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**CORRESPONDENCE MEMORANDUM**

**DATE:** November 3, 2014  
**TO:** Group Insurance Board  
**FROM:** Roni Harper, Manager, Optional Insurance Plans and Audits  
Mary Statz, Director, Health Benefits and Insurance Plans Bureau  
**SUBJECT:** Guidelines for Optional Insurance Plans

**Staff recommends the Group Insurance Board (Board) adopt the “Guidelines for Optional Insurance Plans: Approval and Operations” and grant staff the authority to make additional technical changes as necessary.**

**Purpose**

The process for approving employee-pay-all optional insurance plans is outlined in the *Guidelines for Optional Group Insurance Plans Seeking Group Insurance Board Approval for Payroll Deduction Authorization* (1999 Guidelines), published in 1992 and revised in 1999 to include provisions related to Long-Term Care (LTC) insurance. The intent of this proposal is to:

- Remove references to LTC insurance; LTC insurance is separately discussed in item 5.B.1.A.;
- Update the 1999 Guidelines specific to the process and expectations for other employee-pay-all optional insurances, such as dental and vision coverage; and
- Clearly outline responsibilities of each entity for ongoing administration

**Background**

Under the authority granted to the Group Insurance Board (Board) by Wis. Stats. Ch. 40.03(6)(b) and pursuant to Wis. Stats. Ch. 20.921(1)(a)3 and Wis. Admin. ETF10.20, the Board may approve for payroll deduction insurance other than health, life, and disability insurance, to employees, annuitants and their dependents. The premiums for such insurance are the sole responsibility of the insured; there is no employer contribution.

At the February 5, 2013 meeting the Board considered whether it should directly contract with insurers that provide optional insurance plans. After discussion, the Board chose to leave the current system in place, wherein each agency contracts directly with an insurer that has been approved by the Board to offer a particular plan for payroll deduction. At that time, employers also expressed a preference for ETF to take a

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

Electronically signed:  
11/7/2014

Board	Mtg Date	Item #
GIB	11.18.2014	5B2

stronger role in coordinating the activities associated with determining the types of plans offered and in resolving complaints. The revised Guidelines address these and other issues.

### **Proposal**

The new Guidelines seek to provide limited substantive changes, while restructuring the format of the document to include a clear outline of responsibilities of the insurer, the employer and the Department of Employee Trust Funds (ETF) once a plan has been approved. Employer representatives have reviewed these Guidelines in an advisory capacity and their comments have been incorporated where appropriate. The attached Guidelines document shows new or clarified provisions **marked in gray**.

Following is a summary of clarifying language or changes.

#### Plan provisions- benefits, rates, enrollment and eligibility:

- Section 3.A.5. Defines “group” for the purpose of rate-setting to clarify that premiums must be the same for all eligible employees, from any state agency that participates
- Section 3.C.2.f. Gives priority for approval to plans that make optional insurance available to all, both active employees and annuitants, unless the proposal shows factors that would substantially affect the premiums for all members or create substantial administrative issues

#### Application Procedure:

- Section 3.A.9. Requires demonstration of adequate administrative support from the insurer, including inquiry and complaint management
- Section 4.B. Lengthens the lead-time between submission and Board review from 45 days for a newly proposed plan or 60 days for a proposal seeking to change rates in an existing plan, to 16 weeks (new plan) 12 weeks (revised plan) to allow more time for actuarial review, more formal review and discussion with employer representatives and other interested parties, and formulation of analysis and recommendations by ETF
- Section 4.C. Allows submission via e-mail and/or paper as determined by ETF
- Section 4.C. Lists exhibits required for a proposal from an insurer including, for example, a description of benefits specific to the State employee group, list of limitations and exclusions, premium schedule, actuarial analysis, outline of plans for open enrollment, sample brochure and other marketing materials, and complete lists of contact persons for specified issue areas such as implementation and claims processing and a financial statement demonstrating stability

#### Administrative Fees:

- Sections 3.B. and 6.C.7. Under these Guidelines ETF would establish a fee schedule to offset the oversight of optional, employee pay-all insurance.
  - Wis. Stat. Ch. 40.04(2) authorizes the establishment of an administrative account to pay the administrative costs of ETF. ETF has a system for calculating the administrative costs to be assessed.

- These fees would be payable to ETF, and would be unrelated to fees charged by the actuarial consultant and billed directly to the insurer.

#### Changes to administration and oversight

The Guidelines clarify the administrative responsibilities of ETF, the insurer and agents, and employers of eligible participants.

- Section 6.A.2. An approved insurer must demonstrate fulfillment of specific requirements following Board approval before it can market the plan during open enrollment
- Section 6.A.6. Insurers must work with an advisory team including participating employer representatives, to develop and use an administrative guide, and to establish, refine, and follow procedures for enrollment and reconciliation of census and rates
- Section 6.A.2.d. Insurers and employer payroll centers must establish systems for automated payroll deduction
- Section 6.B and 6.C. Employer and ETF duties that have been in operation in recent years are spelled out, such as maintaining a cross-listing of which employers offer specific plans each year, making that list available on the Internet, and notifying plans of changes to WRS eligibility and health insurance that might affect member use of Optional Plans.

#### **Conclusion**

Staff recommends the Board adopt the “*Guidelines for Optional Insurance Plans: Approval and Operations*” to be effective January 1, 2015. Staff also requests the Board grant staff the authority to make additional technical changes as necessary.

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

Attachment: *Guidelines for Optional Insurance Plans: Approval and Operations*

**GUIDELINES  
FOR  
OPTIONAL INSURANCE PLANS**



Department of Employee Trust Funds

Group Insurance Board

801 West Badger Road

Madison, Wisconsin 53702

November 18, 2014

## Guidelines for Optional Insurance Plans: Approval and Operations

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# Guidelines for Optional Insurance Plans: Approval and Operations

## 1. OBJECTIVES

The guidelines describe the requirements identified by the Group Insurance Board (Board), the procedure followed in reviewing a proposal for state payroll deduction authorization, and the requirements for plans that are approved in their on-going relationship with the Board. Plans that fail to meet these requirements may have their payroll deduction request denied or authorization suspended.

## 2. STATUTORY AND ADMINISTRATIVE AUTHORITY

Unless specifically provided for under a collective bargaining agreement under Wis. Stats. Ch. 111, Sub. V., the Board is charged by Wis. Stats. Ch. 40.03 (6), and s. 20.921 (1) (a) 3. with approving any optional, employee-pay-all group insurance plan for which premiums will be deducted from state payroll. Fees for program administration are authorized under Wis. Stats. Ch. 40.04(2). The Board has established the policy under which it will review each plan under Wis. Adm. ETF 10.20.

## 3. GUIDELINES FOR PLAN PROVISIONS

### A. General requirements

The Board will only consider those plans which have received approval from the State of Wisconsin Office of the Commissioner of Insurance (OCI) to conduct the business of insurance in this state.

1. Plans should indicate when this authority was received and under which section of state statute the insurer is licensed.
2. The Board will consider only plans that have at least two years of operating experience. The Board may waive this requirement, providing the Plan can demonstrate it was designed specifically for the State employee group to fill a need for coverage that is not already available (or adaptable) to State employees.
3. The proposal must clearly identify any items related to enrollment, coverage or exclusions, eligibility, and continuation that would be different for the State Employee group, as compared to a plan available to other employers statewide.
4. The Plan must be true group insurance. A plan which consists of individual policies marketed on a group basis is not eligible.
5. For rating purposes, the "group" consists of all eligible employees, their spouses, domestic partners, and other dependents, and retiring members within limits proposed by insurer.
6. Eligible employees are those otherwise eligible to enroll in State of Wisconsin Group Health Insurance.
7. Initial contracts must be not less than 2 years nor more than 3 years.
8. The insurer must demonstrate financial stability, as specified in "Procedure for Submitting a Proposal," Section 4.c.ix.
9. The insurer must demonstrate capacity for excellent administrative support within the State of Wisconsin and/or at corporate level if

## Guidelines for Optional Insurance Plans: Approval and Operations

applicable. This includes ability to exchange data electronically with existing or emerging State systems for payroll and annuities, including exchange of census data and reconciliation of premiums. The Insurer must also demonstrate that it can accommodate premiums and status changes related to subscriber leave of absence and continuation of coverage under applicable state and federal laws.

10. Any new proposal must provide three to five references- at least two large groups, including at least one public sector group.
11. The proposed plan must provide coverage that is not adequately provided through other plans currently available to State employees. The Board may approve a plan which provides coverage similar to one already available to state employees if the Board determines that by so doing, the new plan will provide competition resulting in different benefits, broader provider access, and/or more favorable premiums for subscribers
12. The Board reserves the right and responsibility to limit the number and types of insurance offered to employees so that choices are available but clear, and administration is manageable for employers. If an insurer submits a proposal for a type of insurance that is already in place, or if more than one proposal for the same type of insurance is submitted for concurrent review, ETF staff will notify the insurers of this duplication. If overlapping proposals are considered by the Board, the Board may exercise its right to approve the plan that offers the preferred value to employees and best evidence of efficient, reliable procedures for enrollment, claims, and other administration.

### **B. Administrative fees**

ETF may assess fees to an Insurer for annual coordination of Plan administration.

### **C. Coverage and premiums**

1. The Plan must provide a high premium to payment ratio.
  - a) Plans that retain more than 25% of premium income for purposes other than claim payments will not normally be eligible for consideration.
  - b) An insurer seeking a ratio of claims/premiums of less than 75% will need to supply clear and convincing actuarial data to justify that alternate retention ratio.
2. The Plan must provide for open enrollment for eligible employees.
  - a) The proposal must describe how the Plan will hold an initial open enrollment period for a period of not less than four weeks prior to the plan's first January effective date and during the open enrollment period designated by ETF prior to the second plan year.
  - b) During the initial open enrollment period, any eligible employee shall be allowed to enroll in the Plan (along with dependents if the Plan is open to

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- dependents). No Plan will be allowed to apply underwriting standards or restrictions during this open enrollment period.
- c) Newly-eligible employees shall be afforded the same opportunity to enroll provided application is made within 30 days of first becoming eligible.
  - d) The Plan may allow employees who do not enroll when initially eligible the opportunity to enroll through the application of underwriting standards. If so, the proposal must outline those underwriting standards for approval by the Board.
  - e) The Plan must allow an eligible employee and his/her eligible dependents to enroll without restrictions due to a HIPAA qualifying event, such as loss of other comparable coverage, marriage, birth or adoption.
  - f) A Plan that has been previously approved without offering enrollment to annuitants may continue to restrict annual enrollment to active employees, until such time as a Plan seeks to renew and/or change its benefits or premium structure. At that time it must include provisions to offer enrollment to annuitants, unless the proposal can demonstrate negative impacts on premium rates, or substantial constraints for administration of the Plan by including annuitants.
  - g) Benefits or premiums may not be changed during the coverage period, unless such change is necessary to comply with state or federal law, regulation, or court order.

### 4. PROCEDURE FOR SUBMITTING A PROPOSAL

- A. Each insurer must submit a clear, complete and understandable description of the proposed plan in the format required by ETF
  - 1. Plan benefits must be outlined as proposed for the State employee group.
  - 2. The Plan description must include a detailed list of exclusions and limitations.
  - 3. To the extent possible for the type of plan, eligibility must conform to that of any State of Wisconsin Group Health Insurance Program. Any exceptions, such as an upper age limit, or eligibility of extended family, must be clearly outlined in the proposal, along with the rationale.
- B. Timing for submission and review
  - 1. A proposal for a plan type that is not currently approved by the Board, or a proposal from an insurer that does not have a Plan currently approved, must be submitted to ETF on behalf of the Board no later than 16 weeks prior to the Board meeting at which it will be considered.
  - 2. A proposal to modify a Plan that has been in effect for more than one year (or two years for a first modification) must be submitted to ETF on behalf of the Board no later than 12 weeks prior to the Board meeting at which it will be considered.
- C. The Plan proposal must be submitted for Board approval by providing an electronic copy in care of the Division of Insurance Services designee in ETF. However, ETF reserves the right to request paper copies and will expect the



## Guidelines for Optional Insurance Plans: Approval and Operations

paper copies within ten (10) days of the request. The proposal must consist of separately attached, itemized sections including the following:

1. A cover letter showing the working title of the Plan and OCI identification number, an outline or narrative of distinctive Plan features clearly identifying how it conforms to these Guidelines, and identifying what makes the Plan an important value to the State employee group
2. Premium Schedule
3. Actuarial analysis of the proposed Plan in relation to the State employee group, including a detailed description of the insurer's rate-making process.
4. A completed data exhibit containing all elements in the format of the Proposal Data form in Attachment D.
5. A sample brochure, specifically drafted to demonstrate the State Plan, or clearly marked to show any customization for the State employee group
6. References as outlined in section 3.a.vi, above.
7. List of contact persons representing the Wisconsin arm of the insurer's administrative structure, a contact for the review and approval process, and the expected managing contact for implementation and administration if approved.
8. Demonstrate that adequate staffing is available for a group with State employee structure, including contacts with ETF, employers, customer service, and information technology contacts for:
  - a) implementation of the Plan benefits
  - b) marketing of the Plan
  - c) enrollment in the Plan
  - d) coverage changes due to qualifying events
  - e) claims process for the Plan
9. Marketing plan demonstrating how the Insurer will seek contracts with State employers and what electronic and print materials it will make available.
10. Documentation demonstrating the financial soundness of the insuring organization, including:
  - a) Balance sheet, statement of operations, an audited financial statement by a certified public accountant in accordance with generally accepted accounting principles, and utilization statistics (This information shall remain confidential insofar as permitted by Wisconsin law.) Incorporation and regulation under the provisions of Wis. Stats. Ch. 185 and/or Ch. 600 through 646, pertaining to insurance plans
  - b) Insolvency protection for subscribers consisting of, for example; financial bonds, third party guarantees, reinsurance deposits, automatic conversion rights, or other arrangements which are adequate to the satisfaction of the Board to provide for continuation of benefits until the end of the third month following the month in which insolvency is declared

## Guidelines for Optional Insurance Plans: Approval and Operations

### 5. Review process by the Department of Employee Trust Funds

- A. ETF will notify the Agent within ten (10) days that the submission has been received and if it is complete. ETF reviews the proposal and prepares a recommendation to the Board.
- B. Review by the Board's consulting actuary will range from brief to extensive, based on the features of the Plan and clarity of the proposal submitted. The fee for this review will be billed directly to the Insurer by the Board's consulting actuarial firm.
- C. The review process may include meetings or conference calls with Insurer and ETF, and/or the consulting actuary
- D. Any modifications to the proposal must be received by ETF in writing (via email attachment) no later than six (6) weeks prior to the scheduled Board meeting.
- E. A spokesperson for the Insurer must be present at the Board meeting. The agenda and documents for Board discussion are posted at ETF's website prior to each meeting.
- F. Marketing materials, including any references to electronic access, must be approved by ETF to ensure they reflect plan provisions and procedures in this Guideline. Approval of marketing materials by the OCI is not a substitute for approval by ETF.

### 6. Administration and oversight of approved Plans

- A. Duties of Insurer
  1. Approval by the Board under these Guidelines authorizes a Plan for premium collection through payroll deduction only; it does not guarantee access to all State agencies. Plans that have been approved by the Board will be expected to execute a Group Master Contract with each State agency that wishes to offer the coverage to its employees. A State agency may, at its discretion, choose not to offer a plan.
  2. Marketing is conditional on completion of deliverables:
    - a) Marketing material must have prior approval by ETF
    - b) Signed Group Master Contract with at least three (3) State agencies as defined in Wis. Stats. Ch. 40.02(54)
    - c) Construction of a draft administration manual for payroll offices (suggested template will be provided upon request).
    - d) Detailed plan showing compatible mechanisms for enrollment, successfully tested, remittance and reconciliation of census and premiums
    - e) Each Insurer will be required to supply all necessary brochures, application forms and reporting forms to participating agencies. Application and reporting may be in electronic format. Brochures must be provided for newly hired employees in printed format, in quantities requested by each agency.
    - f) Each Insurer must provide a Wisconsin group specific website including clear links to a summary of benefits and exclusions, a provider listing, and as needed, access to forms or online process

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for enrollment, continuation and status changes, as well as a means to communicate with customer service representatives, and a description of the steps to file a grievance.

3. Enrollment will be offered as outlined in item 3.c.ii, and at least every two years thereafter.
4. Insurer must provide benefits as outlined in its approved proposal, including
  - a) Efficient collection and reconciliation of enrollment and premium remittance; coordinate with contracting agencies for accurate census of enrollment, status changes, refunds, and other tasks as outlined in an "Administration Guide" approved by the Plan, participating agencies, and ETF
  - b) Timely response to customer issues
5. Rates must achieve the expected loss ratio of 75%, using simple claims paid/premiums earned as reported annually
6. Establish and utilize an advisory group made up of representatives from ETF, payroll and benefits offices of contracting agencies, and information technology staff from payroll centers. This group should meet at least every other year, as convened by the insurer, or upon request of the advisory group.
7. Each plan will be required to file with the Board a detailed description of how member complaints will be resolved. In addition, each plan must specify the name and telephone number of the person who will initially receive member complaints. This procedure for filing a complaint with the Plan and with OCI must be outlined in the policyholder certificate and in the Administrative Guide prepared for the Contracting State Agency.
8. Each plan shall notify the Board of a "significant event" within thirty (30) calendar days after the plan becomes aware of it. (In the event of insolvency, the Board must be notified immediately.) As used in this provision, a "significant event" is any occurrence or anticipated occurrence which might reasonably be expected to have a material effect upon the plan's ability to meet its obligations, including, but not limited to, any of the following: disposal of major assets; loss of 15% or more of the plan's membership; termination or modification of any contract or subcontract if such termination or modification will have material effect on the plan's obligations; the imposition of, or notice of the intent to impose, a receivership, conservatorship or special regulatory monitoring; the withdrawal of, or notice of intent to withdraw, state licensing, HHS qualifications or any other status under state or federal law; default on a loan or other financial obligations; strikes, slowdowns or substantial impairment of the plan's facilities used by the plan in the performance of its contract. The Board shall reserve the right, by contractual agreement, to institute action as it deems necessary to protect the interest of its employees and dependents, as the result of a "significant event."

## Guidelines for Optional Insurance Plans: Approval and Operations

### 9. Reporting

- a) Each plan will be required to annually submit enrollment and utilization statistics and any other requested financial information in a format and timeline specified by the Board and/or ETF to include annualized data from the previous year, and point-in-time data for enrollment in the first quarter, as outlined in attachment D. Failure to submit this information may, at the discretion of the Board, constitute grounds for termination of the plan's payroll deduction authorization.
- b) Each plan will provide an annual report showing performance levels for calls answered, calls abandoned, average phone wait time and other customer service measurements, as outlined in the Agency contract.

### B. Duties of Employers and Payroll System Staff

1. Consider whether to offer approved insurance to agency employees and sign contract timely if appropriate.
2. Identify contact person for administration of optional insurance plan tasks and update ETF and insurer with changes as needed.
3. Participate in review of Administrative Guide for new plans
4. Premiums will be paid via automatic payroll deduction unless employees are not on payroll--in which case the Insurer will bill directly
5. Provide access to enrollment information to new employees
6. Assist employees to utilize paper or electronic systems for enrollment and status change
7. Provide COBRA/continuation forms as needed to terminating employees and eligible dependents
8. Facilitate transfer of employee enrollment or continuation upon transfer to employment with another state agency, or upon retirement or disability
9. Contact Insurer directly with issues related to enrollment, eligibility, and contract interpretation
10. Distribute outreach message to employees through electronic messaging or newsletter, using text provided by Insurer, at time of initial and annual enrollment
11. State agency payroll representatives will be responsible for entering premium deductions into the payroll system. Each agency shall submit the total premium from that agency to the plan not later than the first calendar day of the coverage month for which that premium is due.

### C. Duties of ETF

1. Maintain approved proposal for five (5) years beyond its end date.
2. Notify plans of proposed changes in WRS eligibility that would affect Plan eligibility or provision of benefits
3. Maintain list of approved plans and which agencies offer those plans. Make chart available via electronic access to members, employers, and insurers
4. Review updated annual marketing or educational materials for members or employers, including print and web content

## Guidelines for Optional Insurance Plans: Approval and Operations

5. Maintain a link on the ETF website to the plan's state-specific webpage.
6. Provide insurer with annual census for sending marketing materials for annuitants, as applicable
7. Provide invoice of administrative fees
8. Notify insurers of dates for open enrollment
9. Maintain full list of contacts for all insurers for customer service and employer issue resolution

### 7. Attachments and links:

- A. Chapter 40 Wisconsin Statutes:  
<http://docs.legis.wisconsin.gov/statutes/statutes/40.pdf>
- B. Chapter 20.921 Wisconsin Statutes:  
<http://docs.legis.wisconsin.gov/statutes/statutes/20/X/921>
- C. Administrative Code, Chapter ETF-10:  
[http://docs.legis.wisconsin.gov/code/admin\\_code/etf/10](http://docs.legis.wisconsin.gov/code/admin_code/etf/10)
- D. Sample Annual Enrollment and Utilization Statistics (attached)

**State of Wisconsin Optional Insurance Programs  
20xx Annual Enrollment and Utilization Statistics**

**Plan Name:**

**Date:**

**Insurer:**

**12/31/20xx Enrollment Statistics**

As of 12-31-xx

	<u>Subscribers</u>	<u>Dependents</u>	<u>Total</u>
Active Employees			
Continuation	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

**As of 3-31-xx**

	<u>Subscribers</u>	<u>Dependents</u>	<u>Total</u>
Active Employees			
Continuation	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Three Largest Participating Groups as of 3-31-xx**

<u>Name</u>	<u>Average Enrollment</u>		<u>Total</u>	<u>% of Total</u>
	<u>Subscribers</u>	<u>Dependents</u>		
<input type="text"/>				
<input type="text"/>				
<input type="text"/>				

Total number of participating agencies:

Check off participating agencies on attached page.

**State of Wisconsin Optional Insurance Programs  
20xx Annual Enrollment and Utilization Statistics**

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**2014 Claims Experience-- as of 3-31-xx**

<u>Plan</u>	<u>Premiums</u>	<u>Incurred Claims</u>	<u>Loss Ratio</u>
Active			
Continuant			
<b>Total</b>	<b>0</b>		

<u>Plan</u>	<u>Paid Claims</u>	<u>Denied Claims</u>	<u>Complaints</u>	<u>% Resolved in Member's Favor</u>	<u>Appeals to OCI</u>
Active					
Continuant					
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>		<b>0</b>

**20xx Premium Rate Schedule**

<u>Rate Tier</u>	<u>Active</u>	<u>Annuitant</u>
Single		
Insured + Spouse/Partner		
Insured + Child(ren)		
Family		

Other relevant information:

**Required Attachment: 20xx Company Financial Statement**

	<u>Subscribers</u>	<u>Dependents</u>	<u>Total</u>
1/1/20xx effective-late enrollment			