

# Self-Insurance/Regionalization

## Status and Next Steps

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# Self-Insurance Contract Status

**May 8: Contracts delivered to JCF**

**May 16: Objection raised by JCF**

**Next Step/Timing: Undetermined**

**Alternatives to Self-Insuring under discussion**

**Fully Insured renewal process underway**

# Discussion of Alternatives

## Cost Shifting Alternatives to Achieve \$60m GPR Savings over Biennium

- Employee premium contributions: 50% increase
  - 82/18 replacing 88/12 ratio
- Deductible/out-of-pocket-maximums: increase \$1k single, \$2k family
  - current \$250/\$500 & \$1250/2500
  - NEW deductible = \$1250/\$2500 & NEW oopm = \$2250/\$4500

**Fully insured: minimal allowable premium increase for 2018 (Segal)**

**Reserves**

# Reserves

**End of CY16 Net Fund Balance: \$160m**

**GIB reviews annually to align with Board protocols based on actuarial guidance (15-25% of annual claims)**

**Relatively stable balance over past decade**

**Since 2007: reserves utilized in every year except 2011&2016**

**\$103.3m reserves utilized in past 6 years**

# 2018 Program Structure

**Staff Recommendation: Regionalization**

**Alternative: Maintain current structure**



Questions?



**State of Wisconsin Group Insurance Board  
Department of Employee Trust Funds**

# **2017 Addendum Observations - Preliminary**

May 24<sup>th</sup>, 2017



# Financial Modeling Utilized For Self-Insured RFP

- Self-Insured scenarios were developed with high, low and midpoint assumption groupings.

Category	High	Mid	Low
Annual Medical Trend	6%	5%	4%
Medical Loss Ratio (MLR)	92%	93%	94%
Medical CPI	2.5%	2.0%	1.5%

- Legislative numbers were focused on the midpoint scenario and deemed “most likely”
- Savings were from three primary components:

Savings Component	Annual Savings
Administrative Costs	\$35M
Regionalization and Market Consolidation	\$50M
Elimination of ACA Health Insurance Fee in SI	\$32M



# JFC Timing Requires a Dual Path for ETF

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- Due to Joint Finance Committee Passive Review of Self-Insured Contracts, ETF has started collecting HMO Addendum information as a backup plan.
- Plans are required to provide addendum reports for each group separately: State (Non-Medicare, Medicare, Grads), Local (Non-Medicare, Medicare), HDHP, Total Organization (Non-Medicare, Medicare)
- Plans are required to submit a wide array of information – membership, claims, admin, trends, high dollar claimants, premiums, revenues, rate build-up, etc.
- 2017 will continue prior enhancements to renewal reports, including:
  - Medical Loss Ratio Report
  - Additional financial detail on claims summary showing billed, allowed, cob, member cost sharing and plan paid components by service category
  - Required claims and encounter data to match reported claims
  - Actuarial Certification of data provided and all rate submissions
- Due to an earlier collection than 2016, data was collected and premiums based on Calendar 2016, with claims paid through March 2017.
- Initial data was received on May 15<sup>th</sup>, 2017.

# Initial Observations – Self-Reported Data - Trends

- 2016 experience preliminarily shows a decrease in claims costs from prior period - this should result in:
  - A gain during the Fully-Insured (FI) renewal
  - Lower costs under a Self-Insured (SI) program
- Annual trend rates utilized by HMO actuaries:

Claim Category	Min	Max	Overall
Fee For Service	4.0%	10.2%	6.3%
Capitation	2.9%	8.9%	4.0%
Total			5.7%

- These trends are slightly higher than trends assumed in the SI analysis. This has a negligible impact on the SI savings and more impact on the actual FI premium increases.

# Initial Observations – Self-Reported Data – Premium Increase

- The 5% rate cap in last year's renewal pushed the 2017 projected loss ratio to 96%. This puts tremendous pressure on the current renewals.
- Based on the initial addendum information, the HMOs are projecting the following premium rate increases for 2018:

Group	With ACA	W/O ACA	Target
State	14.0%	12.2%	10.4%
Local	11.8%	9.4%	5.1%
Total	13.8%	11.9%	8.7%

- The target increase is based on expectations for administrative profit and risk loads totaling 7% (93% Medical Loss Ratio).

# Prior Board Presentation

- During the Self-Insured RFP evaluation, data submitted by current vendors was projected with varying trends and loss ratios, Segal estimated what the 2018 premium increase would need to be.

## 2018 PROJECTED MEDICAL PREMIUM INCREASE

Trend	Scenario 6	Medical Loss Ratio				
		92%	93%	94%	95%	96%
1%	-3.8%	3.7%	2.7%	1.6%	0.6%	-0.5%
2%	-1.7%	6.1%	5.0%	3.9%	2.8%	1.8%
3%	0.4%	8.4%	7.3%	6.2%	5.1%	4.0%
4%	2.5%	10.8%	9.6%	8.5%	7.4%	6.3%
5%	4.6%	13.2%	12.0%	10.9%	9.7%	8.6%
6%	6.8%	15.6%	14.4%	13.3%	12.1%	11.0%

- The ACA fees are not included in the above calculation.

Using the addendum submission, the SI rates would increase 0-3% with the FI rates increasing 7-10%, a 7% savings.

# Updated Self-Insured Savings Estimates

- Legislative numbers were focused on the midpoint scenario and deemed “most likely”
- Additional Savings using initial addendum projections:

Savings Component	Annual Savings
Administrative Costs - 8.9% vs. Assumed 7%	\$21M
Trends – Impact on Claims Cost	\$(3)M
Total	\$18M

- If FI target negotiations are met, the additional administrative savings would be eliminated, leaving only a slight loss from lower experience trends of \$3M, or \$82M SI savings per year.
- For the biennium that would be \$41M in Fiscal 2018 and \$82M in Fiscal 2019 for a total of \$123M. Using a 50% estimate for GPR, the State would save \$61.5M.

# Questions & Discussion

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*Thank you!*