



STATE OF WISCONSIN
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CORRESPONDENCE MEMORANDUM

DATE: May 17, 2010
TO: Group Insurance Board
FROM: Betty Wittmann, Manager
Optional Insurance Plans & Audits
Division of Insurance Services
SUBJECT: Status Update – Optional Insurance Programs

This memo is informational only. No Board action is necessary.

Annually at the June meeting, staff provides the Board with an update on the status of the optional vision, dental, excess medical, accidental death and dismemberment, and long-term care insurance programs provided by Vision Service Plan, Anthem DentalBlue, EPIC Life Insurance Company, The Hartford Life Insurance Company, United of Omaha, and John Hancock, respectively.

Background

Under authority granted to the Group Insurance Board (Board) by Wis. Stats. § 40.03 (6) and § 40.55, and pursuant to Wis. Stats. § 20.921 (1) (a) 3 and Wis. Admin. Code § ETF 10.20 and § ETF 41, the Board is responsible for approving optional group insurance plans to be offered via payroll deduction. The Board's Optional Plan Guidelines require annual submissions by the plans to facilitate periodic monitoring of claims and pricing.

Discussion - Optional Vision Program

In 2009, the Board approved Vision Service Plan (VSP) to replace OptumHealth Vision as the vision care benefits provider for state and university employees, as well as eligible retired state employees. All members who were enrolled in the OptumHealth Vision Plan were terminated effective December 31, 2009. All-in-all, the transition in vision providers went well. However, there were a few issues involving the use of alternate identification numbers rather than Social Security Numbers, the change in provider networks, and the fact some members misunderstood the need to enroll with VSP if they were previously enrolled in OptumHealth. VSP worked closely with the state agencies to resolve the issues that arose throughout the implementation process, and continues efforts to increase the number of providers available to our members.

VSP offered an open enrollment opportunity for state and university employees,

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

Signature Date

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continuants, as well as eligible retired state employees with coverage becoming effective January 1, 2010. During the open enrollment, 8,223 active employees and 1,270 annuitants enrolled into the vision care plan. VSP's initial enrollment compares with the 11,500 members who were enrolled in the OptumHealth plan in 2009. VSP further reports they have processed over 4,000 claims of which approximately 95% of those were for services received in-network.

Discussion - Optional Dental Insurance Program

Anthem DentalBlue (DentalBlue) currently provides dental insurance policies under contracts with both the University of Wisconsin Board of Regents (UWS) since 2004 and, as of February 2006, the State of Wisconsin, Office of State Employment Relations (OSER). DentalBlue currently offers our employees three plan designs. The HMO Plan (VDC 186) and PPO Plan (VP 864) are designed for employees without dental coverage in their health plans and offers diagnostic and preventive care in addition to the basic and major services. The Supplemental Plan is designed to supplement the health plan and covers the basic and major dental services. DentalBlue has offered the same benefit levels since 2005 with the exception of adding coverage for dental implants to the PPO Plan in 2010.

Overall utilization of the Dental Blue plans shows increased enrollment in the Supplemental and PPO (VP 864) plans. There is limited enrollment in the HMO (VDC 186) plan. DentalBlue continues to experience some fluctuation in its network providers, and claim issues. The following chart highlights the utilization information gathered for the DentalBlue program.

Anthem DentalBlue Insurance Program		
Utilization Statistics 2009	UW Board of Regents	OSER
Enrolled Participants	7,723	8,486
Premium Income	\$3,014,547	\$3,081,752
Amount of Claims	\$2,109,076	\$2,267,777
Loss Ratio (includes admin cost)	69.9%	73.5%

Discussion - Optional Dental, Excess Medical and Accidental Death & Dismemberment (AD&D) Insurance Program

In the 1960s the Board approved the supplemental dental, excess medical and accidental death & dismemberment (AD&D) plan offered through John Deere Life, which was acquired by the EPIC Life Insurance Company (EPIC) in 1994. This plan is viewed primarily as a dental plan with over 90% of the claims paid for dental benefits and the remaining 10% for medical services and accidental death.

EPIC had made some significant plan changes in recent years. In 2004, EPIC separated the premium rates for active employees and annuitants. In 2006, it implemented a three-tier dental structure for those enrolling during the special enrollment opportunities. And in 2009 EPIC lowered the dental deductible from \$200 to \$75. In the upcoming year, staff will work with the actuary and EPIC to assess decreasing loss ratios. The following chart highlights the utilization information gathered for the EPIC program.

EPIC Life Insurance Program		
Utilization Statistics 2009	Actives	Annuitants
Enrolled Participants	12,735	4620
Enrollment % change from 2008	1% Increase	1% Decrease
Premium Income	\$6,363,920 combined	
Amount of Claims	\$4,255,730 combined	
Loss Ratio (includes admin cost)	66.9% combined	

Discussion - Optional Accidental Death & Dismemberment (AD&D) Program

In 1989, the Board approved the AD&D plan through CNA Financial Corporation, which was acquired by The Hartford Life Insurance Company in 2003. Currently, The Hartford offers AD&D benefits to 30 state agencies with approximately 5,800 active state employees enrolled in the plan. The Department of Corrections, the Department of Transportation, and the Department of Natural Resources together make up approximately 67% of the total premium in the AD&D plan. Despite having low participation, this benefit offers unique coverage -- allowing an employee to cover themselves and/or their families for both on- and off-the-job accidents.

AD&D tends to be a volatile plan with low premiums and fluctuating claims, which holds true for the State of Wisconsin program. Previously, the Board has considered this plan an exception to its 75% loss ratio requirement but anticipates these volatile plans will meet the requirement over longer periods of time (15 or more years). Departmental staff will continue to monitor this in conjunction with the Board's actuaries and make recommendations accordingly. The following chart highlights the utilization information gathered for the AD&D program since 2003.

The Hartford Life Insurance AD&D Program							
Utilization Statistics	2003	2004	2005	2006	2007	2008	2009
Premium Income	\$430,081	\$453,684	\$477,288	\$471,087	\$497,762	\$497,762	\$498,309
Number of Claims	4	3	0	1	0	0	0
Amount of Claims	\$123,126	\$381,732	\$0.00	\$215,867	\$0.00	\$0.00	\$0.00
Loss Ratio	29%	84%	0%	46%	0%	0%	0%

Discussion - Optional Long-Term Care Insurance Program

In the early 1990s, Wis. Stats. § 40.55 and Wis. Admin. Code Chapter ETF 41 established a program to offer long-term care insurance to state employees and annuitants, their spouses and the parents of state employees. Annually each participating vendor is required to provide a report summarizing marketing and enrollment activities. Overall, the program is growing slowly. In 2009, 354 new applications for coverage were received, which is consistent with the 375 applications received in 2008 and 303 in 2007. Of those 130 of the new applications were denied. According to the reports, the total number of policies issued since the program began in the early 1990s is nearing 8,000. The following chart highlights the marketing and

enrollment activities gathered from SeniorCare and HealthChoice for the long-term care insurance program.

Marketing and Enrollment Activity for Plans currently offered	Senior Care	HealthChoice
	John Hancock	United of Omaha
Applications received	153	342
Policies denied	22	108
Policies issued to state annuitants	39	101
Policies issued to state employees	70	37
Policies issued to spouses or parents of state employees	15	92
Phone calls received from state eligibles	158	120
Reply cards received from state eligibles	224	1,034

In 2009 there were six insurance companies with policies in force through the state long-term care insurance program. However, only John Hancock Life Insurance Company and United of Omaha Insurance Company currently offer policies to new subscribers. Four companies, American International Group (AIG), Fortis (a subsidiary of John Hancock), Life Investors Insurance Company of America, and Mutual of Omaha, have existing policyholders, but do not offer the policies to new participants. The following chart highlights the utilization information gathered for the long-term care insurance program.

Total Long-Term Care Membership By Plan					
Product	AIG	Life Investors	John Hancock & Fortis	Mutual of Omaha	United of Omaha
Cumulative Total Membership Since Inception	229	879	4267	106	441
Annual Policies Added	0	0	124 (John Hancock only)	0	230
Total Number of Claims	Not Reported	12	56	0	1
Amount of Claims Paid	Not Reported	\$229,668	\$1,766,455	\$0	\$2,657

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