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**CORRESPONDENCE MEMORANDUM**

**DATE:** January 18, 2008  
**TO:** Group Insurance Board  
**FROM:** Bill Kox, Director, Health Benefits and Other Insurance Programs  
Arlene Larson, Manager, Self-Insured Health Plans  
**SUBJECT:** Administrative Services Contract Extension for the Standard Plans

**CONFIDENTIAL**

Effective January 1, 2006, the Group Insurance Board (Board) entered into a three-year contract with WPS Health Insurance (WPS) for administration of the Standard, State Maintenance Plan (SMP) and Medicare Plus \$1,000,000 plans. This contract period ends December 31, 2008. The Board has authority to extend this contract as stated in § 40.03 (6) (a) 1.

We requested that WPS provide us with proposed terms for continuing the contract beyond 2008. **Staff recommends approval of the WPS proposal to extend the contract for two years.**

The WPS proposal (attached) calls for a two-year administrative expense increase effective January 1, 2009 of 5%, and a 2009 aggregate stop loss increase of 14% for one year that applies only to the Wisconsin Public Employers non-Medicare population.

Staff has reviewed this proposal with Deloitte Consulting (Deloitte) and believes these increases are reasonable. The administrative services rates for non-Medicare and Medicare subscribers are likely better than we could get if we issued a Request for Proposal (RPF). In fact, the rate is lower than alternative bids we received in the previous administrative services bid process three years ago. According to Deloitte, stop loss increases in the market continue to be high, even in the low 20% range, and plans typically do not offer rates beyond one year.

Performance by WPS has been generally good, although some problems occurred during 2006, which is to be expected during any transition to a new vendor. Performance improved significantly in 2007. According to the annual CAHPS survey published in the *It's Your Choice* book, overall customer service has improved. Customer service was below average in 2005 when Blue Cross & Blue Shield of Wisconsin (BCBS) administered the plan, but improved to average under WPS in the most recent survey. In addition, WPS offers disease management services to our members and it appears to have been effective, as WPS reported savings of \$711,044.22 in 2007 and \$535,221.70 in 2006. However, Standard Plan members have

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

Board	Mtg Date	Item #
GIB	2/12/2008	7

experienced problems with the out-of-state Beech Street network. The Department's complaint statistics show that while complaints for WPS decreased in 2007 following the 2006 transition, the numbers are still higher than BCBS complaint levels in 2004 and 2005. We feel WPS has made progress in some areas of concern. For instance, it has contracted with additional networks out of state, continues to investigate other alternatives, and is working to improve customer satisfaction. We continue to work with WPS, as needed, to reduce complaints.

Given the generally good performance of WPS following the transition from BCBS, at this time we do not feel that the benefits of proceeding with an RFP would outweigh the time and expense associated with the process or result in any material savings for the program.

Therefore, staff recommends that the Board extend the contract through December 31, 2010. Staff believes that WPS has competently discharged its administrative responsibilities under the contract and has been responsive to the needs of the Department and our members.