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CORRESPONDENCE MEMORANDUM

DATE: January 10, 2013
TO: Group Insurance Board
FROM: Bill Kox, Deputy Administrator
Roni Harper, Manager, Optional Insurance Plans and Audits
SUBJECT: Optional Plan Contracts and Administration

Staff recommends no change to the administration of optional employee-pay-all insurance plans at this time.

Background

At the November 2012 Group Insurance Board (GIB) meeting, the GIB discussed transferring responsibility for signing optional plan contracts from state agencies to the GIB or the Department of Employee Trust Funds (ETF). This would allow the GIB to mandate uniform availability of optional plans across all state agencies.

Given the strong preference expressed at the meeting to continue letting each employer decide whether to offer these optional plans, the issue going forward centered on which entity would sign the contracts.

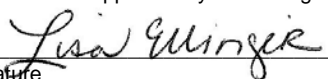
The GIB requested further analysis relating to administration of optional insurance plans, summarized as follows:

- To continue operating in the current manner, with the possibility of having ETF enter into a contractual arrangement with the optional plans;
- To prepare an analysis of the pros and cons associated with the potential options, including liability, cost, resources, etc.

Review of the Current Process: Authority for the GIB to review and provide optional insurance plans is provided in Wis. Stats. § 40.03(6), and Wis. Admin. Code ETF 10.20. Under the GIB's "Guidelines for Optional Plans Seeking Group Insurance Board Approval" (Guidelines), an insurer's proposal is reviewed by ETF and the GIB's actuary. If approved by the GIB, the insurer contracts directly with state employers. Pursuant to the Guidelines, ETF reviews the insurance contracts, certificates, marketing materials, etc., during the initial proposal review of insurers seeking

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


Signature _____ Date 1/22/13

approval. Administration of the optional insurance plans is then shared by the insurers and the employers, as follows:

- The insurer offers the plan to each state agency. The agency decides whether to offer any particular plan to its employees.
- Employer payroll offices manage enrollment and premium collection. Premiums are withheld via payroll deduction and remitted via one of six state payroll centers; reconciliation is done bi-weekly or monthly. ETF has no involvement in these processes.
- Most individual issues that arise are managed between the member and the insurer. All payroll offices facilitate resolution of issues related to enrollment, effective dates, etc. However, if the issue is related to benefits and claims, then the degree of intervention in an “ombudsperson” role varies across state agencies.
- Complaints that cannot be resolved by the insurer may be taken to the Office of the Commissioner of Insurance.
- Existing master contracts do not outline a role for ETF.

ETF may act as a resource for employers when a single case or group of cases point to an issue that calls for interpretation of the insurance certificate. ETF’s legal staff and ombudspersons have minimal contact related to these optional plan issues. As required by the Guidelines, ETF staff also collects enrollment and claims data from existing plans and prepares an annual report for the GIB.

Review of State Agency Concerns. Payroll representatives prefer that ETF take a more central role in optional plan administration. ETF has discussed this issue with the Fringe Benefits Committee (FBC), a subset of the State Payroll Council. Among other responsibilities, FBC acts as an advisory group for optional plans. In a December 2012 meeting with ETF, the FBC identified the following issues and preferences:

- Agencies strongly prefer to choose whether to offer a given insurance plan.
- Agencies would like a clearer role in negotiating details of plan proposals before ETF makes a recommendation to the GIB.
 - The University of Wisconsin (UW) System, UW Hospitals and Clinics, and the smaller quasi-governmental agencies find it necessary to have input into eligibility criterion, because they have employees who are not WRS eligible but for whom they need to offer insurance as part of recruitment and retention.
- The FBC members have limited time to devote to optional plan issues and feel they lack insurance expertise to manage the drafting, detailed review, and final approval of complex insurance certificates and administrative documents.
- When issues arise that involve interpretation of the contract, certificate, or remittance reconciliation, the FBC suggests that resolutions should be negotiated and recorded at a central source.
- The FBC prefers to have eligibility for member enrollment consistent with state employee uniform health benefits. They prefer that ETF monitor that consistency, along with changes in state and federal insurance laws.

- FBC members and affected agencies would continue to identify issues and advise on suggested resolutions.

Discussion

The GIB discussion focused on whether the GIB or ETF could sign contracts to make the process more efficient for state agencies. While the GIB has the authority to do so, it could not be done without creating additional responsibilities for the GIB and ETF. This, in turn, would require additional resources, as discussed below.

GIB Authority: The GIB, under §40.03(6)(b), may provide other group insurance plans in addition to those specifically provided under Chapter 40. The terms of the plan are to be provided by contract. Staff has not identified any statutory changes under Chapter 40 that are needed if the GIB is to execute these contracts. However, §40.03(6)(i) requires the GIB to “accept timely appeals of determinations made by the department affecting any right or benefit under any group insurance plan provide for under this chapter.” If the GIB proceeds to execute optional contracts, they become subject to this requirement, unless the law is amended.

Liabilities: §40.03(6)(b) states the contract “shall provide that the employer is not liable for any obligations accruing from the operation of any group insurance plan under this paragraph except as agreed to by the employer.” Thus, the contracts would need to specifically exempt the state from any financial liability stemming from the operation of the plans. In general, the contracts with insurers would need to specify in detail any liabilities assumed by ETF and participating agencies (employers). These could be limited to operational details, such as outlining the agencies’ administrative responsibilities related to enrollment, premium collection and reconciliation. ETF staff would coordinate this with insurers and state agency payroll centers.

Timing and Resource Needs: Staff developed this estimate under the assumption that employers will continue to perform enrollment and premium reporting to insurers and that the first point of contact will be with employer payroll staff. Employer payroll staff will refer members and insurers to ETF only as necessary for contract interpretation and complaint resolution.

Staff estimate one additional program manager is needed by ETF six months prior to implementing any change in order to have time to consult with employers and revise the Guidelines and contracts. This position would be a permanent position, as this need would be ongoing.

We would also expect to add at least one additional legal/ombudsperson staff member to assist with member grievances and appeals as required by statute.

A 2011 review of grievances managed within the insurer’s current customer service structure indicates that 202 total grievances were received by Anthem DentalBlue and EPIC. While the number of grievances dropped to less than 100 in 2012, we believe

significant numbers of complaints will likely be brought to ETF for both formal and informal resolution.

Concerning timing: A target date would have to be determined and the GIB would need to revise the Guidelines accordingly in advance of the target date. GIB must also decide whether all existing contracts should be terminated and re-issued at one time or on an ongoing basis, whenever new plans or premiums rates are requested. Staff will need to work with the Department of Administration and Legislature to determine how best to secure the needed positions.

Administrative Fees: GIB currently charges no administrative fees for dental, vision, or AD&D insurances to support its administrative responsibilities, but could do so under §40.04(2)(c). ETF would need additional budget authority to use these fees for program administration. Fees would be paid by the covered employees. Staff estimate that an ETF administrative fee of approximately \$0.40 cents added to the cost of a contract would cover two positions at ETF.

Conclusion and Recommendation

The current system for payroll deduction approval of optional employee-pay-all insurance plans has been in effect since the 1970s. Individual state agencies have historically been allowed to decide whether to offer such plans. Recently, questions have been raised concerning how to best design and execute contracts, handle member and employer complaints, and to ensure uniform access to these plans.

Employers have expressed support for some of these changes, for example, having ETF take a more active role in coordinating efforts to determine the type of plans to be offered and resolve complaints. Regardless of the outcome of this issue, staff will work to engage employers more in these areas. However, employers have reiterated the previous preference to maintain the choice of whether to offer the plans.

The GIB has broad authority to consolidate this process, including the authority to execute contracts directly with insurers. However, the GIB cannot execute contracts alone without assuming significant responsibilities for itself and ETF. Under current law, these include negotiating the terms of such contracts and providing members with a complaint resolution and appeal process. In turn, this would require that ETF be provided with additional resources to carry out this expansion of responsibilities. While the goal of consolidating the contracting process for employers has merit, the system has been in place for many years without significant problems. In addition, staff see no compelling reason for the GIB to take on a significant expansion of contracting and complaint/grievance/appeal resolution for insurance programs in which neither the state nor ETF have a financial interest. For these reasons, staff does not recommend the GIB pursue direct contracting for optional plans.

Staff will be at the Board meeting to answer any questions.