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Correspondence Memorandum

Date: July 12, 2019

To: Group Insurance Board

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Subject: Local Government Survey Results

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

Summary

This memorandum provides the Group Insurance Board (Board) with background on the local government employer health insurance program, known as the Wisconsin Public Employer (WPE) program, and shares the results of a recent survey conducted of local employers currently participating in the program and local employers not currently participating in the program. The survey was conducted to better understand local employer's health care purchasing decisions and to look for potential opportunities to improve the program.

WPE Health Insurance Program Background

The Department of Employee Trust Funds (ETF) administers the WPE program as required under [Wis. Stats. § 40.51 \(7\)](#). Specifically, any local employer may offer health care coverage to its employees through a health insurance program offered by the Board. The statutes specify that ETF may establish different eligibility standards and premium share requirements than the Group Health Insurance Program (GHIP) offered to state employees.

In general, the WPE program and state GHIP cover the same benefits and offer the same health plans, but the cost-sharing options and premiums that apply are different. For local employers to be eligible, they must participate in the Wisconsin Retirement System (WRS) or in the Wisconsin Section 218 Agreement¹. If the employer does not

¹ A Section 218 Agreement is a voluntary agreement between the State and the Social Security Administration to provide health care coverage for state and local government employees.

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

Eileen K Mallow Electronically Signed 8/6/19

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currently participate in the WRS and is not covered by a Section 218 agreement, the employer will not be able to join the health insurance program until after approval is granted by the Social Security Administration to join Wisconsin's Section 218 Agreement. If eligible, the local employer can select an option for its employees and insured retirees from the available benefit designs. Appendix 1 shows the select features of the four benefit design options available to local employers and the average enrollment in each plan for 2019. An employer can typically only pick one benefit design for employees. However, the employer may choose a different option for collective bargaining units as approved by ETF.

Purpose of the WPE Program

The WPE program is designed to provide an affordable health insurance option to local employers who provide health care coverage to their employees and retirees. It does this by pooling them together to maximize their purchasing power, rather than having each employer attempt to purchase health insurance on its own. A larger pool has more purchasing power because it is less risky. Large catastrophic claims can be spread across the larger pool. Therefore, insurers can apply a lower risk premium. However, in the WPE program, some of the benefits of having a larger pool are offset because the population is spread across eleven different health plans.

Participation Requirements

Eligible local employers can voluntarily join the WPE program by passing a resolution of its governing body. The program requires that at least 65% of eligible employees participate in the insurance plan. Groups of 50 or more employees are subject to underwriting. In such cases, the Board's actuary (Segal Consulting) compares the risk of the applying employer to the risk of the current pool. If the applying employer has a higher risk than the pool, that employer is subject to a surcharge for an average of 24 months and must remain in the program for at least three years. The surcharge is reduced to half at the start of the second year of participation.

A group leaving the WPE program must pass a resolution of its governing board and submit the resolution to ETF by October 15th of the year prior to the end of the termination year. Groups leaving the WPE program cannot return for at least three years.

WPE Premiums and Tiering

Premium rates in the WPE program are established separately from premium rates for state participants, and health plans are placed into one of three tiers based on the plan's premium rate in its service area. Therefore, health plans may be assigned a different tier in the state GHIP than the WPE program while offering the same provider network. In addition, the Board may impose limits on premium rate increases to help ensure that rate increases are reasonable.

While premium rate increases can vary significantly from year to year for a particular health plan, on average local rates have increased modestly because employees tend

to select the plans with the lowest employee cost share. From 2014 through 2019, average total paid premium for an individual increased by an average of 1.0% annually.

Local employee premiums are, on average, lower than premiums for state employees. ETF reviewed the risk scores of local and state employees in 31 counties with at least 250 local employees in the WPE program and found that the health risk of local employees was comparable or lower than the health risk for state employees in most counties. Based on discussions with the health plans, however, some view the WPE program as riskier than the state GHIP, perhaps because it is smaller in size. Average subscriber enrollment for 2019 in the WPE program is 11,992 compared with 92,461 average state subscribers for the same time period. In addition, recent declines in enrollment may also be a concern for health plans.

Recent Consideration of WPE Benefit Design Changes

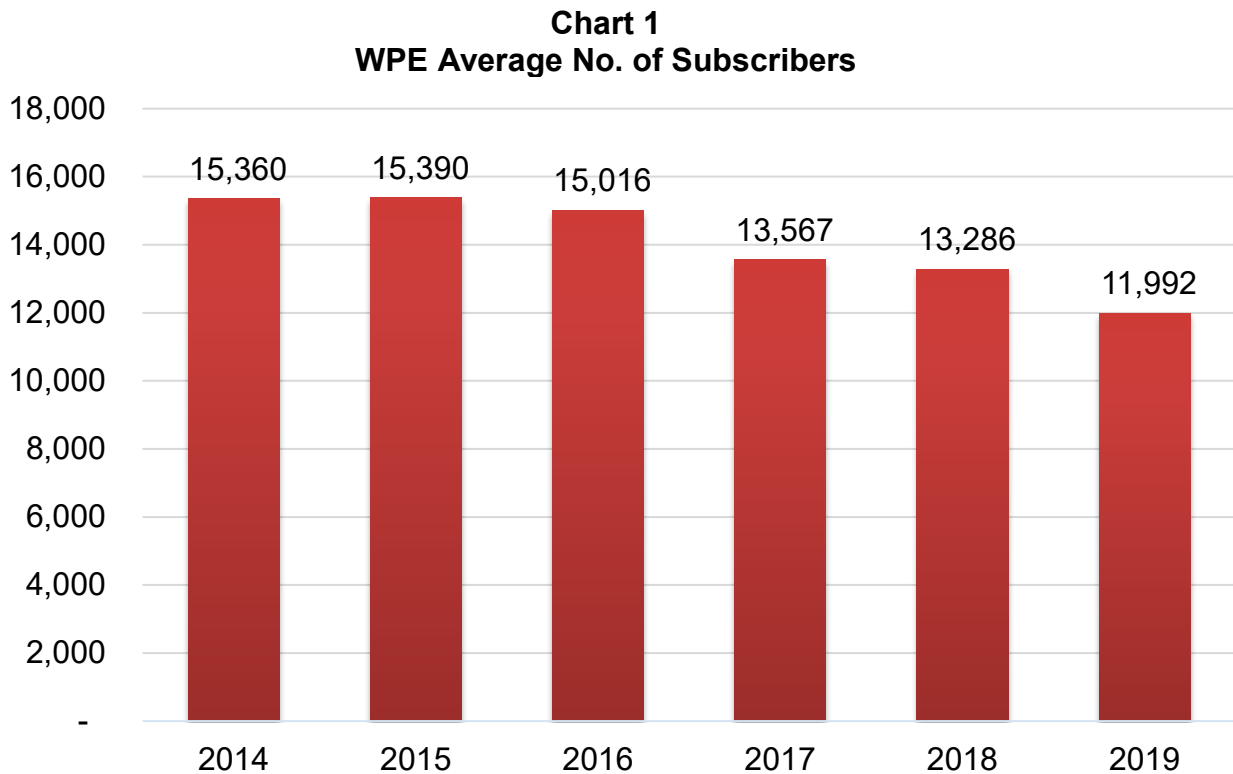
Beginning in 2016, ETF investigated changes to the benefits in the local program, in part due to recommendations from Segal Consulting. The goal was to reduce the administrative burden on staff and vendors from multiple program options. ETF reviewed the possibility of offering only those program options that align with benefits provided to state employees and retirees: It's Your Choice Health Plan (program option 6/16) and It's Your Choice High Deductible Health Plan (program option 7/17). ETF determined this option was not feasible given the small enrollment in these program options. ETF then considered eliminating the Local Deductible Health Plan, (program option 4/14) and presented a recommendation to the Board at its December 2016 meeting. However, many of the employers offering that plan did not support removing this option and the Board declined to remove it.

Over time, discussions with local employers who offer the Local Deductible Health Plan (program option 4/14), some expressed concerns about comparability across the benefit designs for individuals on Medicare. These concerns are particularly regarding Medicare retirees who are subject to the \$500 individual/\$1,000 family deductible before the plan pays any claims secondary to Medicare. Individuals on this plan are the only Medicare retirees without first dollar coverage after Medicare pays.

In 2018, staff held a retiree focus group to get input on the issue. The focus group and at least one of the large employers participating in program option 4/14 were supportive of a change to the Medicare benefit to provide first dollar coverage to all Medicare retirees. At the Board's August 2018 meeting (REF [GIB | 8.22.18 | Item 6A](#)), ETF brought such a recommendation to the Board. However, the Board expressed concern that there was not enough evidence of broad support and therefore did not adopt the recommended changes. ETF began to work on a local survey to investigate broader program questions (discussed later in the memo) and have not targeted the issue, given the Board's concerns.

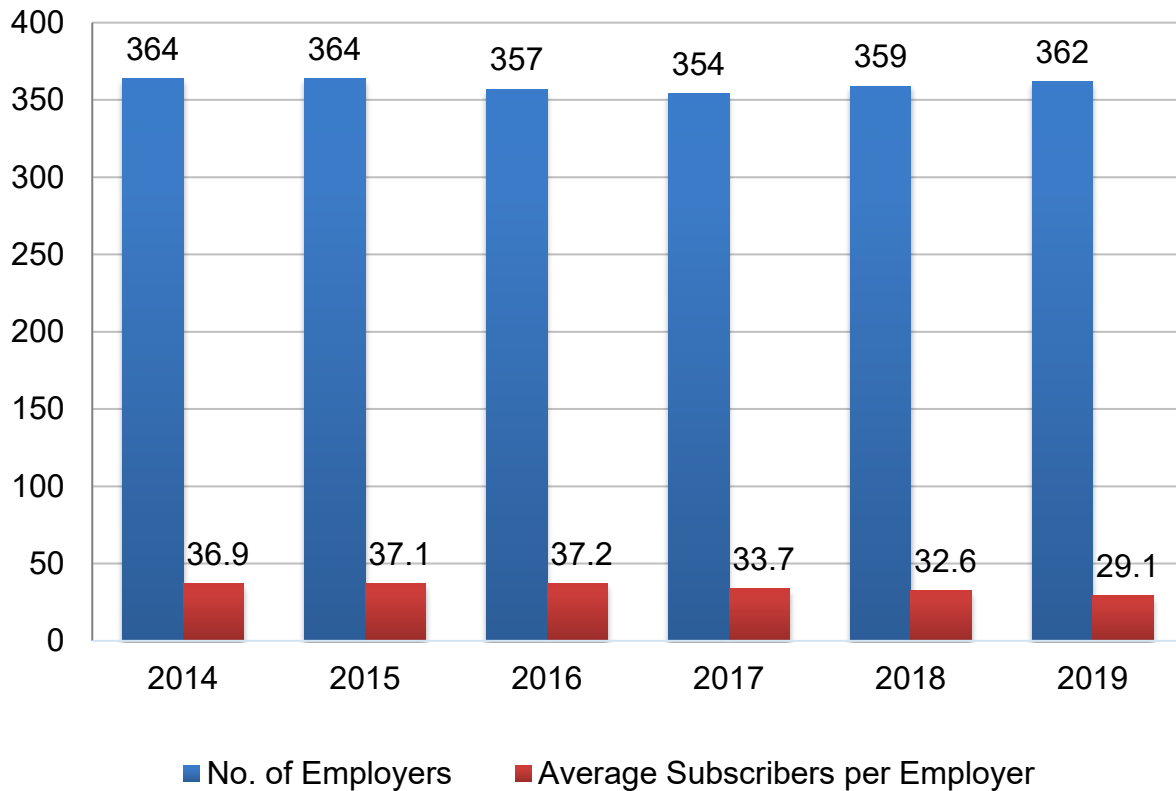
Enrollment and Participation Trends

Enrollment in the WPE program has declined 22% since 2014. Most of the loss came in 2017 and 2019 because of large employers dropping out of the program and being replaced by smaller employers. Chart 1 shows the average number of subscribers enrolled per year.



As Chart 2 shows, the total number of participating employers has only decreased from 364 in 2014 to 362 in 2019. This suggests the employers who left over this period have been replaced by smaller employers. The average number of subscribers per employer has decreased by 21% from 36.9 to 21.9 over the same period.

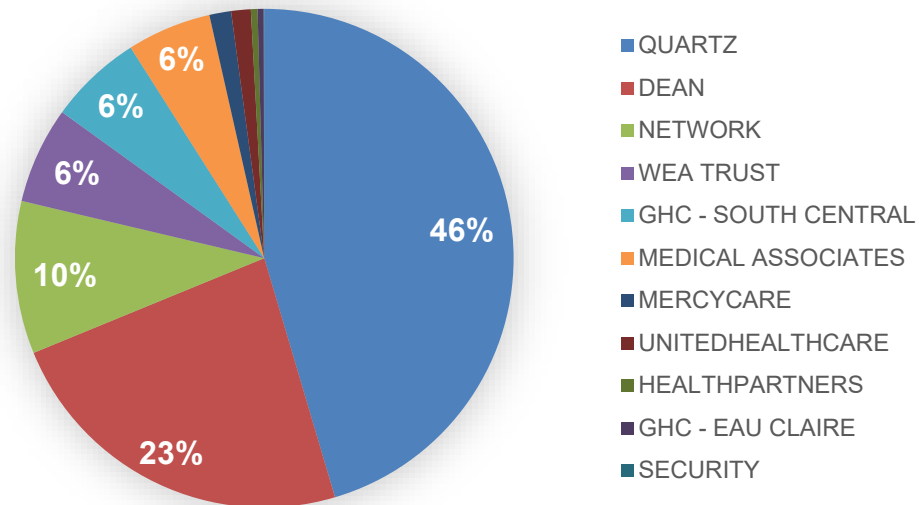
Chart 2
WPE Employer Participation and Average Size



Distribution of Enrollment

The distribution of enrollment across the state is greatest in the eastern and southwestern parts of Wisconsin, with little enrollment in the north. Appendix 2 is a map of Wisconsin showing local plan enrollment by county for 2019. Enrollment is concentrated in those health plans serving the same areas of the state. Chart 3 shows distribution of enrollment by health plan.

Chart 3
Average WPE Enrollment by Health Plan 2019



Local Employer Survey

To help understand why enrollment in the WPE program is declining, staff surveyed local public employers in April and May of this year. This section describes the survey structure and summarizes the results of each survey.

Survey Structure

Local employers were grouped into three categories and each received survey questions specific to their category. The three categories of employers were:

- Employers currently participating in the WPE program
- Employers who left the WPE since 2017
- Employers who have not recently participated in the WPE program

Currently participating employers were asked about their experience with the WPE program and what factors are important in selecting their health insurance plan. Employers who recently left were also asked about their experience with the WPE program, their current health insurance plan and what considerations factored into their decision to leave the WPE program. Employers who have not recently participated in the WPE program were asked about their current health insurance plan and what factors are important in selecting that health insurance plan.

ETF distributed the survey on April 25, 2019 and closed it on May 31, 2019. Employers currently participating and those who have not recently participated in the WPE program received surveys via the internet-based survey tool, Survey Monkey®. Employers who left the WPE program since 2017 were contacted via phone by staff. Employers using

the Survey Monkey tool were able to keep their responses anonymous, unless they indicated they wanted staff to contact them to provide follow-up information.

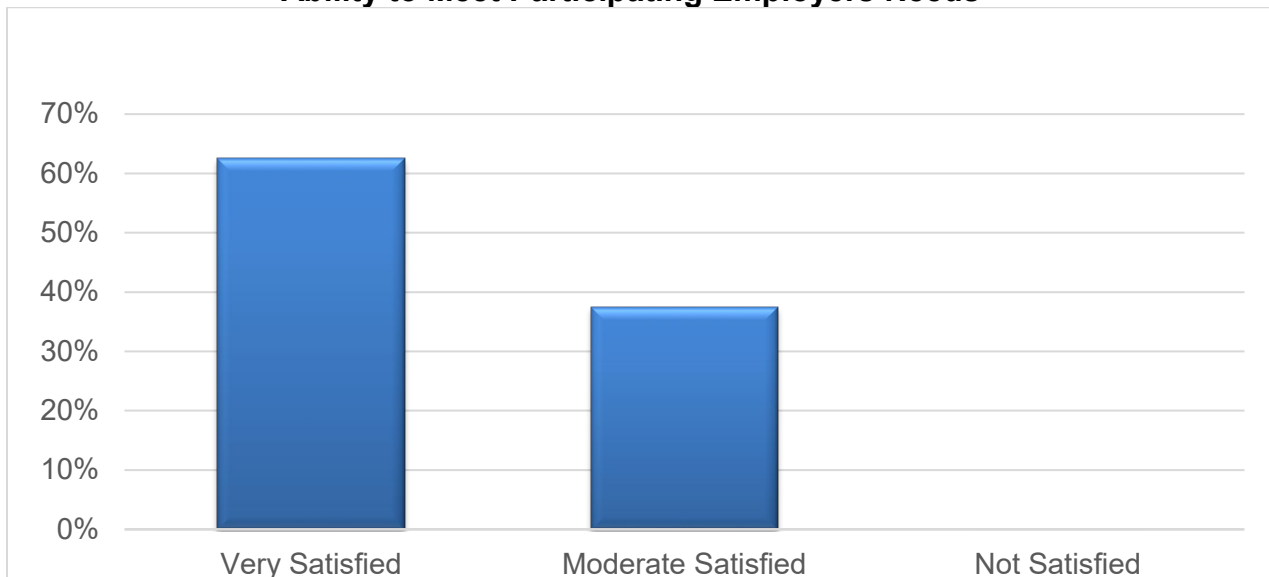
The response rate for each of the three surveys was:

- Currently Participating: 143 out of 343 employers (40%)
- Not Recently Participating: 310 out of 1,070 employers (29%)
- Recently Left: 13 out of 14 employers (86%)

Currently Participating Employer Results

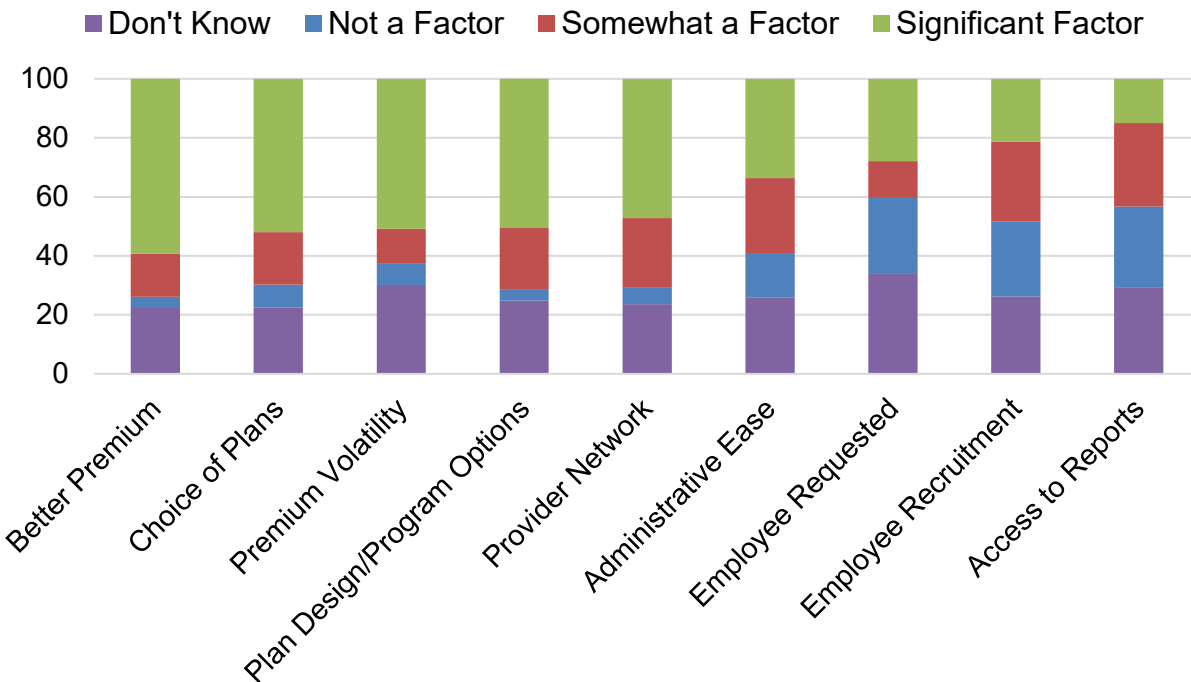
In general, currently participating employers expressed a high level of satisfaction with the WPE program. In particular, 62.5% of responses indicated they were very satisfied with the program's ability to meet their needs and 79.4% were very likely to recommend the program to others.

Chart 4
Ability to Meet Participating Employers Needs



While better premium was selected most often as being a significant factor in joining the WPE program, only 25% said they were very satisfied with the program's premium. Premium volatility, plan design, plan choice, and provider networks were also important, but not as much as premiums. Chart 5 shows the factors that went into employers' choices to participate in the WPE program.

**Chart 5
Factors in Choosing WPE**



Additionally, 33% said they have considered other health insurance options recently because of frustration with yearly program changes and because premiums are set too late in the year for them to make changes for the following year. Of those who researched other options, 58% found the WPE program remained their best option.

The WPE process most frequently cited as the most confusing or frustrating was the employee premium share and health plan tiering methodology. Comments also suggest frustration with the timing of the rates, indicating they need the rates sooner to determine if they need to make changes prior to the start of the open enrollment period.

In addition, at least one employer wants more coverage tier options than the current single and family option. Others want to be able to offer the high deductible health plan benefit as an option to employees. Currently, an employer can only select one plan for an employee class. So, if an employer selects the high deductible plan option, all employees in that class are required to select that option.

The survey results also suggest there is room for improvement in the current processes for changing employee records and with ETF materials, including reporting and employer and employee educational materials.

Below is a sample of comments provided by currently participating employers.

“The problem is that the Tier 1 insurances and qualifying insurances change so drastically from year to year, we find it impossible to accurately budget for the price until after the information comes out (and our budget is already approved). We currently have only one Tier 1 qualifying company; next year there might be three or none....who knows?!”

“Nothing is confusing or frustrating to me.”

“Open Enrollment Process - it is super hard for Local Government Agencies to have rates established before open enrollment begins when ETF does not provide the data to us in a timely fashion. Our local government needs to have rates established in September, but last year, I had to have a special board meeting due to the late information in the tiering system.”

“Dane County included Quartz Insurance in Tier 1 & Waukesha County Excluded Quartz Insurance in Tier 1 (moving it to Tier 2). That gave ...[our]... employees a lower average cost for health insurance calculation & a higher employee share to pay. All of my employees were very unhappy about that!”

Not Recently Participating Employer Survey Results

Of the 310 not recently participating employers who responded to this survey, 87% currently offer health insurance to their employees and 3% alternately offer payments to employees so they can purchase their own health insurance. The remaining employers responding do not currently offer health insurance.

The number of employees for each responding employer ranged from 1-2600 with the average number of employees being 147. This is significantly higher than the average number of subscribers in the WPE program, which is 29 in 2019. Most responding employers would be considered small employers, with only 16 employers responding to having 500 or more employees. The smaller the size of the employer group, the more likely an insurer is to consider them a higher risk. Chart 6 shows the distribution of employers by number of employees.

Chart 6
Employees per Employer

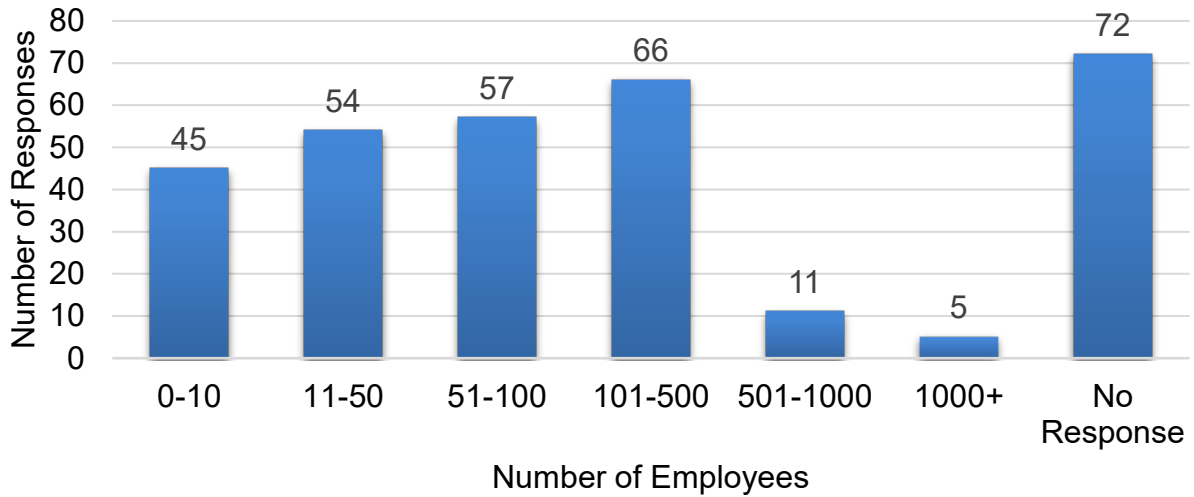
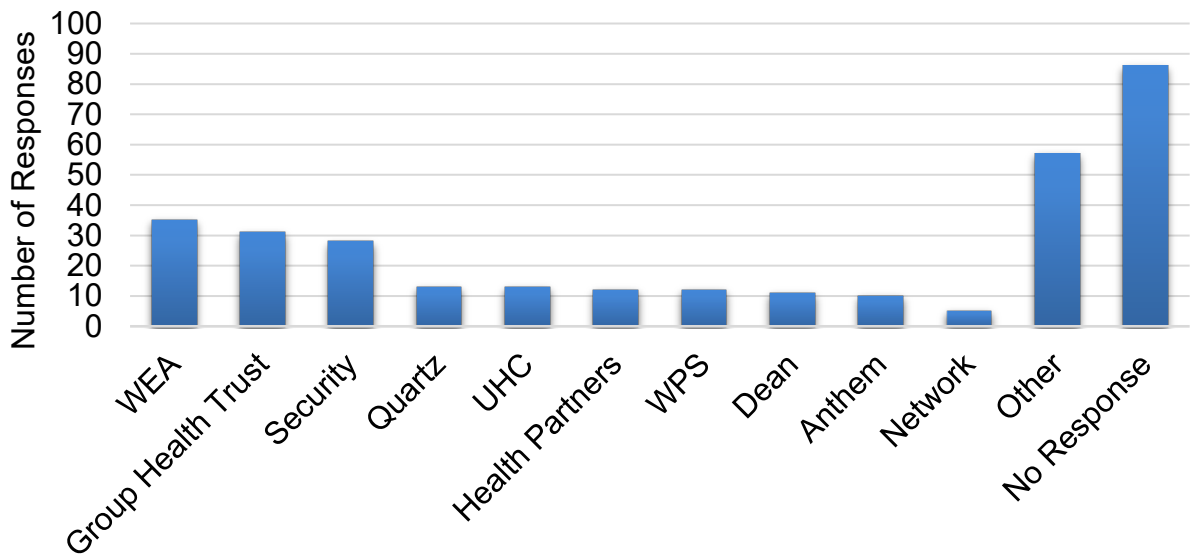


Chart 7 identifies the 10 most common insurers identified by employers as their current health insurer.

Chart 7
Current Health Insurer



Of 231 responses, 230 said that they were “very satisfied” or “moderately satisfied” with their current vendor, with only one respondent saying that they were “not satisfied.” Employers were asked to explain their answers.

Some of the explanations were:

“Our rates went up 16% last year but customer service to employees is great”

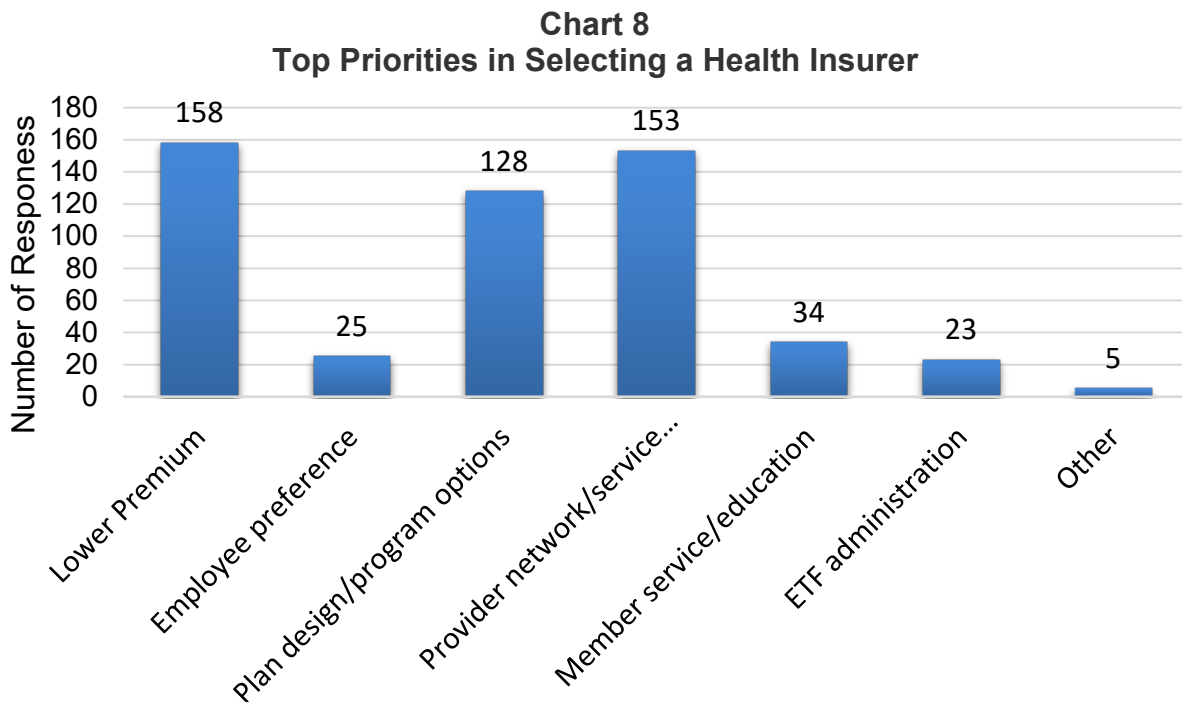
“For the most part it's been good, but we have had some issues with prescriptions and things they don't cover that we were not informed of at enrollment”

“The cost is getting too high. We will be going back into the market. I would guess that our Board will adjust the portion of the premium that employees have to pay to reduce their costs.”

“Good the majority of the time but a lot of claims need to be sent through more than once.”

Of 233 responses, 27% offer employees a premium option other than the traditional single/family options. The most common options these employers offered their employees were single plus one, employee plus spouse and employee plus children options. The WPE program only offers single/family premium options.

Employers identified their top priorities in selecting a health insurer. Lower premium, provider network/service area, and plan design/program were identified as the top priorities by a significant margin. Chart 8 shows the services provided by insurers who employers identified as most important in selecting a health insurer.



Employers were asked to provide benefit design information for their individual plan, including the plan's deductible, coinsurance, primary care, specialty care, emergency room copayments, maximum out-of-pocket limits and annual employer HSA contributions.

Chart 9 shows the distribution of individual deductibles reported. Of the 165 responses, the highest concentration of deductible amounts was between \$1000 and \$2000 with a median deductible of \$2000 for an individual.

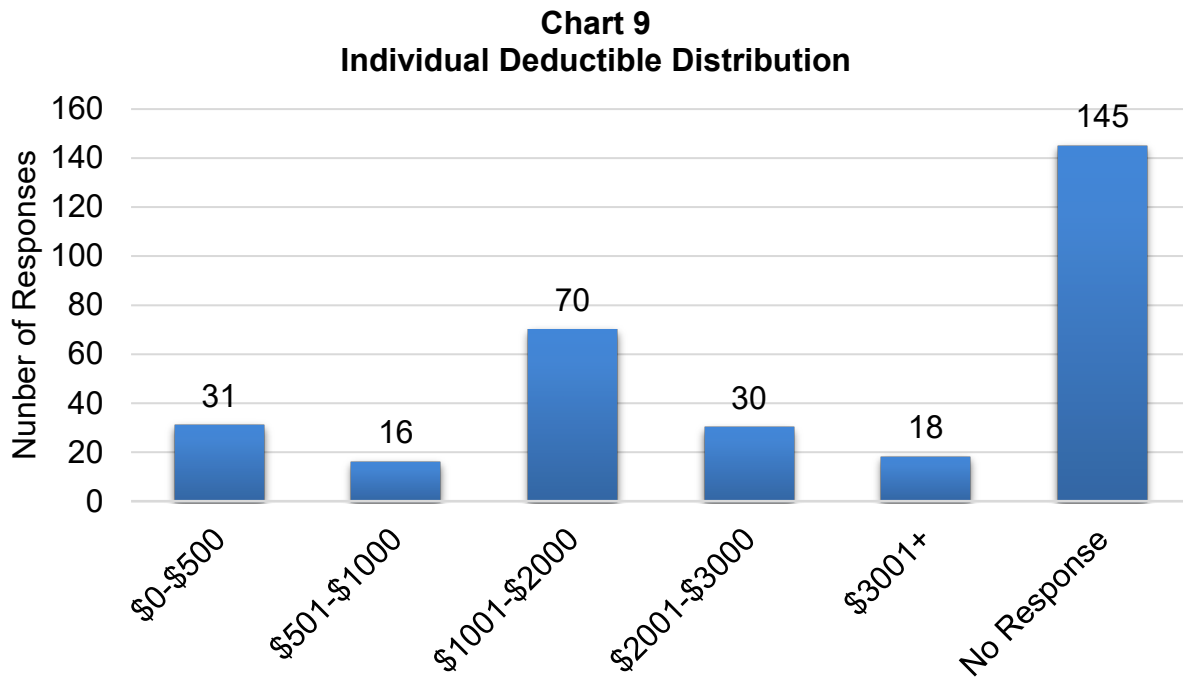


Chart 10 shows the distribution of reported coinsurance. Of the 126 responses, 77% reported having coinsurance of 100%/0%, meaning the member pays no coinsurance.

Chart 10
Individual Coinsurance Distribution

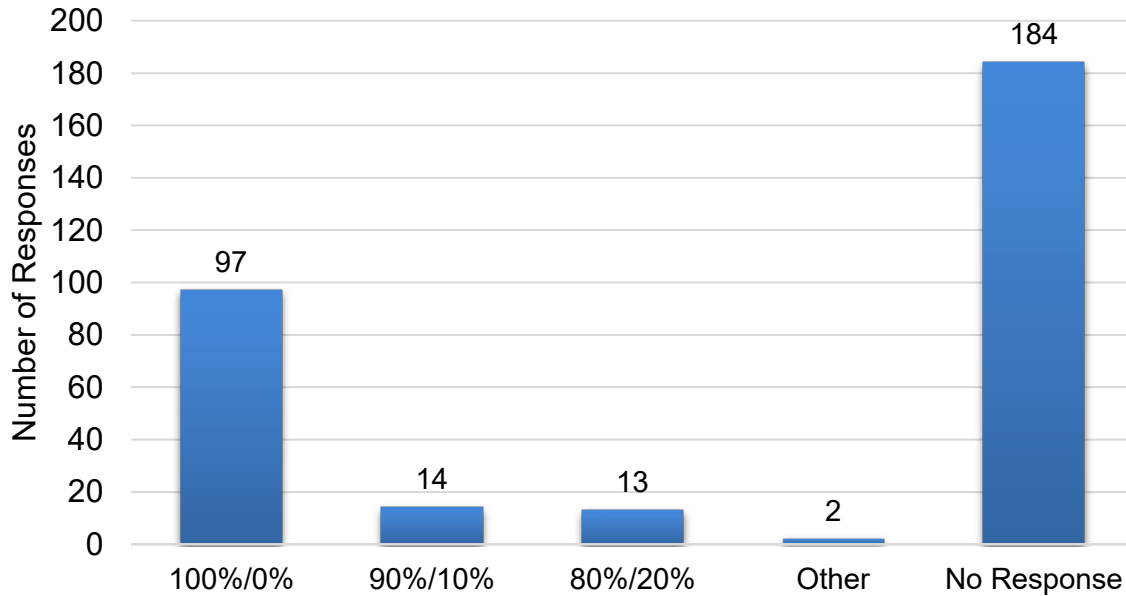
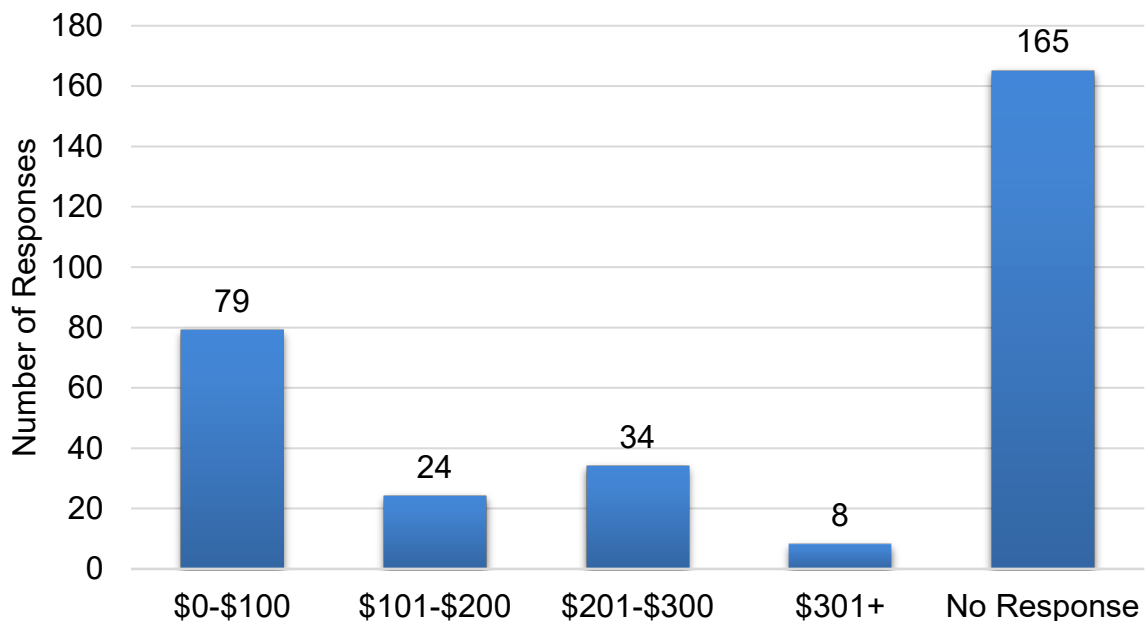


Chart 11 shows the distribution of the emergency room copayment across the responses. Of the 145 responses, 95% indicated having an emergency room copayment less than \$300 per visit, with 55% having an emergency room copayment between \$0 and \$100 per visit.

Chart 11
Emergency Room Copayment Distribution

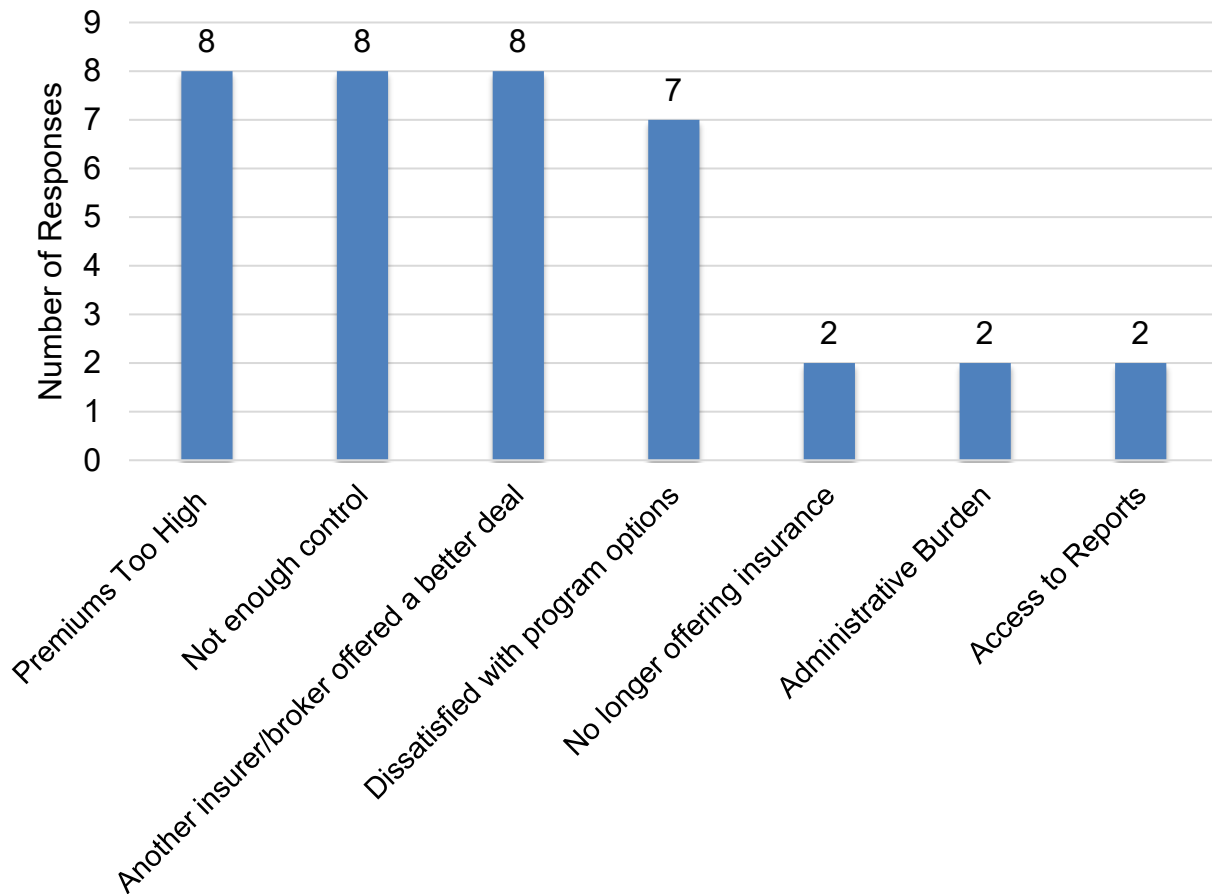


Recently Left Employer Survey Results

Employers who recently left the WPE were also surveyed. This survey consisted of ETF staff speaking directly to employers. “Recently left” is defined as leaving the WPE program following the 2016, 2017 or 2018 plan year. During this three-year period, a total of 19 employers left the WPE program. Of those 19, five employers were contacted prior to development of this survey. These five employers were not contacted again.

The survey asked employers to identify and rank the reason(s) they chose to leave the WPE program. There were four answers that more than half of the respondents identified as a reason for leaving. Chart 12 illustrates the results of this question.

Chart 12
Why Employers Left WPE



Employers provided comments about why they left the WPE program. Below are a sample of those comments:

“Fear that the state was no longer going to offer insurance to municipalities or drastically reduce benefits.”

“Lack control over benefits package and options.”

“Lack of HDHP/HSA options and the associated costs of not offering 2 separate HDHP for employees.”

“We felt pigeon holed into the networks and those always didn’t work for our people.”

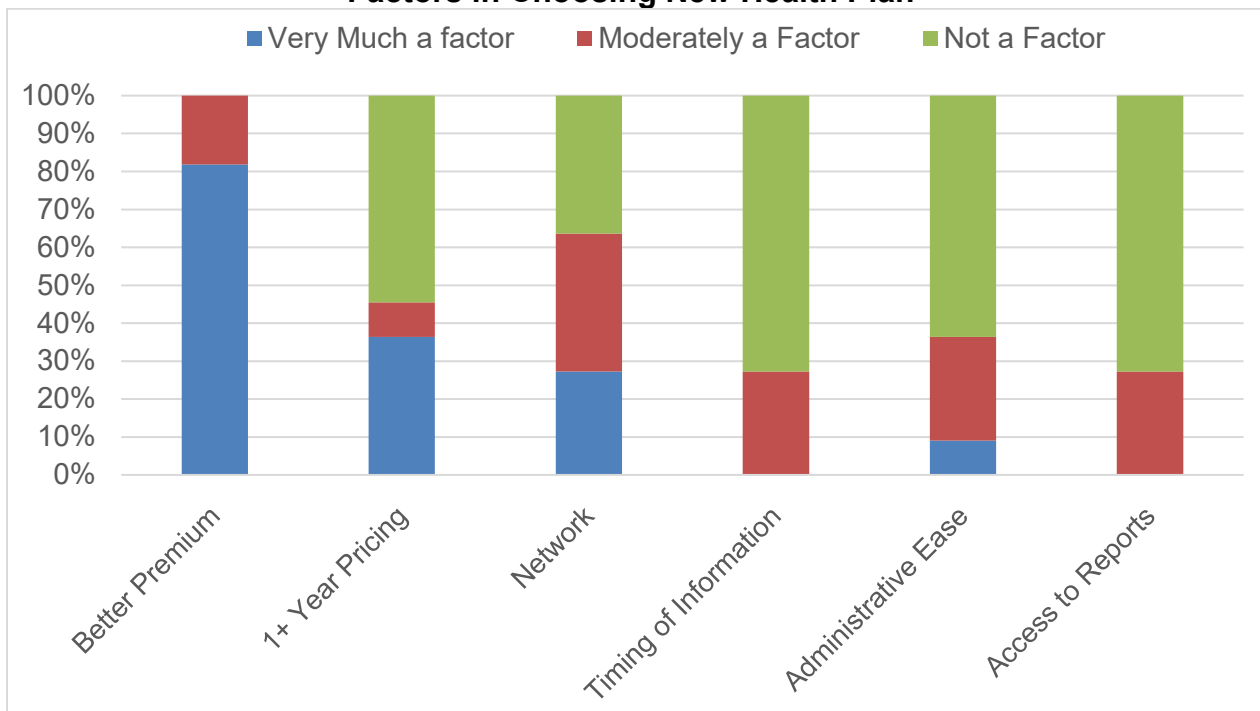
“Premiums were too high”

“Fear of self-insurance and the general anxiety centering around self-insurance.”

“It’s the best insurance we can have.”

Respondents identified Quartz as the most often used health plan when asked who currently administers their plan. This was followed by Dean Health Insurance (Dean), UnitedHealthcare and the Wisconsin Counties Association’s Group Health Trust. One employer offers a dual choice option with Quartz and Dean. All respondents identified premium cost as being a primary factor in the final decision of which carrier they chose. Other factors included the ability to lock into premium pricing for more than one year, provider networks, and administrative ease. Chart 13 shows the responses to this question.

Chart 13
Factors in Choosing New Health Plan



Of those employers who have recently left the WPE program, 82% purchase their health insurance directly and not through an association or consortium. Only 9% identified that they self-insure health benefits, while 82% of the respondents stated that their plan is fully insured.

All respondents reported to being very satisfied or moderately satisfied with their current health insurance services. One employer who left the WPE program in January 2016 went with a second carrier since leaving. Three organizations expressed interest in knowing how and when they could rejoin the WPE program.

The survey asked what ETF could have done differently to keep providing coverage for their employees. Several respondents discussed that their decision to terminate the WPE program coincided with the uncertainty about the direction of the WPE program given the Board’s consideration of moving to a self-insured model and uncertainty about whether the WPE program would be offered to local governments in the future.

These local employers felt they, “had to get ahead” of the state making the final decisions on self-insuring and ending the WPE program. Comments mirrored the answers employers gave when asking why they decided to leave in the first place with responses ranging from cost, lack of control over plan design, network, two-year rate guarantees, and looking for plans that were “more customized.” Most of respondents praised the level of service that the WPE program offered and stressed that they did not leave due to poor service.

Even though they chose to leave the WPE program, 82% of respondents would recommend (or already have recommended) the program to other local units of government.

Finally, in an open-ended format, employers provided specific recommendations for program improvements. The answers mirrored themes already mentioned. Some of the recommendations included:

“Not sure what ETF’s direction was. It comes down to numbers for us. Our current carrier offered an increase (on renewal) guarantee for the second year- we are now in the second year, I’m not sure what year three will look like.”

“Remember the end user. Municipalities and the state are on a different budget cycle and getting information to us when you do, it’s difficult. ETF should explore a different schedule for state and locals.”

“I really like the 100% coinsurance plan. That’s the comment I hear most often from employees.”

“Entertaining the idea of joining the WPE program again.”

Conclusion

The survey indicates that local employers are looking for better premium, control over plan design, and better timing of the availability of rates to improve decision-making when purchasing health insurance. It also indicates that local employers are satisfied with plan administration whether they are in the WPE program or purchase health insurance elsewhere. The survey also indicates a majority of local employers that purchase health insurance elsewhere have higher deductibles and copayments than the WPE program and that this may be how these employers are achieving better premium.

ETF will continue to review the survey results to look for opportunities to improve program administration. Given the declines in enrollment, the Board may want to consider changes to the program to make it more attractive to local employers, both currently participating employers and not currently participating employers. The Board will have an opportunity to discuss program changes at a future Board meeting. In the meantime, ETF is happy to provide any additional information about the WPE program or the survey.

Staff will be at the meeting to answer any questions.

Attachments:

Appendix 1 - WPE Health Insurance Program Enrollment and Select Features of Available Plan Designs

Appendix 2 – 2019 Local Health Plan Subscriber Enrollment by County

**Appendix 1
WPE Health Insurance Program
Enrollment and Select Features of Available Plan Designs**

Benefit Plan	Local Traditional (PO2/P12)	Local Deductible (PO4/14)	Local Health Plan (PO6/16)	Local High Deductible Health Plan (PO7/17)
Medical Benefits				
Deductible (individual/family)	\$0	\$500/\$1,000	\$250/\$500	\$1,500/\$3,000
Coinsurance	0%		10%	
Emergency Room Copayment	\$60		\$75	
Office Visit Copayments	\$0	\$0	\$15 for primary care/\$25 for specialty care	
Medical Maximum Out-of-Pocket (individual/family)	\$6,850/\$13,700	\$6,850/\$13,700	\$1,250/\$2,500	\$2,500/\$5,000
Pharmacy Benefits				
Non-specialty drugs	Level 1 - \$5 Level 2 - 20% (\$50 max) Level 3 - 40% (\$150 max)			
Specialty drugs	Level 4 - \$50 copay as designed pharmacies			
Pharmacy Maximum Out-of-Pocket (individual/family)	Level 1/2 - \$600/\$1,200 Level 3 - \$6,850/\$13,700 Level 4 - \$1,200/\$2,400			Included in Medical Maximum Out-of-Pocket
2019 Enrollment				
Average Subscribers	4,275	7,078	335	304

Appendix 2

2019 Local Health Plan Subscriber Enrollment by County

