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 SECRETARY

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## ***Correspondence Memorandum***

**Date:** April 20, 2023

**To:** Group Insurance Board

**From:** Eileen Mallow, Director  
 Office of Strategic Health Policy

**Subject:** 2024 Preliminary Reserve Estimates

**This item is for information only. No Board action is required.**

Every year the Department of Employee Trust Funds (ETF) presents a mid-year evaluation of the reserves held by the Group Health Insurance Program (GHIP) at the Group Insurance Board (Board) meeting immediately prior to final decisions on benefit and premium changes for the upcoming rate year. This information is intended to assist the Board with decision-making on possible program changes.

The Board’s consulting actuary, Segal, has prepared the analysis included in the Board’s materials. ETF concurs with Segal’s analysis; that the current reserve balances for both the state and local pools are below the Board’s established target ranges. The primary reasons for this are due to lower investment returns than the program has realized for several years, and higher pharmacy claims than anticipated when rates were established. At the August 17, 2022, meeting, the Board elected to apply all available surplus to managing 2023 premium increases. While there is still a healthy reserve for both state and local pools, ETF recommends the Board address the reserve balances outside the established reserve targets.

For the upcoming August 16, 2023, meeting, the Board may want to consider one or more of the following options to address the change in the reserve balances:

1. Adjust the policy for establishing reserve targets to ensure the program stays within a target range.
2. Adjust premiums, likely over several years, to restore the reserve balances to established targets.
3. Adjust tiering methodology to slow premium increases.
4. Adjust member cost sharing.
5. Adjust benefits.

It is worth noting that options 4 and 5 are not considered in the “2024 Program

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Agreement and Benefit Changes” memo ([Ref. GIB | 05.17.23 | 3C](#)). If the Board wishes to consider these options, ETF proposes that a special meeting be held prior to the August 16, 2023, meeting in order to factor the impact on premiums and reserve balances for the August Board meeting.

Additionally, and as discussed during the February 22, 2023, Board meeting, there are several initiatives within the Governor’s 2023-25 biennial budget that would impact the GHIP and 2024 reserve balances if enacted. However, such mandates will likely not be known until late June or July ([Ref. GIB | 05.17.23 | 8G](#)).

At the August meeting, ETF and Segal will present recommendations for the Board to address the change in the reserve balances.

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

Attachment A: [State of Wisconsin Group Insurance Board Department of Employee Trust Funds Reserve Update](#)