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Ms. Gina Fischer
Policy Advisor
Benefit Services
Wisconsin Department of Employee Trust Funds
4822 Madison Yards Way
Madison, WI 53705-9100

**RE: State ICI Premium Smoothing**

Dear Gina,

Thank you for asking Milliman for assistance in simplifying the structure of State ICI premiums. At your request, we have developed State ICI premium rates as a percentage of covered payroll that vary by ICI premium category. These rates are provided in Table 1 below:

**Table I**
**Premiums as a Percent of Covered Earnings**

| ICI Premium Category | Premium as a % of Covered Earnings* | | |
|---|---|---|---|
| | Total | Employer | Employee |
| 1 | 1.109% | 0.000% | 1.109% |
| 2 | 0.831% | 0.000% | 0.831% |
| 3 | 0.599% | 0.401% | 0.198% |
| 4 | 0.432% | 0.333% | 0.099% |
| 5 | 0.355% | 0.302% | 0.053% |
| 6 | 0.355% | 0.355% | 0.000% |
| 7 (More than one YOS) | 1.010% | 0.374% | 0.636% |
| 8 (More than one YOS) | 0.545% | 0.374% | 0.172% |
| 9 (More than one YOS) | 0.505% | 0.374% | 0.131% |
| 10 (More than one YOS) | 0.374% | 0.374% | 0.000% |
| 7 (One or fewer YOS) | 1.010% | 0.000% | 1.010% |
| 8 (One or fewer YOS) | 0.545% | 0.000% | 0.545% |
| 9 (One or fewer YOS) | 0.505% | 0.000% | 0.505% |
| 10 (One or fewer YOS) | 0.374% | 0.000% | 0.374% |

**Up to $120,000 annually*

The new structure is intended to align with the changes to the ICI plan design in 2024, simplify the current premium structure, and ensure consistent relationships between ICI premium categories. The premium rates shown above are only intended for the new ICI plan that will not feature supplemental benefits, and they are not applicable to the current plan. Also, the rates are based on 2023 rate levels, and they may need to be adjusted when the new plan becomes effective in 2024. The rates shown above are illustrative only.

The premiums are expressed as a percentage of covered payroll up to $120,000 in annual wages. The annual amount of premium can be calculated by applying the rates to annual covered payroll. Alternatively, a monthly premium amount can be determined by applying the same rate to monthly covered payroll (i.e., $10,000).

## Analytical Methods

Table 1 is designed with the 2024 plan design structure in mind; therefore, we have removed the basic and supplemental distinction. For the current plan design, the table could still be used for participating employees with basic coverage only. For those with supplemental coverage however, there would be no employer premiums after the $64,000 threshold. Therefore, the employee or employer rate for those participating in supplemental benefits is dependent on how much coverage they have over the $64,000 threshold and would not be a constant percentage of salary. For these reasons, the contribution rates in Table 1 cannot be used for the current plan.

The table was developed by calculating rates such that the total annual premium under the current rates and new rates would be as close as possible. The rates were generated under several constraints based on observations we made about the current rate structure. These constraints included:

- The premium rates for categories 2-6 are a percentage of the category 1 rate
- The premium rates for categories 8-10 are a percentage of the category 7 rate
- The new premium rates fall within the range of the current minimum and maximum premium rates as a percentage of payroll
- Employer contributions for categories 1-6 are a fixed percentage of total contributions
- Employer contributions for categories 7-10 are based on the category 10 rate (for those with more than one year of service)
- The current employer/employee cost sharing formula was applied

ETF indicated that rates would be applied to annual salaries rounded up to the nearest thousand. We took this into account in our analysis by multiplying the monthly salary amounts in the insurance files by 12 and rounding the product up to the next $1,000. We also generated the minimum and maximum premium rates used in the constraints by taking the premium under the current structure divided by the midpoint of each salary band plus $500 / 12. We assumed that rounding up to the nearest $1,000 would create an upward bias in the salary of approximately $500 per year.

The current rates are not a uniform percentage of salary within each of the premium categories, whereas the new rates are the same for all employees in a given premium category. Because the new rates use a different structure, they will not produce the exact same premium payments as the current rates for all participating members or employers. The following two tables show the impact on employee and employer premiums based on enrollment from the December 31st, 2021 census:

| Table II<br>Premium Impact on Employees<br>Based on Enrollment from the December 31, 2021 Census | | | |
|---|---|---|---|
| Expected Annual Premium Impact | Member Count | Average Annual Premium Current Structure | Average Annual Premium New Structure |
| Lower by $100.00 or More | 165 | $1,395.27 | $1,277.65 |
| Lower by $50.01 to $100.00 | 1,044 | $838.90 | $772.61 |
| Lower by $10.01 to $50.00 | 7,355 | $277.72 | $247.94 |
| Lower by $0.01 to $10.00 | 3,087 | $217.36 | $215.03 |
| No Change | 10,362 | $0.39 | $0.39 |
| Higher by $0.01 to $10.00 | 17,523 | $240.42 | $244.54 |
| Higher by $10.01 to $50.00 | 2,782 | $456.45 | $473.45 |
| Total | 42,318 | $219.92 | $215.30 |

| Table III<br>Premium Impact on Employers<br>Based on Enrollment from the December 31, 2021 Census | | | |
|---|---|---|---|
| Employer | Member Count | Average Premium Current Structure | Average Premium New Structure |
| DOA | 19,942 | $162.11 | $163.09 |
| Beyond Vision | 31 | $148.61 | $157.00 |
| WHEDA | 80 | $208.89 | $209.66 |
| UWHC | 5,240 | $103.04 | $104.03 |
| UW | 17,025 | $212.26 | $222.22 |
| WEDC | 0 | NA | NA |
| Total | 42,318 | $175.05 | $179.65 |

As shown in Tables II and III above, we would expect an impact on employee and employer premium payments if the new rate structure were adopted, with all else equal. This is because the current rates are not a uniform percentage of salary, whereas the new rates are uniform and fall between the current minimum and maximum rates. Please note that the new rates are illustrative only and may need to be adjusted when the new plan becomes effective in 2024.

## General

This letter has been prepared for Wisconsin ETF for the specific purpose of developing an alternative State ICI premium structure. It may not be distributed to any other party without the written consent of Milliman. Any distribution of this letter should be in its entirety.

In preparing this letter, we relied, without audit, on information (some oral and some in writing) supplied by ETF, including insurance files and employment data. While Milliman has not audited this data, we have reviewed it for reasonableness and it is, in our opinion, sufficient and reliable for the purposes of our calculations. If any of this information is inaccurate or incomplete, the results shown could be materially affected and this letter may need to be revised.

The analysis relied on a model that was used for the specific purpose of analyzing changes to the ICI program. This model relies on various assumptions and projections of future experience. It is unlikely that future experience will conform exactly to these assumptions. Therefore, future results will vary from the expected results to the extent future experience varies from these assumptions.

I, Paul Correia, am a Consulting Actuary at Milliman. I am a member of the American Academy of Actuaries and I meet its Qualification Standards to provide the actuarial opinion contained herein.

* * *

I look forward to discussing this information with you in the near future. Please let me know if you have any questions. I can be reached at (207) 771-1204 or paul.correia@miliman.com. Thank you.

Sincerely,

Paul Correia

Paul Correia, FSA, MAAA
Principal and Consulting Actuary

c.c. Jim Guidry, Erin Esser (ETF),
Max Berube (Milliman)