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CORRESPONDENCE MEMORANDUM

DATE: March 10, 2014

TO: Group Insurance Board Strategic Planning Workgroup

FROM: Arlene Larson, Manager, Federal Health Programs and Policy
Tara Pray, Manager, Life Insurance & Employee Reimbursement Account Programs
Mary Statz, Director, Health Benefits and Insurance Plans Bureau

SUBJECT: High Deductible Health Plan / Health Savings Accounts

This memo introduces several topics which staff believes warrants discussion before recommendations are prepared for the Group Insurance Board.

At the February 19, 2014 Group Insurance Board (Board) Meeting, staff received direction to begin the development of the High Deductible Health Plan (HDHP) and Health Savings Account (HSA) to be effective January 1, 2015. At this Group Insurance Board Strategic Planning Workgroup (Workgroup) meeting, staff is seeking further guidance on several administrative policy topics to proceed toward implementation. These issues are identified below. Staff expects to use the guidance from this meeting to develop policy and bring further discussion topics to the Workgroup in preparation for Board decisions at its May 21, 2014 meeting.

Discussion Items:

1. **How should the premium bid ratio for the HDHP be established as a proportion of the regular (non-HDHP) rate?**

   The Board has traditionally established premium rate ratios that limit the bidding of participating health plans for certain groups. For example, medical premium rates for local employers who chose the deductible program option and rates for all Medicare enrollees are established within a range, or subject to a cap, as a percentage of the rates for regular employees. In the first example, the local deductible program option offers a $500 individual/ $1,000 family deductible followed generally by 100% medical coverage, which is lower in cost when compared to the regular local Uniform Benefit structure. Therefore, the contract

Reviewed and approved by Lisa Ellinger, Administrator, Division of Insurance Services
Lisa Ellinger
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requires that a local deductible plan rate fall in a range of 88%-93% of the regular rate. Medicare coordinated rates are prescribed to be no more than 50% of the regular rate. Deloitte Consulting LLP will assist with the consideration of actuarial and experience based rate requirements.

2. **Should the administration of the HSA be performed by a single vendor or by each health plan?**

   - Staff is preparing to issue a Request for Proposal (RFP) for an Employee Reimbursement Flexible Spending Account (ERA) vendor, which includes investigating whether bidding vendors are also able to administer an HSA for State employees. When health plans were surveyed on this topic, most supported offering one vendor.

   - If the Workgroup is interested in utilizing existing health plan options, staff will reach out to the plans to better understand their administrative capabilities and any vendor contracts they have in place. Note, staff has concerns that offering multiple HSA vendors could result in a greater administrative burden for employers related to deposits and applicable fees and complications for employees who may switch plans year to year.

3. **Should employees be allowed an annual open enrollment opportunity between the HDHP and other benefit options or should limitations be set on the frequency of changing between options?**

   To help address concerns with adverse selection, some health plans have recommended to staff that an annual open enrollment into the HDHP be offered, but an option to move back into a more comprehensive benefit level should only be allowed every second or third year.

   While this approach may help limit adverse selection, evidence suggests that few people actually make this type of switch. In addition, it may provide a disincentive to initial enrollment in the HDHP.

4. **How should technical issues with data exchanges between the health plans and the Pharmacy Benefit Manager (PBM) impact the benefit limits established by the Board?**

   Federal law requires that both the medical and prescription drug benefit be combined in determining if an individual has met the deductible in the HDHP. It is expected that, at a minimum, a daily feed between Navitus Health Solutions (Navitus) as the PBM and the health plans would be necessary to track claims in a timely fashion. Some health plans have informed staff that this connectivity would require a significant commitment of their system resources if they are

required to extend this to both the HDHP and the regular plans. They request that we make no change to the regular program.

Plans have also suggested that where they have an existing relationship with a PBM other than Navitus for their commercial HDHP, the Board could utilize that structure so that enrollees have coverage under the health plan PBM instead of Navitus. Staff has concerns that this structure could confuse members and lead to benefit differences. It could also have a negative impact on the efficacy of our current pharmacy benefit program. The transparent business model we currently employ with Navitus has proven successful at providing a quality benefit at a reasonable cost. Without that transparency, the cost and quality controls we currently have with the pharmacy benefits carved out could be eroded. Nevertheless, this could be an option if technical issues involved with the data exchange prove more difficult than anticipated.

5. **Which prescription drugs should be considered preventive under the HDHP and avoiding the deductible?**

Federal guidance states that preventive drugs include those that are taken to prevent the reoccurrence of a disease that an individual has recovered from, and also those that are taken by an individual who has developed risk factors for, but has not yet shown symptoms of a disease. Navitus has developed an HDHP preventive drug list that they currently utilize for their commercial business. This list changes over time as does the current formulary, and reflects the basic level of drugs a Navitus client can select. This list can be customized. We would use the same list for prescription drugs available without copay for both the HDHP and the regular plan.

In general, we would expect that the larger the list of drugs available at no copay, the greater the participation in the HDHP. In any event, we would expect that such a list would apply to all plans.

6. **The Board previously noted the need for a comprehensive employee education and communication plan. How and when should it be done?**

The ERA vendor RFP seeks to address this issue and requests that the HSA vendor be in place as of July 14, 2014. The RFP will also ask bidding vendors to demonstrate their ability to assist with education and communication for the 2014 fall enrollment period. HDHP and HSA communication will also be placed in regular ETF publications such as the It's Your Choice guides and the It's Your Benefit newsletter. Staff plans to hold separate education meetings with employer payroll representatives to discuss education and communication.

7. **Should the HDHP and HSA be offered to local employees?**

   A number of participating local employers requested that the program be made available to them. If the HDHP/HSA option is made available to local employers, the Board will also need to determine whether it is a new local employer offering, or if it will replace the current local deductible plan. If offered as a replacement, some local participants will experience benefit disruption and there may be issues with units that have collective bargaining agreements still in place, such as protective occupation employees.

8. **Does the HDHP and HSA apply to those employees classified as graduate assistants?**

   The graduate assistant program is referenced in the State of Wisconsin group health insurance program under separate statutory authority -- Wis. Stat. 40.52 (3). The Board of Regents may need to be consulted if it is determined that graduate assistants qualify for this coverage. Staff is reviewing the statutory requirements to determine whether graduate assistant eligibility is mandated, optional, or not allowed.

   Graduate assistants are typically hired for short term employment, are treated differently from permanent employees, and do not participate in the Wisconsin Retirement System. Once their position ends, they typically leave state employment.

   It should also be noted that, as a group, graduate assistants are among the youngest participants in the health insurance program and may be more likely to choose an HDHP.

9. **HDHP/HSA issues that are under the purview of OSER and/or the Department of Administration include:**

   - Level of HSA funding.
   - Level of HDHP employee premium contribution.
   - Payment of HSA account fees.
   - Timing of HSA deposits.

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