

**MINUTES OF JUNE 7, 2011, MEETING**

**STATE OF WISCONSIN  
GROUP INSURANCE BOARD**

Holiday Inn and Suites  
1109 Fourier Drive, Madison, WI

**DRAFT**

**BOARD MEMBERS PRESENT:**

Cindy O'Donnell, Chair Jon Litscher, Vice Chair Esther Olson, Secretary Robert Baird	Janis Doleschal Brian Hayes Jessica O'Donnell Daniel Schwartz
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**BOARD MEMBERS NOT PRESENT:**

Marty Beil	
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**PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:**

Dave Stella, Secretary Bob Conlin, Deputy Secretary Lisa Ellinger, Bill Kox, Arlene Larson, Division of Insurance Services	Cindy Gilles, Board Liaison Shawn Smith, Office of Communications and Legislation John Vincent, Office of Internal Audit
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**OTHERS PRESENT:**

ETF Office of the Secretary: Rhonda Dunn, David Nispel, Robin Reinke, Sharon Walk ETF Office of Budget and Trust Finance: Jon Kranz ETF Office of Communications and Legislation: Vickie Baker, Liz Doss- Anderson, Christina Keeley, Nancy Ketterhagen, Sari King ETF Division of Insurance Services: Marcia Blumer, Jeff Bogardus, Russell Hann, Roni Harper, Diane Poole ETF Office of Internal Audit: Claudius Lebi Ameritas Group: Cathy Hodgson Anthem: Angie Gehrman, Marin LaPlante Kleinke, Sandy Reblin Blue Cross/Blue Shield: Susan Brins Bultman Financial: Mary Kay Bultman, Ralph Bultman Dean Health Plan: Penny Bound, Deb Treinen	Deloitte Consulting: Tim Gustafson, Julie Maendel Department of Administration: Caitlin Frederick EPIC Life: Mark Granoff Group Health Cooperative SCW: Emily Daws, Elizabeth Dye, Al Wearing Gunderson Lutheran Health Plan: Cali Kline Health Choice: Julieta Dykstra, Cliff Morris, Bob Pearson Humana: Gina DiBrun, David Fee, Robin Peterson Mercy Care: Mary Hesse Minnesota Life: Kjirsten Elsner, Chris Schmelzer Navitus: Steve Alexander, Tom Pabich Office of the State of Employment Relations: Paul Ostrowski Physicians Plus: Ron Sebranek Public Consulting Group: Kevin Meegan
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Board	Mtg Date	Item #
GIB	8.23.11	1A

The Welch Group: Jonas Hackett Security Health Plan: Becky Gorst Senior Care: Bill Kumpf, Kevin Kumpf State Engineers Association: Bob Schaefer United Health Care: Andrea Darling Unity Health Insurance: Kathy Ikeman	University of Wisconsin Systems Administration: Beth Ritchie Wisconsin Association of Health Plans: Phil Dougherty, Carrie Kahn WEA Insurance Trust: Melanie Hirshfeld, Cheryl McIlquham, Randy Mullin 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 9:02 a.m.

### **CONSIDERATION OF FEBRUARY 8, 2011, OPEN SESSION MEETING MINUTES**

***MOTION: Esther Olson moved approval of the minutes of the February 8, 2011, open meeting minutes as submitted by the Board Liaison. Robert Baird seconded the motion, which passed without objection on a voice vote.***

### **ANNOUNCEMENTS**

Secretary Stella announced the appointment of Lisa Ellinger to the position of Administrator in the Division of Insurance Services (DIS). Ms. Ellinger previously served as the Deputy Administrator of DIS.

Ms. Ellinger welcomed several new Board members: Jon Litscher, Governor's appointee; Jessica O'Donnell, Office of State Employment Relations designee; Dan Schwartzer, Office of the Commissioner of Insurance designee; and Brian Hayes, Department of Administration designee.

### **ELECTION OF VICE CHAIR**

Chair O'Donnell noted the previous Vice Chair is no longer a member of the Board and asked for nominations for a new Vice Chair. Board members received a memorandum referencing the current officers and Board roster (ref. GIB | 6.7.11 | 3).

***MOTION: Mr. Hayes nominated Jon Litscher. Ms. Olson seconded the motion, which passed without objection on a voice vote.***

### **REVIEW OF ANNUAL HEALTH INSURANCE CYCLE**

Ms. Ellinger introduced Bill Kox, Director of Health Benefits and Insurance Plans Bureau in the Division of Insurance Services. She then provided a review of the Health Benefit Program to the Board (ref. GIB | 6.7.11 | 4).

- Overview
  - 240,000 covered lives
  - State Group Health Plan
  - Local Group Health Plan
  - Oversee \$1.5 billion in annual insurance premiums
- Structure
  - Governance: Statutory authority and fiduciary responsibilities
  - Administration of benefits
  - Uniform benefits
  - Three-tier system for plans and employee contributions
  - Carve-out coverage for prescription drugs
- Current Prescription Program
  - Consolidated coverage under one Pharmacy Benefits Manager (Navitus)
  - Restructured co-pay from 2-level to 3-level
- Annual Health Insurance Process
  - February/March: Guidelines Workgroup discusses potential changes.
  - April: Benefit change recommendations brought to the Board.
  - May/July: Plans reviewed utilization data, demographics and tiers.
  - August: Data and bids are reviewed, plans are advised of dollar amount they must meet to be placed in lower tier, and recommendations go to the Board.
  - September: Enrollment material is distributed.
  - October: Annual “*It’s Your Choice*” enrollment period.

## HEALTH INSURANCE

**Establishment of *It’s Your Choice* (IYC) Enrollment Dates** Mr. Kox shared with the Board that IYC went to a four-week enrollment period last year. Employees and employers used the new myETF Benefits electronic system to enter health insurance changes during the enrollment period in 2010 and it went very well. Staff is requesting the enrollment period for this year be from October 3, 2011, to October 28, 2011 (ref. GIB | 6.7.11 | 5A).

***MOTION: Mr. Litscher moved to approve the enrollment period dates of October 3 to October 28, 2011. Mr. Baird seconded the motion, which passed without objection on a voice vote.***

**Guidelines and Uniform Benefits Changes** Mr. Kox discussed the 2012 Guidelines and Uniform Benefits changes (ref. GIB | 6.7.11 | 5A) as well as the potential changes under 2011 Wisconsin Act 10. The study group met twice to establish recommendations for changes to the benefits package. Included in the study group were representatives from the Office of the Commissioner of Insurance, Department of Administration, Office of State Employment Relations (OSER), the University of Wisconsin and the Department of Employee Trust Funds (Department). Mr. Kox highlighted some key recommended changes in eligibility/enrollment:

- **Annual Enrollment Opportunity:** After January 2012, the waiting period for pre-existing conditions will be eliminated under the Patient Protection and Affordable Care Act. OSER suggested the study group recommend open enrollment immediately prior to retirement for individuals who are not enrolled but want to preserve post-retirement health insurance employer contribution (e.g., accumulated sick leave conversion credits).
- **Health Risk Assessment:** While most plans already incorporate health risk assessments, all plans will be required to incorporate them in 2012.
- **Spouse-to-Spouse and Domestic Partner-to-Domestic Partner (DP-to-DP) Transfers:** For local governments that have in-house programs, the study group recommended that spouse-to-spouse and DP-to-DP transfers be allowed to occur between state and local plans.
- **Board's Right to Reject Bids:** The study group recommends adding a provision which states that the Board may reject any health plan's bid that is not in the best interest of the program (i.e., a plan in Tier 3).
- **Provider Addition Limitations:** The study group recommends including a provision prohibiting a health plan from adding providers to the network during a benefit year when those providers were previously in network, but the health plan made the business decision to exclude those providers from the network for participants in our group and submitted its bid accordingly. This will prevent health plans from potentially removing providers to shed bad risk, and then reinstating those providers.
- **Unreported Deaths:** The study group recommends the same 6-month limit be applied to refunds due to unreported deaths, except in the case of fraud or misrepresentation.
- **Medicare Rate Calculation:** The current ratio of a Medicare contract to an active contract can be no more than 50% of the active employee premium contract. The study group discussed modifying the calculation. The study group recommends that the Board give the actuary additional flexibility to determine the ratio at the time of the bid submission.

#### Discussion of Other Issues

- **Palliative Care Consult:** The study group recommends a one-time palliative care consult in the participant's home to discuss care needed after participant receives a terminal diagnosis but before the participant's life expectancy is six months or less.
- **Dental Implants Following Accidental Injury:** The study group recommends coverage for dental implants under the accidental loss of teeth provision, as implants are becoming the standard of care.
- **Items Not Recommended:** Orthognathic surgery (treatment of malocclusion) and gastric bypass surgery. Funding of the health reimbursement deductible by a local program will also not be allowed.

**MOTION: Mr. Hayes moved to adopt the Guidelines and Uniform Benefits changes with the exception of number 4 (Board's right to reject bids). Ms. Jessica O'Donnell seconded the motion, which passed without objection on a voice vote.**

**MOTION: Ms. Doleschal moved to adopt number 4 (Board's right to reject bids). Ms. Olson seconded the motion. The motion passed as follows: 7 ayes, 1 nay.**

**Benefit Changes Related to Act 10** Mr. Kox introduced Peter Roverud, Julie Maendel, and Patrick Pechacek, from Deloitte Consulting, the Board's actuaries.

Deloitte has calculated that the 5% cost reduction mandated in Act 10 would result in a cost reduction of \$65 million in 2012, or \$32.40 per member per month (PMPM). Mr. Kox referred the Board to the memorandum (ref. GIB | 6.7.11 | 5C) outlining the three options for both the medical and pharmacy programs. All of the options include reductions in the medical and pharmacy benefits along with eligibility changes.

If the Board wishes to consider changes to the medical plan only, it could be accomplished with:

- \$300/\$600 upfront deductible, or
- \$100/\$200 upfront deductible; copayment on the following services- office visit (\$20), inpatient admit (\$200), and outpatient surgery (\$100); increasing the emergency room copayment to \$100 and increasing the Durable Medical Equipment (DME) out-of-pocket (OOP) maximum to \$1,000/\$2,000.

#### Employer Contributions and Tiering

Act 10 changes the existing law regarding employer and employee contributions for the State group health insurance program. Tier 1 rates would increase to \$84 for an individual and \$208 for family health insurance premium for this fiscal year.

Chair O'Donnell thanked Mr. Kox and the members from Deloitte Consulting for all the work they put into these documents and the explanations shared on such a difficult subject.

Chair O'Donnell announced that the Board would be meeting in closed session pursuant to the exemptions contained in Wis. Stat. § 19.85 (1) (e) to discuss the use of public employee trust funds with respect to a contract for administrative services for the self-insured health programs. Upon conclusion of the discussion, the Board will reconvene in open session.

***MOTION: Ms. Olson moved to convene in closed session, pursuant to the exemptions contained in Wis. Stat. § 19.85 (1) (e) to discuss the use of public employee trust funds. Ms. Doleschal seconded the motion, which passed on the following roll call vote:***

***Members Voting Aye: C. O'Donnell, Baird, Doleschal, Hayes, Litscher, J. O'Donnell, Olson and Schwartz***

***Members Voting Nay: None***

***Members Absent or Not Voting: Beil***

The Board took a break from 11:00 a.m. to 11:05 a.m.

The Board convened in closed session at 11:05 a.m. and reconvened in open session at 11:40 a.m.

#### **ACTION TAKEN ON BUSINESS DELIBERATED DURING CLOSED SESSION**

Chair O'Donnell announced that the Board voted to award the contract for administrative services for the self-insured health programs to WPS Health Insurance for the period of January 1, 2012, to December 31, 2014, with the potential for two two-year extensions, subject to successful contract negotiations.

The Board took a break from 11:40 a.m. to 11:45 a.m.

#### **INCOME CONTINUATION INSURANCE (ICI) PLAN**

Ms. O'Donnell introduced Tim Gustafson from Deloitte Consulting, the Board's actuary. Mr. Gustafson presented the *State Income Continuation Insurance Plan Actuarial Review as of December 31, 2010*, and the *Local Income Continuation Insurance Plan Actuarial Review as of December 31, 2010*, to the Board (ref. GIB | 6.7.11 | 8).

##### State ICI Plan (Plan)

- The Plan's assets are \$59.2 million and liabilities are \$70.1 million, which results in a negative net fund balance of \$10.9 million. The asset balance does not include the \$3.7 million in deferred market losses that will be smoothed in over the next four years.
- In the experience review, the fund balance showed a decrease from \$59.4 million to \$59.2 million. Total revenues were \$16.9 million.

- The total estimated liability at the end of 2010 was \$70.1 million, with a total reported liability of \$60.6 million, and an incurred but not reported liability of \$9.5 million. This is a 1.7% increase over the liability determined as of December 31, 2009.
- Deloitte recommends a 7% increase (approximately \$2.00-\$3.50 per member per month) to premiums for 2012, and anticipates the need for additional increases in 2014 and 2016.

Local ICI Plan (Plan)

- The Plan has assets of \$30.4 million and liabilities of \$4 million. The asset balance does not include the \$1.9 million in deferred market losses which will be smoothed in over the next four years.
- In the experience review, the fund balance increased from \$28.1 million to \$30.5 million. Total revenues were up from \$2.9 million to \$3.3 million.
- The total estimated liability at the end of 2010 was \$3.9 million, with a total reported liability of \$3.3 million, and an incurred but not reported liability of \$0.7 million.
- Deloitte recommends a premium waiver for 2012.

***MOTION: Ms. Olson moved to accept the actuary's State and Local ICI Report as of December 31, 2010. Ms. Jessica O'Donnell seconded the motion, which passed on the following roll call vote:***

***Members Voting Aye: C. O'Donnell, Baird, Doleschal, Hayes, Litscher, J. O'Donnell, Olson, and Schwartz***

***Members Voting Nay: None***

***Members Absent or Not Voting: Beil***

***MOTION: Mr. Litscher moved to accept the actuary's recommendation of an indefinite premium holiday for the Local ICI Plan. Mr. Baird seconded the motion, which passed on the following roll call vote:***

***Members Voting Aye: C. O'Donnell, Baird, Doleschal, Hayes, Litscher, J. O'Donnell, Olson, and Schwartz***

***Members Voting Nay: None***

***Members Absent or Not Voting: Beil***

## **CONSIDERATION OF JOHN HANCOCK LONG-TERM CARE INSURANCE PROPOSAL**

Mr. Kox shared that the ETF staff does not recommend the Board approve Custom Care III and Core Care, the Long-Term Care Insurance (ref. GIB | 6.7.11 | 8) offerings from John Hancock submitted in conjunction with Senior Care Insurance Services, Inc. because the plan fails to comply with inflation protection options required by Wis. Admin. Code § ETF 41.02(5).

Members who currently have Custom Care II can choose to keep the plan or sign-up for something new, but this plan will no longer be available after June 8, 2011. John Hancock reports the premium will increase by approximately 12% and also asked that the Consumer Price Index (CPI) be used instead of the 5% inflation adjustment. Neither ETF nor Deloitte, the Board's actuary, believe the CPI is an appropriate alternative to the 5%. The Department does have another Long-Term Care plan (Mutual of Omaha) available to members that complies with inflation protection options.

***MOTION: Mr. Baird moved not to approve the Long-Term Care Insurance proposal from John Hancock because the plan fails to comply with inflation protection options required by law. Ms. Olson seconded the motion, which passed without objection on a voice vote.***

## **OPERATIONAL UPDATES**

Dependent Eligibility Verification Review Ms. Ellinger introduced John Vincent, Director of the Office of Internal Audit. Mr. Vincent introduced Kevin Meegan and Peter Cheesman from the Public Consulting Group (PCG).

Mr. Vincent referred the Board to the memo in their packets (ref. GIB | 6.7.11 | 10A) on the Dependent Eligibility Verification Review and provided a brief review of the project.

The project goal is to provide a reasonable assessment of whether ineligible dependents are a risk to the health insurance program and to ensure randomly-selected dependents, currently covered under the programs, are entitled to that coverage by furnishing documentation, such as a marriage license or other legal documents.

Mr. Meegan shared with the Board that, as of May 31, 2011, about 74% of the random sample had satisfied all of their requirements. There were 3.1% that were ineligible, 12.9% still pending and 10.1% who have not responded. Final letters will be sent to those participants who have not completed the requirements. The study closes at the end of June and a final report will be brought to the Board in November.



Ms. Ellinger introduced Shawn Smith, the new Director of the Office of Communications and Legislation. Ms. Smith referred the Board to the "Legislative/Budget Report" memo, page two, in their packets (ref. GIB | 6.7.11 | 10B) regarding the study that OSER and ETF must conduct by October 31, 2011.

Ms. Ellinger referred the Board members to the other Operational Updates memos in their binders.

Chair O'Donnell announced that the Board would be meeting in closed session pursuant to the exemptions contained in Wis. Stat. § 19.85 (1) (a) for the purpose of deliberation on an appeal. Upon conclusion of the discussion, the Board will reconvene in open session.

***MOTION: Ms. Olson moved that the Board go into closed session for the purpose of deliberation on an appeal pursuant to Wis. Stat. § 19.85 (1) (a). Mr. Baird seconded the motion, which passed on the following roll call vote:***

***Members Voting Aye: C. O'Donnell, Baird, Doleschal, Litscher, J. O'Donnell, Olson, and Schwartzer***

***Members Voting Nay: None***

***Members Absent or Not Voting: Beil  
Mr. Hayes recused himself from deliberations on this appeal and left the room.***

The Board took a break from 1:10 p.m. to 1:15 p.m.

The Board convened in closed session at 1:15 p.m. and reconvened in open session at 1:58 p.m.

#### **ANNOUNCEMENT OF ACTION TAKEN ON BUSINESS DELIBERATED DURING CLOSED SESSION**

Chair O'Donnell announced that the Board took the following action during closed session:

Appeal No. 2009-010-GIB--The Board adopted the hearing examiner's proposed decision with changes.

***MOTION: Mr. Baird moved to adjourn the meeting. Ms. Jessica O'Donnell seconded the motion, which passed without objection on a voice vote.***

The Board meeting adjourned at 2:00 p.m.

Dated Approved: \_\_\_\_\_

Signed: \_\_\_\_\_

Esther Olson, Secretary  
Group Insurance Board