



STATE OF WISCONSIN
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CORRESPONDENCE MEMORANDUM

DATE: October 21, 2015
TO: Group Insurance Board
FROM: Shayna Schomber, Manager, Self-Insured Health Plans
SUBJECT: Local Annuitant Health Program Rates 2016

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 that participate in the Wisconsin Retirement System (WRS). The LAHP is a fully-insured plan provided by the administrator of the It's Your Choice Access Health Plan, formerly called the Standard Plan, Wisconsin Physicians Service Insurance Corporation (WPS). The renewal rates are provided annually in October, after Medicare deductibles are established for the following year.

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.

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

Electronically signed 11/4/15

Board	Mtg Date	Item #
GIB	11.17.15	3B

The program has experienced a slow and steady decline in the number of subscribers over the past several years. Membership counts are listed below.

Health Plan Name	2015 Contracts	2014 Contracts
LAHP PPO - UNDER 65 - NO MEDICARE	2	6
LAHP PPO - UNDER 65 - WITH MEDICARE	2	5
LAHP MEDICARE SUPPLEMENT - AGE 65-67	6	8
LAHP MEDICARE SUPPLEMENT - AGE 68-69	12	12
LAHP MEDICARE SUPPLEMENT - AGE 70-74	26	28
LAHP MEDICARE SUPPLEMENT - AGE 75 AND OVER	163	174
TOTAL	211	233

There are 211 total LAHP subscribers as of January 2015, which is a 9.4% decline from 2014. Of the 211 total subscribers, there are 207 subscribers in the LAHP Medicare Supplement plan, of which 163 are age 75 and older. There are only 4 subscribers are in the Preferred Provider Organization (PPO) plan for members under 65 years of age. It is likely that decrease low, declining enrollment can be attributed to subscribers moving to the Health Insurance Marketplace (Marketplace) because of the substantial cost of the LAHP PPO plan. Three of the four subscribers on the LAHP PPO are new to the plan in 2015.

Premium Rates effective January 1, 2016

WPS has calculated a 0% increase for the LAHP PPO plan and a \$0.90 decrease on the Medicare Supplement plans.

As the Board may recall, WPS calculated a 5% increase for the Medicare Supplement plans in 2014, and a 15% increase in the PPO plan due to the impact of 2 high cost claims. There was one high cost claimant in 2015 that is expected to continue into 2016. However, WPS is running at a 67.02% loss ratio for the year, and thus has agreed to decrease the Medicare Supplement premiums and has calculated no premium increase for the LAHP PPO for 2016. Note that a \$0.90 increase appears in the final LAHP PPO rates because of an increase in ETF administrative fees. The increased administrative fees are primarily due to the staff time associated with the implementation of the Benefits Administration System (BAS) and State Transforming Agency Resources (STAR) project. The calculated 2016 rates are attached.

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

**LOCAL ANNUITANT HEALTH PROGRAM (LAHP)
RETIREES MONTHLY HEALTH INSURANCE PREMIUMS**

EFFECTIVE 01/2015

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

EFFECTIVE 01/2016

Coverage	PPO		Medicare Supplement*		
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PPO - Under Age 65 - No Med	1,893.50	3,775.50			
PPO - Under Age 65 - With Med	1,326.90				
PPO - Under Age 65 - Both with Med		2,648.10			
PPO - Under Age 65 - One with Med, Other Not		3,214.20			
PPO - Under Age 65 - Two with Med, 3rd Not		3,791.10			
Med Sup - Age 65-67			178.60	352.00	1,341.70
Med Sup - Age 68-69			198.30	391.40	1,361.40
Med Sup - Age 70-74			243.90	482.40	1,407.00
Med Sup - Age 75 and Over			276.50	547.40	1,439.40

Includes a \$4.15 administrative fee for 2015, \$5.50 for 2016

Includes a \$0.80 wellness fee for 2015, \$0.40 for 2016

*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