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**CORRESPONDENCE MEMORANDUM**

**DATE:** January 27, 2016  
**TO:** Group Insurance Board  
**FROM:** Jennifer Stegall, Senior Health Policy Advisor  
 Office of Strategic Health Policy  
**SUBJECT:** Optional Insurance Plans and Uniform Availability Across State Agencies

**Group Insurance Board (Board) action is needed to provide direction on how ETF should proceed in carrying out the Board’s November 2014 and March 2015 directives related to uniformly offering Optional Insurance Plans to all state employees. This memo details an ETF-recommended option and an alternative option for the Board’s consideration.**

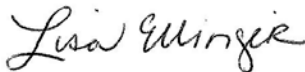
**Background**

Optional Insurance Plan(s) refers to “other group insurance plans” as provided in Wis. Stat. § 40.03 (6). This includes any insurance plan other than group health, life, income continuation, or long term care insurance that is approved by the Group Insurance Board as voluntary group plan offerings for state employees, with 100% of the premium paid by employees through payroll deduction. Examples of insurance plans falling under this definition include: accidental death and dismemberment (AD&D), supplemental vision and supplemental dental plans.

In November 2014, the Board directed ETF to manage the Optional Insurance Plan contracts and make Optional Insurance Plans uniformly available to all state employees, including the UW System (UWS) and UW Hospital and Clinics (UWHC).

The rationale for this decision was largely focused on STAR<sup>1</sup> implementation and the need to enroll members into plans as efficiently as possible. Streamlining the plan offerings across all state STAR agencies, beginning in 2016, eliminated the need for costly customization to accommodate state agencies offering different plans. Additionally, offering the same plans across STAR agencies created equal access to

<sup>1</sup> STAR is an acronym for “State Transforming Agency Resources,” the Department of Administration’s initiative to consolidate information technology systems.

Reviewed and approved by Lisa Ellinger, Director, Office of Strategic Health Policy  
  
 Electronically Signed: 2/11/16

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coverage for state employees while also eliminating any disruption they may have experienced in the past when transferring from one agency to another.

With the STAR agencies now offering the same Optional Insurance Plans and ETF managing those contracts, the next phase centers on non-STAR agencies offering all Board-approved plans beginning plan year 2017. The delay in addressing non-STAR agencies, which was approved by the Board in March 2015, was due, in part, to concerns raised by the UWS and UWHC. These concerns and options for implementing the Board's directives are detailed in this memo.

Non-STAR agencies include: UWS, UWHC, Wisconsin Courts System (WSC), Wisconsin Economic Development Council (WEDC), Wisconsin Housing and Economic Development Authority (WHEDA), Wiscraft/Beyond Vision, Wisconsin Health Economic Facilities Authority (WHEFA), and the Fox River Navigational System Authority (FRNSA).

**2016 Current State**

The Optional Insurance Plans approved by the Board for plan year 2016 are as follows: Anthem Dental Blue, EPIC Dental Wisconsin, EPIC Benefits Plus; Vision Service Plan (VSP) and Hartford AD&D. Also, UWHC, with the Board's approval, has offered Delta Dental plans since 2003. Table 1 below details the current offerings across STAR and non-STAR agencies.

**Table 1  
Current State Optional Plan Offerings<sup>2</sup>**

Agency	Anthem Dental Blue	EPIC Dental WI	EPIC Benefits Plus	VSP	Hartford AD&D	Exceptions <sup>3</sup>	
						Zurich AD&D <sup>4</sup>	Delta Dental
UWS		X	X	X		X	
UWHC			X	X		X	X
STAR Agencies	X	X	X	X	X		
WCS	X	X	X	X	X		
WEDC	X	X	X	X	X		
WHEDA	X		X	X			
Wiscraft/Beyond Vision	X						
WHEFA							
FRNSA							

<sup>2</sup> None of the non-STAR agencies offer supplemental dental, vision or AD&D coverage outside of what is listed in the table.

<sup>3</sup> Zurich Mutual and Delta Dental are in blue to indicate that they are exclusive to UWS and UWHC; these are not currently available to the STAR or other non-STAR agencies.

<sup>4</sup> UWS/UWHC AD&D coverage began prior to 1970 under Continental Casualty; now under Zurich after various mergers over the years.

With the exception of UWS and UWHC specific offerings, the Optional Insurance Plan contracts are entered into between the insurer offering the plan and the State, signed by the Board chairperson and managed by ETF.

Current Optional Insurance Plan enrollment is outlined in the table below for the Board's reference.

**2015 Optional Insurance Plan Enrollment**

<b>Plan</b>	<b>Total Subscribers</b>	<b>UWS</b>	<b>UWHC</b>
Anthem Dental Blue	6,740	N/A	N/A
EPIC Dental WI	7,812	7,371	N/A
Delta Dental	2,488	N/A	2,488
EPIC Benefits Plus	17,826	5,109	835
VSP	17,272	7,643	2,095
Hartford AD&D	4,417	N/A	N/A
Zurich AD&D	5,557	4,613	944

**Employee Transfers across State Agencies**

In 2015, 828 employees transferred between state agencies. Fourteen of those transfers were from UWHC and 15 were transfers to UWHC from another state agency. In addition, 101 employees left the UWS for another state agency; 82 employees transferred to the UWS. This information is relevant to the Board's interest in minimizing disruption in benefit offerings for employees who transfer across state agencies.

**ETF-Recommended Option**

- Beginning plan year 2017, require non-STAR agencies, except the UWS and UWHC, to offer all Board-approved Optional Insurance Plans.
  - STAR agencies are already required to offer these plans.
- UWS and UWHC Optional Insurance Plans continue to require Board approval per Wis. Stats. Chapter 20.
- The Board continues to sign and ETF manages the insurer contracts for Optional Insurance Plans (except for those only applicable to UW and UWHC, i.e. Zurich AD&D and Delta Dental supplemental plans).
  - UWS and UWHC continue to maintain relationships with insurers like VSP and EPIC Benefits Plus through administrative agreements to manage payroll, enrollment, member services issues, etc.

Impact on Plan Offerings

- See Table 2 on page 4.
- Non-STAR agencies, other than UWS and UWHC, align offerings with STAR agencies.
- 2016 current state continues into 2017 and future years for UWS and UWHC, meaning they continue to determine which Board-approved Optional Insurance Plans to offer their employees.

- While Board-approved, the Delta Dental supplemental plans would remain available only to UWHC employees.

**Table 2**  
**Recommended Option**  
**Optional Insurance Plan Offerings**

*Text in red indicates change from current state under this option*

Agency	Anthem Dental Blue	EPIC Dental WI	EPIC Benefits Plus	VSP	Hartford AD&D	Zurich AD&D	Delta Dental
UWS		X	X	X		X	
UWHC			X	X		X	X
STAR Agencies	X	X	X	X	X		
WCS	X	X	X	X	X		
WEDC	X	X	X	X	X		
WHEDA	X	X	X	X	X		
Wiscraft/Beyond Vision	X	X	X	X	X		
WHEFA	X	X	X	X	X		
Fox River Navigational System Authority	X	X	X	X	X		

Rationale for Recommended Approach

1. The primary motivation for pursuing uniform plan offerings was in response to STAR. Alignment across STAR agencies has been achieved, starting with the 2016 plan year.
2. Requiring non-STAR agencies to offer all Board-approved plans expands the pool of employees who will not experience disruption in benefits when moving from one state agency to another.
  - a. Excluding the UWS and UWHC from this requirement has a minimal impact because (1) the transfer rate between UWS and UWHC to and from other state agencies is relatively low (see page 3) and (2) the UWS and UWHC offer some of the same plans as the STAR agencies today, already creating a reduced impact on transferring employees.
3. This option allows the UWS and UWHC the ability to offer Board-approved plans that best meet the needs of their diverse employee populations and directly manage their long standing contracts for AD&D and Delta Dental supplemental coverage. Examples of the benefit of allowing this direct contractual relationship to continue include:
  - a. UWHC directly worked with Zurich during the Ebola scare to develop a specific rider for the members of the UWHC team who would be on the front line for exposure to Ebola while working with patients.

- b. UWHC's direct contractual relationship with Delta Dental has allowed them to keep plan premiums down -- 0% increase for 2015 and 2016.
    - c. UWS modified its AD&D contract language to cover "J1" requirements to change the definition of principal residence to reflect the legal domicile of the covered person in his or her county of citizenship. J1 refers to scholars attending the UWS who are in the United States with a VISA.
4. The Board directive for ETF to hold the Optional Insurance Plan agreements is met, with the exception of UWS/UWHC AD&D coverage and UWHC Delta Dental agreements.
5. The recommended option allows for flexibility in system programming for STAR, UWS, and UWHC and avoids additional costs to both UWS and UWHC in establishing system needs to accommodate additional AD&D or dental plan offerings and any other future plan offerings.
  - a. UWS estimates that the initial setup cost to the organization to offer Anthem Dental Blue would be approximately \$49,000 and estimates an ongoing annual cost for monthly reconciliation, reporting, processing and communication of approximately \$33,000 per year.
  - b. Due to UWHC and UW Medical Foundation recently integrating as UW Health, there is a great demand on the UW Health Information Technology team. Adding/testing new dental plans would be burdensome and may not be feasible by January 1, 2017.
6. The UWS and UWHC maintain that the Zurich AD&D plans are grandfathered and not subject to the Board's directive to standardize Optional Insurance Plan offerings. This option allows UWS/UWHC to retain their current contracts with Zurich.
  - a. The UWS and UWHC AD&D offering began under Continental Casualty prior to 1970. The plan has moved under different insurers over the years and has been offered by Zurich since 1980. Given the fact that the original AD&D offering was in place prior to the Board's authority to approve Optional Insurance Plans, the UWS and UWHC consider the offering to be grandfathered.
    - i. The entities cite 1978 Wis. Admin. Code § ETF 26.03 (renumbered as ETF 10.20). Please see Attachment I.
7. Under this option, UWS and UWHC are not required to work with insurers with which they have had a negative experience. Both UWS and UWHC have cited previous issues with Anthem Dental Blue in the areas of customer service, telephone wait times, denial of pre-authorized services, enrollment and ID card issues.

- a. UWS ultimately dropped Anthem, which led to the EPIC Dental Wisconsin offering that the UWS, STAR and a few non-STAR agencies offer today.
  - b. UWHC dropped coverage through Anthem in 2003 and switched to Delta Dental.
8. Allowing UWHC to continue offering Delta Dental plans avoids the perception of a benefit “take away” and eliminates employee disruption.
- a. In most cases, the UWHC Delta Dental plans offer a richer benefit than the EPIC and Anthem plans offered to STAR agencies.
  - b. There are 267 members who joined a UWHC Delta Dental Supplemental plan outside of the open enrollment period and are paying premiums during a waiting period of 12 months for basic services or 24 months for orthodontic services.

### **Additional Considerations**

An additional consideration for plan year 2017 is for the Board to move from Hartford AD&D to Zurich AD&D for all state agencies. While the Board will review Optional Insurance Plan Offerings at the May meeting, ETF is raising the issue now due to:

- The Board’s directive to standardize Optional Insurance Plan offerings.
- Zurich’s interest in working with other state agencies and willingness to offer a proposal to the Board that includes a plan offering similar in nature to the UWS and UWHC offerings, while maintaining separate contracts between the UWS, UWHC and ETF.
- UWS and UWHC have a positive and longstanding relationship with Zurich.
- ETF concerns stemming from:
  - Hartford’s enrollment process being entirely paper-based, and
  - Hartford’s outdated benefits structure, when compared to industry standards.

The Board could, contingent upon Board approval in May, include under the ETF Recommended Option above, a requirement that all STAR and non-STAR agencies offer Zurich AD&D plans rather than Hartford AD&D plans.

### **Alternative Option**

- Beginning plan year 2017, require STAR and non-STAR agencies, including UWS and UWHC, to offer all Board approved Optional Insurance Plans.
- Contingent upon Board approval at its May meeting, offer AD&D coverage through Zurich to STAR and non-STAR agencies and drop Hartford AD&D coverage.
- The Board signs and ETF manages all of the insurer agreements, including the AD&D agreement.

### **Impact on Plan Offerings**

- See Table 3 on page 7.
- Non-STAR agencies align offerings with STAR agencies.

- UWS and UWHC newly offer Anthem Dental Blue.
- UWHC newly offers EPIC Dental.
- UWHC drops Delta Dental.
- STAR and non-STAR agencies newly offer AD&D coverage through Zurich; STAR agencies drop Hartford AD&D and UWS/UWHC no longer each hold separate contracts with Zurich.

**Table 3  
Alternative Option  
Optional Insurance Plan Offerings**

*Text in red indicates change from current state under this option*

Agency	Anthem Dental Blue	EPIC Dental WI	EPIC Benefits Plus	VSP	Hartford AD&D Zurich Mutual <sup>5</sup>	Delta Dental
UWS	X	X	X	X	X	
UWHC	X	X	X	X	X	X
STAR Agencies	X	X	X	X	X	
WCS	X	X	X	X	X	
WEDC	X	X	X	X	X	
WHEDA	X	X	X	X	X	
Wiscraft/Beyond Vision	X	X	X	X	X	
WHEFA	X	X	X	X	X	
Fox River Navigational System Authority	X	X	X	X	X	

Discussion Points

1. This option most closely aligns with the Board directive to have ETF hold the insurer contracts and make Optional Insurance Plans uniformly available to all state employees, including the UWS, UWHC and other non-STAR agencies.
2. A fair amount of effort and disruption is created for minimal gain under this option, meaning, the STAR issue is already addressed, few people transfer between UWS and UWHC to other state agencies, and UWS and UWHC do offer some of the same plans as the other state agencies already.
3. UWS and UWHC strongly oppose the Alternative Option due to:
  - a. The inability to directly contract with Zurich and Delta Dental to resolve known issues and recommend changes;

<sup>5</sup> Difference in this option from 2016 for UWS and UWHC is that the Board would hold the contract with Zurich and ETF would manage it. This option differs from 2016 current state for STAR agencies, WI Economic Development Corp., and the WI Courts System in that the AD&D offering is through Zurich, not Hartford.

- b. Negative past experience in offering Anthem Dental Blue;
  - c. The stance that the Zurich AD&D offering is grandfathered and not subject to the Board's directives related to uniform offerings;
  - d. Anticipated member upset and disruption if UWHC Delta Dental offerings are eliminated; and
  - e. Expense to establish system vendor interfaces – meaning it is costly to test, set up and implement new plans.
4. With ETF managing the Zurich contract (should the Board move in this direction in May) and additional lives potentially coming under the Anthem and EPIC dental plans, there may be an uptick in calls received by ETF member and employer services.
5. The impact on the current UWS and UWHC AD&D premiums if all state employees are pooled together is unknown. The UWS and UWHC premiums could remain the same, increase or decrease. Also unknown is the impact on the premium that would be offered to other state employees if all lives were pooled together.
6. Managing a single AD&D contract would require ETF staff to manage current and any future UWS and UWHC specific riders.
  - a. If the Board ultimately approves this option, Zurich's proposal in May will speak to the impact of moving UWS and UWHC under a single contract with all other state agencies, including the management of riders, the impact on plan design and premium.

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



Replaced Register, December, 1983, No. 336

GROUP INSURANCE BOARD

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Chapter Grp 26

**APPROVAL OF GROUP INSURANCE PLANS  
FOR STATE EMPLOYEES**

Grp 26.01 Group insurance board approval Grp 26.02 Criteria for approval  
Grp 26.03 Withdrawal of board approval

**Grp 26.01 Group insurance board approval.** In addition to group insurance plans provided by the group insurance board under s. 40.10, Stats., pursuant to s. 10.921 (1) (a) 3, Stats., the board shall approve or disapprove group insurance plans for which payment of premiums is made through payroll deductions. All such group insurance plans in effect on June 1, 1973 shall be deemed approved by the board pursuant to Grp 26.02, provided such plans are filed with the board not later than 30 days after the effective date of the rule.

**Grp 26.02 Criteria for approval.** (1) The board shall determine after notice and hearing whether the group insurance plan fulfills an important coverage need through consideration of but not limited to the following factors:

- (a) Number of employees affected
  - (b) Amount and variation in premiums
  - (c) Adequacy of other approved coverage providing the same or similar protection
  - (d) Duration of contract
  - (e) History, performance and acceptance of the plan
  - (f) New or additional coverage provided
- (2) The board shall determine whether the plan is adequately supervised through consideration of but not limited to the following factors:
- (a) Continuing representation of employe participants with professional insurance guidance
  - (b) Maintenance of adequate statistical records relating to retentions, experience, premiums, participants and other data necessary for actuarial computations
  - (c) Procedures for negotiating coverage

**Grp 26.03 Withdrawal of board approval.** (1) Notwithstanding board approval granted to any plan under Grp 26.01, the board subsequently may withdraw its approval after notice and hearing upon finding that said plan does not meet the criteria established by Grp 26.02.

(2) Such withdrawal of approval shall be effective, at the discretion of the board, on the first day of the month subsequent to issuance of a finding that said plan does not meet the criteria pursuant to subs. (1) or on the anniversary date of the contract under which such plan is provided.

History: Cr. Register, August, 1973, No. 212, eff. 9-1-73.

Register, August, 1978, No. 272