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Correspondence Memorandum

Date: July 25, 2019
To: Group Insurance Board
From: Tricia Sieg, Supplemental Plans Manager
Office of Strategic Health Policy
Subject: Long-Term Care Insurance Update

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

Status

Since May 16, 2018, the Department of Employee Trust Funds (ETF) has provided the Group Insurance Board (Board) an update on the Long-Term Care (LTC) Insurance Program at each Board meeting. Currently, ETF and Mutual of Omaha (MoO) are operating under a Memorandum of Understanding that will expire December 31, 2019. ETF received no proposals by the January 31, 2019, deadline to be the Board's long-term care provider for 2020.

ETF, MoO's local broker HealthChoice, and HealthChoice attorneys have had numerous communications while trying to develop a three-party contract and Departmental Terms and Conditions (DTCs). HealthChoice attorneys are currently reviewing drafts of a three-party contract and DTCs that ETF sent for review on May 28.

Background

1987 Wisconsin Act 356 created state statutes in Chapter 40 authorizing the Board to provide LTC insurance for state employees and annuitants who were state employees and their spouse and parents.

Three statutes outline what must be in place for the Board to provide LTC Insurance for members. As the statutes note, the LTC policy must be filed with the Office of the Commissioner of Insurance, the Board must approve the policy and there must be a contract between the Board and the vendor offering the policy.

Reviewed and approved by Eileen K Mallow, Director, Office of Strategic Health Policy

Electronically Signed 8/5/19

Board	Mtg Date	Item #
GIB	8.21.19	10A

Wisconsin State Statute 40.03(6)(a)1:

Except as provided in par. (m), shall, on behalf of the state, enter into a contract or contracts with one or more insurers authorized to transact insurance business in this state for the purpose of providing the group insurance plans provided for by this chapter

Wisconsin State Statute 40.03(6)(h):

Shall, on behalf of the state, offer as provided in s. 40.55 long-term care insurance policies. For purposes of this section, the offering by the state of long-term health insurance policies shall constitute a group insurance plan under par. (a) 1

Wisconsin State Statute 40.55(1):

Except as provided in sub. (5), the state shall offer, through the group insurance board, to eligible employees under s. 40.02 (25) (bm) and to state annuitants long-term care insurance policies which have been filed with the office of the commissioner of insurance and which have been approved for offering under contracts established by the group insurance board. The state shall also allow an eligible employee or a state annuitant to purchase those policies for his or her spouse or parent.

In the years since Act 356 became law, the Board has entered into agreements with at least seven different insurance companies to provide LTC policies to members. On several occasions there were as many as three different LTC offerings.

Board-approved LTC plans must provide financial protection from rising costs and, when possible, be available to use for assisted living, adult day care, in-home care and care provided in nursing homes. Members, including retirees, can apply for a plan anytime throughout the year because each application is subject to individual medical underwriting.

ETF refers to LTC insurance as a supplemental plan because it is an employee-pay-all plan, similar to the vision and accidental death and dismemberment programs. However, LTC vendors and the policies they offer have separate required standards from the other supplemental plans. The *Long-Term Care Insurance Standards*, ET-7423, are Board-approved guidelines and standards every LTC vendor and the policies they offer must meet.

Relationship with MoO and HealthChoice

LTC vendors use local brokers to market and sell policies. MoO has offered an LTC policy to members through local broker HealthChoice since 2014 and it has been the only one available to members since 2017.

MoO through HealthChoice was the only vendor to submit a proposal to be ETF's LTC provider for 2019. ETF recommended denying MoO/HealthChoice's proposal to be the 2019 LTC provider. The reasons cited for this denial was MoO/HealthChoice's refusal to provide the required number of references for the proposal and the vendor's history of being late in providing required performance standard reporting. To maintain this

offering, the Board granted a deadline of June 30, 2018 for MoO and ETF to negotiate and complete a contract.

Following the Board's instruction, ETF continued contract negotiation efforts with MoO, with the assistance of HealthChoice; however, a June 26, 2018 meeting with MoO and HealthChoice representatives yielded no progress. This information was presented to the Board at the August 22, 2018 meeting. The Board took no further action.

With no LTC provider under contract for 2019, ETF informed members during October's It's Your Choice open enrollment period there would be no LTC provider for the following year. Members were informed this would not affect members who had purchased LTC insurance before December 31, 2018, as those policies would continue with no disruption. The only group affected would be those looking to purchase new plans in 2019 through ETF.

On November 12, 2018, prior to the November 14 Board meeting, HealthChoice Attorney Jeffrey Mandell sent a letter to the Board on behalf of HealthChoice. This letter asked the Board to extend its current LTC agreement with MoO through 2019.

During the November 14, 2018, Board meeting, Secretary Conlin gave Board members an update on discussions he had with HealthChoice attorney, Larry Konopacki. Secretary Conlin stated he would like the opportunity to meet with the parties. He proposed the Board consider a Memorandum of Understanding for another year to provide an additional opportunity to work through the contracting issues with the parties.

The Board, on a unanimous voice vote, approved a one-year Memorandum of Understanding agreement with MoO from January 1, 2019 through December 31, 2019. The Memorandum of Understanding was finalized by all parties on January 7, 2019.

On December 18, 2018, ETF and HealthChoice held a meeting. ETF, HealthChoice's Bob Pearson, Cliff Morris and attorneys all sat down to discuss the future of ETF's LTC program and the potential of utilizing a three-party contract.

Since the meeting, ETF and HealthChoice have exchanged drafts of the three-party contract and DTCs multiple times. Currently, HealthChoice and their attorneys are reviewing drafts of each document sent to them on May 28, 2019.

Current Status

While ETF continues to work with HealthChoice and its attorneys in drafting a three-party contract, it should be noted that HealthChoice is not the vendor and there is no insurer involved in drafting this three-party contract. MoO has been invited to the table by both ETF and HealthChoice. However, MoO has shown no interest in negotiating a contract. According to HealthChoice, which had the most recent communication with MoO, MoO would rather have ETF and HealthChoice work on any drafts and not involve MoO until ETF and HealthChoice agree.

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The lack of a 2020 LTC vendor will not affect members who purchase LTC insurance before December 31, 2019, as those policies will continue with no disruption. The only group affected will be those seeking to purchase new plans in 2020 through ETF. However, there is no reason that 2020 LTC policy seekers couldn't pursue buying LTC insurance on the open market.

Finally, not offering LTC coverage in 2020 will have minimal impact on ETF. Over the past year, ETF has received less than 50-member contacts about the LTC offering.

We hope to finalize a three-party contract and DTCs to share with possible vendors for 2021 when ETF in late November begins soliciting bids to be the 2021 LTC vendor.

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