



STATE OF WISCONSIN
Department of Employee Trust Funds
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CORRESPONDENCE MEMORANDUM

DATE: June 25, 2013

TO: Group Insurance Board Strategic Planning Workgroup

FROM: Bill Kox, Deputy Administrator, Division of Insurance Services
Mary Statz, Director, Health Benefits and Insurance Plans Bureau
Holly Klawitter, Manager, Disease Management and Wellness

SUBJECT: Wellness Benefit and Incentive

Staff recommends continuing the current health insurance contracting structure for the following wellness program initiatives for 2014. Consideration of a separate uniform vendor may be considered at a later date for:

- Health risk assessments
- Biometric screenings
- Health coaching
- Incentives

Background

The Group Insurance Board (Board), at its May 21, 2013 meeting, adopted a 2014 uniform wellness incentive of \$150 and delegated the Third Party Administration issue to the Strategic Planning Workgroup for a decision at the Workgroup's June meeting. The Board also received a memo from OCI on this topic at the May 21 meeting (Attachment 1).

The Department of Employee Trust Funds (ETF) continues to discuss and work with the Department of Administration (DOA), Office of the Commissioner of Insurance (OCI), and Office of State Employee Relations (OSER) to evaluate wellness programs for state employees. ETF prepared a memo outlining various options and considerations that was shared with the agencies listed above (Attachment 2).

Discussion

There is consensus by ETF and DOA that the most effective wellness approach to improve the health and wellness of members is a comprehensive employer-sponsored wellness program. An employer-sponsored approach, rather than health plan driven,

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would allow the state to provide uniform incentives, programs, and messaging with greater control of the administration of processes to ensure uniform availability. This approach is preferred based on historical participation rates, clinical and research-based evidence for best practice, federal wellness guidelines, and cost indicators.

Currently, wellness costs are included in the health insurance premium for each health plan. For plan year 2013, health plans itemized a per member per month (pmpm) value associated with biometric screening and health risk assessment; each carries an incentive. However, discussions surrounding the transition to a Third Party Administrator (TPA) for these initiatives and incentives has not sufficiently progressed. Given the tight timeframe for annual health insurance negotiation bid instructions (scheduled to go to the health plan June 26, 2013) and the inability to collect cost estimates for the alternative wellness carve-outs, we do not support additional changes to the wellness benefit at this time. While this means we are paying for wellness programs with very low participation to date, staff is able to track our current expenditures and account for them in our negotiations with health plans.

We continue to believe an effective wellness program will improve the health of its members and decrease long-term health insurance costs, increase preventive screenings, and educate members about associated health risk factors. The most effective way to accomplish these goals is through a unified state-wide initiative.

DOA is best equipped to spearhead this initiative through its commitment to wellness coordination. ETF does not have the staff resources to complete a Request for Proposal (RFP) for a TPA for a wellness initiative for the 2014 plan year.

The costs associated with a wellness TPA will largely depend upon the incentive level and targeted participation rates. Estimates are documented in Attachment 2. If this benefit is carved out of the existing health plan benefit, it is expected that the associated health plan pmpm costs for wellness will decrease. If a TPA wellness benefit adds services, increases incentives, and/or targets higher participation rates, costs will likely increase, at least in the short to medium term. Alternatively, a TPA wellness program could be cost-neutral by maintaining the benefit, incentive and participation levels.

Recommendation

ETF staff recommends the only change to the wellness benefit for 2014 be the \$150 uniform wellness incentive the Board adopted at the May 21, 2013 meeting. We will instruct the health plans, per the Board's decision, to apply the uniform wellness incentive to biometric screenings, health risk assessments, and follow-up activities. We will work with the health plans to make sure those that have to modify procedures to comply with the uniform incentives, do so in the most efficient manner possible.

Staff will be available at the Workgroup meeting to address comments and questions.

Attachments: 1. OCI Memo
2. May 30, 2013 ETF Memo



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott Walker, Governor
Theodore K. Nickel, Commissioner

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DATE: May 20, 2013

TO: Group Insurance Board Members

FROM: Dan Schwartz, Deputy Commissioner

SUBJECT: Third-Party Administrator for On-Site Biometric Screenings and
Uniform Financial Incentives for Completion of a Health Risk Assessment/
Biometric Screening

This memo is intended for informational purposes only.

Health plans currently participating in the State of Wisconsin Group Health Benefit Program (state health plan) must provide enrollees an opportunity to complete a health risk assessment and biometric screening. Health plans may provide cash or cash-equivalent incentives up to \$150.00 to increase enrollee participation in these activities. According to ETF there is one plan allowed to offer incentives up to \$225.00.

In an effort to further increase enrollee participation, many health plans offer on-site biometric screening. This allows enrollees to complete a biometric screening at their place of employment, without having to schedule an appointment and travel to a separate location. The Department of Administration (DOA) Wellness Coordinator helps with the coordination of the on-site screenings for state employees. In doing so, DOA has learned that some health plans do not offer on-site screenings or only do so if a certain number of enrollees sign up in advance. This creates an inequity among state employees in completing the screenings and receiving the financial reward attached to those screenings.

To level the playing field and ensure that all state employees enrolled in the state health plan have an equal opportunity to access biometric screenings, DOA is advocating that the state hire a third-party administrator to conduct on-site biometric screenings. OCI supports this proposal and emphasizes that the third party administrator would only perform the on-site screenings and would not take over the administration of the health risk assessment, biometric screenings available at the enrollee's doctor's office or the distribution of the reward for completing these activities.

Another area of concern is the variation among financial incentives plans offer for completion of the HRA and biometric screenings. To address this inequity, DOA proposes, and OCI supports, establishing a uniform dollar amount plans must provide

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state employees who complete the HRA and biometric screening. The plans would continue to administer this benefit, but employees would be able to access the same incentive amount regardless of which health plan they choose.

Thank you for your consideration of these issues.



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CORRESPONDENCE MEMORANDUM

DATE: May 30, 2013

TO: Jennifer Kraus, Department of Administration
Wendy Coomer, Department of Administration
Jessica O'Donnell, Office of State Employee Relations

FROM: Lisa Ellinger, Administrator, Division of Insurance Services
Holly Klawitter, Manager, Disease Management and Wellness Programs

SUBJECT: Request for Wellness/Attestation Vendor

This memo addresses the Department of Administration's request for information regarding a tobacco and wellness vendor.

Tobacco Surcharge Attestation Considerations

Employee Trust Funds (ETF) staff is working with the Group Insurance Board (Board) to develop employer policies needed to implement the tobacco surcharge proposed in the executive budget bill. In addition to policy development, staff has begun to examine ETF's administrative, accounting, and support abilities to effectively administer the proposed surcharge.

ETF recommends a third-party vendor to collect and distribute to ETF and/or employers the employee attestation of tobacco use status information. ETF does not have the technical staff to develop, implement, and administer paper and online attestations in the timeframe required to meet the invoicing date for the January 2014 health premium. The January 2014 health insurance invoice is available to employers on 12/1/13. ETF needs to receive the attestation file in early November 2013 to meet the deduction cycle.

ETF will send an eligibility file and email addresses obtained from payroll centers to a vendor. The vendor would collect online and in paper format the tobacco use status for all eligible active employees and annuitants and securely transmit the status back to ETF and/or the Payroll Processing Centers for invoicing alongside the current health insurance premium accounting practices.

Subsequent Board approval after broad outline of the program requirements, Project Management at ETF will develop consistent internal policies, business rules, and accounting considerations including technical support for updates to the Benefit Payments System (BPS),

Bureau of Information Technology (BITS), Accumulated Sick Leave System (AcSL), and myETF Benefits System. ETF has not yet estimated the cost for administration of this project and these costs, if any, are not included in this memo. In addition to technical support, ETF will identify internal costs to implement this mandate for employer/employee communications for the initial and subsequent attestation collections as well as policy administration and payroll implications for employers.

Wellness Considerations

ETF continues to work with the Department of Administration (DOA) and Office of State Employee Relations (OSER) to discuss and evaluate wellness programs for state employees. Key considerations are uniform incentives and standardizing processes. On May 21st, the Group Insurance Board (GIB) approved a uniform incentive amount for a total of \$150 per eligible member for 2014.

2011 and 2012 were viewed as pilot years for wellness programs. Health plans were given latitude to develop their own incentives and programs with minimal requirements to allow them to see what works to drive participation. Under this plan, incentives for 2013 are required to remain under \$150 per member. Incentives include cash, gift cards, drawing entries for items such as gift baskets, and wellness promotional items such as a Fitbit activity tracker. One Plan was granted an exception allowing a continuation of the commercially offered incentive of \$225 total for meeting each of the requirements which includes \$50 one time for tobacco-free status after completing nicotine or cotinine testing. Also, Plans are not currently contractually obligated to provide on-site biometric screenings. On-site biometric screenings help boost employee participation by bringing the services to the employee in a central location.

The result of the incentive and wellness pilots over the past two (2) years was low participation. Participation in wellness programs for 2011 & 2012 was 1-5% across all Plans. Early participation results for 2013 are still low averaging 2-3% with some higher numbers at 9% in the Dane County areas. HRA participation is higher than biometric screenings across all plans. For example, Unity Health Insurance, the plan with our largest membership, shows 11% HRA participation compared with 8% biometric screening completion and reports only 6% of members have met the requirements to receive an incentive.

Plans estimate \$5.7 million in costs for 2014 for administration and incentives including the cost of on-site biometric screenings. We expect this amount to increase based on the Board approval of uniform incentives of \$150 per eligible member per plan. Some of this cost may be recoverable as it represents incentive awards that will not likely be used given the participation rates. We are not able to estimate the exact increase, but this will increase incentives by approximately one-third and could therefore increase costs materially.

Wellness costs are currently built-in to the health insurance premium for each Plan. This means we are paying for some of the wellness programs regardless of very low participation. The current cost range is from \$0-\$17.60 PMPM for a single plan. Wellness costs for a family plan range from \$0-\$44 PMPM. Plans separate this PMPM cost in their bids. The two highest factors in determining the cost for wellness are the incentive and biometric screenings.

Recent Health Plan submissions indicate that a uniform incentive dollar amount is achievable by 12 of our 18 Plans under the current structure. However, the method of incentive cannot be administered uniformly through the current health insurers because of contracts some hold with vendors to provide the incentives. For example, Anthem uses a vendor and can only provide the reward amount to be used in a “rewards store” to purchase items. The majority of Health Plans also felt strongly that one-time cash incentives do not promote behavior change.

On-site biometric screenings are also not preferred by the majority of our health plans. Fifteen of the current 18 plans stated they have the ability to provide on-site screenings, however, most stated this carries a high cost and making this a mandatory requirement will raise the per member per month (PMPM) cost for wellness. To meet this requirement most plans would need to hire a vendor or additional staff. Plans also stated they would continue to require a minimum number of appointments per event to participate.

In addition to cost increases if ETF were to require all Plans to participate in on-site events, the process for collection and scheduling would not be uniform because Plans often use a vendor to complete the screenings. A single biometric screening vendor for on-site events would ensure uniform scheduling, instructions, completion, and reporting. A single vendor would eliminate the coordination of multiple health plans for on-site events and streamline the promotion of events for employees.

Recent studies report that employer sponsored wellness programs and outcomes based incentives are the most successful. Leading healthcare organizations¹ collaborated in 2012 to research and provide guidance on the importance of both incentives and employer sponsorship as key components of a successful wellness program designed to maximize the health improvement results of their incentive programs while also providing proper protection for employees against discrimination, unaffordable coverage, and loss of access to health care.

For example, the State of Nebraska won both the 2011 Gold Well Workplace Award from the Wellness Council of America (WELCOA) and the 2011 Innovations Award from The Council of State Governments. Nebraska began their employer driven wellness program in 2009. They removed wellness from the health plan model and contracted with a wellness vendor, Health Fitness Corporation. Nebraska claims a significant reduction in health care costs related to their wellness initiative. In 2006 Nebraska had an increase of 22% in health care premium compared to a 1% increase in 2012 after implementation of a significant premium differential for wellness participation that includes HRA, biometrics, and participation in one approved wellness program such as health coaching and fitness programs. Nebraska could not demonstrate the link between wellness and premium savings and staff could not verify the savings. However, the Nebraska experience suggests that a large employer would benefit from an employer-centered administration of robust wellness programs.

¹ Health Enhancement Research Organization, American College of Occupational and Environmental Medicine, American Cancer Society, American Cancer Society Cancer Action Network, American Diabetes Association, and the American Heart Association

The Office of the Commissioner of Insurance recently notified the Board of its support for a biometric screening vendor and stated they believed this to be cost neutral. We have not seen any actuarial data to support this cost statement. Further, allowing the HRA and incentives to remain fragmented by health plan will continue to produce fragmented results and inequity in processes as well as method of delivery for the incentives which cannot be uniform under the health plan model. Research clearly shows that a comprehensive employer-centered wellness program produces the best results, most uniform processes, and will drive participation that leads to behavior changes and improved health for the state employee population. In addition to the health implications, the cost savings in health insurance premiums as well as the bundling of these services with the appropriate vendor could be significant for the health benefits program over time as evidenced by the experiences in Nebraska and throughout public and private industry large group employers. Program impact is further supported by the recent release of the Workplace Wellness Programs Study by RAND Health that was sponsored by the US Departments of Labor and Health and Human Services.

Vendor Costs

Early cost predictions from potential vendors estimate the cost to be approximately \$0.40 - \$0.60 PMPM per eligible employee/annuitant for attestation administration. Early cost estimates for biometric screening only by vendor range from \$40-45 per employee screening, which can be further reduced when combined with HRA and health coaching services. Detailed information and cost estimates from Wisconsin-based wellness vendors are attached to this communication.

- The total estimated costs from vendors for tobacco use attestation average \$600,000 annually with one vendor as low as \$60,000. We are unable at this time to determine why this single estimate was so low without more information.
- Using a combined HRA/Biometrics/Coaching, assuming 10-50% participation based on 100,000 eligible employees and annuitants. The estimated wellness cost range including incentives at 10% participation are \$2 - \$2.35 million. The estimated wellness cost for 50% participation again including incentives are \$10 - \$11.75 million.

Individual vendors have indicated the following costs:

Vendor	Attestation Estimate	Biometrics Only	Combined HRA/Biometrics/Coaching/Attestation
Froedtert Workforce Health	\$.40-.50 PMPM	\$50/Per Screening	Unable to estimate at this time
Midland Health	\$.50 PMPM	\$40-45/Per Screening	\$60-85 Wellness/\$.040 Attestation /Per Participant
Interra	\$.60 PMPY	\$42/Per screening	\$50 Wellness/\$0.60 Attestation/Per Participant

Recommendation

ETF recommends the following approach to wellness and tobacco attestation collection based on administrative needs, historical wellness participation rates, and health plan discussions:

If it is DOA's desire to combine these components, ETF recommends a tobacco attestation collection vendor combined with a comprehensive employer-centered wellness program administered through a Wisconsin based third-party wellness vendor.

However, ETF would have great difficulty administering such procurement at this time given its other commitments and aggressive timeline. We suggest DOA strongly consider holding the contract and managing the vendor relationship. If DOA prefers, ETF could complete a Request for Bid procurement for the tobacco attestation only, hold and manage that vendor contract while removing wellness from the current health plan contracts to support a DOA driven comprehensive employer-sponsored wellness program.

This approach accomplishes a uniform incentive and process for an effective wellness program as well as administrative control for the mandated tobacco use attestation.