Letter 4 with Response

September 28, 2020

Group Insurance Board
c/o Board Liaison
Department of Employee Trust Funds
PO Box 7931
Madison, WI 53707-7931

I would like to comment on the 30% premium increase in 2021 for LAHP retirees not on Medicare, and another 30% premium increase anticipated in 2022.

A few years ago, enrollment in LAHP, no Medicare, continued to decrease due to the availability of Marketplace options and competitive premiums. In meeting minutes of the Group Insurance Board, it was noted that the enrollment group size is small and the rates are highly volatile. As a result, the GIB voted to consolidate the LAHP into the WPE program, offered as PO 16. It was stated that "consolidation would help to stabilize rates over time and reduce administrative complexity." Indeed, rates became more competitive, which was a major consideration when I decided to retire earlier this year, at age 62, and enroll in the LAHP.

Now, ETF states that "rates and benefits are very attractive for retirees under the age of 65 when compared to those available in the Marketplace." Staff are concerned that the program is "underpriced." There are concerns about the claims risk expected due to the demographics of this retiree only group. I expected an increase in premiums, but 30%+ in each of the next two years? Wasn't consolidation into the WPE program supposed to stabilize rates? It seems to me that the volatility in rates will put the LAHP right back where it was a few years ago.

As a recent enrollee in the LAHP, I have not benefitted by the "underpriced" rates. However, should I continue in the LAHP, I will have to pay the 30%+ increase in rates required for the next two years to fix the problem, which I did not create. I don't think that's fair. There needs be a more equitable solution. You state that "after these two increases, LAHP should be financially sound into the future and premium increases will likely be much lower." I will be 65 years old by then and eligible for Medicare, so that is of no consolation to me.

The 2021 Health Benefits Decision Guide for LAHP states that "you may want to compare LAHP to the Affordable Care Act's Health Insurance Marketplace." The future of the Affordable Care Act is uncertain, to say the least. I know that the LAHP is required by state statute, but with the numerous references to the Marketplace, I feel like you are trying to get rid of this group of retirees with highly volatile rates and by encouraging them to look elsewhere for their health insurance. It should be noted that once a retiree leaves the LAHP, current rules do not allow them to return. If the size of the LAHP group decreases, premiums will likely continue to be volatile. How will that solve the problem?

Please explain the significance and rationale for moving the LAHP group from PO 16 in 2020 to PO 8 in 2021. In 2017, when the LAHP was combined with the WPE program, it was recommended that LAHP members be offered WPE PO 16, the "benefit that most state employees and early retirees select."

While it's encouraging to learn that state employees and retirees will see a modest premium increase of 2.7% for 2021, it's very discouraging that LAHP retirees without Medicare will see a 30%+ increase for 2021 and 2022. I can only imagine the backlash if state retirees were informed there would be a 30%+ increase in premiums the next two years. Although I am not a state retiree, I have been in the Wisconsin Retirement System for 44 years.

My current premium for an individual is $676.34 a month and will increase to $959.98 in 2021. That's an increase of $283.64 a month, or $3,403.68 a year, for a total annual cost of $11,519.76. An increase of another 30%+ in 2022 will result in an annual cost of more than $15,000 for an individual! I certainly did not budget for these enormous increases. The message being sent to LAHP retirees without Medicare is clear.

Increasing rates 30%+ for each of the next two years is a simple fix to the problem. It's a great solution if all you are concerned about are the numbers. But, behind those numbers are people, the retirees you serve, who, like state retirees, have dedicated their lives to public service. Have you considered the impact of these rate hikes on them? Is it equitable for retirees who just recently enrolled in 2020?

I encourage you to look for other alternatives than another 30%+ premium increase in 2022 for LAHP retirees without Medicare. A 30%+ premium increase two years in a row is a financial punch in the gut. I think you can and must do better.

Thank you for your consideration.

Sincerely,

Diane M. Hoag

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October 20, 2020

DIANE HOAG
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Member ID #1087-8957

Dear Ms. Hoag,

Thank you for reaching out to the Department of Employee Trust Funds (ETF) to share how the increase in the Local Annuitant Health Plan (LAHP) rates impacts you. I'd like to share information about why the LAHP rates increased separately from those offered to employees and retirees who are affiliated with a local employer who offers the Group Health Insurance Program (GHIP) administered by ETF. If after your review of this information, you find that you have questions, please feel free to contact me.

The local GHIP consists of municipalities who elect to participate in the program and offer the insurance to their employees and retirees. As a voluntary program, it is subject to competitive pressures from other health plans in the market. Since 2016, the local GHIP has seen a drop in enrollment and as groups leave, the pool of available dollars to pay for claims drops. If groups who utilize less services leave the pool, those who remain see premium increases to cover the costs of higher utilizers. This is called adverse selection. The Group Insurance Board (GIB) has directed ETF to investigate the strengths and weaknesses of the local GHIP to determine if changes should be made to stabilize and potentially grow the program.

LAHP is a program that is only offered to retirees of local municipalities whose employer does not participate in the GHIP. Groups that do not include employees, that is, younger members, typically have much higher claims utilization and premium rates. This is because younger people are generally lower utilizers of care and so their premiums are used by an insurer to pay the claims of members who use more services. In the case of LAHP, claims utilization far exceeded the premium rates being collected, which if left unaltered would compromise the on-going sustainability of the program in the long run.

As you are aware, there has been significant growth in LAHP and while some members need few services, many need and are using more. It was found that expected claims payments have risen far beyond what expected premiums can pay. This trend continues to escalate in 2020. Due to this trend and concerns with status of the local GHIP, it was decided to separate the groups as had been done prior to 2018.

The decision to increase the LAHP rates involved an analysis of the utilization trend compared to premium rates that would be needed to make the program actuarially sound. Additionally, this year staff compared the cost of LAHP to marketplace plans in areas of the state where most LAHP retirees live. We found that even after the initial 30% increase, LAHP rates would be lower than comparable coverage in the marketplace. However, after two years of increases, the rates will be very similar for similar benefits. The Board has the authority to determine a different increase than 30% for 2022. It may be lower if the ratio of claims to premiums stabilize. Note that if you leave LAHP, you will have another opportunity to enroll when you turn 65.

We do regret the difficult position this puts you and other retirees in, but to maintain the program into the future, premiums needed to be sharply increased to cover claim costs. I hope I was able to explain the financial situation facing the LAHP program; however, if you have additional questions or concerns, please feel free to contact me at arlene.larson@etf.wi.gov or (608) 264-6624.

Sincerely,

Arlene Larson, Manager of Federal Program and Policy
Office of Strategic Health Policy
Department of Employee Trust Funds

cc: Brian Stamm