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Correspondence Memorandum

Date: May 22, 2017
To: Group Insurance Board
From: Lisa Ellinger, Director
Office of Strategic Health Policy
Subject: Self-Insurance/Regionalization Status and Next Steps

Staff recommends the Group Insurance Board (Board) approve an alternative structure for the group health insurance program for the 2018 plan year in the event that the Joint Committee on Finance does not approve the self-insurance contracts.

Background

Department of Employee Trust Funds (Department) staff negotiated contracts to self-insure and regionalize the group health insurance program for 2018, as directed by the Board at its February 8, 2017 meeting. These contracts were delivered to the legislature's Joint Committee on Finance (Committee) on May 8, 2017, as required under Wis. Stat. § 40.03(6)(L).

At this time, it is unclear whether the Committee will approve any of the contracts. Press reports have indicated that there is little support on the Committee for approving the contracts. In addition, an objection has been filed by members of the Committee as part of the passive review process, and the Committee must now meet to vote on the contracts. It is not clear when that vote will occur. In order to be fully prepared for the 2018 plan year, staff have initiated a renewal process and have begun collecting data from the health plans currently participating in the program.

Alternative Approaches

In the event the Committee rejects the contracts, an alternative structure for the group health insurance program for the 2018 plan year will need to be determined by the Board. Considering the time constraints for making a decision, the Board basically has the following two options:

- move to the regional program structure proposed in the Request for Proposals to self-insure and regionalize the program, but in a fully insured environment, or
- maintain the current fully insured structure.

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

Electronically Signed 5/22/17

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As discussed in previous memos to the Board, a move to a program structure in which the Department requires service delivery areas by region would maintain a competitive insurer environment, reduce plan variation for members from year to year, and reduce administrative complexity with fewer insurers participating in the program. Steering program membership to a reduced number of health plans may increase market leverage for those plans to negotiate more cost effective contracts with providers.

Maintaining the current structure provides for less change for our members, and allows the Department to replicate the annual renewal/negotiation process used in past years. However, maintaining the current structure may limit the number and/or effectiveness of program enhancements and the potential cost savings the Board was interested in pursuing.

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