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Correspondence Memorandum

Date: January 25, 2019

To: Group Insurance Board

From: Arlene Larson, Manager of Federal Health Programs & Policy
Office of Strategic Health Policy

Subject: 2020 Medicare Advantage Contract Revisions

The Department of Employee Trust Funds (ETF) recommends the Group Insurance Board (Board) approve the following, effective January 1, 2020:

1. **Create a new life change event[1] to allow participants to change health plans within 30 days of enrollment or disenrollment from Medicare Part A and/or Part B, effective the date of the enrollment or disenrollment.**

2. **Establish the following standards for split contracts[2]:**
   a. **Subscribers with split contracts may enroll in no more than two health plans where one is the health plan who administers Medicare Advantage or Medicare Plus, currently UnitedHealthcare® (UHC) and WEA Trust, respectively.**
   b. **Participants in a split contract with two different health plans will be automatically transferred to the Medicare plan when they become eligible for Medicare.**
   c. **If a Medicare-eligible participant in a Medicare Advantage split contract drops any part of Medicare, that participant will be moved to the health plan that insures the non-Medicare participant(s) effective the date of the loss of Medicare.**
   d. **If a single Medicare Advantage subscriber marries and requests coverage for a person who is eligible for but not enrolled in Part A and/or Part B of Medicare, the subscriber will be informed that they must select another health plan for their family coverage. Medicare Advantage requires enrollment in both Parts A and B. Therefore, the spouse cannot be added to Medicare Advantage mid-month.**

[1] Life Change Event: An event that allows a subscriber to make certain changes to health insurance coverage outside of the It's Your Choice Open Enrollment period.
[2] Split contract: Retiree only family coverage where one or more participants have Medicare and one or more do not.

Reviewed and approved by Eileen K Mallow, Director, Office of Strategic Health Policy
Eileen K Mallow Electronically Signed 2/7/19

Board	Mtg Date	Item #
GIB	2.20.19	5C

e. **If part of the direct pay premium for a split contract with two health plans is not paid by the due date, the following will occur:**
    i. **If the subscriber's premium is not paid, the entire contract will be terminated due to non-payment and any dollars paid for the dependent's coverage for the month will be refunded.**
    ii. **If the dependent's premium is not paid, the family contract will change to a single contract, and the dependent's coverage will end.**

f. **If a split contract covers more than one non-Medicare participant and the only Medicare participant dies, the premium rate will become the Medicare Family 1 rate with the non-Medicare health plan.**

Background

At the November 14, 2018, Board meeting, ETF updated the Board on internal progress to permit retirees who insure family member(s) enrolled in Medicare and family member(s) *not* enrolled in Medicare, to select Medicare Advantage or Medicare Plus and one other health plan, beginning in 2020. These contracts are called split contracts. During subsequent planning meetings with ETF and the health plans, some issues had arisen that require the Board's input. In May, ETF will bring additional topics to the Board as needed.

Rationale

1. **Create a new life change event[1] to allow participants to change health plans within 30 days of enrollment or disenrollment from Medicare Part A and/or Part B, effective the date of the enrollment or disenrollment.** Many retirees are interested in the Medicare Advantage plan offered by UHC, primarily due to premium rates and the nationwide provider network (including United States territories). Retirees have requested the ability to enroll in the plan mid-year, when they become eligible for and enrolled in Medicare. ETF recommends permitting this change if an application is filed within 30 days of the event for all participants, including those covered under an employee policy. Coverage would be effective the date of the enrollment in Medicare.

    This change of health plans would also be permitted when a participant is dis-enrolled from Medicare. One example of a dis-enrollment opportunity is when a participant under age 65, who had Medicare due to End Stage Renal Disease (ESRD) would have a liver transplant and lose their Medicare coverage due to resolution of the disease.

    ETF also recommends allowing a participant to change coverage, (for example, from family to single) drop a dependent and keep family coverage or cancel coverage. ETF does not recommend that this be an event where a person could enroll for coverage.

2.a. **Permit participants with split contracts to choose Medicare Advantage or Medicare Plus and only one other health plan.** Split contracts will provide flexibility, lower premium costs and increase provider selection for participants. ETF will communicate the complexity of the rates and policies to participants in plain language.

ETF considered offering the ability to split contracts between all 11 health plans in the program but did not find a compelling reason to do so. This is due in part because most health plan rates in a given year are comparable and the main difference between them is their provider networks. Therefore, the advantages of the Medicare Advantage and Medicare Plus rates and network do not extend to this group. Further, the complexity of implementing and educating on the spectrum of rate options is a concern. Thus, ETF does not recommend this option.

ETF further considered, for retiree split contracts with more than two participants where one or more is eligible for Medicare and one or more is not, to offer the choice of more than two health plans. Again, when analyzing the administrative complexity compared to cost savings and provider options for participants, it was determined that this would not be recommended.

2.b. **Participants in a split contract with two different health plans will be automatically transferred to the Medicare plan when they become eligible for Medicare.** Currently when a non-Medicare participant on a split contract becomes eligible for Medicare, their benefits change automatically to coordinate with Medicare. In most circumstances, this means that their new coverage pays for Medicare deductibles and other out-of-pocket costs. Their health plan does not change. However, for split contracts with two health plans, ETF recommends that their coverage should automatically change to the Medicare plan elected by the subscriber, either Medicare Advantage or Medicare Plus. This will usually result in the contract changing to one in which all family participants are eligible for Medicare. However, it may result in a contract continuing with two health plans where a third participant remains as non-Medicare.

2.c. **If a Medicare-eligible participant in a Medicare Advantage split contract drops any part of Medicare, that participant will be moved to the health plan that insures the non-Medicare participant(s) effective the date of the loss of Medicare.** Federal law requires Medicare Advantage plan participants to have both Medicare Part A and Part B. Each year a few retirees choose to drop Part B, thinking this will save them premium costs and not change their coverage. This is not true. This change results in more out-of-pocket costs for the participant. ETF works to educate participants of the ramifications of this decision; however, it continues to occur a few times a year. ETF recommends that Medicare Advantage participants who drop any part of Medicare be automatically transferred to the health plan that insures the non-Medicare family participant(s) as of the effective date of the loss of any part of Medicare. This will prevent the participant from losing coverage through the Group Health Insurance Program.

2.d. **If a single Medicare Advantage subscriber marries and requests coverage for a person who is eligible for but not enrolled in Part A and/or Part B of Medicare, the subscriber will be informed that they must select another health plan for their family coverage. Medicare Advantage requires enrollment in both Parts A and B. Therefore, the spouse cannot be added to Medicare Advantage mid-month.** This case is not a split contract, as both participants are eligible for Medicare. ETF recommends that if a retiree enrolled in Medicare Advantage marries a Medicare eligible person who does not have both Parts A and B, the subscriber be provided the choice between having another health plan with family coverage effective the date of the marriage or retaining the single coverage. For this mid-month change in coverage, the difference in premium for that month will be due only if the change is effective before the 16th of the month. The subscriber will have 30 days from the date of rejection of the original application to file a new application.

2.e. **If part of the premium for a direct pay contract is not paid by the due date, depending on which premium is unpaid, the contract will change to single coverage or be terminated.** Federal law permits subscribers whose premiums are paid post-tax (thus, subject to tax liabilities) to change their coverage from family to single at any time. All retiree premiums are paid post-tax, unlike most employees. The contract restricts these changes to the first of any month. Currently, a retired subscriber may choose to pay only single premium and have their family contract changed to single coverage. However, a dependent does not have this right. So, under a split contract with two plans, if a subscriber's premium is unpaid, the entire family contract should end. ETF recommends codifying this practice.

2.f. **If a split contract covers more than one non-Medicare person and the only Medicare participant dies, the premium rate will become the Medicare Family 1 premium rate offered by the non-Medicare health plan.** ETF has a longstanding process for the rare event when a family of three or more on a split contract experiences a death of the only Medicare participant. This change in the make-up of the enrollees could result in a significant increase in premium from the split rate to a full, non-Medicare family rate. ETF permits the surviving participants to continue to pay the lower split rate. In 2018 there were only five of these families. While this group is extremely small, ETF wants to prepare for the possibility of another case arising when two health plans are utilized.

Below is an example of the premium rate a family with a split contract could be paying for their coverage in this event. The center row begins with the Dean split rate, followed by the rate they could pay if the Medicare participant dies and the family is asked to pay the full, non-Medicare family premium. The last row shows the possible rate the split family would pay under a plan with a combination of Medicare Advantage and Dean coverage.

Health Plan	Split Family rate	Full non-Medicare Family rate
Dean	$1,045	$1,579
Medicare Advantage	$902	N/A

If, for example, a Medicare Advantage participant dies, the Medicare Advantage premium no longer applies because that health plan would no longer be paying claims. Therefore, ETF recommends that the surviving non-Medicare dependents be assessed the split premium rate required by the health plan they are insured under. Thus, while the premium rate will increase following the death, it will not increase to the level of a full non-Medicare family rate. In this example, the family would pay $1,045 per month instead of $1,579.

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