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Correspondence Memorandum

Date: June 16, 2022

To: Group Insurance Board

From: Eileen Mallow, Director
Renee Walk, Strategic Health Policy Director
Arlene Larson, Manager of Federal Health Programs & Policy
Office of Strategic Health Policy

Subject: Update on WEA Departure

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

Background

On June 1, 2022, WEA Trust (WEA) announced it will no longer offer health insurance in the market as of December 31, 2022. WEA will terminate participation in the Group Health Insurance Program (GHIP) as of that date. ETF is working with WEA to be certain that contractual requirements will be met as claim payments run out in 2023. In addition, ETF is working with participating health plans to minimize provider disruption for members in 2023. For 2024, ETF is working to find a contract with a new vendor for the Access, State Maintenance Plan (SMP) and Medicare Plus plans through a Request for Proposals (RFP).

This memo discusses the history and current state of the products and plan designs that WEA currently offers to the Board's members, and the effects of its departure from the GHIP.

WEA Trust Regional Plans: East/Mayo/Chippewa

WEA joined the GHIP with coverage beginning January 1, 2011. Initially, its provider network was qualified only in 24 eastern counties. Over the years WEA offered additional plans with distinct provider networks in northwest, southeast and southcentral Wisconsin. WEA Mayo and WEA Chippewa are offered in some of the same counties and compete against each other for membership. WEA has adjusted premium rates to encourage competition between the provider groups.

In two of these plan offerings, WEA includes access to providers that no other plan currently does. WEA East is the only regional plan in the GHIP that offers access to Advocate Aurora Health (Aurora). Aurora has a substantial presence in several states

Reviewed and approved by Shirley Eckes, Deputy Secretary

Electronically Signed 06/22/2022

Board	Mtg Date	Item #
GIB	06.30.22	5

and is one of the major systems offered in southeastern Wisconsin in particular. There are twelve Aurora hospitals in the state of Wisconsin, three in the Milwaukee area.

WEA Mayo is the only regional plan in the GHIP that includes Mayo Clinic Health System (Mayo) in its network. Mayo is seen by members as a necessary option, particularly for serious illnesses and critical care, and has substantial name recognition in health care. WEA Mayo's presence in Wisconsin is minimal, but it has a much larger footprint in Minnesota, where members in the western part of the state often go for care.

Some plans currently offer access to both Mayo and Aurora for tertiary (referral only) care, or on a limited basis. Further, these provider groups have been in-network with other plans in the past, but due to their comparatively higher cost and the GHIP's competitive system, plans have been unable to offer them long term. ETF is preparing to address provider disruption for members, especially for those who receive care at Aurora or Mayo. This will be discussed further in the Options for 2023 section below.

Access/SMP/Medicare Plus Plans

In addition to the regional/county-based Wisconsin plan offerings, WEA is currently the sole vendor for the Access Plan, SMP, and Medicare Plus products. These three plans have been offered by only one vendor for decades. This is due in part to two factors. First, retirees in the Access or SMP plans who gain Medicare automatically have their benefits changed to the Medicare Plus plan. There is no other automatic Medicare option for these members. Second, the three plans were designed to be offered together in order to gain the interest of more vendors when they go out to bid. Vendors may have concerns about the potential for higher risk in the Access and SMP plans compared to the typically lower risk of the Medicare Plus plan. In packaging them together, ETF has been able to get adequate vendor interest when we have put these out to bid.

<u>Access Plan</u>

The first health plan offered to State of Wisconsin employees and retirees was the Access Plan (called the Standard Plan in Wisconsin Statutes). It was created under Wis. Stats. § 40.52 (1). Competing plans were approved for inclusion in the 1970's and Uniform Benefits was created to standardize the benefits for competing plans in 1993. Before 2004, the Access Plan would pay any provider worldwide for covered services. In 2004, the Access Plan became a PPO that offers freedom of provider choice, nationwide. The PPO model was adopted to steer care toward providers who had an agreement to accept discounted rates. Like all health plans, the Access Plan began to offer an HDHP option in 2015. Additionally, the Access Plan is the only plan design that offers nationwide provider access to non-Medicare members, which is important to many early retirees who live out of state and some employees.

The Access Plan's in-network benefits are the same as Uniform Benefits. Some members in the Access Plan live in Wisconsin but want the freedom of choice to travel anywhere in the nation for care. These members are frequently higher utilizers of care.

Based on the utilization of benefits in the Access Plan, it falls into Tier 3 under the tiering model. When tiering was first established, ETF and DOA agreed that employees who live and are assigned to work out-of-state should pay the Tier 2 employee contribution for the Access Plan, as they may have no other plan choice available to them.

State Maintenance Plan (SMP)

SMP offers Uniform Benefits, including an HDHP option. SMP is required under Wis. Stat. § 40.51 (6). SMP's provider network is developed by the vendor after the Board decides which counties SMP will be offered in for the next year. The Board decides this based upon where reasonable access to providers through a qualified plan is not available. SMP's county list expands and contracts year to year based upon the tiering established for the local plan. In the State pool, due to widespread membership, plans rarely choose to be placed in Tier 2 or 3.

Medicare Plus

This is the only Medicare Supplement plan offered in the GHIP. This plan is available to Medicare eligible members on a retiree contract and generally pays only Medicare deductibles and coinsurance. It does not offer Uniform Benefits. This plan permits participants to receive care from any qualified healthcare provider nationwide, or during worldwide travel, for treatment covered by the plan. Like the Access Plan, this plan was self-insured until 2018. Since Medicare pays prime in the US and its territories, its medical loss ratio (MLR) is typically favorable to the vendor who offers it.

Transition to Fully Insured Model

The Access/SMP/Medicare Plus plans were self-insured until January 1, 2018. In a self-insurance model, the vendor administers the program -- that is, contracts with providers, adjudicates claims, delivers customer service, etc. The vendor is paid an administrative fee for its services. Claims are billed to and funded by the Trust Fund. ETF holds the risk for years with high claim costs or those with lower-than-expected claims. ETF must keep reserves to cover periods of higher claims payments.

The change to a fully insured model for the Access/SMP/Medicare Plus plans was due to Wis. Stats. § 40.03(6)(L). This statute eliminated the Board's ability to self-insure any health plan offering. As created by 2015 Wisconsin Act 119, if the Board wishes to enter into a self-insured health insurance contract the Board, in consultation with the Division of Personnel Management (DPM) in the Department of Administration (DOA), must notify the Joint Committee on Finance (JFC) that it intends to execute a contract to provide self-insured group health plans on a regional or statewide basis for state employees. After receiving the notice of intent to create a self-insurance program, JFC has 21 working days to notify the Board that the committee has scheduled a Section 13.10 Meeting to approve the execution of the self-insurance contract. If after 21 working days, the JFC co-chairs have not notified the Board of a scheduled Section 13.10 Meeting regarding the self-insurance contract the Board may execute the contract.

The consequence of this law is that ETF may have difficulty finding a vendor that can and will insure their populations. The vendor must support access to a nationwide provider network for a relatively small pool of Access Plan members and support the flexibility to develop an SMP network in September of every year, after the Board establishes SMP counties and before open enrollment materials are mailed to members. The vendor must be licensed to sell a group Medicare Supplement in order to offer Medicare Plus. Smaller, regional plans may not have this license. Segal recommends that these three benefit offerings be self-insured, to enhance the interest of larger insurers in offering the product.

The prior carrier, Wisconsin Physicians Service (WPS) chose not to participate in the GHIP under the fully insured model in 2018. ETF contacted several participating plans, and WEA offered to insure this population in addition to their other plans. There was a significant amount of claim uncertainty due to the change in funding and provider networks, so a risk sharing agreement was made a part of the contract for the Access/SMP/Medicare Plus plans. In years of favorable experience, WEA and ETF share half of the surpluses after a calculation based on an agreed upon medical loss ratio and WEA's administrative fees. In years when claims payments exceed the calculation, ETF holds the liability for the entire overage. Under the current agreement that overage is used to offset any future gain sharing.

Going forward under a fully insured model, ETF and Segal support continuing a risk sharing agreement with the vendor who provides the Access/SMP/Medicare Plus plans to incentivize participation in these plans.

Table 1: Risk Sharing Results, 2018 - 2021

Year	ETF's Gain Share	ETF's Loss / Future Offset
2018	$2,386,025	
2019	$1,169,355	
2020	$2,768,641	
2021		- $2,071,076

Membership Impacts
WEA has more than 50,000 GHIP members that will need to choose a new plan in 2022. These members are currently insured in the following plans:

Table 2: Current Enrollment and Service Areas

WEA Plan Name	Members Enrolled	Service Area	County List
WEA East	31,054	Eastern Wisconsin	Adams, Brown, Columbia, Dodge, Fond Du Lac, Green Lake, Jefferson, Juneau, Kenosha, Kewaunee, Lincoln, Manitowoc, Marathon, Marinette, Menominee, Milwaukee, Oconto, Oneida, Outagamie, Ozaukee, Portage, Racine, Rock, Shawano, Sheboygan, Walworth, Washington, Waukesha, Waupaca, Waushara, Winnebago, Wood (Limited service: Calumet, Marquette, Vilas)
WEA West - Chippewa Valley	3,095	Northwest Wisconsin	Ashland, Barron, Bayfield, Burnett, Chippewa, Clark, Douglas, Dunn, Eau Claire, Jackson, Pepin, Pierce, Polk, Rusk, Sawyer, St. Croix, Washburn (Limited service: Iron, state of Minnesota)
WEA West – Mayo Health Systems	8,064	Northwest Wisconsin	Barron, Buffalo, Burnett, Chippewa, Crawford, Douglas, Dunn, Eau Claire, Jackson, La Crosse, Monroe, Pepin, Pierce, Polk, Sawyer, St.

WEA Plan Name	Members Enrolled	Service Area	County List
			Croix, Trempealeau, Vernon, Washburn (Limited service: Ashland, Bayfield, Dodge, Rusk, state of Minnesota)
IYC Medicare Plus	6,087	Nationwide with worldwide coverage	N/A
Access Plan	3,434	Nationwide with worldwide coverage	N/A
State Maintenance Plan (SMP)	13	Wisconsin counties that do not have another qualified plan offered	Florence

The GHIP includes employees who live and work outside of Wisconsin and retirees who live at least part of the year in another state. Not all are insured in the Access or Medicare Plus plans, but for those who are, the enrollment numbers follow.

Table 3: Out-of-State, US Enrollment

WEA Plan Name	Members Enrolled	State(s)
WEA Trust East	241	Largest non-WI proportion is in Illinois. One member lives outside of the US and its territories.
WEA Trust West - Mayo	181	Largest non-WI proportion is in Minnesota.
WEA Trust West – Chippewa Valley	53	Largest non-WI proportion is in Minnesota.
IYC Medicare Plus	2,190	Largest non-WI proportions are in Florida, Arizona, and Minnesota, but represented in all 50 states.

WEA Plan Name	Members Enrolled	State(s)
		19 members live outside of the US and its territories.
Access Plan	1,134	Largest non-WI proportions are in Illinois, Florida, and California, but represented in all 50 states and Puerto Rico. 5 members live outside of the US and its territories.

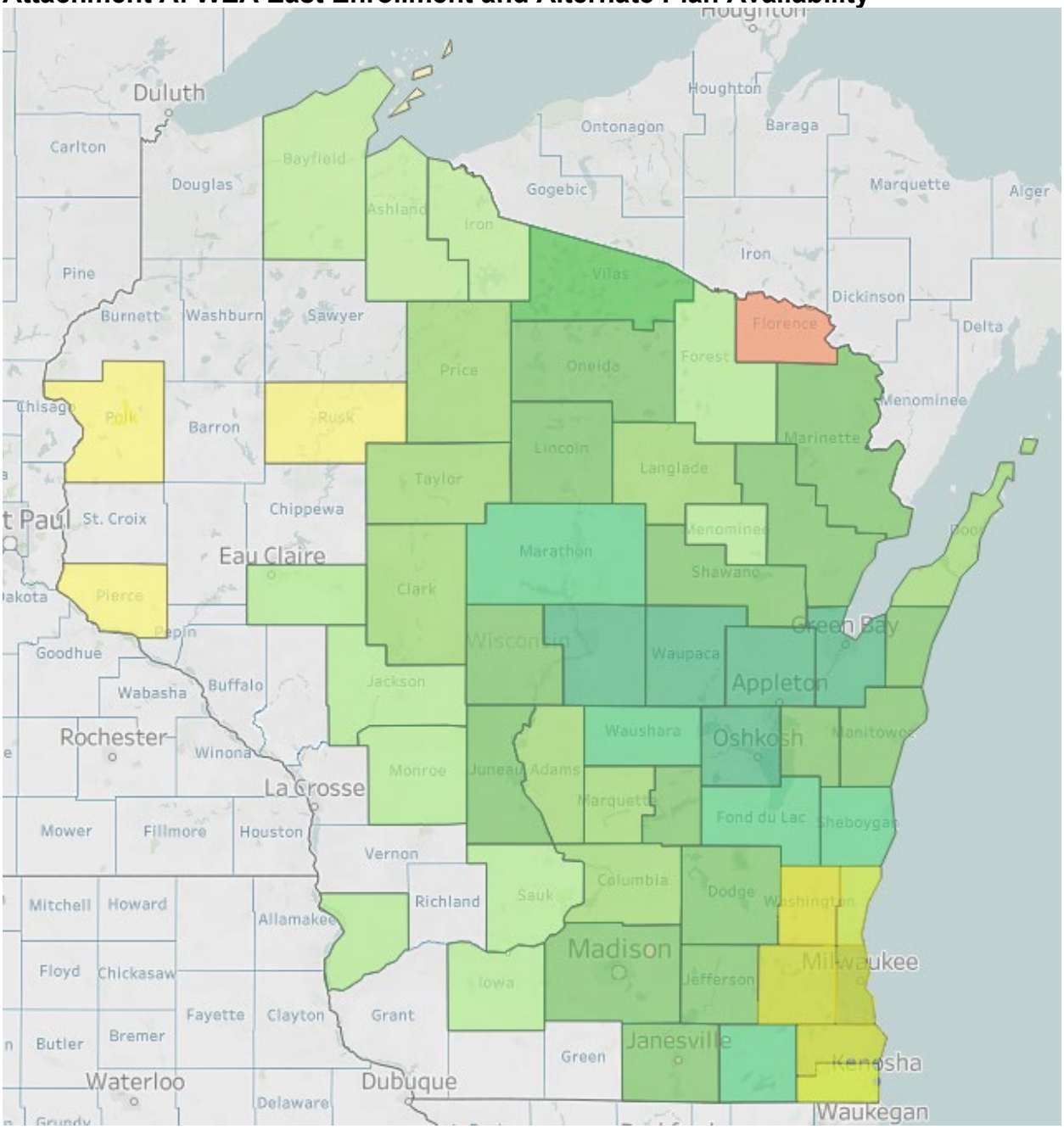
Members who live outside of the United States (US) may be enrolled in any participating health plan. All plans except for Access and Medicare Plus offer only emergency or urgent care outside of their provider network. Most members with non-US addresses are enrolled in the Medicare Plus plan. Medicare Plus has a relatively large number of out-of-country members because it offers broader out-of-country coverage for medically necessary services. Medicare Part A and B do not pay claims outside of the US and its territories, so if a claim is incurred outside of US borders, Medicare Plus pays the entire cost of the claim. Nearly half of the total out-of-country subscribers are employees of the University of Wisconsin (UW), and typically Graduate Assistants. Of these employees, only two are enrolled in the Access Plan, implying that ETF's system may hold the foreign, home address of these employees.

Provider access challenges may also exist related to the departure of WEA's regional plan offerings. Attachments A through C of this memo show the April 2022 member enrollment by county in each of WEA's three regional plans. The colored shading indicates how many other plans are considered qualified in each county. After WEA leaves the GHIP, there will be ten counties where only one other plan is currently qualified. In one county, there are no other qualified plans available. In the ten counties where only one other plan is available, there are also provider access gaps, as discussed in the section above describing WEA's regional plans. Depending upon the premium rates negotiated with the remaining plans, these counties may also be at risk of not having a qualified, Tier 1 plan available, and also have no SMP option on which to rely.

Next Steps
ETF is currently working with existing health plans and other interested parties to determine how to maintain access to benefits and services for all of the Board's members.

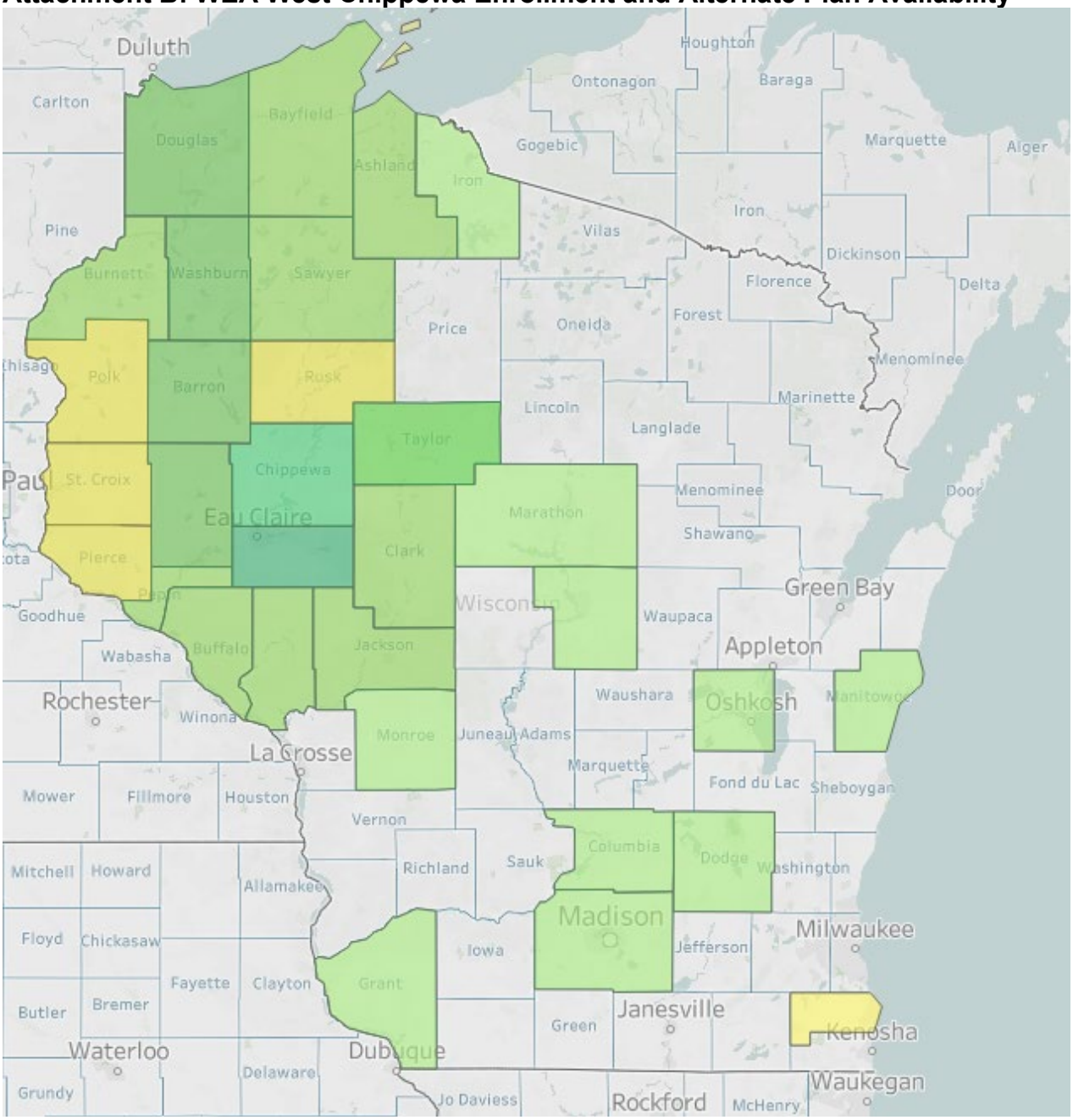
Staff will be available at the Board meeting to answer any questions.

Attachment A: WEA East Enrollment and Alternate Plan Availability



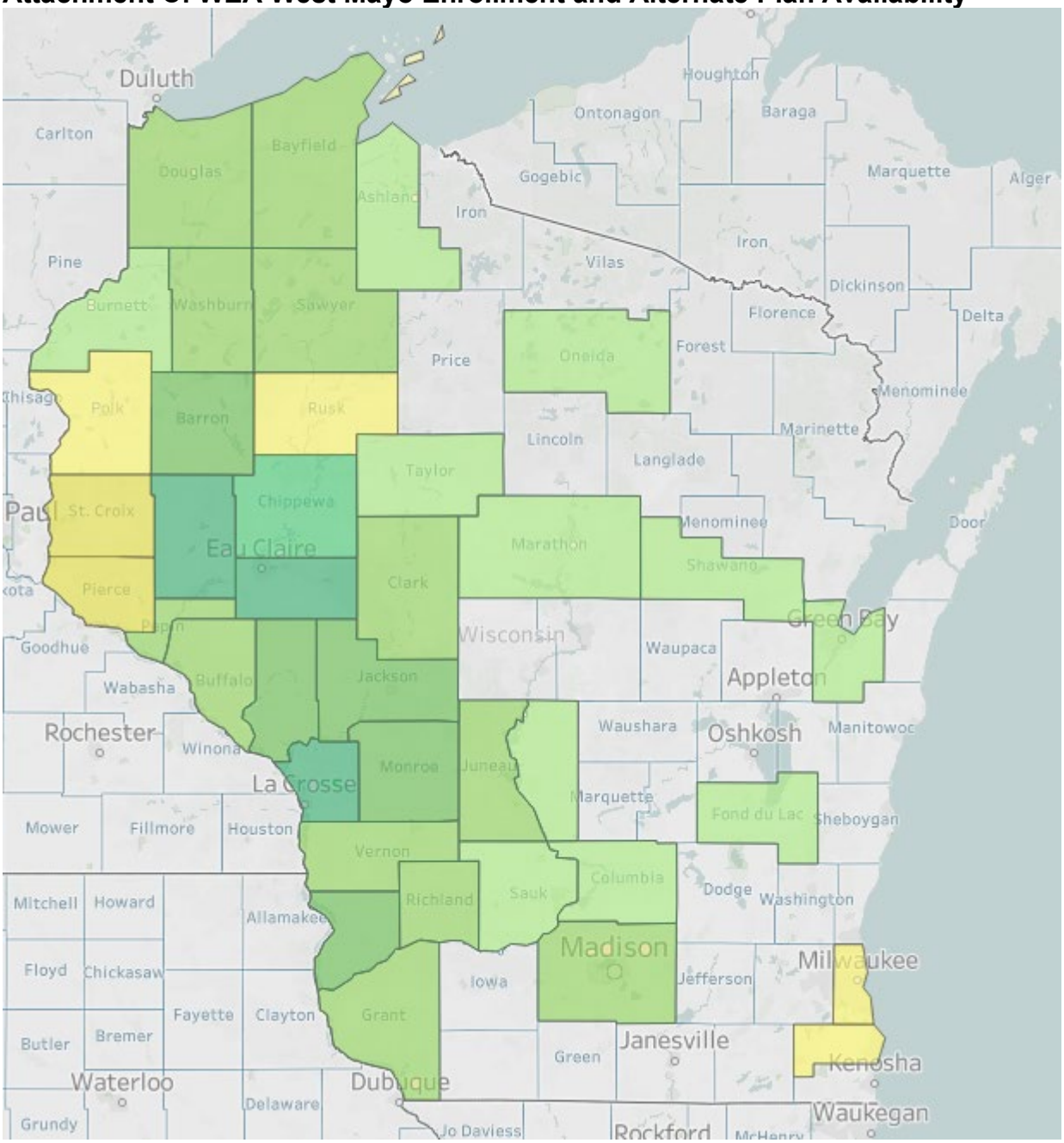
Green = 2 or more other plans qualified, per 2022 Network Access submissions
Yellow = Only one other plan qualified, per 2022 Network Access submissions
Red = No other plans qualified, per 2022 Network Access submissions

Attachment B: WEA West Chippewa Enrollment and Alternate Plan Availability



Green = 2 or more other plans qualified, per 2022 Network Access submissions
Yellow = Only one other plan qualified, per 2022 Network Access submissions
Red = No other plans qualified, per 2022 Network Access submissions

Attachment C: WEA West Mayo Enrollment and Alternate Plan Availability



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