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Correspondence Memorandum

Date: June 5, 2020

To: Group Insurance Board

From: Arlene Larson, Manager of Federal Program & Policy
Office of Strategic Health Policy

Subject: 2021 Local Annuitant Health Program Options

The Department of Employee Trust Funds (ETF) requests the Group Insurance Board (Board) approve the implementation of a rate increase of 35 percent above the calculated rates for both the 2021 and 2022 plan years for Local Annuitant Health Program (LAHP) subscribers.

Background & Group Analysis
LAHP is a program required by state law to be made available to retirees of local employers who do not participate in the local Group Health Insurance Program (GHIP). At the Board's May 13, 2020 meeting, staff presented information about a recommended rate increase for 2021 due to concerns that the program is underpriced. The recommendation was based upon the claims risk expected due to the demographics of this retiree only group. If action is not taken to align rates with expected claims costs, and the group continues to grow at an exceptional rate, its long-term claims risk could adversely affect the Local GHIP. The Board requested more information, including options for implementation.

The proposal presented by staff to increase the non-Medicare rates by a factor of 1.7 (or 70%), was based on an initial estimate for a non-Medicare, retiree risk pool developed by Segal, the Board's consulting actuary. This estimate was based on established statistics that show the claim cost for individuals by age. These statistics are used by actuaries as an accepted industry practice.

Following the May meeting, upon the Board's request, Segal conducted further analysis using their nationwide database that illustrates the relative claim cost for people by age bracket. After comparing the current age of LAHP enrollees to these standards, Segal found that LAHP's non-Medicare premium rates should increase by a factor of 1.9 to align with these claim cost standards. If adjustment is not made, this group will continue to be among the lowest cost and richest benefit for pre-Medicare retirees in the state. A comparison of LAHP to other available program appears later in this memo. In its

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current state, LAHP attracts some good risk, but is also acquiring higher utilizers of healthcare that are a concern for the long-term viability of the program.

Segal and ETF have also reviewed the loss ratios of LAHP non-Medicare and Medicare populations through the calendar year of 2019, as reported by the Board's data warehouse, Data Analytics and Insights (DAISI). The non-Medicare loss ratio ended the year at 112% for claim payments over premiums received. This loss ratio combines all selected health plans. An appropriate loss ratio would be in the low 90s.

The average number of members in the non-Medicare group was 109 in 2019. The average number of subscribers was 76. This is not of an adequate size to calculate a credible, claim-based premium rate. Instead, a calculation would be made based upon actuarial statistics. The loss ratio for a group this small could be radically affected by one member's claims. If this group were to increase to 200 or 300 members, it may be large enough to calculate a portion of its renewal based on its claims experience. It should be noted that LAHP subscribers can choose from any available health plan, and some plans will have few enrollees, so a renewal calculation using claim experience would likely not apply to individual plans but to the group overall.

Outcome

Following this analysis, Segal continues to recommend a premium increase by a factor of 1.7 (above calculated 2021 increases from the health plans) for the non-Medicare group, to compensate for expected claims. At the May meeting the Board requested options in applying this increase over a longer period of time. Segal has indicated an increase in factor of 1.35 (or 35%) applied to each of following two plan years would be a viable option. If the Board would prefer to apply the increase over three plan years, ETF would apply a relative factor between LAHP and the local GHIP average rate of 1.25 in the first year, increase the premium to reach a relative factor of 1.5 in the second year, and finally reach the 1.7 factor in the third year. This three-year option will likely result in more membership early on, that may impact the long-term cost curve of the group. Meaning, if higher utilizers of healthcare join over a longer period of time, more risk is added to the pool and greater premium increases may be needed later. If growth continues at the current pace, then claims experience may become more relevant in calculating premiums for 2022 or 2023 and the recommended factors for rate increases may be impacted.

Current family rates with a 35% increase before any health plan renewal increase would be as follows. The table only shows premiums for the most popular plans.

Health Plan	2020 Family Premium	35% increase	2021 Family Premium prior to renewal increase
Dean	$ 1,657.34	1.35	$ 2,237.41
Dean Prevea360	$ 1,665.18	1.35	$ 2,247.99
WEA - East	$ 2,054.14	1.35	$ 2,773.09
Quartz UW	$ 1,532.48	1.35	$ 2,068.85
Network	$ 2,011.44	1.35	$ 2,715.44

Enrollment continues to increase in the non-Medicare group. In January of 2019, there were 24 non-Medicare subscribers. In December of 2019, there were 121. As of May 14, 2020, there were 181.

LAHP to Marketplace Comparison
Staff are investigating the market of comparative benefit and rate information for non-Medicare retirees, including what is offered by some former employers of LAHP subscribers.

As of May 14, 2020, no employer has more than 14 retirees in LAHP. Classes of employers make up the following percentage of enrollees (including Medicare):

- 52% - School districts, technical colleges, CESAs (158)
- 21% - Counties (64)
- 16% - Cities, villages, towns, municipal utilities (47)
- 11% - Survivors (32)

Based on feedback from employers that have the highest number of retirees in the program, LAHP's rates and/or benefits are better than what they offer to their employees. Some expressed appreciation for the opportunity to have their retirees moved outside of their health insurance and liability calculations.

While most LAHP subscribers live in Wisconsin, some reside outside the state. The areas with the largest number of subscribers are as follows:

All Subscribers	Counties
33	Brown
24	Waukesha
20	Dane
16	Milwaukee
13	Sheboygan
12	Fond du Lac
10	Columbia
10	Kenosha
17	Out-of-state (8 in Florida)

The Marketplace offers insurance to pre-Medicare retirees. For comparison purposes, staff researched the cost and coverage for the most comprehensive Gold offerings in the following cities for a couple made up of a 63-year old man and his 59-year old wife whose income makes them ineligible for premium subsidies. Note that in these cities, only Madison has Platinum plans available in 2020. The summary of benefits and costs and their comparison to LAHP follows:

Marketplace City	Family Deductible	Coinsurance	Family OOPL	Monthly Premium
Green Bay	$3,000	80% / 20%	$8,000	$2,381.93
Waukesha	$2,000	50% / 50%	$8,600	$2,992.27
Madison	$3,000	80% / 20%	$8,000	$1,946.09
Milwaukee	$2,000	50% / 50%	$8,600	$2,924.99
Sheboygan	$3,000	80% / 20%	$8,000	$2,381.93
Fond du Lac	$3,000	80% /20%	$8,000	$2,105.39

LAHP pre-Medicare	Family Deductible	Coinsurance	Family OOPL	Dean* Family Premium
Green Bay	$500	90%/10%	$2,500	$1,657.34
***Most popular plan for non-Medicare LAHP subscribers**				

ETF also analyzed the benefits of several Dane County school districts that do not participate in the local GHIP. Generally, larger school districts offer benefits similar to those available in LAHP. However, several school districts offer high deductible health plans (HDHPs) with in-network annual out-of-pocket limits (OOPLs) that range from $2,000 to $3,000 for an individual and $4,000 to $6,000 for a family. All offer Health Savings Accounts (HSAs) or Health Reimbursement Accounts (HRAs) where employers make annual contributions toward the HSA or HRA in a range between $1,650 to $2,750 for an individual and $3,300 to $5,500 for a family. These contributions may be used to cover a member's OOPLs and premiums.

LAHP's non-Medicare benefits could be changed to the HDHP offered to State employees, however, staff does not recommend this. Staff find that many eligible retirees were enrolled in an employer plan that offers a lower deductible than the State's HDHP benefit of $1,500 for an individual and $3,000 for a family. The GHIP program includes an OOPL of $2,500 for an individual and $5,000 for a family. Retirees are not requesting lower rates and/or higher OOPLs to use up any HSA or HRA funds they have. Based upon staff's review of local employer plans offered, many employers do not offer HRAs or HSAs.

Segal will present the premium structure selected by the Board for the LAHP at the August meeting.

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