

From: [Janet Nelson](#)
To: [ETF SMB Board Feedback](#)
Subject: Fwd: Health Care Costs
Date: Saturday, December 18, 2021 5:51:41 PM

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I apologize that the first part was sent early as I hit the wrong key.

I will continue, I am wondering why there is no retiree +1 option offered. I can't imagine that the majority of retirees want or need a family option.

Thank you for your response.

Cory Nelson

----- Forwarded message -----

From: Janet Nelson <[REDACTED]>
Date: Sat, Dec 18, 2021 at 5:47 PM
Subject: Health Care Costs
To: <BoardFeedback@etf.wi.gov>

Hello,

I recently retired as a Captain with the Madison Police Dept. after 32 years of service to the City. As I am turning 55 this next year, I am now at the mercy of the WRS health care system. When I was checking into costs, I have to say I was flabbergasted at the cost.

I spoke to a WRS rep about why there is no option for retiree+1. Most business plans do offer a variety of plans depending upon your family situation. I asked the rep why there is only a single or family plan offered. She advised that your board has decided that this is the most cost effective option.

Since my wife was never in the WRS system, she is not eligible for a single plan so it appears as though my only option is a family plan. To stay on a similar plan as what we are currently on, I see will now cost us over \$1700 per month with Quartz. I think most of the board would agree this is a bit crazy.

I would appreciate it if someone could advise why there is no retiree=



STATE OF WISCONSIN
Department of Employee Trust Funds
A. John Voelker
SECRETARY

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January 5, 2022

Cory Nelson
[REDACTED]

MID: [REDACTED]

Dear Mr. Nelson:

Thank you for your December 18, 2021, email to the Group Insurance Board (Board). You expressed concern over health insurance premium rates in the Wisconsin Public Employers group health insurance program and requested consideration of a retiree plus one premium rate. I appreciate the opportunity to respond as the Deputy Director for the Office of Strategic Health Policy in the Department of Employee Trust Funds (ETF).

ETF and the Board share your concerns about the rising cost of health insurance. ETF works very hard to limit premium increases and has been quite successful in controlling them for the group as a whole. It should be noted that the 2022 average local premium increase is 2.5%. For 2021, the average local premium increase was 7.1%. The average local increase for 2020 was 6.2%.

Rates are determined in competitive circumstances with health plans every year. Plans that have been accepted into the program formulate offers to ETF with renewal rates based on financial assessments of their administrative costs, provider contracts, utilization of health care services, and the demographics of their enrollees. The Board's actuary, Segal, reviews the bids and other data supplied by the plans. Every attempt is made to have plans only submit rates that are justified by their claims experience. We believe that our system has resulted in lower premium increases compared to other employer groups, especially given that the group health insurance program continues to offer consistently high benefits.

Regarding your request for a retiree plus one premium rate, retirees who insure at least one family member who has Medicare coverage currently pay a "retiree plus one" rate. However, for all other families, the premium rate is approximately equal to the single rate times a factor of 2.5. This is due to state law.

State statutes require that we offer only a single rate and a family rate for those subscribers that wish to cover all eligible dependents, except for those covered by Medicare. It's important to note that a significant number of the two-person families under the group health insurance program are older individuals who, on average, tend to be more frequent and costly users of the health care system. Many of this group are empty nesters and retirees. In the past, when we have researched this issue, we found

that the cost of health claims for our average two-person family was approximately the same as the cost for families with three or more covered individuals, typically younger families with children.

Premium levels are set to deliver the total income needed to cover all the expenses of a particular insured group. Thus, the total premiums paid—regardless of how they are allocated across single, family, and (if applicable) two-person contracts—must be sufficient to cover claims for the entire group. Inevitably, some individuals or groups may pay more or less than their share of the claims.

Therefore, while the law could be changed to require the creation of a two-person rate, it would be necessary to artificially increase the rate for families with three or more covered persons. This would cost employers in the program more because the two-person families (many of whom are retired) would then be subsidized to an even greater degree. The current subsidization occurs because retirees under the age of 65 pay the same premium rates as active employees. However, the cost of their health care increases with age, so the group health insurance program is effectively subsidizing these retirees with lower premium costs than are necessary to cover their claim costs.

I hope this information is helpful. If you have further questions, please contact me or Arlene Larson of my staff at (608) 264-6624 or arlene.larson@etf.wi.gov.

Sincerely,

A handwritten signature in black ink, appearing to read 'Brian Stamm', with a long horizontal flourish extending to the right.

Brian Stamm
Deputy Director
Office of Strategic Health Policy
(608) 267-4554
brian.stamm@etf.wi.gov

CC: Arlene Larson