

MINUTES OF AUGUST 24, 2010, MEETING

STATE OF WISCONSIN GROUP INSURANCE BOARD

Holiday Inn and Suites
1109 Fourier Drive, Madison, WI

DRAFT

BOARD MEMBERS PRESENT:

Cindy O'Donnell, Chair Eileen Mallow, Vice Chair Esther Olson, Secretary Robert Baird	Marty Beil Sheila Conroy Janis Doleschal David Schmiedicke
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BOARD MEMBERS NOT PRESENT:

Rosemary Finora	
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PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:

Dave Stella, Secretary Bob Conlin, Deputy Secretary Michelle Baxter, Division of Management Services Lisa Ellinger, Division of Insurance Services	Cindy Gilles, Board Liaison Tom Korpady, Division of Insurance Services Bill Kox, Division of Insurance Services John Vincent, Office of Internal Audit
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OTHERS PRESENT:

ETF Office of the Secretary: Rhonda Dunn, David Nispel, Sharon Walk ETF Office of Communications and Legislation: Liz Doss-Anderson, Nancy Ketterhagen, Sari King, Matt Stohr ETF Division of Insurance Services: Marcia Blumer, Jeff Bogardus, Russell Hann, Arlene Larson, Joan Steele, Betty Wittmann ETF Office of Internal Audit: Claudius Lebi ETF Office of Policy, Privacy and Compliance: Steve Hurley, Linda Owen American Federation of Teachers-Wisconsin: John Verberkmoes Anthem: Marin Kleinke, Sandy Reblin Department of Administration: Deb Emerson Dean Health Plan: Penny Bound, Deb Treinen Deloitte Consulting LLP: Tim Gustafson	Minnesota Life Insurance Company: Kjirsten Elsner, Bob Olafson, Hans Larsen, Chris Schmelzer Navitus: Tom Radloff Office of the Commissioner of Insurance: Barb Belling Office of State Employment Relations: Paul Ostrowski Physicians Plus Insurance Corporation: Ron Sebranek Security Health Plan: Becky Gorst Senior Care: Bill Krumpf, Kevin Krumpf United Health Care: Andrea Darling, Brandon Widell Unity Health Insurance: Kathy Ikeman University of Wisconsin Systems Administration: Beth Ritchie, Nicole Zimm WEA Insurance Trust: Cheryl McIlquham, Randy Mullis, Kathryn Ott
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Board	Mtg Date	Item #
GIB	11.9.10	1

EPIC: Mark Granoff, Wendy Hougan Group Health Cooperative SCW: Elizabeth Dye Health Choice: Juliett Dykstra Humana: Nicole Genthe, Roxanne Perillo, Kurt Rich Iowa County: Bridget Schuchart Mercy Care: Mary Hesse	Wisconsin Association of Health Plans: Phil Dougherty Wisconsin Department of Administration: Caitlin Frederick Wisconsin Physicians Service Insurance: David Grunke, Greg Nelson
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Cindy O'Donnell, Chair, Group Insurance Board (Board), called the meeting to order at 8:30 a.m.

CONSIDERATION OF JUNE 8, 2010, OPEN AND CLOSED MEETING MINUTES

MOTION: Ms. Mallow moved approval of the open and closed session minutes of the June 8, 2010, meeting as submitted by the Board Liaison. Mr. Beil seconded the motion, which passed without objection on a voice vote.

ANNOUNCEMENTS

David Stella, Secretary, announced that Tom Korpady, administrator of the Division of Insurance Services, is retiring September 10, 2010. Secretary Stella presented Mr. Korpady with a commemorative plaque from the Board and ETF.

HEALTH INSURANCE PROGRAM

Guidelines/Uniform Benefits/Standard Plan: Changes/Comparison of Amendments to Health Insurance Contract

Bill Kox, Division of Insurance Services, shared with the Board that at its April meeting, the Board approved the Uniform Guidelines allowing for additional amendments, if necessary. At today's Board meeting, the following amendments were discussed:

Grandfathering: Allows health insurance programs to temporarily retain existing benefit plans and avoid certain mandates. All groups will likely lose grandfathered status at a time to be determined by federal law. Grandfathered status can be lost when a group raises a deductible significantly, when a fully-insured group changes insurers, or an employer contribution rate decreases more than 5% below the current contribution.

2011 policy alternatives for local health insurance programs include: prohibiting employers from changing program options or entering the program after September 23, 2010, voluntarily relinquishing grandfathered status (which is what ETF staff recommends to the Board), establishing separate grandfathered and non-grandfathered

programs to allow for changes/additions, and voluntarily eliminating grandfather status for both state and local employers.

For 2011, loss of grandfathering status means the plan must comply with: first dollar coverage for in-network preventive services, choice of a primary care physician (that includes in-network pediatricians), access to in-network OB/GYNs without prior authorization or referral, emergency care must be available both in- and out-of network and cannot require prior authorization, and specific appeal procedures must be provided.

MOTION: Ms. Mallow moved to accept the staff recommendation to remove the “grandfather” status for the local program but retain it for the state. Mr. Beil seconded the motion, which passed without objection on a voice vote.

Federal Amendments for 2011:

1. Waiting periods in 2011 will be prohibited for pre-existing conditions for members under age 19 and will be prohibited for adult members by 2014.
2. There will no longer be lifetime or transplant group health maximums in 2011. Medicare Plus \$1,000,000 will become Medicare Plus.
3. Currently, unmarried dependents are covered up to the end of the month in which they turn 27. In 2011, married dependent children will be covered through the month in which they turn 26.
4. Health plans will be required to assist the Board in complying with any requirements for the Early Retirement Reinsurance Program.

State Amendments for 2011:

1. Behavior analysts will be added to the list of providers for autism spectrum disorders.
2. Colorectal cancer exams and laboratory tests will be covered.

MOTION: Ms. Olson moved to adopt the Guidelines, Uniform Benefits and Standard Plan amendments and to authorize staff to make additional technical clarifications as may be required. Mr. Beil seconded the motion, which passed without objection on a voice vote.

Dependent Eligibility Audit: John Vincent, Office of Internal Audit, shared with the Board a project the Office will be starting in early 2011. The project is a random sample audit of dependents in the group health insurance programs. This project is the result of an audit plan in which divisions and offices were asked to share their top risks and inventory risks. The Division of Insurance Services identified ineligible dependents as a potential risk to the group health insurance programs.

Steps being taken to address this issue include:

- Increase member awareness of the definition of an “eligible dependent,” via newsletters, booklets and on the ETF website.
- Conduct a random sample audit of approximately 1200 dependents in early 2011. The sample audit will help determine the number of covered dependents who are not eligible for coverage and will help staff determine if a broader audit is necessary.

More information will be shared at the November 2010 Board meeting.

Ms. O’Donnell announced the Board would be meeting in closed session pursuant to the exemptions contained in Wis. Stat. § 19.85 (1) (e) relating to negotiating the purchasing of public properties, the investing of public funds, or conducting other specified public business, whenever competitive or bargaining reasons require a closed session. Specifically, the Board would be discussing the 2011 rate setting for the self-insured plans. The Board will also discuss dental plan changes, service area qualifications and 2011 tier assignments for the alternate plans. Upon conclusion of the discussion, the Board would reconvene in open session.

Motion: Mr. Beil moved to convene in closed session, pursuant to the exemptions contained in Wis. Stat. § 19.85 (1) (e) to negotiate the use of public properties and investing of public funds. Ms. Mallow seconded the motion, which passed on the following roll call vote:

Members Voting Aye: O’Donnell, Baird, Beil, Conroy, Doleschal, Mallow, Olson and Schmiedicke

Members Voting Nay: None

Members Absent or Not Voting: Finora

The Board convened in closed session at 9:08 a.m. and reconvened in open session at 10:20 a.m. Staff from the Office of the Commissioner of Insurance, Office of State Employment Relations and Department of Employee Trust Funds were invited to remain for the discussion of insurance plans and rate settings during closed session. All others were asked to leave the room.

The Board took a break from 10:20 a.m. to 10:30 a.m.

ACTION TAKEN ON BUSINESS DELIBERATED DURING CLOSED SESSION

Mr. Korpady announced that the Board took the following action on the 2011 health insurance programs during the closed session:

- The Board adopted the actuary's recommendation for the self-insured plans with a slight modification of -0.3% to the drug formulary.
- All health plans are in Tier 1.
- The overall increase in the 2011 health insurance premium for the state program is slightly below 5.3%.

CONSIDERATION OF PAYROLL DEDUCTION AUTHORIZATION FOR OPTIONAL EMPLOYEE PAY-ALL PLANS

EPIC Dental for Payroll Deduction Authorization: Mr. Kox told the Board the University of Wisconsin System Administration (UWSA) requested a stand-alone dental plan in addition to its supplemental plan. EPIC Life Insurance Company has offered a payroll deduction optional dental plan with benefits similar to those currently offered by Anthem. In addition, this plan will offer dental implant coverage (in both EPIC plans), and \$1,000 orthodontic insurance benefit.

MOTION: Ms. Olson moved to approve payroll deduction authorization for EPIC Life Insurance Company's optional dental benefits as requested by the UWSA. Ms. Doleschal seconded the motion, which passed without objection on a voice vote.

EPIC Plan Benefit Change Request: Mr. Kox told the Board EPIC is proposing to add vision coverage (excluding eye exams) to the current Wisconsin State Employee (WSE) Plan and partnering with Davis Vision. Epic will also provide access to retail providers such as Shopko and Wal-Mart – access that is not offered through the current Vision Service Plan.

MOTION: Ms. Mallow moved to approve EPIC Life Insurance Company's request to add vision benefits to the existing WSE Plan. Mr. Baird seconded the motion, which passed without objection on a voice vote.

Long-Term Care (LTC) Insurance Rate Increase Proposal: Mr. Kox told the Board John Hancock is one of two companies currently offering LTC insurance to state employees. The current John Hancock policy (submitted by Senior Care Insurance Services, Inc.) will no longer be available in Wisconsin effective September 20, 2010. This would be a replacement policy with a 32% increase. Staff recommended the 5% compound inflation be maintained in addition to the Guaranteed Purchase Option.

MOTION: Mr. Beil moved to approve the Long-Term Care Insurance rate increase with benefit revisions including the 5% compound inflation and the Guaranteed Purchase Option offering from John Hancock, submitted by Senior Care Insurance Services, Inc.

Mr. Baird seconded the motion, which passed without objection on a voice vote.

LIFE INSURANCE PROGRAM

2009 GROUP LIFE INSURANCE REPORT AND RECOMMENDATIONS

Bob Olafson, Senior Vice President, Minnesota Life Insurance Company (MLIC), presented a summary of the 2009 highlights. He shared four documents with the Board: 1) *2009 Policy Year Highlights*; 2) *Group Life Insurance Plan Coverages for State Employees and Their Spouses and Dependents*; 3) *Group Life Insurance Plan Coverages for Local Government Employees and Their Spouses and Dependents*; and, 4) *Wisconsin Public Employers Group Life Insurance Program Local Government Premium Rates Compared to IRC Table I Rates*.

There are two divisions within the life insurance report:

- State employees: includes active, retired, and spouse and dependent children
- Local employees: includes active, retired, and spouse and dependent children

State Plan - 2009 Highlights

- Employee plan had its best experience result ever.
- Claims on spouse and spouse and dependent plans were high, but showed improvement over the prior year.
- This was the 15th year state employees were allowed to convert the value of their post-retirement life insurance to an account to pay health insurance or long-term care insurance plans.
- Total life insurance for all groups grew by 6% to over \$9.8 billion.
- The overall average interest earnings rate on all reserve funds was 5.53%.

Based on the analysis of recent experience, MLIC recommends:

1. Employee premium contribution rates be reduced in 2011 for basic, supplemental and additional insurance effective April 1, 2011.
2. The stop-loss premium rates go into effect on January 1, 2011. The proposed rates will reduce the stop-loss limit by 10.5% for active employees and will increase by 6.3% for retirees.
3. Spouse and dependent insurance benefits and premiums will be continued at their current levels for 2011.

MOTION: Mr. Beil moved to approve MLIC's Annual Report and 2011 premium rates for State employees. Ms. Olson seconded the motion, which passed on the following roll call vote:

Members voting aye: Baird, Beil, Conroy, Doleschal, Mallow, O'Donnell, Olson and Schmiedicke

Members voting nay: None

Members absent: Finora

Local Government Plan - 2009 Highlights

- Only 3 people chose to convert their post-retirement life insurance to pay health insurance premiums.
- Six new local government employers entered the plan bringing the total number of local employers to 701.
- The total number of insured active employees increased by over 300. Total life insurance for all parties grew by 5% to over \$10.1 billion.

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

1. Decrease premium rates by 3.8% in 2011 for basic, supplemental, and additional insurance at ages 45 through 64 effective July 1, 2011.
2. Change the stop-loss rates to reduce the stop-loss limit by 7.4% for active employees and 1.0% for retirees, effective January 1, 2011.
3. Continue spouse and dependent insurance benefits and premiums at the current levels for 2011.

MOTION: Mr. Baird moved to approve MLIC's Annual Report and the 2011 premium rates for local government employees. Ms. Doleschal seconded the motion, which passed on the following roll call vote:

Members voting aye: Baird, Beil, Conroy, Doleschal, Mallow, O'Donnell, Olson and Schmiedicke

Members voting nay: None

Members absent: Finora

LONG-TERM DISABILITY INSURANCE (LTDI) PROGRAM

Tim Gustafson of Deloitte Consulting, the Board's actuary, presented the *Long-Term Disability Insurance Plan 2011 Premium Development* report to the Board.

Mr. Gustafson noted that the LTDI plan continues to be in an actuarially-sound position. Premium contributions have been suspended for several years and no changes are recommended at this time. Highlights of the report include:

- Assets are \$300.5 million
- Liabilities are \$156.3 million
- Net fund balance is \$144.3 million
- Net loss was \$13.2 million.
- Total revenues were \$12.6 million

MOTION: Mr. Beil moved to accept the LTDI 2011 Premium Development report and approve the zero premium rate for 2011. Ms. Olson seconded the motion, which passed without objection on a voice vote.

OPERATIONAL UPDATES

Mr. Korpady referred the Board to the memos in their binders on Operational Updates. He told the Board the Department is continuing to finalize the contract negotiation with Navitus and Minnesota Life as a result of the bid activity at the previous Board meeting. There will be a webcast available on pharmacy benefits management soon.

Mr. Korpady introduced Michelle Baxter from the Division of Management Services. Ms. Baxter provided a demonstration on *myETF Benefits*.

ADJOURNMENT

MOTION: Ms. Mallow moved to adjourn the meeting. Ms. Olson seconded the motion, which passed without objection on a voice vote.

The Board meeting adjourned at 11:32 p.m.

Dated Approved: _____

Signed: _____

Esther Olson, Secretary
Group Insurance Board