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## Correspondence Memorandum

**Date:** October 31, 2019  
**To:** Group Insurance Board  
**From:** Eileen Mallow, Director  
Office of Strategic Health Policy  
**Subject:** Legislative Audit Bureau Final Report

**This memo is for informational purposes only. No Board action is required. However, Board acknowledgement of process changes is requested.**

Progress on evaluating and implementing changes suggested in the Legislative Audit Bureau report of the Group Health Insurance Program has been reported at each of the 2019 meetings. Response to each audit finding is now complete.

After initial release of the audit report, the Department of Employee Trust Funds (ETF) developed a plan to review each of the findings and implement changes as appropriate.

Specific changes adopted include:

- Review feasibility of transferring responsibility for managing assets of the life insurance program to the State of Wisconsin Investment Board (SWIB). SWIB and ETF staff agreed this likely would not result in better program management.
- Better reporting to the Board on various aspects of program administration, including contracting, management of program reserves and vendor oversight. Staff now produce regular reports to the Board on each of these areas and invites Board feedback regarding the reports.
- Formal discussions with the Board regarding expected program outcomes and progress toward achieving them.
- Staff now report work hours toward a cost allocation across each of the insurance programs administered by ETF.
- ETF continues to work toward providing information to Board members and the public to ensure adequate review time prior to meetings.

Reviewed and approved by John Voelker, Deputy Secretary

Electronically Signed 11/1/19

Board	Mtg Date	Item #
GIB	11.13.19	3

LAB Final Report  
October 31, 2019  
Page 2

The final report is due to the Legislature on November 22, 2019. A copy of the final draft of the report will be shared with the Board for review and comment closer to the meeting.

Staff will be available at the meeting to answer questions.

Attachment: LAB Final Report

LAB Recommendation	LAB Report Page Number	Update	Status
Employee Trust Funds (ETF) require its staff who work on individual group insurance programs to track on an ongoing basis the amount of time they used to complete work for each group insurance program.	19	ETF refined its administrative cost allocation process in 2019. Managers now provide staff time allocations on a quarterly basis and provide supporting documentation for the allocations. ETF uses the staff time allocations as the basis for allocating administrative costs to the various programs administered by ETF.	Completed
ETF consistently prepare and provide the Group Insurance Board (GIB) with the results of its written analyses of recommendations from consultants for the Group Health Insurance Program (GHIP).	29	ETF has developed a memo template for all GIB memos. The new template requires written analyses of all recommendations from consultants in memos to the GIB. Staff training and implementation of the new template was completed on May 22, 2019. It is expected that ETF staff use the new template in preparing all GIB memos.	Completed
ETF work with the GIB to establish intended outcomes for changes to the GHIP.	31	ETF staff is expected to incorporate intended outcomes into all GIB memos. The annual May GIB meeting presentation of the GHIP's Annual Report will continue to provide results across all programs.	Completed
ETF annually assess progress toward achieving these intended outcomes and provide the results of these assessments to the GIB.	31	ETF staff is committed to incorporating intended outcomes into GIB memos. That commitment is reiterated with the new GIB memo template.  The annual May GIB Meeting presentation of the GHIP's Annual Report will continue to focus on goals, progress and results across all health insurance programs and Income Continuation Insurance (ICI).	Completed
ETF work with the GIB to ensure contracts sufficiently specify how to calculate performance measures.	34	The reporting of health plan performance statistics is a standing agenda item at GIB meetings. Performance measures not part of the Health Plan Performance Statistics will continue to be discussed with the GIB as part of the standing agenda item regarding contract cycles.	Completed
ETF consistently determine whether firms achieved contractually specified performance measure goals and assess contractually specified financial penalties when firms do not achieve these goals.  Report to the GIB on the financial penalties it assesses.	34	ETF staff implemented a decision log to document contractually-specified health plan performance goals and outcomes, including the goals were met, if a financial penalty was assessed, and documentation of any additional details.  Reporting templates have been established for updates at each GIB meeting including quarterly and annually Health Plan Performance Reports and the quarterly Bureau of Budget, Contract Administration and Procurement (BCAP) Contract Update. BCAP's memo to the GIB includes contract exceptions for GHIP and ICI Vendors and penalties assessed in the GHIP.	Completed
ETF require the program actuary to take investment income into account when it recommends the amount of GHIP reserves to spend.	42	During the 2019 annual August presentation to GIB regarding the GHIP's reserves the program the actuary's information included a projection for future investment income using the long-term assumed investment rate of return for the Core Retirement Investment Trust Fund. Presenting this information will be a standing agenda item for each August GIB meeting.	Completed

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ETF require the program actuary to annually explain why the change in GHIP reserves differed from the amount the GIB had voted to spend.	42	Presenting this information will be a standing agenda item for each August GIB meeting.	Completed
ETF require the program actuary to provide the GIB with calendar-year information on GHIP reserves.	42	The GHIP's actuary will continue to provide an annual report and presentation on program reserves at each August GIB meeting.	Completed
ETF work with the GIB to establish a policy requiring periodic reviews of the target ranges for GHIP reserves and provide the results of these reviews to the GIB.	43	The GIB will review and approve a new reserve policy at its November 2019 Meeting. The GHIP's actuary will continue to conduct its annual review of the reserves and report the finding during the GIB's August meeting.	Completed
ETF consistently prepare and provide the GIB with the results of its written analyses of key information about program reserves that was provided to the actuary for the GHIP.	45	ETF staff and actuaries will continue to provide the GIB with memos and reports as a standing agenda and discussion item at each August meeting.	Completed
ETF indicate in writing to the GIB if the program actuary makes a recommendation that is inconsistent with a prior GIB decision	46	ETF staff will report if this situation happens. This will be a standing agenda item for each August GIB meeting.	Completed
ETF consistently provide the GIB with audit reports of the performance of the ICI program administrator and memoranda that accurately summarize these audit reports.	66	Each external audit of any program administered by ETF, including the ICI Program, is always reported to the GIB and the ETF Board's Audit Committee by ETF staff. ETF's Office of Internal Audit (OIA) began working with ETF staff to track the progress of external audit recommendations at the beginning of FY 2020. OIA will submit external audit updates at each meeting of the GIB and ETF Board's Audit Committee.	Completed
<p>ETF work with the GIB to establish target ranges for program reserves for the state and local components of the ICI program as well as a strategy and a timeline for achieving them.</p> <p>ETF work with the GIB to establish a policy requiring periodic reviews of the target ranges for ICI program reserves and provide the results of these reviews to the GIB.</p>	71	<p>During October of 2018 ETF began engaging with the ICI program's actuary to establish a strategy and process for discussing program reserves. The two-step process of first setting policy and then establishing targets includes periodic reviews. The GIB is scheduled to review and vote on adopting the policy and target items during the November 2019 meeting.</p> <p>ICI Program reserve reporting and review is a standing agenda item at November GIB meetings.</p> <p>ICI Program reserves policy will be reviewed every three years at May GIB meetings.</p>	Completed

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ETF provide sufficiently detailed information in its memoranda to the GIB regarding the annual financial reports from the program administrator of the Group Life Insurance Program (GLIP).	78	In the 2019 GLIP Annual Report, given yearly as a standing agenda item at the August GIB meeting, additional detail and information including a financial report were included and discussed. Presenting this information will be a standing agenda item for each August GIB meeting.	Completed
ETF work with the GIB to establish target ranges for program reserves for the state and the local components of the GLIP, as well as a strategy and a timeline for achieving them.  ETF work with the GIB to establish a policy requiring periodic reviews of the target ranges for GLIP reserves and provide the results of these reviews to the GIB.	81	Program target ranges, strategies and timelines for program reserves for state and local GLIPs are all standing agenda items for August GIB meetings.	Completed
ETF assess whether the [Group Life Insurance] program administrator or the State of Wisconsin Investment Board (SWIB) should invest program reserves and provide the results of this assessment to the GIB.	81	On September 18, 2019, ETF Staff met with SWIB to discuss the possibility of investing GLIP reserves with the agency. SWIB and ETF both agree that SWIB is not positioned to take on this role for the GLIP reserves.  ETF staff presented a detailed memo to the GIB at the November 2019 meeting addressing this issue and highlighting what investing GLIP reserves with SWIB would mean to the program reserves.	Completed
ETF work with the GIB to establish sufficient policies pertaining to audits of information technology controls.	84	ETF staff developed an agency-level policy for Service Organization Controls (SOC) reporting. This new policy includes a SOC Review Form and SOC Tracking Spreadsheet. Training was conducted with program management staff on April 4, 2019 and will continue as an annual event. This policy applies to most third-party administrators.  Information systems security audit language was added to the 2020 Health Program Agreement, providing health plan specific documentaiont requirement language to improve health plan compliance and ease of administration moving forward.  An information Security Policy for Vendor Relationships was developed, and approved by ETF leadership on October 8, 2019. The policy requires ETF review of vendor information security and an assessment of whether the vendor meets minimum information security standards, as a prerequisite to access ETF information assets. The policy is now operational.	Completed

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ETF collect all contractually required audits of information technology controls, review all submitted audits, and provide GIB with the results of the reviews.	85	ETF assessed a workflow/process for review and action with either SOC2, Level 2 Audit, High Trust Audits or other mutually agreed options. The report of findings will be a standing agenda item at the November GIB meeting.	Completed
ETF ensure that the security awareness training it provides its staff adequately addresses the appropriate ways to securely communicate confidential information.	86	<p>ETF requires staff to complete Department of Administration (DOA) mandatory training and Privacy/HIPAA training. Staff's training results are tracked. Any results of the training deemed to be "not completed" or "unsatisfactory" require a follow-up with the employee.</p> <p>Part of the ETF Security Awareness Program is a newly established Information Risk Management Program. ETF continues through vendor negotiation to create the Information Risk Management Program with the goal of full implementation by the end of 2021.</p> <p>State IT Security Awareness training began August 19, 2019 and will be completed by the end of 2019. Additional targeted training and awareness is being evaluated and will be scheduled and implemented as part of the ETF Awareness Program slated to being in January 2020 and will be an ongoing program.</p>	Completed
ETF consistently provide the GIB with programmatic information at least one week before meetings.	90	ETF continues to have a process to provide meeting materials to all GIB members in advance of meetings.	Completed
ETF post on its website at least one day before a given meeting all nonconfidential information that the GIB will consider at that meeting.	90	ETF continues to post all meeting information, including all nonconfidential information, well in advance of all GIB meetings.	Completed
ETF compile additional information about the performance of program administrators, program actuaries, and auditors and provide this information to the GIB and the ETF Board.	92	<p>Health plan performance outcomes reporting is a standing agenda item at GIB meetings. Performance measures not part of the a standard quarterly or annual Health Plan Performance Report will continue to be discussed with the GIB as part of the standing agenda item regarding contract cycles.</p> <p>Reporting templates have been established for updates at each GIB meeting including quarterly and annually Health Plan Performance Reports and the quarterly Bureau of Budget, Contract Administration and Procurement (BCAP) Contract Update. BCAP's memo to the GIB includes contract exceptions for GHIP and IC1 Vendors and penalties assed in the GHIP. An audit was recently completed for the health program actuary and ETF will create a regular audit schedule. Other vendors including PBM, dental, data warehouse and wellness are now on a regular audit cycle (generally every 3 years).</p>	Completed

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ETF work with the GIB and the ETF Board to determine the maximum durations of contracts with program administrators, program actuaries and auditors.	92	ETF addresses contract durations on a contract by contract basis. There is not a standard contract duration because of varying business and program needs.	Completed
ETF seek approval and direction from the GIB or the ETF Board before executing contract amendments for actuarial services.	92	At the March 2019 ETF Board meeting and May 2019 GIB meeting each board voted to delegate authority for Secretary Conlin to execute contract amendments.	Completed
ETF establish a written plan to periodically contract for actuarial audits to assess the appropriateness of information provide by program actuaries and provide the GIB with the actuarial audit results.	93	The GIB's actuaries are audited every five years. Audit results appear as standing agenda items at appropriate GIB and ETF Board meetings. Audits have also recently been completed for the ICI and disability programs. Board Manuals will be updated to reflect the inclusion of these audit reports.	Completed
ETF assess options to improve oversight of group insurance programs and provide the results of its assessment to the GIB.	95	GHIP recommendations and results are discussed at each GIB meeting. ETF's Business Improvement Plan for the Office of Strategic Health Policy is an agenda item for the GIB when appropriate. A GIB Strategy Discussion is on the agenda for the November 2019 meeting.	Completed
<b>Recommended Statutes Change:</b> Require ETF to provide to the Legislature by June 30 of each year information about program reserves for the state and the local components, including the amounts of program reserves as of December 31 of the prior two years and the reasons why program reserves had changed over that period of time.	47	ETF will continue to monitor, provide information and respond as appropriate to any legislative inquiries about this provision.	In Progress
<b>Recommended Statutes Change:</b> Specify that the Administrator of DOA's Division of Personnel Management, or his or her designee, is a GIB member.	95	ETF will continue to monitor, provide information and respond as appropriate to any legislative inquiries about this provision.	In Progress
<b>Recommended Statutes Change:</b> Require the four insured employee/participants GIB members participate in at least one of the group insurance programs overseen by GIB.	95	ETF will continue to monitor, provide information and respond as appropriate to any legislative inquiries about this provision.	In Progress