

KATHLEEN E. GLANDER
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RECEIVED

JAN 29 2016

EMPLOYEE TRUST FUNDS
OFFICE OF THE SECRETARY

Group Insurance Board
c/o Board Liaison
Department of Employee Trust Funds
PO Box 7931
Madison WI 53707-7931
January 25, 2016

Dear Group Insurance Board:

I am writing to ask you to vote against pursuing requests for proposals from companies for further consideration of self-insuring the state health insurance program. The state is not in the insurance business, and it's clear that the governor is not educated in how insurance contracts work. The January 8, 2016 Wisconsin State Journal reported on this possibility. It reports that "previous consultant reports have said self-insurance could save \$20 million a year or cost \$100 million a year. The possibility of losing money (even any amount), especially up to \$100 million a year is not something the state should bet on. We cannot afford to lose \$100 million in even one year. The insurance companies now handling the state contracts are doing a good job. The premiums are relatively stable and there have been no catastrophes.

In last week's State of the State speech, Governor Walker said he would take the savings from the self-insurance program towards education. Insurance companies maintain reserves. Insured people pay the same premium every month whether they use the medical care or not. People may have average claims, low claims, or there might be times of catastrophic claims. We already know that the governor doesn't understand the concept of reserves kept by companies, as opposed to paying out all of their profits. The UW system has followed good business practice in maintaining some reserve funds and has been chastised and penalized by the governor. By his comment in the State of the State speech, he has also shown that he doesn't understand the concept of maintaining insurance reserves. If a company who is in friendship with the governor gets a contract, we could be in a horrific situation with the potential for gross mismanagement of the funds.

Another cost of self-insurance has probably also been overlooked by the governor and others considering this option: The state could save \$11 million in administrative costs, and another \$11 million in insurance company profits. How would the state save administrative costs? The state will still incur costs for administering the claims. Will they save the money by hiring minimum wage employees and/or people with no experience? How many layoffs will the Wisconsin insurance companies incur from the loss of the contracts? How would the contracted insurance company need less people and costs to process the same claims? (Typically you get what you pay for.) What if you choose an out-of-state company to administer the program? All of the lost jobs from current companies would go out of state. And what if the insurance company cuts corners and leaves us in a mess? How much will we pay for auditors to ensure that the insurance company and anyone in the state

government involved in the program are doing things right and maintaining appropriate reserves (also known as surpluses) and not siphoning off money from the premiums or "so called" profits? Having multiple HMO companies in each region of the state keeps all of the companies on their toes through competition. That is a good thing. The HMOs in Dane County have been doing a great job. I believe that most employees in the area choose the HMO options and are pleased with their medical care. I am a retired UW employee, and I have been very pleased with the quality and costs of the current state policies available to me. If you request proposals every few years, we could pay lots of extra money to move the business from one company to another over and over also.

The Wisconsin State Journal mentions that Wisconsin has been processing one self-insurance program through WPS. That happens to be the most expensive insurance option for state employees.

Please do NOT approve the self-insurance program, or even spend any more money or time on requesting proposals. The system isn't broke, and does not need fixing especially by a government who is not competent in this area.

Thank you very much.

Sincerely,



Kathleen E. Glander

CC: Rep. Subeck, Sen. Risser, Sen. Darling, Sen. Olsen, Sen. Harsdorf, Sen. Vukmir, Sen. Tiffany, Sen. Marklein, Sen. Taylor, Sen. Erpenbach, Rep. Nygren, Rep. Loudenbeck, Rep. Knudson, Rep. Schraa, Rep. Czaja, Rep. Taylor, Rep. Hintz.

CC 16-008

Hickory R. Hurie of Madison, Wisconsin



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Madison, Wisconsin
United States of America 53711

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January 26, 2016

RECEIVED

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**EMPLOYEE TRUST FUNDS
OFFICE OF THE SECRETARY**

Jon Litscher, Chair
Wisconsin Group Insurance Board
% Board Liaison, Department of Employee Trust Funds
PO Box 7931
Madison, Wisconsin 53707-7931

Dear ~~Mr. Litscher~~ *Chris Litscher*

I appreciated your opening statements to the GIB meeting of January 11 that urged the Board to hold an open discussion and consider alternative viewpoints concerning the future of the Wisconsin group health insurance system.

I was deeply disappointed in the responses of the Segal group representatives since they presented no new data nor analysis of the impact and benefit/costs of various recommendations on the individual participants... I found their answers to be slick, non-responsive, or demeaning of serious questions raised by some Board members and the public. ("I do not understand the reaction to this proposal". .."I think that participants are afraid of any change".... "Why would anyone object to participating in a wellness program and becoming healthier?")

I thought your consensus suggestion to have ETF staff draft an RFP, with the advice of the Segal Group, rather than have Segal develop the RFP itself, re-enforced, for the Board and the public, the proper role for the Board in its fiduciary responsibility for the funds paid into the ETF/GIB by employees and employers, and which are now trust funds for the benefit of participants, not State funds to be used to shore up an underfunded State budget..

I also found it helpful for Board members to be reminded that the draft RFP was a draft for discussion in February, and could (and should be) amended by the GIB during its February discussion.

I did find the January discussion helpful however, because Board members raised some alternatives to the projected (and in my mind, disastrous) course of the current Segal recommendations.

It does seem to me that the current recommendations suggest major changes in health insurance for Wisconsin public employees, which will in turn have major negative impacts on the rest of the health care sector in Wisconsin, including state and local economies.

If the GIB is hell-bent on adopting the Segal recommendations in spite of their fallacies and weaknesses, I would suggest that in its "prudent man" role, the GIB choose a method of change that would introduce the modified Segal recommendations over a period of several years, so that the first set of recommendations can be evaluated to their effect, and altered if the results generate unforeseen consequences, or if the market and the ACA challenge the underlying assumptions of the Segal recommendation implemented.

To wit, **I suggest that GIB consider first adopting the development of the 'regions' recommendations for a two year cycle, and have a third party other than Segal evaluate the results,** before implementing the wellness program or any other recommendation. Various HMO's and providers currently promote fitness and health. A separate statewide program with its data warehouse, penalty

premiums, and privacy issues, as well as the political issue of government intrusion into the doctor-patient relationship, involves a variety of complex issues that the current Segal recommendation either ignore or dismiss.

Second, I would suggest that the GIB enter into self-insurance status **only** after it has had time to evaluate the “regions” approach, and only after the Board has enjoyed the benefit of a thorough analysis of Wisconsin’s calamitous experience with self-insurance in the early 1980’s.

Third, **I would suggest that the GIB delay any implementation of different treatment for Medicare retirees and their forceful inclusion in a Medicare advantage plan** until the GIB receives more specific analysis of the cost and impact of such a recommendation on the retirees themselves. I believe the first Segal report noted that Medicare enrollees under the current systems do not cost the State anything; the Segal recommendations only add expenses to the Medicare retirees, and increase their out of pocket burden. The GIB should examine additional information before adopting this recommendation and implementing it. It may even wish to hear from its older participants about their views in this issue.

Fourth, **I would suggest that the GIB seek out another independent consultant other than Segal to help the Board analyze the impact of the Segal recommendations on the State and local economies: larger volume providers, collection of premiums, selection of a single pharmacy delivery system, suggested consolidation of health care systems.**

Finally, I suggest that the Board review again the ‘disruption’ and “access” issues, and the “minimum number of participants” criterion for a qualified provider. There is a cost to changing providers in terms of quality of care, time needed for providers to know their new patients, matching of providers with new patient needs, and ‘commute’ time to access different providers. While the quick Segal survey suggested that all areas of the state are within driving distance of a provider physician, that particular physician may not be taking new enrollees or match specifically the health needs of that Wisconsin resident. The minimum number issue will impact local economies and likely send Wisconsin participant funds out of the state, further hurting Wisconsin’s economic growth issues. These are areas of analysis of benefits and costs as the Board considers further consolidation of “providers”.

I appreciate the opportunity to offer some suggested issues regarding the schedule of changes, and I hope that they will be discussed in some form by the Segal group or ETF staff before the February meeting.

Sincerely,

A handwritten signature in black ink, appearing to read 'Hickory R. Hurie', written in a cursive style.

Hickory R. Hurie

CC: Other members of the GIB, where addresses are available



CC 16-010
Rec. 2.12.16

Jon Litscher
Chair, Group Insurance Board
C/o Board Liaison
Department of Employee Trust Funds
PO Box 7931
Madison, WI 53703

Dear Mr. Litscher:

Please find attached a copy of an op-ed I authored that was published by the *Wisconsin State Journal* on Feb. 5, 2016. I would appreciate your sharing this with your colleagues on the Group Insurance Board.

I also request that the Board fully consider alternatives to the current model and the self-insurance model being proposed, including shifting all government employees into Wisconsin's federally facilitated marketplace.

Sincerely,

Mike Bare
Research and Program Coordinator
Community Advocates Public Policy Institute
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Mike Bare: State should increase market competition for health insurance

MIKE BARE Feb 5, 2016 7

For more than three decades, Wisconsin has operated a health insurance program for state workers that offers a wide choice of insurance plans and doctors.

The state facilitates competition among insurance companies for enrollees. This month, the Group Insurance Board (GIB) will discuss whether to keep its competitive model or switch to a government-run self-insured approach that would disrupt the state's private insurance market, eliminate competition and limit consumer choice. There's a better way that could save the state \$240 million.

Gov. Scott Walker and his GIB appointees have frequently railed against ObamaCare, wrongly seeing it as a government takeover of health care that thwarts private-sector competition. Yet in pressing for the switch to self-insurance, Walker's allies and appointees would be orchestrating an actual government takeover of aggressive private-sector competition.

More than 210,000 state workers and their family members participate in the current program. Every year, they use cost and quality information to choose health insurance coverage from among several competing plans. Workers have a strong incentive to choose the low-cost plan, because they pay more if they choose a more costly plan.

Self-insurance would eliminate the current competitive model. It would instead put government — acting as a single payer — fully in charge of a \$1.2 billion health insurance program. This change would have massive disruptive effects on the state's entire private insurance market by removing those 210,000 Wisconsinites from the pool that private health insurance companies can compete for.

A fundamental benefit of the current competitive model is that it transfers risk from the taxpayers to private insurers. If health care costs are greater than estimated, the insurers take the hit. Under a self-insured model, however, the taxpayers take the hit if costs are higher than estimated.

Proponents of self-insuring point to potential cost savings. Potential is the key word. Two consultants have estimated savings that may or may not happen. A report by Deloitte concluded the state could lose \$100 million or save \$20 million. Segal Co.'s first report concluded the state could potentially save up to \$70 million. Its second report lowered that savings estimate to \$42 million.

Ironically, Segal Co. recognizes the state could save the most money by using a competitive model and not shifting to self-insurance. Their analysis shows that if state government workers were able to choose the best plans offered via the Affordable Care Act marketplace, taxpayers would have saved \$240 million in 2015.

The choice-based, competition-oriented model that the state currently uses to provide health insurance for government workers is particularly successful in Dane County, where state workers represent a much more powerful share of the private market than in any other county. The Dane County experience strongly suggests that increasing the size of the purchasing pool is a better method of holding costs than self-insurance.

This can be accomplished by combining state and local government workers in the same county into the same purchasing pool.

The state could go one step further and combine all government workers with individuals and groups who utilize the competitive Affordable Care Act marketplace to purchase health insurance. Government workers could choose a plan that lets them buy the same benefit package they now receive, at current levels of cost sharing. If workers choose to purchase the same benefit package from a more costly health insurance plan, they would pay the extra cost.

The Affordable Care Act allows the state to open the marketplace to employers — including government employers — of any size beginning January 1, 2017. In addition to saving state taxpayers the \$240 million estimated by Segal Co., local taxpayers as well as individuals and small employers would also pay less. This would provide all Wisconsin employers and workers more choices.

Rather than embracing a government takeover, Gov. Walker should work with the Group Insurance Board and the Legislature to increase market competition as the better way forward to saving taxpayer dollars, lowering health care costs for all employers, and increasing consumers' choices.

Bare is a research and program coordinator with the Community Advocates Public Policy Institute in Milwaukee. He is co-author of "The Dane Difference," a report that examined why the state employee plan has been successful in holding down costs in Dane County.