



STATE OF WISCONSIN
Department of Employee Trust Funds
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CORRESPONDENCE MEMORANDUM

DATE: May 18, 2010
TO: Group Insurance Board
FROM: Bill Kox, Director, Health Benefits & Insurance Plans
Betty Wittmann, Manager, Optional Insurance Plans & Audits
SUBJECT: WEA Insurance Trust Proposal

Staff recommends the Group Insurance Board (Board) approve the WEA Insurance Trust (WEA) proposal on a non-qualified basis for the first year, contingent upon the acceptability of the premium rates and rate review information due by July 16.

This memo discusses the WEA proposal to be offered under the Board's *Terms and Conditions for Comprehensive Medical Plan Participation in the State of Wisconsin Group Health Benefit Program and Uniform Benefits for the 2011 Benefit Year* (Guidelines), beginning January 1, 2011. The analysis follows the outline contained in the Guidelines. Board members were previously provided a copy of the proposal.

Attached for your review is key information from the initial proposal, as well as a packet providing WEA's responses to questions from staff about the proposal. Information regarding WEA's business operations plan has been removed from the proposal and copies will be made available at the meeting for your review. Because WEA has designated some of the information as confidential and proprietary, we will collect the materials after the meeting. We ask that you not copy or share this information with non-Board members.

Overview

WEA is proposing to offer its WEA Trust preferred provider organization (PPO) in Eastern Wisconsin in the following counties: Florence, Marinette, Oconto, Shawano, Waupaca, Outagamie, Brown, Door, Kewaunee, Manitowoc, Calumet, Winnebago, Waushara, Marquette, Green Lake, Fond du Lac, Sheboygan, Ozaukee, Washington, Waukesha, Milwaukee, Walworth, Racine, and Kenosha. WEA's PPO is an open panel provider system that does not require members to obtain services from participating providers. However, if the member chooses a non-participating provider, their copayments, coinsurance, deductibles, and out-of-pocket expenses will be higher.

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

Signature

Date

Board	Mtg Date	Item #
GIB	6.8.10	5C

Staff discussed the proposal with the Board's actuary, Deloitte Consulting, which reports no significant concerns about the proposal.

A. Statutory Authority to Contract

WEA meets the requirements of Wis. Stat. § 40.03 (6) (a) and is licensed by the Office of the Commissioner of Insurance (OCI) to provide insurance in the State of Wisconsin.

B. Operating Experience

The Board's Guidelines require plans to have a one-year operating experience to be eligible under the program. The purpose of this requirement is to provide assurance of financial and operating stability. WEA meets the one-year operating requirement. WEA has been offering health insurance to public school employees since 1970, and by 1977 it was the 13th largest health insurer in Wisconsin. As of March 2010, WEA had 49,681 subscribers. In its proposal, WEA has demonstrated it has experienced steady growth since its inception and that it has community support. Currently, WEA insures more than 60% of eligible public school districts in Wisconsin (Exhibit 2), reporting that Kenosha, Appleton, West Allis /West Milwaukee, Oshkosh and La Crosse make-up the five largest school district employers.

C. Financial Requirements

Robert Willett, chief trust finance officer of the Department of Employee Trust Funds (Department) has reviewed the proposal and reports the plan appears financially stable.

D. Comprehensive Health Benefit Plans Eligible for Consideration

WEA will offer Uniform Benefits to both state and local government members, along with a dental benefit for preventive, diagnostic care, basic services, and limited orthodontic benefits that has no deductible.

WEA appears to have appropriate utilization review measures in place, as required by the contract. These measures include prior authorization, concurrent and retrospective review, preadmission certification, discharge planning, and case management services. WEA has also devised a clinical team consisting of a Medical Director (physician), Member Health Services Director (registered nurse), and a Care Management Manager for both medical and behavioral health who develop utilization management criteria and guidelines. In addition to the clinical team, WEA indicates in its proposal that it specializes in care management programs for organ and tissue transplants, end-stage renal disease, complex or catastrophic needs, and care management needs following a nursing home or rehabilitation stay. WEA also offers disease management care programs for heart care, diabetes, oncology, back pain, high-risk maternity care, maternity education, behavioral health-depression care, renal disease, and a neonatal care program.

WEA supports quality improvement by collecting Health Plan Employer Data and Information Set (HEDIS) like measures. In addition, WEA analyzes regularly-refreshed medical and pharmacy claims data to monitor and improve the quality of care for overall business, specific plans, and specific provider systems. WEA has also indicated it will produce HEDIS measures after the first year of participation in the State of Wisconsin Group Health Benefit Program.

WEA indicates participation in the Leapfrog quality initiative, and the Wisconsin Health Information Organization, in addition to those required by the contract such as Checkpoint, Wisconsin Hospital Association quality accountability and the Wisconsin Collaborative for Healthcare Quality. WEA indicates it encourages providers to participate in quality and safety standards by sharing and discussing cost and quality health claims data trends during provider visits throughout the year.

E. Provider Agreements

WEA has a broad provider network with more than 24,000 providers that include virtually all provider groups for the 24-county area in Eastern Wisconsin. Exhibit 10 in the WEA proposal lists the providers available in each county. While WEA's network overlaps in a number of these counties with those currently offered by Anthem, Arise, Humana, Network and UnitedHealthcare, it will likely add additional choices for members wishing to use different provider systems residing in Calumet, Green Lake, Marquette, Oconto and Waushara Counties.

WEA indicates it uses industry-standard fee-for-service provider agreements to contract with various physicians and hospitals. WEA's PPO is an open panel provider system, where members can obtain services from participating providers or choose to receive services from a non-plan provider and be subject to a deductible of \$1,000 single/\$2,000 family and 30% member coinsurance subject to reasonable and customary charges. WEA does not require members to select a primary care physician or obtain referrals.

"Hold harmless" clauses are included in the provider contracts to protect members from any attempt to collect fees resulting from services provided under the agreement, with the exception of scheduled copayments, deductibles or coinsurances. WEA indicates it will apply this provision when handling claims for emergency or urgent care services received from a non-plan provider as stated in Uniform Benefits.

F. Capital Equipment and Expenditures

This is not applicable to WEA because WEA does not employ any physicians or own any hospitals.

G. Enrollment and Reporting

WEA is aware of current enrollment requirements and indicates it will follow all current requirements.

H. Rate Making Process

WEA indicates its initial rates will be based on a community rating methodology based on its PPO business that rolls-up experience for all counties included in the proposed bid region. In addition, WEA will modify the rates to reflect Uniform Benefits, and adjust the rates further, based on enrollment and demographic information provided by the Department. Subsequent premiums will be experience rated.

Discussion and Summary

WEA offers broad access to network providers and hospitals in Eastern Wisconsin along with substantial dental benefits. While PPOs under Uniform Benefits, in our experience, have met with mixed success due to adverse selection, we expect WEA's plan to attract a reasonable number of members due to the broad network and dental offerings. WEA offers comprehensive disease management programs for diabetes, cancer screenings, and lower back pain. WEA's proposal indicates that 75% of the eligible high-risk members are enrolled in its case and disease management programs, and cites recent analysis showing these have reduced medical expenditures by 0.7% and prescription drug expenditures by 6.4% in the first half of 2009 for program participants. If these programs are managed properly, this could help offset some of the adverse selection that PPOs typically incur.

In the long term, whether WEA will be successful under our tiering system will depend on WEA's ability to manage these risks efficiently. While the health plans in the state program have had difficulty containing costs over the years in Southeast Wisconsin, staff believes it is worth giving WEA the opportunity to apply its disease management and other strategies.