

## MINUTES OF AUGUST 25, 2009, MEETING

### STATE OF WISCONSIN GROUP INSURANCE BOARD

Holiday Inn and Suites  
1109 Fourier Drive, Madison, WI

#### BOARD PRESENT:

Cindy O'Donnell, Chair Robert Baird Barbara Belling (representing Eileen Mallow) Marty Beil	Janis Doleschal Jennifer Donnelly David Schmiedicke
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#### BOARD NOT PRESENT:

Esther Olson, Secretary	Gary Sherman
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#### PARTICIPATING EMPLOYEE TRUST FUNDS STAFF (ETF) STAFF:

Dave Stella, Secretary Bob Conlin, Deputy Secretary Cindy Gilles, Board Liaison	Tom Korpady, Division of Insurance Services Bill Kox, Division of Insurance Services
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#### OTHERS PRESENT:

ETF Office of the Secretary: Rhonda Dunn, Sharon Walk ETF Office of Legislative Affairs, Communications, and Quality Assurance: Vickie Baker, Christina Keeley, Sari King, Matt Stohr ETF Division of Insurance Services: Marcia Blumer, Jeff Bogardus, Lisa Ellinger, Arlene Larson, Sonja Sidky, Joan Steele ETF Office of Policy, Privacy and Compliance: Steve Hurley Anthem: Colleen Evans-Carter, Angie Gehrman, Michelle Mazola Dean Health Plan: Deb Treinen Deloitte: Tim Gustafson, Julie Maendel, Patrick Pechacek, Peter Roverud Department of Administration: Deb Carstensen, Caitlin Frederick Group Health Cooperative-SCW: Paul Perkins Humana: Daniel Fee, Roxanne Perillo, Robin Peterson	Mercy Care: Mary Hesse, Josh Mummery, DuWayne Severson Minnesota Life Insurance Company: Bob Olafson, Paul Rudeen, Chris Schmelzer Navitus: Tom Pabich, Terry Seligman Office of State Employment Relations: Paul Ostrowski OptumHealth Vision: Phil Knight Physicians Plus Insurance Corporation: Ron Sebranek Security Health Plan: Becky Gorst State Engineers Association: Bob Schaefer United Health Care: Brandon Widell Unity Insurance: Kathy Ikeman UW System Administration: Beth Ritchie Wisconsin Association of Health Plans: Phil Dougherty Wisconsin Education Association Trust: Cheryl McIlquham Wisconsin Physicians Service Insurance: David Grunke Former Board Member: Steve Frankel
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Cindy O'Donnell, Chair, Group Insurance Board (Board), called the meeting to order at 8:32 a.m.

Board	Mtg Date	Item #
GIB	11/10/09	1

## ANNOUNCEMENTS

Ms. O'Donnell announced that the Office of the Commissioner of Insurance designated Barbara Belling as the representative for today's meeting.

## CONSIDERATION OF MINUTES OF JUNE 9, 2009, MEETING

***Motion: Mr. Beil moved approval of the minutes of the June 9, 2009, meeting as submitted by the Board Liaison. Ms. Doleschal seconded the motion, which passed unanimously on a voice vote.***

## HEALTH INSURANCE PROGRAM

### **Consideration of Technical Amendments to Health Insurance Contract**

Bill Kox, Division of Insurance Services, noted that at the April 14, 2009, meeting, the Board granted Department staff the authority to proceed with any needed technical changes in the *Guidelines and Uniform Benefits* for the 2010 benefit year. He referred the Board to the memo dated August 4, 2009, with regard to the following Act 28 provisions:

1. Domestic partners are now eligible to receive benefits; therefore, the "domestic partner" language has been added throughout the contract.
2. Under dependent child, the language has been changed to read: ... The child ceases to be a Dependent at the end of the month in which he or she:
  - turns 27 years of age, or ...
3. Autism spectrum disorders treatment is now covered.
4. Contraceptives and related services are now covered and do not require a referral.
5. Independent review law provisions were revised (although these come up very rarely in our program).

***Motion: Ms. Doleschal moved to adopt the Guidelines and Uniform Benefits technical amendments. Ms. Belling seconded the motion, which passed unanimously on a voice vote.***

Ms. O'Donnell announced that the Board would be meeting in closed session pursuant to the exemptions contained in Wis. Stat. § 19.85 (1) (e) to discuss the use of public employee trust funds. Specifically, the Board will discuss the 2010 rate setting for the self-insured plans. The Board will also discuss dental plan changes, service area qualifications, and 2010 tier assignments for the alternate plans. Upon conclusion of the discussion, the Board would reconvene in open session. Staff from the Department of Employee Trust Funds, the Department of Administration, the Office of the Commissioner of Insurance, the Office of State Employment Relations, Deloitte Consulting, and Mr. Frankel were invited to remain during the closed session.

***Motion: Mr. Beil moved to convene in closed session, pursuant to the exemptions contained in Wis. Stat. § 19.85 (1) (e) to discuss the use of public employee trust funds. Mr. Baird seconded the motion, which passed on the following roll call vote:***

***Members voting aye: Baird, Beil, Belling, Doleschal, Donnelly, Schmiedicke, and O'Donnell***

***Members voting nay: none***

The Board convened in closed session at 8:42 a.m. and reconvened in open session at 10:10 a.m.

### **ACTION TAKEN ON BUSINESS DELIBERATED DURING CLOSED SESSION**

Mr. Korpady announced that the Board took the following action on the 2010 health insurance programs during the closed session:

- The Board approved the actuary's recommendation for the self-insured plans. The state standard and SMP plans will increase 9%.
- The State Medicare +\$1,000,000 Plan will increase 6%.
- The local government plans, both the actives, retirees and Medicare, will increase 8%.
- The Board approved the tier placement and service areas for the participating alternate health plans. All alternate plans will be offered under Tier 1. The state plan increase will average 9%.

The Board took a break from 10:15 a.m.–10:25 a.m.

Note: Ms. Doleschal left the Board meeting at this time.

### **2008 GROUP LIFE INSURANCE REPORT AND RECOMMENDATIONS**

Paul Rudeen, Minnesota Life Insurance Company (MLIC), presented a summary of the 2008 highlights. He shared three documents with the Board: 1) *2008 Policy Year Highlights*; 2) *Group Life Insurance Plan Coverages for State Employees and Their Spouses and Dependents*; and 3) *Group Life Insurance Plan Coverages for Local Government Employees and Their Spouses and Dependents*.

There are four components of the life insurance plan:

1. State employees (active and retired);
2. Spouses and dependents of state employees;
3. Local government employees; and
4. Spouses and dependents of local government employees.

## **Group Life Insurance Plan for State Employees**

### **State Plan**

State Employees: This portion of the plan had the best year ever experienced under the plan. There are no changes being recommended to the premium rates.

State Employee Spouse and Dependent Plan: Claims were higher than targeted, which has been the case for several years. Therefore, a premium rate increase is being recommended.

Mr. Rudeen reminded the Board that retirees are allowed to convert the value of post-retirement life insurance into an account that pays toward health insurance premiums or long-term care insurance premiums. During 2008, 126 retirees utilized this option. There are 73,000 insured lives under the plan, with more than \$9.2 billion of insurance. The reserve funds under the plan earned 5.7% and the funding of future benefits is strong.

Based on the analysis of recent experience, MLIC made the following recommendations:

1. No change to the state employee life insurance premium rates in 2010;
2. No change to the stop-loss premium rates in 2010; and
3. An increase of 25%, effective March 1, 2010, to the state spouse and dependent plan premium rates.

### **Local Government Plan**

The results were better than targeted for local government employees for 2008 and a premium rate decrease is being recommended by MLIC.

The Local Government Spouse and Dependent Plan had claims higher than the target in 2008 but had a large reserve. Therefore, no change in premium rates is being recommended for 2010.

Under the Local Government Plan, retirees also have the option of converting the value of the post-retirement life insurance into an account to pay for health insurance premiums. During 2008, only three retirees utilized this option; the reasons why are that very few local governments participate in health insurance plans and they are not offered the long-term care insurance plans.

In 2008, nine local government employers joined the plan and six increased the number of coverages they had under the plan. There are 695 local employers participating in the plan. Insurance in force grew by 5% to \$9.7 billion and there are over 107,000

insured under the local government plan. The reserve funds earned 5.69% during 2008.

Based on the analysis of recent experience, MLIC made the following recommendations:

1. Premium decrease of 3.8% to the local government employee life insurance premium rates on July 1, 2010;
2. Reduce the stop-loss premium rates for active employees by 3.9% and retirees by 0.4% effective January 1, 2010; and,
3. No change to the local spouse and dependent premium rates in 2010.

Mr. Rudeen answered questions from the Board.

***MOTION: Mr. Beil moved acceptance of the Life Insurance Program Annual Report and approval of the 2010 premium rates as recommended by MLIC. Mr. Baird seconded the motion, which passed on the following roll call vote:***

***Members voting aye: Baird, Beil, Belling, Donnelly, Schmiedicke, and O'Donnell***

***Members voting nay: None***

## **LONG-TERM DISABILITY INSURANCE**

Tim Gustafson of Deloitte Consulting, the Board's actuary, presented the *Long-Term Disability Insurance Plan 2010 Premium Development* report to the Board. He noted that the LTDI program continues to be in an actuarially-sound position. Premium contributions have been suspended since 1999. Assets in the plan are \$313.8 million with liabilities of \$138.6 million. There were \$10 million in total revenues. Paid claims increased to \$20.4 million in 2008 from \$17.8 million in 2007. The net fund balance is \$175.2 million.

***MOTION: Mr. Beil moved to accept the LTDI 2010 Premium Development report and continuation of the zero premium rate for 2010. Ms. Belling seconded the motion, which passed unanimously on a voice vote.***

## **PAYROLL DEDUCTION AUTHORITY**

OptumHealth: Mr. Kox shared with the Board that OptumHealth has been in the program for a number of years and has had and continues to have a number of difficulties in administration of the program (i.e., eligibility, enrollment, reporting and customer service). The State Payroll Council recommended terminating OptumHealth's payroll authorization at its June 29, 2009, meeting.

Phil Knight, OptumHealth Representative, shared with the Board OptumHealth's efforts to improve its administrative problems and issues, noting that a service management team was implemented to examine and work on problem resolution.

Deb Carstensen, State Payroll Council Representative, shared with the Board that OptumHealth has been given many opportunities to address the administrative problems. She said that not only did it not correct anything, but it regressed. Therefore, the Council was given no alternative but to recommend terminating OptumHealth's authorization.

***Motion: Ms. Donnelly moved to rescind payroll deduction authority for OptumHealth Vision effective December 31, 2009. Ms. Belling seconded the motion, which passed unanimously on a voice vote.***

Vision Service Plan (VSP): Mr. Kox shared with the Board that Deloitte has reviewed VSP's proposal and finds its rates to be very competitive with OptumHealth. VSP also meets the requirements outlined in the Board's guidelines. VSP will administer open enrollments for all state agencies and all eligibility changes. The organization's network is comprised mainly of private stand-alone providers.

Mr. Kox answered questions from Board members.

***Motion: Ms. Belling moved to approve payroll deduction authorization for Vision Service Plan to offer vision care benefits to active state and University employees, annuitants and their dependents effective January 1, 2010. Mr. Beil seconded the motion, which passed unanimously on a voice vote.***

## MISCELLANEOUS

Health Insurance Enrollment, Validation, and Payment Project: Phases 1 and 2 have been completed and work has started on Phases 3 and 4. Phase 3 will focus on converting the monthly health plan premium reports to an electronic reporting system. Phase 4 focuses on providing members with a web-based system for enrollment, eliminating the manual paper processes that are currently required.

It's Your Choice (IYC) Booklet Changes: Mr. Beil raised concerns regarding people who may not have access to a computer in order to enroll electronically for their health insurance. He is also concerned they may not receive specific information about the new domestic partnership benefits that were included in 2009 Wisconsin Act 28. Mr. Korpady, Ms. Ellinger and Mr. Stohr addressed questions with regard to domestic partner benefits communication plans and information distribution. For instance, human resource and payroll staff will receive domestic partner benefit information packets once they are completed. The information will also be available on the ETF website. In

addition, hard copies of the 2010 It's Your Choice booklets will be available for state and local employers.

Mr. Stohr will send the Board the Department's communication plan relating to domestic partner benefits.

Mr. Korpady referred the Board to the remaining memos in their Board books.

## **ADJOURNMENT**

***MOTION: Ms. Donnelly moved to adjourn the meeting. Mr. Beil seconded the motion, which passed unanimously on a voice vote.***

The Board adjourned at 11:25 a.m.

Dated Approved: \_\_\_\_\_

Signed: \_\_\_\_\_

Esther Olson, Secretary  
Group Insurance Board