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CORRESPONDENCE MEMORANDUM

DATE: May 5, 2015
TO: Group Insurance Board
FROM: Roni Harper, Manager, Optional Insurance Plans & Audits
SUBJECT: Annual Update – Optional Employee-Pay-All Insurance Programs

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


Annually, staff provides the Group Insurance Board (Board) with an update on the optional insurance plans. Under authority granted to the Board by Wis. Stats. § 40.03 (6) and § 40.55 and pursuant to Wis. Stat. § 20.921 (1) (a) 3 and Wis. Admin. Code ETF 10.20 and ETF 41, the Board is responsible for approving optional group insurance plans offered via payroll deduction.

Overview

A major accomplishment of 2014 was to replace the former “Guidelines for Optional Group Insurance Plans Seeking Group Insurance Board Approval for Payroll Deduction Authorization,” with the new *Guidelines for Optional Insurance Plans (Guidelines)* and separate *Standards for Proposing and Providing Long-term Care Insurance (Standards)*.

ETF’s Legal Counsel has also initiated the repeal process for Wis. Admin. Rule ETF 41, which outlined provisions for long-term care insurance. ETF 41 will be officially repealed effective June 1, 2015 following publication of the rulemaking order by the Legislative Reference Bureau. This rule is obsolete, as it has been functionally superseded by other administrative rules under the Office of the Commissioner of Insurance and for the DHS Medicaid Partnership program.

In 2014 ETF asked the dental insurers to propose revisions to their plans, in response to the implementation of uniform dental benefits associated with the alternate health insurance plans, and in order to achieve the loss ratio required by the Guidelines. This request motivated several of the changes noted below.

Reviewed and approved by Lisa Ellinger, Director, Office of Strategic Health Policy

Electronically signed:
5/11/15

Board	Mtg Date	Item #
GIB	5.19.15	5B

Optional plan changes approved by the Board in 2014 included:

- **Anthem DentalBlue** increased the benefit for both major and complex services from 50% to 60% for 2015, with no change in premiums. Anthem decreased premiums for its Dentacare HMO plan by 20% and for its Preferred PPO plan by 12.88% for 2015.
- **EPIC Dental Wisconsin** decreased its 2015 premiums by 10% for active subscribers in the PPO plan, with no change to dental benefits.
- **EPIC Benefits+** increased benefits for accidental death and dismemberment, hospital indemnity, and allowances for the vision rider. In addition, Benefits+ changed its tiers to include “family plus *children*” instead of “family plus child,” for consistency with other plans.
- **The Vision Service Plan (VSP)** was given Board approval for premium increases to account for fees associated with the Affordable Care Act.
- **Long-Term Care – United of Omaha**, through HealthChoice, was replaced by a similar plan and renamed Mutual of Omaha, in February, 2014. It has remained the only long-term care insurance policy being offered.

Discussion of specific plan experience follows. Note that the rate and benefit changes approved in 2014 will not be reflected in the following loss ratio statistics, but should be evident in the 2015 data.

Discussion - Optional Accidental Death & Dismemberment Insurance (AD&D) - Hartford

The Hartford Life Insurance Company acquired this AD&D plan from CNA Financial in 2003. The plan has 4,453 subscribers, a 6% increase in enrollment since 2013. The Department of Transportation and the Department of Corrections each have more than 1,000 subscribers; 27 agencies offer this insurance. Historically, the Board has granted this plan an exception from the required 75% loss ratio because of the plan’s volatility. Average loss ratio over the past twelve years is now 24%, but note that the profit margin for 2014 was -9%, demonstrating that volatility.

Analysis of optional plan data in 2014 pointed to the need for member education regarding this benefit. Following discussions with ETF, a Hartford representative met with the State Payroll Council in 2014. There were five claims in 2014—more than in the previous nine years combined; a large claim is pending for 2015.
(see attachment – Table A)

Discussion - Aflac Accidental Injury Insurance

The Board approved the Aflac Accidental Injury Plan in 2013, with its first open enrollment effective January 1, 2014. Nearly all state agencies offered the plan; the major exceptions are the University of Wisconsin System (UWS) and UW Hospital and Clinics. No new agencies were added for 2015. Employer payroll offices have reported problems with Aflac’s system for enrollment and premium reconciliation throughout 2014, and ETF will be working with the Fringe Benefits committee and assigned Aflac staff to clarify expectations. The plan is contracted to maintain the premium and benefit levels for 2015.

2014 is the first full year for which ETF has sought performance statistics. As of this date, ETF staff is working with Aflac contacts to obtain data that comply clearly with our reporting request. Estimated data follows:

Aflac Accidental Injury Plan	
Active subscribers 2014	1,108
Premium income (estimated)	\$139,803
Claims incurred	\$51,345
Loss ratio	37%

Discussion - Optional Dental Insurance Program

Anthem DentalBlue continues to offer three plans. The HMO and PPO Plans were designed for employees in Medicare Plus, the Standard Plan, and the State Maintenance Plan, who do not have dental coverage included as part of their health plan, and include diagnostic and preventive care in addition to the basic and major services. The Supplemental Plan augments the dental coverage available through the health plans, covering basic and major dental services. Anthem has increased the number of providers in its Wisconsin HMO and PPO networks, and more than doubled its nationwide network.

Enrollment of active subscribers increased more than 7% from 2013 to 2014, with another 7% increase for the first quarter of 2015. With dependents, the total number of members was 12,928 as of December 31, 2014, a small increase from the previous year. The loss ratio moved closer to the 75% threshold required in the Standards, and is expected to show improvement when the changes to benefits and premiums that were implemented in 2014 are reflected in the 2015 report a year from now. (see attachment – Table B)

EPIC Dental Wisconsin was initially created by EPIC Life Insurance (EPIC) in collaboration with the UWS and was approved by the Board in 2010. UWS continues to represent more than 85% of the subscribers. Dental Wisconsin offers two plan types to state employees. The Select plan has no coverage for diagnostic or preventive services, but allows members to select any dentist, with reduced out-of-pocket costs for “Premier” providers. The PPO plan includes diagnostic and preventive work; it covers 100% of in-network and 75% of out-of-network costs.

Dental Wisconsin							
	PPO		Select		TOTAL		Snapshot 3-31-15
	2014	2013	2014	2013	2014	2013	
Active subscribers	2,586	2,365	4,683	4,863	7,269	7,228	7,812
Dependents of active	2,116	2,036	4,766	5,085	6,882	7,121	7,335
Annuitant and COBRA	271	242	409	347	680	589	711
# Claims paid	5,741	5,511	6,086		5,604	11,827	12,015
Premium Income	\$1,524,289	\$1,488,704	\$2,242,930		\$2,408,720	\$3,767,219	\$3,897,424
\$ Amount of Claims	\$865,751	\$883,701	\$1,506,307		\$1,742,014	\$2,372,058	\$2,625,715
Loss Ratios	56.8%	59.4%	67.2%		72.3%	63.0%	67.4%

Note: Loss ratios in this report do not yet reflect plan changes that were approved by the Board in 2014 and implemented in 2015.

Discussion - EPIC Benefits+ optional “wrap” plan -- Dental, Hospital and Surgical Indemnity, and Accidental Death & Dismemberment (AD&D) Insurance

This plan is viewed by members primarily as a dental plan that supplements the uniform dental benefits offered by health insurers. 90% of claim dollars paid and 84% of the Benefits+ claims paid in 2014 were for dental benefits. The claims paid for vision materials, AD&D and hospital or surgical indemnity have risen from the previous year.

Active enrollment increased by 5% as of March 2015, including a substantial addition to the number of dependents included in the optional vision coverage. The enrollment jump was enabled by a Benefits+ special enrollment during the 2014 IYC period. Note that the loss ratios below do not yet reflect plan changes implemented in 2015—increased benefits with no change in premium. (see attachment – Table C)

Discussion - Optional Vision Care Insurance Program

The Board approved the Vision Service Plan (VSP) in 2009 to replace OptumHealth Vision as the vision care benefits provider for state and university employees and eligible retired state employees and dependents. The plan design was updated for 2014 to provide enhanced benefits and a premium increase. In August 2014 the Board approved a 3% premium increase for active members, along with a 10% decrease in premiums for the annuitant plan, to offset the Health Insurance Provider Fee (HIPF) implemented as

part of the Affordable Care Act. Prior to that, VSP's loss ratios were well above the 75% threshold required by the Guidelines. VSP committed to holding the premiums steady through 2017. VSP saw a 6% increase in the number of claims in 2014 over 2013. (see attachment – Table D)

Discussion - Optional Long-Term Care (LTC) Insurance Program

Wis. Stat. § 40.55 requires the Board to make LTC insurance available to state employees, annuitants, their spouses and the parents of state employees. LTC insurance is paid for by the subscriber and is individually underwritten, unlike other WRS group insurance. Overall, the rate of growth in the program has declined slowly since 2002. Since 2011, United of Omaha has been the only company with an LTC product approved by the Board, as marketed by HealthChoice LLC.

HealthChoice also maintains servicing for policies formerly approved by the Board but no longer actively sold, including Bankers Life, and John-Hancock/Fortis plans. In 2014 there were 2,971 policies, with a total premium of \$4.5 million and \$2.7 million in claims paid.

Marketing and Enrollment Activity for United/Mutual of Omaha	2014	2013	2012
Applications received	356	387	314
Policies denied	106	93	79
Policies issued to state annuitants	54	45	52 (98)
Policies issued to state employees	83	88	83 (60)
Policies issued to spouses or parents	64	50	51
Earned premium	\$3,129,199	\$2,105,029	-
Number of claims	4 new (only 2 received payments during 2014)	8	1
Amount of claims paid	\$38,259	\$25,150	0
Number of policies lapsed (L) or withdrawn (W)	52L, 102W	13L , 7W	66 in total
Total in-force policies on December 31	1,533	1,179	1,039

Note: Loss ratios are not calculated on an annual basis for long-term care insurance.

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

ATTACHMENT

Optional Employee-Pay-All Insurance Program Tables

Table A - Optional Accidental Death & Dismemberment Insurance (AD&D) – Hartford

Utilization Statistics	2003	2004	2005	2006	2007/ 2008/ 2009	2010	2011/ 2012	2013	2014
Premium Income	\$430,081	\$453,684	\$477,288	\$471,087	Average \$498,000	\$511,565	Average \$446,216	\$437,865	\$437,438
Number of Claims	4	3	0	1	0	1	0	1	5
Amount of Claims	\$123,126	\$381,732	\$0.00	\$215,867	\$0.00	\$99,000	\$0.00	\$1,765	\$441,342
Loss Ratio	29%	84%	0%	46%	0%	19.35%	0%	0.4%	109%

Table B - Optional Dental Insurance Program

Anthem DentalBlue Insurance Program									
	Dentacare HMO		Preferred PPO		Supplemental		TOTAL		Snapshot
	2014	2013	2014	2013	2014	2013	2014	2013	2015
Active Subscribers	566	533	676	616	5,046	4,705	6,288	5,854	6,740
Annuitant, COBRA	63	70	92	92	477	567	632	729	648
# Claims Paid	845	881	1,587	1,483	4,848	4,260	7,280	6,624	
Premium Income	\$324,778	\$311,023	\$380,127	\$343,539	\$2,155,125	\$2,004,179	\$2,860,030	\$2,658,741	
Amount of Claims	\$157,224	\$170,210	\$229,586	\$191,885	\$1,513,432	\$1,329,217	\$1,900,242	\$1,521,102	
Loss Ratios	48.4%	54.7%	60.4%	55.9%	70.2%	66.3%	66.4%	57.2%	

Note: The loss ratio moved closer to the 75% threshold required in the Standards, and is expected to show improvement when the changes to benefits and premiums that were implemented in 2014 are reflected in the 2015 report a year from now.

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Optional Employee-Pay-All Insurance Program Tables

Table C

EPIC Benefits+ optional “wrap” plan -- Dental, Hospital and Surgical Indemnity, and Accidental Death & Dismemberment (AD&D) Insurance

EPIC Benefits + Insurance													
	AD&D		Hospital/ Surgical Indemnity		Dental		Vision Option		Total Subscribers		Claims/ Premium experience		Snapshot 3-31-15
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	
# Active, COBRA subscribers							3,520	2,629	13,094	11,777			13,814
# Annuitants							143	123	5,008	5,011			5,060
Total subscribers							3,663	2,752	18,102	16,788			18,874
Total Including Dependents							8,064	6,061	35,089	32,380			36,868
# Claims Paid	9	4	1,417	1,448	16,289	15,338	1,643	1,093			19,358	17,883	
Premium Income	\$72,309	\$68,007	\$1,460,779	\$1,391,039	\$6,335,148	\$5,986,537	\$290,236	\$221,346			\$8,158,473	\$7,666,928	
Amount of Claims Paid	\$30,000	\$27,000	\$386,208	\$305,675	\$5,109,421	\$4,122,010	\$145,375	\$100,059			\$5,671,004	\$4,554,744	
Loss Ratios	41.5%	39.7%	26.4%	22.0%	80.7%	68.9%	50.1%	45.2%			69.5%	59.4%	

Note: Loss ratios do not yet reflect plan changes implemented in 2015—increased benefits with no change in premium.

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Optional Employee-Pay-All Insurance Program Tables

Table D - Optional Vision Care Insurance Program

Vision Services Plan (VSP)								
	Active		COBRA		Annuitants		Combined	
	2014	2013	2014	2013	2014	2013	2014	2013
Subscribers	16,928	15,667	180	154	2,758	2,695	19,866	18,516
# Claims paid	18,185	16,773	160		2,432	2,165	20,077	18,938
Premium Income	\$2,354,784	\$1,763,730	\$20,703		\$363,001	\$276,064	\$2,738,487	\$1,802,453
\$ Claims paid	\$1,628,443	\$1,470,765	\$13,658		\$193,317	\$175,874	\$1,835,418	\$1,646,639
Loss Ratio	69%	83.3%	66%		53%	63.7%	67%	80.7%