

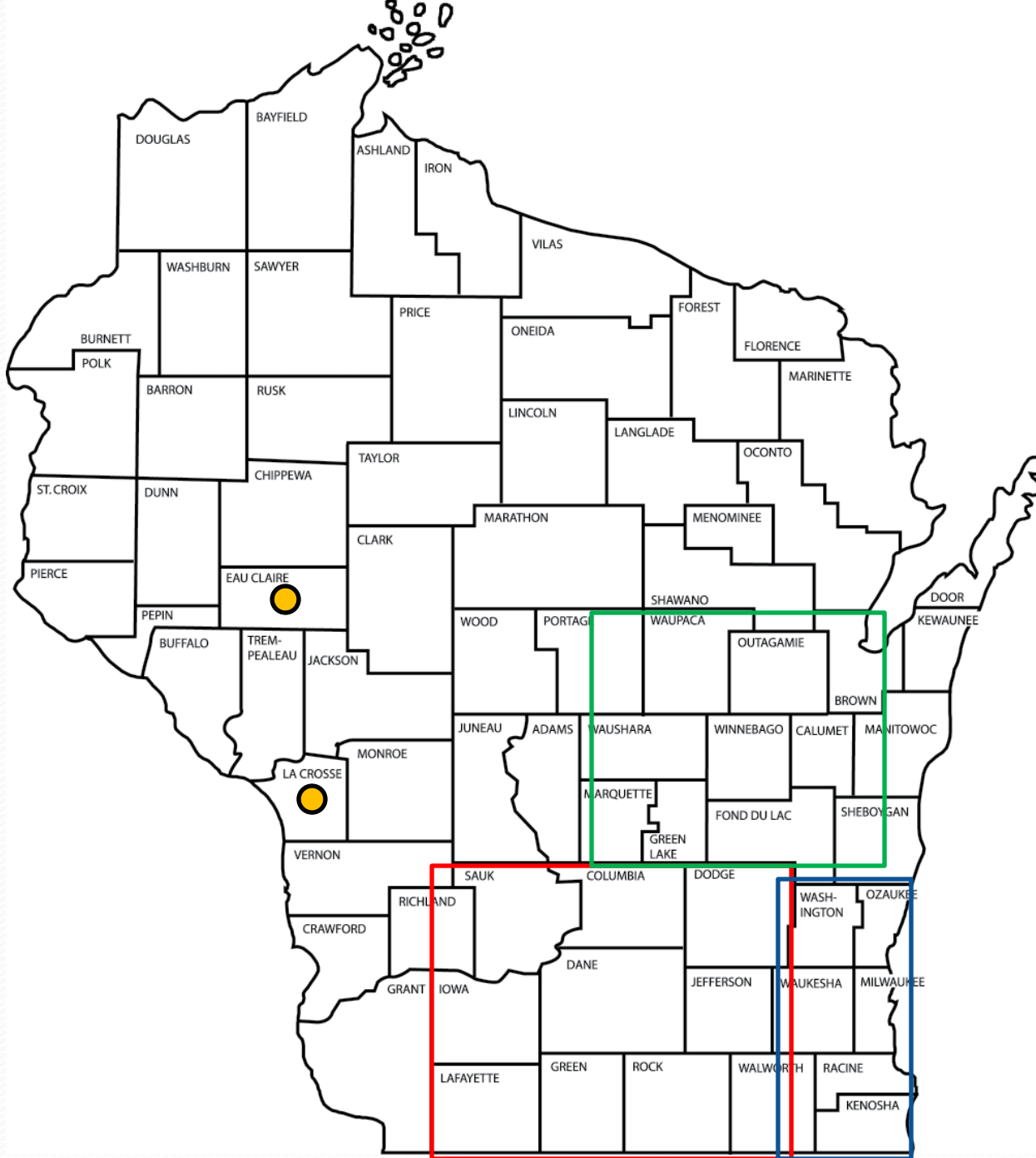
WI State Employee Health Insurance Program

*Group Insurance Board
May 22, 2012*



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
 - 366 participating employers
 - 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 84,000

Dane + Contiguous counties= 110,000

SE WI

Milwaukee 15,000

Racine 5,700

Waukesha 6,000

Fox Valley / NE WI

Brown 4,500

Fond Du Lac 5,000

Outagamie 3,500

Winnebago 8,300

Western WI

Eau Claire 5,300

LaCrosse 4,500

Central WI

Portage 3,500

Highlighted regions account for 75% of program participants.

Health Benefit Program: Structure

- Governance
 - Group Insurance Board
- 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 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

- ❑ Employee Trust Funds (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-April

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

May

- ❑ Benefit change recommendations go before the Group Insurance Board

Annual Health Insurance Process

May-July

- ❑ Plans submit detailed cost and utilization data
- ❑ Actuary evaluates utilization data and demographics
- ❑ Actuary compares cost effectiveness of each plan using sophisticated risk adjustment system
- ❑ Plans are placed in one of three tiers
- ❑ Subsequent premium bids from plans are matched against this analysis
- ❑ Plans bidding higher or lower than data submissions 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

Annual Health Insurance Process

August

- ❑ Board staff and 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 by which premiums must be reduced 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%

