



STATE OF WISCONSIN
Department of Employee Trust Funds
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CORRESPONDENCE MEMORANDUM

DATE: October 23, 2009
TO: Group Insurance Board
FROM: Arlene Larson, Manager, Self-Insured Health Plans
SUBJECT: Self-Funded Standard Plan Contract Extension

Staff recommends the Group Insurance Board (Board) extend the terms of the Standard Plan contract one year to expire December 31, 2011.

The Standard Plan contract is set to expire on December 31, 2010. Normally, we would request Board approval to issue a Request for Proposals (RFP) and proceed with a bid process. However, during this same time period that this bid process would occur, staff will be involved with two other major bid processes: one for the Group Life Insurance (Life) program and one for the Pharmacy Benefits Manager (PBM) contract. Both the Life and the PBM contracts will have been extended for seven years at the point they expire, while the contract for the administration of the Standard Plans will have been extended for only five years. All of these procurement processes place significant demands on the limited staff in the Department's Health and Insurance Plans Bureau. In addition, Board members will be asked to serve on the response evaluation teams. While staff are ready to proceed with all three of these RFP processes if the Board so desires, we feel it may be wise to spread this workload out by extending the Standard Plan contract for one additional year, and undertake that bid process beginning approximately this time next year.

Statute 40.03 (6) (a) (2) provides the Board broad authority to set the terms and conditions in the contract for the self-insured plans. The current contract, under article VIII, Amendments, states that "This AGREEMENT may be amended at any time by written agreement of WPS and the BOARD." Thus, the Board and WPS may extend the contract to expire at the end of 2011. WPS has indicated that they are amenable to continuing the terms of the contract and current rates through 2011.

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

Signature Date

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WPS has been the contracted administrator of the Standard Plans since January 1, 2006. WPS has provided good service, as verified by the most recent audit of its administration of the plans for coverage years 2006 and 2007. Therefore, absent any serious service problems or claims processing issues, staff feels that there is no pressing need to rebid the contract this year.

I will be at the meeting to answer any questions Board members may have about this topic.