STATE OF WISCONSIN
Department of Employee Trust Funds
Robert 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: April 25, 2014

TO: Group Insurance Board

FROM: Roni Harper, Manager, Optional Insurance Plans & Audits
Mary Statz, Director, Health Benefits and Insurance Plans Bureau

SUBJECT: Annual Update – Optional Employee-Pay-All Insurance Programs

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

Annually, staff provides the Group Insurance Board (Board) an update on the optional insurance plans. Under authority granted to the Board by Wis. Stats. § 40.03 (6) and § 40.55 and pursuant to Wis. Stat. § 20.921 (1) (a) 3 and Wis. Admin. Code ETF 10.20 and ETF 41, the Board is responsible for approving optional group insurance plans offered via payroll deduction.

Overview

2013 was an active year for employee-pay-all optional insurance plans. Major activity during 2013 included:

- **The Aflac Accidental Injury** plan for employees of state agencies electing to offer the plan effective January 1, 2014 was approved at the May 21, 2013 Board meeting.

- **Anthem DentalBlue** gained approval from the Board in August to remove the age limit for its orthodontic benefit and **EPIC Benefits+** was given approval to increase its annual maximum dental benefit from $1,000 to $1,500 for new enrollees. Both plans kept premiums level from the previous year, and offered a special enrollment in October 2013. These changes were, in part, a response to the advent of Uniform Dental Benefits in the health insurance program.

- **The Vision Service Plan (VSP)** was given Board approval for plan changes, primarily expanding benefits for covered dependent children and adjusting the benefit for contact lenses. Premium increases were also implemented for the first time since the plan was introduced three years ago.

- **Long-Term Care - United of Omaha**, through Health Choice, remained the only long-term care insurance policy being offered. In December 2013, HealthChoice submitted a proposal on behalf of Mutual of Omaha -- with a renamed and slightly restructured plan-- that was approved by the Board in February 2014.

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

Lisa Ellinger

Electronically Signed: 05/05/2014

Board	Mtg Date	Item #
GIB	5.21.14	3+

Discussion - Optional Accidental Death & Dismemberment Insurance (AD&D) - Hartford

In 1989, the Board approved the AD&D plan through CNA Financial Corporation, which was acquired by The Hartford Life Insurance Company in 2003. There are a total of 4,212 subscribers. Employee premiums from the Departments of Corrections, Transportation, and Natural Resources continue to make up the majority of the total premium in the AD&D plan, in part because monthly premiums for Protective category employees are approximately 80% higher than monthly premiums for General category employees. This benefit offers employees the opportunity to cover themselves and/or their families in the event of either on- or off-the-job accidents.

Historically, the Board has granted this plan an exception from the required 75% loss ratio because of the plan's volatility. However, over the long term, the plan has been expected to meet the required ratios. Because the average loss ratio across the past 11 years is under 16%, the Department of Employee Trust Funds (ETF) staff are meeting with the Hartford plan managers to discuss ways to amend the plan. Staff will present options at a future Board meeting.

Utilization Statistics	**2003**	**2004**	**2005**	**2006**	**2007/ 2008/ 2009**	**2010**	**2011**	**2012**	**2013**
Premium Income	$430,081	$453,684	$477,288	$471,087	Average $498,000	$511,565	$467,245	$446,214	$ 437,865
Number of Claims	4	3	0	1	0	1	0	0	1
Amount of Claims	$123,126	$381,732	$0.00	$215,867	$0.00	$99,000	$0.00	$0	$1,765
Loss Ratio	**29%**	**84%**	**0%**	**46%**	**0%**	**19.35%**	**0%**	**0%**	**0.4%**

Discussion - Aflac Accidental Injury Insurance

At its May 2013 meeting, the Board approved the Aflac Accidental Injury Plan. Aflac was offered to nearly all state agencies for 2014. However, the University of Wisconsin System and UW Hospitals and Clinics did not opt to offer the plan. Effective January 1, 2014, there were 662 subscribers enrolled. Efforts in 2014 will continue to focus on clarifying administrative procedures for enrollments, terminations, and management of premiums. The plan is contracted to maintain the premium and benefit levels for two years.

Discussion - Optional Dental Insurance Program

Anthem DentalBlue continues to offer three plans. The HMO Plan and PPO Plan were designed for employees without dental coverage in their health plan, and include diagnostic and preventive care, in addition to the basic and major services. The Supplemental Plan was designed to augment the dental coverage available through the health plans, covering basic and major dental services. In Wisconsin, Anthem DentalBlue's HMO offers 521 participating providers, and 1,303 providers for its PPO (down slightly from last year). Nationwide, the PPO network has 13,139 participating service providers.

Enrollment of active subscribers showed a decline of 11% from 2012 to 2013, following a 12% decline the previous year. The number of annuitant/continuant/COBRA subscribers remained level. With dependents, the total number of members was 13,130 in 2013. Loss ratios continued to fall, despite an increase in the annual maximum dental benefit from $1000 in 2012 to $1250 for 2013 in the PPO and Supplemental plans. ETF has initiated discussions with Anthem DentalBlue about modifications to the plan benefits for 2015 in order to address the loss ratio by adjusting benefits and/or premiums. First quarter 2014 enrollment shows an overall increase to 13,814 covered members.

Anthem DentalBlue Insurance Program				
2013	**Dentacare HMO**	**Preferred PPO**	**Supplemental**	**TOTAL 2013**
Active	533	616	4,705	5,854
Annuitant, COBRA	70	92	567	729
# Claims Paid	881	1483	4260	6,624
Premium Income	$311,023	$343,539	$2,004,179	$2,658,741
Amount of Claims Pd	$170,210	$191,885	$1,329,217	$1,521,102
Loss Ratios 2011	66.2%	69.5%	95.3%	89.4%
Loss Ratios 2012	56.3%	56.7%	70.3%	67.2%
Loss Ratios 2013	54.7%	55.9%	66.3%	57.2%

EPIC Dental Wisconsin was initially created by EPIC Life Insurance (EPIC) in collaboration with the UW System and was approved by the Board in 2010; updates in benefits and premiums were approved for plan years 2013 and 2014. Dental Wisconsin offers two plan types to state employees. The Select plan allows members to select any dentist, with reduced out-of-pocket costs for “Premier” providers (providers who have contracted with Delta Dental to accept set fees, with no balance due from the insured patient), and does not cover diagnostic or preventive care. The PPO plan does cover diagnostic and preventive work and covers 100% in-network and 75% out-of-network costs.

The PPO and Select plans together gained 1,289 subscribers in 2013 compared to 2012, a 20% increase. However, with no open enrollment for 2014, enrollment as of March 31, 2014, dropped by 7% from 2013.

The PPO and Select combined number of paid claims increased by 10.7% from 2012 to 2013, for a total claims cost increase of 17.8%. However, the loss ratios fell in the PPO plan and overall. The loss ratio for the Select plan, the larger of the plans, was near the Guidelines expectation. No changes in benefits were made for 2014. With ‘basic’ procedures now being covered consistently through the uniform dental benefits for state employees, ETF has initiated discussions with EPIC about modifications to Dental Wisconsin for 2015. Discussions will consider the gaps and overlaps in benefits that have occurred with the implementation of uniform dental benefits, as well as anticipated impacts on the loss ratio that could be achieved by changes to benefits and/or premiums.

Dental Wisconsin				
2013	**PPO**	**Select**	**TOTAL 2013**	**Total 3-31-14**
Active subscribers	2,365	4,863	7228	6,915
Dependents of active	2,036	5,085	7121	6,758
Annuitant, COBRA	242	347	589	366
# Claims paid	5,511	5604	12,015	
Premium Income	$1,488,704	$2,408,720	$3,897,424	
Amount of Claims Incurred	$883,701	$1,742,014	$2,625,715	
Loss Ratio 2012	67.4%	84.1%	77.7%	
Loss Ratio 2013	59.4%	72.3%	67.4%	

Discussion - Optional "wrap" plan -- Dental, Excess Medical and Accidental Death & Dismemberment (AD&D) Insurance

EPIC Life Insurance Company has offered a plan combining supplemental dental, excess medical and AD&D since 1994, after acquiring the plan from John Deere Life, which had provided coverage for state employees since the 1960s. Some significant changes with this wrap plan, now called EPIC Benefits+, include:

- In 2004, EPIC created separate rates for active employees and annuitants.
- Excess medical insurance was replaced with a hospital/surgical indemnity provision in 2012 for active employees, and in 2013 for annuitants.
- The maximum annual dental benefit was raised for new enrollees to $750 in 2010 and to $1200 in 2013.

This plan continues to be viewed by members primarily as a dental plan that supplements the uniform dental benefits offered by primary health insurers. 86% of the Benefits+ claims paid in 2013 were for dental benefits. The vision option continues to be underutilized by subscribers, despite the 3% increase in voluntary subscribers to that rider. The number of vision claims represents just 18% of the total lives covered by the vision rider.

The 2014 enrollment represents a 10.5% increase in active subscribers, and 10.7% increase in covered dependents of active employees, when comparing December 31, 2013 to March 31, 2014, as a result of the special enrollment during the 2013 IYC period.

EPIC Benefits + Insurance									
2013	**AD&D**	**Hospital/ Surgical Indemnity**	**Dental**	**Vision Option**		**Subscribers**	**2013 Total experience**		**Snapshot 3-31-14**
# Active, COBRA subscribers				2,629		11,777			13,011
# Annuitant				123		5,011			5,045
Total subscribers						16,788			18,056
Total including dependents				6,061		32,380			35,053
# Claims Paid	4	1448	15,338	1093			17,883		
$ Premium Income	$68,007	$1,391,039	$5,986,537	$221,346			$7,666,928		
$ Amount of Claims Paid	$27,000	$305,675	$4,122,010	$100,059			$4,554,744		
Loss Ratios 2012	48.8%	52.2%	67.9%	70.5%			65.73%		
Loss Ratios 2013	39.7%	22.0%	68.9%	45.2%			59.4%		

Discussion - Optional Vision Care Insurance Program

The Board approved the Vision Service Plan (VSP) in 2009 to replace OptumHealth Vision as the vision care benefits provider for state and university employees and eligible retired state employees and dependents. The original plan design had been in place through 2013. VSP has continued to expand its provider network, including making benefits available through larger “chain” vision centers. As of December 31, 2013, VSP has 775 provider access points in Wisconsin, and over 54,000 nationwide. The addition of ShopKo optical to the retail outlets in 2014 is significant for member access in Wisconsin. As for experience in 2013, VSP saw a 15.4% increase in number of claims over the previous year.

Vision Services Plan (VSP)				
Utilization Statistics 2013	**Active**	**COBRA**	**Annuitants**	**Combined**
Subscribers as of 12-31-13	15,667	154	2,695	18,516
# Claims paid	16,773		2,165	18,938
Premium Income	$1,763,730	na	$276,064	$1,802,453
Amount of Claims paid	$1,470,765	na	$175,874	$1,646,639
Loss Ratio 2011	90.3%		75.1%	83.5%
Loss Ratio 2012	84.2%		63.5%	83.4%
Loss Ratio 2013	83.3%		63.7%	80.7%

Discussion - Optional Long-Term Care (LTC) Insurance Program

In the early 1990s, Wis. Stat. § 40.55 and Wis. Admin. Code Chapter ETF 41 established a program to offer LTC insurance to state employees and annuitants, their spouses and the parents of state employees. Overall, the rate of growth in the program has declined slowly since 2002. Premiums have become prohibitive for products that provide inflation protection levels that meet the requirements of Administrative Rule ETF 41, and the market has become volatile, leading most major insurers to stop offering LTC in the past few years.

Currently, United of Omaha remains the only company with an LTC product approved by the Board, as marketed by HealthChoice LLC. ETF has met with agents and consultants to explore recommendations for the modernization of the Guidelines used to approve LTC plans. The industry trend has been for people younger than age 65 to purchase LTC insurance—in part because the inflation protection requirements make it expensive for people in their 60s, according to agents. HealthChoice reports that the average age of a purchaser from the state of Wisconsin group was over age 67 in the year 2000, whereas the average purchaser of LTC insurance was age 55 in 2013.

HealthChoice also maintains servicing for policies formerly approved by the Board but no longer actively sold, including a previous Mutual of Omaha plan, Bankers Life, and John-Hancock/Fortis. There were 3,093 policies, with a total paid premium of $5.4 million.

The numbers in parentheses in the following table are the 2011 figures for annuitant and employee purchasers.

Marketing and Enrollment Activity for United of Omaha	2012	2013
Applications received	314	387
Policies denied*	79	93
Policies issued to state annuitants	52 (98)	45
Policies issued to state employees	83 (60)	88
Policies issued to spouses or parents of state employees	51	50
Earned premium in 2013		$2,105,029
Number of claims	1	3
Number of claims paid	1	2
Amount of claims paid	0	$4,881
Number of policies lapsed or withdrawn	66	13L , 7W
Total in-force policies as of 12-31-2012/13	1039	1,179
Earned premiums since first year offered		$20,268

Strategic Planning:

ETF’s Division of Insurance Services has engaged in strategic planning for 2014 and beyond. The proposed emphasis for optional insurance plans includes a complete redrafting of the Guidelines, both to streamline processes and to update substantive policy standards. Strategic Initiative #13, Optional Programs Guidelines Update, is attached, for the Board’s reference.

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

Attachment: Strategic Initiative #13, Optional Programs Guidelines Update

Item 3
ATTACHMENT A

Strategic Initiative 13
Optional Programs Guidelines Update
Lead ETF Staff: Roni Harper

Objectives

Develop updated Guidelines for the approval and effective oversight of optional insurance plans. This will include a separate Guideline for Long-Term Care (LTC) insurance to be implemented simultaneous to the repeal of an outdated Administrative Rule. A separate Guideline will cover other Optional/Supplemental employee-pay-all group insurance plans -- such as dental, vision, and wrap-around insurance — that are defined as “excepted” under the Affordable Care Act.

How the objectives support the mission, vision and goals

- Improves health and wellness of state employees by facilitating the availability of voluntary insurance benefits that are of measurable value, to supplement primary health insurance.
- Enables engagement of members in choosing voluntary insurance that fits their household needs
- Enables engagement of employers in the process of selecting and retaining “excepted insurance” plans by standardizing the application process.
- Delivers benefits that enable employers to attract and retain a quality workforce by complementing the basic health insurance and retirement planning tools, with optional plans important to individuals.
- Models administrative innovation by building stronger inter-agency linkages to reduce duplication of processing and cultivating resources for ETF staff to further develop expertise in industry trends.

Current State

The *Guideline for Optional Group Insurance Plans Seeking Group Insurance Board Approval for Payroll Deduction Authorization* (Guideline), created around 1992 and most recently revised in 1999, was a foundation on which the Division of Insurance Services (DIS) has built a fairly robust and functional system of optional insurance plans. However, aspects of the Guidelines have become obsolete due to changes in industry standards, health insurance, modes of communication and data management systems.

Specifically, the long-term care guidelines are out of date in terms of benefit requirements, in that insurers assert they cannot make products available to fit these standards.

Next Steps

- Repeal administrative rule ETF 41 relating to long-term care. Note: This step is parallel to the remaining steps.
- Work with the insurance industry, the Office of Commissioner of Insurance (OCI), and ETF's benefits consultant to establish standards of quality for LTC insurance policies to replace those in ETF 41.
- Create a procedure for Board consideration of new plans -- and periodic review of existing plans -- that allows comparison of similar plans of a given type. This will ensure that ETF, state agencies, and members are working with the optimal plans, not the "first plan in the door."
- Create separate Guidelines for "employee-pay-all insurance plans" and LTC insurance.

Measures of Success

- A functional set of Guidelines for approval and oversight of optional insurance plans will be in place, so that employer and employee satisfaction with process and plans improves.
- At least two LTC insurance plans will be approved under the Guidelines for availability to State employees and their families, with the opportunity for payroll deduction and annuity deduction by 2017.
- A system of requirements checklists and materials submitted will be organized in such a way as to be accessible and comprehensible to any staff within DIS as needed.