



**State of Wisconsin Group Insurance Board
Department of Employee Trust Funds**

2016 State Rate Development

**Self-Insured Medical, Dental
and Prescription Drug Plans**

August 25, 2015

 **Segal Consulting**
GIB 8.25.15 Item 3C1



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Overview

➤ Net Fund Balance

- The estimated ratio of Net Fund Balance to annual claims is projected to be approximately 18% of claims and within the 15-25% corridor at 12/31/15.

➤ Prescription Drugs

- The prescription drug rates are projected to increase 24.0% over the 2015 rates, varying by group category, without utilizing any of the Net Fund Balance.

➤ Standard PPO Plan

- The overall medical and prescription drug rates, including a plan design change adjustment of -1.5%, are projected to decrease 6.3% over the 2015 rates, without utilizing any of the Net Fund Balance.

➤ State Maintenance Plan (SMP)

- SMP is the designated Tier 1 plan in every county where there is no other qualified Tier 1 plan. SMP will be offered in 9 counties in 2016, including 8 counties from 2015 plus Pepin county.
- Given that the SMP experience is not credible, we recommend a 6.3% decrease over the 2015 rates, consistent with the Standard PPO plan. This includes a plan design change adjustment of -4.2%, and does not utilize any of the Net Fund Balance.

➤ Medicare Plus Plan

- The overall medical and prescription drug rates are projected to increase 9.7% over the 2015 rates, without utilizing any of the Net Fund Balance.



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Net Fund Balance

- Overall, the fund balance has decreased due to prior buy-downs and under-projected pharmacy rates, offset by positive medical experience.
- Since 2007 there have been pharmacy buy-downs in every year except 2011, including \$103.3 million over the past 4 years utilizing \$13.1 million available from ERRP reimbursements during this time.

Premium Year	Net Fund Buy-Down (in \$millions)		
	Medical	Rx	Total
2015	0.0	20.0	20.0
2014	0.0	20.5	20.5
2013	0.0	32.8	32.8
2012	0.0	30.0	30.0

- At the August 2011 meeting, the Board accepted a policy of using a target Net Fund Balance of between 15% and 25% of annual medical and prescription drug claims.
- 20% of annual fully-insured premiums have been historically included in this calculation. Segal has not altered this logic.

Net Fund Balance (current balance)

The fund balance at 6/30/2015 has dropped \$21.4 million in the last 12 months.


	6/30/2015	6/30/2014	6/30/2013	6/30/2012	6/30/2011	6/30/2010
MEDICAL (in millions)						
Cash Balance	76.9	70.3	62.3	57.4	57.3	55.4
Incurred But Not Reported (IBNR)	(4.0)	(4.9)	(4.2)	(5.3)	(5.7)	(6.7)
Net Fund Balance	72.9	65.4	58.1	52.1	51.6	48.7

	6/30/2015	6/30/2014	6/30/2013	6/30/2012	6/30/2011	6/30/2010
PHARMACY (in millions)						
Cash Balance	3.2	42.0	40.7	66.7	77.5	65.4
Recalculated Cash Balance*	3.2	25.6	27.4	55.3	65.2	53.1
Accrued Drug Rebates	13.4	16.4	13.3	11.4	12.3	12.3
Accrued Medicare Part D Subsidy	7.3	8.4	10.9	7.9	5.1	5.2
Navitus Advance	2.1	4.2	6.3	10.5	11.9	11.9
ERRP Reimbursement	0.0	0.0	13.1	12.6	14.2	0.0
Projected Future Cash Balance	26.0	54.6	71.0	97.7	108.7	82.5
IBNR	(5.0)	(4.7)	(4.3)	(3.9)	(4.1)	(4.0)
Net Fund Balance	21.0	49.9	66.7	93.8	104.6	78.5
Total State Fund Balance	93.9	115.3	124.8	145.9	156.2	127.2

* Prior Cash Balance included accruals resulting in double counting

Net Fund Balance (current balance)

- In order to calculate the available buy-down for 2016, Segal projected the Net Fund Balance to 12/31/2015 to estimate the ratio of Net Fund Balance to annual claims and determine where it will be in the 15-25% policy range.
- Q3/Q4 of 2015 is estimated to have a claims loss of \$8.5 million. This will be offset by additional drug rebates and Medicare Part D subsidies of \$13.3 million, resulting in a gain of \$4.8 million. The projected 12/31/2015 cash balance is \$98.7 million.
- The projected 2016 claims expense, including dental claims and 20% of fully-insured premiums, is \$543.7 million. Therefore, the estimated ratio of Net Fund Balance to annual claims is approximately 18% of claims and within the 15-25% corridor.
- At the 15% minimum ratio (\$81.6 million Net Fund Balance), \$17.1 million (\$98.7 million less \$81.6 million) is available for a buy-down.
- Given this is a year of good experience for the overall program, particularly with the low renewals on the medical side, we recommend not implementing a buy-down this year and maintaining the cash for future years.
- Allowing rates to be set at required rates without buy-down helps to mitigate future premium rate increases.

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Prescription Drug Plan

- Rating groups are consistent with prior years: HMO Regular, HMO Grads, HMO Medicare, Standard PPO (including Grads), SMP and Medicare Plus
- 30 months of claims data (January 2013 - June 2015) was received from Navitus and used in our analysis. The baseline data utilized the most recent 12 months of claims, July 2014 through June 2015.
- Claims were adjusted -2.5% for the 2016 benefit design changes.
- Plan paid claims trend was 12.2% for the 12 month period ending June 2015. Using Segal's trend survey expected trend of 8.6%, we weighted the two trends to produce a 2016 trend assumption of 10.4% used in our claims projection.
- We received and utilized administrative expenses, expected rebates and Medicare Part D subsidies provided by Navitus for the rate development. The resulting net trend is 8.1%.


Prescription Drug Plan

- For 2016, the prescription drug rates are projected to increase 24.0% over the 2015 rates, varying by group category, without utilizing any of the Net Fund Balance.
- This increase consists of 3 components:
 - Net pharmacy trend = 8.1%
 - Prior buy-down = 11.4%
 - Contract conversion deficiency = 4.5%
- Note that 2015 rates had a \$20 million buy-down included, resulting in a 17.9% increase last year vs. an actual premium need of 28.7%.

Prescription Drug Plans Rates

The recommended rate increase for the prescription drug plan is 24.0%. This assumes no buy-down for 2016.

	2015	2016	
	Single Rates	Single Rates	Rate Change
Non-Medicare			
HMO Regular	\$90.50	\$111.94	23.7%
HMO Grads	\$35.50	\$38.57	8.7%
Standard PPO	\$160.93	\$198.86	23.6%
SMP	\$88.58	\$100.74	13.7%
Medicare			
HMO Medicare	\$158.90	\$201.09	26.6%
Medicare Plus	\$168.20	\$211.98	26.0%

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Standard PPO Plan

- Standard Plan membership has dropped 5% since last year's rating. The experience is credible with approximately 1,588 members.
- Claims data (January 2014 - May 2015) was received from WPS and used in our analysis. The baseline data utilized the most recent 12 months of claims, June 2014 through May 2015, with calculated completion factors. Additional summary data including prior period experience was also provided by WPS.
- Plan paid claims trend was -1.8% for the 12 month period ending June 2015. WPS corporate trend is 9.38%. We used Segal's trend survey expected trend of 7.8% for this population in our claims projection.
- Claims were adjusted -1.5% for the 2016 benefit design changes.
- We received and utilized administrative expenses and network access fees provided by WPS for the rate development. The blended administrative expenses will increase from \$39.11 PCPM to \$39.67 PCPM in 2016.
- For 2016, the overall medical and prescription drug rates are projected to decrease 6.3% over the 2015 rates, without utilizing any of the Net Fund Balance.
- A High Deductible Health Plan (HDHP) will be offered to active members, excluding graduate assistants. Similar to the HMO plans, the HDHP rate is calculated at 0.84 times the claims cost plus admin. The resulting HDHP rates are projected to decrease 10.0% over the 2015 rates.

Standard PPO Plan Rates

The recommended rates for 2016 represent a 6.3% decrease from 2015 for the Standard PPO and a 10.0% decrease for the HDHP.

	2015 Rates	2016 Rates	% Change
Standard PPO			
Single	\$1,392.80	\$1,305.20	-6.3%
Family	\$3,477.80	\$3,257.70	-6.3%

Standard PPO Grads			
Single	\$1,048.60	\$982.60	-6.3%
Family	\$2,617.30	\$2,450.80	-6.3%

High Deductible Health Plan (Non-Grads)			
Single	\$1,222.40	\$1,100.50	-10.0%
Family	\$3,049.70	\$2,745.90	-10.0%

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State Maintenance Plan (SMP)

- SMP is the designated Tier 1 plan in every county where there is no other qualified Tier 1 plan.
- SMP will be offered in 9 counties in 2016, including 8 counties from 2015 plus one new county.
- SMP membership has dropped 16% since last year's rating. The experience is not credible with approximately 85 members.
- Although the experience is not credible, plan paid claims trend is running well and was 4.1% for the 12 month period ending June 2015.
- Given that the SMP experience is not credible, for 2016 we recommend an overall medical and prescription drug rate 6.3% decrease over the 2015 rates, consistent with the Standard PPO plan. This includes a plan design change adjustment of -4.2%, and does not utilize any of the Net Fund Balance.
- A High Deductible Health Plan (HDHP) will be offered to active members, excluding graduate assistants. Similar to the HMO plans, the HDHP rate is calculated at 0.84 times the claims cost plus admin. The resulting HDHP rates are projected to decrease 10.0% over the 2015 rates.


State Maintenance Plan Rates

➤ The recommended rates for 2016 represent a 6.3% decrease from 2015.

	2015 Rates	2016 Rates	% Change
SMP			
Single	\$862.00	\$807.80	-6.3%
Family	\$2,150.20	\$2,014.20	-6.3%
SMP Grads			
Single	\$651.60	\$610.60	-6.3%
Family	\$1,624.40	\$1,521.20	-6.3%
High Deductible Health Plan (Non-Grads)			
Single	\$757.40	\$682.00	-10.0%
Family	\$1,887.30	\$1,699.70	-10.0%

➤ SMP will be offered in the following counties this year:

- Bayfield, Buffalo, Florence, Forest, Iron, Marquette, Menominee, Pepin, Vilas

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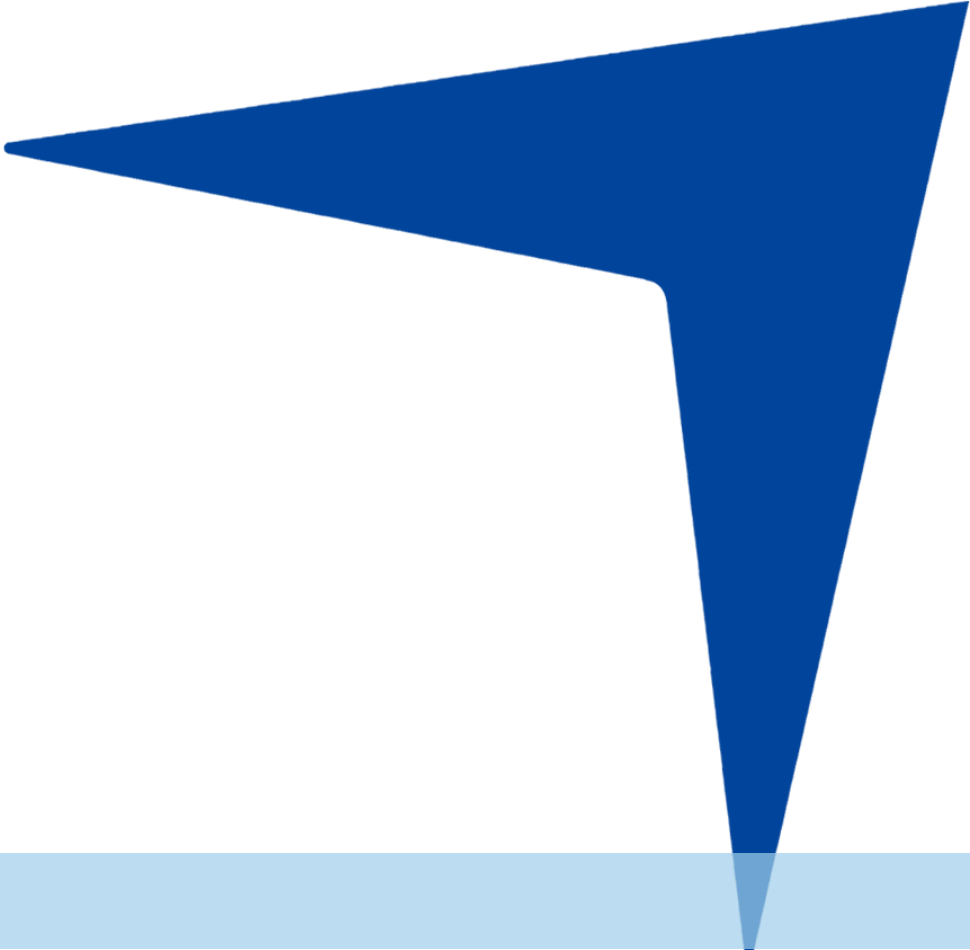
Medicare Plus Plan

- Medicare Plus Plan membership has dropped 2% since last year's rating. The experience is credible with approximately 8,676 members.
- Claims data (January 2014 - May 2015) was received from WPS and used in our analysis. The baseline data utilized the most recent 12 months of claims, June 2014 through May 2015, with calculated completion factors. Additional summary data including prior period experience was also provided by WPS.
- Plan paid claims trend was 3.1% for the 12 month period ending June 2015. WPS corporate trend is 5.2%. We used Segal's trend survey expected trend of 4.0% for this population in our claims projection.
- For 2016, the overall medical and prescription drug rates are projected to increase 9.7% over the 2015 rates, without utilizing any of the Net Fund Balance.
 - Medical rates are projected to decrease by 1.7% for 2016.
 - Prescription drug rates are projected to increase by 26.0% for 2016.
 - The overall rates for 2015 increased 10.4% over 2014.
 - Note the 2015 prescription drug rate increase was 21.3% after buy-down; 35.0% before buy-down.

Medicare Plus Plan Rates

The recommended rates for 2016 represent a 9.7% increase from 2015.

	2015 Rates	2016 Rates	% Change
Medicare Plus			
Single	\$365.00	\$400.40	9.7%
Family	\$725.70	\$795.80	9.7%

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Dental Plan Rates

- The self-insured dental plan was procured earlier this year and Delta Dental was awarded the contract.
- Dental is newly available and optional for all employees and retirees.
- The data collected for the RFP was utilized in the rate development and included a base period of expenses for calendar year 2015. Additional addendum data was collected that showed overall trends of 2.7%.
- Renewal information was projected by Delta Dental and shown to be consistent with the Segal development.
- The developed rates are approximately 8% less than last year's overall reported premium rates from the Addendum.

	2015 Rates	2016 Rates	
	Fully-Insured Rates	Self-Insured Rates	Rate Change
Single	\$28.61	\$26.28	-8.0%
Family	\$71.45	\$65.70	-8.0%

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Standard PPO and SMP Rates

State Active								
2015 Rates								
	REGULAR				GRADUATE ASSISTANTS			
	Standard Plan		SMP		Standard Plan		SMP	
	Single	Family	Single	Family	Single	Family	Single	Family
Medical Claim Cost	\$1,201.88	\$3,006.73	\$747.69	\$1,870.65	\$893.59	\$2,236.00	\$559.44	\$1,400.21
Rx Claim Cost	\$160.93	\$402.33	\$88.58	\$221.45	\$118.65	\$296.62	\$66.43	\$166.09
Expenses	\$29.99	\$68.74	\$25.73	\$58.10	\$36.36	\$84.68	\$25.73	\$58.10
TOTAL	\$1,392.80	\$3,477.80	\$862.00	\$2,150.20	\$1,048.60	\$2,617.30	\$651.60	\$1,624.40

State Active								
2016 Rates								
	REGULAR				GRADUATE ASSISTANTS			
	Standard Plan		SMP		Standard Plan		SMP	
	Single	Family	Single	Family	Single	Family	Single	Family
Medical Claim Cost	\$1,080.69	\$2,701.75	\$685.34	\$1,713.30	\$813.44	\$2,033.56	\$513.32	\$1,283.26
Rx Claim Cost	\$198.86	\$497.16	\$100.74	\$251.86	\$136.12	\$340.29	\$75.56	\$188.90
Expenses	\$25.65	\$58.79	\$21.72	\$49.04	\$33.04	\$76.95	\$21.72	\$49.04
TOTAL	\$1,305.20	\$3,257.70	\$807.80	\$2,014.20	\$982.60	\$2,450.80	\$610.60	\$1,521.20
Change	-6.3%		-6.3%		-6.3%		-6.3%	

- SMP Graduate Assistants is based on 75% of SMP
- Expenses include the following Per Contract Per Month (PCPM) fees:
 - ETF Administrative Fee of \$5.50
 - Wellness Contract Administrative Fee of \$0.35
 - ACA Reinsurance Fee of \$6.56
 - WPS Medical Expense Fee of \$27.26

Standard PPO and SMP Rates

State Active				
2015 Rates				
	HDHP			
	Standard Plan		SMP	
	Single	Family	Single	Family
Medical Claim Cost	\$1,051.61	\$2,628.96	\$654.17	\$1,635.40
Rx Claim Cost	\$140.80	\$352.00	\$77.50	\$193.80
Expenses	\$29.99	\$68.74	\$25.73	\$58.10
TOTAL	\$1,222.40	\$3,049.70	\$757.40	\$1,887.30

State Active				
2016 Rates				
	HDHP			
	Standard Plan		SMP	
	Single	Family	Single	Family
Medical Claim Cost	\$907.80	\$2,269.50	\$575.65	\$1,439.10
Rx Claim Cost	\$167.05	\$417.61	\$84.63	\$211.56
Expenses	\$25.65	\$58.79	\$21.72	\$49.04
TOTAL	\$1,100.50	\$2,745.90	\$682.00	\$1,699.70
Change	-10.0%		-10.0%	

➤ Expenses include the following Per Contract Per Month (PCPM) fees:

- ETF Administrative Fee of \$5.50
- Wellness Contract Administrative Fee of \$0.35
- ACA Reinsurance Fee of \$6.56
- WPS Medical Expense Fee of \$27.26


Medicare Plus Rates

Medicare Plus				
2015 Rates				
	Single	Family	Family + 1	
			Non-Medicare eligible in:	
			Standard	SMP
Medical Claim Cost	\$166.27	\$332.41	\$1,368.23	\$915.53
Rx Claim Cost	\$168.20	\$336.39	\$329.13	\$256.77
Expenses	\$30.53	\$56.90	\$68.74	\$58.10
TOTAL	\$365.00	\$725.70	\$1,766.10	\$1,230.40

2016 Rates				
	Single	Family	Family + 1	
			Non-Medicare eligible in:	
			Standard	SMP
Medical Claim Cost	\$163.93	\$326.19	\$1,244.61	\$849.26
Rx Claim Cost	\$211.98	\$423.97	\$410.85	\$312.73
Expenses	\$24.49	\$45.64	\$55.14	\$46.61
TOTAL	\$400.40	\$795.80	\$1,710.60	\$1,208.60
Change	9.7%		-3.1%	-1.8%

➤ Expenses include the following Per Contract Per Month (PCPM) fees:

- ETF Administrative Fee of \$5.50
- Wellness Contract Administrative Fee of \$0.35
- ACA Reinsurance Fee of \$6.56
- WPS Medical Expense Fee of \$19.50

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Standard PPO Plan Design

➤ Medical Benefit

- In-Network
 - Deductible: \$250 Single, \$500 Family
 - 90/10% Coinsurance
 - Out-of-Pocket Limit (OOPL): \$1,000 Single, \$2,000 Family

➤ Drug benefit (non-specialty)

- \$5 Level 1 Copay
- 20% (\$50 max) Level 2 Coinsurance
- 40% (\$150 max) Level 3 Coinsurance (Does not count towards OOPL)
- OOPL: \$1,000 Single, \$2,000 Family

➤ Specialty Medications

- 40% (\$200 max) Level 4 Coinsurance
- OOPL: \$1,200 Single, \$2,400 Family
 - Coinsurance for Non-Preferred Specialty Drugs do not count towards OOPL
 - A reduced Level 4 copay of \$50 is available for Preferred Specialty Drugs obtained at the preferred Participating Pharmacy for Specialty Medications (Diplomat Specialty Pharmacy)

NOTE: Medical, Drug Benefit, and Specialty Medication Out-of-Pocket Limits accumulate separately

Standard PPO Plan

High Deductible Health Plan Design

Preferred Provider

➤ Medical benefit

- Deductible: \$1,700 Single, \$3,400 Family (must be met first for medical and pharmacy)
- 90/10% Coinsurance
- OOP: \$3,500 Single, \$7,000 Family
 - Combined medical and pharmacy, includes deductible
- ER Copay \$75
 - Applies to OOP

➤ Drug Benefit (non-specialty)

- \$5 Level 1 Copay
- 20% (\$50 max) Level 2 Coinsurance
- 40% (\$150 max) Level 3 Coinsurance

➤ Specialty Medications

- Preferred Pharmacy: \$50 Copay
- Non-Preferred Pharmacy: 40% (\$200 Max) Coinsurance

Non-Preferred Provider

➤ Medical benefit

- Deductible: \$2,000 Single, \$4,000 Family (must be met first for medical and pharmacy)
- 70/30% Coinsurance
- OOP: \$3,800 Single, \$7,600 Family
 - Combined medical and pharmacy, includes deductible
- ER Copay \$75
 - Applies to OOP

➤ Drug Benefit (non-specialty)

- \$5 Level 1 Copay
- 20% (\$50 max) Level 2 Coinsurance
- 40% (\$150 max) Level 3 Coinsurance

➤ Specialty Medications

- Preferred Pharmacy: \$50 Copay
- Non-Preferred Pharmacy: 40% (\$200 Max) Coinsurance

State Maintenance Plan Design

Uniform Benefits

➤ Medical Benefit

- Deductible: \$250 Single, \$500 Family
- 90/10% Coinsurance
 - DME and hearing aids remain at 80/20% coinsurance
- OOP: \$1,000 Single, \$2,000 family
- OV Copays: \$15 PCP/\$25 SPC and \$15 PT/OT/ST
- Urgent Care: \$25
- ER Copay \$75, 90/10% coinsurance thereafter to OOP

➤ Drug benefit (non-specialty)

- \$5 Level 1 Copay
- 20% (\$50 max) Level 2 Coinsurance
- 40% (\$150 max) Level 3 Coinsurance (Does not count towards OOP)
- OOP: \$600 Single, \$1,200 Family

➤ Specialty Medications

- 40% (\$200 max) Level 4 Coinsurance
- OOP: \$1,200 Single, \$2,400 Family
 - Coinsurance for Non-Preferred Specialty Drugs do not count towards OOP
 - A reduced Level 4 copay of \$50 is available for Preferred Specialty Drugs obtained at the preferred Participating Pharmacy for Specialty Medications (Diplomat Specialty Pharmacy)

NOTE: Medical, Drug Benefit, and Specialty Medication Out-of-Pocket Limits accumulate separately

State Maintenance Plan

High Deductible Health Plan Design

➤ Medical Benefit

- Deductible: \$1,500 Single, \$3,000 Family (must be met first)
- 90/10% Coinsurance
 - DME and hearing aids remain at 80/20% coinsurance
- OOPL: \$2,500 Single, \$5,000 family
 - Combined medical and pharmacy, includes deductible
- ER Copay \$75, 90/10% coinsurance thereafter to OOPL

➤ Drug benefit (non-specialty)

- \$5 Level 1 Copay
- 20% (\$50 max) Level 2 Coinsurance
- 40% (\$150 max) Level 3 Coinsurance

➤ Specialty Medications

- Preferred Pharmacy: \$50 Copay
- Non-Preferred Pharmacy: 40% (\$200 Max)

Medicare Plus Plan Design

➤ Medical Benefit

- 100% Coinsurance
 - DME and hearing aids remain at 80/20% coinsurance
- ER Copay \$75

➤ Drug benefit (non-specialty)

- \$5 Level 1 Copay
- 20% (\$50 max) Level 2 Coinsurance
- 40% (\$150 max) Level 3 Coinsurance (Does not count towards OOPL)
- OOPL: \$600 Single, \$1,200 Family

➤ Specialty Medications

- 40% (\$200 max) Level 4 Coinsurance
- OOPL: \$1,200 Single, \$2,400 Family
 - Coinsurance for Non-Preferred Specialty Drugs do not count towards OOPL
 - A reduced Level 4 copay of \$50 is available for Preferred Specialty Drugs obtained at the preferred Participating Pharmacy for Specialty Medications (Diplomat Specialty Pharmacy)

NOTE: Medical, Drug Benefit, and Specialty Medication Out-of-Pocket Limits accumulate separately

Questions & Discussion

★ Segal Consulting

Kenneth Vieira, FSA, FCA, MAAA
Senior Vice President
KVieira@segalco.com

★ Segal Consulting

Kirsten Schatten, ASA, MAAA
Vice President & Associate Actuary
KSchatten@segalco.com

Thank you!