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CORRESPONDENCE MEMORANDUM

DATE: April 4, 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 is for informational purposes only. No Strategic Planning Workgroup action is required.

Since the March 18, 2014 Group Insurance Board Strategic Planning Workgroup (Workgroup) meeting, staff has continued to investigate policy considerations involved with the development of the High Deductible Health Plan (HDHP) and Health Savings Accounts (HSAs). At this meeting, staff requests Workgroup feedback and discussion on several administrative policy topics to inform discussions taking place in the Guidelines Study Group. Staff will offer policy recommendations for consideration at the Group Insurance Board's (Board's) May 21, 2014 meeting.

Discussion Items:

1. Should the Graduate Assistant program and Limited Term Employees (LTEs) be excluded from eligibility for the HDHP and/or the HSA?

Staff from the Department of Employee Trust Funds (ETF), Department of Administration, Office of State Employment Relations (OSER), University of Wisconsin System Administration and University of Wisconsin Hospitals and Clinics are reviewing this question. Legal counsel from ETF and the Board of Regents are reviewing the process by which the Board of Regents is consulted regarding benefit changes.

In general, offering the HDHP/HSA to classes of temporary employment (Graduate Assistants, teaching assistants, employees in training with an expected duration of less than one year, and LTEs) appears inconsistent with

Approved and reviewed by Lisa Ellinger, Administrator, Division of Insurance Services.

Electronically Signed:
04/09/2014

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some of the goals of a tax-preferred HSA. For example, HSAs are designed to provide for the long-term accumulation of funds as well as for current medical needs. Deloitte also provided information at the last Workgroup meeting indicating that peer institutions of higher education in the region do not provide such plans.

However, the statutes may require that the HDHP, at a minimum, be offered to LTEs. The statutory requirements for LTE health insurance eligibility is substantially the same as those for regular state employees. The statutes that outline the HSA offering state that OSER has the authority to determine what, if any, state contributions will be made. Thus, while the HDHP may be required to be offered to LTEs, OSER may determine that no employer contributions will be made to the HSA. Staff continues to review this issue and will finalize recommendations for the May Board meeting.

2. Should the HDHP and HSAs be offered under Tier 2 or Tier 3 plans?

Tier 2 and 3 plans are less cost effective than Tier 1 health plans. Staff are investigating whether it is practical to offer an HDHP in Tiers 2 and 3. This question is also being investigated from a legal/statutory perspective.

Staff recommends, following review and input from the Workgroup, that:

1. The administration of the HSA should be performed by a single vendor. A Request for Proposals (RFP) for this service and/or an Employee Reimbursement Account (ERA) vendor was issued April 3, 2014.
2. Eligible employees should be allowed an annual open enrollment opportunity to select the HDHP and other benefit options.
3. The HDHP should be offered to local employees as a separate program option. Local employers would have the option of establishing their own HSA administrator, but would not be eligible to participate in the HSA program offered to State employees.

Staff is continuing to analyze the following issues:

1. Navitus Health Solutions (Navitus) and the health plans are working to establish data exchanges to facilitate a combined medical/pharmacy deductible under the HDHP. ETF facilitated an initial kick-off meeting on March 18, 2014, and individual meetings between Navitus and each health plan have been scheduled. Staff is receiving periodic updates from Navitus.

2. Health plans requested that only the HDHP have combined out-of-pocket maximums for 2015. This is due to the significant issues expected to remain in administering combined maximums. For instance, health plans have expressed concern regarding the cost and time needed to develop system enhancements in order to integrate daily data exchanges with Navitus for a large number of people, where few members would actually meet the limits.
3. Staff continues discussions with Navitus to develop a recommendation on which prescription drugs should be considered preventive under the HDHP. Drugs appearing on this list would not apply to the deductible and would have first dollar coverage.
4. HSA communication, education and roll-out plans are being requested as a part of the RFP for the ERA / HSA vendor noted above. ETF staff are also facilitating a working group comprised of state and local payroll managers to plan and implement a communication and education plan related to the HDHP and HSA offerings.

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