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CORRESPONDENCE MEMORANDUM

DATE: October 16, 2012
TO: Group Insurance Board
FROM: Arlene Larson, Manager of Federal Health Programs & Policy
Jeff Bogardus, Manager of Pharmacy Benefit Programs
Bill Kox, Deputy Administrator
SUBJECT: Update on Wisconsin Public Employers (WPE) Group Health Insurance Program qualifications, premiums, and underwriting surcharge

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

Following the August 28, 2012, Group Insurance Board (Board) meeting, three items came to light that staff is bringing to your attention:

1. A change to the Wisconsin Public Employers (WPE) qualification tables was needed, due to the contractual requirement regarding the situation in which there is no qualified Tier 1 plan offered in a county.
2. A correction to premium rates published for Humana's Eastern and Western regions was required for the WPE Program. This resulted in a slight reduction in rates.
3. An actuarial recommendation was brought to staff to add a new, higher category to existing surcharge levels following underwriting of new WPE groups.

Correction to Qualify SMP in Oneida, Price and Vilas Counties: The State Maintenance Plan (SMP) is offered to employees and retirees in counties in which there is no qualified Tier 1 health plan. The Alternate Health Plans Qualification memo presented to the Board on August 28, 2012, omitted Oneida, Price and Vilas Counties for qualification of SMP in the WPE group health insurance program for 2013. Security Health Plan is the only qualified plan in each of these counties. However, Security was

Board	Mtg Date	Item #
GIB	11.13.12	7B

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



Signature

10/22/12
Date

designated as a Tier 3 plan for the WPE program for 2013. As such, SMP will be offered as the Tier 1 plan for 2013 in each of these counties for the WPE program.

Correction to Premium Rates for Humana Eastern and Humana Western: The Humana Eastern and Humana Western premium rates for the WPE group health insurance program provided to the Board on August 28, 2012, were incorrect. Per Section 1. II. H. 5. of the Guidelines that apply to the rate-making process, “*Local Program: Rates must be no greater than 1.5 times the rate for the State program unless the local group is sufficiently large that the rate is justified by experience, as determined by the Board’s actuary.*” Late in the bid process, Humana provided adjusted non-Medicare rates to comply with this requirement. However, the adjusted rates were not accounted for on the rate tables provided to the Board. Additionally, as part of the rate-making process the Board’s actuary determined that the rates for the WPE coinsurance program option (P06) must be no greater than 95% of the full-pay option (P02). Humana’s bid submission for the coinsurance program option did not originally meet this requirement and the rates were further adjusted. Following is a comparison of the corrected rates and the rates as they were originally submitted. Please note that rates are identical for the Humana Eastern and Western regions:

Full-Pay (P02)	Regular		Medicare		
	Individual	Family	Individual	2-Eligible	1-Eligible
Correct Rates	1,096.70	2,737.00	392.80	782.40	1,486.30
<i>Incorrect Rates</i>	<i>1,148.20</i>	<i>2,865.70</i>	<i>392.80</i>	<i>782.40</i>	<i>1,537.80</i>
Deductible (P04)	Individual	Family	Individual	2-Eligible	1-Eligible
Correct Rates	1,001.00	2,497.70	338.80	674.40	1,336.60
<i>Incorrect Rates</i>	<i>1,052.50</i>	<i>2,626.50</i>	<i>338.80</i>	<i>674.40</i>	<i>1,388.10</i>
Co-Insurance (P06)	Individual	Family	Individual	2-Eligible	1-Eligible
Correct Rates	1,046.10	2,610.50	392.80	782.40	1,435.70
<i>Incorrect Rates</i>	<i>1,046.70</i>	<i>2,612.00</i>	<i>338.80</i>	<i>674.40</i>	<i>1,382.30</i>

Underwriting surcharges: Beginning in January of 2005, the Board adopted the consulting actuary’s recommendation to develop an underwriting process for new WPEs entering our program, in order to protect the pool from adverse risk. Surcharge amounts may be applied to new groups for approximately two years, based on the risk of the group. Current categories for large groups are a 0%, 10%, 20% or 30% surcharge. Small groups may be assessed a 0%, 20%, 40% or 60% surcharge. Surcharges are assessed by calculating needed premium and rounding down to the nearest tenth. For example, if a large group is calculated as requiring between a 10% to 19% surcharge, it is placed in the 10% surcharge category. Per the contract, surcharges are established by the consulting actuary, Deloitte, and are not appealable. The surcharge dollars are passed back proportionately to the health plans selected by the group’s enrollees and the Pharmacy Benefits Manager, Navitus Health Solutions.

This fall, the actuary reviewed the existing surcharge categories, due to a large local employer who submitted underwriting materials that contained very poor risk characteristics. Following review, the actuary recommended creating higher categories of 40% for large groups and 80% for small groups beginning with January, 2013 effective dates. Staff has taken steps to implement this system change in a timely fashion.

Staff will be available at the November 13, 2012, meeting to answer any questions.