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Correspondence Memorandum

Date: May 14, 2019
To: Group Insurance Board
From: Tarna Hunter, Government Relations Director
Subject: 2019-21 Biennial Budget and Legislative Update

This memo is for informational purposes only. No Board action is required.

2019 – 2021 Biennial Budget

The 2019–2021 Budget Bill, **2019 AB 56** and **2019 SB 59**, were introduced by the Joint Committee on Finance (JCF) on February 28, 2019 at the request of the Governor. In its review of the budget bill, ETF has identified the following budget provisions that relate to the benefit programs overseen by the Board.

- **Group Health Insurance Program Opt-Out Incentive** – Makes changes to allow state employees that declined coverage under the group health insurance program during the 2015 plan year to receive the \$2,000 annual incentive, if they elected coverage under the program in a subsequent plan year and meet all other eligibility criteria.
- **On-Site Employee Health Clinics** – Provides the Board with the authority to enter into a contract to establish on-site health clinics for state employees.
- **Prescription Drug Pooling Report** – Provides that ETF submit a report by January 1, 2020, to the Governor and Legislature studying prescription drug pooling options and savings opportunities across state government.
- **Fixed-Dollar Employee Premium Subsidy Report** – Requires the Board, in consultation with the board's consulting actuary, to submit by June 30, 2020, to the Governor and Joint Committee on Finance a feasibility study and potential cost savings associated with transitioning the state employee group health insurance plan to a fixed-dollar premium subsidy model.

Reviewed and approved by Pamela Henning, Assistant Deputy Secretary

Pamela L Henning

Electronically Signed 5/14/19

Board	Mtg Date	Item #
GIB	5.15.19	13C

The JCF took action on ETF's budget during their May 14 executive session. The JCF made the following modifications to ETF's budget relating to the Board.

The JCF removed the following provisions:

- **Group Health Insurance Program Opt-Out Incentive.**
- **On-Site Employee Health Clinics**
- **Prescription Drug Pooling Report**
- **Fixed-Dollar Employee Premium Subsidy Report**

The JCF approved continued full funding of ETF's current operations, two FTE Trust Fund Specialist Advanced positions for the effective administration of ETF's disability programs and funding for Legislative Audit Bureau actuarial audits.

Other Proposed State Legislation

2019 SB 100 and **2019 AB 114** allows the commissioner of insurance to regulate a pharmacy benefit manager (PBM) by requiring them to register. The bill also establishes certain price transparency requirements and requirements on contracts the PBM enters into with pharmacies, pharmacists, or health benefit plan sponsors. The bill primarily focuses on the PBM's relationship with the pharmacies and the insurance commissioner. There are a number of provisions in the bill that may impact the group health insurance program, including changes to the regulation of prescription drug charges and choice of providers, restricting the PBM from collecting fees from pharmacies for the adjudication of claims and inclusion or participation in the PBM's pharmacy networks, restricting requiring the use of mail order pharmacies and limiting the PBM's ability to audit pharmacies that participate in their network.

2019 SB 100 was introduced by Sen. Erpenbach and referred to the Senate Committee on Health and Human Services. 2019 AB 114 was introduced by Rep. Schraa and referred to the Assembly Committee on Health. Neither bill has been scheduled for a public hearing.

2019 SB 26 and **2019 AB 24 Substitute Amendment 1** sets requirements insurers must follow when they use a step therapy protocol, provides that a step therapy protocol must use clinical review criteria based on clinical practice guidelines, and requires the following exceptions to be granted for prescription drug coverage:

- The patient previously tried the drug or a similar drug and its use by the patient was discontinued under circumstances described in the bill.
- The drug is expected to be ineffective based on the known clinical characteristics of the patient and the known characteristics of the prescription drug regimen.
- The required prescription drug is not in the best interest of the patient, based on medical necessity.
- The patient is stable on a prescription drug selected by their health care provider.

- The drug is contraindicated or will likely cause an adverse reaction by or physical or mental harm to the patient.

Finally, the bill outlines an appeal process and would give insurers three business days to deny the request or the exception is granted.

2019 SB 26 was introduced by Sen. Darling and referred to the Senate Committee on Health and Human Services. 2019 AB 24 was introduced by Rep. Nygren and referred to the Assembly Committee on Health.

On April 17, 2019, the Assembly Committee on Health held a public hearing on 2019 AB 24. On May 9, the Committee held an executive session and recommended passage as amended 13-0. On April 17, 2019, the Senate Committee on Health and Human Services held a public hearing on 2019 SB 26. On May 7, the Committee held an executive session and recommended passage as amended 5-0.

I will be at the May 15, 2019, Board meeting to answer any questions.