



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: October 19, 2009
TO: Group Insurance Board
FROM: Bill Kox, Director, Health Benefits and Insurance Plans
Joan Steele, Manager, Alternate Health Plans
SUBJECT: Guidelines and Uniform Benefits for the 2010 Benefit Year – Additional Amendments

Staff recommends the Group Insurance Board (Board) adopt the Guidelines and Uniform Benefits amendments as discussed below.

At its April 14, 2009, meeting, the Group Insurance Board (Board) reviewed and approved changes for the 2010 benefit year. In addition, at the August 25, 2009, meeting, the Board approved amendments that were necessary to implement state mandates adopted in the state budget, 2009 Wisconsin Act 28. At that time, staff noted further technical clarifications might be necessary as they continued to implement the mandates. Staff has identified additional amendments needed to clarify contract administration and to conform to proposed emergency Administrative Rule ETF 10.01 (2) (b). The recommended amendments do not have a cost impact.

The following is a description of the requested amendments followed by the corresponding language changes. New language is shaded and underscored and language to be deleted is ~~stricken~~.

RECOMMENDED CHANGES:

- 1) **Adult Children:** 2009 Wisconsin Act 28 enacted Wis. Stat. §632.885, providing coverage for eligible adult children less than 27 years of age when requested by the subscriber. This mandate does not require student status as a condition for the adult children's eligibility.

Staff recommends deleting language from the definition of dependent that requires dependent children over age 19 to be full-time students. To minimize the impact of adverse selection, staff also recommends amending the contract language to state that subscribers who do not wish to request coverage for their adult children who are newly eligible under this mandate may only do so at a later date if their children have a qualifying event that makes them newly eligible. Please note that returning

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

Signature

Date

Board	Mtg Date	Item #
GIB	11/10/2009	3

to school as a full-time student will not create an opportunity to enroll if the child

was eligible prior to returning to school. If there is no qualifying event, subscribers who wish to add their adult children will be limited to the Standard Plan and their newly-insured children will have a 180-day waiting period for pre-existing conditions. This is consistent with the application of the Standard Plan waiting period for other family members when a subscriber switches from single to family coverage outside of the annual Its Your Choice period. Once added, the adult child remains insured until the child is no longer eligible (for example, gets married or turns 27 years of age) or the family coverage is terminated.

In addition, staff recommends one further enrollment change that recognizes the unique effect Wis. Stat. §632.885 has upon the tax-qualified status of certain adult dependents in the group health insurance program, and the resultant imputed income required under Federal law. The new state law allows eligibility for adult children who are not tax dependents of the subscriber. Staff have received numerous questions from employers and members regarding the opportunity to add an adult child when tax dependent status changes. Because of the complexity of these changes with the tax law, the potential for adverse selection and the administrative complexity associated with this topic, staff recommends a subscriber only be allowed to add or delete an adult dependent on a calendar year basis effective January 1 of each year.

Section	Recommended Language Change
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Section	Recommended Language Change
<p>State & Local Contract <i>Article 1.7 (1)</i></p> <p>Uniform Benefits <i>Section II</i> (Definitions)</p>	<p>A child age 19 or over who is a full-time student, if otherwise eligible (that is, continues to be a DEPENDENT for support and maintenance and is not married), cease to be a DEPENDENT:</p> <ul style="list-style-type: none"> • At the end of the calendar year in which the child ceases to be a full-time student or in which the child turns age 25, whichever occurs first. • At the end of the month in which the child marries. <p>As defined in Wis. Adm. Code § ETF 10.01 (5), student means a person who is enrolled in and attending an accredited institution, which provides a schedule of courses or classes and whose principal activity is the procurement of an education. Full-time status is defined by the institution in which the student is enrolled and includes any intervening vacation period if the child continues to be a full-time student. Per the Internal Revenue Code, this includes elementary schools, junior and senior high schools, colleges, universities, and technical, trade and mechanical schools. It does not include on-the-job training courses, correspondence schools and similar on-line programs, intersession courses (for example, courses during winter break), night schools and student commitments after the semester ends, such as student teaching. As required by Wis. Stat. §632.895 (15), eligibility will continue up to one year when the DEPENDENT ceases to be a full-time student due to a medically necessary leave of absence.</p>
<p>State & Local Contract <i>Article 1.7 (4)</i></p> <p>Uniform Benefits <i>Section II</i> (Definitions)</p>	<p>Any DEPENDENT eligible for BENEFITS who is not listed on an application for coverage will be provided BENEFITS based on the date of notification with coverage effective the first of the month following receipt of the subsequent application by the EMPLOYER, except as required under Wis. Stat. § 632.895 (5) and 632.896 <u>and as specified in Article 3.3 (11).</u></p>

Section	Recommended Language Change
State & Local Contract <i>Article 3.3</i> (11)	<p><u>A SUBSCRIBER who does not request coverage for a DEPENDENT when first eligible under Wis. Stat. § 632.885 will thereafter be limited to the Standard Plan with a waiting period for the child. The exception is if the child becomes newly eligible due to loss of eligibility for other coverage, loss of employer contribution for other coverage, increase in employee contribution share that exceeds the cost of coverage as a dependent under this program, or divorce. The SUBSCRIBER can add the DEPENDENT by filing an application with the EMPLOYER within 30 days of the event and coverage for the DEPENDENT will be effective on the event date. This paragraph does not prevent a SUBSCRIBER from adding the eligible DEPENDENT during the dual choice enrollment period for coverage effective the following January 1.</u></p> <p><u>Coverage for the DEPENDENT eligible under this section remains in effect until the DEPENDENT is no longer eligible, the family coverage is terminated, or the SUBSCRIBER requests to terminate the coverage for the DEPENDENT effective the following January 1, whichever occurs first.</u></p>

- 2) **Survivor Premium:** The Office of State Employment Relations (OSER) has requested that upon the death of an employee, the insured survivors receive coverage for those months for which premiums have already been deducted through the payroll process. Under the current contract provision, the insured survivors are liable for the premium for months of coverage that immediately follow the date of death. This can cause financial hardship to the insured survivors as well as administrative work for the employer to make the premium adjustments.

Section	Recommended Language Change
State Contract <i>Article 3.14</i> (2)	<p><u>Coverage under this section shall be effective on the first day of the calendar month following the date of death of the insured EMPLOYEE or ANNUITANT for which PREMIUMS have not already been deducted and shall remain in effect until such time as the DEPENDENT coverage would normally cease.</u></p>
Local Contract <i>Article 3.14</i> (2)	<p><u>Coverage under this section shall be effective on the first day of the calendar month following the date of death of the insured EMPLOYEE or ANNUITANT unless the EMPLOYER provides for additional months of PREMIUM payment after the date of death, and shall remain in effect until such time as the DEPENDENT coverage would normally cease.</u></p>

Staff will be available at the Board meeting to respond to any questions or concerns.



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CORRESPONDENCE MEMORANDUM

DATE: November 6, 2009

TO: Group Insurance Board

FROM: Bill Kox, Director, Health Benefits and Insurance Plans
 Joan Steele, Manager, Alternate Health Plans

SUBJECT: Guidelines and Uniform Benefits for the 2010 Benefit Year – Amendment

Staff recommends the Group Insurance Board (Board) adopt the Guidelines and Uniform Benefits amendment discussed below.

After the October 19, 2009, memo was prepared outlining additional amendments to the contract, the Office of the Commissioner of Insurance (OCI) passed an emergency administrative rule clarifying administrative provisions for determining eligibility of adult children up to 27 years of age. In response to participant questions, staff recommends further amending the contract language.

The recommended language change in the October 19, 2009, memo does not allow for subscribers to delete the adult child from their family coverage during the year when the adult child becomes eligible for group health insurance due to finding employment or getting increased hours. Subscribers would then be required to continue to insure their adult child for the remainder of the year when the adult child has other insurance, which may result in unnecessary imputed taxable income to the subscriber. Staff recommends that subscribers be permitted to delete the adult child from their family coverage when the adult child enrolls in group health insurance during an initial enrollment opportunity.

The recommended language change is shown below. New language is shaded and underscored. The recommended amendment does not have a cost impact.

Section	Recommended Language Change
State & Local Contract Article 3.3 (11)	Coverage for the DEPENDENT eligible under this section remains in effect until the DEPENDENT is no longer eligible, the family coverage is terminated, <u>the DEPENDENT elects health insurance coverage through an employer during an initial enrollment opportunity,</u> or the SUBSCRIBER requests to terminate the coverage for the DEPENDENT effective the following January 1, whichever occurs first.

Staff will be available at the Board meeting to respond to any questions or concerns.

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

Board	Mtg Date	Item #
GIB	11/10/2009	3