

DRAFT

MINUTES

November 17, 2015

Group Insurance Board

State of Wisconsin



Location:

Lussier Family Heritage Center
3101 Lake Farm Road, Madison, WI

BOARD MEMBERS PRESENT:

| | |
|-------------------------------|-----------------|
| Jon Litscher, Chair | Michael Heifetz |
| Michael Farrell, Secretary | Ted Neitzke |
| Terri Carlson | Paul Ostrowski |
| Herschel Day (Teleconference) | Daniel Schwartz |
| Chuck Grapentine | Nancy Thompson |

BOARD MEMBERS NOT PRESENT:

Bonnie Cyganek, Vice Chair

PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:

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|---------------------------------------|-----------------------------------|
| Bob Conlin, Secretary | Office of the Secretary: |
| John Voelker, Deputy Secretary | Tarna Hunter, Legislative Liaison |
| Office of Strategic Health Policy: | Office of Internal Audit: |
| Lisa Ellinger, Director, | Yikchau Sze, Mary Statz, |
| Jeff Bogardus, Sherry Etes, Bill Kox, | Jackie Van Marter |
| Eileen Mallow, Shayna Schomber, | Division of Retirement Services: |
| Tara Pray | Gina Fischer, Jim Guidry, |
| Office of Legal Services: | Deb Roemer |
| David Nispel | |

OTHERS PRESENT:

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| ETF Division of Retirement Services: | Network Health: |
| Ann Suchomel | Steve Alexander, Carrie Helms |
| ETF Legal Services: | Office of Commissioner of Insurance: |
| Liz Doss-Anderson, Vickie Baker | Jason Levine |
| ETF Information Technology Services: | Physicians Plus: |
| Ryan Perkins | Ron Sebranek |
| ETF Office of Strategic Health Policy: | Segal Consulting: |
| James Cooper, Arlene Larson, Jessica | Rick Johnson, Richard Ward, |
| Rossner, Joan Steele, Jennifer Stegall | Ken Vieira |

| Board | Mtg Date | Item # |
|-------|----------|--------|
| GIB | 2.17.16 | 1 |

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| ETF Office of the Secretary: Pam Henning, Sharon Walk | Security Health Plan: Becky Gorst |
| Anthem Blue Cross Blue Shield: Marin Kleinke | State Engineering Association: Bob Schaefer |
| Delta Dental of Wisconsin Sunshine Mikulak | The Alliance: Annette Cruz |
| Dean Health Plan: Katie Beals, Penny Bound, Michael Weber | United Healthcare: Andrea Darling, Chris Ecos, Kathy Stachura |
| Department of Administration: Mickie Waterman, Chelsea Daley | Unity Health Insurance: Cari Alexander, Brian Groskopf |
| EPIC: Wendy Hougan | UW Hospital and Clinics: Anthony Dix, Trina Ruppert |
| Group Health Cooperative – South Central Wisconsin: Emily Daws | University of Wisconsin: Deanna DeSolver, Kathy Skemp |
| Gundersen Health Plan: Sam Schmirler, Kris Scholze | University of Wisconsin System Administration: Beth Ritchie |
| Health Choice: Cliff Morris, Bob Pearson, | WEA Trust: Rachel Carabell, Greg Cieslewicz, Kimberly Swanson |
| Humana: David Ehrenfried, Mary Haffenbredl, Elizabeth Wright | WEAC Region 5: John Horn |
| Legislative Audit Bureau: Emily Pape | Wisconsin Association of Health Plans: Phil Dougherty, Tim Lundquist, Nancy Wenzel |
| Medical Associates Health Plan: Joy Kaiser, Codi Putnam | WHA Joanne Alig |
| MercyCare: Tracy Craker, DuWayne Severson | WPHCA: Lisa Olson |
| Minnesota Life Insurance Company (MLIC): Kjirsten Elsner | WPS: David Grunke, Matt Harty |
| Momentum Insurance: Stephanie Steel | Individuals: Glenn Unger |
| Navitus: Steve Alexander, Tara Argall, Pam Olson, Tom Paluck, Tom Radloff | |

Jon Litscher, Chair, called the meeting of the Group Insurance Board (Board) to order at 8:02 a.m.

**CONSIDERATION OF THE AUGUST 25, 2015, OPEN & CLOSED SESSION
MEETING MINUTES**

MOTION: Ms. Carlson moved acceptance of the open and closed session meeting minutes of the August 25, 2015 meeting as submitted by the Board Liaison. Ms. Thompson seconded the motion, which passed unanimously on a voice vote.

ANNOUNCEMENTS

Ms. Ellinger made the following announcements regarding staffing changes:

- Eileen Mallow has accepted the role of Deputy Director.
- Jennifer Stegall has been hired as a Strategic Health Policy Advisor.
- Jim Cooper filled the position of Manager of Performance Measurement.
- Joan Steele was hired to fill a second Manager of Performance Measurement position.
- Jessica Rossner has assumed responsibility for the management of the TASC-administered programs.
- Sherry Etes has taken over management of the Life Insurance program.
- Sara Brockman has accepted the role of Board Liaison.

Ms. Ellinger shared that the meeting was Bill Kox's last board meeting as he is retiring at the end of this year. She noted that Bill has been with the Department of Employee Trust Funds (Department) for more than 30 years, has an unwavering passion and commitment to our members and is an outstanding model of public service. She thanked Bill for his years of service to the Department and the Board. The Chair also expressed his appreciation for Bill's service and thanked him on behalf of the Board.

Mr. Neitzke arrived at 8:26 a.m. Mr. Heifetz arrived at 8:45 a.m.

HEALTH INSURANCE

Health Care Benefits Consultant Second Report – Observations and Recommendations for 2017 and Beyond

The Chair noted that the Health Care Benefits Consultant Report being discussed today is not an action item (Ref GIB | 11.17.15 | 3A). He advised the Board that there will be many long-term recommendations that will require additional analysis, discussion and input. In addition, there will be proposals for 2017 implementation, which will require staff to present decision items to the Board in February 2016.

Mr. Johnson, Mr. Ward and Mr. Vieira noted that this is their second report to the Board, with the first report being made in March 2015. They recapped the discussion from the March 2015 Board meeting.

Segal discussed the recommendations as set forth in the second report which include the following:

Total Health Management

- Increase member engagement in both wellness and disease management programs to improve the overall member health and reduce future cost.
- Integrate disease management and complex case management with the health plans (as is currently done).
- Utilize a separate best-in-class vendor and design a wellness and health program to be uniform across the membership.
- Require vendors to provide complete and comprehensive data.
- Work with plans to develop telemedicine standards that align with best market practices.
- Conduct an initial assessment of potential on-site clinics.

Program Structure

- Create a regional approach in which the regions are defined by ETF using the Medicaid regions as a basis.
- Consolidate the number of health plans to consist of a national/statewide plan and two others in each of the regions.
- Integrate tiered networks, reference-based pricing and centers of excellence into the plan design.
- Utilize a modified three-tiered approach for determining employee premiums.
 - Tier 1 plans must demonstrate significant financial advantage.
 - Tier 2 plans meet performance standards.
 - Tier 3 plans will have entire premium differential paid by the member.
- Include value-based copays and wellness incentives.

Pharmacy

Segal noted the current pharmacy benefit expenses are reasonable when compared to other large plan sponsors and that a number of measures are already being taken, such as required preauthorization, to manage and control costs.

Potential changes to the pharmacy program include:

- Consider narrow or tiered networks of pharmacies.
- Encourage the Pharmacy Benefit Manager (PBM) to take an active role in driving utilization toward generic drugs by introducing Generic Dispensing Rate targets by health condition as a performance guarantee.
- Move to exclusive contracting for specialty drugs.
- Obtain better Retail 90 pricing either through bids or custom contracting.
- Continue medication management services.
- Add a lower cost Medicare Part D plan option.

- Pursue new contracting concepts with the PBM.
- Add performance guarantees around clinical outcomes.

Segal recommended the contract with Navitus be extended through 2017.

Data Management

Segal analyzed the Wisconsin Health Information Organization (WHIO) data, and does not believe that WHIO will be able to meet ETF's needs to manage the state program effectively. For ETF to effectively manage programs in the future, a database that ties together all claims, utilization and financial data is essential. A data management program should include:

- Financial Management
- Benefit Design and Network Management
- Medical and Pharmacy Quality Adherence
- Health Management & Wellness Program Design
- Vendor Performance & Contract Adherence
- Provider Quality

Segal recommends issuing a Request for Proposals (RFP) to determine how the market can best support these needs.

Market Observations

Segal performed a comparison of ETF premiums with the Wisconsin State Marketplace (Exchange). Even after the adjustment for benefit design, the ETF premiums are higher compared to the adjusted premiums for plans designated as "Gold" plans on the Exchange. Segal recommends ETF contractually limit premiums to not exceed the actuarially-adjusted State Exchange rates.

Segal also reviewed health care pricing transparency tools that provide information and data to consumers when making health care choices. This is an evolving component of the health care market.

Self-Insurance

Segal noted that self-insurance is not a new concept for Wisconsin as the state currently self-insures for pharmacy, dental benefits (in 2016) and the Standard Plan. Segal also stated that self-insurance is the preferred methodology by a significant majority of state-level health plans.

Financial reasons to self-insure include:

- Elimination of most premium tax
- Elimination of Affordable Care Act (ACA) Market Share fees
- Lower cost of administration
- Carrier profit margin and risk charge eliminated

- Cash flow benefit
- Excise Tax exposure

Non-financial benefits include data collection, control of plan design, customizable network and cost reporting.

Segal recommends a combination of conversion to self-insurance with the regional restructuring recommended in the Program Structure section. This may be achieved by phasing in self-insurance.

Retiree Coverage

Segal issued a Request for Information (RFI) to gain a better understanding of retiree health care options. The results showed single monthly premium rates of \$300-\$350, which is a savings of \$50-\$100 per-member, per-month when compared to current premium rates. The savings would directly affect retirees and may have an effect Other Post Employment Benefits (OPEB) liability. Segal recommends one nationwide/statewide Medicare Advantage-Preferred Provider Option (MA-PPO) with regional plans also providing Medicare Options.

Local Government Plan

Segal's recommendation is to migrate the local government plan to mirror the state plan options.

ACA Update and Strategies

Segal reminded the Board that the 40% excise tax is a federal tax the plan administrator would pay, based on the total value of the health plan. The IRS is in a preliminary regulation phase and has sought comments from the employer community on implementation concerns. If no changes are made to the current State of Wisconsin programs, there will be excise tax exposure in 2018.

In summary, Segal noted that its recommendations could total approximately \$105-\$170 million in annual savings. An additional \$17-\$34 million in savings could be available for retirees. Implementing these strategies will require Board approval and additional ETF resources will be needed to develop RFPs, member communications, and other administering the various tasks associated with implementation.

Segal responded to questions from the Board. The Board asked that a special meeting be scheduled for the sole purpose of continued discussion on this report. The meeting will be scheduled prior to the February Board meeting. Staff noted that Board members may submit questions to ETF staff ahead of time.

The Board took a break from 10:50 a.m. to 11:05 a.m.

Local Annuitant Health Plan Rates

Ms. Schomber reviewed her memo on the 2016 Local Annuitant Health Program Rates (Ref GIB | 11.17.15 | 3B).

Guidelines/Uniform Benefits Technical Update

Ms. Pray reviewed the 2016 Guidelines and Uniform Benefits changes memo (Ref GIB | 11.17.15 | 3C).

PHARMACY BENEFIT PROGRAM

Mr. Bogardus reminded the Board that in November 2014 staff were directed to negotiate a one-year contract extension with Navitus for Pharmacy Benefit services, as opposed to the two-year extension that was available. Staff was also directed to be prepared to issue an RFP for PBM services to be effective January 1, 2017.

Mr. Bogardus stated that both ETF and Segal believe Navitus is currently providing viable and competitive PBM services and, therefore, recommends proceeding with the final one-year contract extension available. Extending the contract by one more year will allow staff time to issue an Request for Information to gain insight into the PBM market, allow Segal and staff the time to evaluate responses, report to the Board by May of 2016 and integrate the findings into an RFP for PBM services to be effective January 1, 2018.

Motion: Mr. Grapentine moved to approve a one-year contract extension with Navitus Health Solutions to run from January 1, 2017 to December 31, 2017. Ms. Thompson seconded the motion, which passed unanimously on a voice vote.

Mr. Schwartzer left the meeting at 11:20 a.m.

OPTIONAL AND LONG TERM CARE PLANS CONTRACT UPDATES

The Chair called the Board's attention to the memo distributed regarding Optional and Long Term Care Plans Contract Updates (Ref | 11.17.15 | 5).

Ms. Mallow and Mr. Nispel updated the Board on the status of the Optional Plan Contracts. Ms. Mallow noted that ETF was directed to enter into standardized contracts between the Board and the optional plans. As of August 15, 2015, four of the plans (Anthem, Dental Blue, Epic Benefits & Epic Dental, and VSP) were under contract. The Hartford also recently signed a contract with the Board. Aflac declined to enter into a contract for 2016.

ETF has been working to establish contracts with the long-term care insurance providers for 2016, but discussions have reached an impasse. The insurers have

declined to participate. Staff expect to have updates and recommendations for the Board at the February meeting.

The Chair directed staff to continue discussion and negotiations with these groups, as it does impact the programs available to state employees. He strongly encouraged the outreach to continue.

GROUP LIFE INSURANCE PROGRAM PLAN CHANGES

Ms. Etes shared that the State Transforming Agency Resources (STAR) project has requested a change to the “effective date” for new employee life insurance coverage in order to align with STAR’s overall enrollment automation and the PeopleSoft system. STAR, Minnesota Life and ETF worked together to determine an acceptable effective date to accommodate this request (Ref. GIB | 11.17.15 | 6). Staff recommended that the effective date be changed to the first day of the month following 30 days from the date of hire. This would also apply to enrollments related to qualifying events, as well as employees returning from an unpaid leave of absence where coverage has lapsed. For claims purposes, an employee’s election date will be the point of reference for providing coverage and paying claims. Staff recommended the Board approve the plan change and corresponding policy amendments with an effective date of January 1, 2016.

Motion: Ms. Thompson moved to adopt the plan changes and corresponding policy amendments as presented. Mr. Ostrowski seconded the motion, which passed unanimously on a voice vote.

INCOME CONTINUATION INSURANCE PLAN CONTRACT LANGUAGE CHANGES

Ms. Roemer, Mr. Guidry and Ms. Fischer discussed the State and Local Income Continuation Insurance (ICI) plan language revisions (Ref. GIB | 11.17.15 | 7). They shared recommendations for changes to the ICI plan language with an effective date of January 1, 2016. The identified plan language changes in both the state and local ICI plans provide additional clarity, reflect current procedures, make technical corrections and add administrative efficiencies.

Motion: Ms. Carlson moved to approve the revisions to the state and local ICI plan language with an effective date of January 1, 2016. Mr. Farrell seconded the motion, which passed unanimously on a voice vote.

OPERATIONAL UPDATES

Legislative Update

Ms. Hunter discussed two bills that have been introduced this session which may impact the programs the Board oversees (Ref. GIB | 11.17.15 | 8B).

[2015 AB 361](#) and [2015 SB 278](#) would require the Board, beginning on January 1, 2018, to make the optional insurance plans available to local government employers. The local government employers that participate in the program must establish payroll deductions for the employees to pay the premiums. The Legislature's Committee on Urban and Local Affairs passed the bill 9-0.

[2015 SB 312](#) and [2015 AB 394](#) requires the Board, in consultation with the Division of Personnel Management in the Department of Administration, to submit all proposed changes to public employee group health insurance programs to the Joint Committee on Finance (JCF). Under the bill, the Board may not implement any changes in the group health insurance programs unless approved by JCF through a 21-day passive review process. The bill was amended by the legislature, deleting language that all proposed changes to the health plans be submitted to JCF. The amended bill provides that the Board notify the JCF through a 21-day passive review if it intends to execute a contract to provide self-insured group health plans on a regional or statewide basis. The amended bill passed the Legislature, and the Governor's spokesperson has indicated that the Governor will sign this bill. The Board discussed the JCF passive review process.

Quarterly Audit Report

Ms. Sze presented the 2015-2017 Audit Plan Status report (Ref. GIB | 11.17.15 | 8B).

Ms. Statz discussed the ICI Audit (Ref. GIB | 11.17.15 | 8B1), which focused on ICI enrollment premium reporting and premium payment. OIA concluded that the controls currently used are not adequate to ensure that the eligibility requirements are being met, enrollments are processed timely or employers are accurately making premium payments. As part of the report, the Division of Retirement Services and the Division of Trust Finance responded to the findings and shared plans for addressing OIA's concerns.

Ms. Van Marter shared the findings of the Dependent Spouses & Domestic Partners Health Insurance Eligibility Audit (Ref. GIB | 11.17.15 | 8B2). The objectives of the audit were to determine if individuals covered by a health plan insuring a dependent spouse or domestic partner are notifying their employers timely to terminate coverage of the spouse or domestic partner after a divorce or termination of the domestic partnership. OIA recommended ETF work closely with employers to improve the timeliness of removing ex-spouses. OIA also identified improvement opportunities in Consolidated Omnibus Reconciliation Act (COBRA) compliance.

The Chair referred the Board to the remaining Operational updates in the Board packets.

The Chair announced that the Board would convene in closed session for the purpose of quasi-judicial deliberations pursuant to Wis. Stat. § 19.85 (1) (a) for the purpose of quasi-judicial deliberations on an appeal. Ms. Gibson, Ms. Walk, Ms. Etes and Ms. Daley were invited to stay for closed session.

MOTION: Mr. Neitzke moved to convene in closed session, pursuant to the exemptions contained in Wis. Stat. § 19.85 (1) (a) for the purpose of quasi-judicial deliberations on an appeal. Ms. Carlson seconded the motion, which passed on the following roll call vote:

Members Voting Aye: Carlson, Day, Farrell, Grapentine, Heifetz, Neitzke, Ostrowski, Thompson, Litscher

Members Absent: Cyganek, Schwartzer

The Board convened in closed session at 12:00 p.m. and reconvened in open session at 12:12 p.m.

ANNOUNCEMENT OF ACTION TAKEN ON BUSINESS DELIBERATED DURING CLOSED SESSION

APPEAL NO. 2015-001-GIB

During closed session, the Board moved to adopt the hearing examiner's proposed decision on Appeal No. 2015-001-GIB.

ADJOURNMENT

MOTION: Mr. Farrell moved to adjourn the meeting. Ms. Thompson seconded the motion, which passed unanimously on a voice vote.

The meeting adjourned at 12:13 p.m.

Date Approved: _____

Signed: _____

Michael Farrell, Secretary
Group Insurance Board