

**DRAFT**

# MINUTES

May 22, 2012

Group Insurance Board  
State of Wisconsin

Location:  
State Revenue Building – Events Room  
2135 Rimrock Road, Madison, WI



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## **BOARD MEMBERS PRESENT:**

Esther Olson, Chair	Brian Hayes
Jon Litscher, Vice Chair	Jane Nikolai
Jessica O'Donnell, Secretary	Daniel Schwartzer
Bonnie Cyganek	Nancy Thompson
Michael Farrell	Brian Yerges
Chuck Grapentine	

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## **PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:**

Bob Conlin, Secretary	Legal Services:
Rob Marchant, Deputy Secretary	David Nispel, General Counsel
Chris Fried, Board Liaison	Dan Hayes, Attorney
Division of Insurance Services:	Office of Policy, Privacy and Compliance:
Lisa Ellinger, Administrator	Steve Hurley, Director
Bill Kox, Director	

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## **OTHERS PRESENT:**

ETF Office of the Secretary: Allen Angel, Vickie Baker, Liz Doss-Anderson	Anthem: Angie Gehrman, Marin Kleinke, Ted Osthelder, Jennifer Pitzen, Sandy Reblin
ETF Division of Insurance Services: Marcia Blumer, Jeff Bogardus, Roni Harper, Arlene Larson, Emily Loman, Brian Shah	Mercy Care: Mary Hesse, Sherrie Sargent
ETF Division of Management Services: Bill Christianson, Pam Henning, Jack Loman, Sharon Walk	Dean Health Plan: Penny Bound, Justin Hellenbrand
ETF Division of Retirement Services: Anne Boudreau	Deloitte Consulting LLP: Timothy Gustafson
ETF Office of Internal Audit: John Vincent	Department of Administration: Jennifer Krause, Mickie Waterman
	Department of Justice: Charlotte Gibson
	GHC-SCW: Emily Daws, Elizabeth Dye

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Board	Mtg Date	Item #
GIB	8.28.12	1

Gundersen Lutheran Health Plan: Sam Schmirler	Office of the Commissioner of Insurance: Jennifer Stegall
Health Choice: Juliatt Dykstra	Office of State of Employment Relations: Paul Ostrowski
Humana: Shari Stoltmann	PatientCare: Meridith Wagner
Legislative Audit Bureau: Rochelle Cushman	UW Hospital: Trina Ruppert, Demi Wiemann
Physicians Plus: Ron Sebranek	United Healthcare: Andrea Darling, Jodie Tierney
Security Health Plan: Becky Gorst	Unity Health Insurance: Kathy Ikeman
State Engineers Association: Bob Schaefer	University of Wisconsin System Admin: Beth Ritchie
Medical Associates: Joy Kaiser	WEA Insurance Trust: Susan Bay, Cheryl McIlquham, Kathryn Otto
Minnesota Life: Kjirsten Elsner, Chris Schmelzer	WPS: David Grunke
Navitus: Steve Alexander, Tom Radloff	Wisconsin Association of Health Plans: Carrie Kahn
Network Health Plan: Carrie Helms, Roger Ebert	

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Esther Olson, Chair, Group Insurance Board (Board), called the meeting to order at 8:30 a.m. and welcomed the new Board members.

## **EDUCATIONAL TOPICS**

### **Fiduciary Responsibility**

Mr. Nispel referred the Board to the memo regarding fiduciary responsibilities (Ref. GIB | 5.22.12 | 1A). He explained the Wisconsin Retirement System (WRS) is governed by Chapter 40 of the Wisconsin Statutes and several administrative rules. He encouraged Board members to familiarize themselves with these documents.

Mr. Nispel defined a fiduciary as one who holds assets in trust or in confidence for a beneficiary and noted that all Board members are fiduciaries. Among other duties, Mr. Nispel stated Board members have a duty to collect contributions from employers and/or employees, to pay benefits, comply with plan documents, and to inform members. Board members also have a duty to act solely in WRS members' interest for the exclusive purpose of providing benefits to participants and their beneficiaries.

Mr. Nispel confirmed fiduciaries may rely on experts in and out of the organization. Although delegation of responsibilities is acceptable, abdication is not. This requires careful hiring and monitoring of experts by Board members. To properly administer benefits, law and policies must be accurately interpreted and benefits eligibility must be

carefully determined. Mr. Nispel stated Board members must wear a fiduciary “hat” when making fiduciary decisions and avoid self-dealing and self-enrichment. Decisions ultimately need to be based solely on what is in the best interests of members, retirees, and beneficiaries. If a fiduciary knows of a violation and does nothing about it, this constitutes a breach of fiduciary duty. However, Board members have protection from liability when they are performing their duties in good stead. Mr. Nispel stated fiduciary standards are very high and a good process is very important to ensuring a good outcome along with careful, thorough, and scrupulous behavior.

Ms. Gibson discussed her role as the Board’s attorney. Ms. Gibson confirmed the State would pay for any excess damages awarded in proceedings against a Board member who is sued in his or her official capacity or for acts committed while carrying out Board duties when the court or jury finds that the Board member was acting within the scope of duty.

### **Appeals Process**

Mr. Nispel referred the Board to the memo and attachments regarding the appeals process (Ref. GIB | 5.22.12 | 1B). He then provided a broad overview of ETF Chapter 11 and Wisconsin Administrative Code Chapter 40. He noted most concerns of WRS members are successfully resolved through an informal review process conducted by ETF without a formal appeal being filed. This resolution may come through the Ombudsperson Services Program, the special consultant to the Deputy Secretary, settlement authority of the Secretary, and/or the settlement authority of supervisors and managers. If informal resolution is not possible, an appeal is referred to the Division of Hearings and Appeals.

Ms. Gibson explained the Board’s function in an appeal is quasi-judicial or exempt from open records, with deliberations completed in closed session. The Board is expected to review the record without taking evidence or hearing testimony and provide oversight of the initial decision-making process.

Ms. Gibson informed the Board that a person with a substantial interest in the issue to be decided, ETF, potential beneficiaries, and third party administrators or health insurance programs may all be parties to an appeal. A hearing examiner gathers evidence and issues a proposed decision. Prior to a Board meeting, Board members review the record to identify the specific issues to be resolved. During a Board meeting, the Board’s counsel provides a summary and recommendation followed by discussion prior to a vote on the appeal. The Board does have the option of remanding the appeal back to the hearing examiner to gather additional evidence or to consider a point of law the parties did not address. The Board has limited power to correct what might be deemed unfair.

Ms. Gibson stated that a final decision includes the findings of facts and conclusions of law as well as facts establishing the Board's jurisdiction and a statement of the disposition of the appeal. The final decision is communicated to the parties involved in the appeal. The losing party has the option to petition for re-hearing to correct factual evidence or present new evidence and may request a judicial review in circuit court.

### **Group Insurance Board Policies**

Mr. Hurley introduced three foundational Board policies referring the Board to his memo and attachments (Ref. GIB | 5.22.12 | 1C). The policies are intended to serve as written guidelines about Board proceedings for members of the public, to assist Board members in understanding their duties and responsibilities, and provide a level of protection when issues arise when it is unclear how to proceed.

#### **Communications Policy**

This policy was developed based on guidance from the Attorney General's Office and open records and open meetings laws. Mr. Hurley reviewed expectations set forth covering general issues related to such topics as communication between Board members, communicating with third parties, the media, and participants.

#### **Conflict of Interest Policy**

This policy was developed to provide guidelines in situations where personal or financial interests conflict with Board duties, making full disclosure if conflicts arise, and recusal for participating in decisions or votes. Mr. Hurley highlighted various aspects of the policy.

#### **Conduct of Board Meetings Policy**

This policy reviews procedures for topics such as selection of officers, frequency of meetings, rules of order, voting, and the creation of agendas.

Mr. Hurley asked the Board members to review the policies and provide feedback to himself or Ms. Ellinger. The policies will then be finalized and brought before the Board for formal adoption at a later meeting.

### **Review of Annual Health Insurance Cycle**

Ms. Ellinger referred the Board to the presentation regarding the State Employee Health Insurance Program (Ref. GIB | 5.22.12 | 1D). Some highlights include:

- Approximately 240,000 active lives are covered under the State Group Health Benefit Program with an additional 30,000 active lives covered under the Local Group Health Benefit Program.

- Annual insurance premiums for State, local, and retired participants is approximately \$1.5 billion.
- The health benefit program structure is a uniform benefits package which allows the Board to control the structure with a fair comparison across plans.
- Utilizing a tiered structure has stabilized premiums since its introduction including a 3% reduction in premiums in 2012.

## **ANNOUNCEMENTS**

Ms. Ellinger welcomed the newly appointed Board members. Each Board member provided a brief introduction.

## **CONSIDERATION OF FEBRUARY 7, 2012, OPEN AND CLOSED SESSION MEETING MINUTES**

***MOTION: Mr. Litscher moved approval of the February 7, 2012, open and closed session meeting minutes as submitted by the Board Liaison. Mr. Schwartzer seconded the motion, which passed without objection on a voice vote.***

## **ELECTION OF BOARD SECRETARY**

***MOTION: Mr. Litscher moved to nominate and elect Ms. O'Donnell as Secretary of the Board. Mr. Hayes seconded the motion, which passed without objection on a voice vote.***

## **HEALTH INSURANCE**

### **Guidelines/Uniform Benefits Changes**

Mr. Kox referred the Board to the memo and attachments regarding Guidelines and Uniform Benefits (Ref. GIB | 5.22.12 | 5A). He highlighted the recommended changes to benefits. Where appropriate, the recommendations also apply to the Wisconsin Physicians Service (WPS) contracts for the Standard Plans, and staff will make the necessary changes.

The recommended benefit changes include:

- Add coverage for mouth guards/retainers, when medically necessary, as part of prep work provided prior to tooth repair related to accidents.
- Expand the smoking cessation benefit to include four telephonic counseling sessions and require prior authorization for any limited extension of smoking cessation pharmacological products.
- Add a 30 day in-patient stay at an approved hospice facility to the UB for hospice.

- Add a \$50 copay and a new tier (Level 4) for specialty and lifestyle prescription drugs, and allowing the Level 4 out-of-pocket maximum (OOPM) to “wrap” the Level 1/Level 2 OOPM for members who use the specialty vendor for specialty medications.

The net total cost of these recommendations is estimated to be \$0.03 per member per month (PMPM). If the Board elects not to wrap the Level 4 OOPM into the Level 1/Level 2 OOPM, there may be a variance in this estimate. ETF will work with the actuary to confirm the impact on costs.

Mr. Kox also reviewed the recommended changes to Guidelines having a direct impact on administrative costs. These include:

- Requiring health plans to design a wellness program with the expectation that plans administer an annual health risk assessment (HRA) and biometric screening to 30% to 50% participation of their adult members. In addition, health plans may provide cash equivalent incentives up to \$150.00 in value to encourage broad participation. ETF also recommends the requirement that health plans provide biometric screenings that shall, at a minimum, test: glucose level, body mass index (BMI), cholesterol, and blood pressure. In order to encourage health plans to administer HRAs and biometric screenings to more than 50% of their participants, ETF recommends issuing a credit to the health plan during annual negotiations.
- Requiring prior authorizations for low back surgery for all health plans regardless of whether the plan demonstrated consistent over-utilization.
- Requiring prior authorizations for participants seeking high-tech radiology services.
- Implementing contract language that creates an incentive for health plans to require members to use a primary care physician by crediting a participating health plan during annual negotiations.

The net total cost of these recommendations is estimated to be approximately \$0.05 PMPM.

Recommended changes having no direct effect on benefits or administration costs were also reviewed. Lastly, Mr. Kox highlighted several changes discussed but which did not result in recommendations.

***MOTION: Mr. Schwartzer moved to adopt ETF’s recommended changes to the Uniform Benefits and Guidelines as presented with the modification of not allowing the Level 4 OOPM to wrap the Level 1/Level 2 OOPM for members so long as the cost differential is within two cents. If the cost differential does not fall within this parameter, Mr. Schwarter moved to adopt ETF’s recommended changes to the Uniform Benefits and Guidelines as presented. Mr. Yerges seconded the motion, which passed without objection on a voice vote.***

### **Local Standard Plan – Medicare Plus Changes**

Mr. Kox referred the Board to the memo and attachments included in their binders (Ref. GIB | 5.22.12 | 5B). He confirmed staff recommends the Board adopt the Wisconsin Public Employer (WPE) Standard Plan, WPE State Maintenance Plan (SMP), State and WPE Medicare Plus and hospitalization notification changes as outlined in the memo. After highlighting various individual changes outlined in the memo attachments, Mr. Kox stated that while some of the changes either increase or decrease the value of benefits, the overall result is more cost-effective and has been determined by Deloitte Consulting (Deloitte) to be non-material.

***MOTION: Ms. Thompson moved to adopt the WPE Standard Plan, WPE State Maintenance Plan, State and WPE Medicare Plus and hospital notification changes as presented. Ms. Cyganek seconded the motion, which passed without objection on a voice vote.***

### **Local Plan Options**

Mr. Kox indicated the WPE Health Benefits Program currently offers two options that include a full pay option and a deductible option. To increase flexibility, staff recommends offering a third option to WPE groups that would provide a 10% co-insurance plan consistent with the current State Plan. To simplify administration, staff recommends eliminating the two base or comprehensive/major medical Standard Plan options, replacing the Standard Plans offered to Medicare-eligible members with the State's Medicare Plus Plan, and changing the WPE SMPs to align with UB options.

***MOTION: Mr. Grapentine moved to approve the proposed WPE Health Benefits Program option changes as presented and discussed. Ms. Cyganek seconded the motion, which passed without objection on a voice vote.***

### **Establishment of It's Your Choice Enrollment Dates**

Mr. Kox stated the Board establishes the *It's Your Choice* (IYC) enrollment period dates at the spring meeting every year. Staff is requesting a four-week period from October 8 to November 2, 2012.

***MOTION: Ms. Thompson moved to approve October 8 to November 2, 2012, as the It's Your Choice enrollment period for 2013. Ms. Nikolai seconded the motion, which passed without objection on a voice vote.***

The Board took a break at 11:20 a.m. and reconvened at 11:30 a.m.

## **INCOME CONTINUATION INSURANCE PROGRAM**

Mr. Gustafson referred the Board to the State and Local Income Continuation Insurance (ICI) Program actuarial reports as of December 31, 2011 (Ref. GIB | 5.22.12 | 6). He confirmed Deloitte is not recommending a rate increase for the State ICI Program for 2013. However, Deloitte does anticipate the need to implement a 9% premium rate increase in 2014 and 2016. The Local ICI Program has a very well funded status and is currently in indefinite waiver premium status, and Deloitte recommends a continuation of the premium holiday going forward.

Mr. Gustafson provided a brief summary of the actuarial review of the State ICI Program stating assets held as of December 31, 2011, were \$54.4 million and estimated liabilities of \$83.3 million. The net fund balance was \$(28.9) million. Mr. Gustafson noted the asset balance does not include \$3.7 million in deferred market losses which will be smoothed in over the next four years. In 2011, plan assets decreased by 8.2% or \$4.7 million while estimated liabilities increased 18.8%. Revenues were \$14.6 million of which \$13.7 million was attributable to premium contributions with \$0.9 million attributable to investment earnings. Paid claims increased 15% over 2010.

Considerable year-to-year fluctuations may occur under disability income plans, even for a plan as large as the ICI Program. A reasonable long-term objective has been to maintain an asset balance of 115% to 125% of estimated liabilities. The current balance covers 65.3% of liabilities, compared to 84.5% last year. Based on current financial projects, Deloitte anticipates that additional 9% premium increases for future plan years will likely be necessary in order to return the net fund balance to target levels over the longer term.

***MOTION: Mr. Grapentine moved to accept the actuarial report as presented with a modification to the recommendation to provide for annual premium increases through 2016. Ms. Thompson seconded the motion.***

After discussion, Mr. Grapentine withdrew his motion.

***MOTION: Mr. Litscher moved to accept the actuarial report and recommendation as presented. Ms. Cyganek seconded the motion.***

***MOTION: Mr. Grapentine moved to amend the previous motion to provide for a premium increase of 4.5% in 2013 and for consideration of annual premium adjustments through 2016. Ms. Thompson seconded the amendment, which passed without objection on a voice vote. The original motion was amended then passed without objection on a voice vote.***



Mr. Gustafson stated the Local ICI Program is in a very strong financial position with assets of \$31.8 million and estimated liabilities of \$4.9 million. Assets increased by 4.3% while estimated liabilities increased 22.3%. As a result of the continued positive funded status of the Local ICI Program, Deloitte recommends the continuation of premium waiver at this time.

***MOTION: Ms. Thompson moved to accept the actuarial report and recommendation as presented. Mr. Hayes seconded the motion, which passed without objection on a voice vote.***

## **OMBUDSPERSON SERVICES**

Mr. Dan Hayes referred the Board to the memos regarding Ombudsperson Services (Ref. GIB | 5.22.12 | 7A and 7B). He stated the Annual Ombudsperson Contact Report is a summary of information and statistics about the complaints and inquiries received by ETF from members, their families, employers, and external advocacy organizations relating to benefits that fall under the authority of the Board. The Grievance and Independent Review Report is used to identify trends within the health insurance and pharmacy programs that warrant attention by ETF.

Mr. D. Hayes explained that as of November 2011 the Ombudsperson Services Program became part of the Office of Legal Services. He stated Mr. Nispel serves as General Counsel overseeing all aspects of Legal Services. Mr. D. Hayes confirmed he is responsible for the direct supervision of the Ombudsperson Services team which includes Liz Doss-Anderson, Vickie Baker, and Allen Angel who were introduced to Board members.

Mr. D. Hayes stated the vast majority of contacts received by Ombudsperson Services staff are related to health insurance and pharmacy benefit plans. He explained that plans report grievances and independent review requests to the Office of the Commissioner of Insurance and Ombudsperson Services annually. He confirmed there were 855 health plan grievances in 2011, which was the lowest number since 2004.

## **OPERATIONAL UPDATES**

Ms. Ellinger referred to and reviewed the operational updates included in Board member binders.

***MOTION: Mr. Litscher moved to convene in closed session, pursuant to the exemptions contained in Wis. Stat. § 19.85 (1) (a) for the purpose of quasi-judicial deliberations on an appeal. Mr. Hayes seconded the motion, which passed on the following roll call vote:***

***Members Voting Aye: Cyganek, Farrell, Grapentine, Hayes, Litscher, Nikolai, O'Donnell, Olson, Schwartzer, Thompson, Yerges***

***Members Voting Nay: None***

***Members Absent or Not Voting: None***

The Board convened in closed session at 12:30 p.m. and reconvened in open session at 12:50 p.m.

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

Ms. Olson announced the Board took the following action during closed session:

Appeal 2011-007-GIB

The Board voted to adopt the Hearing Examiner's proposed decision with modifications.

**ADJOURNMENT**

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

The Board meeting adjourned at 12:55 p.m.

Date Approved: \_\_\_\_\_

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

Jessica O'Donnell, Secretary  
Group Insurance Board