



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

DATE: August 4, 2014
TO: Group Insurance Board
FROM: Roni Harper, Manager, Optional Insurance Plans and Audits
Mary Statz, Director, Health Benefits and Insurance Plans Bureau
SUBJECT: EPIC Proposals to adjust Benefits+ and Dental Wisconsin plans for 2015

Staff recommends the Group Insurance Board (Board) accept the proposal from EPIC Life Insurance Company to make the following changes, effective January 1, 2015:

- **Benefits+**
 - Increase benefits as outlined in this proposal, with no change in premiums
 - Change participation category 3 from Parent + child to Parent + child(ren)
- **Dental Wisconsin**
 - Decrease premiums for Active and COBRA members in the PPO plan by 10%, with no change in benefits

Special enrollment to be offered for all EPIC plan types for 2015, with tiered annual maximum benefits during the first three years for new plan members.

Background

Under authority granted to the Group Insurance Board (Board) by Wis. Stats. § 40.03 (6) (b) and pursuant to Wis. Stats. § 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 new or changed plans are reviewed under the Board's Guidelines for Optional Group Insurance Plans Seeking Board Approval for Payroll Deduction Authorization (Guidelines for Optional Plans). The Board will recall that loss ratios were discussed at the May 21, 2014 Board meeting during the Optional Plans Annual Update. Epic's proposal (Attachment A) addresses the recent loss ratios, which fell below the threshold required for participation.

EPIC Life Insurance Company (EPIC), a subsidiary of Wisconsin Physicians Service Insurance Corporation (WPS), has offered a Board-approved employee pay-all plan

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

Electronically Signed:
08/08/2014

Board	Mtg Date	Item #
GIB	8.26.14	7A

since 1994, after purchasing the business from John Deere Life. EPIC currently offers two optional insurance plans, Benefits+ and Dental Wisconsin.

Benefits+ is a “wrap-around” optional insurance plan that includes:

- supplemental dental
- accidental death and dismemberment (AD&D)
- hospital indemnity
- vision materials benefit (offered since 2011)

The supplemental dental benefit has typically been the plan’s main feature, representing 86% of incurred claims in 2013. Enrollment increased in 2014 with EPIC reporting a total of 18,000 subscribers and more than 35,000 members -- including dependents -- as of the first quarter.

Benefits + Proposed Changes

EPIC proposes several changes to coverage under Benefits+ (see detailed outline in attachment A):

- 50% increase in accidental death and dismemberment (AD&D) benefits
- 100% increase in hospital indemnity benefits (from \$100 to \$200 per day)
- Enhanced benefits for optional vision materials rider
- Expand the “Employee plus child” premium level to “Employee plus child(ren)”

A special enrollment opportunity would be offered for Benefits+, with tiered levels of the maximum dental benefits, as outlined in Attachment B.

Benefits+ Discussion

EPIC seeks to enhance coverage under Benefits+ as a meaningful supplement to Uniform Benefits offered to state employees. These changes are not only driven by the need to correct the plan’s loss ratio, but also guided by member requests.

The change to a premium category of “Employee plus child(ren)” — meaning two or more children on the plan with one adult — instead of “plus child” (1+1), was in response to a request by the University of Wisconsin System to simplify automated processing. This will result in decreased premiums for approximately 300 households with one parent and two or more children. EPIC will manage the notifications to families and payroll offices.

By making these changes to benefits while maintaining current premium rates for Benefits+, EPIC seeks to bring Benefits+ into compliance with the 75% loss ratio required by the Guidelines for Optional Plans. Recent loss ratios are shown in the chart that follows:

	EPIC Benefits+				
	AD&D	Hospital/ Surgical Indemnity	Dental	Vision Option	Combined
Loss Ratio 2011	13.8%	n/a	72.1%	87.5%	70.5%
Loss Ratio 2012	48.8%	52.2%	67.9%	70.5%	65.73%
Loss Ratio 2013	39.7%	22.0%	68.9%	45.2%	59.4%
2013 # Claims paid	4	1,448	15,338	1,093	

The enrollment option for 2015 is not available to annuitants. Active members who enroll or switch coverage from a different dental plan will be subject to waiting periods as outlined in Attachment B.

Benefits+ Actuarial review

Deloitte Consulting, LLP (Deloitte) has reviewed the proposal for Benefits+ (see Attachment C). Deloitte concluded that the proposed design changes could be reasonably expected to increase the loss ratio for EPIC Benefits+ to be consistent with the Board’s 75% loss ratio requirement.

Dental Wisconsin offers two plan types to State employees: Select and Preferred Provider Organization (PPO).

- The Select plan allows members to select any dentist, but does not cover diagnostic or preventive procedures (check-ups or cleanings).
- The PPO plan does cover diagnostic and preventive work, if performed by a Delta Dental Premier or PPO provider.

Both plans cover ‘major’ restorations such as crowns and bridges. In 2013 there were approximately 2,600 PPO subscribers and 5,200 Select subscribers.

Dental Wisconsin Proposal

EPIC proposes to decrease Dental Wisconsin premiums by 10% for active subscribers in the PPO plan, with no change in covered benefits. A special enrollment opportunity would be offered for both Dental Wisconsin plans, with some restrictions and waiting periods, as outlined on Attachment B, page 2. It should also be noted that some waiting periods will be waived with proof of prior comparable coverage.

Dental Wisconsin Discussion

By maintaining the coverage levels in these plans, EPIC hopes to continue its function as true supplements to the new Uniform Dental offering, which now covers 100% of preventive and basic dental services, but has no coverage for major or complex restorations. EPIC’s proposed change to premiums in the PPO plan is expected to bring the Dental Wisconsin plans into compliance with the 75% loss ratio required by the Guidelines for Optional Plans. The chart below shows loss ratios from the past three years.

	Dental Wisconsin		
	PPO	Select	Combined
Loss Ratio 2011	72.3%	89.5%	83.7%
Loss Ratio 2012	67.4%	84.1%	77.7%
Loss Ratio 2013	59.4%	72.3%	67.4%
2013 # Claims paid	5,511	5,604	

Changes to Dental Wisconsin were also discussed with the Fringe Benefits Subcommittee of the State Payroll Council. Offering an enrollment opportunity for active employees during the 2014 It’s Your Choice period was a specific request of the Council to enable members -- who, due to the implementation of the Uniform Dental benefit had lost some coverage of major and complex restorations -- to add supplemental coverage.

Dental Wisconsin Actuarial Review

Deloitte also reviewed the Dental Wisconsin proposal (see Attachment D). They found that the premium reduction proposed for the Dental Wisconsin PPO plan can be reasonably expected to produce an aggregate loss ratio of 75.4%, which is in agreement with EPIC’s calculations.

Conclusion

Staff recommends that the Board approve the benefit changes and premium adjustments proposed by EPIC. Benefits+ and Dental Wisconsin will be available for special enrollment during the It’s Your Choice period in October 2014; benefit changes will be in effect January 1, 2015.

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

Attachment A: EPIC proposal

Attachment B: EPIC sample marketing flier for Benefits+ and Dental Wisconsin, pending Board approval

Attachment C: Deloitte review of Benefits+

Attachment D: Deloitte review of Dental Wisconsin

June 27, 2014

Roni Harper
Manager, Optional Insurance Plans & Audits
Division of Insurance Services
Department of Employee Trust Funds
P.O. Box 7931
Madison, WI 53707-7931

Dear Roni:

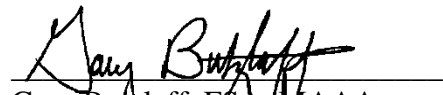
In an email dated May 15, you asked Russell Hann how EPIC planned to address Dental Wisconsin loss ratios being lower than the Group Insurance Board's minimum loss ratio. As we reviewed the data, we concluded that changes to both Benefits+ and Dental Wisconsin were warranted. We presented our initial recommendations to you, Linda Hagberg, Wendy Minick, Beth Ritchie, and Mary Statz during a June 9 meeting. With the benefit of additional discussion the last two weeks, EPIC proposes the following:

1. Benefits+
 - a. Change benefits as follows effective January 1, 2015:
 - i. Increase the accidental death and dismemberment (AD&D) benefits 50%.
 - ii. Increase the hospital indemnity benefit amounts 100%.
 - iii. Increase the optional vision benefits.
 - b. Replace the existing employee plus child rate tier with an employee plus child or children rate tier.
 - c. Continue current rates through December 31, 2015, and apply the existing employee plus child rate for AD&D, dental, and hospital indemnity (or core benefits) to the new employee plus child or children rate tier for the same.
 - d. Offer a special enrollment opportunity for core benefits and the optional vision plan during the fall 2014 "It's Your Choice" period for coverage effective January 1, 2015. Late entrants beginning coverage through this enrollment opportunity will be subject to the tiered annual maximum and 24-month orthodontic waiting period detailed in our actuarial memorandum.
 - e. Perform outreach to members reminding them about their hospital indemnity coverage.
2. Dental Wisconsin
 - a. Retain current PPO and Select plan design.

- b. Reduce active and COBRA continuants' PPO rates 10% effective January 1, 2015.
- c. Continue current Select rates for all members and current PPO rates for annuitants.

Roni, we hope that you find these changes responsive to your concerns and demonstrate our commitment to State of Wisconsin employees and annuitants. The enclosed provides additional information supporting our request.

Sincerely,



Gary Butlaff, FSA, MAAA
Director, Actuarial Services

Enclosure
By e-mail

EPIC Proposal for 2015

Benefits+ 2015 Special Enrollment

- **Replace the employee plus child rate tier with an employee plus child or children rate. Reducing the members who have more than one child to a lower rate.**

○ Active or COBRA Member	Without Vision	With Vision
▪ Employee	\$19.77	\$24.02
▪ Employee + SP/DP	\$39.54	\$47.04
▪ Employee + Child(ren)	\$39.54	\$47.04
▪ Family	\$59.31	\$70.34
▪		
○ Annuitant Member	Without Vision	With Vision
▪ Insured	\$26.69	\$31.26
▪ Insured + SP/DP	\$53.27	\$61.51
▪ Employee + Child(ren)	\$61.90	\$69.68
▪ Family	\$73.53	\$85.43

- **50% increase in accidental death and dismemberment (AD&D) benefits**

○ Active and COBRA Members	
▪ Employee	\$10,000 to \$15,000
▪ Spouse	\$5,000 to \$7,500
▪ Child	\$2,000 to \$3,000
○ Annuitants	
▪ Employee	\$5,000 to \$7,500
▪ Spouse	\$2,500 to \$3,750
▪ Child	\$1,000 to \$1,500

- **100% increase in hospital indemnity benefits**

○ Active and COBRA Members	
▪ Inpatient Hospital Stay	\$100 per day to \$200 per day
•	<i>Beginning on the 3rd day up to 365 days of confinement</i>
▪ Outpatient Surgery	\$100 per surgery to \$200 per surgery
•	<i>Performed in a hospital outpatient department or freestanding Ambulatory Surgical Center.</i>
○ Annuitant Members under age 65	
▪ Inpatient Hospital Stay	\$100 per day to \$200 per day
•	<i>Beginning on the 3rd day up to 365 days of confinement</i>
▪ Outpatient Surgery	\$100 per surgery to \$200 per surgery
•	<i>Performed in a hospital outpatient department or freestanding Ambulatory Surgical Center</i>
○ Annuitant Members over age 65	
▪ Inpatient Hospital Stay	\$75 per day to \$150 per day
•	<i>Beginning on the 5th day up to 365 days of confinement</i>
▪ Outpatient Surgery	\$75 per surgery to \$150 per surgery
•	<i>Performed in a hospital outpatient department or freestanding Ambulatory Surgical Center</i>

- **Increase in the optional vision benefits – less cost to the member** (*re-enrollment allowed*)

○ Frames - \$100 to \$130 allowance
○ Contacts - no benefit to 8 boxes
○ Materials – Lower out-of-pocket costs to the members for lens upgrades

- **Dental Maximum Schedule and Orthodontic waiting period**

○ First Year of coverage (2015)	\$750
○ Second Year of coverage (2016)	\$1,000
○ Third Year of coverage (2017)	\$1,500
○ 24 month waiting period for orthodontic services and supplies.	

2015 Enrollment Opportunity

Dental Wisconsin

Dental Wisconsin Select

- Rates remain the same
 - Active Employees and COBRA Members
 - Employee \$20.52
 - Employee + SP/DP \$42.19
 - Employee + Child(ren) \$48.68
 - Family \$71.59
 - Annuitants
 - Insured \$22.30
 - Insured + SP/DP \$45.85
 - Insured + Child(ren) \$52.90
 - Family \$77.80
- Members enrolling in the Dental WI Select will be subject to the applicable waiting periods
 - Basic Services 3 months
 - Major Services 3 months
 - Orthodontic Services 12 months

The applicable waiting periods will be waived if the member demonstrates comparable coverage (prior plan includes major restorative coverage).

Dental Wisconsin PPO

- Rates for the Dental Wisconsin PPO
 - Active Employees and COBRA Members

	2014	2015
▪ Employee	\$28.32	\$25.49
▪ Employee + SP/DP	\$59.96	\$53.96
▪ Employee + Child(ren)	\$67.04	\$60.34
▪ Family	\$101.34	\$91.21
 - Annuitants
 - Insured \$30.98
 - Insured + SP/DP \$65.59
 - Insured + Child(ren) \$73.34
 - Family \$110.86
- Members enrolling in the Dental WI PPO will be subject to the applicable waiting periods
 - Basic Services 3 months
 - Major Services 3 months
 - Orthodontic Services 12 months

*The applicable waiting periods will be waived if the member demonstrates comparable coverage (prior plan includes similar, preventative, basic, major restorative coverage). **For January 1, 2015 enrollment opportunity only, EPIC will allow the Uniform Dental Benefit to be comparable coverage.***

Prior dental coverage will need to be identified on the employee application to for EPIC to waive the waiting periods.

July 24, 2014

Ms. Roni Harper
 Manager of Optional Insurance Plans and Audits
 Division of Insurance Services
 Wisconsin Department of Employee Trust Funds
 Madison, WI 53707

Re: EPIC Benefits+ Proposal to Change Plan Provisions and Premium Rates for Voluntary Benefits

Dear Roni:

The State of Wisconsin Department of Employee Trust Funds (ETF) has requested that Deloitte Consulting LLP (Deloitte Consulting) review the voluntary insurance coverage proposal provided by EPIC (Benefits+ Program) for active employees and annuitants (retirees). Our review relates to the assumptions provided by EPIC with respect to this voluntary coverage, and the associated premium rates for that coverage.

Proposed Plan Design Change Description

EPIC has proposed a change to the voluntary benefit plan for both the State of Wisconsin active & UW employees and the State of Wisconsin Retirees effective January 1, 2015, with the rates remaining unchanged from 2014 to 2015, and with benefit enhancements provided to achieve a target minimum loss ratio of at least 75%.

Plan Experience & Loss Ratios

Per the requirements of the Group Insurance Board’s guidelines for optional plans, optional plans must maintain a loss ratio of at least 75%.

The following table summarizes the plan’s loss ratio experience for 2013, and provides projections for 2014 and 2015, inclusive of the enhancements recommended by EPIC for 2015. These figures reflect loss ratio estimate provided by EPIC:

Plan Year	EPIC Benefits+ Loss Ratio (Claims ÷ Premiums)	
	AD&D, Dental, Hospital Indemnity	AD&D, Dental, Hospital Indemnity, and Vision
2013	0.598	0.594
2014	0.690	0.682
2015	0.754	0.755

The plan design enhancements proposed by EPIC Life are as follows:

- Increase AD&D benefits by 50%;
- Double hospital indemnity benefits;
- Increase optional vision benefits from “Value” to “Bright Eyes” levels; and
- Redefine the third rate tier from employee plus child to employee plus child or children (impacts the dental and vision benefits).

Deloitte has reviewed the proposed enhancements for the benefits, and the premium restructuring, and has estimated the following loss ratios for 2015:

Estimated Loss Ratios Before Plan Enhancements:

Plan Year	Benefit	Deloitte Benefits+ Loss Ratio (Claims ÷ Premiums)
2015	AD&D	0.397
2015	Dental	0.826
2015	Hospital Indemnity	0.229
2015	Total Core Benefit	0.711
2015	Vision	0.461
2015	Total	0.702

Estimated Loss Ratios After Plan Enhancements:

Plan Year	Benefit	Deloitte Benefits+ Loss Ratio (Claims ÷ Premiums)
2015	AD&D	0.596
2015	Dental	0.856
2015	Hospital Indemnity	0.457
2015	Total Core Benefit	0.777
2015	Vision	0.478
2015	Total	0.766

Summary

Thus, based on Deloitte’s actuarial review, the plan design enhancements and premium tier re-structuring proposed by EPIC for the Benefits+ voluntary program appears to be reasonable given expected claims trends, and achieves the expected 75% minimum loss ratio levels for each of the AD&D/dental/hospital indemnity, and the AD&D/dental/hospital indemnity/vision options.

It should be recognized that because future events frequently do not occur exactly as expected, there are usually differences between projected and actual results. For example, actual experience may differ from assumptions, including but not limited to those for claim costs, trends and non-benefit expenses. Accordingly, there can be no assurance that the ETF's actual experience will match the estimates provided by EPIC.

Once you have had an opportunity to review this information, please do not hesitate to contact me at (312) 486-0200 or via e-mail at dplante@deloitte.com with any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Daniel R. Plante", with a long horizontal flourish extending to the right.

Daniel R. Plante, ASA, FCA, MAAA

cc: Timothy D. Gustafson, FSA, MAAA

July 20, 2014

Ms. Roni Harper
Manager of Optional Insurance Plans and Audits
Division of Insurance Services
Wisconsin Department of Employee Trust Funds
Madison, WI 53707

Re: EPIC Dental Wisconsin Proposal to Change Plan Provisions and Premium Rates for Voluntary Dental Benefits

Dear Roni:

The State of Wisconsin Department of Employee Trust Funds (ETF) has requested that Deloitte Consulting LLP (Deloitte Consulting) review the voluntary insurance coverage proposal provided by EPIC (Dental Wisconsin Program) for active employees and annuitants (retirees). Our review relates to the assumptions provided by EPIC with respect to this voluntary coverage, and the associated premium rates for that coverage.

Proposed Plan Design Change Description

EPIC has proposed only a change in the premium rates for the voluntary Dental Wisconsin benefit plans for both the State of Wisconsin active & UW employees and the State of Wisconsin Retirees effective January 1, 2015, with the plan designs remaining unchanged, in order to achieve a target minimum loss ratio of at least 75%. The following rate changes for 2015 have been recommended by EPIC:

- PPO (Active Employees & COBRA Continuants): -10.0%
- PPO (Annuitants): 0.0%
- Select (Active Employees & COBRA Continuants): 0.0%
- Select (Annuitants): 0.0%

Plan Experience & Loss Ratios

Per the requirements of the Group Insurance Board's guidelines for optional plans, optional plans must maintain a loss ratio of at least 75%.

The following table summarizes the plan's loss ratio experience for 2013, and provides projections for 2014 and 2015, inclusive of the above recommended rate actions by EPIC for 2015. These figures reflect loss ratio estimate provided by EPIC:

Plan Year	EPIC Dental Wisconsin Loss Ratio (Claims ÷ Premiums)
	PPO & Select Active/COBRA & Annuitants
2013	0.674
2014	0.699
2015	0.754

Deloitte has reviewed the proposed rate change for 2015, and has estimated the following loss ratios for 2015 (Deloitte concurs with EPIC's projections):

Plan Year	Deloitte Dental Wisconsin Loss Ratio (Claims ÷ Premiums)
	PPO & Select Active/COBRA & Annuitants
2015	0.754

Summary

Thus, based on Deloitte's actuarial review, the rate reduction on the Dental Wisconsin PPO plan for active employees & COBRA participants of 10% appears to be reasonable given expected claims trends, and achieves the expected 75% minimum loss ratio levels across the aggregated PPO & Select plan options for the combined active employee/COBRA participant/annuitant groups.

It should be recognized that because future events frequently do not occur exactly as expected, there are usually differences between projected and actual results. For example, actual experience may differ from assumptions, including but not limited to those for claim costs, trends and non-benefit expenses. Accordingly, there can be no assurance that the ETF's actual experience will match the estimates provided by EPIC.

Once you have had an opportunity to review this information, please do not hesitate to contact me at (312) 486-0200 or via e-mail at dplante@deloitte.com with any questions.

Sincerely,



Daniel R. Plante, ASA, FCA, MAAA

cc: Timothy D. Gustafson, FSA, MAAA