



STATE OF WISCONSIN
Department of Employee Trust Funds
Robert J. Conlin
SECRETARY

801 W Badger Road
PO Box 7931
Madison WI 53707-7931

1-877-533-5020 (toll free)
Fax (608) 267-4549
<http://etf.wi.gov>

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: Anthem DentalBlue Proposal for Benefit Adjustment

Staff recommends the Group Insurance Board (Board) accept Anthem DentalBlue's proposal to change the orthodontic benefit from a fixed discount to 50% of costs, with a lifetime maximum of \$1,000 per adult and child members. Anthem DentalBlue is proposing no change in premiums for its plans in 2014: Dentacare HMO, DentalBlue Preferred PPO and Supplemental.

Background

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

DentalBlue began providing dental insurance policies under contracts with the State of Wisconsin Office of State Employment Relations (OSER) in 2006. In 2008, the plan sponsor became Anthem.

Effective 2013, OSER no longer managed the statewide Anthem DentalBlue contract because it was not obligated to offer dental insurance through collective bargaining. Most state agencies continue to carry Anthem DentalBlue, with the exception of the UW System. As of April 30, 2013 there were 6,435 employees enrolled statewide. In 2013 Anthem DentalBlue's maximum dental benefit was increased from \$1,000 to \$1,250 per year. The Board granted premium increases averaging over 10% in both 2007 and 2008, and a 9% increase, for the Supplemental plan only, in 2012. Only one other benefit change has occurred since 2005; in plan year 2010 Anthem DentalBlue added coverage for dental implants to the PPO Plan.

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

Electronically Signed 8/8/13

Board	Mtg Date	Item #
GIB	8.27.13	7B

Proposal

This proposal provides children and covered adults an orthodontic benefit of 50% of costs, with a \$1,000 lifetime maximum per person. Currently, Anthem DentalBlue provides a discount of 20% for orthodontic services at a participating provider, with a maximum benefit paid of \$1,000, for children only. The orthodontic benefit maximum would be in addition to Anthem DentalBlue's dental care annual maximum, which would remain at \$1,250. Anthem DentalBlue is not changing premiums from their 2013 levels. (See Attachment A -- 2014 Premiums, and Attachment B -- Proposal Cover Letter.)

Discussion

Shifting the orthodontic benefit to a percentage of cost, versus a "discount" will lessen confusion among members, benefit advisors, and providers. No other Board-approved optional insurance plan available to State employees offers an orthodontic benefit for adults.

In addition, Anthem expressed the intent to bring its loss ratio into compliance with the 75% threshold required by the Board Guidelines for Optional Insurance Plans; in calendar year 2012 the aggregated loss ratio across the three Anthem DentalBlue plans was 67.2%. Anthem DentalBlue is not seeking a premium increase, despite a fee of approximately 2.5% of annual premiums that dental insurers must pay beginning in 2014 as part of the Affordable Care Act (ACA).

Actuarial review

The Board's consulting actuary, Deloitte Consulting, LLP (Deloitte) reviewed the Anthem DentalBlue proposal (see Attachment C). Deloitte noted that the change in orthodontic benefits is estimated to increase Anthem DentalBlue's effective loss ratio from 70.66% for the year ending April 30, 2013, to an estimated 86.2% for the year ending April 30, 2014, when considering market trends and the ACA fee. Deloitte concluded that the proposal's calculations conform to the Board's Guidelines for optional plans.

Conclusion

Staff recommends that the Board approve the requested benefit adjustment for Anthem DentalBlue, effective January 1, 2014, with an open enrollment for active employees during the October 2013 "It's Your Choice" period.

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

- Attachments:
- A. 2014 Premiums chart
 - B. Anthem DentalBlue Cover Letter
 - C. Deloitte LLC Actuarial review
 - D. Total Rate Change Calculation (Confidential)

State Voluntary Dental Plans

January 1, 2014 Renewal Rates

with comprehensive Ortho

	Current Rates	Renewal Rates without ACA Fees	Renewal Rates with ACA Fees
--	--------------------------	---	--

VDC 186

with comprehensive Ortho

Region 1

Employee	\$ 23.27	\$ 22.68	\$ 23.27
Employee + One	\$ 46.55	\$ 45.37	\$ 46.55
Family	\$ 74.47	\$ 72.58	\$ 74.47

Region 2

Employee	\$ 28.78	\$ 28.05	\$ 28.78
Employee + One	\$ 57.56	\$ 56.10	\$ 57.56
Family	\$ 92.10	\$ 89.76	\$ 92.10

VP 864

with comprehensive Ortho

Region 1

Employee	\$ 23.51	\$ 22.91	\$ 23.51
Employee + One	\$ 47.01	\$ 45.82	\$ 47.01
Family	\$ 77.56	\$ 75.59	\$ 77.56

Region 2

Employee	\$ 23.51	\$ 22.91	\$ 23.51
Employee + One	\$ 47.01	\$ 45.82	\$ 47.01
Family	\$ 77.56	\$ 75.59	\$ 77.56

Supplemental Plan

with comprehensive Ortho

Region 1

Employee	\$ 18.08	\$ 17.62	\$ 18.08
Employee + One	\$ 36.17	\$ 35.25	\$ 36.17
Family	\$ 54.28	\$ 52.90	\$ 54.28

Region 2

Employee	\$ 18.08	\$ 17.62	\$ 18.08
Employee + One	\$ 36.17	\$ 35.25	\$ 36.17
Family	\$ 54.28	\$ 52.90	\$ 54.28

Rates assume no change to administration or billing (premiums withheld from Payroll).



June 24, 2013

Group Insurance Board
C/O Department of Employee Trust Funds
Attention: Roni Harper, Division of Insurance Services
801 West Badger Road
Madison, WI 53707-7931

RE: Anthem Optional Dental Blue Plans –Addition of Comprehensive Adult and Child Orthodontia Benefit

Dear Group Insurance Board:

Anthem Blue Cross and Blue Shield (Anthem) would like the Group Insurance Board to consider the proposed addition of a comprehensive Orthodontic benefit for adults and children for the Dentacare HMO, Dental Blue Preferred PPO, and Supplemental plans.

The current Anthem Voluntary Dental Blue plans offered to the State of Wisconsin employees include an Orthodontic Savings Plan benefit that provides employees and dependents a 20% discount off of billed charges. The enhanced benefit will provide employees and dependents with 50% coverage up to a lifetime maximum benefit of \$1,000 per covered member. The lifetime maximum for the benefit will be in addition to the \$1,500 lifetime maximum that members will have in 2014 under the Uniform Dental Benefits included in the medical plans.

The renewal calculation for 2014 is based on data from May of 2012 through April of 2013. Any period over period comparison in the following summary is comparing that data to the prior period data of May 2011 through April of 2012. The membership remained steady in the PPO and DHMO plans in the current period with deviations of +20 members per month on average and -67 members per month on average respectively. The Supplemental plan did see roughly a 15% decline in membership in the current period. Overall the current period member months for all three plans are 165,810 compared to 191,060 in the prior period, a 13.5% decline in membership.

The loss ratio for all three plans combined in the current period is 65.7% compared to a prior period loss ratio of 79.3%. When reviewing the experience on a plan by plan basis the loss ratio on the Supplemental plan is 68.8% in the current versus 84.8% in the prior, the PPO is 56.5% in the current versus 60.5% in the prior, and the DHMO plan is 54.4% in the current versus 58.7% in the prior period.

In reviewing the plans on a quarterly basis the Q1 performance of the Supplemental Plan represents a loss ratio of 74.2% in the current period versus 78.9% in the prior, the PPO is 57.2% in the current versus 52.6% in the prior, and the DHMO is 69.3% in the current versus 65.7% in the prior. The combined loss ratio of the three plans in Q1 2013 is 71.6% compared to 74.7% for Q1 2012.

The calculation that is provided with the renewal proposal is based on a total claim spend in the current period of \$1,862,079. Anthem increased the annual maximums on the Supplemental Plan and on the PPO Plan from \$1,000 annually to a \$1,250 annual maximum in 2013. The experience of the plans has yet to fully realize the impact of the 2013 increase to the annual maximum. The benefit adjustment for the increase to the annual maximum is 6.46%. The benefit adjustment resulting from the proposal to include a comprehensive Orthodontic benefit as of January 1, 2014 is 10.99%.

Effective January 1, 2014 the Patient Protection and Affordable Care Act (PPACAA) requires the payment of the ACA Insurer Fee for all fully insured plans including dental plans. The fee is intended to fund premium subsidies and Medicaid expansion. The fee is based on 2.47% of the required annual premium.

The renewal calculation includes the factor for claims incurred but not yet reported, a benefit adjustment for the annual maximum increase to \$1,250, applied trend of 8.5%, a benefit adjustment for comprehensive orthodontia coverage, retention, and the ACA fee. The result of the calculation and the associated factors is a calculated increase of 8.05% as an average for the three plans.

Anthem recognizes the requirement of all State of WI voluntary plans to operate with a minimum loss ratio of 75%. Based on the current experience of the three plans, the increased annual maximums effective as of January 1, 2013, and the expanded Orthodontic benefit proposed for January 1, 2014 Anthem is proposing no change in the current rates for the 2014 plan year. Due to the requirement of ACA Insurer Fee to submit 2.47% of the premium to the Federal government a no increase to rates is effectively a 2.47% decrease in the premium. Furthermore, the renewal calculation projects that a no increase in rates for the 2014 plan year will result in loss ratio of 84.6%, sufficiently exceeding the 75% mandate.

While the renewal rates are based on the combined experience, we have also provided the separate renewal exhibits for each of the plans. As in past years Anthem will offer and open enrollment for all non-retirees for the 2014 plan year. Following review of the enclosed documents, feel free to contact me with any questions at 920-497-5121 or Brian.Martin@anthem.com.

Sincerely,

Brian Martin
Account Manager Consultant



Enclosures

Voluntary Dental Rates for 2014

Total Rate Calculation

Supplemental Plan Rate Calculation

PPO Plan Rate Calculation

DHMO Plan Rate Calculation



Memo

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

Ms. Harper:

I’ve reviewed Anthem’s proposed additional orthodontic coverage to each of their three voluntary dental options, 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.
- The addition of orthodontic coverage to each option (the current design only provides a 20% discount, access-only benefit) is estimated to increase expected total claims payments as follows:
 - Dentacare HMO: 16.7%
 - Preferred PPO: 19.0%
 - Supplemental Plan: 24.9%

Anthem has noted that it “is proposing no change in the current rates for the 2014 plan year.” As such, these benefit enhancements are being made without an accompanying increase in premiums, and it also appears that Anthem will not apply trend to the 2013 rates to produce the 2014 rates. With estimate dental trend from 2013 to 2014 being approximately 3.5% to 4.1% (per the 2013 Segal Health Plan Cost Trend Survey), coupled with the current experience-based loss ratios, the estimated loss ratios for 2014 are:

- Dentacare HMO: 80.9% (versus 69.3% in 2013Q1)
 - Preferred PPO: 68.1% (versus 57.2% in 2013Q1) – See bullet that follows.
 - Supplemental Plan: 92.7% (versus 74.2% in 2013Q1)
 - Combined: 86.2% (versus 71.6% in 2013Q1)
- If prospective claims experience continues at expected levels (per Anthem’s June 24, 2013, letter), the combined 71.6% loss ratio would increase to approximately 86.2%, so above the GIB’s guidelines for a minimum level. If the guidelines are applicable on a

plan-by plan basis, then only the Preferred PPO plan appears to be an issue. However, given that the above loss ratios are based on only the first quarter’s experience, they will be understated for the PPO plan (and Supplemental Plan) since many members are still meeting deductibles. Adjusting for this seasonality of plan payments, the estimated annual loss ratio for the Preferred PPO is actually 76.2%, which is above the GIB’s guidelines.

- Since Anthem is a large, national carrier, we do not believe that the frozen rates coupled with the enhanced orthodontic benefits produce estimated loss ratios that are so high that they represent any type of claims payment risk to Anthem.
- Thus, we believe that with the frozen rates and the orthodontic benefit enhancement all plans will conform to the GIB loss ratio guidelines.

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



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