



STATE OF WISCONSIN
Department of Employee Trust Funds
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CORRESPONDENCE MEMORANDUM

DATE: May 11, 2011
TO: Group Insurance Board
FROM: Roni Harper, Manager
Optional Insurance Plans & Audits
SUBJECT: Annual Update – Optional Insurance Programs

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

Annually at the June meeting, staff provides the Board with an update on the status of the optional insurance plans. These include 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. Stat. § 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 reporting by the plans to facilitate periodic monitoring of claims and pricing.

Eligibility Changes in 2010

Major changes in eligibility for group insurance were implemented in 2010, originating at the state and federal level. As of 2010, all of the optional plans approved by the Board recognize a domestic partner as eligible for enrollment in the same way as a spouse. In addition, all of the optional plans insure certain adult children to age 27, although EPIC covers only unmarried children. The Department of Employee Trust Funds (ETF) has encouraged compliance with the federal portability guidelines, to stay consistent with the group health insurance plans administered by ETF, but optional plans are not mandated by law to comply.

Reviewed and approved by Lisa Ellinger, Administrator, Division of Insurance Services
Lisa Ellinger
Signature _____ Date 5/18/11

Board	Mtg Date	Item #
GIB	6.7.10	10H

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 and eligible retired state employees. VSP has continued to work with state agencies in resolving problems that developed during the 2010 annual enrollment process. VSP has established a formalized "assignment of benefits" agreement with a regional chain of providers to make the in-network pricing from the schedule of benefits available to more members.

Vision Services Plan (VSP)		
Utilization Statistics 2010	Active	Annuitants
Enrolled Participants as of 12-31-10	9,524	1,291
Premium Income	\$1,041,271	\$141,599
Amount of Claims	\$941,020	\$106,371
Loss Ratio	90.3%	75.1%

VSP offered a second open enrollment opportunity for state and university employees, as well as eligible retired state employees, for coverage effective January 1, 2011. The net gain in participation for active employees was 1,301, with a net gain of 21 annuitants. Employees of the University of Wisconsin System (UWS) comprise 35% of Wisconsin VSP enrollment.

Discussion - Optional Dental Insurance Program

Anthem DentalBlue has provided dental insurance policies under contracts with the UWS since 2004 and, as of February 2006, the State of Wisconsin, Office of State Employment Relations (OSER). Anthem DentalBlue currently offers state employees three plan designs. The HMO Plan (VDC 186) and PPO Plan (VP 864) are designed for employees without dental coverage in their Health Plan, and offer diagnostic and preventative care in addition to the basic and major services. The Supplemental Plan is designed to augment the Health Plan and covers the basic and major dental services. Anthem 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 Anthem Dental Blue plans shows increased enrollment by employees eligible through the UWS and OSER.

Anthem DentalBlue Insurance Program		
Utilization Statistics 2010	UW Board of Regents	OSER
Enrolled Participants	7,871	7,434
Premium Income	\$3,014,547	\$3,081,752
Amount of Claims	\$2,254,687	\$2,249,013
Loss Ratio	71.1%	72.3%

As of plan year 2011, UWS no longer offers this plan to new employees in non-represented positions.

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

EPIC Life Insurance Company (EPIC) has offered a plan that combines supplemental dental, excess medical and AD&D since 1994, after acquiring the plan from John Deere Life (which had provided this optional coverage for state employees since the 1960s). Some significant changes with EPIC are worth noting:

- In 2004, Epic created separate rates for active employees and annuitants.
- In 2006 a three-tier dental structure was implemented for those enrolling during the special enrollment opportunities.
- In 2009 the dental deductible was lowered from \$200 to \$75, a special enrollment was offered, and the maximum dental benefit was raised for new enrollees to \$750 in 2010 and \$1000 for 2011.

This plan is viewed primarily as a dental plan: 68% of the claims paid and 96% of the claims dollars are for dental benefits. The loss ratio for the dental component was 71.2%. Excess medical represents less than 4% of the claims dollars, 7.3% of the premiums, and has a loss ratio of 31.6%. Only 7% of claims for excess medical resulted in a payment, with an average payment of \$141 and the highest payment of \$6,613. Less than 1% of claims paid were AD&D claims, with a loss ratio of 35.9% in 2010.

Annuitants represented the largest participating “employer group” in 2010, followed by UWS and Department of Transportation. Total enrollment decreased by about 1%. Compared to 2009, the loss ratio was 1% closer to the 75% threshold required by Board guidelines, but remained over 4% lower than the 72% ratio previously authorized by the Board for EPIC Benefits+. ETF staff will work with EPIC to explore ways to provide a higher claims-to-premiums value for members in the Benefits+ plan.

EPIC Life Insurance Benefits + Program		
Utilization Statistics 2010	Active	Annuitants
Enrolled Participants	12,579	4,620
Enrollment % change from 2009	2% Decrease	2% Increase
Premium Income	\$6,330,276 combined	
Cost of Claims	\$4,298,462 combined	
Loss Ratio	67.9% combined	

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

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 Departments of Corrections, Transportation, and Natural Resources together make up the majority of the total premium in the AD&D plan, in part because monthly premiums for protective category employees are approximately 80% higher than for general category employees. This benefit offers employees the opportunity 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). As of 2010, the average loss ratio over eight years was 21.36%. ETF staff will continue to monitor this in conjunction with the Board's actuaries and make recommendations accordingly.

The Hartford Life Insurance AD&D Program								
Utilization Statistics	2003	2004	2005	2006	2007	2008	2009	2010
Premium Income	\$430,081	\$453,684	\$477,288	\$471,087	\$497,762	\$497,762	\$498,309	\$511,565
Number of Claims	4	3	0	1	0	0	0	1
Amount of Claims	\$123,126	\$381,732	\$0.00	\$215,867	\$0.00	\$0.00	\$0.00	\$99,000
Loss Ratio	29%	84%	0%	46%	0%	0%	0%	19.35%

Discussion - Optional Long-Term Care Insurance Program

In the early 1990s, Wis. Stat. § 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. Overall, the rate of growth in the program had declined slowly since 2002. According to reports provided by participating vendors, the total number of policies issued since the program began in the early 1990s is nearing 8,000 (figures through 2009).

In 2010, 515 new applications were received, which is significantly higher than the 354 applications in 2009; 375 applications were received in 2008. The number of denials was steady, with 129 in 2010 and 130 in 2009; the most common reasons reported for denial of coverage were diabetes, obesity, musculoskeletal (arthritis, bad back etc.), heart disease/ stroke, and depression.

Marketing and Enrollment Activity for Plans currently offered	Senior Care	HealthChoice	Combined
	John Hancock	United of Omaha	
Applications received	172	343	515
Policies denied	19	110	129
Policies issued to state annuitants	32	19	51
Policies issued to state employees	75	109	184
Policies issued to spouses or parents of state employees	42	51	93
Phone calls received from state eligibles	140	136	276
Reply cards received from state eligibles	238	2932	3170

In 2010, 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 are currently offering policies to new subscribers. American International Group (AIG), Fortis (a subsidiary of John Hancock), Life Investors Insurance Company of America, and Mutual of Omaha, have existing policyholders, but no longer offer the policies to new participants.

Total Long-Term Care Membership By Plan						
Product	AIG	Life Investors	Mutual of Omaha	John Hancock & Fortis	United of Omaha	Total as of 12-31-10
Current Active Policies	229	869	105	4307	519	6,029
2010 Policies Added	0	0	0	149 (John Hancock only)	179	328
Total Number of Claims	Not reported	60	0	41	0	103
Amount of Claims Paid	Not reported	\$227,670	\$0	\$1,259,914	\$0	\$1,487,584
Earned Premiums	Not reported	\$1,364,791	\$168,656	\$4,281,380	\$1,214,328	\$7,095,155
Loss ratio	Not reported	16.68%	0%	29.42%	0%	Average: 21%

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