positive fund balance.

IV. Benefits Being Paid and Reserves

By Year of Incurral as of December 31, 2007

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Total
General & Teachers																
Number	4	6	9	19	11	41	43	52	59	85	140	105	173	216	116	1,079
Annual Benefits	74,232	108,768	118,087	273,758	146,699	611,363	650,577	611,682	669,151	1,093,073	1,816,320	1,233,975	2,069,706	2,688,979	2,568,621	14,734,990
Actuarial Present Value	376,002	477,012	801,889	1,425,688	771,352	3,582,993	4,128,412	3,614,352	4,769,828	7,705,985	11,763,527	9,307,077	16,146,117	21,685,719	18,481,990	105,037,944
Local Elected Official																
Number	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Benefits	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Actuarial Present Value	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Prot w/Social Sec																
Number	0	0	0	0	0	0	0	0	0	2	0	2	3	7	5	19
Annual Benefits	0	0	0	0	0	0	0	0	0	6,176	0	34,257	62,495	97,939	88,853	289,720
Actuarial Present Value	0	0	0	0	0	0	0	0	0	25,298	0	256,617	515,258	978,267	1,349,732	3,125,173
Prot w/out Social Sec																
Number	0	0	0	0	0	0	0	0	1	0	0	1	0	0	0	2
Annual Benefits	0	0	0	0	0	0	0	0	18,297	0	0	23,288	0	0	0	41,585
Actuarial Present Value	0	0	0	0	0	0	0	0	276,296	0	0	165,619	0	0	0	441,915
Totals																
Number	4	6	9	19	11	41	43	52	60	87	140	108	176	223	121	1,100
Annual Benefits	74,232	108,768	118,087	273,758	146,699	611,363	650,577	611,682	687,448	1,099,248	1,816,320	1,291,520	2,132,200	2,786,918	2,657,474	15,066,295
Actuarial Present Value	376,002	477,012	801,889	1,425,688	771,352	3,582,993	4,128,412	3,614,352	5,046,124	7,731,283	11,763,527	9,729,314	16,661,375	22,663,986	19,831,722	108,605,032

V. Development of Reserve for Future Claims (RFC)

December 31, 2007

LTDI Assets	$325,385,011
Actuarial Present Value of:	
Claims in payment status as of December 31, 2007	$108,605,032
Incurred but not reported claims (IBNR reserve)	27,151,258
Total Incurred Claims Reserve	$135,756,290
Reserves for Future Claims (RFC)	$189,628,721

The IBNR reserve amount is 25.0% of the total LTDI claims in payment status liability. The total liability increased 25.4% from 2006. The increase is due to a growth in the number of claims, as well as a 5.0% increase in average net benefit. The increases in open claims and liability are similar to the increases seen from 2005 to 2006.

Appendix 1

Assumptions

Mortality: The projected future benefit stream is reduced for mortality. The Wisconsin Projected Experience Table – 93 is used; 98% of male mortality and 97% of female mortality.

Set Forward: Male mortality is adjusted by incorporating a 12 year set forward (males only).

Recovery: No recoveries are assumed in the projected future benefit stream.

Benefit Period: Projected benefits cease at age 65.

Interest: 4.8% (which approximates a 7.8% valuation rate (reduced from 8% on February 1, 2004) with 3% annual benefit increases) is used to discount the projected future benefit stream to the valuation date.

IBNR: 25% of the Reserve for reported claims (reduced from 30% in 2005 to reflect the pattern of decreasing actual IBNR to total LTDI claims in payment status, the factor had been reduced from 35% to 30% in 1999).

Eligibility: 1) Employees who begin or resume covered WRS employment on or after October 16th, 1992 or 2) employees who have been continuously employed under the WRS since before October 16th, 1992, and are eligible for coverage under the WRS disability program, but elect coverage under the LTDI program. (At the 2007 Group Insurance Board meeting, the Board voted to extend the open election between programs indefinitely.)

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CORRESPONDENCE MEMORANDUM

DATE: August 11, 2008

TO: Group Insurance Board

FROM: Betty Wittmann, Manager
Optional Insurance Plans and Audits

SUBJECT: EPIC Dental, Excess Medical, and Accidental Death & Dismemberment (AD&D) Plan Special Enrollment, Benefit and Rate Increase Proposal

Recommendation:
Staff recommends approval of a request for increased Dental and AD&D benefits along with a premium rate increase from EPIC Life Insurance Company (EPIC).

Background:
The EPIC Dental, Excess Medical and AD&D 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, Wis. Admin. Code. 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 1994.

Overall utilization of the EPIC plan has been steady for the last three years with over 90% of the reported claims coming from the dental portion of the plan.

Discussion:
EPIC is proposing a rate increase to take effect January 1, 2009 and run through December 31, 2010. EPIC has requested overall rate increases of 23.9% for annuitants and 29.5% for active employees. The increase consists of 86.5% for increased benefits and 13.5% for overall cost increases. The summary of the proposed rates begins on page 2 of the attached Deloitte memo.

EPIC has indicated it will conduct an open enrollment for all state employees this fall. This is in response to requests from payroll representatives and participants. The proposal provides a description of the open enrollment which will also include a benefit increase for the AD&D and the Dental Plan. However, the proposal does not change the Excess Medical plan.

The AD&D benefit currently offers a full employee benefit of $5,000 and a partial benefit of $2,500. EPIC is proposing to double the benefits to a full employee benefit of $10,000 and a partial benefit of $5,000 for non-annuitants only, with no change to the annuitants' AD&D benefit.

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

_____ _____
Signature Date

Board	Mtg Date	Item #
GIB	8/26/2008	6

The Dental benefit currently has a $200 deductible for major dental services followed by 50% coverage of the next $1,500. EPIC is proposing to lower the deductible to $75 along with increasing the maximum full benefit from $750 to $1000 per year.

EPIC's open enrollment will provide an opportunity for those who did not enroll when first eligible, along with those who have previously dropped the plan. For these enrollees, the dental benefits will be capped at $500 and $750 respectively for the first two years, with full benefits starting in the 3rd year and no orthodontic coverage available during the first 24 months. The purpose of these benefit reductions is to ensure that current subscribers will not have to subsidize late enrollees.

Deloitte Consulting reviewed the EPIC proposal and a copy of its full analysis is attached. EPIC's original proposal used a rate methodology for the AD&D, Excess Medical and Dental plans separately. Consistent with the rate increase proposed several years ago, the loss ratio was 72%. Our guidelines require a 75% loss ratio unless the higher retention is justified. In Deloitte's review, it was determined the 72% loss ratio continues to be reasonable based on the low level of premiums associated with these plans compared to the industry standard. However, due to EPIC's reported loss ratio around 65% for the last two years it was requested that they combine the claims experience for the three plans to determine the final proposed rate increase.

In its 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 the Board's actuary, we recommend accepting the EPIC proposal.

Department staff will be at the August 26, 2008, Board meeting to answer any questions you may have.

Deloitte.

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August 4, 2008

Ms. Betty Wittmann
Manager, Optional Insurance Plans & Audits
Division of Insurance Services
Department of Employee Trust Funds
801 West Badger Road
Madison, WI 53702

Re: Assessment of Premium Increase for Optional Plan – EPIC Dental, Excess Medical Plan and Accidental Death and Dismemberment Plan

Dear Betty:

As requested by the State of Wisconsin Department of Employee Trust Funds we have reviewed the information submitted by the EPIC Life Insurance Company (EPIC) for the Dental, Excess Medical Plan and Accidental Death and Dismemberment (AD&D) plan. EPIC has underwritten this voluntary, payroll-deduction supplemental plan, offered to employees of the State of Wisconsin, since 1994. This plan is primarily a dental plan with over 90% of the claims paid for dental benefits.

EPIC is requesting an overall increase of 29.5% for non-annuitants and 23.9% increase for annuitants. The majority of the rate increase is attributable to an increase in benefits. Approximately 26% out of the 29.5% (or roughly 88%) of the non-annuitant increase is due to an increase in dental benefits, whereas approximately 3.5% is due to claim experience. Based on our analysis, we believe the proposal is reasonable and within the Group Insurance Board's guidelines. EPIC's rate increase due to benefit changes and trend are appropriate and within our expected thresholds. Additionally, EPIC is using a claims target loss ratio of 72% to develop their needed rate increase, which is calculated separately from the proposed benefit changes. Based on the lower premium levels (compared to full dental and medical coverage) and industry standard loss ratio guidelines, we believe that the 72% target loss ratio is reasonable for this type of coverage.

This memo summarizes our analysis of the proposed premium rates effective for the period January 1, 2009 through December 31, 2010. We received the following information from EPIC:

- 2009 Annual Enrollment and Utilization Statistics
- 2006-2009 Rate Comparison
- Actuarial Memorandum
- Benefit descriptions for each coverage
- Responses to questions regarding initial renewal proposal, including;

- Contract and claim data by month,
- Rate change impact separated by each of the plan's assumptions (i.e., coverage type, trend, benefit change),
- Expense load components and percentage of premium, and
- Detail regarding the development of the AD&D premium development
- Revised proposed rates

Summary of EPIC's Proposed Rates

The table below shows the current EPIC rates by coverage:

	AD&D	Excess Medical	Dental	Current Rate
Non-Annuitants				
single	$0.15	$1.30	$11.45	$12.90
employee + spouse	$0.30	$2.60	$22.90	$25.80
employee + child	$0.30	$2.60	$22.90	$25.80
family	$0.45	$3.90	$34.35	$38.70
Annuitants				
single	$0.19	$1.66	$15.00	$16.85
employee + spouse	$0.37	$3.33	$29.95	$33.65
employee + child	$0.45	$3.90	$34.65	$39.00
family	$0.54	$4.60	$41.26	$46.40

The following summarizes EPIC's rating methodology, assumptions, and proposed changes by benefit coverage type.

Dental:

- **Proposed Benefit Change** – Currently the dental benefit consists of coverage for both "Major" and "Ortho" types of claims. The Major benefit has a $200 deductible, followed by 50% coverage of the next $1,500. The Ortho benefit is limited to a $1,200 lifetime benefit. The proposed change would lower the deductible to $75, followed by 50% coverage of the next $2,000. There is no proposed change to the Ortho benefit.

  Additionally, EPIC is planning on having an open enrollment for this plan and is proposing a special enrollment with tiered benefits. The special enrollment limits the plan paid amount to $500 and $750 during the 1st and the 2nd years respectively.

  The impact of the proposed benefit changes is approximately 29% increase for both non-annuitants and non-annuitants. The following table shows the impact of the benefit change on the current dental portion of the rates.

	Current Dental Rate	Benefit Rate Change	% Change
Non-Annuitants			
single	$11.45	$3.35	29.3%
employee + spouse	$22.90	$6.70	29.3%
employee + child	$22.90	$6.70	29.3%
family	$34.35	$10.05	29.3%
Annuitants			
single	$15.00	$4.30	28.7%
employee + spouse	$29.95	$8.50	28.4%
employee + child	$34.65	$9.19	26.5%
family	$41.26	$11.75	28.5%

- **Rating methodology** – EPIC uses a loss ratio rating method to determine their proposed experience rate change, which accounts for past experience and does not include the impact of the proposed benefit changes. The calculated rate increase is determined by dividing a projected loss ratio by the target loss ratio (72%), which is shown in the table below. The projected loss ratio is the projected claims (most recent year of claim experience trended forward to the proposal period) divided by the most recent year of premium.

DENTAL RATE INCREASE			
	Projected Loss Ratio	Target Loss Ratio	Proposed Rate Increase
Non-Annuitant	77.6%	72.0%	7.76%
Annuitant	73.3%	72.0%	1.79%
Total Dental	**76.4%**	**72.00%**	**6.07%**

- **Experience data** – EPIC used one year of claim and premium experience (CY 2007) in their rating.

- **Assumptions** – To calculate the projected claims, EPIC multiplied the base experience claims by their dental trend assumption, annual trends of 3.49% for non-annuitants and 4.19% for annuitants. The trends assumptions used are based on 50% of past plan experience and 50% on the industry average trend.

- **Overall Dental Increase** – The table below shows the combined impact of the experience rate increase and proposed benefit changes on the dental portion of the rates.

	Current Dental Rate	Experience Rate Change	Benefit Rate Change	Final Rate	% Change
Non-Annuitants					
single	$11.45	$0.85	$3.35	$15.65	36.7%
employee + spouse	$22.90	$1.70	$6.70	$31.30	36.7%
employee + child	$22.90	$1.70	$6.70	$31.30	36.7%
family	$34.35	$2.55	$10.05	$46.95	36.7%
Annuitants					
single	$15.00	$0.25	$4.30	$19.55	30.3%
employee + spouse	$29.95	$0.55	$8.50	$39.00	30.2%
employee + child	$34.65	$0.60	$9.19	$44.44	28.3%
family	$41.26	$0.75	$11.75	$53.76	30.3%

AD&D:

- **Proposed Benefit Change** – Currently the AD&D has a full employee benefit of $5,000 and a partial benefit of $2,500. EPIC is proposing to double the benefits to a full employee benefit of $10,000 and a partial benefit of $5,000 for non-annuitants only, no change to the annuitants AD&D benefit.

- **Rating methodology –** Due to the volatility of the AD&D experience, EPIC prices the benefit at market rates for similar coverage. EPIC is proposing a decrease in the rate per thousand dollars of coverage per month from $0.03 to $0.02. EPIC typically charges somewhere between $0.03 and $0.06 per thousand on all other AD&D coverage they sell and pays $0.02 per thousand on all reinsurance they purchase. The table below shows the impact on the AD&D portion of the total rate for the proposed benefit and rate per thousand changes.

	Current AD&D Rate	Rate Per 1,000 Change	Benefit Rate Change	Final Rate	% Change
Non-Annuitants					
single	$0.15	-$0.05	$0.10	$0.20	33.3%
employee + spouse	$0.30	-$0.10	$0.20	$0.40	33.3%
employee + child	$0.30	-$0.10	$0.20	$0.40	33.3%
family	$0.45	-$0.15	$0.30	$0.60	33.3%
Annuitants					
single	$0.19	$0.00	$0.00	$0.19	0.0%
employee + spouse	$0.37	$0.00	$0.00	$0.37	0.0%
employee + child	$0.45	$0.00	$0.00	$0.45	0.0%
family	$0.54	$0.00	$0.00	$0.54	0.0%

Excess Medical:

- **Proposed Benefit Change –** The excess medical benefit pays up to $250,000 ($100,000 for annuitants) after a $250 deductible ($500 for family plans). EPIC is not proposing a benefit change for the excess medical coverage.

- **Rating methodology –** Similar to Dental, EPIC used a loss ratio rating method to determine their proposed experience rate change. The calculated rate decrease is

determined by dividing a projected loss ratio by the target loss ratio (72%). Due to the volatility of the excess medical claims, EPIC used the highest loss ratio level over the past six years to determine the estimated premium needed to cover the selected claims at a 72% loss ratio. EPIC had indicated that continuation of a pure manual rating approach (giving the actuarial claims experience zero credibility) would result in no change in the rates. Giving the experience full credibility would indicate even larger rate decreases than what EPIC is proposing. EPIC's proposal represents giving the experience a partial credibility weighting.

- The estimated impact of this rating methodology results in a 30.8% decrease for non-annuitants (31.9% decrease for annuitants) on the Excess Medical portion of the rates. The table below shows the impact of the proposed rate change on the Excess Medical rates:

	Current Excess Medical Rate	Experience Rate Change	% Change on Current Rates
Non-Annuitants			
single	$1.30	-$0.40	-30.8%
employee + spouse	$2.60	-$0.80	-30.8%
employee + child	$2.60	-$0.80	-30.8%
family	$3.90	-$1.20	-30.8%
Annuitants			
single	$1.66	-$0.53	-31.9%
employee + spouse	$3.33	-$1.06	-31.9%
employee + child	$3.90	-$1.25	-31.9%
family	$4.60	-$1.47	-31.9%

Proposed rate increase:

As described above, EPIC is proposing rate changes due to both historical plan experience and benefit changes. The table below shows the impact of the rate changes due to experience, benefit changes, and the overall impact of the proposed rates.

	Current Rate	Experience Rate Change	% Change on Current Rates	Benefit Rate Change	% Change on Current Rates	Final Proposed Rates	% Change on Current Rates
Non-Annuitants							
single	$12.90	$0.45	3.5%	$3.40	26.4%	$16.70	29.5%
employee + spouse	$25.80	$0.90	3.5%	$6.80	26.4%	$33.40	29.5%
employee + child	$25.80	$0.90	3.5%	$6.80	26.4%	$33.40	29.5%
family	$38.70	$1.35	3.5%	$10.20	26.4%	$50.10	29.5%
Annuitants							
single	$16.85	-$0.28	-1.7%	$4.30	25.5%	$20.87	23.9%
employee + spouse	$33.65	-$0.51	-1.5%	$8.50	25.3%	$41.64	23.7%
employee + child	$39.00	-$0.65	-1.7%	$9.19	23.6%	$48.25	23.7%
family	$46.40	-$0.72	-1.5%	$11.75	25.3%	$57.43	23.8%

Deloitte Consulting Analysis

Our analysis included reviewing the information received, validating the assumptions used, discussing proposed methodology and assumptions with EPIC, and confirming the proposed rate increase.

Dental:

- **Proposed Benefit Change** – We conducted an independent calculation of the proposed benefit changes. Based on our analysis, we estimated the benefit change alone would increase the dental rates by approximately 33% - 35%, excluding the impact of the addition of the special enrollment limitation. EPIC is assuming a 29% increase on the dental portion of the rates due to the proposed benefit changes. The addition of the special enrollment limitation may dampen the expected rate increase slightly. However, since EPIC will be holding open enrollment, we would anticipate that there would be some anti-selection for this type of supplemental benefit and the resulting impact on the addition of the enrollment limitations would be minimal.

  Since EPIC's proposed rate increase due to the increase in dental benefits is below our expected range, and the addition of the special enrollment wouldn't put their proposed increase outside our expected range, we believe that the proposed benefit change and rate increase is reasonable.

- **Trend** – EPIC proposed the following trends for each of the dental options:

  - Non-Annuitants – 3.49%, and
  - Annuitants – 4.19%.

  In our experience, we have typically seen annual dental trends in the range of 4% – 7%. EPIC's trend rates are at the low end of this range and appear reasonable.

- **Target Loss Ratio** –The target loss ratio used to determine the experience rate increase for the dental coverage is 72%. The most recent year of experience for this plan has the following claims loss ratios:

  Experience period loss ratio:

  - Non-Annuitants – 71%
  - Annuitants – 66%, and
  - Total – 70%

  The most recent year of claims is trended forward 2.5 years (midpoint of experience period, 7/1/07 to the midpoint of proposal period, 1/1/10) at the trend rates mentioned above. After applying trend, EPIC calculated the following projected claims loss ratios:

Projected loss ratio:

- Non-Annuitants – 77.6%
- Annuitants – 73.3%, and
- Total – 76.4%

The experience rate increase is then calculated by taking the projected loss ratio over the target loss ratio of 72%. The dental coverage is a supplemental plan which has lower premiums than a typical full dental and/or medical coverage. The expense load as a percent of premium typically increases as the amount of premium decreases. This is due to the fact that the cost for customer service, claims processing, and other expenses are not a direct correlation to the premium size. Currently, EPIC plan expenses for this plan are 30% of premium. Through research, we have seen industry and other state standard minimum loss ratios starting around 60% for individual health coverage and going even lower for limited benefit plans. Therefore, we believe that the 72% target loss ratio is reasonable.

AD&D:

As mentioned above, EPIC is proposing to double the benefit for only the non-annuitants. This proposed AD&D benefit for non-annuitants is priced at market rates. EPIC determined $0.02 per thousand to be a reasonable rate to charge for the AD&D benefit change based on the fact that EPIC charges somewhere between $0.03 and $0.06 per thousand on all other AD&D coverage it sells. For the current AD&D benefit, EPIC is charging $0.03 per thousand. Therefore, EPIC is proposing a rate per thousand decrease of 33% (1 – 0.02/0.03). The resulting rate impact of doubling the benefits and reducing the rate per thousand on the non-annuitant AD&D rates is a 33% rate increase. Note that the impact of the AD&D rate increase on the total proposed rate (dental, excess medical, and AD&D combined) is approximately 0.4%.

In our experience, we have typically seen a rate per thousand around $0.02 - $0.05 for this type of coverage. Since EPIC is proposing $0.02 per thousand, which is actually a rate reduction, we believe that the rate per thousand is reasonable and meets a minimum 72% target loss ratio expectation. Additionally, due to the volatility, size (less than 1% of the premium and claims for this plan), and credibility we believe that EPIC's use of market rates, rather than plan experience, is reasonable. Also note that EPIC's proposal to double the non-annuitant benefits has minimal impact on the overall plan rate, approximately 0.4% rate increase.

Excess Medical:

EPIC used a target loss ratio of 72% to determine the experience rate increase for the Excess Medical. As mentioned above, due to the volatility of the Excess Medical claims, EPIC used the highest claim level over the past six years to determine the estimated premium needed to cover the selected claims at a 72% expected loss ratio. We believe that EPIC's approach of selecting the highest claim level over the past six years reasonably adjusts for the volatility of claims as well as addresses the issue that the Excess Medical loss ratio has been consistently low, ranging from 22% to 49%. We agree with EPIC that the Excess Medical loss ratio experience is not fully

credible, while at the same time exhibiting at least partial credibility. We are comfortable that EPIC's use of the highest loss ratio experienced over the past six years as a basis for calculating the proposed rate decrease provides an appropriate degree of partial credibility waiting to the actual experience.

Summary

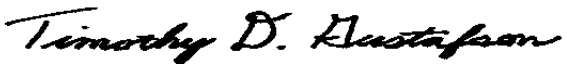
Dental: The proposed dental experience rate increase of 6.07% appropriately reflects the needed increase for a two-year rate based on the claims experience priced and a target loss ratio of 72%. The proposed dental benefit change lowers the deductible from $200 to $75 and increases the plan maximum from $750 to $1,000 for Major benefits. Additionally, EPIC is proposing to add a special enrollment benefit which limits the benefits for the first two years of enrollment. The proposed benefit increase due to the benefit change is consistent with our independent calculation.

Accidental Death and Dismemberment Plan: The proposed AD&D benefit change doubles the amount of benefit for non-annuitants but lowers the rate per thousand by 33%. These premiums are consistent with the market rates and appear reasonable.

Excess Medical: EPIC is not proposing any benefit changes for Excess Medical, but is decreasing rates to account for the favorable loss ratios over the past few years. We believe that the approximately 31% rate reduction due to the favorable experience is reasonable.

In summary, we believe the EPIC proposal for each piece is reasonable and is in line with the Group Insurance Board's guidelines for optional benefit plans. The target loss ratio used, although below the 75% guideline, is reasonable due to the low average premiums for this plan and industry standard loss ratio minimums for this type of plan are usually 60% or lower. It is our recommendation that ETF approve these changes due to the factors cited above. It is our understanding that the UW Board of Regents and the Office of State Employee Relations is responsible for negotiating with EPIC regarding the proposed premium rates, and that such negotiations were conducted with regard to these particular increases.

Sincerely,



Timothy D. Gustafson, FSA, MAAA

cc:
Bill Kox
Jeff Bogardus
Timothy FitzPatrick
Dawn Gross

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CORRESPONDENCE MEMORANDUM

DATE: August 11, 2008

TO: Group Insurance Board

FROM: Betty Wittmann, Manager
Optional Insurance Plans and Audits

SUBJECT: DentalBlue Rate Increase Proposal and Open Enrollment

Recommendation:

Staff recommends accepting the DentalBlue proposal for a rate increase on the Preferred Provider Organization (PPO) and Supplemental Dental Plans and no rate increase for the Health Maintenance Organization (HMO) Dental Plan DentalBlue.

Background

Under authority granted to the Group Insurance Board (Board) by Wis. Stats. §40.03 (6) (b) and pursuant to §20.921 (1) (a) (3) and §ETF10.20, Wis. Admin. Code, the Board is responsible for approving optional group insurance plans to be offered via payroll deduction. Proposals for new plans, and for plans that have been approved but are changing benefits and/or premiums, are reviewed under the Board's Guidelines for Optional Group Insurance Plans Seeking Group Insurance Board Approval for Payroll Deduction Authorization.

DentalBlue currently provides dental insurance policies under contracts with both the University of Wisconsin Board of Regents (UW) and, as of February 2006, the Office of State Employment Relations (OSER). The Board has previously approved premium increases in June of 2001, and following the cancellation of the contract by DentalBlue, premium increases combined with a reduction of benefits in November 2002. DentalBlue subsequently requested further rate increases, combined with a restructuring of the plan, to be effective April 1, 2004, which the Board also approved. Since 2005, there has been no benefit level adjustments and the last increases to premium rates were approved in 2007 averaging 19.37% over the three plans.

Overall utilization of the DentalBlue plans shows increased enrollment in the Supplemental and PPO plans. There is limited enrollment in the HMO plan, primarily due to the dental benefits currently offered through the participating health plans.

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

_____ _____
Signature Date

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Discussion

The University of Wisconsin, under its contract and on behalf of OSER, is asking the Board to accept the DentalBlue proposal that increases premium rates for the PPO and Supplemental plans offered to state and university employees. The original proposal dated June 28, 2008 proposed a 6.2% rate increase for the HMO plan. Subsequently, after discussion with Deloitte, DentalBlue eliminated that requested increase. The final rate proposal is referenced in Deloitte's memo on page 3, Table 1A and 1B.

The proposed increases are:

Dental HMO plan (VDC 186).....	0%
Dental PPO plan (VP 864).....	8.4%
Supplemental Plan	16.2%

The effective date of the new premium rates would be January 1, 2009.

There are no proposed changes to the benefit levels under each of the three plans. The proposed rate increases are consistent with the Board's guidelines, such that the projected loss ratios do not fall below the minimum 75%. Deloitte Consulting reviewed the DentalBlue proposal. A copy of its full analysis is attached. In its review, Deloitte Consulting finds that, on average, the rate increases appear reasonable.

DentalBlue continues to experience some fluctuation in its network providers. DentalBlue is still in negotiation to finalize its network.

An open enrollment is scheduled to run from October 6, 2008 through November 14, 2008 for eligible annuitants along with active state and university employees. In conclusion, while there is some concern that continuing to provide annual open enrollment opportunities may reflect negatively on the future experience due to increased adverse selection, we still recommend accepting the DentalBlue proposal based on the review by staff and the Board's actuary.

Department staff will be at the August 26, 2008, Board meeting to answer any questions you may have.

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CORRESPONDENCE MEMORANDUM

DATE: August 12, 2008

TO: Members of the Group Insurance Board

FROM: Robert Weber, DETF Chief Counsel

SUBJECT: Clearinghouse Rule 08-079: Surviving insured dependents rule.

This memo is for information only. No Board action is required at this time.

Attached is a copy of the Department's proposed rule regarding continued group health insurance coverage of an insured dependent, following the death of the insured employee or annuitant. The proposed rule repeals and recreates an existing administrative rule on this subject. The major change will be to automatically continue the coverage of the surviving insured dependents, instead of requiring a timely application for continued coverage. A detailed analysis of the effects of the proposed rule and the reasons for this rule-making is included with the proposed rule.

A public hearing on the rule is scheduled for Tuesday, August 26, 2008, at 1:30 p.m. at the Department of Employee Trust Funds offices, 801 West Badger Road.

The proposed rule was submitted to the Legislative Council Staff for review, as required for all administrative rule-making. The resulting Clearinghouse Report was received by the Department on August 12, 2008 and suggested only four minor editorial changes. These will be incorporated into the final draft of the rule.

Following the public hearing, a final draft report on the rule will be prepared. The final draft report will include details of all changes to the proposed rule adopted by the Department as a result of the Clearinghouse Report and comments received at the public hearing.

The final draft report will be offered to the Group Insurance Board for formal approval before the rule is submitted to the Legislature.

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

_____ _____
Signature Date

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CORRESPONDENCE MEMORANDUM

DATE: August 11, 2008

TO: Group Insurance Board

FROM: Betty Wittmann, Manager
Optional Insurance Plans and Audits

SUBJECT: Optional Long-term Care Insurance Program – Status Update

This memo is informational only and no action is necessary.

This memo provides an update on the status of the long-term care insurance program, with regard to enrollment levels and marketing activity, which occurred in 2007.

Long-Term Care Insurance Program

In the early 1990s, Wis. Stats. § 40.55 and Wis. Admin. Code Chapter ETF 41 established a program to offer state employees and annuitants, their spouses and the parents of state employees long-term care insurance.

In 2007, there were five insurance companies with policies in force through the state long-term care insurance program. However, only John Hancock Life Insurance Company and United of Omaha Insurance Company are currently offering policies to new subscribers. Three companies, American International Group (AIG) and the Life Investors Insurance Company of America and Mutual of Omaha have existing policyholders, but no longer offer the policies to new participants.

Annually, each participating vendor is required to provide a report summarizing marketing and enrollment activities. Overall the program is growing steadily; however, there has been a decline in the number of new policies issued annually since 2002. According to the reports, the total number of policies issued since the program began in the early 1990s is nearing 7500 through 2007. The statistics show a steady increase in the number and proportion of active employees along with spouses or parents purchasing policies as compared to the annuitants; active employees make up over 80% of the issued policies in 2007 compared to 65% in 2004.

In 2007, there were 303 new applications received for coverage, which was a slight decrease from 333 in 2006 and 376 in 2005. Of these, 98 were denied. The most common reasons for denial of coverage were due to depression, diabetes, stroke and combined medical history. There were no formal complaints handled by the Department's Ombuds staff.

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

_____ _____
Signature Date

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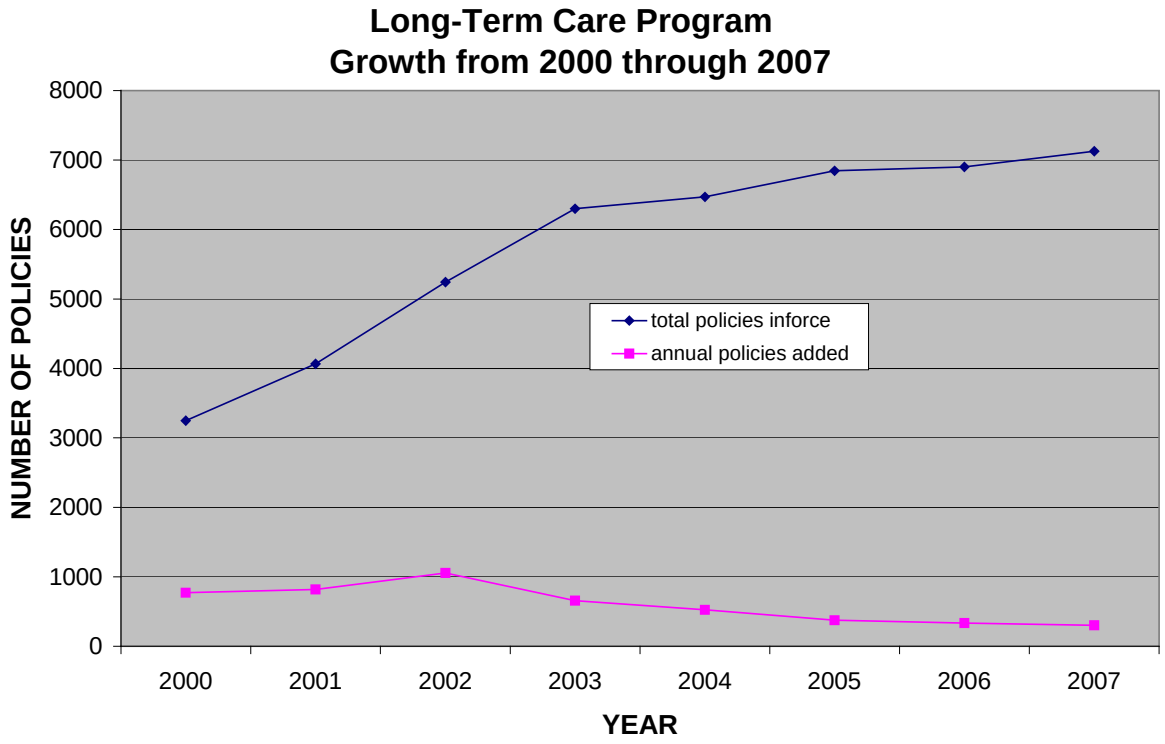
The following charts highlight some of the information gathered for the year 2007.

Marketing and Enrollment Activity for Plans offered	SeniorCare	HealthChoice		
	John Hancock	Mutual of Omaha	United of Omaha	John Hancock
Applications received	162	0	293	0
Policies denied	20	0	78	0
Policies issued to state annuitants (retirees)	48	0	2	0
Policies issued to state employees	73	0	104	1
Policies issued to spouses or parents of state employees	16	0	58	1
Phone calls received from state eligibles	174	1	84	0
Reply cards received from state eligibles	234	8	1323	0

Total Long-Term Care Membership By Plan					
Product	**AIG**	**Life Investors**	**John Hancock**	**Mutual of Omaha**	**United of Omaha**
Cumulative Total Membership Since Inception	229	1135	5458	111	193



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CORRESPONDENCE MEMORANDUM

DATE: August 11, 2008

TO: Group Insurance Board

FROM: Liz Doss-Anderson, Ombudsperson, Quality Assurance Services Bureau
Vickie Baker, Ombudsperson, Quality Assurance Services Bureau
Christina Keeley, Ombudsperson, Quality Assurance Services Bureau
Sharon Walk, Executive Staff Assistant, Quality Assurance Services Bureau

SUBJECT: Correspondence and Complaint 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 Group Insurance Board (GIB). The tables below include a summary of the following for the period of May 1, 2008, through July 31, 2008:

(1) correspondence received by the Department addressed to the Secretary or the GIB;

(2) the number of requests for information and assistance made to the ombudspersons in the Quality Assurance Services Bureau (QASB).

QASB staff will be available at the Board meeting to address any questions you have regarding this report.

Correspondence:

	Number
Health Insurance	
• Participant received Adobe "PDF" files from Wisconsin Physicians Service (WPS) in response to a request for records in electronic format. The participant feels that WPS's refusal to provide an electronic file in its original format is retaliatory behavior. The participant has filed an appeal.	**1**
• Complaint regarding health insurance coverage in western Wisconsin.	**1**
• Complaint regarding the timeliness of notification of health insurance premium deduction from an annuity.	**1**
• Complaint regarding the cost of Medicare supplement coverage. Participant would like access to other supplements.	**1**
• Suggestion that ETF offer an "Employee +1" health insurance plan.	**1**
Pharmacy Benefits	
• Coverage of Boniva at the Level 3 copayment.	**1**
Disability Programs	
• None	**0**
TOTAL	**6**

Reviewed and approved by Pam Henning, Administrator, Division of Management Services.

_____ _____
Signature Date

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Contacts to Ombudspersons:

From May 1, 2008, through July 31, 2008, 305 members contacted the ombudspersons for assistance with benefit issues. The majority of these contacts involved health insurance and pharmacy benefits, including inquiries and requests for assistance regarding Medicare Part D. Some recurring issues identified by staff included:

- Coverage disparity and claims processing problems (inappropriate claim denials, etc.) related to shingles vaccines.
- Issues with coordination of benefits involving the Department, the Social Security Administration, and the Centers for Medicare and Medicaid Services. These matters are typically related to member coverage under the Humana Private Fee For Service plan or members' failure to enroll in Medicare.
- Problems accessing behavioral health benefits due to obstacles such as the National Registry or American Board of Psychology requirements under the Standard Plan and limited provider availability.
- Enrollment and eligibility discrepancies resulting in claim denials by third-party administrators such as Ameritas (Dean), DentalBlue (Anthem) and Navitus.
- Complaints related to the lack of member notification on changes to the prescription drug formulary (resulting in increased out of pocket costs). Without prior notification of such changes, members are unable to talk with their doctors in advance to arrange for an alternate prescription for a medication that may be available at Level 1 or Level 2 of the formulary.

The following tables summarize the number of contacts, method of contact and program areas involved (compared with 2007).

Total Contacts (by month)	2008	2007
May	103	85
June	98	64
July	104	66
Total	305	215

Method of Contact (year to date)	2008	2007
Telephone	649	N/A
E-mail/Contact Us Internet Page	146	N/A
US Mail	44	N/A
Walk-In	16	N/A

Number of Contacts by Program (year to date)	2008	2007
Health Insurance-Health Maintenance Organizations (HMOs)	445	180
Health Insurance-Self Funded	171	97
Pharmacy Benefits	154	38
Non-WRS Programs (DentalBlue)	29	8
Disability/Income Continuation Insurance	15	6
All Other Program Types* (Life Insurance, ERA, EPIC, Spectera, WRS/ASLCC and WDC)	41	16

*It is not common to receive a large number of complaints regarding these programs. The availability of ombudsperson assistance in this area is not widely known and most of these programs are not under contract with ETF; rather, they are benefits that the Board simply approves to be offered through payroll deduction.

Key:

- *ASLCC: Accumulated Sick Leave Conversion Credit*
- *ERA: Employee Reimbursement Accounts. Optional pre-tax savings account for medical expenses and dependent care.*
- *EPIC: Optional supplemental benefit plan that provides coverage for dental, excess medical and accidental death and dismemberment.*
- *Spectera: Optional vision benefit*
- *WDC: Wisconsin Deferred Compensation*
- *WRS: Wisconsin Retirement System*

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CORRESPONDENCE MEMORANDUM

DATE: July 1, 2008

TO: Group Insurance Board

FROM: Sharon Walk
Appeals Coordinator

SUBJECT: Pending Appeals

PENDING APPEALS BY BOARD						
As of:	ETF	GIB	WR	TR	DC	TOTAL
07/01/08	**18**	**8**	**8**	**0**	**0**	**34**
New Appeals (+)	+2	0	+1	0	0	+3
Final Decisions (-)	0	0	0	0	0	0
Appeals Withdrawn (-)	-6	0	0	0	0	-6
08/01/08	**14**	**8**	**9**	**0**	**0**	**31**
+/-	-4	0	+1	0	0	-3

Reviewed and approved by Pam Henning, Administrator, Division of Management Services.

_____ _____
Signature Date

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