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Correspondence Memorandum

Date: August 1, 2022
To: Group Insurance Board
From: Renee Walk, Programs & Policy Unit Director
 Office of Strategic Health Policy
Subject: 2023 Health Plan Rates and Qualifications

The Department of Employee Trust Funds (ETF) recommends the Group Insurance Board (Board) approve the recommended health, pharmacy, and dental rates presented by the Board’s actuary, Segal, for plan year 2023.

ETF requests Board approval to make any additional minor adjustments to the service areas, as they are reviewed and finalized with each health plan.


ETF also recommends the Board approve a reserve spend-down option from the options presented by Segal.

Background

At its meeting on June 30, 2022, the Board met to discuss the impacts of WEA Trust’s departure from the health insurance market on both member access and overall insurance rates. WEA Trust is currently the third largest health insurance carrier in the Group Health Insurance Program (GHIP) and covers 52,000 of the Board’s members. After WEA Trust’s announcement, ETF was approached by several health plans, both currently participating and new to the GHIP, expressing interest in how they might fill in the gaps created by WEA Trust’s departure. Following the Board’s June meeting, ETF proceeded to negotiate rates and coverage areas as described in this memo.

Rate Negotiations & Member Migration Estimates

After preliminary bids were submitted, ETF and Segal held negotiation meetings with health plans between July 5 and July 15, 2022. ETF and Segal used the preliminary bid and supporting information to adapt the tiering model to include new entrants. Since WEA Trust had historically been a higher cost plan, their departure from the GHIP resulted in shifts in the tiering model that slightly lowered the thresholds to enter Tier 1 and Tier 2.

Reviewed and approved by Eileen K Mallow, Director, Office of Strategic Health Policy Electronically Signed 08/05/2022 
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ETF also worked with Merative (formerly IBM Watson Health) to determine which of the new and existing health plan provider networks would most closely match currently utilized WEA Trust plan providers. The analysis focused on WEA Trust providers used in the past 12 months. ETF compared this provider information with existing member counts in each WEA Trust service area to estimate which health plan would most likely be selected by WEA Trust members. Segal used these estimates to weigh and assign the risk from WEA’s members proportionately to each plan through the rating process.

Finally, ETF and Segal applied a quality credit ([Ref. GIB | 08.17.22 | 4](#)) to the preliminary bids submitted by plans. Plans who achieved a high enough quality score received up to an additional 1% premium discount.

The table below shows the number of plans in each tier, pre- and post-negotiations. Pre-negotiation counts exclude new plan offerings that occurred due to WEA Trust’s exit. Separate networks offered by a single plan are each counted individually. For example, Quartz is counted three times for UW, Central, and West.

Table 1. Count of Tiered Plans by Program, Before and After Negotiations

	State		Local	
	Pre-Negotiation	Post-Negotiation	Pre-Negotiation	Post-Negotiation
Tier 1	6	13 + 5 new plans	8	9 + 2 new plans
Tier 2	5	0	1	0
Tier 3	2	0	4	4 + 3 new plans
Total Plans	13	18	13	18

As is typical, all state pool bids were adjusted to meet Tier 1 status; state employees pay a fixed portion of premium that is assigned by tier and tend to select plans in Tier 1. The local pool often typically has more plans in Tiers 2 or 3. This year there are no Tier 2 plans. Local employee contributions vary but are typically set as a percentage of the Tier 1 qualified plans average premium in the employer’s county. Counties without a Tier 1 qualified plan are assigned to use the State Maintenance Plan (SMP) rate. Two of the new local plan offerings for 2023 will be Tier 1, and the rest will enter the program as Tier 3.

Network Changes and Additions

The following health plans have opted to expand their existing networks and/or add new networks following WEA Trust’s departure:

- Group Health Cooperative – Eau Claire
- HealthPartners
- Dean Health Plan/Prevea 360

In addition, Security Health Plan has applied to join the GHIP ([Ref. GIB | 08.17.22 | 6B](#)). If approved by the Board, this will result in 18 different regional plan offerings from 10 different health plans.

As discussed in the Service Area Qualification materials from Segal, the addition of these plans will result in a change to SMP counties for 2023—SMP will continue to be available in Florence County for both the state and local programs. All other existing SMP counties will no longer offer SMP; however, three different counties (Marquette, Waupaca, and Waushara) will newly include SMP for the local program.

Rates and Buy-Down Options

The GHIP is fully insured, meaning that the health insurers contracted by the Board assume the risk for paying claims. Overall, base health insurance premium rates will increase in 2023. Although ETF has been able to hold down increases over the past couple of years through negotiations, all health plans in the GHIP and others in the marketplace reported substantial increases in costs in the fourth quarter of 2021, leading to large increases in 2023 bids.

Both the pharmacy and dental benefit programs are self insured, meaning that the Board assumes the risk for claims. For the pharmacy program, Segal recommends an overall 8.8% increase; the recommended increase for the state pool is 10.9%, while locals have a recommended decrease of 4.4%. For the dental program, Segal recommends a 3.2% increase for both the state and local pools, which aligns with market trend.

As in prior years, ETF and Segal has provided several reserve fund buy-down options for the Board's consideration, which help to smooth rate increases for GHIP members. However, as the Board nears its reserve targets, there is now less reserve available to buy down premium rates. Because of this, each of the options provided for 2023 includes at least some increase in state pool rates. There are currently no funds available to buy down rates in the local pool.

Conclusion

While it will no doubt cause disruption when WEA Trust departs the GHIP, ETF is confident that newly available health plans and networks will help to increase access in the Board's programs for 2023.

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