

DRAFT

MINUTES

January 7, 2016

Group Insurance Board
State of Wisconsin



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

BOARD MEMBERS PRESENT:

- Jon Litscher, Chair
- Bonnie Cyganek, Vice Chair
- Michael Farrell, Secretary
- Terri Carlson
- Herschel Day
- Chuck Grapentine
- Michael Heifetz
- Ted Neitzke
- Stacey Rolston
- Daniel Schwartzer
- Nancy Thompson

PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:

- Bob Conlin, Secretary
- John Voelker, Deputy Secretary
- Office of Strategic Health Policy:
- Lisa Ellinger, Director
- Office of the Secretary:
- Sara Brockman, Board Liaison
- Tarna Hunter, Legislative Liaison

OTHERS PRESENT:

- ETF Information Technology Services:
 - Ryan Perkins
- ETF Legal Services:
 - Liz Doss-Anderson
- ETF Office of Communications:
 - Mark Lamkins
- ETF Office of the Secretary:
 - Vickie Baker, Dan Hayes, Pam Henning
- ETF Office of Strategic Health Policy:
 - Jeff Bogardus, Sarah Bradley, James Cooper, Sherry Etes, Arlene Larson, Eileen Mallow, Tara Pray, Jessica Rossner, Shayna Schomber, Joan Steele, Jennifer Stegall
- Anthem Blue Cross Blue Shield:
 - Brian Martin, Ted Osthelder
- Network Health:
 - James Dahlke
- Office of the Commissioner of Insurance:
 - Jason Levine
- Physicians Plus:
 - Tom Luddy, Ron Sebranek
- Security Health Plan:
 - Bob Dvorak, Becky Gorst
- Segal Consulting:
 - Rick Johnson, Kristen Schatten, Ken Vieira
- Serve You Custom Prescription Management:
 - Sharee Bowsher, Peter Day, Katie White
- State Engineering Association:
 - George Mickelson, Bob Schaefer

Board	Mtg Date	Item #
GIB	2.17.16	1

Baraboo Ambulance: Troy Snow	The Alliance: Annette Cruz, Calvin Rigsby
Colonial Life: Pat Flanagan	The Hamilton Consulting Group: Rebecca Hogan
Dean Health Plan: Katie Beals, Penny Bound,	United Healthcare: Andrea Darling, Chris Ecos, Kurt Rich,
Department of Personnel Management: Paul Ostrowski	Kathy Stachura
Group Health Cooperative – South Central Wisconsin: Emily Daws, Elizabeth Dye	Unity Health Insurance: Cari Alexander, Brian Collien, Brian Groskopf, Rob Plesha
Gundersen Health Plan: Sam Schmirler, Kris Scholze, Eric Tempelis	UW Hospital and Clinics: Anthony Dix, Kathy Skemp
Health Tradition: Mike Eckstein, Chris Massa	University of Wisconsin: Diane Blaskowski, Deanna DeSolver, Kathy Skemp
Hemb Insurance Group: Jack L. Hemb	University of Wisconsin System Administration: Beth Ritchie
Humana: Rain Buck, David Ehrenfried, Mary Haffenbredl, Christa Klein	WEA Trust: Rachel Carabell, Greg Cieslewicz, Kimberly Swanson
Legislative Audit Bureau: Emily Pape	WisBusiness.com: Polo Rocha
Maclver Institute: Chris Rochester	Wisconsin Association of Health Plans: Phil Dougherty, Nancy Wenzel
Medical Associates Health Plan: Zach Keeling	Wisconsin Association of Health Underwriters: Alice O'Connor
MercyCare: Tracy Craker, DuWayne Severson	WPS: David Grunke, Matt Harty
Navitus: Steve Alexander	

Jon Litscher, Chair, called the meeting of the Group Insurance Board (Board) to order at 9:01 a.m. He welcomed Stacey Rolston as a new member of the Board.

Mr. Litscher noted the Board received hard copies of three letters addressed to the Chair concerning the Segal report and related issues. The letters were from Mr. Hickory R. Hurie, Rep. John Nygren on behalf of the Joint Finance Committee (JFC), and the Wisconsin Association of Health Plans. Mr. Litscher stated that questions and points of concerns expressed in the correspondence would be addressed by the Segal representatives during continued discussion of the second Segal report.

ANNOUNCEMENTS

Ms. Ellinger introduced Sara Brockman as the new Board Liaison.

HEALTH INSURANCE

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

The Chair noted that the continued discussion of the Health Care Benefits Consultant Report was not an action item.

Mr. Johnson, Ms. Schatten and Mr. Vieira answered multiple questions regarding the second report.

Deloitte and Segal Report Comparisons

The Board asked about the notable differences between the projected savings and potential risks in the respective reports presented by Deloitte and Segal Consulting. Specifically, the Board asked about the discrepancy between the potential \$100 million loss estimated by Deloitte and the \$42 million potential savings estimated in the Segal report. Segal explained that the discrepancies can be attributed to differences in methodology and data quality.

Segal referenced the Executive Summary of the August 2013 Deloitte report, which noted limitations in regards to incomplete or inaccurate data submissions. Segal gathered as much relevant data as possible to provide determinations and projections that applied to the state of Wisconsin, and utilized a national database and known discount data.

Segal stated that issuing a Request for Proposals (RFP) would provide concrete information about available providers, regional and/or statewide health plan options and establish actual costs and potential savings. The proposal could be developed to align with the best interests of the ETF member population.

Segal acknowledged that the Wisconsin market is different than other states, which is reflected in the Segal recommendation for a regionalized approach. The intent of the regional system is to maintain a competitive marketplace and high quality provider systems. Segal also noted that 46 states self-insure to some degree and many states have established unique provider contracting agreements.

Joint Finance Committee (JFC) Correspondence

Segal was asked to address the questions outlined in the letter submitted to the Board by State Representative John Nygren, Assembly Co-chair of the JFC. Questions pertained to potential cost savings, Affordable Care Act tax legislation and benchmark comparisons within the Segal report.

The letter focused on the potential cost savings outlined in the Segal report and whether Segal also considered the financial risk of self-insurance.

Segal stated that there were no missing calculations in relation to the state's financial risk, and adopting a self-insured model is not expected to negatively impact the state budget. Segal also acknowledged that self-insurance models carry inherent risk.

The letter also addressed the potential savings related to Total Health Management (THM), specifically the ability to produce \$80 million in savings.

Segal referred to the correlating sections in the two Segal reports, which outline the findings in regards to potential THM savings. The reports identify several possible savings opportunities. For example, it is estimated that 90% of all claims paid annually by ETF are due to chronic conditions. The Segal report suggests that increased member engagement in both wellness and disease management programs are expected to improve overall member health and reduce future cost.

Segal estimates between \$10 and \$30 million dollars in savings for the first year due to THM. Total estimated THM savings will be cumulative over time, with the potential to ultimately eliminate \$60 to \$80 million in costs annually.

The letter noted the recently-adopted changes to the Affordable Care Act, including the one-year suspension of the health insurance tax, and the two-year delay of the excise tax on high-cost health plans, also known as the "Cadillac tax," and inquired how these changes will affect associated projections.

Segal stated that the changes had not been proposed prior to the publication of the second report. The delays are also temporary and therefore have no real impact on Segal's financial projections.

Segal also noted that the delay of the excise tax will allow the Board to make gradual benefit changes over an additional two-year period to remain under the excise tax threshold.

The letter's final question pertained to the Segal report's use of the federal exchange premiums as a point of reference for the ETF program, specifically whether such comparisons were reliable and accurate given demographic variation between the ETF and exchange populations.

Segal stated that several benchmark comparisons were performed between the ETF program and other federal and state-level health plans. ETF plan costs were consistently higher throughout the benchmarking process.

The exchange was included as a benchmark group because it is a managed care model marketplace with significant member volume, and has been used previously by Segal as a comparison benchmark for other state plans. The results were consistent with the rest of the benchmarking process, finding that ETF premiums were higher than exchange premiums, which is different than the results Segal has seen in other states.

Segal noted that the results of this particular benchmark comparison were not used in any projections and was simply provided for reference.

Member Impacts

The Board noted that the correspondence addressed to the Chair raised concerns about the impact of proposed changes at the member level, specifically in regards to provider access, quality of coverage and change management.

Segal stated that all of the health plans queried during the initial evaluation met the desired criteria for provider access. While some providers may ultimately change as the result of regionalization, it is not anticipated that these changes will limit provider access or choice of plans.

Segal stated that the primary goal is to develop a more efficient tiered delivery system while preserving the current level of high quality care and benefits for the ETF member population.

Segal stated that the Board would be able to determine appropriate timelines and implement incremental changes. Segal also stressed the need for timely and consistent communication to the member population regarding any future changes.

Request for Proposal Recommendation

The Board requested that ETF, with the assistance of Segal Consulting, present a recommendation for developing a self-insurance model RFP at the next Board meeting on February 17, 2016.

The proposal should include an implementation timeline with a target date of January 1, 2018.

Segal Recommendations – Next Steps

Ms. Ellinger referred the Board the memo Segal Recommendations – Next Steps (Ref GIB | 1.7.16 | 3). The summary outlines all of Segal's recommendations in a single reference document and includes preliminary staff analysis pertaining to timelines, administrative tasks and resources required.

Ms. Ellinger noted that several items outlined in the document could be incorporated into the recommended self-insuring RFP. Additionally, she highlighted the flexibility

available in the RFP process, such as allowing providers to bid on both a regional and statewide basis, so that the Board may compare the costs and benefits associated with various delivery models.

OPERATIONAL UPDATES

Legislative Update

The Chair referred the Board to Ms. Hunter's memo in the board packet (Ref. GIB | 1.7.16 | 4). This summary was presented for information only and no Board action was required.

ADJOURNMENT

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

The meeting adjourned at 10:48 a.m.

Date Approved: _____

Signed: _____

Michael Farrell, Secretary
Group Insurance Board