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Correspondence Memorandum

Date: April 24, 2024

To: Group Insurance Board

From: Renee Walk, Programs and Policy Unit Director
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 Office of Strategic Health Policy

Subject: Local Program Initial Analysis

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

Background

Local Group Health Insurance Program (GHIP) rates have increased at a faster pace than state GHIP rates for the last several years. The local GHIP also has a smaller reserve fund due to the size of the pool, which means less money is available for rate smoothing when rates do increase. This has led to a somewhat volatile rate experience for local employers in recent years. Most recently, rates increased 15% on average for locals in 2024.

At its November 15, 2023, meeting ([Ref. GIB | 11.15.23 | 7](#)), the Group Insurance Board (Board) reviewed a work plan for implementing strategic planning opportunities identified by the Board and the Department of Employee Trust Funds (ETF) for program sustainability, innovation, and education efforts. This memo is in response to Board direction that ETF revisit options for changes to the structure of the local GHIP to help better control costs going forward.

This memo includes preliminary information and some initial options that ETF is exploring.

Prior Local GHIP Initiative

ETF completed a review of the local GHIP in 2021 ([Ref. GIB | 2.17.21 | 6C](#)). At that time, ETF recommended increasing and improving communication with employers to promote growth of and retention in the local GHIP, with a goal of increasing GHIP stability. ETF developed a phased timeline for improving communications, reporting outcomes of a local employer advisory group, and surveying eligible local employers about their experiences with the GHIP.

Reviewed and approved by Brian Stamm, Deputy Director, Office of Strategic Health Policy
 Electronically Signed 05/08/2024

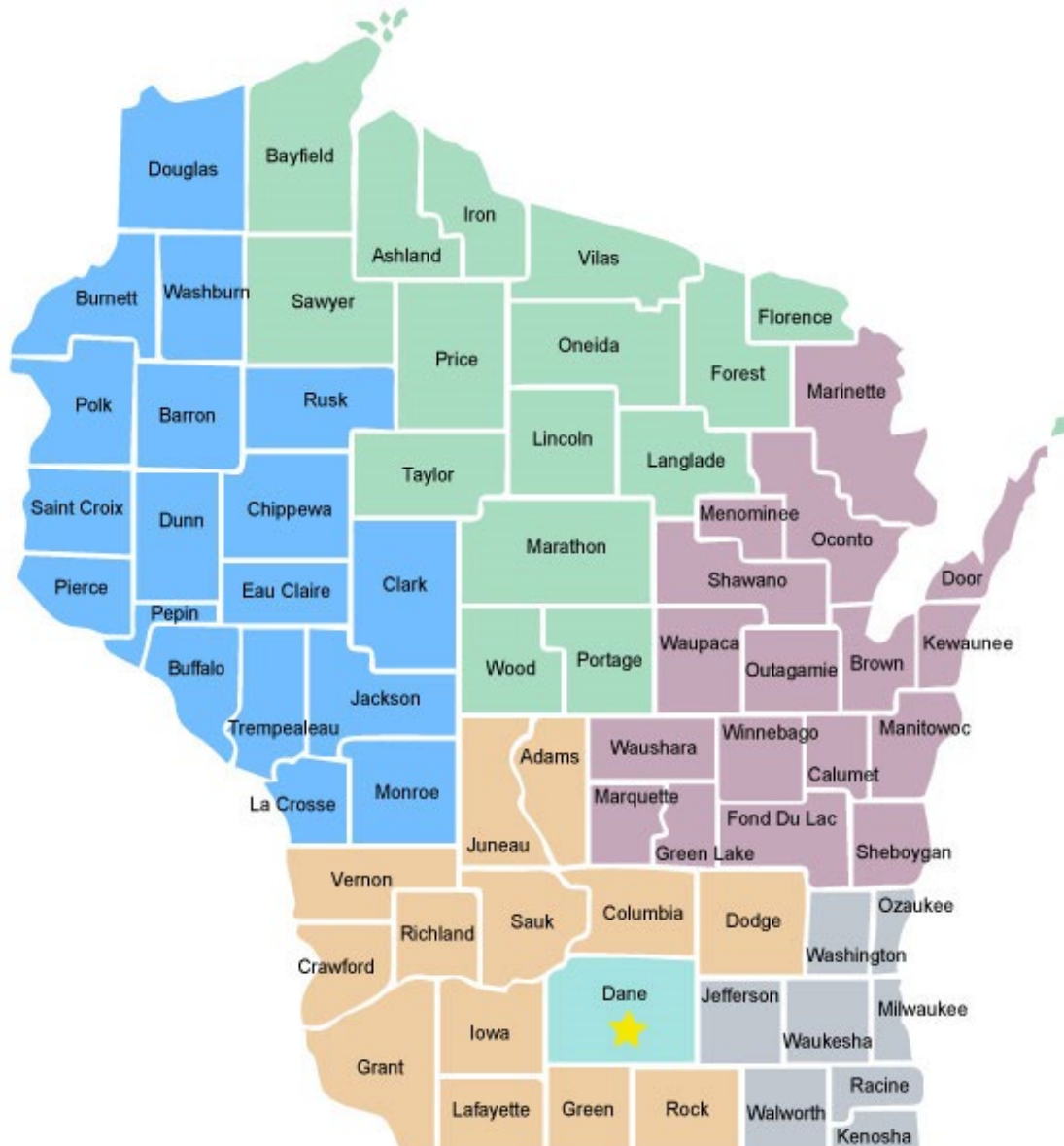
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ETF also identified 11 other potential structural changes to the local GHIP. ETF did not recommend proceeding with these changes at that time, since it was not clear from the analysis that existing policies were not serving the plan. However, as rates have continued to climb, some of these potential changes may bear reanalysis.

Local GHIP Health

Segal and ETF used the Board's health care data warehouse, Data Analytics, and Insights (DAISI), to compare state and local per member per month (PMPM) claim costs, geographic cost differences, member ages, and risk scores. The data covered 12 months, ending November 2023. Data was analyzed by county, grouped into six regions, and in total.

Figure 1. Map of Regions Used for Analysis



Findings included:

- Local members have a PMPM claim cost 3.32% lower than state.
- Locals are slightly younger than state members.
- Local risk scores are comparable to state, slightly worse by 1%.

Table 1 below shows membership and the percentage of difference in PMPM claim costs compared to the state group from both a regional perspective and in total.

Table 1. Regional Comparison, 12 Months Ending November 2023

Region	Local Members	PMPM % diff from State
Southern	10,415	-2.52%
Northern	1,158	-6.01%
Western	2,712	-14.24%
Northeastern	5,008	-3.07%
Southeastern	5,687	-7.75%
Dane	8,037	-2.17%
Total	33,017	-3.32%

Health Plan Input

ETF met with health plans and the Wisconsin Association of Health Plans (Association) from November 2023 to January 2024 to discuss their experiences serving the local GHIP.

Several large plans stated that if the locals applied tiering like the state, and not the 88% employer premium contribution formula, there would be fewer enrollment changes every fall, and their rates may stabilize. Under the 88% formula, the amount the employer contributes is capped, while under tiering, the amount the employee contributes is capped. Locals heavily favor using the 88% formula. Employees who prioritize paying the least in premium contribution are relatively healthy and who do not feel they need care from a specific provider may switch plans every year. In contrast, employees with existing health conditions are likely to stay with the same plan for continuity of care and are more willing to pay higher premiums. Limiting locals to tiering only would take a statutory change.

Some plans would prefer that locals choose only from the same plan designs as those offered to state employees, while others suggested that the Board offer more plan design options with higher out-of-pocket costs. Most locals offer their employees richer plan designs than are offered to state employees. The richer-than-average benefits available in the local group were also cited as a potential source of cost; the plans who raised the issue felt that the employees who were in plan designs with higher cost sharing used fewer services than those in lower or no cost sharing options.

Some plans recommend that local employers be allowed to offer employees a choice between a high deductible health plan (HDHP) and non-HDHP option, similar to what the state offers to its employees.

Since locals have more members on family plans than state, one plan recommended to change the premium relationship of family to single to 2.7 for locals rather than 2.5. The state could remain at 2.5.

Several plans and the Association referred to the local GHIP as “the program of last resort,” meaning that employers who may not have cheaper options in the market join the pool, causing negative selection. Some plans indicated that if they were not required by the Board to participate in both the state and local GHIP, they would only bid on the state GHIP. They cited challenges in managing risk given the GHIP’s volatility, since local employers and employees may come and go, so they are not guaranteed stable enrollment. Other plans said that they had made a concerted effort to attract more local GHIP members, but they also expressed concerns about negative selection in cases where a plan offers a hospital or health system with high name recognition.

Plans also had questions about the tiering calculation and how risk was assigned. As noted above, ETF’s data shows that local employees tend to be healthier than their state counterparts yet plans repeatedly stated their experience was different. Some plans asked whether Dane County’s better risk profile could be diluting the negative experience in other parts of the state. Others noted that it could be possible that the local population is healthier but the small numbers that plans outside of Dane and Milwaukee Counties enroll in the GHIP could still mean that premium is inadequate.

Local Employer Input

ETF also reached out to a handful of local employers to get a sense of their experience in the GHIP. These employers said employees who select GHIP coverage are most interested in a choice of providers and a comprehensive benefit design with low out-of-pocket costs. These features help them recruit and retain employees. Some local employers said they appreciate ETF’s service.

Local employers said that access to providers matters to their employees, but cost is more important. Some noted that the plans that include all providers are not affordable. Choices between broad provider access for some employees and low premium cost for other employees results in a workable balance.

ETF also asked whether local employers had considered moving to the HDHP option. Some have discussed such move with employees and were met with a lot of resistance. However, if the HDHP was offered alongside a richer benefit, they felt employees would be more open to considering the HDHP.

ETF asked local employers whether they would move to a new program option or leave the GHIP if their program option was discontinued. Local employers said they would

have to review all options. They would want to know about the change well in advance of implementation to review and, if necessary, implement changes. Some local employers still have collective bargaining, and negotiations with bargaining units do not necessarily happen every year. The interviewed local employers said they periodically look at other options for coverage on their own for due diligence, but for most it is not a priority until rates go up.

Options for Consideration

Based upon feedback from plans and local employers, ETF is considering the following possible approaches:

- **Sole-source or regionalized vendor options for the local GHIP.** ETF plans to release a Request for Information (RFI) on whether plans would be interested in bidding on either a statewide local GHIP or certain regions of the state if they were guaranteed a larger portion of the local pool. Pending the results of the RFI, ETF may recommend the release of a request for proposal for a vendor or vendors to provide coverage for locals.
- **Explore value-based plan design and other innovative cost control options.** The Board has discussed value-based purchasing, plan designs, and centers of excellence in the past, but a significant barrier to implementing these options has been the large number of plans participating in the GHIP. There is an additional challenge found in incentivizing high value providers who may not participate in all networks. A sole-source vendor or limited vendor pool may provide an opportunity to explore more of these options in the GHIP, with possibility to expand to the state pool. ETF will include questions on these opportunities in the RFI.
- **Dual plan offerings for locals once Insurance Administration System (IAS) is live.** Historically, the Board has only allowed local employers to offer one program option to members, due in large part to limitations within ETF's legacy systems. Once IAS is live, the Board will have the ability to offer locals more than one program option for their employees. ETF will continue to discuss options with local employers and bring a recommendation to a future meeting.
- **Dedicating an ETF staff person to managing the local GHIP.** Currently, ETF does not have a staff person dedicated specifically to manage policy related to the local GHIP. Given rising premiums and the nuances of the local GHIP, ETF would benefit from concentrating efforts more on actively managing this group. ETF will review existing positions and align staffing to support this group.

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