



**STATE OF WISCONSIN**  
**Department of Employee Trust Funds**  
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 SECRETARY

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**Correspondence Memorandum**

**Date:** August 19, 2019  
**To:** Group Insurance Board  
**From:** Tarna Hunter, Government Relations Director  
 Office of the Secretary  
**Subject:** 2019-21 Biennial Budget and Legislative Update


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

**2019-20 Legislative Session – Acts Signed Into Law**

**2019-21 Biennial Budget**

On July 3, 2019, Governor Evers signed the 2019-21 biennial budget into law ([2019 Act 9](#)). The Department of Employee Trust Funds (ETF) has completed a review of the law and prepared a summary of the provisions that relate to the benefit programs that the board oversees.

- **General Wage Adjustments** – provides general wage adjustments for most state employees of two percent on January 1, 2020, and an additional two percent on January 1, 2021.
- **Full Funding of Salary and Fringe Benefits** – Continued full funding of ETF’s current operations. The proposed ETF 2019-21 budget consists of an overall funding increase of 1%.
- **Positions for Disability Programs Administration** – Provides 2.0 FTE Trust Fund Specialist Advanced positions for the effective administration of ETF’s disability programs.
- **Mandatory LAB Actuarial Audits** – Provides \$183,000 SEG in FY20 and \$48,000 SEG in FY21 to contract with the Legislative Audit Bureau (LAB) for the statutorily required actuarial audit of the Wisconsin Retirement System and for contracts necessary for the implementation of Governmental Accounting

Reviewed and approved by Pamela Henning, Assistant Deputy Secretary  
 Electronically Signed 8/19/19

Board	Mtg Date	Item #
GIB	8.21.19	10H

Standards Board (GASB) Statements 67, 68, 74, and 75. Of the amounts requested, \$175,000 is one-time funding for the LAB actuarial audit.

- **Compensation Reserves Appropriation Reduction** – Assumes GHIP savings of \$14,691,500 (all funds) in 2019-20 and \$19,855,100 (all funds) in 2020-21.

[2019 Act 12](#) 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 act.
- 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 law outlines an appeal process and would give insurers three business days to deny the request or the exception is granted.

The act takes effect on the first day of the 4<sup>th</sup> month beginning after publication (November 1, 2019). Additionally, for policies and plans containing provisions inconsistent with this act, the act first applies to policy or plan years beginning on January 1, 2020.

### **Other Proposed State Legislation**

[2019 AB 238](#) and [2019 SB 217](#) require the Department of Health Services (DHS) in consultation with ETF, to develop and implement a plan to reduce the incidence of diabetes in Wisconsin, improve diabetes care, and control complications associated with diabetes. DHS may also consult with the Department of Public Instruction and Department of Corrections in the development of the plan.

DHS must submit a biennial report to the Legislature (first report by January 1, 2021) that includes:

- An assessment of the financial implications of diabetes upon DHS, the state and localities.

- An assessment of the benefits of implementing programs and activities to control diabetes.
- A description of the level of coordination existing within DHS and between DHS and other entities and organizations on activities and communication relating to diabetes.
- The development or revision of a detailed action plan with a range of actionable items for the Legislature to consider.
- A proposed budget for the plan.

2019 SB 217 was introduced by [Sen. Darling](#) and referred to the [Senate Committee on Health and Human Services](#). 2019 AB 238 was introduced by [Rep. Vorpapel](#) and referred to the [Assembly Committee on Health](#).

The Assembly Committee on Health held a public hearing on July 10, 2019. The Senate Committee on Health and Human Services held a public hearing on August 6, 2019.

**[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](#).

At this time, neither bill has been scheduled for a public hearing.

I will be at the August 21, 2019, Board meeting to answer any questions.