MINUTES OF JUNE 28, 2011, MEETING

STATE OF WISCONSIN
GROUP INSURANCE BOARD

DRAFT

State of Wisconsin Investment Board Offices
121 East Wilson Street
Board Room
Madison, Wisconsin

BOARD MEMBERS PRESENT:

Cindy O'Donnell, Chair Jon Litscher, Vice Chair Esther Olson, Secretary David Arena (via conference call) Robert Baird	Marty Beil Brian Hayes Jessica O'Donnell Daniel Schwartzer

BOARD MEMBERS NOT PRESENT:

Janis Doleschal	

PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:

Dave Stella, Secretary Bob Conlin, Deputy Secretary	Lisa Ellinger and Bill Kox, Division of Insurance Services Sharon Walk, Board Liaison

OTHERS PRESENT:

ETF Office of the Secretary: Rhonda Dunn ETF Office of Communications and Legislation: Liz Doss-Anderson ETF Division of Insurance Services: Marcia Blumer, Jeff Bogardus, Russell Hann, Arlene Larson and Brian Shah Anthem: Sandy Reblin Dean Health Plan: Penny Bound Deloitte: Tim Gustafson, Pete Roverud and Pat Pechacek Ethicon Endo Surgery: Heidi Myers Group Health Cooperative SCW: Emily Daws Hoven Consulting: Michael Welsh Humana: Kristine Mullen	Johnson & Johnson: Dennis Majeskie Office of State Employment Relations: Paul Ostrowski Navitus: Brent Eberle and Tom Pabich Physicians Plus: Ron Sebranek Unity Health Insurance: Kathy Ikeman University of Wisconsin System Administration: Beth Ritchie WEA Insurance Trust: Cheryl McIlquham, Wisconsin Dental Association: Mara Broulee Wisconsin Physicians Service Insurance: David Grunke and Greg Nelson Wisconsin Rx/The Alliance: Melissa Duffy

Cindy O'Donnell, Chair, Group Insurance Board (Board), called the meeting to order at 9:00 a.m.

HEALTH INSURANCE PROGRAM

2012 Benefit Options Achieving 5% Reduction in Estimated 2012 Premium as Required by 2011 Wisconsin Act 10

Lisa Ellinger, Administrator of the Division of Insurance Services (DIS), introduced Bill Kox, Director of the Bureau of Health Benefits & Insurance Plans in DIS.

Mr. Kox directed the Board's attention to the memo they received dated June 24, 2011, (ref. ETF│03.10.11│3). As stated in the memo, one of the provisions of Wisconsin Act 10 (Act 10) requires the Board to design health care coverage plans for 2012 that lower the cost by 5% for the tier 1 plans.

Mr. Kox noted the Department has received correspondence from members who recommend the 5% reduction be achieved by reducing the amount paid to health plans. Mr. Kox noted the Department believes this strategy would not meet the requirement of the law because it would not be a change to health care coverage.

Mr. Kox reviewed three options for the Board's consideration: copayment, coinsurance and deductible.

Option 1 – Copayment
With the copayment approach, there is a fixed dollar amount that is paid at the point of service. Currently, members have a copayment for prescription drugs. The copayment option for medical services would be at an office visit, hospital or wherever a copayment is attached.

Option 2 – Coinsurance
The coinsurance option is one in which members pay a percentage of the charge for the service, up to an out-of-pocket maximum. Members will obtain the service and then receive a bill from the provider. The bill would show the total dollar amount of the service. A percentage, as determined by the Board, would be paid by the member to the provider.

Option 3 – Deductible
With the deductible option, the member pays all of the cost of services, up to a set deductible amount.

Mr. Kox reviewed the chart that had been provided to the Board. Each option illustrated possible changes to medical benefits and prescription drug benefits. He noted the Board could determine whether to change only medical benefits or to include prescription drug benefit changes in the 5% benefit reduction.

Non-Medicare retirees in the health insurance program, by statute, receive the same level of benefits as active employees. The Board is not required to adopt the 5% benefit reduction for Medicare retirees. However, if a benefit reduction for Medicare retirees is not adopted, then Medicare retirees will most likely see an increase in their premium rates.

It is the recommendation of staff that Medicare retirees receive the same benefit changes as the non-Medicare retirees. This would make administration easier for the health plans. It will also make it simpler for members to understand, especially those members who transition from non-Medicare status to Medicare status during the year. Since the early 1980s, when HMOs were created, HMO benefit levels for Medicare and non-Medicare members have been the same.

At the June 7, 2011, meeting, the Board asked staff to calculate the affect of eliminating dental benefits. Mr. Kox stated the benefit is valued at $19.76 per member, per month. Staff evaluated the potential impact of reducing this benefit, but does not recommend changing dental benefits to help achieve the 5% cost savings. Staff does not believe the current employee-pay-all optional dental plans are sufficient to take care of our members' dental health needs. In addition, evidence suggests that the lack of regular dental care can have a significant negative effect on the overall health of individuals.

The Board had previously expressed a desire to make the 5% benefit reduction change as easy as possible for members to understand. Staff believes that the deductible option would be the easiest option for members to comprehend.

Mr. Kox said concern has been expressed because the Department was not able to actively survey members in order to determine the effect the 5% reduction may have, and whether members would have a preference for a particular approach. Due to the timing of the passage of Act 10, it was not possible to request member input. ETF will communicate the Board's decision to members through the *It's Your Choice* materials, *It's Your Benefit* newsletter, health fairs, e-mails and the Employee Reimbursement Account (ERA) enrollment process. Special emphasis will be placed on the ERA program and the benefit it can provide to our members.

Mr. Kox reviewed the impact of the various options on members. He discussed the differences between copayments, coinsurance and deductibles. He presented information on how the proposed benefits for Wisconsin Retirement System members compare to other state public employers. All of the surrounding states (Minnesota, Iowa, Illinois and Michigan) have some form of cost sharing.

The Board asked questions of Department staff and Deloitte, the Board's consulting actuary, and expressed concerns about the impact of each of the options on members. Deloitte noted the savings indicated were estimates based upon the best information available. When preparing the estimates, the goal was to achieve the 5% benefit

reduction with even dollar amounts/percentages for copayments, coinsurance and deductibles.

Mr. Kox discussed the reason for recommending the coinsurance option rather than the copayment or deductible options. He stated that it was a "close call," but reminded Board members they indicated they preferred simplicity while also making members aware of the cost of health care. Coinsurance will increase consumer engagement. Paying a deductible upfront is very simple but does not increase awareness of the costs. He noted that health plans prefer the copayment approach since it is easier to administer.

The Board took a break from 10:20-10:28 a.m.

After the break, Chair O'Donnell asked the Board if anyone was interested in making a motion to eliminate the dental benefits. No one offered a motion and the Board continued discussion on the proposed options. She then asked if anyone was interested in making a motion to adopt the copayment option. No one offered a motion to adopt the copayment option.

The Board discussed the elimination of the "2-month run-out" for health insurance. The "2-month run-out" refers to the fact that state employees pay for health insurance two months in advance. When an employee leaves state service or terminates health insurance coverage, he/she has two months of prepaid health insurance coverage. Mr. Kox stated the proposal before the Board is to change the contract language from "your coverage ends at the end of the month in which premiums are deducted" to "your coverage ends at the end of the month in which you terminate employment." This will set up a retroactive refund for the member upon termination. The member will receive the amount back that they paid in their monthly premium and the employer will receive its amount back. This is a plan design change. Arlene Larson noted that she had been in contact with Central Payroll for the State of Wisconsin and they said they would probably accomplish the reimbursement through a premium holiday.

> ***MOTION: Mr. Schwartzer moved to adopt Option 2(b) (implementation of coinsurance with no change to the pharmacy benefit) for current employees and non-Medicare retirees. Ms. Olson seconded the motion. The motion passed on the following roll call vote:***
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> ***Members voting aye: Arena, Hayes, Litscher, J. O'Donnell, Schwartzer***
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> ***Members voting nay: Baird, Beil, C. O'Donnell, Olson***

MOTION: Mr. Beil moved to leave the Medicare program as it is (i.e. no coinsurance for Medicare retirees). Mr. Baird seconded the motion. The motion passed on the following roll call vote:

Members voting aye: Baird, Beil, Hayes, Litscher, C. O'Donnell, J. O'Donnell, Olson, Schwartzer

Members voting nay: Arena

Mr. Kox discussed the changes to the Standard Plan. He noted that Act 10 refers to the plans offered in the tier with the lowest premium cost (Tier 1). The Standard Plan has always been a Tier 3 plan. He indicated that the Board is not required to make changes to the Standard Plan. However, the cost of the Standard Plan has been of great concern to the Board in the past and has been the subject of numerous Board meetings. If the Standard Plan is not comparable to the HMOs with respect to cost sharing, then there may be potentially significant adverse selection to the plan. Mr. Kox also referred the Board to his memo which described recommendations for modernization of the Standard Plan.

MOTION: Mr. Baird moved that, with respect to the Standard Plan, the pharmacy benefit would stay as it currently is. Mr. Beil seconded the motion. The motion passed on the following roll call vote:

Members voting aye: Arena, Baird, Beil, Hayes, C. O'Donnell, J. O'Donnell, Olson, Schwartzer

Members voting nay: Litscher

MOTION: Mr. Litscher moved to change the coinsurance for the Standard Plan to 90%/10% for in-network providers and 70%/30% for out-of-network providers; change the out-of-pocket maximum to $800 single/$1600 family for in-network providers; and change the deductible for in-network providers to $200/$400. An emergency room copayment of $75 will be implemented for both in and out-of-network providers. Mr. Schwartzer seconded the motion which passed on the following roll call vote:

Members voting aye: Arena, Baird, Hayes, Litscher, C. O'Donnell, J. O'Donnell, Olson, Schwartzer

Members voting nay: Beil

Mr. Kox noted that staff would present information on modernization of the Standard Plan at the August meeting.

ADJOURNMENT

MOTION: Mr. Litscher moved to adjourn the meeting. Mr. Hayes seconded the motion, which passed without objection on a voice vote.

The Board meeting adjourned at 11:30 a.m.

Dated Approved:_____

Signed: _____
Esther Olson, Secretary
Group Insurance Board