

Delivered to Board staff via email December 8, 2016

Michael Farrell, Chair of the Wisconsin Group Insurance Board
% Board Liaison, Department of Employee Trust Funds, PO Box 7931
Madison, Wisconsin 53707-7931

Dear Mr. Farrell

I appreciated the brief, open session discussion by Board members during the November 30 meeting concerning self-insurance, and the true cost savings or cost shifting. I hope the Board will continue to analyze those topics, and conduct those discussions in open sessions. In my opinion, the public's right to know should prevail over the protection of apparent private interests benefiting only a few.

I wanted to offer two additional points and one suggestion:

- A. Board cautious use of comparative standards: While it may be useful to compare true premium costs such as the ACA exchange price, I think the Board should be cautious about such comparisons. Nationally, the ACA prices appear to have been 'underpriced' for the first two years of rate-setting and are rising for the next year. The short history of the ACA program does not appear to provide a solid base for comparison to the Wisconsin program. Comparisons to surrounding states also bear some caution, given the different demographic and occupational profiles, benefit packages, local health providers, and insurer/provider experiences. Even if these analyses compare comparable factors, what is the overall program design goal of the GIB? To design a health insurance program that is "average"? Promote a race to the bottom in terms of expenses for employers? Promote an inexpensive program that shifts many costs to the unhealthy or unlucky individuals? In short does the Board want to design a four-wheel drive vehicle adapted to Wisconsin roads and seasons, or does the Board want to design a cheap golf cart?
- B. Board need for precise calculations and analysis: As far as the public knows, the Board has been presented with some very general observations about the possible advantages and disadvantages concerning self-insurance, and extensive data-warehousing. These have tended to be somewhat vague: \$42 million in "savings" from a combination of exemption from the ACA market share and Cadillac 'fees', projected use of highly detailed personal data to control costs, deny treatments, and eliminate inappropriate use of prescriptions, and customized and integrated management plans for higher cost diseases. Both Segal and staff have suggested that self-insurance and data mining can reduce costs even further, yet some of these projected savings (to the Plan, the State or to participants?) suggest a reduction in uniform benefits, increased use of individual non-group underwriting, cost shifting to participants, and a reduction in support from the State as employer. Some overviews suggest that current high costs are caused by the annual recertification process, the complexity of negotiating with so many plans/providers, and the inability to have participant/provider-level data. Yet the documents available to the public do not calculate some of the projected costs associated with a move to self-insurance or big data: the costs of extra staff to monitor the new contracts for wellness, for data warehousing, and for claim processing, nor do the public documents place a range of possible costs on possible risks associated with such moves: the possible dollar range cost of stop-loss insurance, legal liability, third party inefficiencies., or cost shifting to participants. Indeed, the State risks additional costs for these shifts if these changes have negative or unforeseen consequences on the private and local health markets and economy of Wisconsin.

As it approaches the topics of self-insurance and regionalization, I hope the Board will seek greater precision in its discussions of program goals, costs, benefits, and external consequences. I also hope that the Board will wait for a final decision and implementation on those deeper topics until we all know what changes will be forthcoming from the national group health insurance programs, and how a local/state program might better fit within those changing dynamics.

In the meantime, I am certain that the Board can achieve some true cost savings for all with a few fairly simple adjustments in its program design, such as contacting for a two year plan process or providing the same benefit support for all participants within a tier, (letting participants bear responsibility for costlier provider choices within the tier, two suggestions brought forward at the November 30 meeting.

I appreciate the opportunity to bring your attention to these issues of standards, and precision. I hope that they will contribute to a better discussion at your coming meetings.

Sincerely,

(signed)

Hickory R. Hurie

From: ETF SMB GIB Feedback
To: [REDACTED]
Subject: RE: Letter for GIB Board
Date: Thursday, December 8, 2016 2:43:00 PM

Good afternoon Mr. Hurie,

Thank you for taking the time to share your observations and feedback regarding the current structure of the state's group health insurance program and the evaluation of switching from a self-funded to self-insurance model. Your letter will be shared with the Group Insurance Board along with other comments that we have received regarding this topic.

Sara C. Brockman | Health Policy Advisor
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Department of Employee Trust Funds
Phone: (608) 261-8920
<http://etf.wi.gov>

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From: Hickory Hurie [REDACTED]
Sent: Thursday, December 8, 2016 2:41 PM
To: Brockman, Sara - ETF <Sara.Brockman@etf.wi.gov>; Hickory Hurie [REDACTED]
Subject: Letter for GIB Board

Dear Ms. Brockman:

Attached is a letter for the Group Insurance Board. I hope you will be able to convey it to them in preparation for their next meeting,

Thank you for your help.

Hickory R. Hurie