

DRAFT

MINUTES

August 19, 2020

Group Insurance Board

State of Wisconsin



Location:

The Board meeting was held via teleconference.

BOARD MEMBERS PRESENT:

Herschel Day, Chair
Nathan Houdek, Vice-Chair
Nancy Thompson, Secretary
Harper Donahue
Malika Evanco

Dan Fields
Walter Jackson
Katy Lounsbury
Brian Pahnke
Bob Wimmer

PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:

Office of the Secretary

Bob Conlin, Secretary
John Voelker, Deputy Secretary
Lisa Gurley, Board Liaison

Office of Strategic Health Policy

Eileen Mallow, Brian Stamm,
Molly Heisterkamp, Tom Rasmussen,
Tricia Sieg, Xiong Vang, Renee Walk,
Douglas Wendt, Korbey White

OTHERS PRESENT

Department of Administration

Derek Sherwin, Nicole Zimm

Department of Military Affairs

Joni Matthews

Employee Trust Funds

Sara Brockman, Beth Bucaida,
Rachel Carabell, Liz Doss-Anderson,
Oladipo Fadiran, Diana Felsmann,
Jim Guidry, Dan Hayes, Pam Henning,
Patrick Hughes, Tarna Hunter,
Bruce Johnson, Nancy Ketterhagen,
Cindy Klimke, Mark Lamkins,
Arlene Larson, Kadi Mbanefo,
David Nispel, Mary Richardson,
Jessica Rossner, Yikchau Sze, Sarat Tadi,
Wade Whitmus, Cheryllynn Wilkins,
Amanda Williams, Ramona Yee,
Kathryn Young

Legislative Audit Bureau

Russ Kava, Maria Toniolo

Others (Unidentified)

34 individuals connected via telephone

Public

Jan Anderson, Judith Atkinson,
Kathryn Beals, Anna Bishop,
Mike Curtiss, Anthony Dix,
Melissa Duffy, Adam Gehrman,
Jennifer Kraus, Lance Martin,
Shawn McDonald, Stephanie Norman,
Nancy Schmid, Erin Schoonmaker,
Jeremiah Thomas, Sharon Trochlel

Quartz

Kara Gullickson, Linsey Tennyson

Securian

Kjirsten Elsner, Hans Larsen,
Paul Rudeen

Segal Consulting

Patrick Klein, Ken Vieira, Zach Vieira

UW System

Amanda Sonnenburg

Board	Mtg Date	Item #
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Navitus

Tara Argall, Karen Markstahler,
Tom Pabich

WEA Trust

Greg Cieslewicz

Mr. Day, Chair, called the meeting of the Group Insurance Board (Board) to order at 8:32 a.m.

ANNOUNCEMENTS

Ms. Mallow provided information regarding the logistics of today's virtual meeting and provided a status update on two Requests for Proposals (RFPs) currently in process. She stated there would be an update on the life insurance vendor RFP at the November meeting and an update on the Uniform Dental vendor RFP at the February 2021 meeting.

CONSIDERATION OF MINUTES OF THE MAY 13, 2020 AND JUNE 29, 2020 MEETINGS

There was unanimous verbal approval from the Board to approve the open session minutes of the May 13, 2020 and June 29, 2020 meetings as submitted by the Board Liaison.

Mr. Jackson arrived at 8:38 a.m.

COVID-19 UPDATE

Ms. Walk referred the Board to the COVID-19 update memo (Ref. GIB | 8.19.20 | 3) and provided an overview of:

- Regulatory changes;
- Federal Public Health Emergency renewal as of July 25, 2020 with the new expiration date of October 23, 2020;
- New state emergency order;
- Vaccine development;
- Telehealth coverage;
- Virtual benefit fairs;
- Flu clinic options;
- COVID-19 impacted groups; and
- Quality impacts to the Group Health Insurance Program (GHIP).

VALUE BASED INSURANCE DESIGN (VBID) PILOT UPDATE

Ms. Heisterkamp discussed the Disease Management and Health and Wellness program pilot, It's Your Health: Diabetes (pilot), and provided highlights on the 2019 program participation and the participation trends for eligible members.

Ms. Walk discussed the Triple Aim analyses for the pilot. She noted participants are finding value in the program and are active promoters. Communications for reduced copays triggered new registrants but did not necessarily increase motivation to engage in disease management. Ms. Walk stated reduced copays did increase motivation for those who had previously participated. She also provided a diabetes-related HEDIS quality metrics comparison for 2019.

Ms. Sieg provided information regarding the cost impacts for the pilot, which included prescription drug utilization, and spending and cost sharing changes from 2019 to 2020. She stated that the cost impacts show \$170,898 in member savings. Ms. Sieg indicated if all members who have prescriptions for diabetic medications participated, the collective membership would have saved \$1.6 million from July 1, 2019 through June 30, 2020.

2021 PLAN YEAR QUALITY CREDIT

Mr. Stamm referred the Board to the 2021 Plan Year Quality Credit memo (Ref. GIB | 8.19.20 | 5) and provided background information and an overview of:

- A two-phased approach to adding new measurements into the quality credit calculation being added:
 - Phase 1:
 - 1 measure removed from the original 9;
 - 8 new measures added in 2020 (applicable to 2021 rate calculation); and
 - Reliance on NCQA's Quality Compass for the calculation removed.
 - Phase 2:
 - 5 new measures to be added in 2021 applicable to 2022 rate calculations

Mr. Stamm stated reasoning for changes include:

- The addition of new measures will provide a more accurate, holistic review of a health plan's quality.
- The Quality Compass is published at a time that is mismatched with health plan rate setting, so removing reliance on this tool improves efficiency and accuracy.
- The Quality Compass is a great tool for comparing health plan quality at a national level. However, it is not as useful for ranking quality among only the contracted health plans.

COVID-19 has had some effect on the measures, including the following:

- Some of the measures selected as part of the quality credit calculation are “hybrid” measures which require collection of medical chart data in a process known as “chart chasing.”
- Due to COVID-19 lockdown measures, chart chasing was not possible. Therefore, NCQA altered data reporting requirements for hybrid measures and allowed for the use of the previous years’ results, which ETF adopted.
- ETF’s proposed plan to integrate an adjustment to the quality credit calculation for year-over-year measurement score improvement/deterioration has been delayed until further notice.

Mr. Stamm provided Quality Credit Results of the participating health plans in the GHIP.

HEALTH PLAN FINANCIAL STATUS

Ms. Mallow referred the Board to the Health Plan Financial Status memo (Ref. GIB | 8.19.20 | 6) and stated ETF has verified the financial condition of participating health plans, relying on the Office of the Commissioner of Insurance (OCI) to confirm each company’s financial position. She said that after consultation with OCI on company financial status, it was confirmed that all carriers in the ETF program are licensed, in good standing, and exceed the capital and surplus requirements.

Ms. Mallow referenced the Information Systems Security Audit Update (Ref. GIB | 8.19.20 | 6.1) and informed the Board all plans are required under contract to have a SOC2 audit; all plans are working towards meeting the provisions in their contracts.

RATE SETTING AND QUALIFICATIONS

Ms. Mallow stated a revised presentation was provided to the Board from Segal and said there was an information error found when doing a line-by-line comparison to enter into the system. She confirmed the information has been updated to the 2021 rates for the one health plan that was showing 2020 rates.

Mr. Vieira discussed the 2021 renewal process for fully-insured medical, self-insured pharmacy, self-insured dental, and the reserve fund. He stated the Board was in year two of the three-year buy down strategy implemented by the Board last year, with the goal to reach the recommended target reserve by 2022. Mr. Vieira pointed out that the projected year end 2020 reserve balance has increased primarily due to investment gains in 2019 and 2020 dental projected surplus due to COVID-19.

Mr. Klein provided an overview of historical medical trends compared to the past five years. He stated the ETF increases have been lower than normal over the past five years.

Mr. Klein also discussed the fully insured, renewable medical plans that included:

- IYC Health Plans (HMOs)
- IYC Access Plan and State Maintenance Plan (SMP)

- Medicare Advantage (MA) – new option for 2019

Service Area Qualifications

Mr. Vieira referred the Board to the Alternate Health Plan Service Area Qualification for 2021 memo (Ref. GIB | 8.21.19 | 7) and provided the background of qualification criteria to ensure that participating health plans offer an adequate provider base and have enough operating experience to service members.

2021 Tier Assignments

Mr. Vieira informed the Board that Segal recommends Tier 1 designation in the State program for all health plans. He added that based on qualification criteria, the State Maintenance Plan (SMP) is not needed for 2021 State plans since every county has a qualified Tier 1 plan.

Mr. Vieira stated the SMP will be offered in 12 counties in 2021 for the local plan, which is up from five counties in 2020. He stated the SMP will be offered in Buffalo, Crawford, Florence, Jackson, La Crosse, Monroe, Pepin, Pierce, Polk, Rusk, St. Croix, and Trempealeau counties for 2021.

2021 State and Local Rate Setting

Mr. Klein provided an overall medical increase by product breakdown for state and local programs from the 2020 in-force rates to the 2021 best and final offer rates. He noted that the proposed overall rate for the state program increased 0.3% across all rating categories (Medicare Advantage, statewide, and HMO) before applying any surplus to buy-down rates. He stated the proposed overall rate for the local program increased 4.8% across the same rating categories before applying any surplus to buy-down rates.

Mr. Vieira discussed historical pharmacy “top line” trend comparisons over the past five years for ETF. He discussed the prescription drug plan, stating:

- Rating groups were condensed this year to minimize volatility.
- Claims data was received from Navitus and used in the analysis. Baseline data utilized the most recent 12 months of claims, June 2019 through May 2020.
- Prescription drug plans rates had an aggregate increase of 4.4% for state and 8.4% for local.
- The overall recommended rate increase for the prescription drug plan is 4.9%.

Mr. Vieira provided an overview of dental plan costs for both state and local plans. He stated Segal recommends an overall rate increase for the prescription drug plan of 4.9%.

Mr. Vieira stated the 2021 aggregate renewal for medical, prescription and dental resulted in a \$27.0 million total premium increase. This is a 1.6% increase from 2020 rates (5.4% for locals and 1.1% for state).

Group Health Insurance Program Reserves Discussion

Mr. Vieira stated the fund balance increased \$11.2 million in 2019 and is projected to decrease by \$15.8 million in 2020 for the state program. The fund balance for the local program decreased \$3.2 million in 2019 and is projected to decrease an additional \$2.9 million in 2020.

Mr. Vieira acknowledged Segal used ETF transactional data through June 30, 2020, and the ending fund balance is projected to be a net gain of \$38.3 million for state and \$4.5 million for locals. Gains occurred because of better-than-forecast returns on investments in 2019 and lower-than-anticipated 2020 dental claims from delayed services due to COVID-19.

Mr. Vieira discussed the Board's current reserve policy that sets target reserves at 3-5% of premiums for medical, 8-10% of projected claims for pharmacy, and 5-7% of projected claims for dental.

Mr. Vieira stated that based on the mid-point reserve target, the state has a surplus of \$117.3 million and local has a surplus of \$4.4 million. He stated that Segal's recommendation would be the state and local plans utilize a portion of the surplus to buy down premiums. He presented three different multi-year reserve draw strategies:

1. No overall increase in 2021 and drawing the remaining surplus in 2022 (for state) and use all of local reserve in 2021.
2. No overall increase in 2021, then uniform draw over the remaining two-year period, reaching the new policy target in 2023 for state and spread out the local draw over two years.
3. Target a similar rate increase using various draws over the next three years, reaching the new policy target in 2023 for state and spread out the local draw over the three years as well.

Mr. Vieira mentioned option three provides the smoothest rate increases and each option produces the same three-year overall increase of 4.5% for the state program. Both option one and option two are consistent with the draw-down strategy created by the Board last year. Option three would deviate from current strategy. Secretary Conlin reminded the Board that they are able to amend their draw-down strategy to reflect changing financial circumstances. Segal recommends that the state draws down the reserve \$10.5 million to reduce the overall increase to 3.7% from 3.5% increase and that local draws down the reserve \$1.7 million to reduce the overall increase to 8.0% from 8.8% increase (option three). Mr. Vieira indicated the aggregate increase after buy-down is 3.4%.

MOTION: Mr. Houdek moved to approve the 2021 rates and health plan service areas moving forward with option three of the reserve draw for state and local programs as presented by Segal Consulting (Segal) with the understanding a the reserves policy will be brought back to the Board at its November meeting for approval. Mr. Pahnke seconded the motion, which passed unanimously on a voice vote.

The Board took a break from 10:49 a.m. until 11:00 a.m.

GROUP LIFE INSURANCE PROGRAM (GLIP)

Mr. Rasmussen referred the Board to the GLIP Annual Report (Ref. GIB | 8.31.20 | 8) and highlighted:

- Active covered lives increased in both the state (85,366) and local (123,257) plans.
- Life insurance in-force coverage increases of 3% for each plan respectively.
- Valuation of 99.1% for state plan and 106.1% for the local plan.
- Premium change strategies.
- State and local plan reserves.
- Quarterly performance standards:
 - Securian achieved higher-than-contracted targeted goals in all nine standards.
 - They had 32,963 transactions.
 - They achieved overall performance standard of 99.87%.
- Claims enhancements to the concierge service to plan beneficiaries for qualified claims.
- COVID-19 impact:
 - WPE GLIP does not contain any exclusions related to pandemics.
 - Due to the stop-loss safeguard, the short-term impact to the plan is limited and existing reserves are sufficient to absorb the impact in 2020.
 - As of August 11, 2020, there were 18 COVID-19 related deaths.

Mr. Rudeen provided information regarding the state and local GLIP plans and discussed 2019 policy year report highlights. He stated the state plan for employees had better-than-target levels for 2019, with a continued low interest rate environment placing pressure on post-retirement funding.

Mr. Rudeen provided Securian's recommendation on the state and local plans for GLIP, which included:

- The state plan should continue the premium rate increase schedule approved in 2019; and
- There should be no change to premium rates in 2021 for the local plan for employees.

MOTION: Mr. Fields moved to accept the GLIP Annual Report and the changes contained within as presented by Securian Financial Group. Ms. Thompson seconded the motion, which passed unanimously on a voice vote.

UW PARKING AND TRANSIT FSA AUTHORIZATION

Mr. Vang referred the Board to the UW Parking and Transit FSA Authorization memo (Ref. GIB | 8.19.20 | 9) and provided background information, stating the Tax Cut and Job Acts (TCJA) of 2017 was signed into law December 22, 2017. This caused the UW system (UWS) to discontinue participation on May 30, 2018, and UW Hospital and Clinics (UWHC) to discontinue participation November 1, 2018. He stated the Further Consolidated Appropriations Act released on December 20, 2019 repealed certain provisions of the TCJA of 2017, including associations and other tax-exempt organizations needing to pay unrelated business taxable income (UBTI) on employee benefits (such as parking and transportation). As a result, UWS and UWHC employees will be able to have parking and transit deductions taken pre-tax once more.

Mr. Vang stated there are 2,658 participants enrolled in the commuter benefits program, with \$1.2 million contributed in 2020 and projected contributions at \$1.6 million.

Mr. Vang indicated next steps include updating the Transit and Parking Plan document, file testing with ConnectYourCare (CYC), and communications to participants.

Mr. Houdek asked what the state law was surrounding parking and transit FSA.

Mr. Vang stated ETF would look into this further and provide additional information at an upcoming Board meeting.

MOTION: Ms. Thompson moved to approve University of Wisconsin System and University of Wisconsin Hospital and Clinics employee participation in the Parking and Transit Accounts effective January 1, 2021. Mr. Fields seconded the motion, which passed unanimously on a voice vote.

CAFETERIA PLAN DOCUMENTS

Mr. Vang referred the Board to the Cafeteria Plan Documents memo (Ref. GIB | 8.19.20 | 10) and provided the background of a cafeteria plan established in accordance with the requirements of prescribed by Internal Revenue Code (IRC) Section 125. He stated oversight of the Section 125 Cafeteria Plan document is undertaken by the Board and managed by ETF's Office of Strategic Health Policy's program managers, CYC, and ETF's Office of Legal Services.

Mr. Vang discussed the following:

- Revenue Procedure 2019-44.
- Revenue Procedure 2020-32.
- 2021 Plan Document changes, which included:
 - Amending and restating effective date to January 1, 2021;
 - HAS contribution limits increase to \$3,600 for individual and \$7,200 for family;

- Health Care FSA and LPFSA contribution limits increase to \$2,750;
- Health Care FSA and LPFSA carryover limits increase to \$550; and
- Appendix 2 added in reference to the component plans.

Mr. Vang stated the Triple Aim impact includes better experience, cost savings, and improved member quality.

MOTION: Mr. Fields moved to approve proposed changes to the Section 125 Cafeteria Plan effective January 1, 2021, which include:

- ***Amending and restating effective date to January 1, 2021;***
- ***HSA contribution limits increasing to \$3,600 for individual and \$7,200 for family;***
- ***Health Care FSA and LPFSA contribution limits increasing to \$2,750;***
- ***Health Care FSA and LPFSA carryover limits increasing to \$550; and***
- ***Adding Appendix 2 in reference to the components plans.***

Mr. Wimmer seconded the motion, which passed unanimously on a voice vote.

FUTURE ITEMS FOR DISCUSSION

Ms. Mallow referred the Board to the Tentative November 2020 Agenda (Ref. GIB | 8.19.20 | 11) and highlighted items for the upcoming November meeting. She also asked the Board for feedback or suggestions for additional items to address at that meeting.

OPERATIONAL UPDATES

Ms. Mallow referred the Board to the Operational Updates in the Board packet (Ref. GIB | 8.19.20 | 12A-12K) and asked if there were any questions from the Board regarding any of the materials in the reports; she offered that ETF staff were available if there were any questions.

ADJOURNMENT

MOTION: Ms. Thompson moved to adjourn the meeting. Mr. Fields seconded the motion, which passed unanimously on a voice vote.

The meeting adjourned at 12:01 p.m.

Date Approved: _____

Signed: _____

Nancy Thompson, Secretary
Group Insurance Board