



## Correspondence Memorandum

**Date:** May 15, 2017  
**To:** Group Insurance Board  
**From:** Shayna Schomber, Optional & Self-Insured Health Plans Manager  
Office of Strategic Health Policy  
**Subject:** Optional Insurance Program Annual Update

**This memo is for informational purposes only. No Group Insurance Board (Board) action is required.**

ETF annually provides the Board with an update on the Optional Insurance Program. Under authority granted to the Board by Wis. Stats. § 40.03 (6) and § 40.55 and pursuant to Wis. Stat. § 20.921 (1) (a) 3 and Wis. Admin. Code ETF 10.20 and ETF 41, the Board is responsible for approving Optional Insurance Program offerings via payroll deduction.

### Overview of 2016 Activity

Throughout 2016, the Department of Employee Trust Funds (ETF) and the Department of Administration (DOA) devoted significant time and resources to incorporating the Optional Insurance Program into the State Transforming Agency Resources (STAR) payroll system for 2017.

Optional Insurance Program changes approved by the Board in 2016 included:

#### Anthem DentalBlue

- Premium changes for each of the plans offered for 2017:
  - Supplemental: 8.2% increase
  - Dentacare Health Maintenance Organization (HMO): 6.5% decrease
  - Preferred Provider Organization (PPO): 0.8% decrease

#### EPIC Dental Wisconsin

- Premium changes for both the PPO and Select plans offered for 2017:
  - PPO: Active and continuants decrease 3.5%
  - PPO and Select: Annuitant increase 15%

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

Electronically Signed 5/16/17

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EPIC Benefits+

- Premium changes for 2017:
  - Actives and continuants: 9.1% increase
  - Annuitants: 8.3% increase

Vision Service Plan (VSP)

- The Board approved renewing the VSP contract for 2017 with no change in benefits or premiums.

Accidental Death & Dismemberment (AD&D) Insurance

The Board approved the transition from The Hartford to Zurich at its May 18, 2016 meeting. ETF worked with payroll centers to transition enrolled members from The Hartford to Zurich for 2017. Overall, the benefits remained static after moving to Zurich, but there were some minor enhancements.

While Zurich's plan is technically considered "Accident Insurance," ETF has continued to refer to this coverage as AD&D to avoid member confusion. Both AD&D and Accident Insurance cover accidental death and loss of limbs, but the primary difference is that Accident Insurance has additional coverage for a wide variety of injuries, like fractures, burns, and paralysis.

Long-Term Care Insurance

- ETF worked with Mutual of Omaha and its local broker, HealthChoice, to sign a contract through December 31, 2017.
- ETF was unable to come to an agreement with TransAmerica and its local broker, SeniorCare.

**Data Overview**

The table below shows aggregate data for 2016 enrollment in the Optional Insurance Program at 62,255 contracts; an 11.69% increase over 2015. There was also a 10.68% increase in contracts for 2017, for a total of 68,906 contracts. Note that many employees and annuitants elect more than one plan option.

**All Optional Plans\***  
**Enrollment (Contracts)**

	As of 12-31-16	As of 3-31-17	Percent Change
Active Employees	45,102	50,882	12.81%
Continuants	416	370	-11.05%
Annuitants	11,220	11,978	6.75%
<b>Total</b>	<b>62,255</b>	<b>68,906</b>	<b>10.68%</b>

\*does not include LTC

### **Supplemental Dental Plans**

See Attachment A for a comparison chart of benefits and premiums.

Anthem DentalBlue continues to offer three plans: the Dentacare HMO Plan, Preferred PPO Plan and Supplemental Plan.

Anthem's overall enrollment increased in 2016 by 18.3%, followed by an increase of 9.0% in 2017. Anthem allowed an enrollment period for annuitants for 2016, and enrollment increased 99.8%. For 2017, Anthem allowed active employees an enrollment period, which resulted in a 12% increase in active employee contracts.

Anthem's loss ratio remained about the same from 2015 to 2016, at about 76% for all plans combined, which meets the minimum annual loss ratio requirement. The Supplemental plan had the highest loss ratio in 2016 with 79%, and the Preferred PPO plan had the lowest at 71.7%.

### EPIC Dental Wisconsin

Dental Wisconsin continues to offer two plans to state employees and annuitants: the Select Plan and the PPO Plan. Dental Wisconsin's enrollment and financial details are listed in Attachment A, Tables 3 and 4.

The PPO Plan's enrollment increased by 1.1% for 2016, followed by a 22.87% increase to a total of 4,173 contracts in 2017. The Select plan also saw an increase in 2016 enrollment of 6.1%, followed by an 11.67% increase in 2017 for a total of 6,059 contracts. Drastic changes in enrollment are indicative of EPIC offering a special enrollment period.

The average loss ratio for the PPO plan was about 62%, and Select plan's loss ratio ended at 79% for 2016. The overall loss ratio between the two plans was 72%, which is not compliant with the required loss ratio for the Optional Insurance Program. However, the loss ratio is expected to meet the 75% requirement in subsequent years following benefit changes implemented in 2017.

### EPIC Benefits+

Benefits+ is viewed by members primarily as a dental plan that supplements the Uniform Dental Benefit administered by Delta Dental. The Benefits+ enrollment and financial data is listed in Attachment A, Tables 1 and 2.

Overall enrollment in Benefits+ increased by 20.3% from 2015 to 2016, primarily driven by the open enrollment opportunity for active employees. There was an enrollment opportunity for both employees and annuitants for 2017, which resulted in a 10.8% increase in active employee contracts and a 1.53% increase in annuitant contracts. Benefits+ currently has a total of 19,013 contracts.

The loss ratios for Benefits+ average out to 77% for 2016. However, the individual benefits have varying loss ratios which fall under the 75% minimum requirement. These low loss ratios essentially subsidize the higher dental benefit loss ratio. For 2016, approximately 84% of the Benefits+ claims dollars were applied to dental services; this is an increase of 2% over 2015. For both 2015 and 2016, approximately 77% of the premium was applied to dental benefits.

### **Vision Care Insurance**

Vision Service Plan (VSP) has experienced steady increases in enrollment from active members and annuitants, including a 7.8% enrollment increase in 2016 (see Attachment A, Table 7). VSP offered another enrollment opportunity for 2017, which resulted in an additional 13% increase; they currently have about 25,023 subscribers.

VSP's loss ratio is approximately 68% for 2016, which is below the required 75% minimum loss ratio. VSP has proposed benefit enhancements for 2018 to address the loss ratio requirement.

### **Performance Metrics**

ETF began collecting annual performance data from the participating plans beginning with 2015 data. Each plan has different reporting capabilities, and some are currently unable to provide the requested performance data for 2016. EPIC, Anthem, and VSP submitted performance data for 2016. Zurich does not yet have 2016 data for AD&D, and The Hartford has not yet provided 2016 performance data.

The measures that were collectively reported by the plans are listed in Table 8 in Attachment A, with 2016 data. The 2017 contractual agreement requires participating plans to report specific performance measures. ETF is allowing plans time to implement performance tracking and reporting changes and expects the plans to comply with the reporting requirements for 2017 annual reporting.

VSP is the top performer for both claims processing time and claim financial accuracy for 2016 at 98.7% and 99.0%, respectively. Anthem reported the top performance results for percent of member inquiries resolved within 5 business days at 98.8%. Both VSP and EPIC reported almost all member complaints were resolved within 31 days; Anthem does not currently track this information.

VSP and EPIC also reported positive performance in responding to formal grievances; VSP reports 99.8% of the grievance responses are sent within 10 days, and EPIC reports 94%. Anthem tracks this metric differently and instead uses average days to respond. Anthem's average for 2016 was 22.8 days to respond to a member's grievance.

### **Long-Term Care (LTC) Insurance**

Wis. Stat. § 40.55 states that the Board shall offer LTC insurance to state employees, annuitants, their spouses, and the parents of state employees under contract

established by the Board. Any LTC insurance plan must be approved by the Board before the plan is made available to state employees, annuitants, and their families. LTC insurance is paid for by the subscriber and is individually underwritten, unlike other WRS group insurance plans.

HealthChoice is the broker for the current LTC insurance plan through Mutual of Omaha. The plan experienced a steady decline in enrollment until 2014, where enrollment jumped 30%, from 1,179 to 1,533 active policies (see Attachment A, Table 9). HealthChoice attributes the increase in enrollment to hiring new agents in the field in 2013. Enrollment steadied after 2014, with enrollment increasing 6% in 2015 and 7% in 2016. There are 1,751 active policies as of 2016.

### **Future Changes**

ETF surveyed members of the State Payroll Council regarding potential new plans and existing plan changes in 2016. The majority of respondents indicated that the existing plan options are very confusing for employees and staff. With this in mind, ETF is engaging Milliman in a benefit review and alignment recommendation to limit member confusion and maintain the value of the benefits offered.

ETF will bring a strategic plan for recommendation to the Board at its November 2017 meeting.

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

Attachment: Enrollment and Experience Tables by Plan

**Attachment**

**Table 1**

<b>EPIC Benefits + Enrollment</b>											
	<b>Core Benefits</b>			<b>Vision Option</b>			<b>Total</b>			<b>Percent Change</b>	<b>Percent Change</b>
	<b>AD&amp;D</b>	<b>Hospital</b>	<b>Dental</b>								
	<b>As of 03-31-17</b>	<b>2016</b>	<b>2015</b>	<b>As of 03-31-17</b>	<b>2016</b>	<b>2015</b>	<b>As of 03-31-17</b>	<b>2016</b>	<b>2015</b>	<b>2015 - 2016</b>	<b>2016 - 2017</b>
Active Contracts	13,566	12,239	9,018	5,040	4,081	4,057	18,606	16,320	13,075	24.8%	14.0%
Annuitant Contracts	5,364	5,283	4,980	313	243	203	5,677	5,526	5,183	6.6%	2.7%
Total Contracts*	19,013	17,619	13,998	5,377	4,354	4,260	24,390	21,973	18,258	20.3%	11.0%
Total Members	37,232	34,055	26,073	6,454	5,127	9,284	43,686	39,182	35,357	10.8%	11.5%

\*Also includes COBRA contracts

**Table 2**

<b>EPIC Benefits + Financial Data</b>										
	<b>Core Benefits</b>						<b>Vision Option</b>		<b>Total</b>	
	<b>AD&amp;D</b>		<b>Hospital</b>		<b>Dental</b>					
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
# Claims Paid	4	6	1,350	1,565	18,235	18,907	1,889	2,400	21,478	22,878
Premium Income	\$69,852	\$73,324	\$1,432,036	\$1,480,404	\$6,156,112	\$6,423,465	\$341,964	\$341,565	7,999,964	\$8,318,759
Amount of Claims Paid	\$16,500	\$36,750	\$765,259	\$848,580	\$5,191,715	\$5,428,759	\$197,047	\$264,299	6,170,521	\$6,578,388
Loss Ratios	24.0%	50.0%	53.0%	55.7%	84.0%	88.5%	58.0%	77.7%	77.0%	79.0%

Table 3

## Attachment

## Dental Wisconsin Enrollment

	PPO			Select			TOTAL			Percent Change	
	As of 3-31-17	2016	2015	As of 3-31-17	2016	2015	As of 3-31-17	2016	2015	2015 - 2016	2016-2017
Active Contracts	3,715	3,043	3,036	5,387	4,847	4,617	9,102	7,890	7,653	3.1%	15.4%
Dependents	3,255	2,603	2,492	5,483	4,935	4,690	8,738	7,538	7,182	5.0%	15.9%
Annuitant and COBRA	458	353	323	672	576	493	1,130	929	816	13.8%	21.6%
Total Contracts	<b>4,173</b>	<b>3,396</b>	<b>3,359</b>	<b>6,059</b>	<b>5,423</b>	<b>5,110</b>	<b>10,232</b>	<b>8,819</b>	<b>8,469</b>	<b>4.1%</b>	<b>16.0%</b>

Table 4

## Dental Wisconsin Financial Data

	PPO		Select		TOTAL		Percent Change
	2016	2015	2016	2015	2016	2015	2015 - 2016
Claims Paid (#)	7,188	7,522	8,034	6,789	15,222	14,311	6.4%
Total Premium (\$)	\$1,833,340	\$1,656,112	\$2,488,555	\$2,222,258	\$4,321,895	\$3,878,370.70	11.4%
Total Claims (\$)	\$1,141,284	\$1,186,125	\$1,964,856	\$1,613,684	\$3,106,140	\$2,799,810	10.9%
Loss ratio- Actives	60%	70%	78%	71%	71%	70%	1.4%
Loss ratio- Annuitants	78%	89%	86%	93%	82%	90%	-8.9%
Overall Loss Ratios	<b>62.0%</b>	<b>71.6%</b>	<b>79.0%</b>	<b>72.6%</b>	<b>72.0%</b>	<b>72.0%</b>	<b>0.0%</b>

Attachment

Table 5

<b>Anthem DentalBlue Enrollment</b>											
	<b>Dentacare HMO</b>		<b>Preferred PPO</b>		<b>Supplemental</b>		<b>TOTAL</b>			<b>Percent Change</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>As of 3-31-17</b>	<b>2016</b>	<b>2015</b>	<b>2015 - 2016</b>	<b>2016 - 2017</b>
Active Contracts	665	583	684	656	5,275	4,913	7,421	6,624	6,152	7.7%	12.0%
Annuitant and COBRA Contracts	236	66	330	108	1,032	626	1,541	1,598	800	99.8%	-3.6%
Total Contracts	901	649	1,014	764	6,307	5,539	8,962	8,222	6,952	18.3%	9.0%

Table 6

<b>Anthem DentalBlue Financial Data</b>								
	<b>Dentacare HMO</b>		<b>Preferred PPO</b>		<b>Supplemental</b>		<b>TOTAL</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Premium Income	\$337,436	\$252,328	\$421,620	\$352,435	\$2,432,530	\$2,274,155	<b>\$3,191,586</b>	<b>\$2,878,918</b>
Amount of Claims	\$249,014	\$183,267	\$298,041	\$249,002	\$2,146,829	\$1,761,672	<b>\$2,693,884</b>	<b>\$2,193,941</b>
Loss Ratios	73.8%	72.6%	70.7%	70.7%	88.3%	77.5%	<b>84.4%</b>	<b>76.2%</b>



**Attachment**

**Table 7**

**Vision Services Plan (VSP)**

	Active		COBRA		Annuitants		Total		Percent Change
	2016	2015	2016	2015	2016	2015	2016	2015	2015 - 2016
Contracts	18,347	17,136	276	270	3,453	3,076	22,076	20,482	7.8%
Claims Paid (#)	22,181	19,958	294	306	3,402	2,823	25,877	19,958	29.7%
Premium Income (\$)	\$2,707,560	\$2,509,677	\$32,044	\$29,146	\$429,982	\$369,992	\$3,169,586	\$2,908,545	9.0%
Amount of Claims	\$1,879,596	\$1,743,937	\$26,241	\$25,594	\$261,703	\$222,158	\$2,167,540	\$1,991,689	8.8%
Loss Ratio	69%	69%	61%	88%	82%	60%	68%	68%	0.0%

**Table 8**

		VSP					Anthem					EPIC				
		Quarter 1	Quarter 2	Quarter 3	Quarter 4	2016 Average	Quarter 1	Quarter 2	Quarter 3	Quarter 4	2016 Average	Quarter 1	Quarter 2	Quarter 3	Quarter 4	2016 Average
Claim Processing time	% paid within 10 days	99.3%	97.2%	99.1%	99.2%	98.7%	97.4%	96.1%	95.1%	93.9%	95.6%	75.5%	99.5%	91.7%	95.2%	88.7%
Claim financial accuracy	% claims no error	99.1%	99.1%	99.1%	99.3%	99.0%	99.3%	100.0%	100.0%	95.3%	98.7%	98.7%	72.7%	90.9%	87.9%	90.3%
Abandoned Call Rate	The number of calls dropped 60 seconds or more from being placed on queue, divided by total incoming calls	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	0.9%	1.3%	2.6%	1.4%	1.4%
Direct Member Inquiry	Resolved within 5 business day	Data not available					99.0%	98.6%	99.0%	98.8%	98.8%	90.4%	93.5%	87.5%	82.8%	88.1%
Member Complaint Resolution	Resolved within 31 days	100.0%	100.0%	99.9%	99.3%	99.8%	Data not available					100.0%	99.2%	96.5%	100.0%	97.7%
Formal Member Grievance	Response within 10 days* <i>Anthem: Tracks average days to respond</i>	99.6%	99.7%	99.6%	99.8%	99.7%	14 days average	24.75 average	26.8 day average	26 days average	22.8 day average	100%	83%	100%	N/A	94%

**Attachment**

**Table 9**

<b>Marketing and Enrollment Activity for Mutual of Omaha</b>				
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Applications received	387	356	235	286
Policies denied	93	106	54	63
Policies issued to state annuitants	45	54	33	64
Policies issued to state employees	88	83	77	86
Policies issued to spouses or parents	50	64	71	73
Accumulated Earned premium (since 2006)	\$2,105,029	\$3,129,199	\$3,394,682	\$3,911,444
Number of claims	8	4	5	6
Amount of claims paid	\$25,150	\$38,259	\$114,519	\$463,204
Number of policies lapsed (L) or withdrawn (W)	13L , 7W	52L, 102W	12L, 8W	10L, 7W
Total in-force policies on December 31st	<b>1,179</b>	<b>1,533</b>	<b>1,628</b>	<b>1751</b>