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CORRESPONDENCE MEMORANDUM

DATE: October 2, 2013
TO: Group Insurance Board
FROM: Shayna Gobel, Manager, Self-Insured Health Plans
Mary Statz, Director, Health Benefits and Insurance Plans Bureau
SUBJECT: Local Annuitant Health Program Rates 2014

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

Background

The Local Annuitant Health Program (LAHP) was authorized pursuant to Wis. Stat. § 40.51 (10) on July 1, 1988, as a health insurance program to offer individual coverage for retiring local government employees and their dependents who are not offered a group plan by their municipal employer. LAHP is voluntary for retirees of employers who participate in the Wisconsin Retirement System (WRS). The LAHP is a fully-insured plan provided by the Standard Plan administrator, Wisconsin Physicians Service Insurance Corporation (WPS). The renewal rates are provided annually in October, after Medicare deductibles are established for the following year. Deloitte Consulting, LLC reviewed the attached rates and calculations prepared by WPS for accuracy.

Membership

Because many municipalities offer other coverage for their annuitants, the LAHP insures a very small population and is subject to adverse selection and higher volatility. The program has experienced a slow and steady decline in the number of subscribers over the past several years. The overall number of subscribers has declined by approximately 7% since 2011 and 23% since 2006. As of January 2013, there are 247 total LAHP subscribers. 231 subscribers are in the LAHP Medicare Supplement plan, of which 178 are age 75 and older. 16 subscribers are in the Preferred Provider Organization (PPO) plan.

Premium Rates effective January 1, 2014

WPS has calculated a 0.5% increase for the Medicare Supplement plan because of

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

Electronically Signed
10/24/2013

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increased administrative and wellness fees. The Medicare Supplement includes the majority of the LAHP subscribers. The 16 subscribers enrolled in the LAHP under-age-65 PPO will see an 18.0% increase in premiums. The increase was primarily influenced by four high cost claims that accounted for approximately 31% of total claims. Last year, rates increased 34% for the PPO plan, and 7.6% for the Medicare Supplement plan. The calculated 2014 rates are attached.

Alternative Options

LAHP PPO subscribers may purchase insurance coverage through the Health Insurance Marketplace (Marketplace) beginning in 2014. The cost of similar plans available on the Marketplace may be lower than the cost of the LAHP PPO plan, which may attract some of our current subscribers. Income-based subsidies or tax credits may be available for the 16 LAHP PPO subscribers, increasing the affordability of Marketplace plans. Open enrollment in the Marketplace is October 1, 2013 through March 31, 2014.

Recalling the Group Insurance Board's (Board) concern from last year's premium rate increase, and given the availability of Marketplace options, ETF staff will review the need for the LAHP PPO plan after 2014. During the year, staff will analyze the Marketplace effects on the LAHP PPO plan by monitoring shifts in enrollment and the pricing of comparable Marketplace plans. An amendment to Wis. Stat. § 40.51 (10) would be necessary in order to remove the PPO plan option and limit LAHP to Medicare eligible retirees only. Currently, any retired public employee who is receiving an annuity under the WRS can elect coverage under the LAHP Medicare Supplement or PPO plan.

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

Attachment: 2014 LAHP Rates

**LOCAL ANNUITANT HEALTH PROGRAM (LAHP)
RETIREES MONTHLY HEALTH INSURANCE PREMIUMS**

EFFECTIVE 01/2013

Coverage	PPO		Medicare Supplement*		
	Single	Family	Single	Family-2	Family-1
PPO - Under Age 65 - No Med	1,394.20	2,781.10			
PPO - Under Age 65 - With Med	976.70				
PPO - Under Age 65 - Both with Med		1,950.30			
PPO - Under Age 65 - One with Med, Other Not		2,367.50			
PPO - Under Age 65 - Two with Med, 3rd Not		2,792.60			
Med Sup - Age 65-67			168.50	333.70	1,276.20
Med Sup - Age 68-69			187.30	371.20	1,295.00
Med Sup - Age 70-74			230.70	457.90	1,338.40
Med Sup - Age 75 and Over			261.80	519.80	1,369.30

EFFECTIVE 01/2014

Coverage	PPO		Medicare Supplement*		
	Single	Family	Single	Family-2	Family-1
PPO - Under Age 65 - No Med	1,645.80	3,282.30			
PPO - Under Age 65 - With Med	1,153.10				
PPO - Under Age 65 - Both with Med		2,302.00			
PPO - Under Age 65 - One with Med, Other Not		2,794.30			
PPO - Under Age 65 - Two with Med, 3rd Not		3,295.90			
Med Sup - Age 65-67			169.70	334.90	1,277.40
Med Sup - Age 68-69			188.50	372.40	1,296.20
Med Sup - Age 70-74			231.90	459.10	1,339.60
Med Sup - Age 75 and Over			263.00	521.00	1,370.50

Includes a \$3.20 administrative fee for 2013, \$3.60 for 2014

Includes a \$0.80 wellness fee for 2014

*Rate determined by subscriber's age as of the 1st of the calendar year

PPO - Preferred Provider Organization for those under the age of 65, network identical to State Standard PPO, \$250 individual deductible, capped at 3 for the family, in-network coinsurance of 80%/20% to \$2,500/\$7,500, out-of-network coinsurance of 60%/40% to \$2,500/\$7,500, amounts are combined so maximum coinsurance out-of-pocket will be \$2,500/\$7,500 in total

Medicare Supplement - For those over 65 an age-rating premium rate structure