



STATE OF WISCONSIN

Department of Employee Trust Funds

Eric O. Stanchfield

Secretary

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March 16, 2001

The Honorable Brian Burke
The Honorable John Gard
Co-Chairs, Joint Committee on Finance
State Capitol
Madison, WI 53702

Subject: Section 13.101 Request for Costs relating to the Implementation of the Private Employer Health Care Coverage Program

Dear Senator Burke and Representative Gard:

The Department of Employee Trust Funds (Department) requests a transfer of \$84,300 GPR from the appropriation under s. 20.515 (2)(b) to the Private Employer Health Care Coverage Program operating cost appropriation under s. 20.515 (2)(a) in fiscal year 2001 to continue operations of the Program.

Background of Request

The Department is required under 1999 Wisconsin Act 9 to design and oversee a voluntary alliance for businesses wishing to purchase health care insurance coverage for their employees. Act 9 also required the Department to contract with an administrator to market and administer the program no later than January 1, 2001, or assume responsibility for administering the program itself.

On November 13, the Department solicited proposals for administrative and marketing services from interested vendors. On December 5, 2000, despite previous strong indications of interest from potential vendors in the program, no bids were received. Ultimately, various reasons for not submitting proposals were cited, with most vendors noting low potential for profitability and program design problems (combined with the high profile and expectations for the program) as factors deterring their participation. Vendor feedback also suggested that program requirements in the current law created additional barriers to their participation, including responsibility for health plan contracting, rate publication, minimum required hours of employment to participate, etc.

As required under Act 9, the Department submitted a report on December 28 to the Governor's Office and the Joint Committee on Finance stating the reasons for not entering into a contract for administration of the program by January 1, 2001. On December 29, the Department notified legislative leadership of the delay in meeting the deadline, current problems with the program and recommendations for change (see Attachments 1 and 2).

Summary of Request

There are currently two biennial GPR appropriations (\$200,000 GPR each) to fund operations of the Private Employer Health Care Coverage Program. The operating cost appropriation, s. 20.515 (2)(a), currently funds salaries and supplies and services for 3.5 FTE GPR positions, of which 1.0 FTE position is not filled. The other appropriation, s. 20.515 (2)(b), is for a grant to a contractor for marketing and administration of the Program. Under existing law, the Department lacks the authority to use the \$200,000 GPR grant appropriation, even though the language requires the Department to become the administrator if no one is available to administer the Program.

The Department now requests a transfer of \$84,300 GPR from the grant administrator appropriation to the Program's operating appropriation for actuarial services and legal expertise. This will enable the Department to begin implementation in the interim before another administrator can be selected. It is estimated that from April 1 – June 30, 2001, 160 hours of legal services (@ \$155/hr) or \$24,800 GPR is required to begin development of contracts and negotiate with health plans. An additional \$59,500 GPR is required to fund actuarial services. Required actuarial services include the following: developing underwriting and rating models, criteria and processes; developing application form(s); recommending composite or list billings for premiums; and developing risk assessment and adjustment models.

This request for funding represents a short-term approach to keep the program moving forward toward implementation. We continue to work with interested legislators to identify several program specific changes that must be enacted to increase the possibility that qualified administrators will bid on the program and allow the purchasing pool to begin operation. We are also following and contributing, when appropriate, to the deliberations of the Governor's Task Force on Small Employer Health Insurance as it seeks solutions that would help make this type of program successful. We will soon be asking the Committee to consider an amendment to the 2001 – 2003 Biennial Budget that will address the critical longer term financing and design changes of the program.

How Request Meets Statutory Criteria

The Department is required under s. 40.98 (2)(a) 2. and 3. to provide administrative services necessary for the program, including entering into contracts with insurers to provide health care coverage if no administrator enters into a contract with the Department. Since there is no vendor to administer the program, in order to comply with the statutory mandate the Department must obtain the necessary legal and actuarial resources to temporarily act as administrator and develop and implement contracts with health plans. Without the transfer of funding between appropriations, insufficient resources are available to further implement the duties of the administrator under the law.

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We understand from interested legislators and representatives of the business community that numerous employers are currently unable to offer health insurance to their employees. This request will reduce the time needed by an administrator to get the purchasing pool operating. Therefore, we believe this request meets the statutory requirements of an emergency under s. 13.101 and ask that the Joint Committee on Finance act favorably on the requested transfer.

Thank you for the consideration of this request. I have asked Tom Korpady, Administrator of the Division of Insurance Services, and Phillip Borden, Director of the Office of Private Employer Health Care Coverage, to be available at your meeting to answer any questions you may have.

Sincerely,

Eric O. Stanchfield
Secretary
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Attachments

cc: Private Employer Health Care Coverage Board