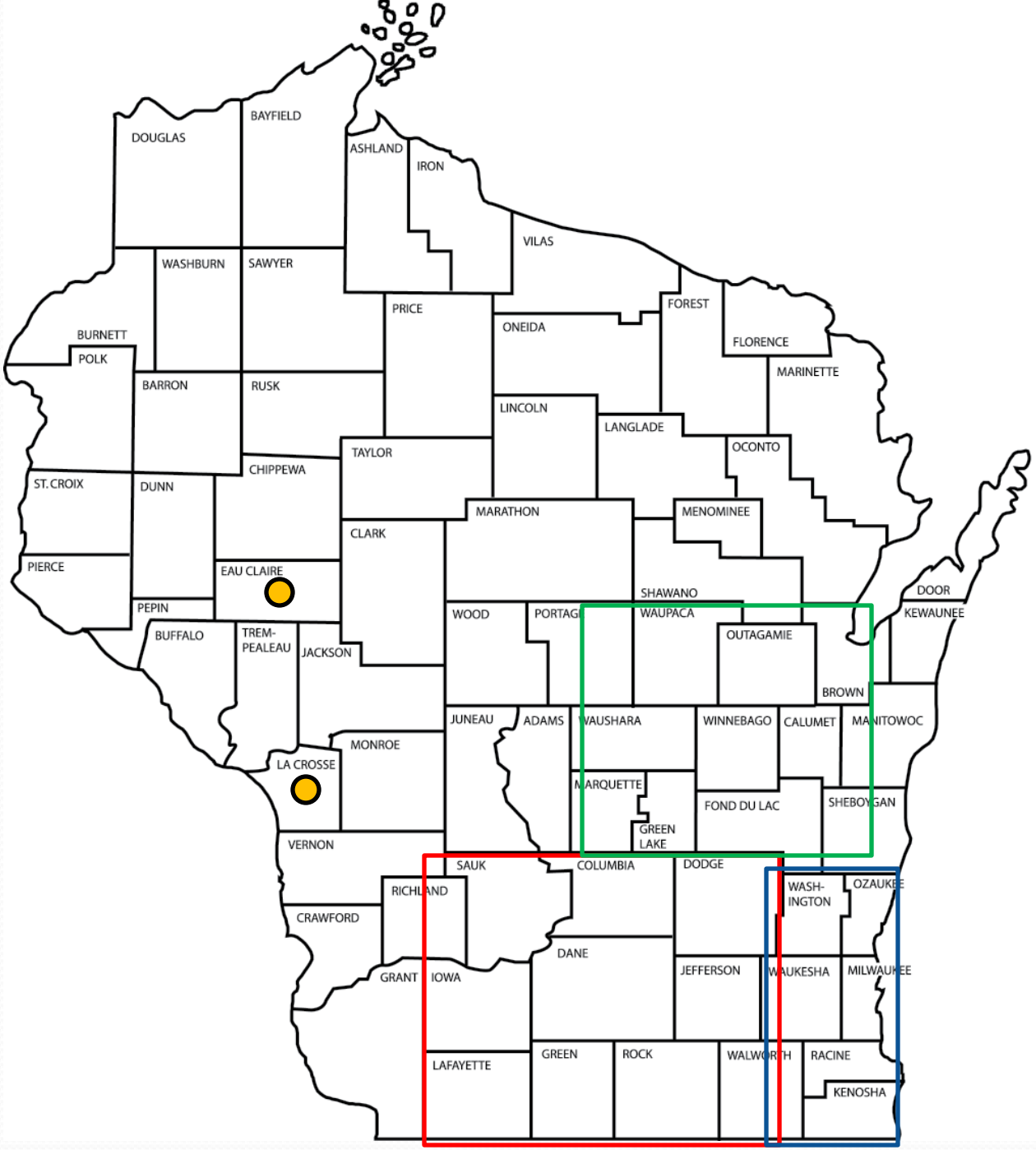
WI State Employee Health Insurance Program

Board	Mtg Date	Item #
GIB	6.7.11	4

Health Benefit Program: Overview

- 240,000 covered lives
- State Group Health Plan:
  - State employees, elected officials, University of Wisconsin System, legislature, state retirees
  - 72,000 active state employees and 22,000 retired state employees
- Local Group Health Plan:
  - Public employer elects to participate
  - 12,000 active local employees and 2,000 retired local employees
- Estimated $1.5 billion in annual insurance premiums for state, local and retired participants



ETF Member Counts

South Central WI
Dane 84000
Dane + Contiguous counties= 110,000

SE WI
Milwaukee 15000
Racine 5700
Waukesha 6000

Fox Valley / NE WI
Brown 4500
Fond Du Lac 5000
Outgamie 3500
Winnebago 8300

Western WI
Eau Claire 5300
LaCrosse 4500

Central WI
Portage 3500

Highlighted regions account for 75% of program participants.

Health Benefit Program: Structure

- Governance
  - Group Insurance Board
    - Statutory Authority and Powers: Wis. Stat. 40.03 (6)
      - Contracting with insurers
      - Plan offerings
      - Benefits plan design – maintain benefits package
    - Trustees = Fiduciary Responsibility
- Administration of Benefits
  - 18 Competing Health Plans
  - Standard Plan
  - State Maintenance Plan

Health Benefit Program: Structure

- Uniform Benefits
  - GIB controls benefit structure
  - Eliminates risk avoidance through benefit design
- Three-tier system for plans and employee contributions
  - Tier 1 – top plans in efficiency and quality, lowest employee contribution
  - Tier 2 – lower ranking plans in efficiency and/or quality, higher employee contribution
  - Tier 3 – lowest ranking plans in efficiency and quality, highest employee contribution
- Carve-out coverage for prescription drugs (2003)
  - Pharmacy Benefits Manager (PBM): Navitus

Current Rx Program

- 2003: Drug Coverage Carve-Out
  - Consolidated coverage under one Pharmacy Benefits Manager (PBM) -- Navitus
  - Restructured drug benefit co-pay from 2-level to 3-level
    - Level 1 = low cost generics, $5 per script
    - Level 2 = mostly formulary name brand drugs, $15 per script
    - Level 3 = non-formulary drugs, $35 per script

Annual Health Insurance Process

January

- ETF compiles benefit change suggestions received over past year
- ETF solicits benefit change suggestions from health plans
- Guidelines Workgroup discusses potential changes
  - ETF, OCI, OSER, UW, DOA

February-March

- ETF and Guidelines Workgroup finalizes benefit change recommendations for the Group Insurance Board
- ETF works with actuarial consultant to cost out changes

April

- Benefit change recommendations go before the Group Insurance Board

Annual Health Insurance Process

May-July

- Plans submit detailed cost and utilization data to ETF/actuary
- Actuary evaluates utilization data and demographics
- Actuary compares cost effectiveness of each plan using sophisticated risk adjustment system
- ETF/actuary place plans in one of three tiers
- Subsequent premium bids from plans are matched against this analysis
- Plans bidding higher or lower than data submissions warrant have tier placements adjusted accordingly
- Plans are also “credited” for reporting high quality results (i.e., HEDIS scores)
- Plans in Tiers 2 and 3 are called in for negotiations with ETF/actuary

Annual Health Insurance Process

August

- ETF/actuary review data submission with plan representatives
- Problem areas are identified and quantified
- Plans are advised on specific areas where savings could be achieved based upon the performance of their peers
- Plans are advised of the specific dollar amount that they must reduce their premium in order to be placed in a lower tier
- Plans are then given the opportunity to submit a final bid
- Plan tiering recommendations go before the Group Insurance Board

Annual Health Insurance Process

September

- Enrollment materials distributed to members

October

- Annual "*It's Your Choice*" enrollment period

Results

- Incentives
  - Plans have strong incentives to be placed in Tier 1 to attract enrollees
  - Enrollees have strong incentives to select Tier 1 plans due to the lower premium
  - Risk adjustment methodology levels the playing field
  - Benefit levels have been maintained and high quality and safety have been encouraged and rewarded

Results

- Premiums (per contract per month)
  - Pre-Tiering Increases: 6-year average of 11%
  - Post-Tiering Increases: 7-year average of 7.1%