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Correspondence Memorandum

Date: April 16, 2021

To: Group Insurance Board

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

Subject: 2022 Local Annuitant Health Program Renewal Information

This memo is for informational purposes only. No Board action is required.

Background

The Local Annuitant Health Plan (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 June 29, 2020 meeting, the Department of Employee Trust Funds (ETF) presented information about a recommended rate increase for 2021 due to concerns that the non-Medicare portion of the program was underpriced (Ref. GIB | 6.29.21 | 7). The recommendation was based upon the claims risk expected due to the demographics of this retiree-only group. The Board acted to apply a 30% increase above calculated rates for the non-Medicare population. The Board agreed to review this again for 2022, to determine whether another 30% increase would be appropriate.

Analysis of Enrollment and Medical Loss Ratio

Segal and ETF have reviewed the most recent Medical Loss Ratios (MLRs) of LAHP non-Medicare and Medicare populations for two years. Note: for 2020, the most recent data is through November, as reported by the Board's data warehouse, Data Analytics, and Insights (DAISI). An MLR shows claims paid as a percentage of premium received. An appropriate MLR would be in the low 90s, to allow for dollars to pay the health plan's administrative expenses. Such an MLR would likely result in a trend or inflationary increase for the program.

Data on enrollment and MLR appear in Table 1. The MLR combines all selected health plans and pharmacy benefit coverage. In its current state, LAHP enrolls some good risk, but the program is attractive to higher utilizers of healthcare that may affect its long-term viability. Based upon the continued MLR well above 100% and increasing, this program is paying significantly more in claims than receiving in premium, a sign that members who use more services are choosing this program over other alternatives.

Reviewed and approved by Eileen K Mallow, Director, Office of Strategic Health Policy

Eileen K Mallow Electronically Signed 4/29/21

Board	Mtg Date	Item #
GIB	5.12.21	7C

Table 1 Group Name	Average Members year of 2019	Average Members Jan-Nov 2020	2019 MLR	2020 MLR
LAHP Overall	263	455	127.6%	160.2%
LAHP non-Medicare only	109	278	110.6%	159.2%
LAHP Medicare only	154	177	161.3%	165.0%

LAHP to Marketplace Comparison
ETF compared LAHP's benefits and premium rates to those available to non-Medicare individuals in the Affordable Care Act's (ACA's) Marketplace. Before doing so, ETF identified where most LAHP subscribers live and what type of employer they retired from. Then ETF compared benefits and premiums in the top 5 most populous LAHP counties.

It's interesting to note that as of March 31, 2021, no single employer had more than 15 retirees in LAHP. Subscribers who are retired from the following classes of employers. Table 2 also shows them as a percent of total enrollees (including Medicare).

Table 2 Type of Employer	Subscribers	Percent of Total Subscribers
School districts, technical colleges, CESAs	211	57%
Counties	79	21%
Cities, villages, towns, municipal utilities	56	15%
Survivors	26	7%
Totals	**372**	**100%**

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

Table 3 All Subscribers	Counties
31	Brown
25	Waukesha
23	Dane
13	Fond du Lac
12	Milwaukee
12	Sheboygan
10	Kenosha
10	Rock
13	Out-of-state

The ACA Marketplace offers insurance to pre-Medicare individuals. For comparison purposes, ETF researched the cost and coverage for the most comprehensive Gold offerings in the cities where most LAHP subscribers live, for a 63-year old single man. The comparison for premium cost is complicated in that for 2021 and 2022, the American Rescue Plan provides a sliding scale of premium subsidies so that individuals don't pay premiums higher than 8.5% of their household income. ETF has information about WRS annuities paid, but no other income sources for our retirees.

In order to arrive at what the Marketplace premium cost could be for LAHP members, ETF analyzed Wisconsin Retirement System (WRS) incomes for local retirees who received an annuity for 12 months ending November 2020. ETF found that the median or middle value of the range of these local annuities is $21,617. For the annuity mode, or value that is most common for all local annuitants, we grouped annuity payments into ranges by $5,000. The range with the most frequent annual payouts was $5,000 to $10,000 for 21,623 local retirees. The next most common range was between $10,001 to $15,000 for 17,325 in this level. $10,000 is 77.64% of the federal poverty limit. While these retirees may have other sources of income like social security, ETF does not have that information. An annual income of $10,000 appears to make an individual eligible for Medicaid, not the Marketplace.

Therefore, staff used the median of annuities, $21,617, as a retiree's annual income in order to calculate the cost of coverage in the Marketplace with a subsidy. Table 4 shows the comparison of cost and benefits to LAHP. The federal subsidy is included and thus reduces the total premium of the Gold plan for the retiree.

Table 4 Marketplace City	Individual Deductible	Coinsurance	Individual OOPL	Retiree's Monthly Premium*
Green Bay	$1,200	80% / 20%	$7,900	$274.93
Waukesha	$1,500	100% but Copays	$7,900	$87.95
Madison	$1,500	70% / 30%	$8,550	$6.45
Milwaukee	$1,800	80% / 20%	$6,500	$301.68
Sheboygan	$1,500	80% / 20%	$5,100	$195.18
Fond du Lac	$1,500	80% / 20%	$5,100	$63.53

***Amount due from retiree.**

LAHP pre-Medicare	Individual Deductible	Coinsurance	Individual OOPL	Dean* Individual Premium
Green Bay	$250	90% / 10%	$1,250	$959.98
***Most popular plan for non-Medicare LAHP subscribers**				

Outcome

LAHP continues to increase in membership. It may be large enough to calculate a portion of its renewal based on its claims experience to set premiums effective January 1, 2022. However, as an estimate, Segal recommends a non-Medicare premium increase by a factor of 1.3 (above calculated 2022 increases from the health plans), to compensate for expected claims. If an adjustment is not made, this group will continue to be among the lowest unsubsidized cost and richest benefit for pre-Medicare retirees in the state. Segal does not recommend any increase to the Medicare plan outside of calculated renewal increases that will be provided in August.

Please note 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. Current family rates for the most popular plans with a 30% increase before any health plan renewal increase are shown in Table 5.

Table 5 **Health Plan**	**2021 Family Premium**	**30% increase**	**2022 Family Premium Prior to renewal increase**
Dean	$2,362.96	1.3	$3,071.85
Dean Prevea 360	$2,373.82	1.3	$3,085.97
Network	$2,714.06	1.3	$3,528.28
Quartz UW	$2,146.76	1.3	$2,790.79
WEA East	$2,795.86	1.3	$3,634.62

Conclusion
ETF is providing this memo as advance notice that Segal and ETF expect to recommend a non-Medicare 30% premium rate increase above calculated rates for the 2022 plan year. This increase recommendation is scheduled to occur at the August 18, 2021 meeting.

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