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

801 W Badger Road
PO Box 7931
Madison WI 53707-7931

1-877-533-5020 (toll free)
Fax (608) 267-4549
http://etf.wi.gov

CORRESPONDENCE MEMORANDUM

DATE: July 31, 2009

TO: Group Insurance Board

FROM: Betty Wittmann, Manager
Optional Insurance Plans & Audits

SUBJECT: Request to Rescind OptumHealth Vision's Payroll Deduction Authority

Staff recommends the Board rescind payroll deduction authority for OptumHealth Vision effective December 31, 2009 (the contract anniversary date).

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 § ETF 10.20, the Board is responsible for approving or disapproving optional group insurance plans to be offered via payroll deduction.

The Board approved OptumHealth Vision (formerly Spectera) for payroll deduction in 2002, and it began offering vision benefits to active state employees and annuitants in January 2003. OptumHealth has indicated its intent to renew the current premium rates for the vision plan through December 31, 2011. OptumHealth currently has 11,575 contracts.

Discussion

Since inception, this plan has experienced performance issues related to eligibility, enrollment, reporting, and customer service. The State Payroll Council's Fringe Benefit Committee (FBC), in conjunction with the Department of Employee Trust Funds (ETF), has been working with OptumHealth representatives to address these issues and develop solutions, as highlighted below:

- State agencies implemented various enrollment and reporting processes in an attempt to minimize eligibility issues and reduce the administrative workload involved with this plan. Unfortunately, each process had a similar outcome: OptumHealth's inability to post enrollment data accurately and timely (especially dependent information, leave of absence [LOA], and termination dates), which then prevented subscribers from obtaining service until the issues were resolved. While we know the number of complaints may be significant, we are unable to provide specific numbers since complaints are handled by the payroll representatives and, typically, do not rise to the level of a formal complaint with ETF.

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

_____ _____
Signature Date

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- OptumHealth administers the annuitant enrollment. Each year it was unable to provide ETF with a timely, accurate enrollment file to establish the annuity deductions for our members. ETF staff spent more than 30 hours auditing data and received more than 100 phone calls due to incorrect enrollments for January 1, 2009, coverage.

- OptumHealth issued identification (ID) cards in 2009. In the process, OptumHealth terminated all of our members multiple times. In addition, members who were properly terminated also received IDs and many members received multiple IDs with various group numbers.

- State agencies required OptumHealth to perform a complete audit of those enrolled in the plan, due to the issues that came to light from issuing the IDs. The results revealed more than 3,000 duplicate members enrolled under a LOA in error, and almost 3,500 subscribers (23% of the total enrollment) who should have been terminated.

In May 2009, FBC subsequently gave OptumHealth a formal notice (Exhibit 1) requesting written resolutions to ongoing problems and issues. In several follow-up meetings, OptumHealth acknowledged its poor performance and lack of follow through. While indicating a willingness to improve and even engaging a management team to remedy the issues, it has still not done so. We should also note that OptumHealth was awarded additional time, beyond the June 15, 2009, deadline, to implement feedback gathered in multiple meetings with the State payroll representatives. However, OptumHealth was unable to demonstrate how its new management team would address the system and process issues. Due to OptumHealth's inability to offer concrete solutions, the payroll representatives voted on June 29, 2009, to change the vision plan from OptumHealth to VSP (Exhibit 2).

Conclusion

Based on the State Payroll Council's recommendation, per action taken at its June 29, 2009, meeting, staff recommends terminating OptumHealth's authorization for Payroll Deduction effective December 31, 2009. Wis. Admin. Code Chapter ETF 10 allows the Board to rescind this authorization when a plan is unable to fulfill certain criteria, such as the history, performance, and acceptance of the plan by the employees. In addition, staff also requests the Board consider the proposal submitted by VSP to replace the OptumHealth vision plan effective January 1, 2010.

Staff will be available at the meeting to answer any questions you may have regarding this recommendation.

Attachments: Exhibit 1 – OptumHealth Formal Notice
Exhibit 2 – Letter from State Payroll Council

OptumHealth Performance Issues Report – May 1, 2009

The purpose of this document is to provide OptumHealth Representatives the specific ongoing issues and required resolutions to be effective by June 15, 2009, or additional measures will be undertaken, including but not limited to product replacement.

Background

Spectera submitted a proposal to The Department of Employee Trust Funds (ETF) in 2002 requesting consideration to offer vision benefits to active state and university employees as well as eligible retirees (members) according to the "Guidelines for Optional Group Insurance Plans Seeking Group Insurance Board Approval For Payroll Deduction Authorization" (Guidelines). In 2003, the Group Insurance Board (Board) approved the Spectera vision plan, currently offered through OptumHealth Specialty Benefits, under authority granted to the Board by Wis. Stats. § 40.03 (6) (b) and pursuant to Wis. Stats. § 20.921 (1) (a) 3 and Wis. Admin. Code § ETF 10.20. The Board is responsible for approving optional group insurance plans to be offered via payroll deduction.

The Guidelines specify the general requirements a plan must meet to be authorized for payroll deduction. The proposals submitted by Spectera agreed to comply with these requirements, and in addition, the initial proposal included a provider guarantee.

Issues and Resolutions

There have been a series of performance issues that have emerged in the course of offering the OptumHealth Vision plan (formerly known as Spectera). At various times, these issues have been brought to the attention of representatives. Some issues have been resolved and others not. Below are the specific situations the State of Wisconsin Payroll Representatives continue to experience along with the required resolutions as it relates back to the Guidelines developed by the ETF and the Board. The areas of greatest concern relate, but are not limited to, the following sections of the Guidelines:

- Section 6 is titled and relates to Marketing and Enrollment.
- Section 7 is titled and relates to Reporting.
- Section 8 is titled and relates to Benefits.

Section 6 Marketing and Enrollment

Issues

Enrollment

1. OptumHealth has been unable to post enrollee data to its eligibility database timely. In addition, OptumHealth has been unable to accurately maintain coverage information based on monthly premium collections.

    a. **Resolution:** OptumHealth must devise and document a method to post enrollment data accurately and timely. Data must be accurate not only in terms of employee name and coverage type, but term of coverage must be consistent with premiums remitted. For prospective enrollments systems must recognize the effective date no later than the first of the month in which coverage is effective.

2. As agreed upon implementation, OptumHealth and/or its providers are responsible for entering dependant data into the eligibility database. This process has been flawed since the inception of the program and continues to be a source of problems. Because the providers are either unable or unwilling to obtain authorization for dependents, State agency Payroll Representatives are contacted by employees to resolve these issues. As a result, work in the State agencies is disrupted to address the problems.

a. **Resolution:** OptumHealth needs to communicate effectively with its provider network to educate them in the process of how to enroll dependents. In addition, OptumHealth must provide a direct contact to resolve eligibility issues for the State of Wisconsin. State agency Payroll Representatives should not be responsible for resolving issues resulting from insufficient training and support for providers and those insured. Finally, OptumHealth must produce a training manual and system of accountability for its provider network and documentation of its processes for State agency Payroll Representatives.

3. OptumHealth's eligibility database has inaccurate information, lacks a reliable method for tracking and updating employee and dependent data. A report dated 4/20/2009 lists more than 50 names who, according to OptumHealth, have more dependents than their coverage type indicates. However, a brief review of the eligibility data on-line reveals numerous data issues including duplicative and nonsensical data.

a. **Resolution:** OptumHealth must conduct a review of the eligibility data. Data must be analyzed to determine validity. OptumHealth must produce a list of any issues it is unable to reasonably resolve and provide a method by which State agency Payroll Representatives can assist in resolution. Once completed, OptumHealth must certify the accuracy of information and accept responsibility for ongoing maintenance.

4. In addition, there has been no progress on moving away from the use of the Social Security Number (SSN). Employees are very sensitive to using their Social Security Number because of identity theft. We were told that OptumHealth could provide alternate numbers for an employee if the employee requested it. When we tried to do this, we were told by OptumHealth that they cannot do this. OptumHealth indicated we have to assign the alternate number, than we have to report on our payroll tape using the alternate number instead of the SSN

a. **Resolution**: OptumHealth needs to create a field in their electronic reporting system that cross references the SSN we provide to an assigned alternate number for those employees that do not want to use their SSN. They had indicated at our August 26, 2008 meeting that they would be able to generate alternate ID numbers effective 1/1/2009.

Eligibility

1. An eligibility issue that is also a reporting problem is OptumHealth's inability to post the files properly for the coverage month. The State of Wisconsin, Central Payroll Section has been advised that the file posted on April 17th terminated coverage for employees who were not on the file as of that date. Unfortunately, this file represents employees paying for May coverage, not April. Employees who are terminating coverage as of May will, as a result of this issue, be denied services in April unless their agency payroll office intervenes on their behalf. This is at least the second time this has happened.

a. **Resolution:** OptumHealth needs to have an electronic reporting system that is able to post the premiums to the correct month of coverage. This includes maintaining coverage for insured employees through the end of the month for which premiums are paid. OptumHealth must develop and communicate a plan to post premiums accurately and assure coverage is maintained correctly.

2. OptumHealth refers to the State of Wisconsin plan as the ETF plan and does not recognize the individual State Agencies that makes up the plan when issues arise. This results in the wrong parties receiving phone calls regarding eligibility, enrollment and billing inquiries. Some examples of this are the mixing of the University of Wisconsin

System with the University Hospital and Clinics, ETF is the primary contact regarding applications (non-annuitant) with missing information and generated invoices based on eligibility, with amounts due.

a. **Resolution**: OptumHealth needs to create an area on each application for an agency contact person. OptumHealth needs to communicate with each State Agency the appropriate contacts are for enrollment, eligibility, and billing. This must be up to date at all times and if contacts change OptumHealth is responsible for notifying the **ALL** of the appropriate parties.

Section 7 Reporting

Payments

1. For the last several months, OptumHealth has been losing payments and reports the University System has sent to them. It is time consuming to recreate a report or track down a check.

    a. **Resolution:** OptumHealth needs to establish one contact person to receive the University Systems payments and reports. OptumHealth must provide the University of Wisconsin with complete contact information for the assigned individual and provide for coverage in the absence of the primary contact. All individuals assigned must be trained on the processes and procedures.

Reports

1. OptumHealth has not provided any written documentation and/or procedures on the reporting process. The State of Wisconsin, Central Payroll Section had to produce a written manual (see Admin Guide attached to this email) for State Agencies to provide guidance on the eligibility, enrollment and reporting process.

    a. **Resolution:** OptumHealth, in conjunction with the State processing centers, needs to provide a written manual on the enrollment, eligibility and reporting process to provide guidance to the State agency Payroll Representatives that oversee this plan.

2. Technical support has been intermittent, at best, and non-existent through most of the last three years. Despite a number of attempts to resolve issues, there are still no provisions in place to allow off-cycle billing for employees who are on a leave of absence.

    a. **Resolution:** OptumHealth needs to establish a process where an employee on a Leave of Absence can make a direct premium payment. Also, when an employee prepays their premiums before they go on a leave of absence, the premiums that are deducted need to be posted to the correct coverage month so that the employee can seek services while on a leave of absence.

Audits/Reconciliation

1. Reporting for the purpose of reconciliation has been inconsistent and unworkable. Since the plan's inception, this process has not worked. As of December 2008, a new reporting method has been established; however OptumHealth has expressed minimal interest in making the effort to keep the eligibility data current. OptumHealth's edit report is provided inconsistently and, given the current problems with the administrative processes, provides little or no useful information.

2. Reconciliation for payment purposes has never occurred. OptumHealth and its predecessor, Spectera, have never made any consistent effort to work on this matter. The State of Wisconsin, Central Payroll Section has had no contact for more than six months.
3. There is no auditing or tracking of employees that have terminated or transferred to another State agency, University or Legislature. The State of Wisconsin, Central Payroll Section offered to produce a census file quarterly to better maintain accuracy of the eligibility files, OptumHealth has not expressed an interest in performing this process more than once per year outside of the annual enrollment file.
4. Also, there is no reconciliation of dependents that are no longer eligible under the member's plan because they are no longer a full time student, or there was a divorce, death, etc.

    a. **Resolution:** OptumHealth needs to devise a method to reconcile their members and dependents quarterly (April 30th, July 31st, October 31st and January 31st) with each State Agency, University and Legislature for eligibility and payment purposes.

    b. Resolution: In the event that OptumHealth elects to apply an honor system method in the case of divorce, etc., the company must also resolve any issues via direct contact with the insured. State agency Payroll Representatives should not be in the role of enforcing vendor policies and/or other procedures outside of the agencies responsibility.

Section 8 Benefits

Complaint Resolution

1. Spectera's initial proposal included a detailed process for complaint resolution/grievance procedure that was approved by the Board. This process included direct contacts, time frames and follow up procedures which have not been followed. The grievance procedure that ETF was given this past year regarding an annuitant enrollment issue was to submit a letter to the Claims Department. Changes to any benefits and processes must be approved by the Board prior to use and this change was not approved.

    a. Resolution: OptumHealth will implement and update the Board approved complaint procedure detailed in Tab 8, Part D of the proposal. In additional all of the contact information provided will need to be updated and this will need to be included in the appropriate marketing materials and certificate of coverage.

Miscellaneous

Customer Service

1. There is much confusion on Co-Pays and In and Out of Network. When the employee wants to use their health insurance to cover the eye exam so they don't have to pay the $10 co-pay, OptumHealth will process the claim as out of network, even though the provider of the service is in-network. Also, sometimes employees want to use their regular eye doctor for the exam but the doctor is not in-network. They use their health insurance or pay out of pocket to cover the exam. If they take the prescription to an in–network provider to get the glasses/contacts, OptumHealth processes the claim as out-of-network. Also, if the employee gets a discount from the provider, such as a discount for paying cash. OptumHealth will then deny the claim as out-of-network.

    a. Resolution: OptumHealth needs to establish a written policy notifying their claims section and customer service center that State of Wisconsin employees'

claims should not be charged as out-of-network if the employee goes to an in-network provider to get the glasses/contacts. It should not matter where the employee is having their eye exam because that is covered by the employee's health insurance plan. OptumHealth must provide an individual as point of contact to resolve issues for employees and/or agency Payroll Representatives.

3. OptumHealth refers to the State of Wisconsin plan as the ETF plan and does not recognize the individual State Agencies that makes up the plan. This results in our members needing to contact either ETF or their Payroll Representative to resolve issues.

   a. Resolution: OptumHealth needs to identify and recognize in their systems the appropriate State Agencies associated with the State of Wisconsin plan. The plan should be listed as the State of Wisconsin plan and each of the State Agencies as a subgroup of the plan. This must be communicated effectively to your customer service representatives so they can identify the differences between the actives and annuitants. Once the differences are established, appropriate processes/guidelines need to be created to identify the appropriateness for address changes, enrollments, and eligibility verification within each subgroup. State agency Payroll Representatives and ETF should not be responsible for resolving issues resulting from insufficient training and support.

Exhibit 2 – Letter from State Payroll Council

WISCONSIN HISTORICAL SOCIETY

July 28, 2009

Re: On behalf of the State of Wisconsin Payroll Representatives, this is a request to terminate OptumHealth Visions Payroll Deduction Authority and consider the Vision Service Plan's (VSP) proposal to offer vision benefits.

Dear Group Insurance Board Members:

The State of Wisconsin Payroll Council established the Fringe Benefit Committee in 2007. This subcommittee acts as a liaison between State agencies, DETF, and benefit providers to communicate and address issues regarding the State benefit programs. Due to all of the complaints received from Payroll Representatives regarding OptumHealth (formerly Spectera), the Fringe Benefit Committee compiled a list of issues as it pertains to marketing and enrollment, eligibility, reporting, customer service, leave of absences and alternate identification numbers. Once the issues were compiled, the Fringe Benefit Committee requested a meeting with OptumHealth on August 26, 2008 to discuss these issues and to request resolutions.

While OptumHealth seemed willing to make improvements, they were not able to provide any tangible resolution to these issues. Thus, on May 6, 2009, the Fringe Benefit Committee sent the OptumHealth Representatives an e-mail indicating the specific ongoing issues and required resolutions to be effective June 15, 2009, or additional measures would be undertaken, including but not limited to product replacement. As a result, Optum Health requested a meeting on June 2, 2009 to provide information on how they proposed to resolve these issues. Again, they did not put forth any tangible solutions.

The State Payroll Council gave OptumHealth another opportunity to present a plan of action to resolve the ongoing issues at the June 29, 2009 meeting. Again, they did not provide any tangible solutions. In addition, VSP was also provided an opportunity to present their vision benefit program at this meeting. A group discussion was held after the two (2) vision plan presentations and the State Agency Payroll Representatives were impressed by VSP's presentation and personalized handouts. Following the discussion, a vote was taken to get the Payroll Representatives' input on how many agencies would vote to change from OptumHealth to VSP? The tally was:

Yes = 20 votes
No = 0 votes
Abstain = 3

Due to the over whelming response from the Payroll Representatives to change the vision plan from OptumHealth to VSP, the Fringe Benefit Committee Chair asked VSP to submit a proposal to the Department of Employee Trust Funds. In addition, the Payroll Council would like to request that the Group Insurance Board consider terminating OptumHealth's payroll deduction authorization.

Sincerely,

Betty Duesterhoeft

Betty Duesterhoeft
Payroll Council Chair
Wisconsin Historical Society

Linda Hagberg

Linda Hagberg
Fringe Benefit Committee Chair
Dept. of Agriculture, Trade & Cons. Prot.