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, 2010

TO: Group Insurance Board

FROM: Bill Kox, Director, Health Benefits & Insurance Plans
Betty Wittmann, Manager, Optional Insurance Plans & Audits
Division of Insurance Services

SUBJECT: Discussion of Dental Benefits

This memo is for discussion purposes only. No Board action is required.

At the Group Insurance Board (Board) meeting on June 8, 2010, the Board discussed the cost of the dental benefits currently included under each of the health plan offerings. Staff indicated they would bring this discussion to the Board in November. This memo includes some background information to assist the Board in its discussion.

Background

While dental coverage was never a required benefit, the health plans began unilaterally adding various levels of dental benefits to attract enrollees in 1984. Plans were afforded the flexibility to add these benefits because their benefits need only be "substantially equivalent" to the Standard Plan. In 1993 the Board's actuary at the time, Milliman & Robertson, compared the value of the Uniform Benefits package with the value of each of the benefit plans offered to State employees in 1986. It was determined that the relative value of the Uniform Benefits package was approximately 104% without dental. The Board has previously discussed the dental benefits offered by the health plans as outlined below:

- In June 1993, the Board determined it would neither require nor prohibit dental benefits, thereby allowing plans to offer the coverage if they chose to do so.
- In November 2000, a dental study group was established by the Department of Employment Relations (now Office of State Employment Relations-OSER) to examine dental benefits and the possibility of a stand-alone dental plan. This issue was also revisited in the collective bargaining process in 2005.
- In 2003, a health insurance study group of the Board addressed this issue as part of the initiative that eventually led to the development of the current premium tiering system.

Reviewed and approved by Lisa Ellinger, Deputy Administrator, Division of Insurance Services

Lisa Ellinger
Signature

10/25/10
Date

Board	Mtg Date	Item #
GIB	11.9.10	3D

The Board's study group recommended if and when the Board should develop and implement a stand-alone dental plan it would need to be universally available to all State employees. In addition, employees would be expected to participate in the premium contribution, and the benefit level would be reasonably comprehensive, but tailored to account for the level of premium that is available.

Discussion
Currently, all insured health plans participating in the State Group Health Insurance Program provide some form of dental benefits. The self-insured Standard Plan and Standard Maintenance Plan do not provide dental benefits. Deloitte, the Board's current consulting actuary, has determined that based on the current enrollment and 2011 renewals, the State of Wisconsin is expected to spend approximately $37 million for dental coverage for the State active employees in 2011.

Based on previous recommendations from the OSER Study Group, Deloitte estimated stand-alone dental plan pricing options (see below) based on a moderately managed PPO Network. These premiums would be lower with a more tightly managed HMO type network and higher with a straight fee for service. It should be noted these dental options were developed for discussion purposes only, and they are not based upon State employee demographics or Wisconsin specific claims data.

Option # 1 Stand-alone dental plan that would cost the State a similar amount to what the State would spend for coverage in 2011 assuming 100% employer subsidy and 100% participation rate. Below is a summary of benefits and the approximate premium cost.

- Deductible of $100 individual, and $200 family and an individual maximum benefit of $2,000 annually.
- Diagnostic and preventative procedures would be covered at 100%.
- Restorative procedures would be covered at 50% with no coverage for endodontic, periodontic, and prosthodontic. In addition, orthodontic procedures would not be covered.
- Total premium cost to the State would be approximately $33-$40 million. This total premium would equate to approximately $18-$22/month for a single and $50-$61/month for a family.
    - If the individual maximum benefit would be lowered to $1,500, the total premium cost would be estimated at $31-$38 million. This total premium would equate to approximately $18-$22/month for a single and $48-$59/month for a family.

Option # 2 Stand-alone dental plan that would cost the State a similar amount to what the State would spend for coverage in 2011 assuming 80% employer subsidy and a 90% participation rate.

- Deductible of $100 individual, and $200 family and an individual maximum benefit of $1,000 annually.

- Diagnostic and preventative procedures would be covered at 100%.
- Restorative procedures would be covered at 50% including coverage for endodontic, periodontic, and prosthodontic.
- Orthodontic procedures would be covered at 50% and a $1,200 individual lifetime maximum.
- Total premium cost to the State would be approximately $32-$39 million. This total premium would equate to approximately $20-$25/month for a single and $56-$68/month for a family.

Option # 3 Stand-alone dental plan that would cost the State a similar amount to what the State would spend for coverage in 2011 assuming 60% employer subsidy and a 80% participation rate.

- Deductible of $50 individual, and $100 family and an individual maximum benefit of $2,000 annually.
- Diagnostic and preventative procedures would be covered at 100%.
- Restorative and endodontic procedures would be covered at 80% and coverage for periodontic and prosthodontic procedures would be covered at 50%.
- Orthodontic procedures would be covered at 50% and a $1,500 individual lifetime maximum.
- Total premium cost to the State would be approximately $35-$42 million. This total premium would equate to approximately $27-$33/month for a single and $74-$91/month for a family.
    - If the individual maximum benefit would be lowered to $1,000 this option would be similar to what was presented for collective bargaining in 2003. Based on this, the total premium cost would be estimated at $34-$41 million. This total premium would equate to approximately $26-$32/month for a single and $72-$88/month for a family.

Deloitte's analysis stated that the prices of dental plans vary widely based on the benefits and provider network offered. Dental carriers will often include a price for anti-selection when participation among the eligible group is less than 100% (the premiums for options 2 and 3 above include a 10% and 20% premium load respectively). One way to mitigate the anti-selection load would be to pay 100% of the Single rate and to have a contributing Family Rate. This would encourage high participation from the employees and address the possible adverse selection issues. It is difficult to provide an estimate of the premium under this arrangement but it is an additional option or consideration for funding. Currently the dental benefits offered by our health plans vary drastically. Some plans offer comprehensive benefits with low individual maximums, or high individual maximums and no coverage for restorative procedures. In addition, orthodontic coverage varies plan by plan.

In summary, Deloitte indicates the dental benefits currently offered by the health plans are on the low end of the spectrum and indicates that, to be competitive in the market place, most employers are choosing plans similar to Option 3. Finally, Deloitte recommends that if and when the Board should develop and implement a stand-alone

dental plan, detailed costing of any plan design should be considered. This can be achieved by issuing a request for information or proposal for interested vendors to propose to administer the State's proposed stand-alone dental program.

Considerations
The following are various eligibility and administrative issues that the Board will need to consider:

- Will enrollment with a state health insurance plan be required for employees to be eligible?
- Will employees who currently have a State health insurance contract be automatically enrolled?
- Will retirees be eligible to enroll into the plan and/or continue their benefits upon retirement? Is the pricing the same?
- What will be the enrollment period for new hires? For example, will it be at the time of hire and at six months, like the health insurance?
- Will the employer contribution be available immediately?
- Will there be any waiting periods or pre-existing condition limitations?
- Will there be any enrollment opportunities for employees who discontinue their coverage in this plan?
- Will there be any enrollment opportunities for employees who do not enroll during the initial enrollment period?
- Will both Single and Family coverage be available?
- The timetable needed to advise the health plans that dental benefits will no longer be offered will need to take into account health plan contracting requirements.
- The timetable needed to issue a request for proposal and contract with a Third Party Administrator or Self-Insured Vendor.
- Collective Bargaining contract considerations.
- The federal Patient Protection and Affordable Care Act and if the program is on track to hit the surcharge threshold in 2018 for being a high cost plan.
- Statutory changes may be needed to clarify the Board's authority to offer dental insurance.

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