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## Correspondence Memorandum

**Date:** February 8, 2016  
**To:** Group Insurance Board  
**From:** Eileen Mallow, Deputy Director  
Office of Strategic Health Policy  
**Subject:** Status of Long Term Care Insurance Agreements

**This memo is for information only. No Board action is required.**

### Background

At its November 2014 meeting, the Group Insurance Board (Board) directed ETF staff to bring the contracts for all optional benefits under the purview of the Board to facilitate the implementation of the State Transforming Agency Resources (STAR) project. By separate memo, a status report on Optional Insurance Plans has been presented ([see memo 7A](#)). This memo provides an update on the status of long-term care (LTC) insurance contracts with the Board.

LTC insurance contracts are specifically covered under Wis. Stat. § 40.55, rather than Wis. Stat. § 40.03 (6), which authorizes optional health, life and disability coverage. Both statutes require that the plans be authorized by the Board and that the entire premium be paid by any employee who elects the coverage. Language in s. 40.55, Wis. Stat., refers only to the Board's authority to contract with an insurer; brokers and agents are not included in the authorizing language. Prior to the Board directive, individual state agencies had agreements with local brokers to offer this coverage. The current agreements cover all agencies, including the University of Wisconsin System and UW Hospital and Clinics.

At the November 2014 meeting, the Board approved revised standards for *Proposing and Providing Long Term Care Insurance*, to be effective with coverage offered January 1, 2015. At the time these changes were adopted, Mutual of Omaha was the only approved LTC insurance policy for state employees. At the May 2015 meeting, the Board approved an additional LTC insurer, Transamerica.

ETF staff have been working with both Mutual of Omaha and its local broker, HealthChoice, and Transamerica and its local broker, SeniorCare to contract with the Board for 2016. A summary of the actions of all the parties since the November 17, 2015, Board meeting through February 8, 2016 is attached.

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

Electronically Signed 2/10/16

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To date we have not been able to reach contractual terms with any of the parties that we believe will be acceptable to the Board.

ETF staff continue to work with the parties in the hopes of coming to agreement. Given the changes requested by Mutual of Omaha, we do not believe we will be able to resolve all the concerns. We intend to work with their broker, Health Choice, to service existing business. Based on conversations to date between Transamerica, SeniorCare and ETF staff, we anticipate that we will be able to successfully conclude an arrangement with them soon.

ETF staff will continue to work with the parties in an effort to bring the contracts to closure.

### **Future Recommendation**

ETF staff will recommend that the standards for proposing and providing long-term care insurance that are to be presented to the Board for approval in May be amended to include the following provisions:

- Only proposals that include a licensed insurer that accepts responsibility for the actions of its agents will be considered
- Managing agents are permitted as parties to the contracts, assuming they agree to accept applicable contract provisions
- All parties must accept provisions to protect confidential member information
- All parties must accept provisions that prevent cross-selling

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

## **Attachment 1**

### **ETF Long Term Care Insurance Negotiations Summary**

The history of ETF's attempt to negotiate LTC insurance contracts with each of the insurers includes the following activities:

- October 13, 2015 – ETF staff send draft contracts to the two insurers to facilitate implementation of the Board directives. Several meetings between ETF and the affected insurers and their local brokers occur.
- November 17, 2015 – ETF staff report to Board on the reluctance of the insurers to proceed with contracts, preferring instead to maintain the previous system of agreements between the brokers and the state.
- December 3, 2015 – Meeting with ETF staff and insurers/brokers to discuss next steps towards a 3-party contract between Board, insurers and brokers. ETF offers to allow release of employee names if a Memorandum of Understanding (MOU) can be signed protecting member data and confidential information. Insurers and brokers asked to provide a written list of concerns.
- December 9, 2015 – Meeting/conference call with insurers and brokers to discuss their responses to ETF's draft contract and negotiate terms of the contract. Parties complete a full review of all identified outstanding issues, except allocation of administrative fees. ETF agrees to provide another draft of contract incorporating changes. As follow up to the meeting, HealthChoice provided their agency agreement language regarding "cold calls" and high pressure sales.
- December 10, 2015 – Draft three-party MOUs distributed to Transamerica, SeniorCare, Mutual of Omaha and Health Choice.
- December 13, 2015 – Transamerica requests ability to market plans with inflation protection. ETF response is that this proposal amends the product offering currently approved by the Board, so it will have to be submitted for approval.
- December 14, 2015 – Mutual of Omaha asks to see draft revised contract before signing MOU.
- Dec 15, 2015 – Draft contracts sent to all parties. The cover memo includes a list of what ETF considers outstanding items.
- December 22, 2015 – ETF suggests revised contract language to explain how administrative fees are calculated is distributed to the parties. Parties ask for an itemized list of charges; ETF responds that data is not maintained.
- December 22, 2015 – SeniorCare indicates no issues with MOU.
- December 23, 2015 – Mutual of Omaha forwards marked up copy of contract to ETF. Requested deletions include: removing prior Board approval over marketed policies, delegating many responsibilities to the managing general agent and refusing contractual responsibility for many typical insurer functions, and refusing ETF language protecting members from cross-selling.
- January 8, 2016 – Response to Health Choice request for additional information on administrative fees.
- January 13, 2016 – ETF responds in writing to Transamerica telephone inquiry, indicating willingness to accept process proposed by Transamerica regarding notice of premium change; refers request for approval of inflation protection provisions to Board review. ETF responds to Health Choice request for detailed

information on administrative fees with a summary of what is available to be provided. SeniorCare was copied on ETF's response.

- January 28, 2016 – Transamerica contacted by ETF to determine status of their responses to the contracts.
- February 1, 2016 – ETF again requests Transamerica comments on the contract.
- February 2, 2016 – Mutual of Omaha asks about status of their contract. Health Choice requests a status report on their MOU. ETF response is that MOU has not been signed by Health Choice and forwards another copy to both Health Choice and Senior Care.
- February 5, 2016 – ETF received a copy of a signed MOU from HealthChoice
- February 8, 2016 – ETF returned signed MOU to HealthChoice