



STATE OF WISCONSIN
Department of Employee Trust Funds

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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.