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Correspondence Memorandum

Date: May 17, 2016

To: Group Insurance Board

From: Roni Harper, Optional Insurance Plans Manager
Shayna Schomber, Self-Insured Health Benefits Manager
Office of Strategic Health Policy

Subject: Optional Plans Proposals for 2017

Staff recommends the Group Insurance Board (Board) approve the following, effective January 1, 2017:

- **Pend discussion of dental plan updates and rates until July 2016 meeting**
- **Renew contract with VSP vision service plan**
- **Replace The Hartford with Zurich to offer AD&D insurance**
- **Decline all other new plans proposed**

Background

Under the authority granted to the Group Insurance Board (Board) by Wis. Stats. §40.03 (6) (b) and pursuant to §20.921 (1) (a) (3) and ETF 10.20, the Board may approve optional employee-pay-all group insurance plans to be offered via payroll deduction. Proposals for changes to benefits and/or premiums for existing plans are reviewed under the Board's Guidelines for Optional Plans.

The "Guidelines for Offering Optional Insurance Plans," recently updated by the Board, outline criteria for the Board's determination of whether to approve a proposed plan. ETF evaluated the new proposals using those criteria, and the Review process outlined in the Guidelines. For 2017 consideration, there were six new plan proposals, each offering choices of different levels of coverage.

Proposals that met the base criteria outlined in the Guidelines were forwarded to the Board's actuarial consultant, Milliman, for analysis. See Attachment A.

ETF surveyed members of the State Payroll Council regarding potential new plans and existing plan changes. The majority of respondents were unsure or neutral about adding new plan offerings for accident insurance, hospital indemnity, and critical illness in 2017. Respondents also collectively identified a limited uptake on similar plans, and requested that no additional plans be added as the existing options are already very confusing for employees.

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

Lisa Ellinger

Electronically Signed 5/17/16

Board	Mtg Date	Item #
GIB	5.18.16	5C

Impact on State Transforming Agency Resources (STAR) System
ETF also considered how the addition of new insurance vendors and insurance types would impact the continuing implementation of the STAR payroll system. The system has been in production mode for less than six months and is still refining design and functionality for payroll deductions, changes in enrollment entered by Human Resource staff, and interfaces with insurance vendors to convey enrollment and cancellation updates, along with remittance of premiums.

The STAR Human Capital Management team anticipates numerous hurdles if new plans are offered for 2017. They include:

- October 2016 will be the first time that STAR has been used for It's Your Choice open enrollment for the current health insurance and five optional insurance vendors.
- Additional plan types or plan vendors add to the complexity of decision-making, navigation, and data entry for employees and for the agency benefit officers facilitating transactions.
- The project plan calls for design and testing of open enrollment capabilities from June through December 2016, with a timeline that anticipates no new insurance vendors or major changes in existing plans.
- STAR staff estimate that one new optional insurance plan will require 30-60 hours to design and configure the system. An additional 100 hours will be needed to develop and test the interface with an insurer; this time would then not be available for design and implementation of general functionality for open enrollment.
- In consultation with the Department of Administration Division of Personnel Management, the STAR team's assessment is that neither STAR nor the agency benefits personnel have sufficient staff resources to manage additional plan offerings for new types of insurance.

Please note that there were no plan, premium or benefit changes for plan year 2016 for any optional insurance, at the request of the STAR project to allow adequate resources for implementation.

Existing Plan Proposals
ETF received proposals for rate changes from Anthem for the DentalBlue plans, and from EPIC for the Dental Wisconsin and Benefits+ plans. However, based upon the analyses from the Milliman actuarial consultants, ETF requested that each of these dental insurers consider amending the proposals.

Those discussions were still in progress the week of this Board meeting. Therefore, ETF will bring recommendations for any modifications to premiums and/or benefits for Anthem and EPIC plans to the special Board meeting in July 2016, for the 2017 plan year.

VSP Vision Service Plan had a rate change approved by the board in 2015 with the agreement that premiums would remain level through 2017. The monthly premium rates are:

	Single	Insured+Partner	Insured + Children	Family
Actives/COBRA	$6.54	$13.08	$14.73	$23.54
Annuitants	$6.60	$13.20	$13.20	$15.50

ETF staff recommends renewing the existing VSP contract for 2017, with modifications as needed for consistency across all optional plan contracts.

New Proposals
ETF received six proposals that were either for insurance types that are not currently offered, and/or from companies that would be new to providing optional insurance under the Guidelines of the Board. The types of insurance proposed included:

- *Critical Illness or Critical Care Insurance*, which provides a lump sum benefit upon diagnosis of a covered critical illness.
- *Group Accident Insurance*, which provides a scheduled benefit payment when a covered accident results in injuries, medical treatment or death.
- *Group Hospital Indemnity Insurance,* which provides a scheduled benefit payment in the event that an insured is confined in a hospital as a result of a sickness or covered accident.
- *Accidental Death and Dismemberment Insurance (AD&D),* which pays a principal benefit for death caused by an accident, or for dismemberment or loss of use caused by a covered accident.

Zurich North America (Zurich)
Zurich submitted a proposal to offer AD&D insurance. Zurich currently provides AD&D coverage to both the UW System (UWS) and the UW Hospital and Clinics (UWHC). Zurich's 2017 coverage proposal to the Board was modeled to parallel the UWS and UWHC policies for added consistency across all state employers. The proposed premium structure mirrors that of the current AD&D plan through The Hartford (Hartford) for all non-UWS/UWHC agencies. Premiums vary depending on the subscriber's salary, and whether they choose a maximum benefit of 3 times or 5 times their annual salary. The chart below compares current rates for Hartford AD&D plan with rates proposed by Zurich.

Rates Per $1,000 Per Month	**Hartford**	**Zurich**
General Rates:	Rate unchanged since prior to 2010	Includes 3 YR Rate Guarantee
Employee	0.034	0.026
Employee & Family	0.048	0.036
Protective Occupation Rates:		
Employee	0.062	0.044
Family	0.076	0.060

Note: Zurich's benefit cap is $500,000 for the subscriber, $300,000 for a subscriber's spouse or partner, and $50,000 for each dependent child. Hartford's policy has a maximum benefit of $250,000 per subscriber. Since about half of all state employees earn over $50,000 per year, the cap is too low to provide for five times their actual earnings.

Both plans offer travel assistance, including services such as medical evacuation to return a covered member to their home country. The proposal by Zurich includes added benefits, such as:

- Spouse education, up to $50,000
- Child day care, 3% of max up to $5000
- Hearing aid or prosthesis, 10% up to $15,000
- Home or vehicle alteration for accessibility, 10% up to $50,000
- HIV/Hepatitis occupational, 20% to $100,000 in 24 monthly installments

<u>Zurich Actuarial Review</u>
Milliman found Zurich's overall plan design and rate proposal to be reasonable. Zurich has committed to reviewing the rates against experience after three years, to adjust premiums or benefits as needed. Milliman found that the benefit amounts were consistent with industry standards and meet with expectations in the market. See Attachment A for letter of review.

Although Hartford has provided AD&D coverage to state employees for over a decade, the average loss ratio remains far below the 75% threshold. In addition, Hartford's enrollment system for this plan is paper-based, making the state's goal of fully electronic enrollment not possible. Because of the relatively small size of our subscriber group (under $1 million in premiums annually), Hartford has not chosen to upgrade its system.

Therefore, ETF staff recommends that the Board approve the Zurich proposal for AD&D insurance, pending contract negotiations for January 1, 2017, and allow the contract with Hartford to expire, effective December 31, 2016.

Colonial Life and Accident Insurance Company (Colonial Life)
Colonial Life submitted two proposals for consideration: Group Critical Care Insurance and Group Accident Insurance. The original submission of March 16, 2016 proposed a *lifetime* loss ratio of 62% for the Critical Illness plan, and 60% for the Accident plan. The Board's Guideline requires a minimum <u>*annual*</u> loss ratio of 75%. Colonial Life submitted an amended proposal on April 5, offering a "75% anticipated lifetime loss ratio." However, the insurer declined the process of actuarial review by Milliman, after discussion with ETF about concerns regarding adding new types of insurance for 2017 related to STAR implementation.

Securian Life Insurance Company (Securian)
Securian submitted three proposals: Group Accident, Critical Illness, and Hospital Indemnity. The proposals met the submission criteria outlined in the Guidelines.

Within each proposal, Securian offered options and riders for consideration—for instance, the plans offered two or three pricing structures, and riders for wellness benefits.

Actuarial Review

Milliman reviewed each of the three Securian proposals. Overall, Milliman found each of the plan designs to be reasonable and in line with market offerings for each type of group insurance product. Milliman found some premium rates to be on the higher end of the reasonable range, while other components would be priced somewhat lower than average-for instance, the list of covered tests in the health and wellness benefit would be more inclusive than other carriers typically offer.

Discussion

- These three types of plans are suggested especially to augment High Deductible Health Plans (HDHP), but fewer than 4% of state employee subscribers are enrolled in an HDHP (2,416 contracts as of January 1, 2016). For any employee, these types of insurance can help pay for non-medical costs of illness, such as hiring domestic services and transportation assistance.
- When a similar accident plan was available through Aflac, just over 1000 employees enrolled.
- Employees are still on a learning curve with the changes in deductibles and copays implemented in 2016 for group health insurance, making it difficult to predict whether this type of supplemental insurance would provide value to a household.

ETF staff recommend not including these new plans for 2017. Plans could be reconsidered for 2018.

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

Attachment A - Milliman Actuarial Review