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CORRESPONDENCE MEMORANDUM

DATE: May 1, 2012
TO: Group Insurance Board
FROM: Bill Kox, Director, Health Benefits and Insurance Plans
Arlene Larson, Manager of Federal Health Programs & Policy
SUBJECT: Changes to the Wisconsin Public Employers Health
Benefit Program Options as of January 1, 2013

Staff recommends the Board approve the proposed Wisconsin Public Employers (WPE) Health Benefits Program option changes.

This memo discusses changes to the program options available to local employers who participate in the WPE Group Health Insurance Program. Staff recommends the following to increase flexibility, simplify administration, and modernize the program:

To increase flexibility:

1. Offer an option to WPE groups that would provide a 10% co-insurance plan consistent with the current state program.

To simplify administration:

2. Eliminate the two base or comprehensive/major medical Standard Plan options.
3. Replace the Standard Plans offered to Medicare-eligible members with the state's Medicare Plus Plan.
4. Change the WPE State Maintenance Plans (SMP) to align with Uniform Benefits (UB) options.

Reviewed and approved by Lisa Ellinger, Administrator,
Division of Insurance Services

Signature

Date

Lisa Ellinger 5/4/12

Board	Mtg Date	Item #
GIB	5.22.12	5C

BACKGROUND

The WPE Group Health Insurance Program was authorized pursuant to Wis. Stat. 40.51(7) in 1987 as a managed competition health insurance program model offered to participating employers under the Wisconsin Retirement System (WRS). It offered benefits that were substantially similar to the state plan design. Beginning in 2005, WPE groups were provided the choice between the existing full pay program option and a deductible option for their employees. In addition, WPE groups were offered an additional fee-for-service choice through a Preferred Provider Organization (PPO) model. These options were developed in response to recommendations from Representative McCormick's Local Government Task Force in 2004. Beginning in 2012, WPE groups were given additional flexibility to offer two options per employer for different collective bargaining units. Individual employees are not allowed to choose among program options; the employer decides for all its employees. Recent passage of 2011 Wisconsin Act 133 is broadening the availability of the program to include municipal employers who do not participate in the WRS, and we are interpreting this to be effective January 1, 2013.

DISCUSSION OF CHANGES TO WPE PROGRAM OPTIONS

1) Medical plan options:

As noted above, currently there are two basic program options, one with full coverage for most services and the other with an upfront deductible. Staff recommends offering a third option that would be approximately midway between the two. This new offering would mirror the state's 10% co-insurance model. If the state program changes over time, this WPE program option will also change in order to continue to mirror the state plan. Participating WPE groups have contacted staff to request the availability of the co-insurance option currently offered to state employees.

The three options will offer fully insured alternate plans with UB and be paired with Standard Plan options which will have similar cost sharing for employees and early retirees.

These changes apply to the medical portion of the program. The pharmacy benefit portion, administered through Navitus Health Solutions, is separate.

2) Standard Plan non-Medicare medical options:

Staff recommends that the current base or comprehensive and major medical Standard Plan options be eliminated. Only a PPO will be available. It will be offered with three levels of cost sharing and with the applicable UB option as described in Attachment 1. Staff recommends in a separate memo to the Board (Item 5B) that all these PPOs be modified to align with specific changes made to the State Standard PPO which were effective January 1, 2012, in order to simplify administration and modernize the plans.

It should be noted that in the past staff contacted a number of large participating employers to learn if any collective bargaining agreements would impact an employer's flexibility in offering the Standard Plan. All contacted employers responded that their agreements did not specify the benefits offered by the Standard Plan, and at most, simply stated that this Plan would be available to employees. Further, staff has spoken to several larger employers about the PPO concept in the past, and they have supported it.

As staff brought to the Board's attention during the February 7, 2012, and June 7, 2011, meetings, when the Standard Plan contract was put out to bid for 2012, a few health plans declined to bid due, in part, to the antiquated nature of the "classic" Standard Plan's base/major medical plan. This Plan was developed in the 1970s and is virtually obsolete now. Of 369 WPE participating employers, 334 offer these plans to their subscribers. However, as of January 2012, only 184 subscribers out of 15,321 WPE subscribers selected this Plan.

3) Standard Plan Medicare option:

Staff recommends that all WPE Standard Plan Medicare participants be offered one Medicare supplement plan that mirrors the state's revised Medicare Plus Plan as described in a separate memo (Item 5B). Currently, WPE Medicare-eligible annuitants have a carve-out plan based on the respective Standard Plan option. The Medicare Plus Plan will more closely match what they may be able to purchase in the individual Medicare supplement market.

4) SMP medical benefit options:

Staff recommends that the SMP be modified to align with UB as described in Attachment 1. SMP is an HMO look-a-like plan that uses a limited network, and care out-of-network without prior approval is not allowable unless it is emergency or urgent care. SMP is only offered in counties that do not contain a qualified HMO.

The state program made this change several years ago, and it has been well received. Deloitte states that changing the current SMP base/major medical plan to the full pay UB results in an increase in benefits worth 1.0% to 1.5%. There were 16 subscribers enrolled in this SMP in January 2012. As such, the financial impact to WPE groups is small, and employers may elect to change to a different program option if needed to save approximately 5% or 10% in premium. There are 52 subscribers enrolled in the deductible SMP.

Medicare-eligible annuitants and their dependents are not allowed to be enrolled in SMP. They are moved into the applicable Standard Plan upon reaching Medicare eligibility.

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

Attachment 1: Summary of Options for Non-Medicare Members

Program Option 2 for Non-Medicare Members

	Current Full Pay UB	New Standard PPO Plan	
	HMO	In-network	Out-of-network
Deductible	None	\$100/\$200	\$500/\$1000
Co-insurance to OOP	100%	100%	80%/20% to \$2000/\$4000

Program Option 3 for Non-Medicare Members

	New Coinsurance UB	Current Standard PPO Plan	
	HMO	In-network	Out-of-network
Deductible	None	\$250/\$500	\$500/\$1000
Co-insurance to OOP	90%	90%/10% to \$1000/\$2000	70%/30% to \$2000/\$4000

Program Option 4 for Non-Medicare Members

	Current Deductible UB	Current Standard Deductible PPO Plan	
	HMO	In-network	Out-of-network
Deductible	\$500/\$1000	\$500/\$1000	\$1000/\$2000
Co-insurance to OOP	100%	80%/20% to \$2000/\$4000	70%/30% to \$4000/\$8000