



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: Anthem DentalBlue Proposal for Benefit Adjustment and Premium Decreases

Staff recommends the Group Insurance Board (Board) accept Anthem DentalBlue's proposal to make the following adjustments in its plans:

- **Supplemental: Increase benefit for both major and complex services from 50% to 60%, with no change in premiums**
- **Dentacare HMO: decrease premiums by 20.08%**
- **Preferred PPO: decrease premiums by 12.88%**

Background

Under the authority granted to the Group Insurance Board (Board) by Wis. Stats. §40.03 (6) (b) and pursuant to §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 changes to benefits and/or premiums for existing plans are reviewed under the Board's Guidelines for Optional Group Insurance Plans Seeking Group Insurance Board Approval for Payroll Deduction Authorization (Guidelines for Optional Plans).

DentalBlue began providing dental insurance policies under contracts with the State of Wisconsin Office of State Employment Relations (OSER) in 2006. In 2008, the plan sponsor became Anthem.

At the August 2013 Board meeting, the Board approved Anthem DentalBlue changing its orthodontic benefit for 2014 to a maximum lifetime benefit of \$1,000 per adult and child members; there were no premium changes for 2014.

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

Electronically signed:
08/12/2014

Board	Mtg Date	Item #
GIB	8.26.14	7B

Proposal

Effective January 1, 2015, Anthem DentalBlue proposes the following plan enhancements and premium adjustments to its three plan types (see Attachment A):

- Supplemental: increase coverage from 50% to 60% for major and complex service codes (crowns, bridges, endodontics), with no change in premium
- Dentacare HMO (VDC 186): Decrease premiums 20.08%
- Preferred PPO (VP 864): Decrease premiums 12.88%

Anthem will offer an open enrollment opportunity for these plans for active employees in participating agencies during the fall 2014 It's Your Choice opportunity. Anthem will not offer an open enrollment for retirees.

Discussion

Anthem discussed potential plan amendments with the Fringe Benefits Subcommittee of the State Payroll Council before submitting their final proposal to ETF and shaped the changes based on input from those employer representatives.

Anthem has proposed changes for 2015 to bring its loss ratios in line with the threshold of 75% called for in the Guidelines for Optional Plans, and to adapt its coverage as a supplement to the Uniform Dental benefit (which now covers 100% of "basic" procedures such as fillings). Adjustments to the plan in the past two years have not achieved the expected loss ratio, and the expected reduction in claims for "basic" procedures was projected to lead to further imbalance of that ratio.

Actuarial review

The Board's consulting actuary, Deloitte Consulting, LLP (Deloitte) reviewed the Anthem DentalBlue proposal (Attachment B) and estimates the projected 2015 loss ratios as follows:

Deloitte projections	Dentacare HMO	Preferred PPO	Supplemental	Combined
2015	77.7%	77.2%	79.0%	78.6%

Deloitte states that Anthem's proposed changes to premiums and benefits in the three plans appear to be reasonable and could be expected to achieve the 75% minimum loss ratio.

Conclusion

Staff recommends that the Board approve the requested premium and benefit adjustments for Anthem DentalBlue, effective January 1, 2015, with open enrollment for active employees during the It's Your Choice period.

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



June 26, 2014

Group Insurance Board
C/O Department of Employee Trust Funds
Attention: Roni Harper, Division of Insurance Services
801 West Badger Road
Madison, WI 53707-7931

RE: Anthem Optional Dental Blue Plans –Change in Benefit Level for Major and Complex Services on the Supplemental Plan and Individual Rating of the Voluntary Dental Plans

Dear Group Insurance Board:

Anthem Blue Cross and Blue Shield (Anthem) would like the Group Insurance Board to consider the proposed increase in coinsurance reimbursement for Major and Complex services for the Supplemental plan as well as individual rating of the three voluntary plans.

The Anthem Voluntary Dental Blue Supplemental plan offered to the State of Wisconsin employees includes coinsurance for Major Services of 50% and coinsurance for Complex Services of 50%. The enhanced benefits will provide employees and dependents with 60% coinsurance for Major Services and 60% coinsurance for Complex services on the Supplemental plan.

In the past poor loss ratio performance of the Supplemental Plan required rate increases that were unfavorable to the membership. At that time Anthem extended the offer to renew all three plans together to help offset the premium increase needed for the Supplemental Plan. It has been the understanding of Anthem that this has been the preferred method since that time. The Supplemental Plan is now performing better than in the past so Anthem is proposing independent renewal rates for each plan. Rating each plan independently will afford the opportunity to significantly reduce the rates on the PPO and DHMO plans. A reduction in rates on the PPO and DHMO plans will increase affordability and accessibility to the benefits for State of WI members.

The renewal calculations for 2015 are based on data from May of 2013 through April of 2014. Any period over period comparison in the following summary is comparing that data to the prior period data of May 2012 through April of 2013. There was an increase in average contracts of approximately 50 on the PPO Plan in the current period. The DHMO Plan saw a modest decrease of 24 average contracts in the current period. The Supplemental plan saw a 6.1% decrease in membership in the current period losing 347 average contracts. Overall the current period member months for all three plans are 159,290 compared to 165,810 in the prior period, a 4% decline in membership.

The loss ratio for all three plans combined in the current period is 59% compared to a prior period loss ratio of 65.7%. When reviewing the experience on a plan by plan basis the loss ratio on the Supplemental plan is 61.6% in the current versus 68.8% in the prior, the PPO is 56.2% in the current versus 56.5% in the prior, and the DHMO plan is 47.4% in the current versus 54.4% in the prior period.

Attachment A

In reviewing the plans on a quarterly basis the Q1 performance of the Supplemental Plan represents a loss ratio of 64.8% in the current period versus 74.2% in the prior, the PPO is 58.5% in the current versus 57.2% in the prior, and the DHMO is 49.3% in the current versus 69.3% in the prior. The combined loss ratio of the three plans in Q1 2014 is 61.9% compared to 71.6% for Q1 2013.

Anthem added comprehensive Orthodontic coverage for children and adults with a \$1,000 maximum to all three plans in 2014. The experience of the plans has yet to fully realize the impact of the addition of comprehensive orthodontia in 2014. The benefit adjustment to the 2015 renewal for the addition of comprehensive orthodontia is 8.1% on both the DHMO Plan and the PPO Plan. Due to the orthodontia coverage under the Uniform Dental the adjustment factor for the Supplemental Plan is 6.9%.

The benefit adjustment to the 2015 renewal on the Supplemental Plan for the proposed increase in coinsurance to 60% for Major and Complex Services is 8%. Anthem recognizes the expansion of coverage for Amalgam and Composite Fillings under the Uniform Dental plan and the impact that will have on the claims under the Supplemental Plan. Therefore, a -3.5% adjustment factor was calculated into the renewal for the Supplemental Plan.

Effective January 1, 2014 the Patient Protection and Affordable Care Act (PPACAA) required the payment of the ACA Insurer Fee for all fully insured plans including dental plans. The fee is intended to fund premium subsidies and Medicaid expansion. The fee for the 2015 renewal equates to 3.6% of the required annual premium.

The calculations provided represent individual rating of the three plans. The renewal calculations include a factor of 1.01 for claims incurred but not yet reported, a benefit adjustment for the addition of the comprehensive orthodontia, applied trend of 8.5%, retention, and the ACA fee. The result of the calculations and the associated factors result in proposed rate actions of no increase for the Supplemental Plan, -12.88% for the PPO Plan, and -20.08% for the DHMO Plan.

While the three plans have been individually rated for 2015, we have also provided a combined renewal calculation for illustrative purposes. Following review of the enclosed documents, feel free to contact me with any questions at 920-497-5121 or Brian.Martin@anthem.com.

Sincerely,

Brian Martin
Account Manager Consultant



Enclosures

Voluntary Dental Rates for 2014

Total Rate Calculation

Supplemental Plan Rate Calculation

Attachment A

PPO Plan Rate Calculation

DHMO Plan Rate Calculation

**State Vol. dental Plans
January 1, 2015 Renewal Rates**

VDC 186		Current Rates	Renewal Rates
Region 1	Employee	\$23.27	\$18.62
	Employee + One	\$46.55	\$37.24
	Family	\$74.47	\$59.57
Region 2	Employee	\$28.78	\$18.62
	Employee + One	\$57.56	\$37.24
	Family	\$92.10	\$59.57

VP 864

Region 1	Employee	\$23.51	\$20.48
	Employee + One	\$47.01	\$40.95
	Family	\$77.56	\$67.57
Region 2	Employee	\$23.51	\$20.48
	Employee + One	\$47.01	\$40.95
	Family	\$77.56	\$67.57

Supplemental Plan Adding Major & Complex @ 60%

Region 1	Employee	\$18.08	\$18.08
	Employee + One	\$36.17	\$36.17
	Family	\$54.28	\$54.28
Region 2	Employee	\$18.08	\$18.08
	Employee + One	\$36.17	\$36.17
	Family	\$54.28	\$54.27

Rates assume no change to administration or billing (premiums withheld from payroll).

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: Anthem Dental Blue 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 Anthem (DentalBlue Program) for active employees and annuitants (retirees). Our review relates to the assumptions provided by Anthem with respect to this voluntary coverage, and the associated premium rates for that coverage.

Proposed Plan Design Change Description

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

- Supplemental Plan Design Changes:
 - 60% coinsurance for Major Services (was 50%)
 - 60% coinsurance for Complex Services (was 50%)
 - Expected reduction in utilization on amalgam & composite fillings due to expansion of these coverages under the uniform dental plan
- Supplemental Plan Rate Action: 0.00%
- VP 864 Plan Rate Action: -12.88%
- VDC 186 Plan Rate Action: -20.08%

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 Anthem's projection of the plan's loss ratio experience for 2015, inclusive of the above changes and recommended rate actions:

Plan Year	Plan	Anthem DentalBlue Loss Ratio (Claims ÷ Premiums)
2015	Supplemental Plan	0.786
2015	VP 864 Plan	0.772
2015	VDC 186 Plan	0.776
2015	All Plans Combined	0.779

Deloitte has reviewed the proposed rate changes and plan design change for 2015, and has estimated the following loss ratios for 2015:

Plan Year	Plan	Deloitte DentalBlue Loss Ratio (Claims ÷ Premiums)
2015	Supplemental Plan	0.790
2015	VP 864 Plan	0.772
2015	VDC 186 Plan	0.777
2015	All Plans Combined	0.786

Summary

Thus, based on Deloitte's actuarial review, the plan design enhancement on the DentalBlue Supplemental Plan, coupled with the rate actions noted by Anthem for 2015, appear to be reasonable given expected claims trends, and achieves the expected 75% minimum loss ratio levels across the aggregated DentalBlue plan options as well as each option individually.

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 Anthem.

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