

Welcome to the Group Insurance Board

August 17, 2022

Meeting will begin at: 8:30 a.m.



WIFI

WI-GUEST

No Password is needed



Please Sign In

- Who? All meeting attendees
- Sheet available at the door



Meeting Materials

- Available at etf.wi.gov



**Please Silence your
Cell Phone and Mute
your Microphone**

Announcements

Item 1 – No Memo

Eileen Mallow, Director

Office of Strategic Health Policy



Consideration of:

Open and Closed Minutes of May 18, 2022

Open and Closed Minutes of June 30, 2022



Item 2A – 2D – Memo Only



Action Needed

- Motion needed to accept the Open & Closed Minutes of the May 18, 2022, Meeting and the Open & Closed Minutes of the June 30, 2022, Meeting as presented by the Board Liaison.

Insurance Administration System (IAS) Implementation

Item 3 – Memo Only

Kathy Wienkes, Bureau Director, Employer and Contact Services
Michelle Baxter, Director, Office of Enterprise Initiatives
Brian Stamm, Deputy Director, Office of Strategic Health Policy



Informational item only

No Board action is required.

The background is a dark blue gradient with numerous out-of-focus light spots in shades of blue and purple, creating a bokeh effect. The text is centered at the bottom of the image.

Questions?

2023 Plan Year Quality Credit

Item 4 – Memo Only

Brian Stamm, Deputy Director
Office of Strategic Health Policy



Informational item only

No Board action is required.

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Questions?

CLOSED SESSION

The Board may meet in closed session pursuant to the exemption contained in Wis. Stats. §19.85 (1) (e) to deliberate or negotiate the investing of public funds or to conduct other specified public business, whenever competitive or bargaining reasons require a closed session. If a closed session is held, the Board may vote to reconvene in open session following the closed session.



Item 5 – No Memo



Report and Vote on Closed Session Discussion



Item 6A – No Memo

Herschel Day, Chair

Group Insurance Board





Action Needed

- ETF requests the Board accept the following vendors to provide coverage effective January 1, 2023, for:
 - ██████ to provide the Access Plan and SMP for a three-year term that can be shortened if the plan is taken out for RFP
 - ██████ to provide the Medicare Plus plan
- ETF also requests the authority to negotiate in cases where vendors are unable to meet (or very closely meet) the current benefits. If contract negotiations with vendors are unsuccessful, ETF requests the authority to contract with ██████ in all or in part.

New Plan Qualification for 2023 Plan Year



Item 6B – Group Insurance Board

Korbey White, Health Program Manager

Office of Strategic Health Policy





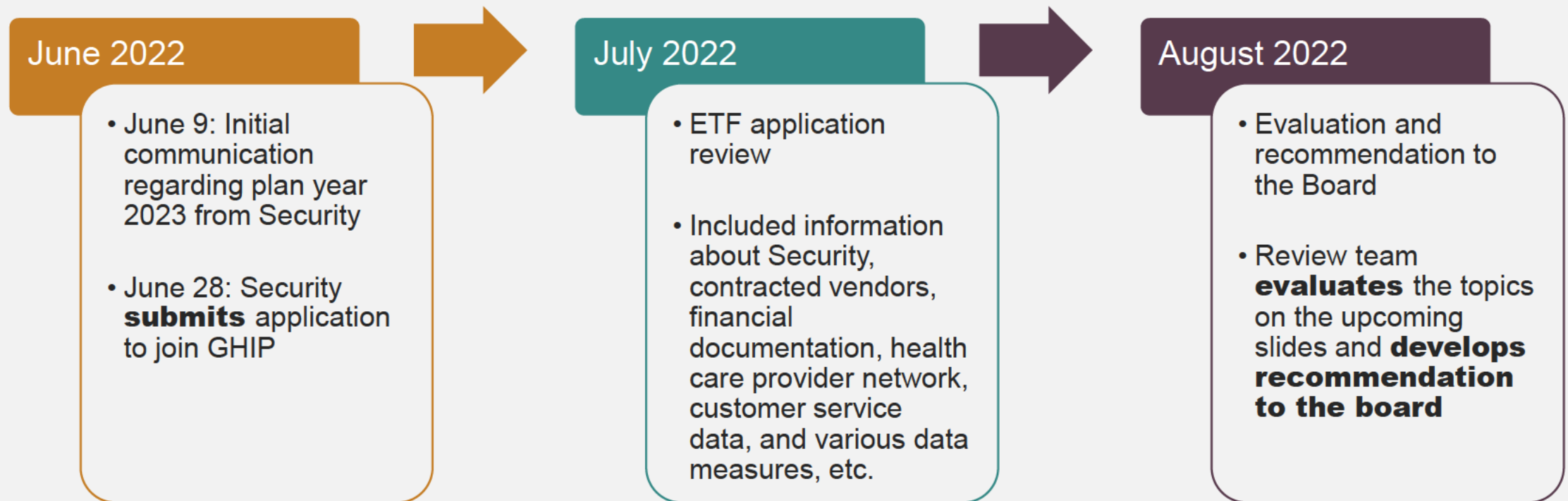
Action Needed

- The Department of Employee Trust Funds (ETF) recommends the Group Insurance Board (Board) accept the application from Security Health Plan (Security) to provide health insurance services within the Group Health Insurance Program (GHIP), contingent upon acceptance of the premium rates.

Evaluation Overview



Background



Operating Experience

- Security Health Plan has 51 years of health plan experience

1971

- First offered for enrollment as a joint venture between Marshfield Clinic, Blue Cross Blue Shield and Saint Joseph's Hospital of Marshfield

1986

- Security Health Plan of Wisconsin, Inc. was established

GHIP

- Security was previously offered from 1992 – 1995 and 2007 – 2019

Provider Network

- Central Wisconsin offering
- Primarily utilizes Marshfield Clinic Health System

• Includes Marshfield Medical Center and other key clinic locations, such as:

- Beaver Dam
- Children's Hospital
- Dickinson (Iron Mountain)
- Eau Claire
- Ladysmith
- Minocqua Hospital
- Neillsville
- Park Falls
- Rice Lake
- River Region-Stevens Point Campus
- Weston

MARSHFIELD CLINIC
HEALTH SYSTEM



SecurityHealth PlanSM

Covered Counties

- Barron
- Chippewa
- Clark
- Eau Claire
- Lincoln
- Marathon
- Oneida
- Portage
- Price
- Rusk
- Taylor
- Trempealeau
- Vilas
- Wood

Claims Processing and Customer Service

- Security Health Plan provides award-winning customer service and can meet all GHIP performance reporting requirements

All Met
or
Exceeded

- Claims Processing Accuracy
- Claims Processing Time
- Written Inquiry Response
- Open Call Resolution Turn-Around Time
- Call Abandonment Rate
- Call Answer Timeliness

Data and Data Security

Security Health Plan adheres to all data transmission, sharing, and security requirements, including:

Consumer Assessment of Health Care Providers (CAHPS)

Health Care Effectiveness Data and Information Set (HEDIS)

SOC 2 Type 2 Reporting



Action Needed

- The Department of Employee Trust Funds (ETF) recommends the Group Insurance Board (Board) accept the application from Security Health Plan (Security) to provide health insurance services within the Group Health Insurance Program (GHIP), contingent upon acceptance of the premium rates.

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Questions?

2023 Health Plan Financial Status

Item 7A – Memo Only

Eileen Mallow, Director
Office of Strategic Health Policy



Informational item only

No Board action is required.

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Questions?

2023 Health Plan Compliance Status

Item 7B – Memo Only

Korbey White, Health Program Manager
Office of Strategic Health Policy



Informational item only

No Board action is required.

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Questions?

2023 Health Plan Rates and Qualifications



7C – Group Insurance Board

Renee Walk, Programs & Policy Unit Director, Office of Strategic Health Policy
Eileen Mallow, Director, Office of Strategic Health Policy

Ken Vieira and Patrick Klein, Segal Consulting





Action Needed

- 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.



State of Wisconsin Group Insurance Board
Department of Employee Trust Funds

2023 Program Renewals

August 17, 2022

 Segal Consulting



1. Overview

2. Medical Plans
3. Prescription Drug Plan
4. Dental Plan
5. Aggregate Renewal
6. Fund Balance/Reserve
7. 2023 Premium Alternatives

2023 Renewal Process

➤ Medical (Fully-Insured)

- Process
 - Health Plans (HMOs) followed a managed competition model, using a tier structure for both existing and new plans
 - Access Plan, Medicare Plus and State Maintenance Plan (SMP) followed a traditional rate development approach for the new vendors
 - IYC Medicare Advantage Plan rates were guaranteed from last year's extension
 - Met with majority of plans to discuss tier placement and long-term strategy

➤ Pharmacy (Self-Insured)

- Received and reviewed claims experience
- Met with Navitus to discuss trends and program management strategies

➤ Dental (Self-Insured)

- Received and reviewed claims experience
- Met with Delta Dental to discuss trends and program benefit and network changes

➤ Reserve Fund

- In Year 1 of the 3-year buy-down strategy implemented by the Board—to reach the recommended target reserve by 2024 using gradual buy-downs
- Projected year end 2022 reserve balance lower than anticipated – investment gains not sufficient to offset losses from Pharmacy
- Funds not sufficient to continue current strategy through 2024



1. Overview

2. Medical Plans

3. Prescription Drug Plan

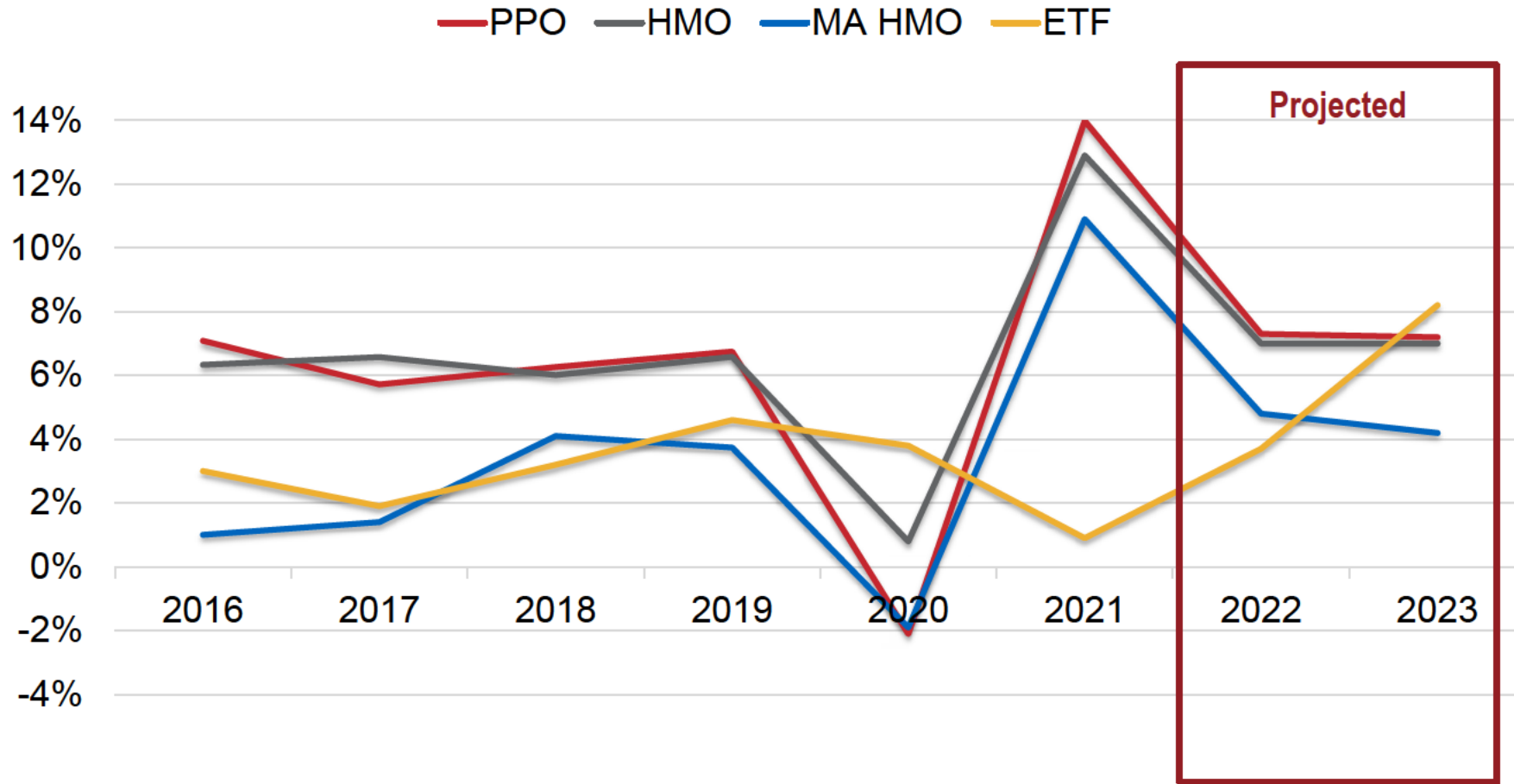
4. Dental Plan

5. Aggregate Renewal

6. Fund Balance/Reserve

7. 2023 Premium Alternatives

Historical Medical Trends – Comparison to ETF



The COVID-19 experience was realized by most programs in 2020, while ETF's was negotiated into the 2021 renewal. We are now seeing greater premium increases.

Source: 2023 Segal Health Plan Cost Trend Survey
2016 ETF trend adjusted to reflect a 4% benefit change

Medical Plans – Fully Insured Renewals

➤ Health Plans (HMOs)

- Primarily designed for in-state members
- Due to WEA Trust leaving the program, there were numerous expansion opportunities
- Renewal consistent with process from last 7 years, incorporating risk of WEA members
- Administered by: Aspirus, Dean, GHC-Eau Claire, GHC-SCW, HealthPartners, Medical Associates, MercyCare, Network, Quartz, Security (new in 2023)
- Tier model “managed competition” approach

➤ Access Plan, Medicare Plus and State Maintenance Plan (SMP)

➤ Mostly utilized for out of state members and in-state members in counties without qualified, Tier 1 plan option.

- Moved to fully-insured in 2018
- Was administered by WEA Trust - program will now be administered by Dean for Access/SMP and UHC for Medicare Plus if approved by the Board
- Traditional underwriting approach applied to rate development for new vendors

➤ IYC Medicare Advantage (MA)

- Designed for in and out of state Medicare eligible members
- Administered by: UnitedHealthcare (UHC) with rate guarantees that end with 2023 although the contract lasts through 2025

WEA Trust – Leaving Program

- ETF needed to:
 - Find plan options for the 37,000 members from WEA Trust East and West (Chipp & Mayo)
 - Find vendor for Access, SMP and Medicare Plus for the 9,800 members enrolled
- There was tremendous interest in the program – resulting in 5 new expansions
 - Dean - Prevea360 became East & West (1)
 - GHC-EC became Greater WI & River Region, and partnered with Common Ground (2)
 - HealthPartners became West & Southeast (1)
 - Security returned to the program (1)
- Additionally, some of the existing networks were altered
- All expansion offers were given Tier 1 rate requirements, based on the expected migration of risk from prior WEA plans (age/sex, risk and region)
- All offers, except Quartz East, moved to Tier 1 for State. Only Dean – Prevea360 and GHC-Eau Claire River Region moved to Tier 1 for Locals.
- Dean also provided ETF the best alternative for Access & SMP plans, with UHC providing the best alternative for Medicare Plus

Overall, a very positive result for the program.

Alternate Plans (HMO's) Overall Renewal Process

- Renewal process was slightly modified this year due to the WEA departure.
- The negotiation process involved the following:
 - March: Segal prepared addendum collection requirements
 - April: ETF reviewed requirements and requested data from Plans
 - April 29: Addendum data submitted to Segal
 - May: Segal compiled data and calculated tier breakpoints
 - May 13: Preliminary Rate Quotes submitted to Segal
 - June: Segal compiled rates and placed Plans into premium tiers
 - June 1: Notified of WEA's departure
 - June 25: Plans notified of their tier placement and offered renewal meeting to discuss
 - June 28: Preliminary bids from new and expansion areas
 - July 6 – 14: Renewal meetings held with Plans
 - July 22: Best and Final Offers received from Plans – this was delayed to allow new and expansion plans additional time

There were numerous meetings, network submissions and analysis around the WEA member migration. All plans and premiums (outside Dane) were impacted.

Collect Addendum Reports & Data

- Plans are required to provide addendum reports for each group separately: State (Non-Medicare, Medicare, Grads), Local (Non-Medicare, Medicare), High Deductible Health Plan (HDHP), Total Organization (Non-Medicare, Medicare)
- The reports include:
 - Enrollment and membership demographics
 - Fee For Service claims and capitation encounter experience
 - Medical trend assumptions
 - Administrative expenses
 - Rate development
 - Medical loss ratio report
 - Large claimant information
 - Actuarial certification
- Similar to last year, addendum claims and capitation reports were validated using Merative data warehouse (DAISI)
- Network adequacy reports were submitted and utilized to determine which plans are qualified in each county

Tier Breakpoint Development – Based on Addendum

- Incurred claims and capitation experience are compiled for each plan
- Health Plans PMPMs were adjusted to reflect overstated/understated Cost Per Service from pre-pandemic numbers based on DAISI analysis; this was lower than prior years
- Adjusted base period claims per member per month (PMPM) are trended forward with projected “limited” trends
- Administrative costs are added up to a threshold— no increase from 2022 amount
- Total PMPMs are then risk adjusted, combining three factors:
 1. Retrospective DAISI risk score (30%)
 2. Age/sex score (20%)
 3. Region factor (50%)
 - Region factors were updated using the latest marketplace premium variances
- WEA membership was migrated to other plans based on qualification status and ETF experience
- Breakpoints are then set for Tiers 1, 2 and 3 taking into account normalized costs by plan and program budget

The overall Tier 1 breakpoint increase was estimated to be 8.3% for State and 6.7% for Locals.

Compile Tier Placement From Preliminary Bid

- Plans submit their Preliminary Bids knowing there is an opportunity for negotiations and movement to Tier 1
- Tier placement is performed using the State Non-Medicare group only; negotiations of other groups follow by design
- Bids are risk adjusted using an overall risk score comprised of prospective DAISI risk score (30%), age/sex (20%) and region (50%) — similar to experience adjustment except risk is prospective vs. retrospective
- Credits are then applied to reflect quality and catastrophic claims experience
- The final adjusted rates are compared to the tier breakpoints developed from the Addendum experience rate projections
- Plans are notified of their tier placement and given the opportunity to meet and discuss results
- New and expansion plans had risk adjusted rating only

There is no direct link from the Addendum projected rates to the Preliminary Bid.

State HMO Renewal

➤ All plans moved into Tier 1

	2022 Rates	BAFO 2023 Rates	Change From Current	%
Medical Costs (in Millions)				
Dane	\$547.6	\$603.9	\$56.3	10.3%
Non-Dane	\$518.4	\$554.9	\$36.5	7.1%
Total State	\$1,066.0	\$1,158.8	\$92.9	8.7%

^ Totals may not reconcile due to rounding

WPE (Locals) Tier Placement From Preliminary Bids

- Three years ago, a tier process, similar to that utilized by the State, was implemented for the Locals
 - The primary difference is that Locals, due to their size, combine Dane and Non-Dane to produce one overall statewide model
- The variability in size necessitates additional smoothing techniques and limitations
- Catastrophic claims were given additional weight in the development
- Consistent with last year, limitations (adjusted for quality credits) were placed on rate increases and % of State Rate for plans to be in Tier 1/2/3

Local HMO Renewal

➤ A number of plans did not move to Tier 1 during negotiations:

- Aspirus
- HealthPartners West, Southeast & Robin
- Quartz – Central
- Security
- Common Ground (GHC-EC)

	2022 Rates	BAFO 2023 Rates	Change From Current	%
Medical Costs (in Millions)				
Locals	\$185.9	\$201.9	\$16.0	8.6%

Access Plan, SMP Renewals, and Medicare Plus

- If Board approved, Dean would manage the fully-insured Access Plan and SMP plans
- If Board approved, UHC would manage the fully-insured Medicare Plus plan for Medicare eligible retirees
- The data was provided to both vendors and a traditional rate development was utilized
- BAFO rates from Dean resulted in a 5.2% and 6.2% reduction to the Access Plan and SMP rates respectively
- UHC Medicare Plus BAFO rates resulted in an increase of 9.6%

	2022 Rates	BAFO 2023 Rates	Change from Current	%
Medical Costs (in Millions)				
State	\$55.92	\$54.87	(\$1.05)	-1.9%
Local	\$1.25	\$1.27	\$0.02	1.7%
Total	\$57.17	\$56.15	(\$1.03)	-1.8%

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**Securing vendors and negotiating competitive rates was a challenge.
ETF vendor partners were extremely engaged during the process.**

Medicare Advantage Renewal

- ETF contracted with UnitedHealthcare (UHC) for a Medicare Advantage plan starting in 2019
- Last year, UHC negotiated in good faith and provided rate guarantees for two years
 - The 2023 rate included a \$5.02 increase to \$60.58 from \$55.56, a 9% increase
- Positive experience could not move UHC from their rates
 - If it continues, we expect the Gain Share Arrangement to kick in, which will allow ETF a settlement if the plans MLR is under 90%

	2022 Rates	BAFO 2023 Rates	Change from Current	%
Medical Costs (in Millions)				
State	\$8.22	\$8.97	\$0.74	9.0%
Local	\$0.38	\$0.41	\$0.03	9.0%
Total	\$8.60	\$9.38	\$0.78	9.0%

^ Totals may not reconcile due to rounding

2023 Overall Medical Increase by Product

➤ Overall, State increased 8.2% and Local increased 8.6%, for a total of 8.2%

	2022 Inforce Rates **	2023 Prelim Bids	Negotiation Savings	%	2023 BAFO Rates***	Change From Inforce	%
State (in Millions)							
Medicare Advantage	\$8.2	\$9.0	\$0.0	0.0%	\$9.0	\$0.7	9.0%
Statewide	\$55.9	\$59.0	(\$4.2)	-7.0%	\$54.9	(\$1.0)	-1.9%
HMO	\$1,066.0	\$1,217.1	(\$58.3)	-4.8%	\$1,158.8	\$92.9	8.7%
Total State	\$1,130.1	\$1,285.1	(\$62.4)	-4.9%	\$1,222.7	\$92.6	8.2%

	2022 Inforce Rates **	2023 Prelim Bids	Negotiation Savings	%	2023 BAFO Rates***	Change From Inforce	%
Local (in Millions)							
Medicare Advantage	\$0.38	\$0.41	\$0.00	0.0%	\$0.41	\$0.03	9.0%
Statewide	\$1.25	\$1.32	(\$0.05)	-3.7%	\$1.27	\$0.02	1.7%
HMO	\$185.92	\$213.21	(\$11.27)	-5.3%	\$201.95	\$16.03	8.6%
Total Local	\$187.55	\$214.95	(\$11.32)	-5.3%	\$203.63	\$16.09	8.6%

	2022 Inforce Rates **	2023 Prelim Bids	Negotiation Savings	%	2023 BAFO Rates***	Change From Inforce	%
Total (in Millions)							
Medicare Advantage	\$8.6	\$9.4	\$0.0	0.0%	\$9.4	\$0.8	9.0%
Statewide	\$57.2	\$60.3	(\$4.2)	-7.0%	\$56.1	(\$1.0)	-1.8%
HMO	\$1,251.9	\$1,430.3	(\$69.5)	-4.9%	\$1,360.8	\$108.9	8.7%
Grand Total	\$1,317.7	\$1,500.0	(\$73.7)	-4.9%	\$1,426.3	\$108.6	8.2%

^ Totals may not reconcile due to rounding

* Medicare includes HDHP Medicare and Family 1 contracts

** 2022 Inforce Rates are pre-buydown

*** 2023 BAFO rates are pre-buydown

2023 Overall Medical Increase by Group

- Renewal process resulted in a \$73.7 million savings, a 4.9% reduction from 2023 Preliminary Bids (4.9% for State and 5.3% for Locals)

	2022 Inforce Rates **	2023 Prelim Bids	Negotiation Savings	%	2023 BAFO Rates***	Change From Inforce	%
State (in Millions)							
Non-Medicare	\$846.4	\$960.6	(\$46.4)	-4.8%	\$914.2	\$67.8	8.0%
Medicare*	\$82.9	\$96.3	(\$4.2)	-4.3%	\$92.2	\$9.3	11.2%
Grads	\$48.9	\$56.4	(\$3.6)	-6.3%	\$52.9	\$4.0	8.2%
HDHP	\$152.0	\$171.8	(\$8.3)	-4.8%	\$163.5	\$11.5	7.6%
Total State	\$1,130.1	\$1,285.1	(\$62.4)	-4.9%	\$1,222.7	\$92.6	8.2%
Local (in Millions)							
Non-Medicare	\$174.0	\$199.3	(\$10.4)	-5.2%	\$188.9	\$14.9	8.6%
Medicare*	\$4.7	\$5.7	(\$0.5)	-8.8%	\$5.2	\$0.5	10.5%
HDHP	\$8.8	\$9.9	(\$0.4)	-4.2%	\$9.5	\$0.7	7.7%
Total Local	\$187.5	\$214.9	(\$11.3)	-5.3%	\$203.6	\$16.1	8.6%
Grand Total	\$1,317.7	\$1,500.0	(\$73.7)	-4.9%	\$1,426.3	\$108.6	8.2%

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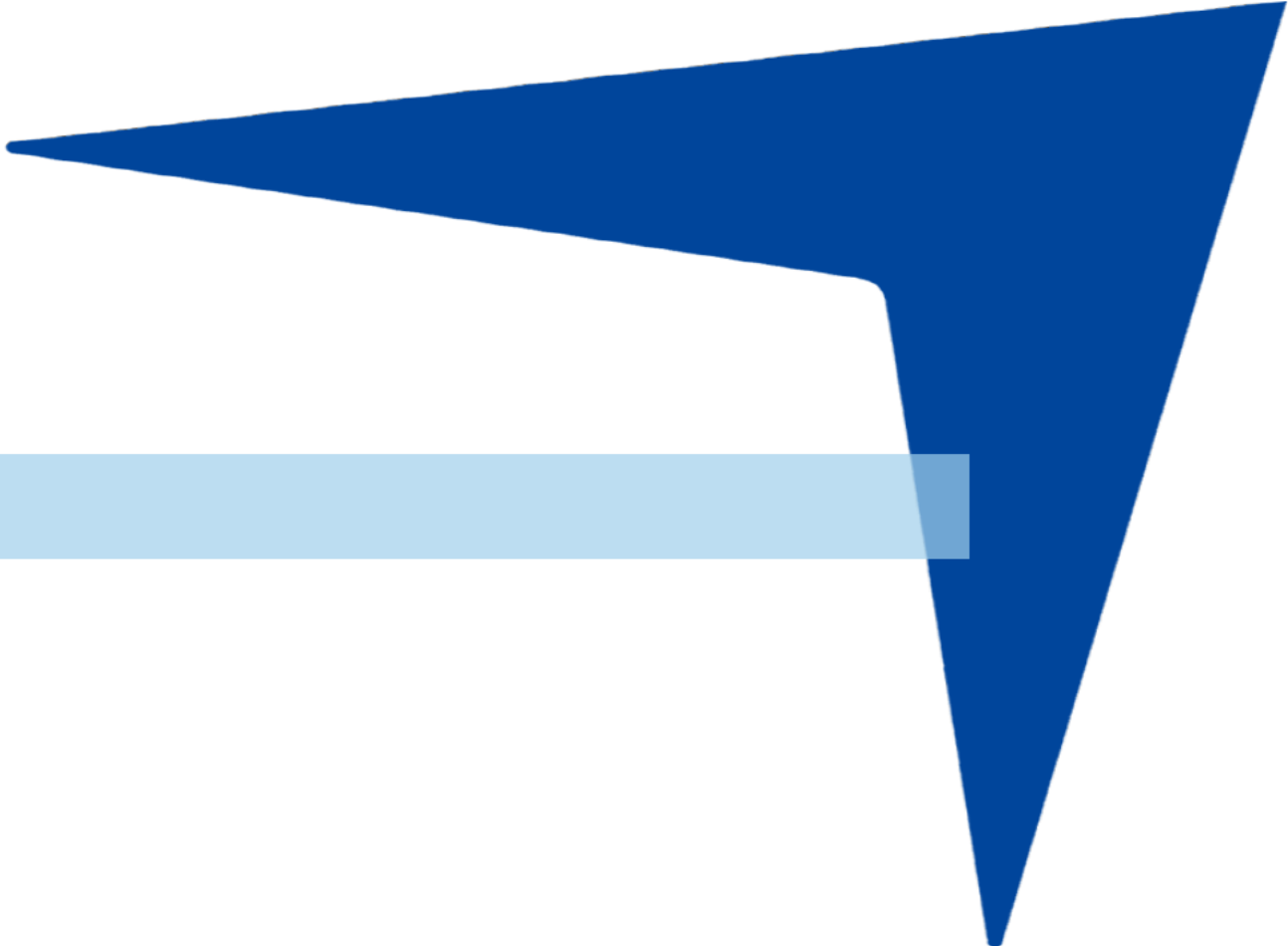
Network Access Qualification

- A plan must meet at least 90% geo-access in the county for the inpatient hospitals, primary care physicians (includes Internal Medicine, Family Medicine and General Medicine) and chiropractors
- If a geo-access requirement above is not met, the plan can alternatively meet the qualification requirement for any county by:
 - Inpatient Hospitals: the plan must have at least one (1) general hospital under contract and/or routinely utilized by in-network providers available per county
 - Primary Care Physicians: the ratio of full-time equivalent primary physicians accepting new patients to total participants in a county or major city is at least one per two thousand (1.0/2,000) with a minimum of five (5) primary care physicians per county
 - Chiropractors: one (1) chiropractor must be available in each county
- For a plan to be fully qualified in county, the plan must be a qualified in that county and be Tier 1
- If no plans meet the requirements above for a given country, the SMP will be available

State Maintenance Plan (SMP)

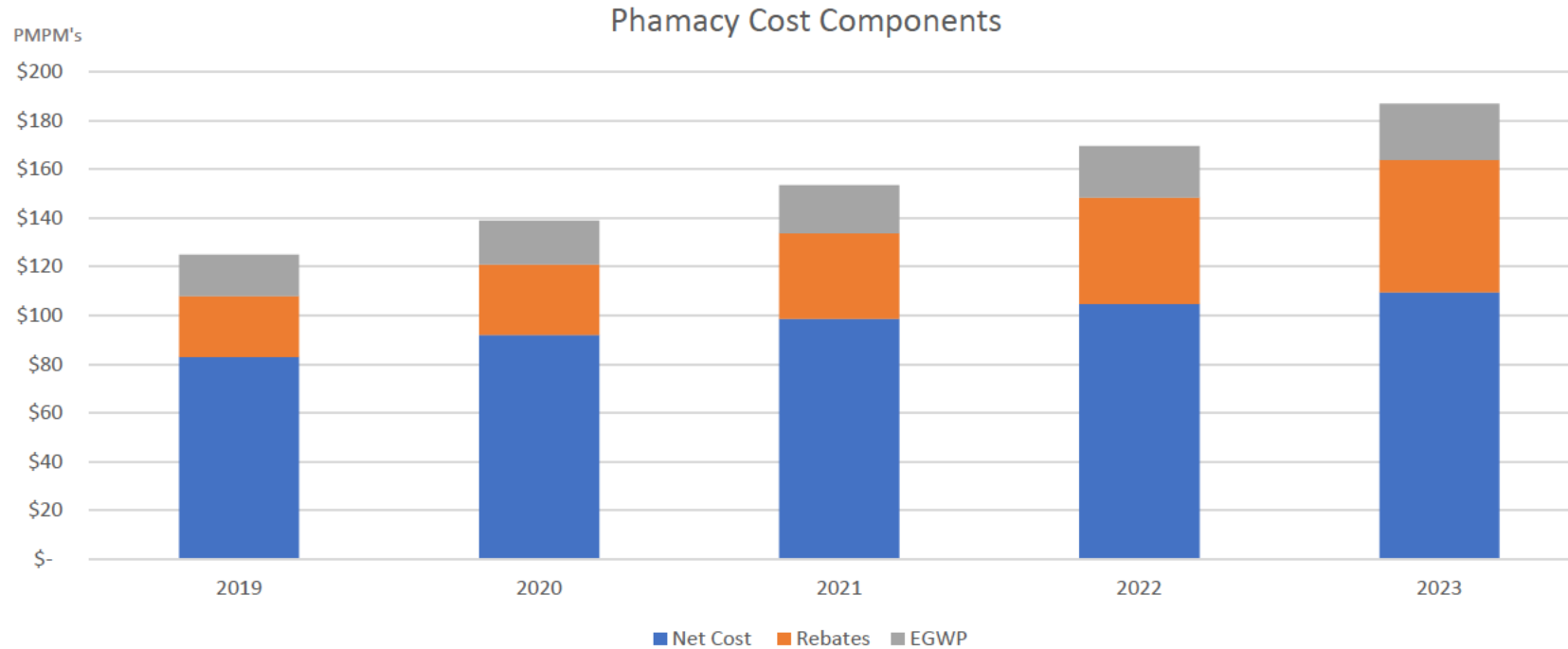
- SMP is the designated Tier 1 plan in every county where there is no other qualified Tier 1 plan
- SMP will be offered in 1 county in 2023 for State (same as 2022):
 - Florence County
- SMP will be offered in 4 counties in 2023 for Local (down from 7 counties in 2022):
 - Florence County
 - Marquette County
 - Waupaca County
 - Waushara County

The vast majority of Local membership will not need a SMP in 2023 as a result of expanded networks.

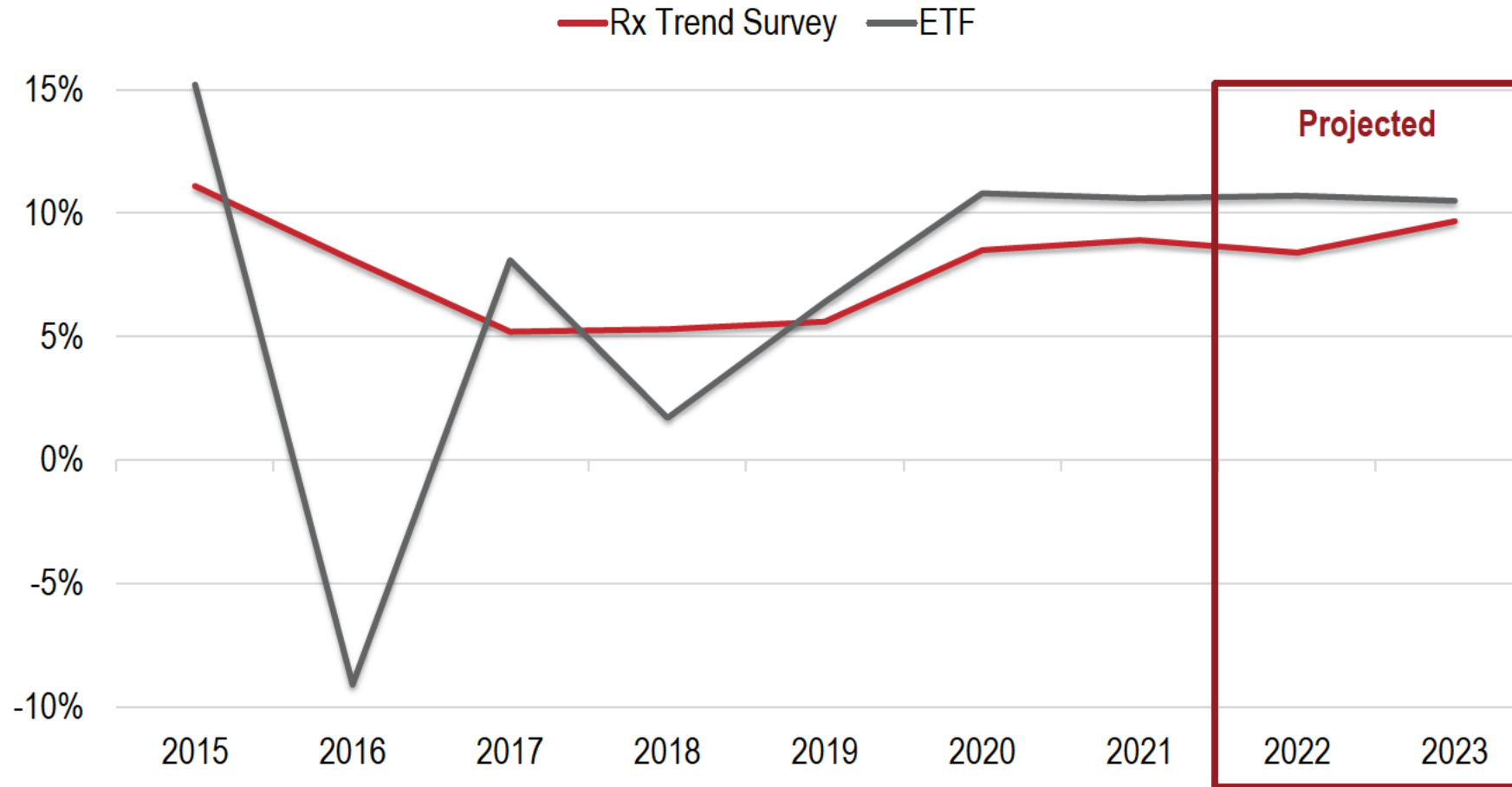
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1. Overview
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Historical Pharmacy Spend – PMPM

- “Top Line” claims (before credits) projected trend is averaging 10.6% from 2016 – 2023, while Rebates and EGWP subsidies have increased on average at 16.5%
- The net impact is a 4-year total average increase of 7.2% annually



Historical Pharmacy “Top Line” Trends – Comparison to ETF



ETF increases have generally been higher than norms over past 4 years.

Prescription Drug Plan

- Rating groups below are necessary to minimize volatility:
 - **State:** Regular, Grads, and Medicare
 - **Local:** Regular and Medicare
- Claims data was received from Navitus and used in our analysis
 - Baseline data utilized the most recent 12 months of claims, June 2021 through May 2022
- Annual top-line claims trend of 9.6% was derived from the weighted average of the Navitus projected claims trends for 2021 and 2022 and the Segal trend survey
- We received and utilized administrative expenses, expected rebates and Medicare Part D subsidies provided by Navitus for the rate development
- As opposed to prior years, the actual net prescription costs were higher than Navitus assumptions, yielding a loss
- The Navitus recast of 2021 and 2022 cost assumptions further drove the composite rate increase of 9.6%

Prescription Drug Plans Rates

➤ Aggregate rate increase of 10.2% for State

	2022 Single Rate	2023 Single Rate	%
State			
HMO Regular	\$119.94	\$128.50	7.1%
IYC Access	\$119.94	\$128.50	7.1%
State Maintenance Plan (SMP)	\$119.94	\$128.50	7.1%
HDHP Regular	\$103.14	\$110.52	7.2%
IYC Access HDHP	\$103.14	\$110.52	7.2%
State Maintenance Plan (SMP) HDHP	\$103.14	\$110.52	7.2%
HMO Grads	\$56.20	\$64.14	14.1%
IYC Access Grads	\$56.20	\$64.14	14.1%
State Maintenance Plan (SMP) Grads	\$56.20	\$64.14	14.1%
HMO Medicare	\$140.40	\$167.52	19.3%
Medicare Plus (IYC Access & SMP)	\$140.40	\$167.52	19.3%
Overall			10.2%

Prescription Drug Plans Rates *continued*

➤ Aggregate rate decrease of 4.4% for Local

	2022 Single Rate	2023 Single Rate	% Change
Local			
HDHP Regular	\$106.02	\$102.00	-3.8%
IYC Access HDHP	\$106.02	\$102.00	-3.8%
State Maintenance Plan HDHP	\$106.02	\$102.00	-3.8%
HMO Regular	\$130.90	\$125.92	-3.8%
IYC Access	\$130.90	\$125.92	-3.8%
State Maintenance Plan	\$130.90	\$125.92	-3.8%
HMO / HDHP Medicare	\$186.38	\$166.88	-10.5%
Medicare Plus (IYC Access & SMP)	\$186.38	\$166.88	-10.5%
Overall			-4.4%

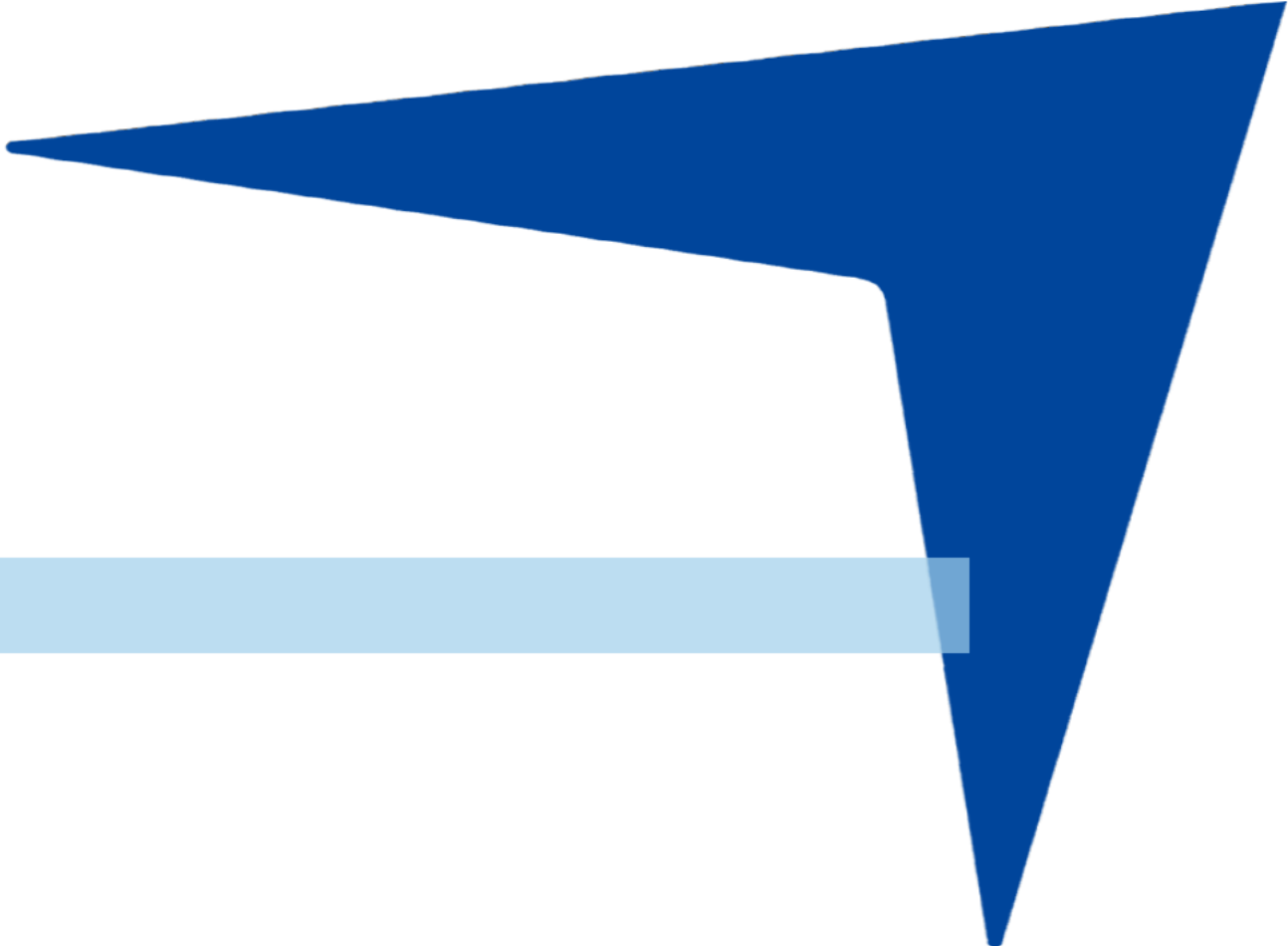
Prescription Drug Plans Rates

➤ Overall, the recommended rate increase for the prescription drug plan is 8.1%

	2022 Inforce (Pre BD)	2023 Premium (Pre BD)	\$ Change	% Change
State (in Millions)				
Non-Medicare, Non-Grad	\$148.8	\$159.4	\$10.6	7.1%
Medicare*	\$58.2	\$69.2	\$11.0	18.9%
Grad Assistants	\$5.6	\$6.4	\$0.8	14.1%
HDHP	\$26.2	\$28.1	\$1.9	7.2%
Total State	\$238.8	\$263.1	\$24.3	10.2%
Local (in Millions)				
Non-Medicare, Non-Grad	\$34.6	\$33.3	(\$1.3)	-3.8%
Medicare*	\$3.7	\$3.3	(\$0.4)	-10.2%
HDHP	\$1.6	\$1.5	(\$0.1)	-3.8%
Total Local	\$39.9	\$38.2	(\$1.8)	-4.4%
Grand Total	\$278.7	\$301.3	\$22.6	8.1%

^ Totals may not reconcile due to rounding

* Medicare includes Family 1 contracts

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Dental Plan Rates (State and Local)

- The self-insured dental plan was procured in 2015 and Delta Dental was awarded the contract for a 2016 start date
 - Delta won a recent RFP to continue services starting 1/1/2022
- Claims data (January 2017 – April 2022) was received from Delta Dental and used in our analysis
 - Experience period used was 2021 incurred claims (runout thru April 2022)
- Assumptions:
 - Annual Trend 3.1% (Segal Trend Survey)
 - Delta Dental's Projected 2022 Plan Design Change Impact 3.7% (Add coverage for composite fillings on posterior teeth)
- Emerging experience aligns with prior projections, thus the rate increase is close to the underlying trend assumption

	2022 Rates	2023 Rates	% Change
Self-Insured Rates			
Single	\$30.20	\$31.16	3.2%
Family	\$75.50	\$77.90	3.2%

Dental Total Cost

➤ Overall, the recommended rate action for the dental plan is 3.2%

	2022 Inforce (Pre BD)	2023 Premium (Pre BD)	\$ Change	% Change
State (in Millions)				
Non-Medicare, Non-Grad	\$36.6	\$37.8	\$1.2	3.2%
Medicare*	\$10.9	\$11.3	\$0.3	3.2%
Grad Assistants	\$2.8	\$2.9	\$0.1	3.2%
HDHP	\$7.4	\$7.6	\$0.2	3.2%
Total State	\$57.8	\$59.6	\$1.8	3.2%
Local (in Millions)				
Non-Medicare, Non-Grad	\$1.795	\$1.852	\$0.057	3.2%
Medicare*	\$0.085	\$0.087	\$0.003	3.2%
HDHP	\$0.120	\$0.123	\$0.004	3.2%
Total Local	\$1.999	\$2.063	\$0.064	3.2%
Grand Total	\$59.8	\$61.7	\$1.9	3.2%

^ Totals may not reconcile due to rounding

* Medicare includes Family 1 contracts

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1. Overview
 2. Medical Plans
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 4. Dental
 - 5. Aggregate Renewal**
 6. Fund Balance/Reserve
 7. 2023 Premium Alternatives

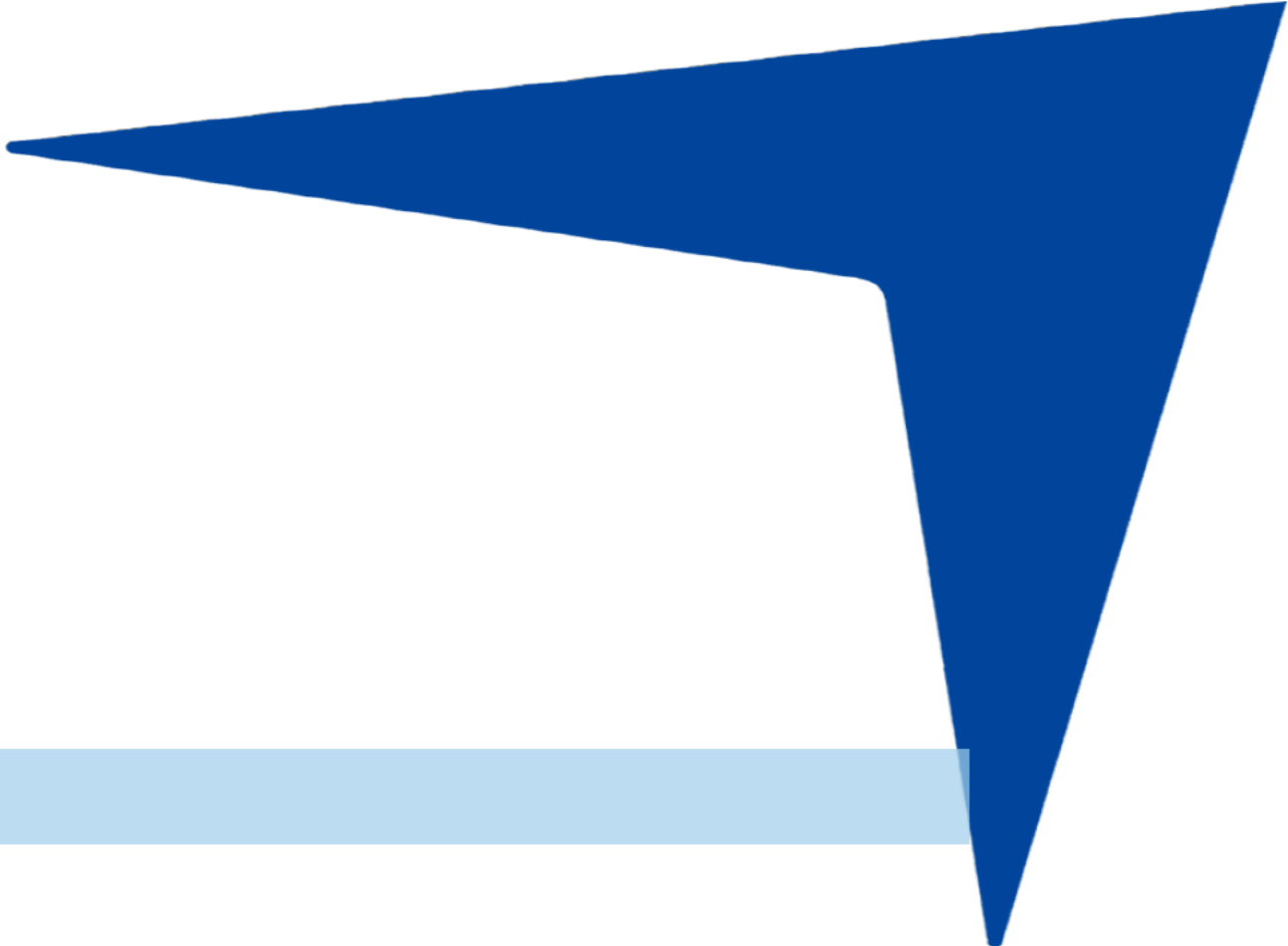
2023 Aggregate Renewal - Medical, Rx, Dental, and Admin

- Renewal process resulted in a \$131.1 million Total Premium increase, a 7.8% increase from 2022 Inforce Rates (8.0% for State and 6.1% for Locals)

	2022 Inforce (Pre BD)	2023 Premium (Pre BD)	\$ Change	% Change
State (in Millions)				
Medical	\$1,130.1	\$1,222.7	\$92.6	8.2%
Pharmacy	\$238.8	\$263.1	\$24.3	10.2%
Dental	\$57.8	\$59.6	\$1.8	3.2%
Admin	\$26.8	\$25.0	(\$1.8)	-6.7%
Total	\$1,453.5	\$1,570.4	\$116.9	8.0%
Local (in Millions)				
Medical	\$187.5	\$203.6	\$16.1	8.6%
Pharmacy	\$39.9	\$38.2	(\$1.8)	-4.4%
Dental	\$2.0	\$2.1	\$0.1	3.2%
Admin	\$3.6	\$3.3	(\$0.2)	-6.7%
Total	\$233.0	\$247.2	\$14.2	6.1%
Grand Total	\$1,686.6	\$1,817.6	\$131.1	7.8%

^ Totals may not reconcile due to rounding

* Medicare includes HDHP Medicare and Family 1 contracts

- 
1. Overview
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 - 6. Fund Balance/Reserve**
 7. 2023 Premium Alternatives

Fund Balance

State

- The fund balance increased \$4.2M in 2021 and is projected to decrease by \$40.5M in 2022

State Health Reserve (in millions)										
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Beg of Year										
Medical	61.4	66.7	69.4	74.8	76.9	84.7	62.0	73.5	86.3	96.5
Pharmacy	77.9	63.1	30.8	6.7	60.1	121.8	134.7	132.4	100.1	90.1
Dental	0.0	0.0	0.0	0.0	(1.2)	0.2	3.5	5.5	19.6	23.7
Total	139.3	129.8	100.1	81.5	135.8	206.6	200.2	211.4	206.1	210.3
Gain/(Loss)										
Medical	5.3	2.7	5.4	2.1	7.8	(22.7)	11.5	12.9	10.2	0.6
Pharmacy	(14.9)	(32.3)	(24.1)	53.4	61.6	13.0	(2.4)	(32.2)	(10.1)	(41.2)
Dental	0.0	0.0	0.0	(1.2)	1.4	3.3	2.0	14.1	4.1	0.1
Total	(9.6)	(29.6)	(18.7)	54.3	70.8	(6.4)	11.1	(5.3)	4.2	(40.5)
End of Year										
Medical	66.7	69.4	74.8	76.9	84.7	62.0	73.5	86.3	96.5	97.1
Pharmacy	63.1	30.8	6.7	60.1	121.8	134.7	132.4	100.1	90.1	48.9
Dental	0.0	0.0	0.0	(1.2)	0.2	3.5	5.5	19.6	23.7	23.8
Total	129.8	100.1	81.5	135.8	206.6	200.2	211.4	206.1	210.3	169.7

^ Totals may not reconcile due to rounding

* Reserves inclusive of investment income

Fund Balance

Local

- The fund balance increased \$2.6M in 2021 and is projected to increase \$0.8M in 2022

Local Health Reserve (in millions)										
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Beg of Year										
Medical	1.7	0.6	0.7	0.6	(0.1)	(0.8)	(1.5)	(2.0)	(2.3)	(3.3)
Pharmacy	17.0	20.5	15.6	8.4	14.3	19.9	23.7	21.0	16.8	20.4
Dental	0.0	0.0	0.0	0.0	(0.1)	(0.2)	(0.2)	(0.2)	0.1	0.1
Total	18.7	21.1	16.3	9.0	14.2	18.9	22.1	18.9	14.6	17.2
Gain/(Loss)										
Medical	(1.1)	0.0	(0.0)	(0.7)	(0.8)	(0.7)	(0.5)	(0.3)	(1.0)	0.0
Pharmacy	3.5	(4.9)	(7.2)	5.9	5.6	3.8	(2.7)	(4.2)	3.6	0.8
Dental	0.0	0.0	0.0	(0.1)	(0.1)	0.0	0.0	0.3	(0.0)	(0.1)
Total	2.4	(4.9)	(7.2)	5.1	4.7	3.1	(3.2)	(4.2)	2.6	0.8
End of Year										
Medical	0.6	0.7	0.6	(0.1)	(0.8)	(1.5)	(2.0)	(2.3)	(3.3)	(3.2)
Pharmacy	20.5	15.6	8.4	14.3	19.9	23.7	21.0	16.8	20.4	21.2
Dental	0.0	0.0	0.0	(0.1)	(0.2)	(0.2)	(0.2)	0.1	0.1	0.1
Total	21.1	16.3	9.0	14.2	18.9	22.1	18.9	14.6	17.2	18.1

^ Totals may not reconcile due to rounding

* Reserves inclusive of investment income

Fund Balance

State (Projected 12/31/2022)

- Segal's ending fund balance projection uses ETF transactional data through 6/30/2022

State Health Reserve (in millions)				
	Medical	Pharmacy	Dental	Total
Balance 1/1/2022	96.5	90.1	23.7	210.3
Revenue				
Premiums	1,184.1	216.1	60.7	1,461.0
EGWP Subsidy		55.1		55.1
Investment Income	0.6	0.4	0.1	1.1
Total Revenue	1,184.7	271.7	60.9	1,517.2
Expenses				
Paid Claims	1,164.6	409.4	59.6	1,633.5
Admin Costs	19.6	9.4	1.2	30.2
Rebates		(105.9)		(105.9)
Total Expenses	1184.1	312.9	60.8	1,557.8
2022 Change in Budget	0.6	(41.2)	0.1	(40.5)
Balance 12/31/2022	97.1	48.9	23.8	169.7
2021 Projection				187.1

^ Totals may not reconcile due to rounding

A net loss of \$17.4 million

Fund Balance

Local (Projected 12/31/2022)

➤ Segal's ending fund balance projection uses ETF transactional data through 6/30/2022

Local Health Reserve (in millions)				
	Medical	Pharmacy	Dental	Total
Balance 1/1/2022	(3.3)	20.4	0.1	17.2
Revenue				
Premiums	185.6	38.1	2.1	225.8
EGWP Subsidy		3.5		3.5
Investment Income	(0.0)	0.1	0.0	0.1
Total Revenue	185.6	41.8	2.1	229.5
Expenses				
Paid Claims	183.1	55.6	2.1	240.8
Admin Costs	2.5	0.9	0.0	3.4
Rebates		(15.5)		(15.5)
Total Expenses	185.6	40.9	2.1	228.6
2022 Change in Budget	0.0	0.8	(0.1)	0.8
Balance 12/31/2022	(3.2)	21.2	0.1	18.1
2021 Projection				15.3

^ Totals may not reconcile due to rounding

A net gain of \$2.8 million

Gain/(Loss) Summary

- Overall investment experience over last 12-months has been positive
- Poor pharmacy experience is the largest component of the loss for State
- Allocation of rebates and subsidies to locals causes some variation

Projected 12/31/2022 Reserve Gain/(Loss) Analysis (in millions)		
	State	Local
2021 Projected	187.1	15.3
2022 Projected	169.7	18.1
Total Reserve Gain	(17.4)	2.8
Gain from:		
Investment Income	6.6	1.8
Pharmacy Experience	(20.4)	1.8
Dental Experience	(0.3)	(0.1)
Medical Experience	(3.3)	(0.7)

Reserve Policy

- In August 2017, Segal was asked to review the reserve policy in place and recommended some modifications at the August 30, 2018, Board meeting
- The proposed policy looked at a number of factors and recommended reducing the reserve levels for the self-insured pharmacy and dental programs
- The new policy, approved by the Board, sets reserves at:
 - Medical: 3% to 5% of premiums
 - Pharmacy: 8% to 10% of projected claims
 - Dental: 5% to 7% of projected claims
- It was proposed to move to the midpoint of the new policy over a 4-year period to minimize premium fluctuations—with 2021 being the last year of the phase-in
- Last year the board, based on the reserve at that time, approved moving to the new policy over the 3-year period ending in 2024

Reserve Surplus Calculation

- Based on the mid-point reserve target, the State has a surplus of \$76.7M
- Locals also have a surplus of \$4.3M

	Projected Reserve (in millions)							
	State				Local			
	Medical	Rx	Dental	Total	Medical	Rx	Dental	Total
Projected Fund Balance 12/31/2022	97.1	48.9	23.8	169.7	(3.2)	21.2	0.1	18.1
Projected 2023 Claims (SI)		449.5	61.4	511.0		61.0	2.2	63.2
Projected 2023 Premiums (FI)	1,222.7			1,222.7	203.6			203.6
New Policy Reserve Target								
3% Medical, 8% Rx, 5% Dental	36.7	36.0	3.1	75.7	6.1	4.9	0.1	11.1
5% Medical, 10% Rx, 7% Dental	61.1	45.0	4.3	110.4	10.2	6.1	0.2	16.4
Mid-Point Reserve	48.9	40.5	3.7	93.1	8.1	5.5	0.1	13.8
Surplus New Policy	48.2	8.4	20.1	76.7	(11.4)	15.7	(0.1)	4.3

- Segal recommends the State and Local plans utilize a portion of the surplus to buy down premiums
- Also note there is \$17.4M for State and \$2.7M for Locals to move to the lower end of the range

Historical Fund Balance Buy-Downs

- Since 2007 there have been frequent buy-downs to move toward the Board Reserve Policy

Premium Year	Fund Buy-Down (in millions)							
	State				Local			
	Medical	Rx	Dental	Total	Medical	Rx	Dental	Total
2025(TBD)								
2024(TBD)								
2023(TBD)								
2022	0.0	27.0	0.0	27.0	0.0	2.5	0.0	2.5
2021	0.0	10.5	0.0	10.5	0.0	1.7	0.0	1.7
2020	0.0	33.0	0.0	33.0	0.0	6.5	0.0	6.5
2019	0.0	49.1	0.0	49.1	0.0	7.8	0.0	7.8
2018	13.0	16.0	0.0	29.0	0.0	0.0	0.0	0.0
2017	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2016	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2015	0.0	20.0	0.0	20.0	0.0	5.0	0.0	5.0
2014	0.0	20.5	0.0	20.5	0.0	3.1	0.0	3.1
2013	0.0	32.8	0.0	32.8	0.2	1.0	0.0	1.2
2012	0.0	30.0	0.0	30.0	0.0	1.0	0.0	1.0

- Buy-downs require additional premium in the future years to make up the amount

The buy-down is applied by taking a % of the Rx premium rates across all groups.

Multi-Year Reserve Draw Strategy – State Option 1

- Continue Option 4 from 2022 Board Approval – \$43.0M draw; a 7.1% increase
- In 2024, the remaining surplus is applied – a 5.4% increase
- No additional draw in 2025 – a 7.6% increase

State Reserve Multi-Year Strategy (in Millions)

	Balance ¹	Target ²	% of Claims/ FI Premium	Surplus ³	Draw
2023	\$169.7	\$93.1	5.4%	\$76.7	\$43.0
2024	\$135.6	\$97.7	5.4%	\$37.9	\$39.7
2025	\$102.6	\$102.6	5.4%	\$0.0	\$0.0

[^] Totals may not reconcile due to rounding

¹ Assumes 7% investment return and no additional gains or losses that would impact the fund balance.

² Reserve Target assumed to increase at 5% per year.

³ The Surplus refers to the money in the fund that exceeds the Midpoint Target Reserve at beginning of year.

Multi-Year Reserve Draw Strategy – State Option 2

- The table below targets a 4% increase in 2023 and uses the entire surplus
- In 2024, with no surplus available, results in a larger increase of 11.1%
- In 2025, with no surplus available, the rate increase is 5.0%

State Reserve Multi-Year Strategy (in Millions)

	Balance ¹	Target ²	% of Claims/ FI Premium	Surplus ³	Draw
2023	\$169.7	\$93.1	5.4%	\$76.7	\$86.5
2024	\$89.1	\$97.7	5.4%	-\$8.7	\$0.0
2025	\$95.3	\$102.6	5.4%	-\$7.3	\$0.0

- Note that this falls below the midpoint target – but is still within the reserve range

[^] Totals may not reconcile due to rounding

¹ Assumes 7% investment return and no additional gains or losses that would impact the fund balance.

² Reserve Target assumed to increase at 5% per year.

³ The Surplus refers to the money in the fund that exceeds the Midpoint Target Reserve at beginning of year.

Multi-Year Reserve Draw Strategy – State Option 3

- The table below targets a 5% increase in 2023 and uses most of the surplus
- In 2024, the remaining surplus is applied, leaving an increase of 9.5%
- In 2025, with no surplus available, the rate increase is 5.5%

State Reserve Multi-Year Strategy (in Millions)

	Balance ¹	Target ²	% of Claims/ FI Premium	Surplus ³	Draw
2023	\$169.7	\$93.1	5.4%	\$76.7	\$72.3
2024	\$104.2	\$97.7	5.4%	\$6.5	\$8.4
2025	\$102.6	\$102.6	5.4%	\$0.0	\$0.0

[^] Totals may not reconcile due to rounding

¹ Assumes 7% investment return and no additional gains or losses that would impact the fund balance.

² Reserve Target assumed to increase at 5% per year.

³ The Surplus refers to the money in the fund that exceeds the Midpoint Target Reserve at beginning of year.

Multi-Year Reserve Draw Strategy – State Option 4

- The table below targets a 6% increase in 2023 and uses most of the surplus
- In 2024, the remaining surplus is applied, leaving an increase of 7.5%
- In 2025, with no surplus available, the rate increase is 6.5%

State Reserve Multi-Year Strategy (in Millions)

	Balance ¹	Target ²	% of Claims/ FI Premium	Surplus ³	Draw
2023	\$169.7	\$93.1	5.4%	\$76.7	\$58.0
2024	\$119.5	\$97.7	5.4%	\$21.8	\$23.7
2025	\$102.6	\$102.6	5.4%	\$0.0	\$0.0

[^] Totals may not reconcile due to rounding

¹ Assumes 7% investment return and no additional gains or losses that would impact the fund balance.

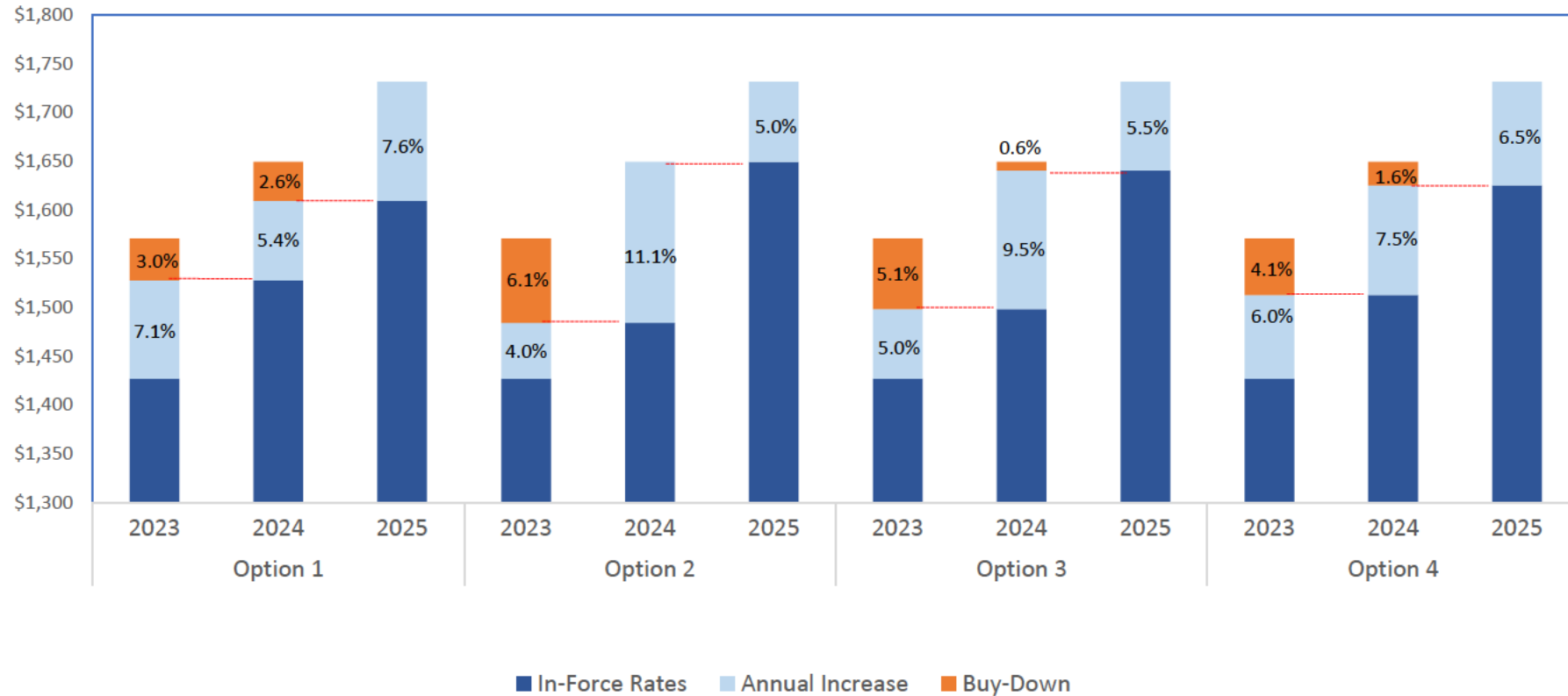
² Reserve Target assumed to increase at 5% per year.

³ The Surplus refers to the money in the fund that exceeds the Midpoint Target Reserve at beginning of year.

Projected State Premium Increases – Options 1 through 4

- Depending on the option, there will be an additional increases over trend in the future to compensate for the underfunding in prior years

Buy-Down Scenarios (in \$ millions)



- Each option produces the same 3-year overall increase of 5.0%

Projected Local Premium Increases

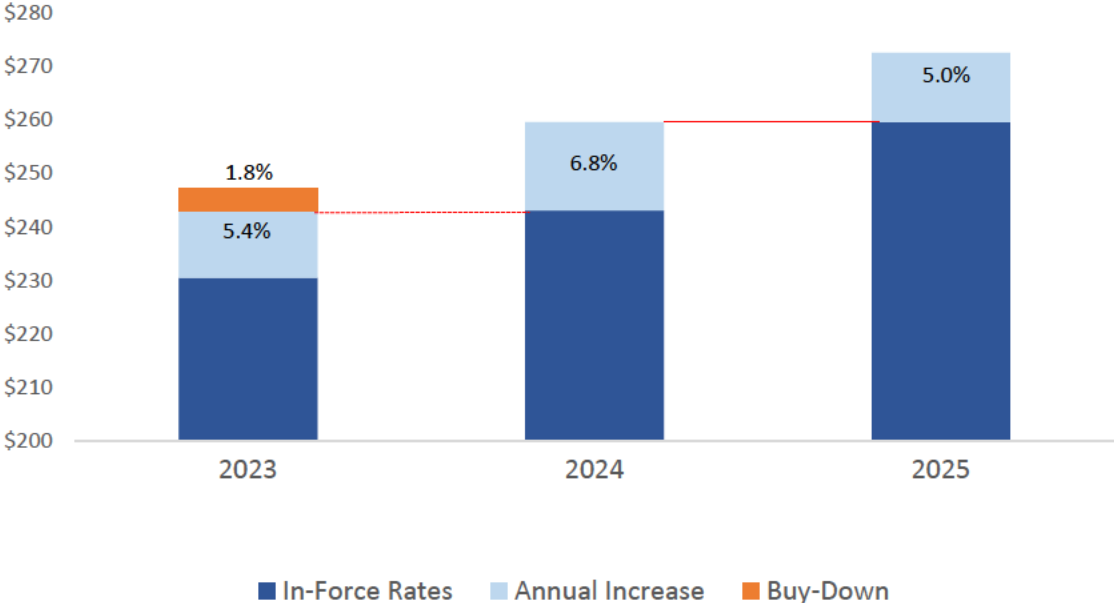
➤ Utilized the entire surplus in 2023

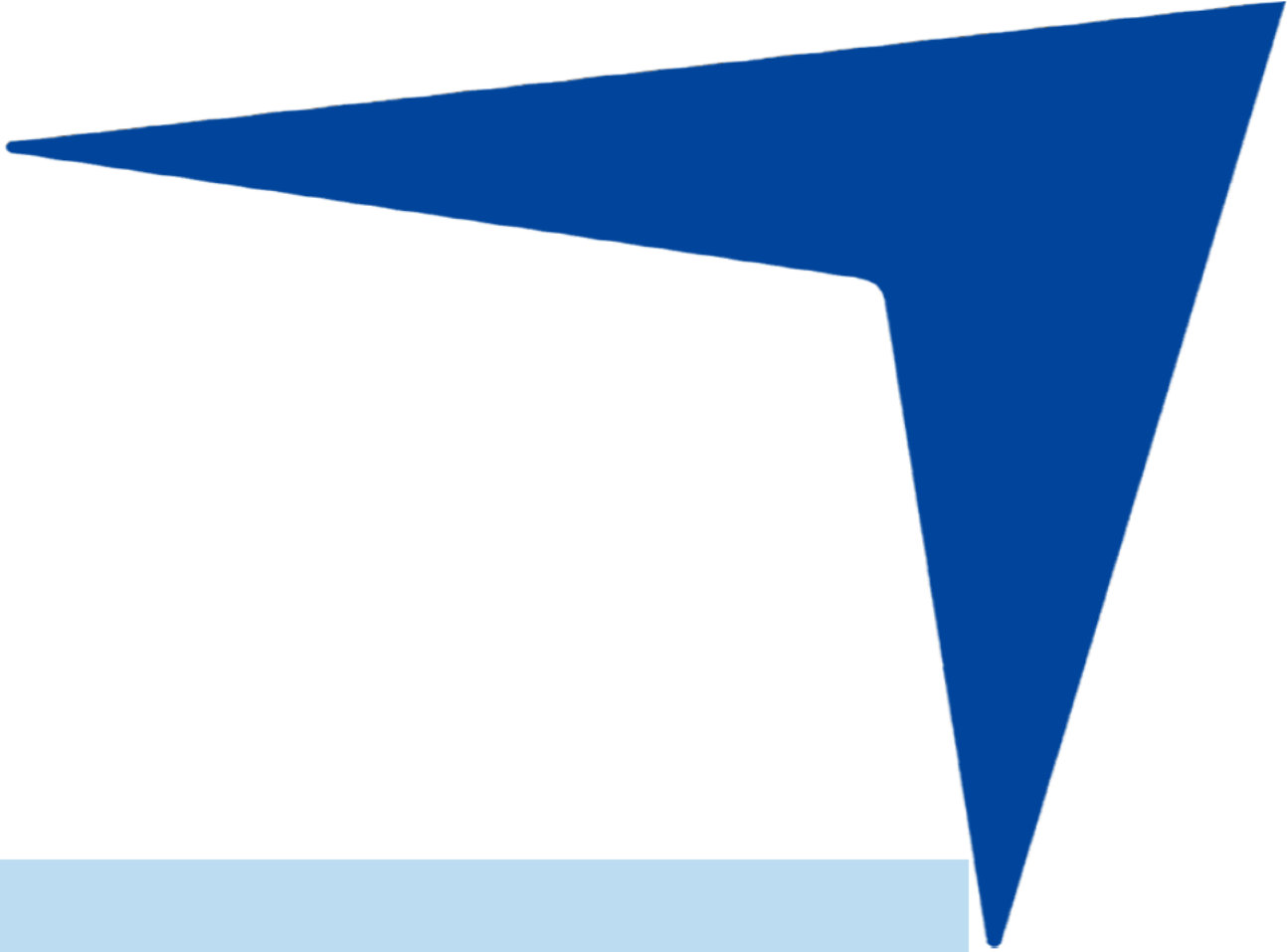
Local Reserve Multi-Year Strategy (in Millions)

	Balance ¹	Target ²	% of Claims/ FI Premium	Surplus ³	Draw
2023	\$17.2	\$13.8	5.2%	\$3.5	\$4.1
2024	\$14.2	\$14.5	5.2%	-\$0.2	\$0.0
2025	\$15.2	\$15.2	5.2%	\$0.0	\$0.0

[^] Totals may not reconcile due to rounding

Buy-Down Scenarios (in \$ millions)



- 
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 4. Dental Plan
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 6. Fund Balance/Reserve

7. 2023 Premium Alternatives

2023 Premium Rates – With No Reserve Draw

Total Premium by Group

- The 2022 premiums reflect a \$26.8 million buy-down for State and \$2.5 million for Locals
- The 2022 inforce after buy-down premiums are expected to increase 10.1% in 2023 before further reserve draw down – Locals increase is 7.2%
- Premiums include medical, pharmacy, dental, and admin

	2022 Inforce (Pre BD)	2022 Inforce (Post BD)	2022 BD	2023 Premium (Pre BD)	2023 Need	%
State (in Millions)						
Non-Medicare, Non-Grad	\$1,046.7	\$1,030.0	\$16.7	\$1,125.3	\$95.3	9.2%
Medicare*	\$158.9	\$152.3	\$6.5	\$179.0	\$26.7	17.5%
Grad Assistants	\$59.2	\$58.6	\$0.6	\$63.9	\$5.4	9.2%
HDHP	\$188.8	\$185.8	\$2.9	\$202.2	\$16.3	8.8%
Total	\$1,453.5	\$1,426.7	\$26.8	\$1,570.4	\$143.7	10.1%
Local (in Millions)						
Non-Medicare, Non-Grad	\$213.5	\$211.3	\$2.2	\$226.9	\$15.6	7.4%
Medicare*	\$8.9	\$8.6	\$0.2	\$9.0	\$0.3	3.9%
HDHP	\$10.7	\$10.6	\$0.1	\$11.3	\$0.7	6.7%
Total	\$233.0	\$230.5	\$2.5	\$247.2	\$16.7	7.2%
Grand Total	\$1,686.6	\$1,657.3	\$29.3	\$1,817.6	\$160.3	9.7%

^ Totals may not reconcile due to rounding

* Medicare includes Family 1 contracts

2023 Premium Rates – With Option 1 Reserve Draw

- State draws down the reserve \$43.0 million to reduce the overall increase from 10.1% to 7.1%
- Locals draws down the reserve \$2.5 million to reduce the overall increase from 7.2% to 5.4%
- Aggregate increase after buy-down is 6.8%

	2022 Inforce (Post BD)	2023 Premium (Pre BD)	2023 Buydown	2023 Premium (Post BD)	\$ Change	% Change
State (in Millions)						
Non-Medicare, Non-Grad	\$1,030.0	\$1,125.3	(\$26.0)	\$1,099.2	\$69.2	6.7%
Medicare*	\$152.3	\$179.0	(\$11.3)	\$167.7	\$15.4	10.1%
Grad Assistants	\$58.6	\$63.9	(\$1.0)	\$62.9	\$4.3	7.4%
HDHP	\$185.8	\$202.2	(\$4.6)	\$197.6	\$11.7	6.3%
Total	\$1,426.7	\$1,570.4	(\$43.0)	\$1,527.5	\$100.7	7.1%
Local (in Millions)						
Non-Medicare, Non-Grad	\$211.3	\$226.9	(\$3.6)	\$223.4	\$12.0	5.7%
Medicare*	\$8.6	\$9.0	(\$0.4)	\$8.6	(\$0.0)	-0.3%
HDHP	\$10.6	\$11.3	(\$0.2)	\$11.2	\$0.5	5.1%
Total	\$230.5	\$247.2	(\$4.1)	\$243.1	\$12.6	5.4%
Grand Total	\$1,657.3	\$1,817.6	(\$47.1)	\$1,770.6	\$113.3	6.8%

^ Totals may not reconcile due to rounding

* Medicare includes Family 1 contracts

2023 Premium Rates – With Option 2 Reserve Draw

- State draws down the reserve \$86.5 million to reduce the overall increase from 10.1% to 4.0%
- Locals draws down the reserve \$4.1 million to reduce the overall increase from 7.2% to 5.4%
- Aggregate increase after buy-down is 4.2%

	2022 Inforce (Post BD)	2023 Premium (Pre BD)	2023 Buydown	2023 Premium (Post BD)	\$ Change	% Change
State (in Millions)						
Non-Medicare, Non-Grad	\$1,030.0	\$1,125.3	(\$52.4)	\$1,072.8	\$42.8	4.2%
Medicare*	\$152.3	\$179.0	(\$22.8)	\$156.3	\$3.9	2.6%
Grad Assistants	\$58.6	\$63.9	(\$2.1)	\$61.8	\$3.3	5.6%
HDHP	\$185.8	\$202.2	(\$9.2)	\$192.9	\$7.1	3.8%
Total	\$1,426.7	\$1,570.4	(\$86.5)	\$1,483.9	\$57.1	4.0%
Local (in Millions)						
Non-Medicare, Non-Grad	\$211.3	\$226.9	(\$3.6)	\$223.4	\$12.0	5.7%
Medicare*	\$8.6	\$9.0	(\$0.4)	\$8.6	(\$0.0)	-0.3%
HDHP	\$10.6	\$11.3	(\$0.2)	\$11.2	\$0.5	5.1%
Total	\$230.5	\$247.2	(\$4.1)	\$243.1	\$12.6	5.4%
Grand Total	\$1,657.3	\$1,817.6	(\$90.6)	\$1,727.0	\$69.7	4.2%

^ Totals may not reconcile due to rounding

* Medicare includes Family 1 contracts

2023 Premium Rates – With Option 3 Reserve Draw

- State draws down the reserve \$72.3 million to reduce the overall increase from 10.1% to 5.0%
- Locals draws down the reserve \$4.1 million to reduce the overall increase from 7.2% to 5.4%
- Aggregate increase after buy-down is 5.1%

	2022 Inforce (Post BD)	2023 Premium (Pre BD)	2023 Buydown	2023 Premium (Post BD)	\$ Change	% Change
State (in Millions)						
Non-Medicare, Non-Grad	\$1,030.0	\$1,125.3	(\$43.8)	\$1,081.5	\$51.4	5.0%
Medicare*	\$152.3	\$179.0	(\$19.0)	\$160.0	\$7.7	5.0%
Grad Assistants	\$58.6	\$63.9	(\$1.8)	\$62.2	\$3.6	6.2%
HDHP	\$185.8	\$202.2	(\$7.7)	\$194.5	\$8.6	4.6%
Total	\$1,426.7	\$1,570.4	(\$72.3)	\$1,498.1	\$71.3	5.0%
Local (in Millions)						
Non-Medicare, Non-Grad	\$211.3	\$226.9	(\$3.6)	\$223.4	\$12.0	5.7%
Medicare*	\$8.6	\$9.0	(\$0.4)	\$8.6	(\$0.0)	-0.3%
HDHP	\$10.6	\$11.3	(\$0.2)	\$11.2	\$0.5	5.1%
Total	\$230.5	\$247.2	(\$4.1)	\$243.1	\$12.6	5.4%
Grand Total	\$1,657.3	\$1,817.6	(\$76.4)	\$1,741.2	\$83.9	5.1%

^ Totals may not reconcile due to rounding

* Medicare includes Family 1 contracts

2023 Premium Rates – With Option 4 Reserve Draw

- State draws down the reserve \$58.0 million to reduce the overall increase from 10.1% to 6.0%
- Locals draws down the reserve \$2.5 million to reduce the overall increase from 7.2% to 5.4%
- Aggregate increase after buy-down is 5.9%

	2022 Inforce (Post BD)	2023 Premium (Pre BD)	2023 Buydown	2023 Premium (Post BD)	\$ Change	% Change
State (in Millions)						
Non-Medicare, Non-Grad	\$1,030.0	\$1,125.3	(\$35.2)	\$1,090.1	\$60.1	5.8%
Medicare*	\$152.3	\$179.0	(\$15.3)	\$163.8	\$11.4	7.5%
Grad Assistants	\$58.6	\$63.9	(\$1.4)	\$62.5	\$4.0	6.8%
HDHP	\$185.8	\$202.2	(\$6.2)	\$196.0	\$10.1	5.5%
Total	\$1,426.7	\$1,570.4	(\$58.0)	\$1,512.4	\$85.6	6.0%
Local (in Millions)						
Non-Medicare, Non-Grad	\$211.3	\$226.9	(\$3.6)	\$223.4	\$12.0	5.7%
Medicare*	\$8.6	\$9.0	(\$0.4)	\$8.6	(\$0.0)	-0.3%
HDHP	\$10.6	\$11.3	(\$0.2)	\$11.2	\$0.5	5.1%
Total	\$230.5	\$247.2	(\$4.1)	\$243.1	\$12.6	5.4%
Grand Total	\$1,657.3	\$1,817.6	(\$62.1)	\$1,755.5	\$98.2	5.9%

^ Totals may not reconcile due to rounding

* Medicare includes Family 1 contracts

Questions & Discussion

★ Segal Consulting

Kenneth Vieira, FSA, FCA, MAAA
Senior Vice President
KVieira@segalco.com

★ Segal Consulting

Patrick Klein, FSA, MAAA
Vice President
Pklein@segalco.com

Thank you!



Action Needed

- 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.

The background is a dark blue gradient with numerous out-of-focus light spots in shades of blue and purple, creating a bokeh effect.

Questions?

WEA Departure and Other Updates: Communication and Outreach Plan

Item 8 – Group Insurance Board

Sara Brockman, Communications Manager






Office of Strategic Health Policy



Informational Item Only

- No Board action is required.

2023 Key Areas of Focus

-  WEA Trust departure and requirement for impacted members to select a new health plan
-  New plan administrator(s) for Access, Medicare Plus, and State Maintenance Plan (SMP)
-  Any approved new health plan(s)
-  Service area changes or expansions
-  Income Continuation Insurance (ICI) change related to expansion of eligible annual earnings and employer share

Outreach Activities

2023 What's
Changing video

Employer kickoff
meetings

Health benefit
webinars

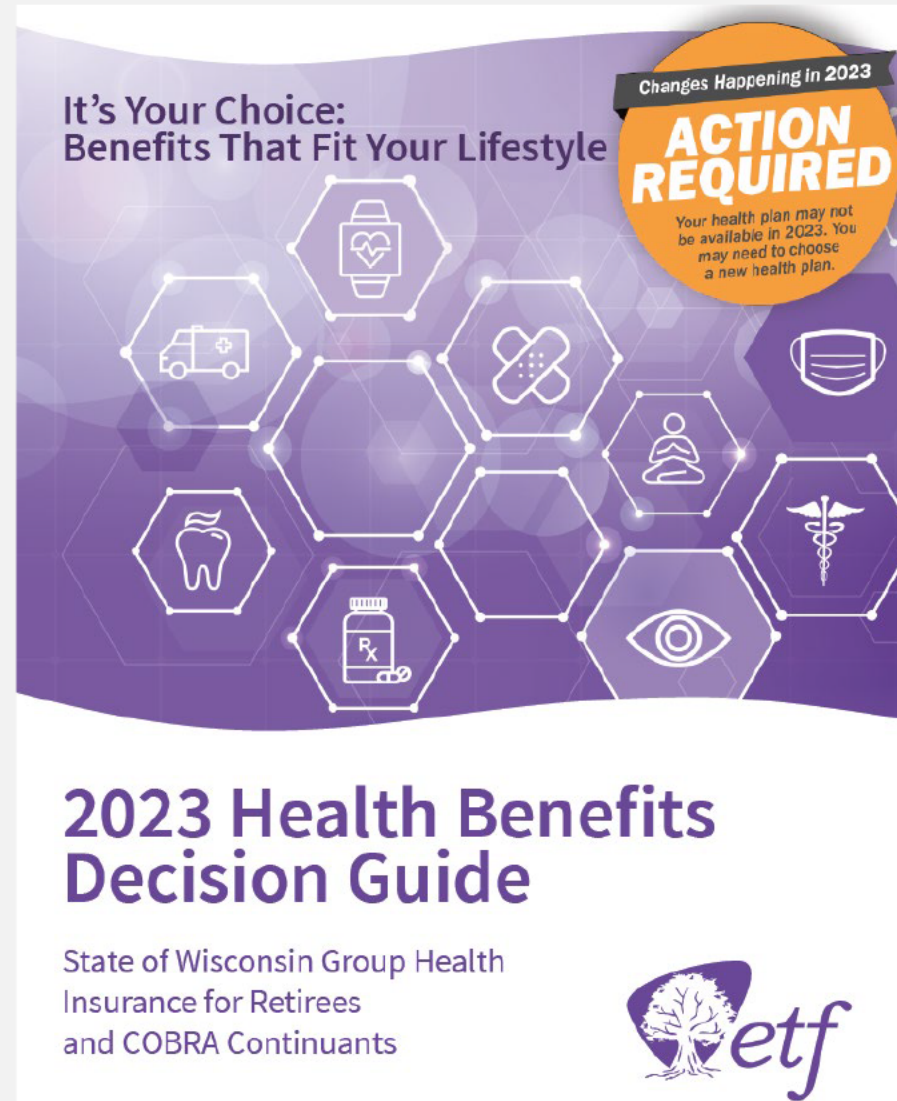
Important
Changes
webpages and
handout

Vendor Q&A
webinars

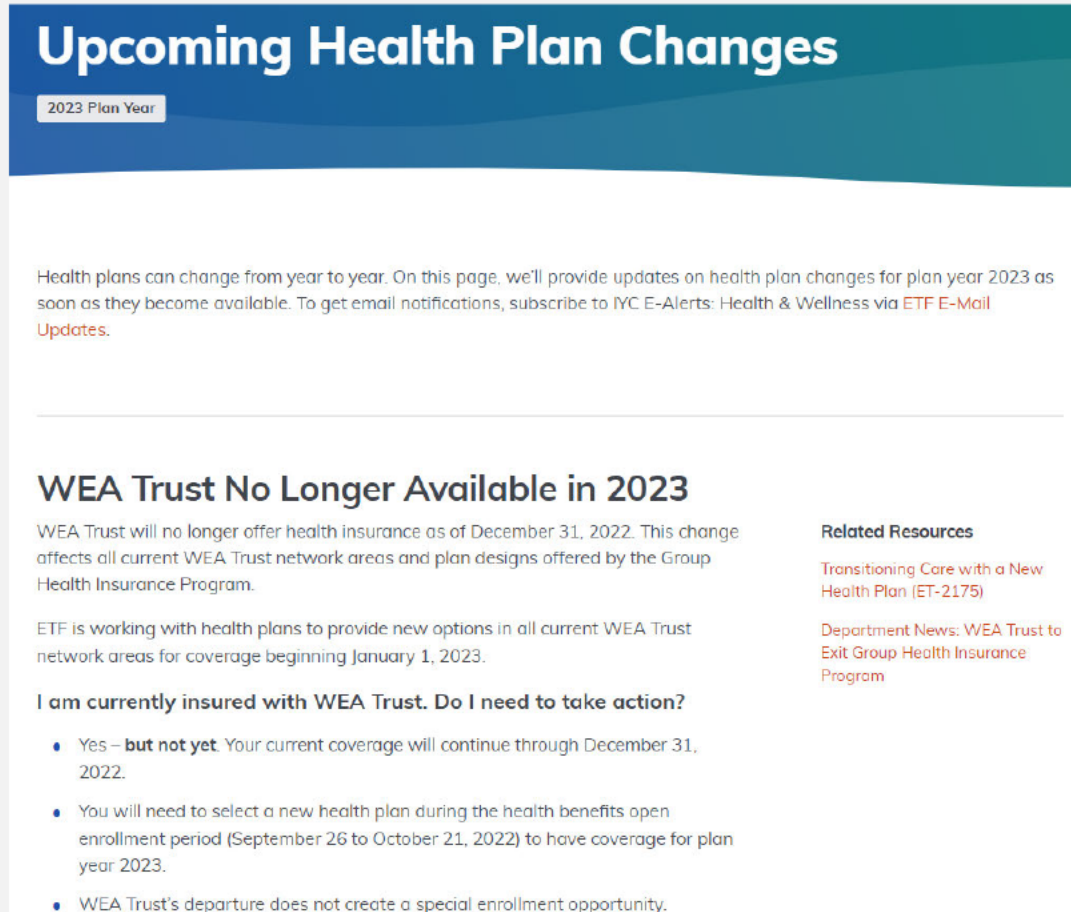
Standard annual
communications

Decision Guides

- Call to action graphic on all covers
- Page content condensed to prioritize health plan changes
 - Plain language
 - Visual interest with graphic components



Health Plan Changes Page

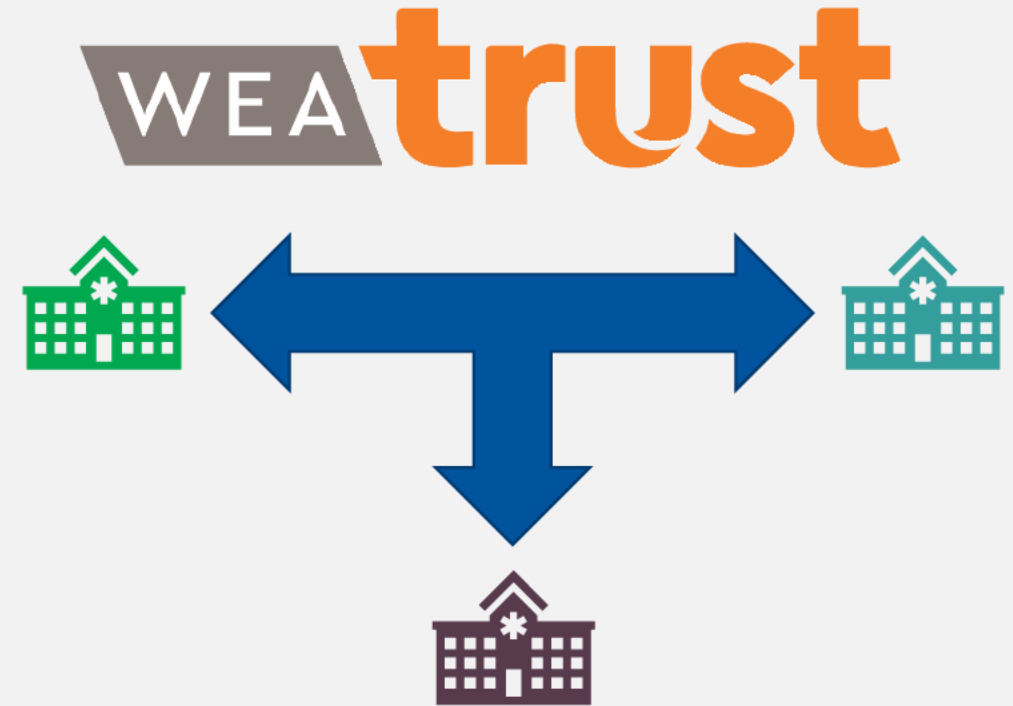


The screenshot shows a website page titled "Upcoming Health Plan Changes" with a sub-header "2023 Plan Year". The main text states: "Health plans can change from year to year. On this page, we'll provide updates on health plan changes for plan year 2023 as soon as they become available. To get email notifications, subscribe to IYC E-Alerts: Health & Wellness via [ETF E-Mail Updates](#)." Below this is a section titled "WEA Trust No Longer Available in 2023" with the text: "WEA Trust will no longer offer health insurance as of December 31, 2022. This change affects all current WEA Trust network areas and plan designs offered by the Group Health Insurance Program." To the right of this section is a "Related Resources" box containing two links: "Transitioning Care with a New Health Plan (ET-2175)" and "Department News: WEA Trust to Exit Group Health Insurance Program". At the bottom of the screenshot is a section titled "I am currently insured with WEA Trust. Do I need to take action?" with three bullet points: "Yes – **but not yet**. Your current coverage will continue through December 31, 2022.", "You will need to select a new health plan during the health benefits open enrollment period (September 26 to October 21, 2022) to have coverage for plan year 2023.", and "WEA Trust's departure does not create a special enrollment opportunity."

- New website landing page for 2023 health plan changes launched late July
- Currently features WEA departure information, resources, and FAQs
- Additional health plan changes and related resources will be added following the August 17 meeting

WEA Transition Vendor Webinars

- 6 vendor sessions about the WEA transition will be offered in advance of and during open enrollment
- Staff from new Access, Medicare Plus, and SMP administrator(s) will be available for questions
- Presentation materials will be available on the ETF website



ETF Frontline Staff Outreach

- ETF expects a larger than usual number of member contacts during the 2023 open enrollment period
- 2 additional ETF frontline staff outreach activities will supplement the annual training plan

WEA Transition and Health Plan Changes Overview

- 2 webinars – week of August 22
- Focus on new administrator(s) and required member action
- Also cover resources and frequently asked questions

2023 Changes Open Houses

- 2 casual drop-in webinars – week of September 19
- Refresh prior training content
- Answer staff questions in advance of open enrollment

ICI Program Changes

- Proposed changes to be reviewed and/or approved during Item 11
- Approved changes to be communicated to members and employers via:
 - WRS News
 - Electronic employer communication
 - Revised premium rates tables
 - Written materials for employers



Next Steps

Additional communications and outreach activities may be added to meet the needs of members, employers, and ETF staff

All ETF-hosted activities will be conducted virtually

2023 open enrollment campaign summary will be presented at the November 2022 Board meeting

The background is a dark blue gradient with numerous out-of-focus light spots in shades of blue and purple, creating a bokeh effect. The text is centered at the bottom of the image.

Questions?

Group Life Insurance Program Annual Report



Item 9 – Group Insurance Board

Tom Rasmussen, Life Insurance and Dental Insurance Program Manager
Office of Strategic Health Policy

Susan Munson-Regala and Hans Larsen
Securian



Action Needed

- The Department of Employee Trust Funds (ETF) requests the Group Insurance Board (Board) accept the annual Wisconsin Public Employers (WPE) Group Life Insurance 2021 Policy Year Report by Securian Financial Group (Securian).

State Plan Highlights

2021 Highlights

- 85,682 covered lives – decrease from 2020
- Total life insurance coverage in force increased by 2% to more than \$12.8 billion
- Claims higher than targeted due to COVID-19
- 3-year total experience higher than targeted when adjusted for expected mortality improvement
- 5% employee premium increase
- Asset reserve of 85.4% - down from 96.5% in 2020



Local Plan Highlights

2021 Highlights

- 124,660 covered lives – increase from 2020
- 748 local governments participating
- Total life insurance coverage in force grew by 2% to \$13.3 billion
- Claims lower than targeted
- 3-year total experience higher than targeted when adjusted for expected mortality improvement
- No premium change
- Asset reserve of 117.5% - increase from 108% in 2020

State Plan Premiums

In 2019, the Board approved 5% annual premium increase through April 2028

No premium change to Spouse and Dependent premiums

Local Plan Premiums

No recommended premium action for active employees

No premium change to Spouse and Dependent premiums

COVID-19 Impact

WPE Group Life Insurance Program does not contain any exclusion related to pandemics

As of July 12, 2022, 475 COVID-19 related deaths exceeding \$15 million in claims

Due to the stop-loss safeguard, the short-term impact to the plan is limited and the existing reserves are sufficient to absorb the impact

Performance Guarantees

2021 Annual Performance Standards

- Achieved higher than contracted targeted goals in all 9 quantitative standards
- 33,870 transactions
- Achieved overall performance standard of 99.87%


Securian's Presentation

Susan Munson-Regala

- Vice-President and Actuary of Group Insurance

Hans Larsen

- Actuarial Senior Consultant

The background of the slide is a photograph of the Wisconsin State Capitol building in Madison, Wisconsin. The building is a grand, classical-style structure with a prominent central dome topped by a golden statue. The facade is light-colored stone with many windows and columns. The sky is a clear, bright blue. The text is overlaid on the left side of the image.

Report to the Group Insurance Board of the State of Wisconsin

Securian Financial

Susan Munson-Regala

Vice President and Actuary

Hans Larsen

Actuary

August 17th, 2022



Group Life Insurance Program

State Plan and Local Government Plan Components



Active
Employees



Retirees



Spouse &
Dependents



2021 Policy Year Report Highlights

State Plan

Employees

- 2021 Claims higher than expected due to COVID-19
- Recent three years' mortality experience higher than expected

Spouse & Dependent

- 2021 Claims higher than target due to COVID -19
- Recent three years' experience higher than target
- Pricing anticipates using reserves to cover excess claims

Aviation AD Benefit

- Work-related accidental deaths
- No claims in 2021



2021 Policy Year Report Highlights

State Plan

Plan Growth

- Insurance in force increased 2% to \$12.8 billion
- More than 85,000 active and retired insured lives

Other Benefits

- Conversion of post retirement life insurance
- Pay health insurance or long-term care premiums
- 301 retirees utilized

Reserve Funds

- Funding of future benefits is at 85.4%
- Earned 2.61%
- Incorporates schedule of future premium rate increases approved in 2019

Report to the Group Insurance Board

State Plan



Employee Life Insurance

Recommendation:

- No change to previously approved premium increase schedule
- Premium rates will increase according to schedule approved in 2019
 - Premium increases were implemented in order to maintain post-retirement benefit funding

Report to the Group Insurance Board

State Plan



Spouse and Dependents

Recommendation:

- No change to premium rates in 2023
- Premium rates are set to gradually draw down the stabilization reserve



2021 Policy Year Report Highlights

Local Government Plan

Employees

- 2021 Claims lower than expected despite COVID-19
- Recent three years' experience better than expected

Spouse & Dependents

- 2021 Claims higher than target due to COVID -19
- Recent three years' experience higher than target
- Pricing anticipates using reserves to cover excess claims



2020 Policy Year Report Highlights

Local Government Plan

Plan Growth

- 748 local governments participate
- Insurance in force increased by 2% to \$13.3 Billion
- More than 124,000 active and retired insured lives

Other Benefits

- Conversion of post retirement life insurance
- Pay health insurance premiums
- 1 participant utilized

Reserve Funds

- Funding of future benefits is at 117.5%
- Earned 2.62%

Report to the Group Insurance Board

Local Government Plan



Employee Life Insurance

Recommendation:

- No change to premium rates in 2023
- Prudent to hold premium rates at current levels
 - Continued volatile environment may place pressure on post retirement funding

Report to the Group Insurance Board

Local Government Plan



Spouse and Dependents

Recommendation:

- No change to premium rates in 2023
- Premium rates are set to gradually draw down the stabilization reserve

COVID Financial Impact

- COVID share of total claims for Wisconsin's plan was lower than the share for Securian's total block
- Impact of COVID on post-65 retiree funding not large enough to recommend a change to funding strategy



Valuation Mortality Assumption

- Enhancements to the process for updating the mortality assumption
 - COVID-19 adjustment
 - Increased age-based granularity
 - Adjusted experience period
- Impact
 - Decrease to funding % for State
 - Increase to funding % for Local





Rate Changes for 2023

State Plan

- Continue the premium rate increase scheduled approved in 2019

Local Plan

- No premium rate changes for 2023





Questions?



Securian Financial is the marketing name for Securian Financial Group, Inc. and its affiliates. Insurance products are issued by its affiliated insurance companies. Securities and investment advisory services offered through Securian Financial Services, Inc., registered investment advisor, member FINRA/SIPC.

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Action Needed

- The Department of Employee Trust Funds (ETF) requests the Group Insurance Board (Board) accept the annual Wisconsin Public Employers (WPE) Group Life Insurance 2021 Policy Year Report by Securian Financial Group (Securian).

Section 125 and Transit/Parking Plan Document Updates



Item 10 – Group Insurance Board

Xiong Vang, HSA & ERA Accounts Program Manager

Office of Strategic Health Policy



Action Needed

ETF requests the Board adopt the following changes to the Section 125 Cafeteria Plan and Transit and Parking Plan Document effective January 1, 2023:

1 Increase HSA annual contribution limit to \$3,850 for an individual plan and \$7,750 for a family plan

2 Increase Health Care FSA and Limited Purpose FSA annual contribution limit to \$2,850

3 Increase Health Care FSA and Limited Purpose FSA annual carryover limit to \$570

4 Increase Transit Account and Parking Account contribution limit to \$280 per month

Background

Section 125

(Section 125 Cafeteria Plan Document)

Health Insurance

Life Insurance

Vision & Dental

HSA, FSAs

Dependent Day Care Account

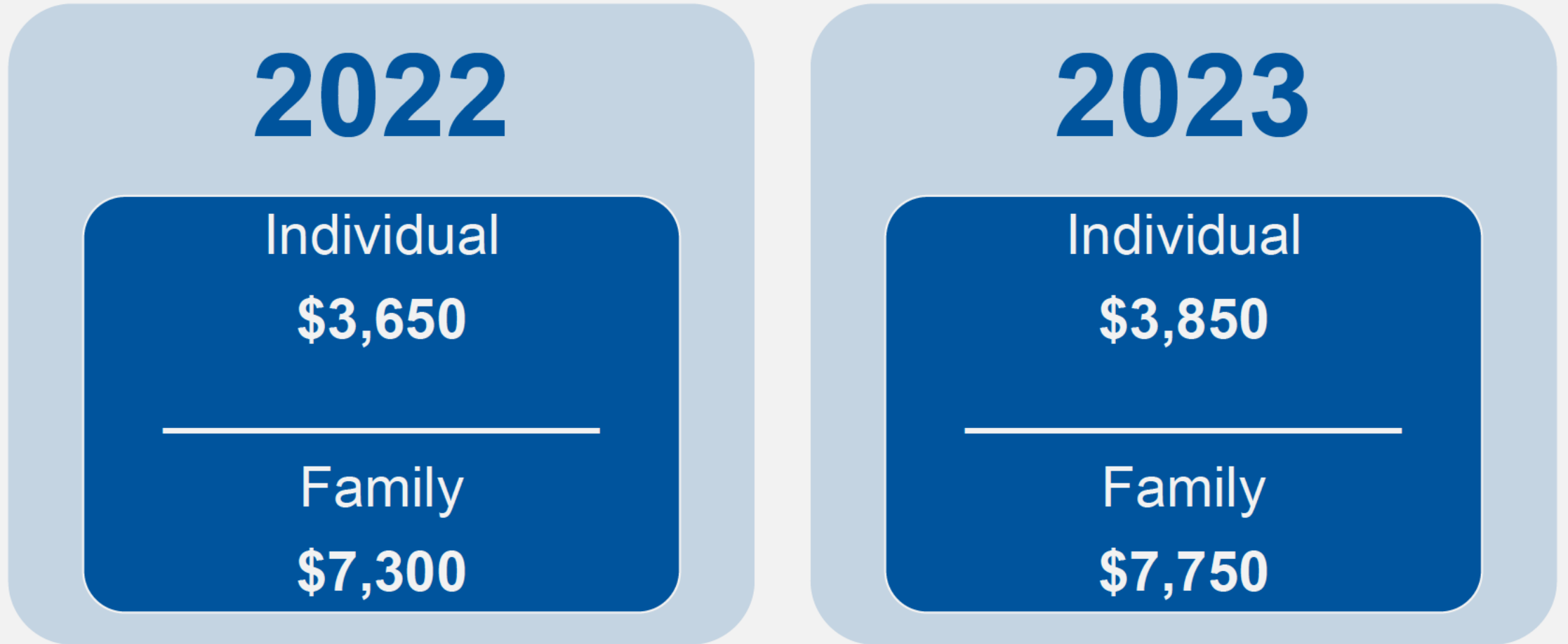
Section 132

(Transit and Parking Plan Document)

Transit Account

Parking Account

2023 Proposed HSA Contribution Limit Increase



2023 Proposed FSA Contribution Limit Increase

2022

Annual Contribution
\$2,750

2023

Annual Contribution
\$2,850

2023 Proposed FSA Carryover Limit Increase

2022

Carryover Limit
\$550

2023

Carryover Limit
\$570

2023 Proposed Commuter Contribution Limit Increase

2022

Transit and Parking
Account

\$270 per month

2023

Transit and Parking
Account

\$280 per month

Communications

Employer
Kickoff
Meetings

Decision
Guides

2023 Open
Enrollment
Period

ETF
Employer
Website

Optum
Materials and
Resources

Plan
Documents

Action Needed

ETF requests the Board adopt the following changes to the Section 125 Cafeteria Plan and Transit and Parking Plan Document effective January 1, 2023:

1 Increase HSA annual contribution limit to \$3,850 for an individual plan and \$7,750 for a family plan

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3 Increase Health Care FSA and Limited Purpose FSA annual carryover limit to \$570

4 Increase Transit Account and Parking Account contribution limit to \$280 per month

The background is a dark blue gradient with numerous bokeh light effects in shades of blue and purple, scattered across the frame. The text 'Questions?' is centered at the bottom in a large, white, sans-serif font.

Questions?

Income Continuation Insurance Program Changes



Item 11 – Group Insurance Board

Jim Guidry, Director

Benefit Services Bureau

Paul Correia, Principal and Consulting Actuary

Milliman, Inc.





Action Items

- The Department of Employee Trust Funds (ETF) requests the Group Insurance Board (Board) approve the recommended changes to the Income Continuation Insurance (ICI) program state and local plan language contained in Attachment A to simplify ICI plan provisions and reduce administrative complexity.

ICI Program Changes

ETF is recommending the Board approve ICI plan language amendments that update the maximum earnings eligible for coverage under the ICI Standard Plan from \$64,000 to \$120,000.

- Consolidates supplemental coverage with standard coverage as approved by the Board in February 2017
- Requires plan language changes
- Increases the share of earnings available for employer share and increases coverage for employees earning more than \$64,000 but aren't enrolled in supplemental coverage
- Reduces program complexity in administration
- Aligns with current IAS/Benefitplace project

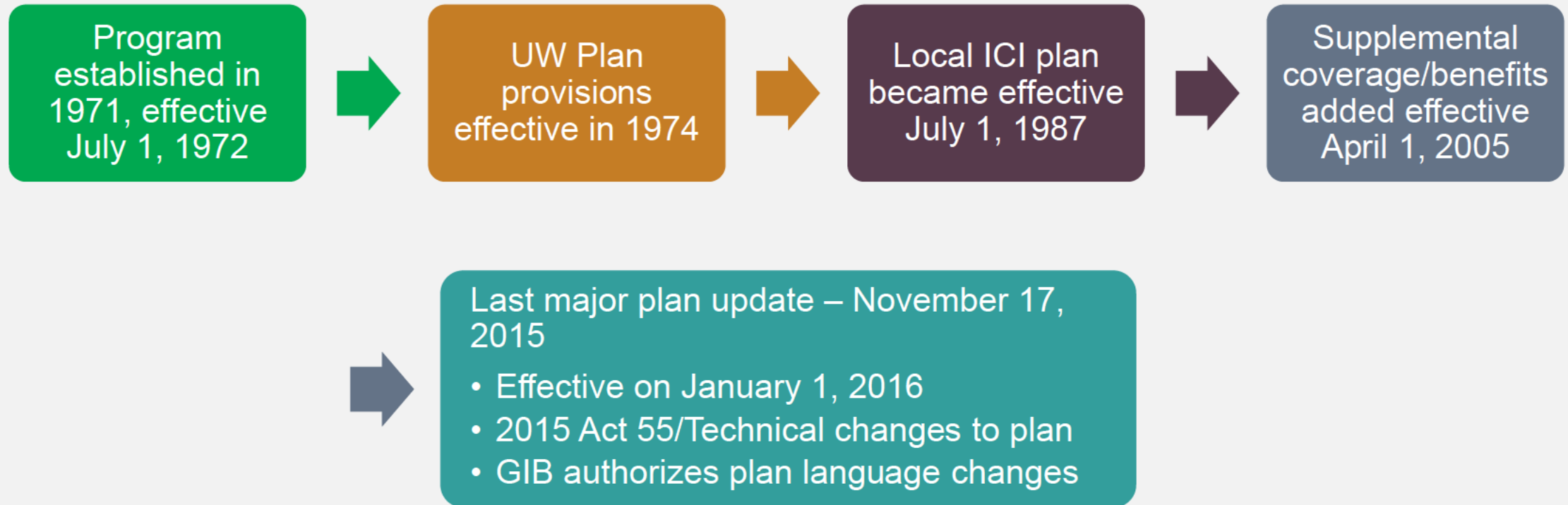
Income Continuation Insurance

Voluntary disability income replacement benefit payable to enrolled participants

- Separate state and local plans
- Short-term and long-term benefits payable to age 65
- Monthly benefit – 75% of salary
 - Max monthly benefit Standard coverage only - \$4,000
 - Max monthly benefit with Supplemental coverage - \$7,500
- State ICI premiums are based on salary and accumulated sick leave balances
 - UW Faculty and Academic staff – Elimination period based premium structure
- Local plan has elimination-period based premium structure



ICI History



Standard vs. Supplemental

Standard Plan

- Covers up to \$64,000 of annual earnings
- \$4,000 maximum monthly benefit
- Premiums shared by employees and employers
 - Employer share § 40.05 (5)

Supplemental Coverage

- Coverage for annual earnings from \$64,000 to \$120,000
- \$7,500 maximum monthly benefit
- Employee pays 100% of premiums

The \$64,000 Question

In 2005

- Average active employee salary \$40,617
- 15% of State employees exceed \$64K
 - 11,985 employees
 - 90% with ICI coverage

In 2021

- Average active salary \$59,802
- Protective, Elective groups average salary exceeds \$64K
- 46% of State EE exceed \$64K
 - 34,243 employees
 - 67% with ICI coverage
 - 40% enrolled in Supplemental

ICI Covered Salary

In 2021:

- 75.4% of covered payroll for employees enrolled in Standard ICI
- Combining Standard and Supplemental ICI will reach 93.7% of covered payroll
- Industry standards suggest achieving a level of coverage at approximately 95% or higher of covered salary
 - Employer disability income plans vary in coverage levels
 - 90% of covered salary or above

Premium Impact

Employees

- 6% overall decrease in premiums
- Employer will begin paying premiums for earnings up to \$120K
- Not uniform
 - Most impacted employees will see decreases from this change
 - Some will see increases

Employers

- 28% increase in premiums
- Not uniform
 - Employers with higher salaries will see a greater premium increase
 - Mitigated by recent rate declines and administrative savings
- Assumes all eligible will enroll

Employer Premiums

In the aggregate premiums will be 40% less than 2021

Individual employer premium increases will vary

- Will remain below 2021 levels

Year	ER Premiums
2021 (Actual)	\$17,638,686
2022 (Projected)	\$9,359,138
2023 (Projected)	\$10,615,280

Year	ER 1	ER 2	ER 3
2021 (Actual)	\$7,601,799	\$1,269,640	\$8,580,702
2023 (Projected)	\$4,119,270	\$835,551	\$5,300,561
Change	-46%	-34%	-38%

Other Impacts

- Annual supplemental enrollment period becomes obsolete
 - Annual reviews by employers ends
 - The Hartford will no longer have to process supplemental coverage applications
 - The Hartford will no longer have to check new claims for supplemental coverage.
- One set of premium rate tables
- Program simplified; easier to administer and understand
- Less system development for IAS project
- Local ICI plan on premium holiday

Modernization and Technical Changes

IAS Changes

- Multiple employers within a payroll center
- UW employees in State ICI and UW faculty plans
- Require enrollment into single plan with full salary
- Additional future changes to be identified

Technical Changes

- Reflect current practices
- Update obsolete references
- Clarify plan provisions
- Eliminate unnecessary language
- Renumber and reorder plan provisions

Next Steps: Implementation

Assist employers and The Hartford with updating program administration

Develop 2023 premium rate tables

- Publish end of November 2022

Publish revised plan language

- Updates to ICI Employer Manual

Communication to employers and employees

Review and revise internal processes



Action Items

- The Department of Employee Trust Funds (ETF) requests the Group Insurance Board (Board) approve the recommended changes to the Income Continuation Insurance (ICI) program state and local plan language contained in Attachment A to simplify ICI plan provisions and reduce administrative complexity.

The background is a dark blue gradient with numerous out-of-focus light spots in shades of blue and purple, creating a bokeh effect.

Questions?

Renewal of GIB Delegation to the ETF Secretary for Executing Health Insurance Program Actuarial Contracts



Item 12 – Memo Only

Laura Patterson, Policy Analyst
Office of Policy, Privacy and Compliance





Action Needed

- The Department of Employee Trust Funds (ETF) the Group Insurance Board (GIB) renew its delegation of authority to the ETF Secretary to execute contracts and amendments for health insurance program actuarial services.

The background is a dark blue gradient with numerous bokeh light effects in shades of blue and purple, scattered across the frame. The text 'Questions?' is centered at the bottom in a large, white, sans-serif font.

Questions?

Operational Updates

Items 13A – 13H – Memo Only



Tentative November 2022 Agenda

Item 14 – Memo Only

Eileen Mallow, Director

Office of Strategic Health Policy



Informational item only

No Board action is required.

The background is a dark blue gradient with numerous bokeh light effects in shades of blue and purple, scattered across the frame. The text "Questions?" is centered at the bottom in a large, white, sans-serif font.

Questions?

Adjournment



Item 15 – No Memo



Thank you



[wi_etf](#)



[etf.wi.gov](#)



ETF E-mail Updates



608-266-3285
1-877-533-5020