



STATE OF WISCONSIN
Department of Employee Trust Funds
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CORRESPONDENCE MEMORANDUM

DATE: August 1, 2013
TO: Group Insurance Board
FROM: Mary Statz, Director, Health Benefits and Insurance Plans Bureau
Roni Harper, Manager, Optional Insurance Plans and Audits
SUBJECT: EPIC Proposal to Adjust Benefits+ Plan for 2014

Staff recommends the Group Insurance Board (Board) accept the proposal from EPIC Life Insurance Company to increase the annual dental maximum benefit to \$1,500, with a tiered benefit for new subscribers in the special enrollment for plan year 2014.

Background

Under authority granted to the Group Insurance Board (Board) by Wis. Stats. § 40.03 (6) (b) and pursuant to Wis. Stats. § 20.921 (1) (a) (3) and Administrative Rule ETF10.20, the GIB may approve optional employee-pay-all group insurance plans to be offered via payroll deduction. Proposals for new or changed plans are reviewed under the Board's Guidelines for Optional Group Insurance Plans Seeking Board Approval for Payroll Deduction Authorization (Guidelines).

EPIC Life Insurance Company (EPIC), a subsidiary of Wisconsin Physician's Service (WPS) has offered a Board-approved employee pay-all plan since 1994, after purchasing the business from John Deere Life. EPIC currently offers two sets of optional insurance plans, Benefits+ and Dental Wisconsin. Dental Wisconsin would not be affected by this proposal.

Benefits+ is a "wrap-around" optional insurance plan which includes coverage for dental, accidental death and dismemberment (AD&D), hospital indemnity or excess medical, and vision services. The supplemental dental benefit has typically been the plan's main feature, representing 88.3% of incurred claims in 2012.

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

Electronically Signed 8/8/13

Board	Mtg Date	Item #
GIB	8.27.13	7A

Proposed Changes

EPIC proposes the following:

1. Effective January 1, 2014 EPIC will increase the annual maximum dental benefit for the Benefits+ program from \$1,000 to \$1,500.
2. EPIC will offer a special enrollment opportunity during the “It’s Your Choice” period this fall to state employees not currently enrolled in Benefits+.
3. New EPIC Benefits+ enrollees who have state group health insurance through Gundersen, Health Tradition, Humana, or WEA Trust in 2013 will not have to wait for access to the full benefit. New enrollees who participated in any other health plan for 2013 will have a tiered annual dental maximum with \$750 available in 2014, \$1,000 available in 2015, and the full \$1,500 available in 2016.
4. EPIC will honor its previously approved 2014 premium rate.

Premiums for 2014 Would Remain Unchanged from 2013	Benefits+ Without Vision Rider	Benefits+ With Vision Rider
Employee	\$19.77	\$24.02
Employee + Spouse or DP	\$39.54	\$47.04
Employee + Child	\$39.54	\$47.04
Family	\$59.31	\$70.34

Discussion

A driver for EPIC’s proposal to offer an enrollment opportunity is the upcoming uniform dental benefit for the state employee health insurance program. The uniform dental plan, as outlined at the Board’s June Strategic Planning Workgroup meeting, showed that participants enrolled in the four plans listed above would find their dental benefit somewhat diminished in 2014, especially in the loss of coverage for major restorations such as crowns.

Staff acknowledges the special exception for new enrollees from the four health plans listed above may generate concern from members in other plans, because not all members are being treated equally. However, staff believes it is a reasonable

compromise that takes into account the reduction in benefits some members may experience due to the implementation of a uniform dental benefit for 2014.

The enrollment option for 2014 is not available to annuitants consistent with the Guidelines.

By increasing the annual maximum dental benefit, EPIC Benefits+ expects to bring the plan into the 75% loss ratio range expected by the Guidelines. In calendar year 2012 the loss ratio for Benefits+ was 65.7%. In 2014 EPIC will have to begin paying a 2 to 3% insurer tax under the Affordable Care Act, which they are not passing along to subscribers via premium increases at this time.

Actuarial review

Deloitte Consulting, LLP (Deloitte) has reviewed the proposal (see Attachment B). Deloitte concluded that the proposed design change could be reasonably expected to increase the loss ratio for EPIC Benefits+ to be consistent with the Board's 75% loss ratio requirement.

Conclusion

Staff recommends that the Board approve the benefit change and special enrollment proposed by EPIC, as clarified in their amended proposal of June 27, 2013 (Attachment A). Benefits+ will be available for special enrollment concurrent with the It's Your Choice period in October 2013; benefit changes will be in effect January 1, 2014.

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

June 27, 2013

Roni Harper
Manager, Optional Insurance Plans & Audits
Division of Insurance Services
Department of Employee Trust Funds
P.O. Box 7931
Madison, WI 53707-7931

Dear Roni:

Your May 6, 2013 email to Russell Hann, Luce Giroux, and Wendy Hougan identified two concerns with EPIC's State of Wisconsin voluntary employee benefit programs. The first was the Group Insurance Board's implementation of a uniform dental benefit effective January 1, 2014 and the potential impact on EPIC's dental claims experience. The second was EPIC's lower than expected 2012 Benefits+ loss ratio. We respond to these issues in this letter.

Uniform Dental Benefit

Background

The Group Insurance Board approved the Department of Employee Trust Funds' (DETF) recommendation to adopt a uniform dental benefit at its May 21, 2013 meeting. Effective January 1, 2014 state employee health plans offering supplemental dental benefits will offer a standard PPO benefit that provides preventive, basic restorative, and orthodontic coverage. This replaces the current arrangement where each plan has discretion to decide which, if any, dental services it will cover and what reimbursement level is applicable to each.

Analysis

DETF's April 25, 2013 memorandum documenting its recommendation to the Group Insurance Board conveys its expectation that the adoption of the uniform dental benefit will be cost-neutral. Since Deloitte and DETF have concluded that the state's dental benefit costs will be unchanged under the uniform dental benefit, there is good reason to believe that EPIC's dental claim costs will likewise be unaffected. On this basis, EPIC does not believe that compensating adjustments to its dental plans are necessary.

Better Than Expected Benefits+ Experience

Background

The 2012 experience report that we filed in April 2013 indicated a 65.9% Benefits+ loss ratio and a 77.7% Dental Wisconsin loss ratio. The Group Insurance Board's Guidelines for Optional Group Insurance Plans specify that plans must return at least 75% of premium payments as benefits.

Analysis

When we filed our January 1, 2013 benefit and rate change proposal last year, the overall 2011 Benefits+ loss ratio was 70.2%, and the loss ratio for the dental benefit was 71.7%. Had we

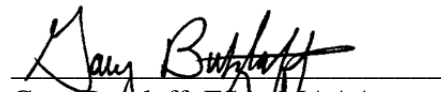
realized the 3% annual dental claims trend we assumed when we set our 2013-14 premium rates, our 2012 Benefits+ dental loss ratio would have increased to 72.5%. Instead, the dental benefit realized -3.7% trend, and the dental benefit's loss ratio dropped to 67.9%.

Even with modest dental trend, it is unlikely that the Benefits+ dental benefit loss ratio and the entire program's loss ratio will approach the Group Insurance Board's minimum in the near future without some other action. EPIC therefore proposes the following:

1. Effective January 1, 2014 EPIC will increase the annual maximum dental benefit for the Benefits+ program from \$1,000 to \$1,500.
2. EPIC will offer a special enrollment opportunity to state employees not currently enrolled in Benefits+ during the "It's Your Choice" period this fall. New enrollees who had Gundersen, Health Tradition, Humana, or WEA Trust health insurance during 2013 will have access to the same benefits as those who are already enrolled. New enrollees who selected a different health plan for 2013 will have a tiered annual dental maximum with \$750 available in 2014, \$1,000 available in 2015, and the full \$1,500 available in 2016.
3. EPIC will honor its previously approved 2014 rates.

Roni, we hope that you find these changes responsive to your concerns and demonstrate our commitment to State of Wisconsin employees and annuitants. The attached provides additional information supporting our request.

Sincerely,



Gary Butzlaff, FSA, MAAA
Director, Actuarial Services

Attachment



Memo

To: Roni Harper, Wisconsin ETF
From: Dan Plante
Date: June 27, 2013
Subject: WETF – EPIC’s Benefit+ Dental 2014 Plan Design Change

Ms. Harper:

I’ve reviewed EPIC’s proposed change in annual benefit maximum to their Benefit+ dental plan, and have the following comments:

- As this is a fairly straight-forward plan design change and it involves no premium change, I do not see a need for a formal actuarial review.
- We would expect such a plan design change to increase expected claims payments by approximately 3.5%. If prospectively claims experience returns to expected levels (per EPIC’s June 24, 2013, letter), the current design’s 72.5% loss ratio is estimate to increase to approximately 75.0%, consistent with the Group Insurance Board’s guidelines for a minimum loss ratio level.

If you need additional information and/or documentation, please do not hesitate to contact me.

A handwritten signature in black ink, appearing to read "Dan R. Plante".

Daniel R. Plante, M.A.A.A., A.S.A.
Deloitte Consulting