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CORRESPONDENCE MEMORANDUM

DATE: October 20, 2014
TO: Group Insurance Board
FROM: Shayna Gobel, Manager, Self-Insured Health Plans
Mary Statz, Director, Health Benefits and Insurance Plans Bureau
SUBJECT: Local Annuitant Health Program Rates 2015

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

Background

The Local Annuitant Health Program (LAHP) was authorized pursuant to Wis. Stat. § 40.51 (10) on July 1, 1988, as a health insurance program to offer individual coverage for retiring local government employees and their dependents who are not offered a group plan by their municipal employer. LAHP is voluntary for retirees of employers who participate in the Wisconsin Retirement System (WRS). The LAHP is a fully-insured plan provided by the Standard Plan administrator, Wisconsin Physicians Service Insurance Corporation (WPS). The renewal rates are provided annually in October, after Medicare deductibles are established for the following year. Deloitte Consulting, LLC reviewed the attached rates and calculations prepared by WPS for accuracy.

Membership

Because many municipalities offer other coverage for their annuitants, the LAHP insures a very small population and is subject to adverse selection and higher volatility. The program has experienced a slow and steady decline in the number of subscribers over the past several years. There are 233 total LAHP subscribers as of January 2014, which is a 5.6% decline from 2013. Of the 233 total subscribers, there are 222 subscribers in the LAHP Medicare Supplement plan, of which 174 are age 75 and older. Eleven subscribers are in the Preferred Provider Organization (PPO) plan for members under 65 years of age.

Premium Rates effective January 1, 2015

WPS has calculated a 5% increase for the Medicare Supplement plan because of an

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

Electronically Signed:
10/30/2014

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increase in claims per person this year. The Medicare Supplement includes the majority of the LAHP subscribers. The 11 subscribers enrolled in the LAHP PPO will see a 15% increase in premiums. The increase was primarily influenced by the low enrollment in the PPO plan, and two high-cost claims that accounted for approximately 11.7% of total claims. Last year, rates increased 18% for the PPO plan, and 0.5% for the Medicare Supplement plan. The calculated 2015 rates are attached.

Health Insurance Marketplace

Recalling the November 2013 Group Insurance Board meeting, there was concern regarding the premium rate increases and subsequent discussion of alternatives to offering LAHP. Given the availability of the Health Insurance Marketplace (Marketplace) options, ETF staff reviewed the enrollment changes and Marketplace options for members currently in the LAHP PPO plan for 2014.

Health Plan Name	2013 Enrollment Contracts	2014 Enrollment Contracts
LAHP PPO - UNDER 65 - NO MEDICARE	10	6
LAHP PPO - UNDER 65 - WITH MEDICARE	6	5
LAHP MEDICARE SUPPLEMENT - AGE 65-67	15	8
LAHP MEDICARE SUPPLEMENT - AGE 68-69	9	12
LAHP MEDICARE SUPPLEMENT - AGE 70-74	29	28
LAHP MEDICARE SUPPLEMENT - AGE 75 AND OVER	178	174

There are six subscribers enrolled in the LAHP PPO without Medicare, of which five are enrolled in single coverage. These subscribers should be eligible to transition to the Marketplace and elect a health plan. There are an additional five subscribers enrolled in single LAHP PPO contracts with Medicare. However, the five subscribers enrolled in the LAHP PPO with Medicare are under 65 and on disability; therefore, they are not eligible for Marketplace coverage. There are no Medicare plans available on the Marketplace, and individuals enrolled in Medicare are not eligible to elect non-Medicare Marketplace health plans.

In general, there would be a premium advantage for members to transition to Marketplace coverage. Single coverage under the LAHP PPO plan is \$1,645.80 per month for 2014. The cost of comparable Marketplace plans for 2014 range from \$624 to \$932 per month for single coverage in the regions where the LAHP PPO subscribers live. There are a few plan options for more comprehensive coverage than what is offered under the LAHP PPO plan, for which premiums range from \$1,033 to \$1,276 per month on the Marketplace for single coverage in the same regions. We do not know

why individuals have chosen to remain on the LAHP PPO given Marketplace availability.

An amendment to Wis Stat. § 40.51 (10) would be necessary in order to remove the PPO plan option and limit LAHP to Medicare eligible retirees only. Currently, any retired public employee who is receiving an annuity under the WRS can elect coverage under the LAHP Medicare Supplement or PPO plan. The only open enrollment opportunity for LAHP is at the time of retirement.

If legislation to discontinue the LAHP PPO and Medicare Supplement plans were pursued, a strategy should be in place to ensure a smooth transition into other coverage. The LAHP Medicare Supplement currently covers a large number of individuals. If the Medicare Supplement portion of the plan were to discontinue, members would be given a special enrollment opportunity to enroll in a commercial Medicare supplement without being subjected to pre-existing waiting periods or exclusions – but they may need additional resources or assistance enrolling in another health plan. While the LAHP PPO for non-Medicare participants has very few subscribers, it would be necessary to communicate to these individuals about any options for them. However, it is not known with certainty that options exist in all cases.

In addition, the LAHP PPO for individuals enrolled in Medicare due to a disability may be the only option they have for health care coverage because their Medicare enrollment prevents them from being protected from pre-existing condition waiting periods or denials based on their health status. They are also ineligible for the LAHP Medicare Supplement because they are under age 65. Based on this information, LAHP serves a population that may have few other health insurance options. Staff recommends that we continue to administer the LAHP.

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

ATTACHMENT A

RETIREES MONTHLY HEALTH INSURANCE PREMIUMS

EFFECTIVE 01/2014

Coverage	PPO		Medicare Supplement*		
	Single	Family	Single	Family-2	Family-1
PPO - Under Age 65 - No Medicare	1,645.80	3,282.30			
PPO - Under Age 65 - With Medicare	1,153.10				
PPO - Under Age 65 - Both with Medicare		2,302.00			
PPO - Under Age 65 - One with Medicare, Other Not		2,794.30			
PPO - Under Age 65 - Two with Medicare, 3rd Not		3,295.90			
Medicare Supplement - Age 65-67			169.70	334.90	1,277.40
Medicare Supplement - Age 68-69			188.50	372.40	1,296.20
Medicare Supplement - Age 70-74			231.90	459.10	1,339.60
Medicare Supplement - Age 75 and Over			263.00	521.00	1,370.50

EFFECTIVE 01/2015

Coverage	PPO		Medicare Supplement*		
	Single	Family	Single	Family-2	Family-1
PPO - Under Age 65 - No Medicare	1,892.60	3,774.60			
PPO - Under Age 65 - With Medicare	1,326.00				
PPO - Under Age 65 - Both with Medicare		2,647.20			
PPO - Under Age 65 - One with Medicare, Other Not		3,213.30			
PPO - Under Age 65 - Two with Medicare, 3rd Not		3,790.20			
Medicare Supplement - Age 65-67			178.60	352.00	1,341.70
Medicare Supplement - Age 68-69			198.30	391.40	1,361.40
Medicare Supplement - Age 70-74			243.90	482.40	1,407.00
Medicare Supplement - Age 75 and Over			276.50	547.40	1,439.40

Includes a \$3.60 administrative fee for 2014, \$4.15 for 2015

Includes a \$0.80 wellness fee for 2014 and 2015

*Rate determined by subscriber's age as of the 1st of the calendar year

PPO - Preferred Provider Organization for those under the age of 65, network identical to State Standard PPO, \$250 individual deductible, capped at 3 for the family, in-network coinsurance of 80%/20% to \$2,500/\$7,500, out-of-network coinsurance of 60%/40% to \$2,500/\$7,500, amounts are combined so maximum coinsurance out-of-pocket will be \$2,500/\$7,500 in total

Medicare Supplement - For those over 65 an age-rating premium rate structure