



STATE OF WISCONSIN
Department of Employee Trust Funds
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CORRESPONDENCE MEMORANDUM

DATE: August 13, 2012
TO: Group Insurance Board
FROM: Roni Harper, Manager
Optional Insurance Plans & Audits
SUBJECT: Annual Update – Optional Insurance Programs

This memo is for informational purposes only. No Board action is necessary.

Annually staff has provided the Group Insurance Board (Board) with an update on the status of the optional insurance plans. The optional, employee-pay-all plans available in 2012 are:

Accidental Death and Dismemberment (AD&D):

- The Hartford Life Insurance Co

Vision:

- Vision Service Plan (VSP)

Dental only:

- Anthem DentalBlue
- EPIC Life Insurance Company – Dental Wisconsin

Combination policy (includes Dental, AD&D, Hospital and Surgical Indemnity or Excess Medical, and optional Vision):

- EPIC Life Insurance Company – Benefits+

Long-Term Care:

- United of Omaha through Health Choice

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

Signature

8.23.12
Date

Board	Mtg Date	Item #
GIB	8.28.12	8A

BACKGROUND

Under authority granted to the Board by Wis. Stats. § 40.03 (6) and § 40.55 and pursuant to Wis. Stat. § 20.921(1)(a)3 and Wis. Admin. Code ETF 10.20 and ETF 41, the Board is responsible for approving optional group insurance plans that wish to be offered via payroll deduction. The Board’s Optional Plan Guidelines require annual reporting by the plans. This annual data can assist the Board with consideration of proposals for benefit or premium adjustments from any of the plans. In addition to data, this annual update will summarize significant events related to State employee optional insurance.

DISCUSSION

Optional Accidental Death & Dismemberment (AD&D) Program – Hartford

In 1989, the Board approved the AD&D plan through CNA Financial Corporation, which was acquired by The Hartford Life Insurance Company in 2003. Currently, the premium paid by the Departments of Corrections, Transportation, and Natural Resources make up the majority of the total premium in the AD&D plan, in part because monthly premiums for protective category employees are approximately 80% higher than for general category employees. This benefit offers employees the opportunity to insure themselves and/or their families for both on- and off-the-job accidents.

AD&D tends to be a volatile type of insurance, with low premiums and fluctuating claims. In the near term, the Board has considered this plan an exception to the standard 75% loss ratio requirement, but anticipated the plan would meet the requirement over longer periods of time (15 or more years). As of 2011, the average loss ratio over nine years was 16.7%, down from 23.4% cumulative in 2010. Employee Trust Funds (ETF) staff will continue to monitor this in conjunction with the Board’s actuaries and make recommendations accordingly.

Utilization Statistics	2003	2004	2005	2006	2007 & 2008	2009	2010	2011
Premium Income	\$430,081	\$453,684	\$477,288	\$471,087	\$497,762	\$498,309	\$511,565	\$467,245
Number of Claims	4	3	0	1	0	0	1	0
Amount of Claims	\$123,126	\$381,732	\$0.00	\$215,867	\$0.00	\$0.00	\$99,000	\$0.00
Loss Ratio	29%	84%	0%	46%	0%	0%	19.35%	0%

Optional Vision Program

The Board approved Vision Service Plan (VSP) in 2009 to replace OptumHealth Vision as the vision care benefits provider for State employees and eligible retired State

employees and dependents. VSP has worked on expanding its provider network, including making a modified version of benefits available through larger chain vision centers. Enrollment increased by 3,674 active and 632 annuitant subscribers from 2010 to 2011. As of April 1, 2012, there were 16,472 total subscribers, with 46 agencies contracted to participate. There were 15,508 claims paid in 2011.

Vision Services Plan (VSP)			
Utilization Statistics 2011	Active	Annuitants	Combined
Subscribers as of 12-31-11	13,198	1,923	15,121
Premium Income	\$1,041,271	\$141,599	\$1,678,153
Amount of Claims paid	\$941,020	\$106,371	\$1,401,990
Loss Ratio	90.3%	75.1%	83.5%

Optional Dental Insurance Program

Anthem Dental Blue has provided dental insurance policies under contracts with the University of Wisconsin System (UWS) since 2004 and, as of February 2006, the State of Wisconsin, Office of State Employment Relations (OSER). The name was changed to Anthem DentalBlue in 2008. Enrollment patterns shifted, first as OSER decided to offer enrollment in the program to all agencies and to employees, regardless of collective bargaining status, and then after 2010, as the UWS terminated its contract.

- For plan year 2011, only represented employees were eligible to enroll under the OSER contract.
- No new enrollments have been allowed by the UWS in plan year 2012.
- Beginning January 1, 2013, no UWS employees will be eligible for Anthem DentalBlue through payroll deduction.

Statewide, early 2012 activity has focused on the Anthem DentalBlue transition of its administrative contracts within the State of Wisconsin. After 2011 changes in state law related to organized labor contracts, OSER was no longer required to offer Anthem DentalBlue. OSER notified Blue Cross, ETF, and state agencies. The Anthem DentalBlue insurance plan retains its Board approval, which means Anthem could contract with state agencies individually. Fifty-three of 55 agencies/offices/authorities have elected to sign a letter of intent allowing Anthem Dental Blue to continue offering insurance to their employees for 2013. ETF expects the transition to be seamless from the subscriber perspective.

Anthem DentalBlue had stable performance as a dental insurance provider in 2011. The Anthem DentalBlue plan was unchanged in its benefit structure for 2012. It offers State employees three plan types. The HMO Plan (VDC 186) and PPO Plan (VP 864) are designed for employees without dental coverage in their health plan and include diagnostic and preventive care in addition to the basic and major services. The

Supplemental Plan is designed to augment the health plan; it covers basic and major dental services. Anthem DentalBlue has offered the same benefit levels since 2005, with the exception of adding coverage for dental implants to the PPO Plan in 2010. For the 2012 plan year, Anthem was granted a premium increase of 9% for the Supplemental Plan only. Anthem is proposing a small change in its benefit for 2013 at the request of members (Ref. GIB | 8.28.12 | 7A).

Overall utilization of the Anthem Dental Blue plans showed a significant decrease in enrollment by employees in 2011. As of January 31, 2010, there were 7,871 UWS participants and 7,434 enrolled in other State agencies under the OSER contract, for a statewide total of 15,305. However, UWS enrollment dropped to under 500 in 2011.

Anthem DentalBlue Insurance Program				
2011	Dentacare HMO	Preferred PPO	Supplemental	TOTAL 2011
Members covered (active, annuitant, COBRA)	682	666	6,933	8,281
Premium Income	\$353,177	\$323,407	\$2,496,386	\$3,177,970
Amount of Claims Pd	\$237,260	\$224,878	\$2,379,565	\$2,841,703
Loss Ratio	66.2%	69.5%	95.3%	89.4%

Dental Wisconsin was initially created by EPIC Life Insurance (EPIC) in collaboration with the UWS as an alternative choice to Anthem DentalBlue. It was approved by the Board in 2010 for enrollment that autumn and had its first full year of effective coverage in 2011 to employees in ten state agencies. Two smaller agencies were added in 2012. Dental Wisconsin offers two plan types. The Select Plan allows members to select any dentist, with reduced out-of-pocket costs for Premier providers; it does not cover diagnostic or preventive care. The PPO Plan does cover those categories, but pays only 75% if out-of-network and requires PPO or Premier providers for all covered care.

The UWS remained the largest employer of enrollees, with 15,020 subscribers for 92% of the total as of December 31, 2011.

2011	PPO	Select	TOTAL 2011
Members covered (active, annuitant, COBRA)	1,580	3,865	
Premium Income	\$843,533	\$1,625,554	\$2,469,107
Amount of Claims Pd	\$609,897	\$1,455,643	\$2,065,540
Loss Ratio	72.3%	89.5%	83.7%

Optional “Wrap” Plan – Dental, Excess Medical, and AD&D Insurance Program

EPIC has offered a plan that combines supplemental dental, excess medical, and AD&D since 1994 after acquiring the plan from John Deere Life, which had provided this optional coverage for State employees since the 1960s. Some significant changes with this wrap plan, now called EPIC Benefits+, include:

- In 2004, EPIC created separate rates for active employees and annuitants.
- In 2006, a three-tier dental structure was implemented for late enrollees (those who did not enroll when first eligible, but at a special enrollment opportunity in autumn).
- In 2009, the dental deductible was lowered from \$200 to \$75, special enrollment was offered, and the maximum dental benefit was raised for new enrollees to \$750 in 2010 and \$1,000 for 2011

In 2011, the Board approved replacing the excess medical benefit with a hospital and surgical indemnity plan for members whose primary insurance was non-Medicare. This was in response to the State group health insurance plan adding a 10% coinsurance for active employees. Along with this shift, the Board approved a premium increases ranging from 14% to 16.5% which was effective January 1, 2012.

This plan is viewed primarily as a dental plan: 88% of the claims paid and 94% of the claims dollars were for dental benefits in 2011. The loss ratio for the dental component was 72.1%. Only 6.5% of claims for excess medical resulted in a payment, with an average payment of \$141 and the highest payment of \$6,613. There was one Benefits+ AD&D claim paid in 2011, for \$10,000; two AD&D claims were denied.

Annuitants represented the largest participating “employer group” of subscribers in 2011, followed by UWS (although with dependents, it covers over 27% of the total Benefits+ members), and the Department of Corrections. Thirty-six State agencies have members enrolled. Total enrollment increased by about 3%, after a 1% decline the previous year. At 70.5%, the loss ratio for the combined plans moved closer to the 75% target set by the Board.

EPIC Life Insurance Benefits + Program		
Utilization Statistics 2011	Active and COBRA	Annuitants
Enrolled Participants	12,535	5,197
Premium Income	\$6,650,375 combined	
Cost of Claims	\$4,686,520 combined	
Loss Ratio	70.5% combined	

Optional Long-Term Care Insurance Program

In the early 1990s, Wis. Stat. § 40.55 and Wis. Admin. Code Chapter ETF 41 established a program to offer long-term care insurance to state employees and annuitants, their spouses, and the parents of state employees. Overall, the rate of growth in the program declined slowly since 2002. According to reports provided by participating vendors, the total number of policies issued since the program began in the early 1990s was nearing 8,000 when last surveyed in 2009.

The year 2011 was a year of significant shifts in long-term care insurance offerings for State employees. In May 2011, John Hancock was no longer offered because its replacement policy failed to comply with inflation protection options required by Wis. Admin. Code § ETF 41.02(5). United of Omaha remained the only policy available to be marketed to State employees through HealthChoice. Senior Care worked with ETF staff in late 2011 to prepare a Board proposal that was introduced in January 2012 for Prudential Long-Term Care Insurance. The plan was approved; however, before it could be marketed, Prudential announced it was withdrawing the plan from the market nationally. Most recently John Hancock has also stopped selling long-term care insurance nationwide.

Marketing and Enrollment Activity for United of Omaha	Senior Care	HealthChoice
	John Hancock	United of Omaha
Applications received		334
Policies denied*		76
Policies issued to state annuitants		98
Policies issued to state employees		60
Policies issued to spouses or parents of state employees		70
Earned premium in 2011	\$3,184,201	\$1,462,378
Number of claims	Not reported	1
Number of claims paid	“	1
Amount of claims paid	“	\$1,749
Total in-force policies as of 12-31-2011	2,709	875

*Primary reasons for denial: Medical history (arthropathy, hypertension, diabetes). In 2011, there were six insurance companies with policies in force through the State long-term care insurance program. American International Group (AIG), Fortis (a subsidiary of John Hancock), Life Investors Insurance Company of America, and Mutual of Omaha have approximately 3,500 existing policyholders, but no longer offer the policies to new participants. Life Investors and Fortis reported a total of 116 claims paid totaling \$1,254,571 combined in 2011.

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