



STATE OF WISCONSIN
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CORRESPONDENCE MEMORANDUM

DATE: October 16, 2012
TO: Group Insurance Board
FROM: Lucien Adams, Manager, Self-Insured Health Plans
Division of Insurance Services
SUBJECT: Local Annuitant Health Program Rates 2013

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

Background

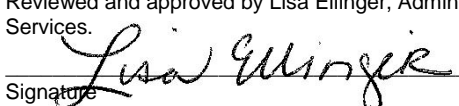
The Local Annuitant Health Program (LAHP) was authorized pursuant to Wis. Stat. 40.51(10) on July 1, 1988, as a health insurance program to offer individual coverage for retiring local government employees and their dependents who are not offered a group plan by their local government employer. The program is voluntary for retirees of employers who participate in the Wisconsin Retirement System. The LAHP is a fully-insured plan provided by the Standard Plan administrator, WPS Health Insurance (WPS). The renewal rates are provided annually in October, following the establishment of Medicare deductibles for the following year. Deloitte Consulting reviewed the attached rates and calculations prepared by WPS.

Premium Rate Increase

WPS has calculated that a 7.6% renewal increase is needed for the Medicare Supplement plan and 35.0% increase for the LAHP's under-age-65 Preferred Provider Organization (PPO) plan, effective January 1, 2013. The increase in premiums for the PPO plan was primarily influenced by three high claims that accounted for close to 25% of total claims. This is the second consecutive year rates will increase – rates increased 9.7% for both plans last year. There were no changes in rates in 2011 and 2010. The proposed 2013 rates are attached.

Board	Mtg Date	Item #
GIB	11.13.12	3B

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


Signature _____ Date 10/22/12

Because many local government employers offer coverage for their annuitants, the LAHP insures a very small population and is subject to adverse selection and higher volatility. The program has continued a slow and steady decline in the number of subscribers over the past several years. The overall number of subscribers has declined by 16% since 2006. As of June 2012, there are 21 subscribers enrolled in the PPO. There are 255 total subscribers comprised of 234 enrolled in the LAHP Medicare Supplement, of whom 179 are aged 75 and over.

I will be available at the meeting to answer any questions.

Attachment

**LOCAL ANNUITANT HEALTH PROGRAM (LAHP)
RETIREES MONTHLY HEALTH INSURANCE PREMIUMS**

EFFECTIVE 01/2012

Coverage	PPP		Medicare Supplement*		
	Single	Family	Single	Family-2	Family-1
PPP - Under Age 65 - No Med	1,033.20	2,060.50			
PPP - Under Age 65 - With Med	723.90				
PPP - Under Age 65 - Both with Med		1,445.10			
PPP - Under Age 65 - One with Med, Other Not		1,754.10			
PPP - Under Age 65 - Two with Med, 3rd Not		2,069.00			
Med Sup - Age 65-67			156.60	310.20	1,187.00
Med Sup - Age 68-69			174.10	345.10	1,204.50
Med Sup - Age 70-74			214.40	425.80	1,244.80
Med Sup - Age 75 and Over			243.20	483.40	1,273.60

EFFECTIVE 01/2013

Coverage	PPP		Medicare Supplement*		
	Single	Family	Single	Family-2	Family-1
PPP - Under Age 65 - No Med	1,394.20	2,781.10			
PPP - Under Age 65 - With Med	976.70				
PPP - Under Age 65 - Both with Med		1,950.30			
PPP - Under Age 65 - One with Med, Other Not		2,367.50			
PPP - Under Age 65 - Two with Med, 3rd Not		2,792.60			
Med Sup - Age 65-67			168.50	333.70	1,276.20
Med Sup - Age 68-69			187.30	371.20	1,295.00
Med Sup - Age 70-74			230.70	457.90	1,338.40
Med Sup - Age 75 and Over			261.80	519.80	1,369.30

Includes a \$2.80 administrative fee for 2012, \$3.20 for 2013

*Rate determined by subscriber's age as of the 1st of the calendar year

PPP - Preferred Provider Plan for those under the age of 65, network identical to State Standard PPP, \$250 individual deductible, capped at 3 for the family, in-network coinsurance of 80%/20% to \$2,500/\$7,500, out-of-network coinsurance of 60%/40% to \$2,500/\$7,500, amounts are combined so maximum coinsurance out-of-pocket will be \$2,500/\$7,500 in total

Medicare Supplement - For those over 65 an age-rating premium rate structure