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## CORRESPONDENCE MEMORANDUM

**DATE:** October 17, 2014  
**TO:** Group Insurance Board  
**FROM:** Tara Pray, Manager, Alternate Health Plans  
Arlene Larson, Manager, Federal Health Programs & Policy  
Mary Statz, Director, Health Benefits and Insurance Plans Bureau  
**SUBJECT:** 2015 Guidelines - High Deductible Health Plan Technical Changes

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

At the May 21, 2014 Group Insurance Board (Board) meeting, staff received Board approval to proceed with necessary technical changes relating to the *Terms and Conditions for Comprehensive Medical Plan Participation in the State of Wisconsin Group Health Benefit Program and Uniform Benefits* (Guidelines) 2015 contract. Staff have identified a couple of minor potential enrollment and eligibility issues for State employees who select the High Deductible Health Plan (HDHP). This memo addresses those issues.

### Background

Wis. Stat. [§40.515](#) provides the HDHP and Health Savings Account (HSA) be offered as one option, meaning that HDHP enrollment requires participation in the state-sponsored HSA. The Department of Employee Trust Funds (ETF) is requiring employers to verify HSA enrollment prior to approving HDHP applications, due to the IRS rules that deems an individual who is not eligible for an HSA is not eligible for the HDHP.

HSAs are subject to banking regulations. Therefore, account holders are subject to the Patriot Act in order to activate the account. The bank is required to verify the identity of any person seeking to open an account and also determine whether the person appears on any lists of known or suspected terrorists or terrorist organizations. Delays are typically brief and are caused by simple errors, such as address formatting or transposed letters or numbers. When the issue is cleared, the HSA open/activation date is retroactive to the application date. However, if the issues are not resolved by the date the HDHP coverage is set to take effect (e.g., January 1, 2015), ETF has determined that the HDHP application will be rejected, and if it is beyond the employee's enrollment

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

Electronically Signed:  
10/30/2014

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opportunity, their current coverage will continue for the next calendar year. This is due to the statutory requirement for employees to have an HDHP in conjunction with the HSA.

Staff also addressed cases in which the member fails to enroll in the HSA. HSA enrollment is an essential step for an HDHP application, these HDHP applications will be rejected. If the rejection occurs after the employee's enrollment opportunity, their current coverage will continue.

Staff investigated a possible scenario where an employee is found, after January 1, 2015, to be ineligible for the HSA and thus, ineligible for the HDHP. In order to provide for accurate continuous coverage, ETF has determined that these individuals will be retroactively changed to the Coinsurance Uniform Benefits plan with the same health plan in which they elected HDHP coverage. Incurred claims and premiums will be adjusted retroactive to either January 1 of the plan year in which the ineligibility was discovered, or the effective date, if after January 1.

Staff developed the following contract language to codify these requirements:

#### Article 3.3 Selection of Coverage (13) State Contract

“For the purposes of selecting a HIGH DEDUCTIBLE HEALTH PLAN, a completed application requires the submission of a Health Savings Account application to the third party administrator.”

#### Article 3.18 Individual Termination of Coverage (8) State Contract

“Upon determination that a SUBSCRIBER is ineligible for the HIGH DEDUCTIBLE HEALTH PLAN (HDHP), coverage shall revert to the coinsurance Uniform Benefit with the same HEALTH PLAN retroactive to either January 1 of the plan year in which the eligibility error was discovered, or the HDHP effective date if after January 1 of the current plan year. PREMIUMS and claims shall be retroactively adjusted.”

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