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**CORRESPONDENCE MEMORANDUM**

**DATE:** April 25, 2013  
**TO:** Group Insurance Board  
**FROM:** Roni Harper, Manager  
Optional Insurance Plans & Audits  
**SUBJECT:** 2012 Annual Update – Optional Insurance Programs

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

Annually, staff provides 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 were:

**Accidental Death and Dismemberment (AD&D)**

- The Hartford Life Insurance Co

**Vision**

- Vision Service Plan (VSP)

**Dental**

- Anthem DentalBlue
- EPIC Life Insurance Company- Dental Wisconsin

**Combination policy** (includes Dental, AD&D, Hospital and Surgical Indemnity and optional Vision)

- Epic Life Insurance Company – Benefits+

**Long-Term Care**

- United of Omaha, through Health Choice

**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

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

Electronically Signed 5/9/13

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GIB	5.21.13	5B

proposals for benefit or premium adjustments from any of the plans by demonstrating trends in enrollment and claims. In addition to data, this annual update will summarize significant events related to State Employee optional insurance offerings.

**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. The Department of Corrections (1,467 subscribers), the Department of Transportation, and the Department of Natural Resources together continue to 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 cover 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 experience. The Board has considered this plan an exception to its 75% loss ratio requirement, but anticipated the plan would meet the requirement over longer periods of time (15 or more years). As of 2012, the average loss ratio over 10 years was 17.25%, down from 19% in 2011 and 21.3% cumulative in 2010. Department of Employee Trust Funds (ETF) staff will continue to monitor this in conjunction with the Board’s actuaries and make recommendations accordingly.

<b>Utilization Statistics</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007 &amp; 2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Premium Income	\$430,081	\$453,684	\$477,288	\$471,087	\$497,762	\$498,309	\$511,565	\$467,245	\$446,214
Number of Claims	4	3	0	1	0	0	1	0	0
Amount of Claims	\$123,126	\$381,732	\$0.00	\$215,867	\$0.00	\$0.00	\$99,000	\$0.00	\$0
<b>Loss Ratio</b>	<b>29%</b>	<b>84%</b>	<b>0%</b>	<b>46%</b>	<b>0%</b>	<b>0%</b>	<b>19.35%</b>	<b>0%</b>	<b>0%</b>

**Discussion - Optional Vision Program**

In 2009 the Board approved the Vision Service Plan (VSP) to replace OptumHealth Vision as the vision care benefits provider for state and university employees and eligible retired state employees and dependents. VSP has expanded its provider network, including making a modified version of benefits available through larger chain vision centers. As of December 31, 2012, VSP had 707 provider access points in Wisconsin and more than 50,000 nationwide. Enrollment increased by almost 50% from 2011 to 2012. There were 51 participating state agencies.

<b>Vision Services Plan (VSP)</b>				
<b>Utilization Statistics 2012</b>	<b>Active</b>	<b>COBRA</b>	<b>Annuitants</b>	<b>Combined</b>
Subscribers as of 12-31-12	14,222	220	2173	16,615
# Claims Paid	14,511		1,841	16,352
Premium Income	\$1,565,365	n/a	\$237,088	\$1,802,453
Amount of Claims Paid	\$1,305,762	n/a	\$150,583	\$1,456,345
Loss Ratio 2011	90.3%		75.1%	83.5%
Loss Ratio 2012	84.2%		63.5%	83.4%

**Discussion - Optional Dental Insurance Program**

Anthem DentalBlue has provided dental insurance policies under contracts with the University of Wisconsin (UW) System since 2004 and with the State of Wisconsin and Office of State Employment Relations (OSER) from 2006 through 2012. The name was changed to Anthem DentalBlue in 2008. Enrollment patterns shifted, first as OSER decided to open enrollment to all agencies and to employees, regardless of collective bargaining status, and then after 2010 when the UW System stopped offering the plan to its employees. No new enrollments were allowed by the UW System in plan year 2012.

Spring and fall of 2012 included preparations and communications for the transition of administrative contracts from OSER to the individual state agencies. Fifty-three (53) state agencies contracted with Anthem DentalBlue to continue offering the existing policies to their employees. Links have now been created from ETF’s website for members and employers to access current certificates, enrollment forms, and other information.

Anthem DentalBlue certificates were approved for renewal by this Board in August 2012. Anthem continues to offer three plans. The HMO Plan and PPO Plan 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 Uniform Benefits -- it covers basic and major dental services. Anthem DentalBlue has offered the same benefit levels since 2005, with two adjustments:

- Plan year 2010--added coverage for dental implants to the PPO Plan.
- Plan year 2013--increased the annual maximum benefit from \$1,000 to \$1,250, and no premium increase.

Anthem DentalBlue offers 1,322 participating providers in Wisconsin. The Department of Corrections has the largest number of subscribers with 1,719 (plus 3,404 dependents), followed by the Department of Health Services and the Department of Transportation.

Enrollment from 2011 to 2012 declined by about 12.4%. Loss ratios dropped below acceptable Guideline levels for all Anthem DentalBlue plans in 2012, as noted below. Because of the increase in maximum dental benefit for 2013, with no premium increase, ETF will look for a leveling off of this ratio in the next year.

<b>Anthem DentalBlue Insurance Program</b>				
<b>2012</b>	<b>Dentacare HMO</b>	<b>Preferred PPO</b>	<b>Supplemental</b>	<b>TOTAL 2012</b>
Active	578	607	5,402	6,587
Annuitant, COBRA	74	67	532	673
# Claims Paid	984	1,502	6,026	8,512
Premium Income	\$336,720	\$321,620	\$2,266,831	2,925,171
Amount of Claims Pd	\$189,537	\$182,462	\$1,593,597	\$1,965,596
Loss Ratios 2011	66.2%	69.5%	95.3%	89.4%
Loss Ratios 2012	56.3%	56.7%	70.3%	67.2%

Dental Wisconsin was initially created by EPIC Life Insurance in collaboration with the UW System, as an alternative choice to Anthem DentalBlue. It was approved by the Board in 2010, with its first full year of effective coverage in 2011. Dental Wisconsin offers two plan types to state employees. 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 UW System continues to have the most enrollees, with 5,658 subscribers (88% of the total) across 22 participating state agencies, as of December 31, 2012. The Department of Health Services had 2.1% of the total. ETF and the Department of Workforce Development began offering Dental Wisconsin during the fall 2012 enrollment.

<b>Dental Wisconsin 2012</b>	<b>PPO</b>	<b>Select</b>	<b>TOTAL 2012</b>
Members Covered (Active)	1,809	4,207	6,016
Annuitant, COBRA	303	295	508
# Claims Paid	4,958	5,895	10,853
Premium Income	\$1,093,724	\$1,773,063	\$2,866,787
Amount of Claims Pd	\$737,308	\$1,491,594	\$2,228,902
Loss Ratios 2011	72.3%	89.5%	83.7%
Loss Ratios 2012	67.4%	84.1%	77.7%

Changes were approved by the Board for the 2013 plan year, which included differential rates for active and retired subscribers. It will be important to monitor how experience affects the actuarial result of those changes in 2013.

### **Discussion – Optional “Wrap” Plan -- Dental, Excess Medical and Accidental Death & Dismemberment (AD&D) Insurance Program**

EPIC Life Insurance Company (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 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.
- 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 premium increases ranging from 14% to 16.5% which were effective January 1, 2012.

This plan is viewed by members primarily as a dental plan: 87% of the claims paid were for dental benefits in 2012. The loss ratio for the dental component was 67.9%. 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 were five Benefits+ AD&D claims paid in 2012, for \$35,000 total, and no AD&D claims were denied. The vision option is simply a materials benefit—it is designed to cover a portion of the cost of frames and

lenses for people who know they will need them, but of over 5,900 people enrolled in the benefit there were only 1,255 claims paid.

The UW System continues to represent more than 27% of the total Benefits+ members, including almost 4,700 dependents. The Department of Corrections follows with 9.8%. Fifty-three state agencies have members enrolled.

<b>EPIC Benefits+ Insurance</b>							
<b>2012</b>	<b>AD&amp;D</b>	<b>Excess Med</b>	<b>Hosp Indemnity</b>	<b>Dental</b>	<b>TOTAL 2012</b>	<b>Optional Vision</b>	<b>Grand TOTAL</b>
# Active, COBRA			x		12,238	2,556	
# Annuitant-Medicare		x			5,149	177	17,387
# Claims Paid	5	323	1,097	16,111		1,255	18,791
\$ Premium Income	\$71,682	\$64,827	\$1,035,595	\$6,065,827	\$7,237,931	\$199,360	
\$ Amount of Claims Paid	\$35,000	\$65,509	\$540,715	\$4,115,911	\$4,757,135	\$140,640	
Loss Ratios 2011	13.8%	46.1%	n/a	72.1%		87.5%	70.5%
Loss Ratios 2012	48.8%	101.1%	52.2%	67.9%		70.5%	65.73%

**Discussion - Optional Long-Term Care (LTC) 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 has declined slowly since 2002. According to 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. At that time, policies were offered by John Hancock and United of Omaha.

In May, 2011, John Hancock’s upgrade policy could not comply with inflation protection options required by Wis. Admin. Code § ETF 41.02(5). Senior Care, a local broker, 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 but before it could be marketed, Prudential announced it was withdrawing the plan from the national market. Most recently, John Hancock has also stopped selling LTC insurance nationwide. Therefore, United of Omaha remains the only company whose LTC product is approved for sale by the Board, as marketed by HealthChoice. ETF has met with agents and consultants to explore recommendations for modernization of the Guidelines used to approve LTC plans. The trend has been for people younger than “normal retirement age” to consider LTC insurance—in part because the inflation protection requirements make it expensive for people in their 60s, according to agents.

Marketing and Enrollment Activity for United of Omaha	HealthChoice
	United of Omaha
Applications received	314
Policies denied*	79
Policies issued to state annuitants (2011) 2012	(98) 52
Policies issued to state employees (2011) 2012	(60) 83
Policies issued to spouses or parents of state employees	51
Earned premium in 2012	\$1,825,000
Number of claims	1- withdrawn
Number of claims paid	0
Amount of claims paid	0
Number of policies lapsed or withdrawn	66
Total in-force policies as of 12-31-2012	1,039

\*Primary reasons for denial: Medical history—Arthropathy, diabetes, depression disorder.

In 2012, there were six LTC insurance companies with existing policies in force as previously approved by the Board. American International Group (AIG), Fortis (a subsidiary of John Hancock), John Hancock, Life Investors Insurance Company of America, and Mutual of Omaha, have approximately 6,200 existing policyholders, but no longer offer the policies to new participants.

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