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Correspondence Memorandum

Date: August 12, 2020

To: Group Insurance Board

From: Eileen Mallow, Director
Brian Stamm, Deputy Director
Renee Walk, Lead Policy Advisor
Douglas Wendt, Health Policy Advisor
Korbey While, Health Policy Advisor

Subject: Health Plan Rate Recommendations for 2021 Plan Year

The Department of Employee Trust Funds (ETF) requests the Group Insurance Board (Board) approve the 2021 rates and health plan service areas as presented by Segal Consulting (Segal), the Board's actuary, in the attached presentation. ETF also requests that the Board determine the amount of surplus to be applied to mitigate rate increases.

Background

The Board approves health insurance, pharmacy, and dental benefit premium rates annually for the upcoming benefit year. The rates the Board approves are jointly developed by Segal and ETF in June and July. Currently, the Board authorizes one-year contracts with participating health plans. Negotiated rates are only effective for that single year.

Rate Setting Process

Health insurance plans seeking to participate in the Board's programs are invited to submit initial rate proposals in June of each year. Plans also submit financial and utilization data (FUDS) to Segal, as well as provider network data and preliminary rate bids. This year, Segal used catastrophic claims data that health plans provided to the DAISI data warehouse; health plans no longer need to submit this data with their FUDS submission. Segal provided an analysis of these submissions to ETF, including proposed tier cut-offs for both state and local program rates. ETF and Segal then worked together to establish a credit for plan quality and any other rate limitations for participation in a given plan year. For 2021, the quality credit provided up to a 1.0% premium credit to health plans that were in the 50th percentile or above. This is the same as 2019 and a 0.5% decrease from 2020.

Reviewed and approved by John Voelker, Deputy Secretary

Electronically Signed 8/14/20

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In addition to the submissions described above, health plans were asked to submit estimates of COVID-19 related costs and savings from reduced utilization of elective medical services in 2020. This information was used to inform ETF's approach to 2021 rate negotiations.

Once ETF and Segal established the rate tiers and plans' preliminary bid placements, ETF sent tier qualification letters to health plans to notify them of the tier placement for preliminary bid and information on the rate reduction necessary to meet the requirements of Tier 1 (as well as Tier 2 and Tier 3, if applicable). The letters also included notes from the actuary on qualities of the data submitted that may have affected a plan's tier placement. ETF offered each health plan a negotiating session to address questions about rates or the health plan contract in general.

Plans were allowed to revise their initial rates after negotiations by submitting a Best and Final Offer (BAFO). If a plan does not submit a BAFO, ETF assumes the preliminary bid stands, regardless of the plan's tier placement. Plans must notify ETF if they no longer wish to participate in the health insurance program by the BAFO due date. There were no health plans that opted to non-renew for 2021.

State and Local Program Health Plan Participation

Plans that participate in the Group Health Insurance Program (GHIP) currently must participate in both the state and local programs, and the networks offered must be the same. Plans may submit different rates for the state group and the local group.

For state employees, the employee portion of premium paid each month is set by the Department of Administration (DOA) and is uniform across all plan offerings. The employee premium share for local employers varies by employer; however, most pay 88% of the average Tier 1 premium for health plans offered in their county.

ETF makes every effort to ensure that as many counties as possible have a qualified Tier 1 health plan available. However, there are occasionally instances where there are no qualified Tier 1 plans available in a county. When this happens, the Board is required to offer the State Maintenance Plan (SMP), an HMO-lookalike plan administered by WEA Trust. State employees who live in a county where SMP is available pay the DOA-designated state employee share of their premiums. Local employers who are in a SMP county will use the SMP rate to calculate their 88% contribution level. There will not be a need to offer SMP in any counties for 2021 for state employees. SMP will be offered in 12 counties without a qualified health plan for local employees.

Medical Rate Changes

ETF staff and Segal established Tier 1 criteria for 2021 that incorporate expected savings by the health plans from reduced utilization of non-urgent services due to COVID-19. The result was a net 0.1% reduction in overall medical premiums for the State program for 2021. The Local program rates were not as favorable with a 4.8% increase, and ETF staff will continue to look at options to manage the Local program

rates in future years. Slide 16 of Segal's presentation (slide 70 of the comprehensive presentation) shows a breakdown of rate changes by participant groups.

The Medicare Advantage plan administered by UnitedHealthcare is in its second year and does not yet have enough ETF participant experience data to inform rate setting. The current contract has an allowable maximum increase based on the Centers for Medicare & Medicaid Services (CMS) payment increase. UnitedHealthcare held firm at the maximum increase of \$20 per month that is allowed under the contract. The elimination of the federal health insurance fee will offset this increase for 2021.

Pharmacy and Dental Rate Changes

Pharmacy costs were slightly above what was forecasted last year due to continued increases in specialty drug costs. The rate trends for ETF have generally been lower than the industry norms over the last five years (See Segal slide 22, comprehensive presentation slide 76). The overall aggregate increase for the State program for 2021 is 4.4%, with 6.1% for the non-Medicare/non-Graduate Assistant group. The Local program has an aggregate increase of 8.4%, with a 9.9% for non-Medicare/non-Grad. Breakdowns of the rate increases by group are in slide 26 of the Segal presentation (comprehensive presentation slide 80).

Due to a sharp reduction in dental visits during the earlier months of the pandemic, the 2020 YTD costs are much lower than forecast. Staff are recommending that 2021 dental premiums remain the same as 2020 since we have seen dental utilization return to pre-COVID levels. Savings from 2020 are noted in the discussion of fund balances available for possible rate buy-downs.

Reserve Fund Balance

ETF is in year two of a three-year buydown strategy that was adopted by the Board last year, with intent to reach the recommended target reserve by 2022. The Funds Available balance has increased over the amount projected primarily due to higher-than-forecast investment gains in 2019 and the projected 2020 dental program surplus. Slide 37 summarizes the gains and losses used to calculate Funds Available. As shown in slide 39 of the Segal presentation (slide 93 in comprehensive presentation), the State program currently has a surplus of \$117.5M over the targeted reserve mid-point. The Local program has a surplus of \$4.4M. The premium rate increase options to be presented by Segal will incorporate different approaches to bringing the surplus closer to the target range over time.

Reserve Draw Options

Segal will present three options, outlined in Segal slides 48-50 (comprehensive presentation slides 102-104), for drawing down the reserve surplus to mitigate rate increases. A year-by-year comparison of the reserve draw for the three options is shown in slide 44 of the presentation (slide 98 in comprehensive presentation). The graph summarizes the options and demonstrates the projected annual premium increase for each of the next three years and the estimated surplus usage each year.

Option 1 is consistent with the reserve draw down plan adopted by the Board in November 2019. Both Option 2 and Option 3 would extend the timeframe to bring the surplus into alignment with the plan by one year (to 2023). Depending on the option selected, the Board may need to revisit its reserve policy.

ETF and Segal staff will be available at the Board meeting to answer any questions.

Correspondence Memorandum

Date: August 19, 2020
To: Group Insurance Board
From: Segal Consulting
Subject: Health Plan Service Area Qualification for 2021

Segal Consulting (Segal), in consultation with Department of Employee Trust Funds (ETF) staff, recommends the Group Insurance Board (Board) accept the qualification recommendations for the 2021 plan year described in this memo. Highlights of the 2021 recommendations include:

- No Tier 2/3 designation in the State program.
- Tier 2/3 designation in the Local program for the following plans: HealthPartners, Robin with Health Partners, Medical Associates, Quartz – Community, WEA Trust West – Mayo Clinic, WEA Trust West – Chippewa Valley.

Segal and ETF staff also request Board approval to make any additional minor adjustments to the service areas, as they are reviewed and finalized with each health plan.

Background

Qualification criteria ensure that participating health plans offer an adequate provider base and have sufficient operating experience to service members. The qualification process incorporates access standards, allowing plans additional ways to meet the qualification requirements.

To be qualified in a county, the plans must meet at least 90% geo-access in the county for the inpatient hospitals, primary care physicians (includes Internal Medicine, Family Medicine and General Medicine) and chiropractors, or the following minimum requirements in the county:

1. The ratio of full-time equivalent primary physicians accepting new patients to total participants in a county is at least one per two thousand (1.0/2,000) with a minimum of five (5) primary care physicians per county. The PCPs counted for

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this requirement must be able to admit patients to an in-network hospital in the county.

2. The plan must have at least one (1) general hospital that is under contract and/or routinely utilized by in-network providers available per county. For counties with no hospital, plans must sufficiently describe how they provide access to providers.
3. A chiropractor must be available in each county.

Although this has not occurred this year, ETF staff may also determine a plan is non-qualified if staff determines the plan is not effectively administering the State of Wisconsin Group Health Insurance Program, regardless of whether they meet the provider access standards.

Segal sent each health plan a standard network submission workbook that included network access standards by county, as well as a requirement to provide the network provider detail. Segal analyzed this data against the qualification criteria to determine each health plan's qualification status for each county. If a county has no qualified Tier 1 health plan, the State Maintenance Plan (SMP) is offered in that county.

Based on the requirements noted above, each year the Board takes formal action on "qualifying" alternate health plans for each county in Wisconsin.

Prior to this meeting, all participating plans were notified of the qualification status recommendations staff planned to present to the Board.

Qualification and Non-Qualification

A quality Tier 1 health plan is considered "qualified" if it meets all qualification criteria that ensures adequate provider coverage and operating experience for State and Local members. If a quality Tier 1 health plan does not meet all qualification criteria, but meets minimum requirements, the health plan will be "listed" in open enrollment materials as having limited provider availability.

State Health Plan Tiering Status for 2021

For 2021, staff recommends Tier 1 designation in the State program for all health plans. Based on the qualification criteria, every county has at least one qualified Tier 1 State plan. The SMP is offered in counties in which there is not a qualified Tier 1 health plan. Because all counties have a qualified Tier 1 health plan, the SMP is not offered in any counties under the State Plan in 2021.

Local Health Plan Tiering Status for 2021

For 2021, Segal and ETF recommend Tier 2/3 designation in the Local program for the following health plans: HealthPartners, Robin with Health Partners, Medical Associates, Quartz – Community, WEA Trust West – Mayo Clinic, WEA Trust West – Chippewa Valley.

The premium bids provided by these plans for the Local program were deemed at the top of the acceptable range at which they could bid. While the bids were acceptable for continued participation in the Local program, lack of claims experience, very low enrollment, and/or unjustified higher premiums place these plans in Tier 2/3.

Overall, this recommendation will affect 64 of the 72 Wisconsin counties. The Tier 2/3 plans cover and are qualified in these 64 counties.

The following 29 counties where these Tier 2/3 plans participate will have at least two qualified Tier 1 plans:

- Brown
- Calumet
- Columbia
- Dodge
- Door
- Fond du Lac
- Green Lake
- Iowa
- Jefferson
- Juneau
- Kewaunee
- Langlade
- Lincoln
- Manitowoc
- Marathon
- Marinette
- Menominee
- Oconto
- Oneida
- Outagamie
- Portage
- Price
- Rock
- Sauk
- Taylor
- Vilas
- Walworth
- Waukesha
- Winnebago

The following 23 counties will have only one qualified Tier 1 plan:

- Adams
- Ashland
- Barron
- Bayfield
- Burnett
- Chippewa
- Clark
- Douglas
- Dunn
- Eau Claire
- Forest
- Grant
- Green
- Lafayette
- Marquette
- Richland
- Sawyer
- Shawano
- Vernon
- Washburn
- Waupaca
- Waushara
- Wood

While the plans affected by this recommendation have a presence in 12 additional counties, there are no qualified Tier 1 plans in these counties. The SMP will be offered in these counties, as discussed later in this memo:

- Buffalo
- Crawford
- Florence
- Jackson
- La Crosse
- Monroe
- Pepin
- Pierce
- Polk
- Rusk
- St. Croix
- Trempealeau

There is at least one qualified Tier 1 plan in all counties below. SMP will not be offered in any of the 8 counties listed below in 2021:

- Dane
- Iron
- Kenosha
- Milwaukee
- Ozaukee
- Racine
- Sheboygan
- Washington

SMP Placement

The SMP is offered in counties in which there is not a qualified Tier 1 health plan. There are no counties in which the SMP will be available in the State Plan for 2021. There are 12 counties in which the SMP will be available in the Local Plan for 2021.

County	WEA/Local SMP 2021	State SMP 2021	WEA/Local SMP 2020	State SMP 2020
Buffalo	X			
Crawford	X			
Florence	X		X	
Forest			X	X
Jackson	X			
LaCrosse	X			
Monroe	X			
Pepin	X		X	
Pierce	X		X	
Polk	X			
Rusk	X		X	
St. Croix	X			
Trempealeau	X			

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