Welcome to the Group Insurance Board

May 23, 2024

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

- Scan the QR Code
- Available at etf.wi.gov

Please Silence your Cell Phone and Mute your Microphone

Announcements

Item 1 – No Memo

Shirley Eckes, Deputy Secretary
Office of the Secretary

Brian Stamm, Deputy Director
Office of Strategic Health Policy

Consideration of:
Open and Closed Minutes of February 21, 2024, Meeting

Items 2A – 2B – Memos Only

Action Needed

- Motion needed to accept the Open and Closed Minutes of the February 21, 2024, Meeting as presented by the Board Liaison.

Board Education: Pharmacy Benefits

Item 3 – Group Insurance Board

Tricia Sieg, Pharmacy Benefits Program Manager

Office of Strategic Health Policy

Informational Item Only

- No Board action is required

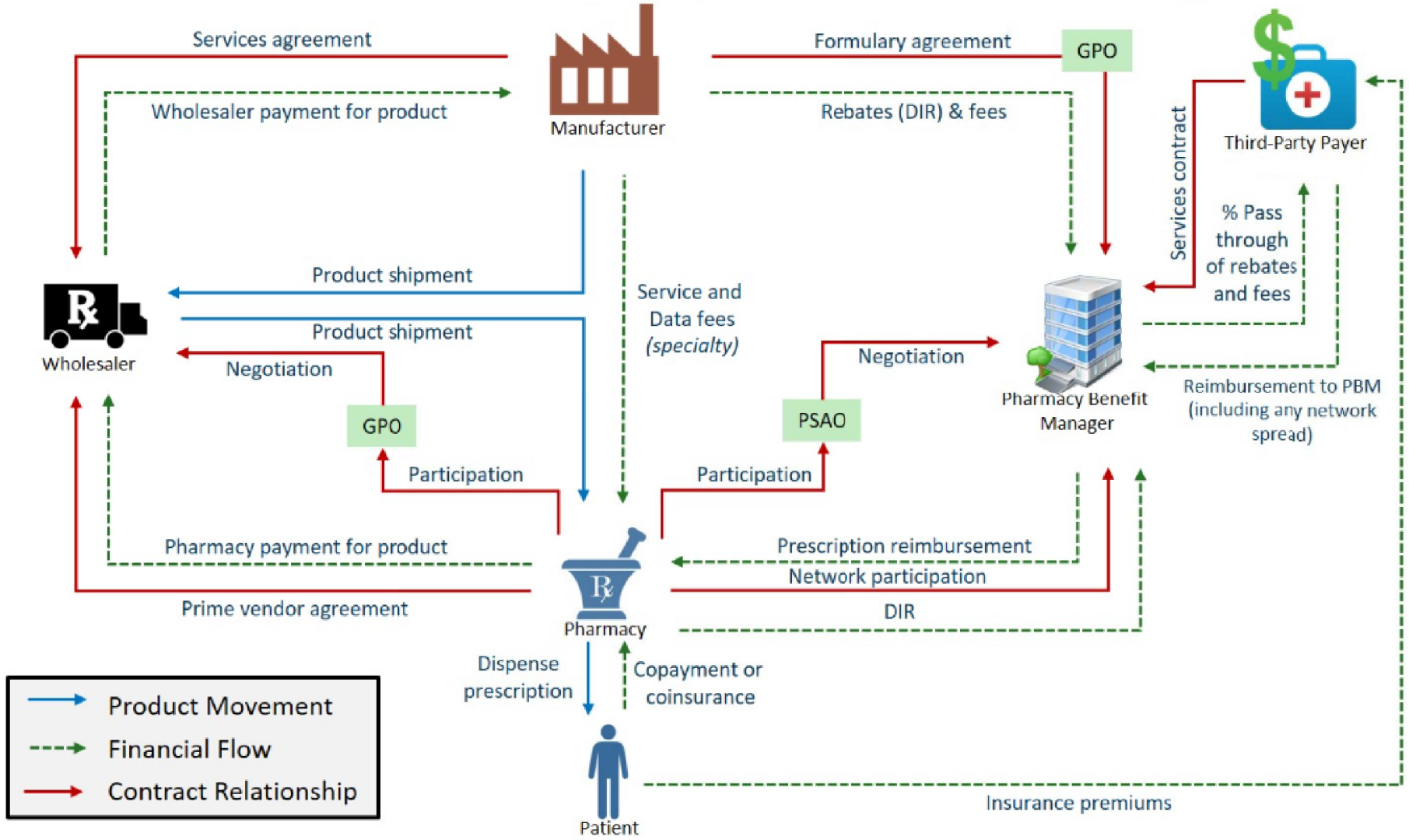
What To Expect

- An understanding how drug manufacturers, Pharmacy Benefit Managers (PBMs), third-party payers, drug wholesalers, pharmacies, and members all contribute to pharmacy benefits
- An overview of the Board's pharmacy benefit
- The history and current landscape of the pharmacy benefit industry
- How federal and state laws impact pharmacy benefits

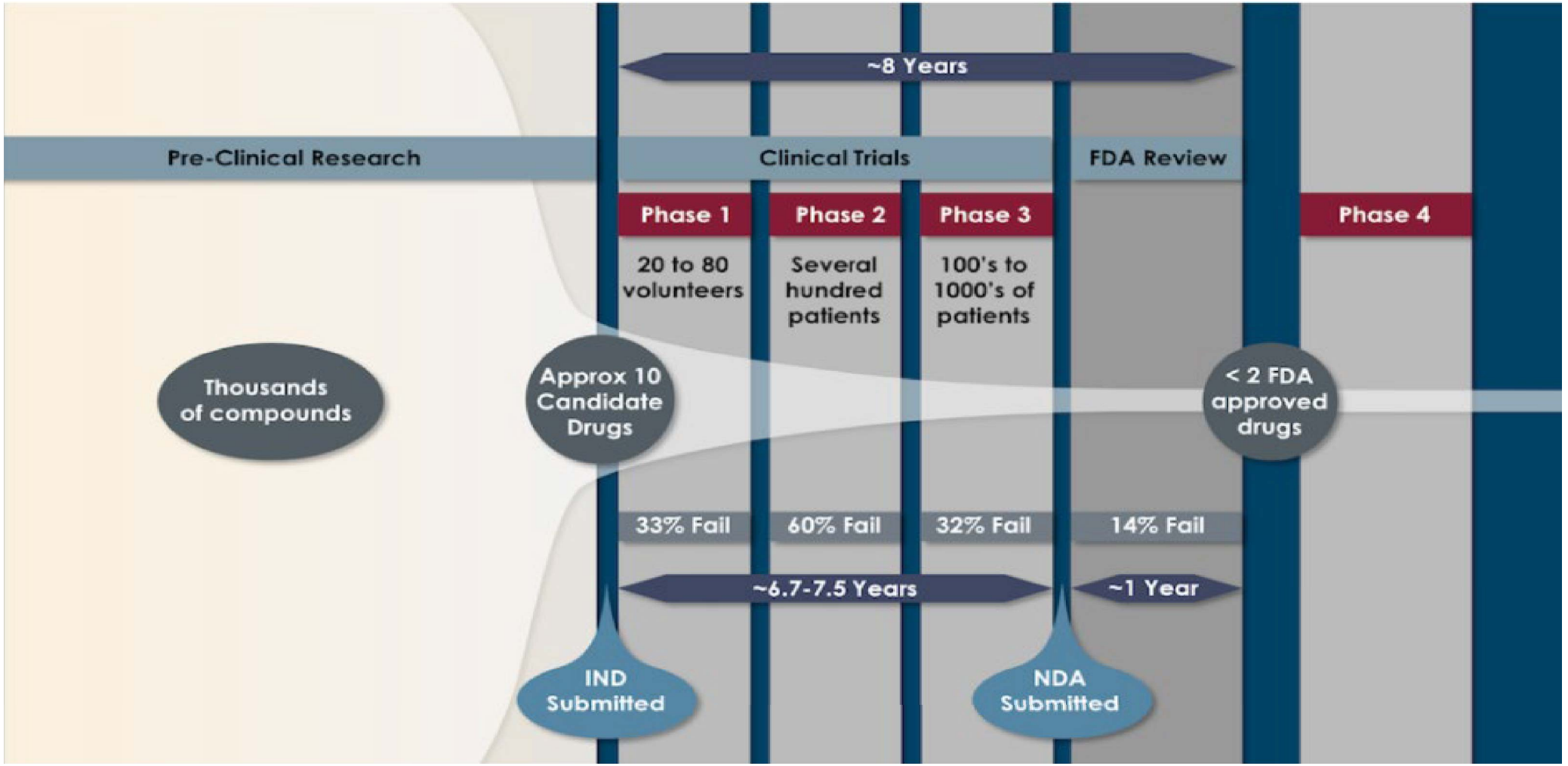
Drug Manufacturers

- GPO = group purchasing organization
- PSAO = pharmacy services administrative organization
- DIR = direct and indirect remuneration

Source: "The U.S. Pharmacy Distribution and Reimbursement System for Patient-Administered, Outpatient Brand-Name Drugs." *Economic Report on U.S. Pharmacies and Pharmacy Benefit Managers.* Drug Channels Institute



Drug Development and Approval

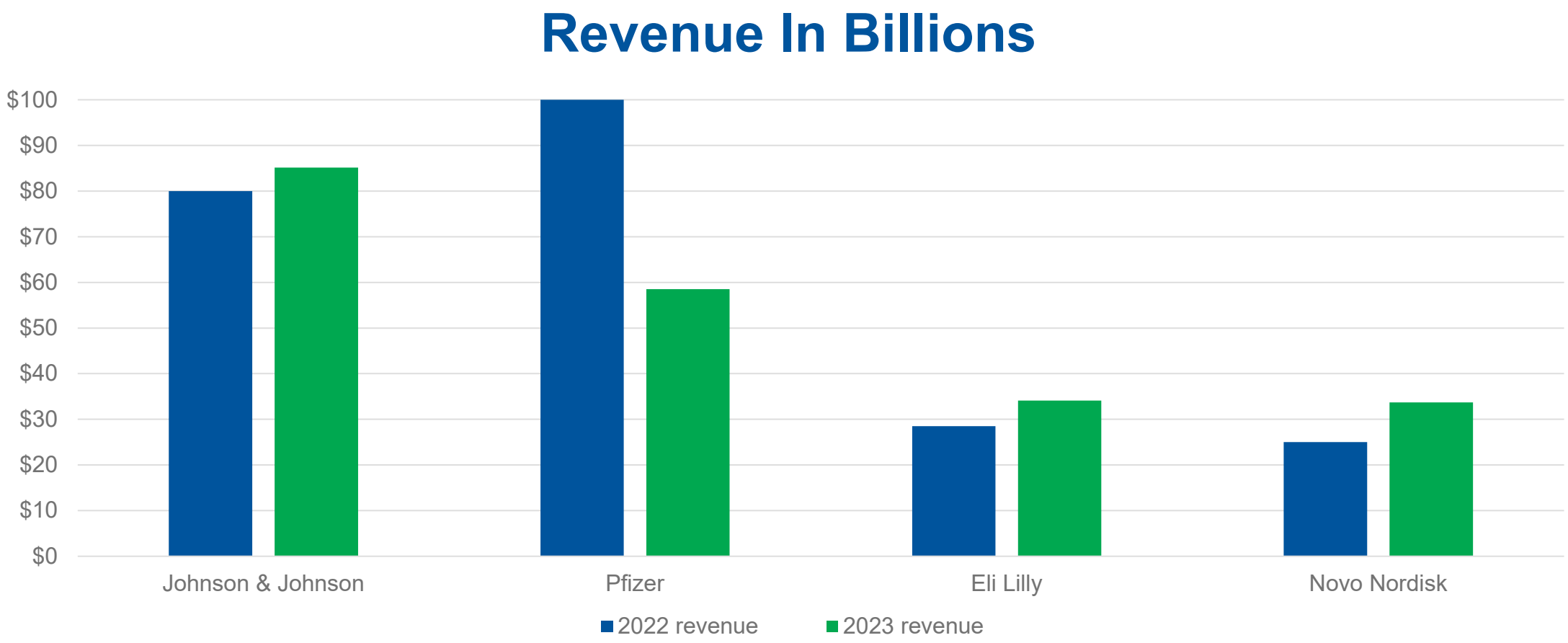


Source: Kesselheim, Aaron. "Drug Development and Approval." *The FDA and Prescription Drugs: Current Controversies in Context.* HarvardX.

Brand-Name vs. Generic Drugs

Brand-Name	Category	Generic Drugs
No difference	**Active Ingredients**	No difference
Higher in cost	**Price**	Lower in cost
Covered if no generic form exists	**Insurance Coverage**	Normally always covered
Tested and approved by the FDA	**Inactive Ingredients**	May differ-but proven to be acceptable by the FDA
No difference	**Strength/Dosage**	No difference
Drugs are standard in size, color, packaging, etc.	**Appearance/Look**	Packaging and drug may look different

Drug Companies 2022 vs. 2023

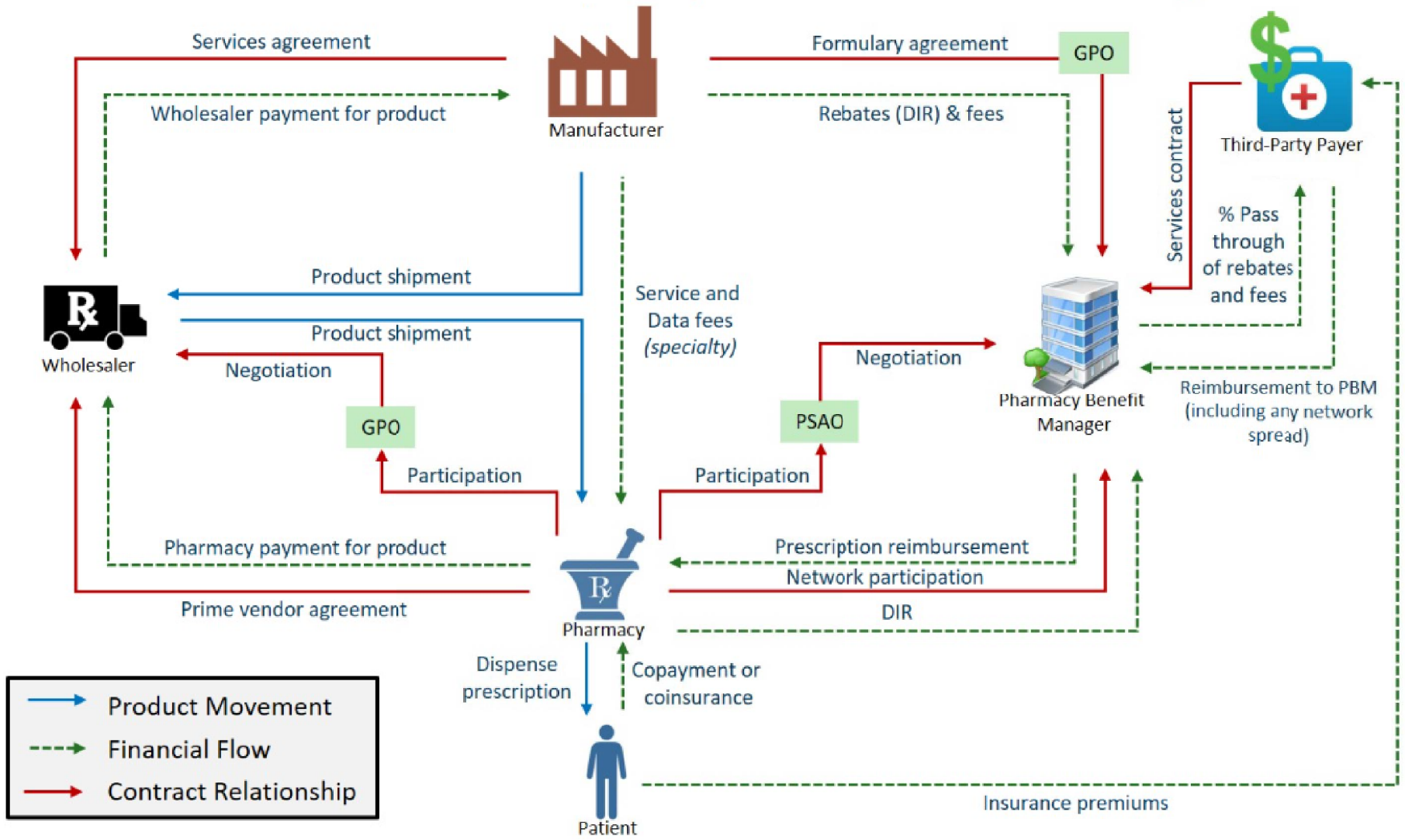


Source: Dunleavey, Kevin. The Top 20 Pharma Companies by 2023 revenue. Fierce Pharma. 2024 April 15. https://www.fiercepharma.com/pharma/top-20-pharma-companies-2023-revenue

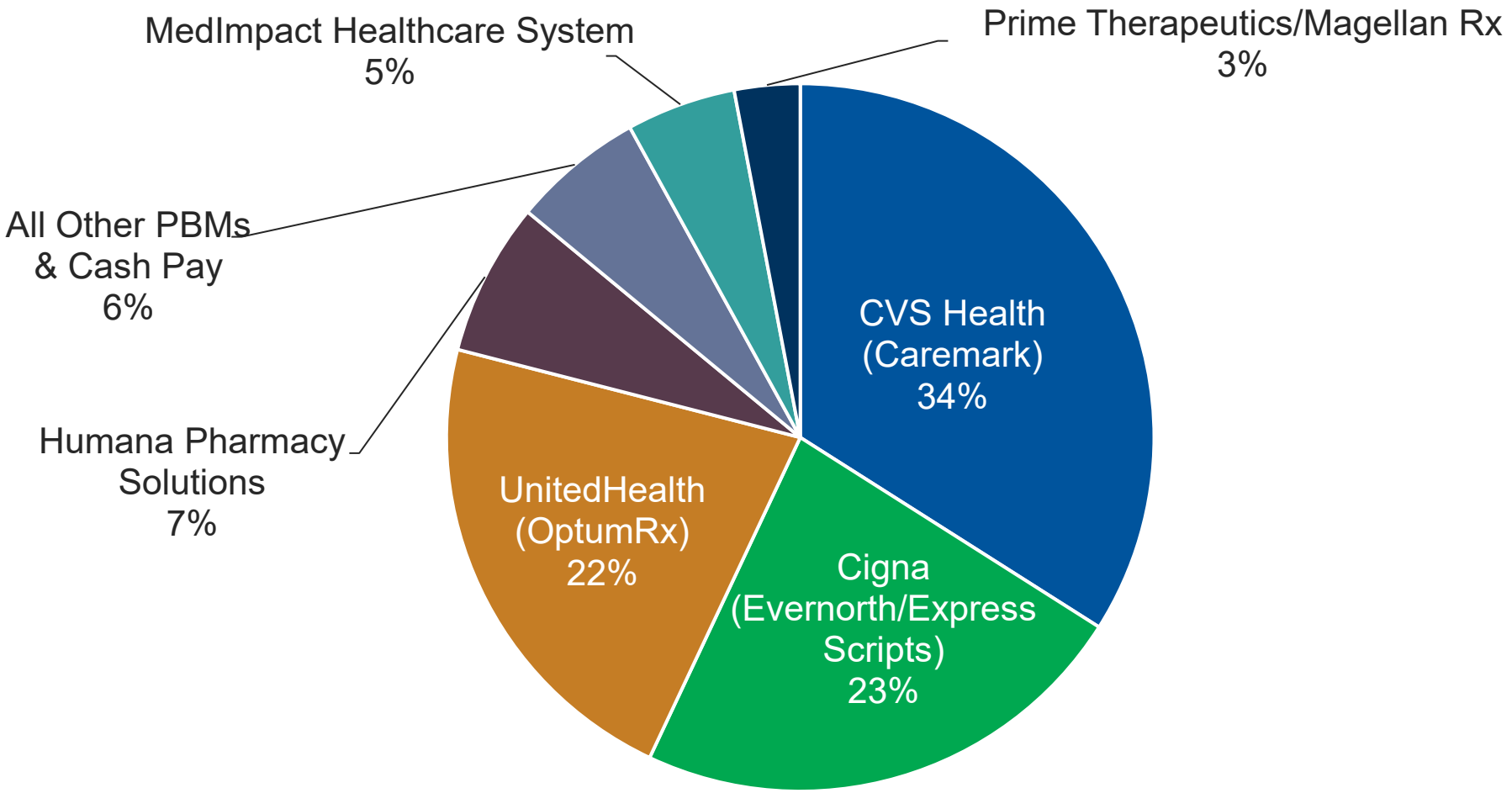
Pharmacy Benefit Managers (PBMs)

- GPO = group purchasing organization
- PSAO = pharmacy services administrative organization
- DIR = direct and indirect remuneration

Source: "The U.S. Pharmacy Distribution and Reimbursement System for Patient-Administered, Outpatient Brand-Name Drugs." *Economic Report on U.S. Pharmacies and Pharmacy Benefit Managers.* Drug Channels Institute



2023 PBM Market Share By Claims



Source: 2024 Economic Report on U.S. Pharmacies and Pharmacy Benefit Mangers, Drug Channels Institute

Functions of a PBM

- Formulary Design
- Utilization Management
- Price Negotiations
- Pharmacy Network Formation
- Mail Order Pharmacy Services

PBM Business Models Overview

Traditional Model

- PBM is paid administrative fees for services, clinical and analytics programs provided at additional costs
- PBM keeps a portion of rebates and other revenue sources
- Transparency and access to contracts and records limited

Pass-Through Model

- PBM is paid administrative fees that may include clinical and analytics programs
- All rebates and revenue sources are passed back to the payer
- Full transparency and access to contracts with manufacturers and pharmacies

Maximum Allowable Cost (MAC)

Traditional Model

- Multiple MAC lists that often exclude mail order and specialty distribution channels
- MAC list with pharmacy contracts tend to be lower cost
- MAC list with payers tend to be higher cost
- Payers are not always allowed to see MAC list drug pricing

Pass-Through Model

- One MAC list that applies to all retail, mail order and specialty distribution channels
- Pharmacy receives the MAC list cost for the drug
- Payer pays the MAC list cost for the drug
- Payers receive full disclosure of MAC list drug pricing for all drugs

Rebates

Traditional Model

- PBM will share a portion of the rebate with payers but keeps part of rebate
- PBM keeps a portion of fees and incentives received from drug manufactures
- Manufacturer agreements and pharmacy contracts are not always auditable by payer

Pass-Through Model

- PBM passes 100% of rebates to payers
- Payers receives all fees and incentives the PBM receives on behalf of members
- Payers can view PBM's manufacturer and pharmacy agreements

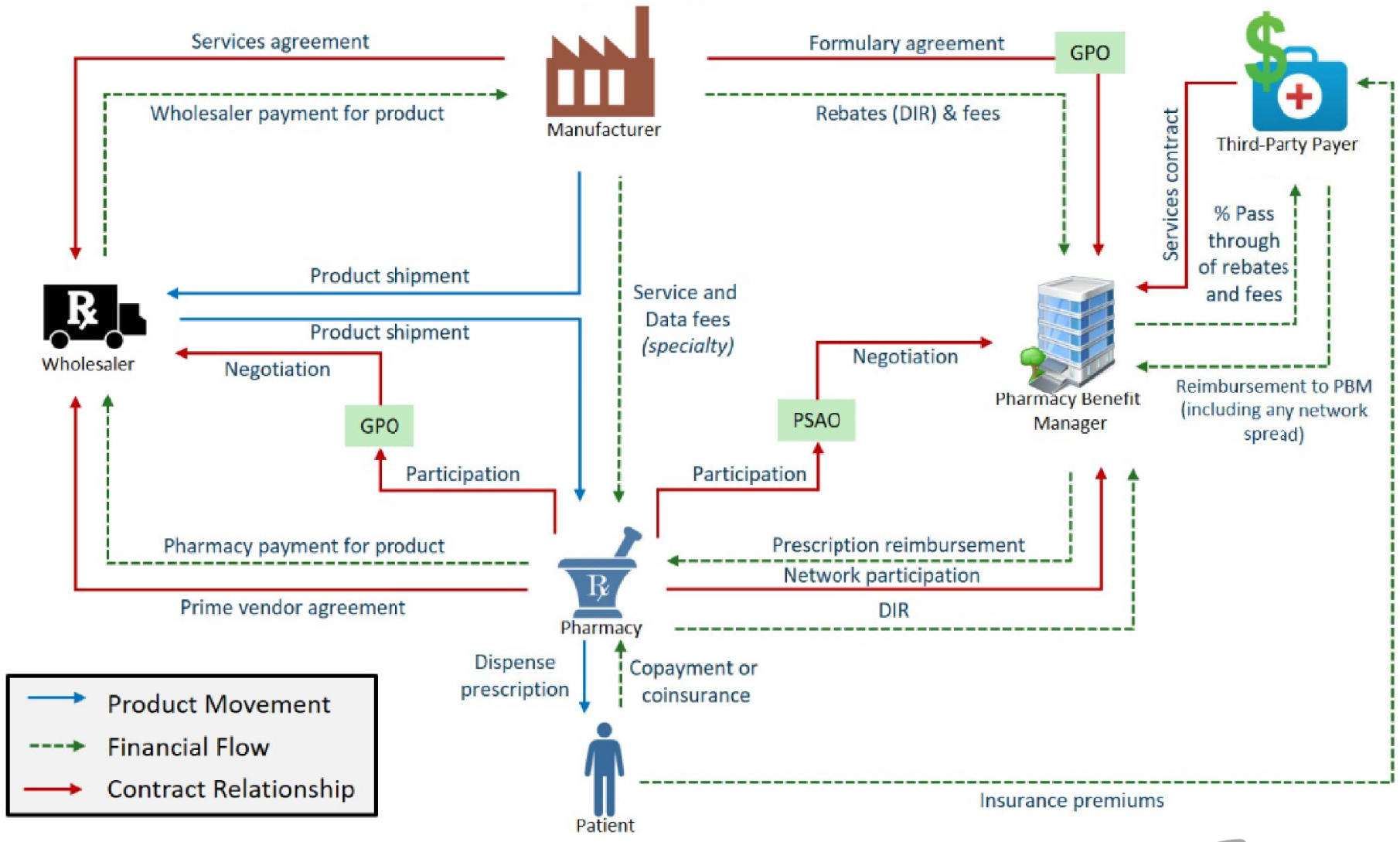
PBM Legislation

- Pharmacy Benefit Manager Transparency Act 2023
- Pharmacy Benefit Manager Reform Act
- Pharmacy Benefits Manager Accountability Act
- Help Ensure Lower Patient Copays Act
- Prescription Pricing for the People Act
- SB737/AB773 Pharmacy Benefit Manager Accountability
- SB718/AB747 Creating a Prescription Drug Affordability Review
- SB100/AB103 All Copays Count

Third-Party Payers, Patients, and Pharmacies

- GPO = group purchasing organization
- PSAO = pharmacy services administrative organization
- DIR = direct and indirect remuneration

Source: "The U.S. Pharmacy Distribution and Reimbursement System for Patient-Administered, Outpatient Brand-Name Drugs." *Economic Report on U.S. Pharmacies and Pharmacy Benefit Managers.* Drug Channels Institute



Our Pharmacy Benefit

Pharmacy benefits carved out from medical benefits since 2004

Board's pharmacy benefit fully transparent, pass-through model

Board pays monthly administrative fees, claims, ehealth services, and member independent review fees

Members pay one premium for pharmacy, medical, and wellness

Benefit has two formularies:
- Commercial (non-Medicare)
- Medicare/Employer Group Waiver Plan (EGWP)

Non-Medicare members can participate in drug manufacturer coupon or co-pay assistance programs

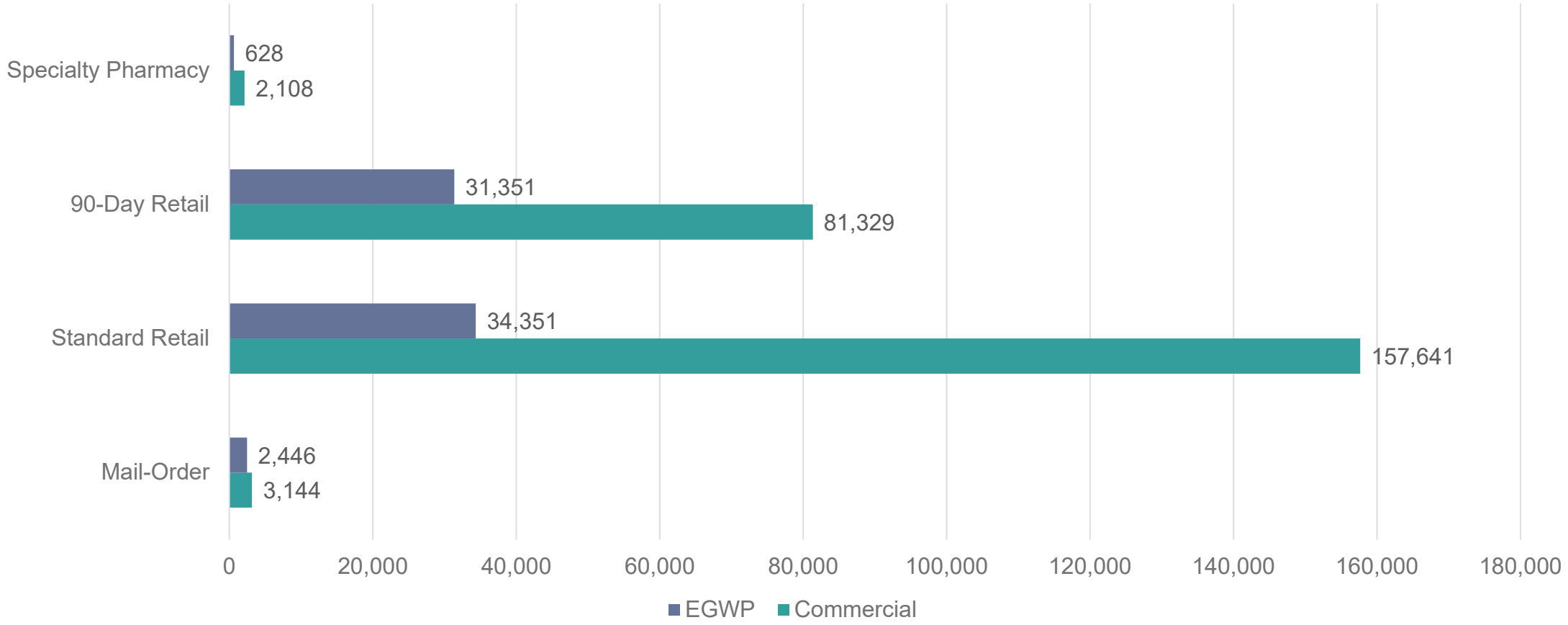
2024 Member Pharmacy Tiers

Levels	Copay/Coinsurance	Description
Level 1	$5 copay	Preferred generic drugs and certain lower-cost preferred brand name drugs.
Level 2	20% coinsurance ($50 max)	Preferred brand name drugs and certain higher- cost preferred generic drugs.
Level 3	40% coinsurance ($150 max)	Non-preferred brand name drugs and certain high-cost generic drugs for which alternative/equivalent preferred generic and brand name drugs are covered.
Level 4	$50 copay 40% coinsurance ($200 max)	Includes only specialty drugs filled at a preferred specialty pharmacy. Mandatory for commercial (non-Medicare) participants. Specialty drugs filled at a pharmacy other than a preferred specialty pharmacy. This only applies only to members with Medicare.

Total Pharmacy Numbers 2019-2023

Categories	2019	2020	2021	2022	2023
Number of eligible participants	236,002	240,448	239,670	237,506	241,487
Number of Participants who use benefit	184,918	186,502	201,491	202,943	201,590
Total prescriptions filled	2,805,057	2,747,750	2,857,898	2,880,143	2,962,931
Total cost (includes Board & Participant costs)	$374,112,596	$378,621,157	$329,860,562	$375,875,829	$415,993,896

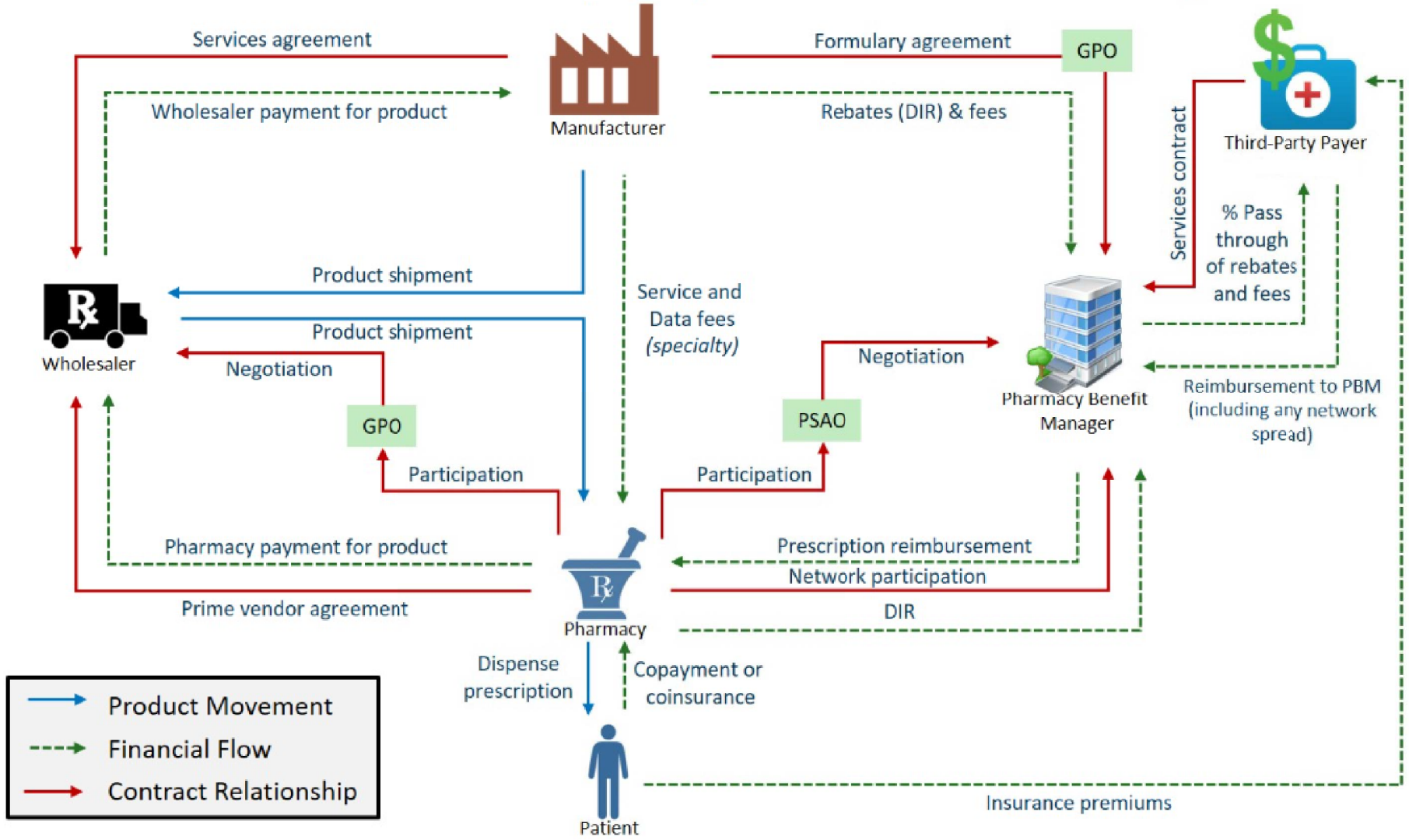
2023 Utilizing Members By Pharmacy Type



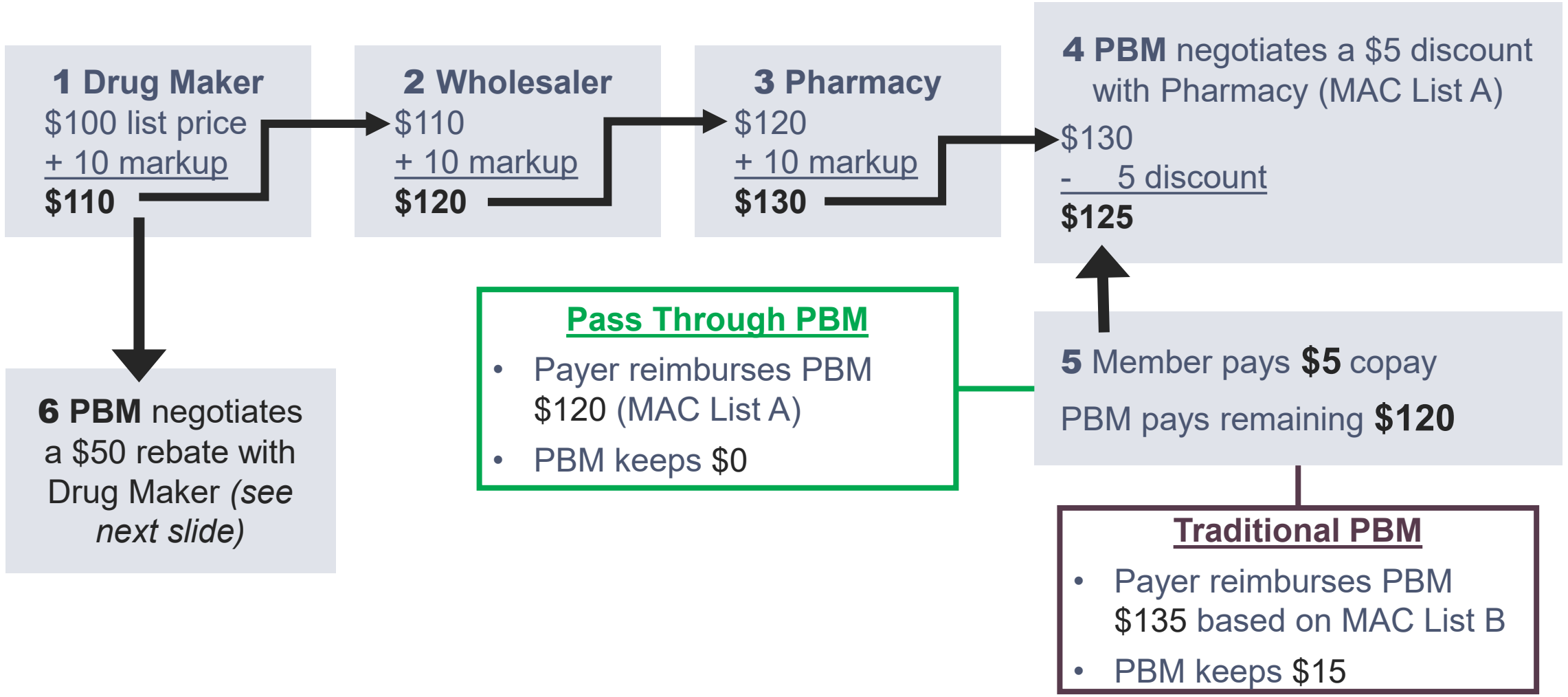
Pharmacy Industry Landscape

- GPO = group purchasing organization
- PSAO = pharmacy services administrative organization
- DIR = direct and indirect remuneration

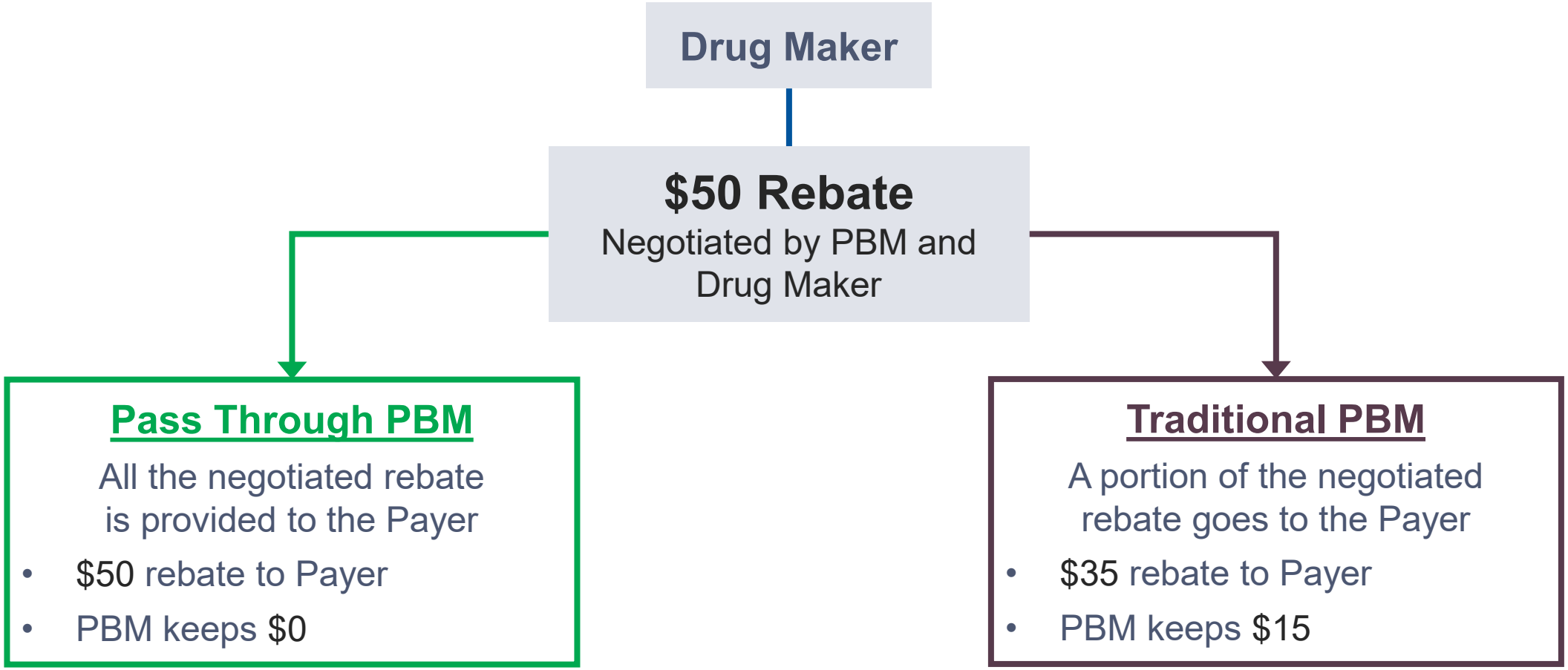
Source: "The U.S. Pharmacy Distribution and Reimbursement System for Patient-Administered, Outpatient Brand-Name Drugs." *Economic Report on U.S. Pharmacies and Pharmacy Benefit Managers.* Drug Channels Institute



Payment Flow Chart



What about Rebates?



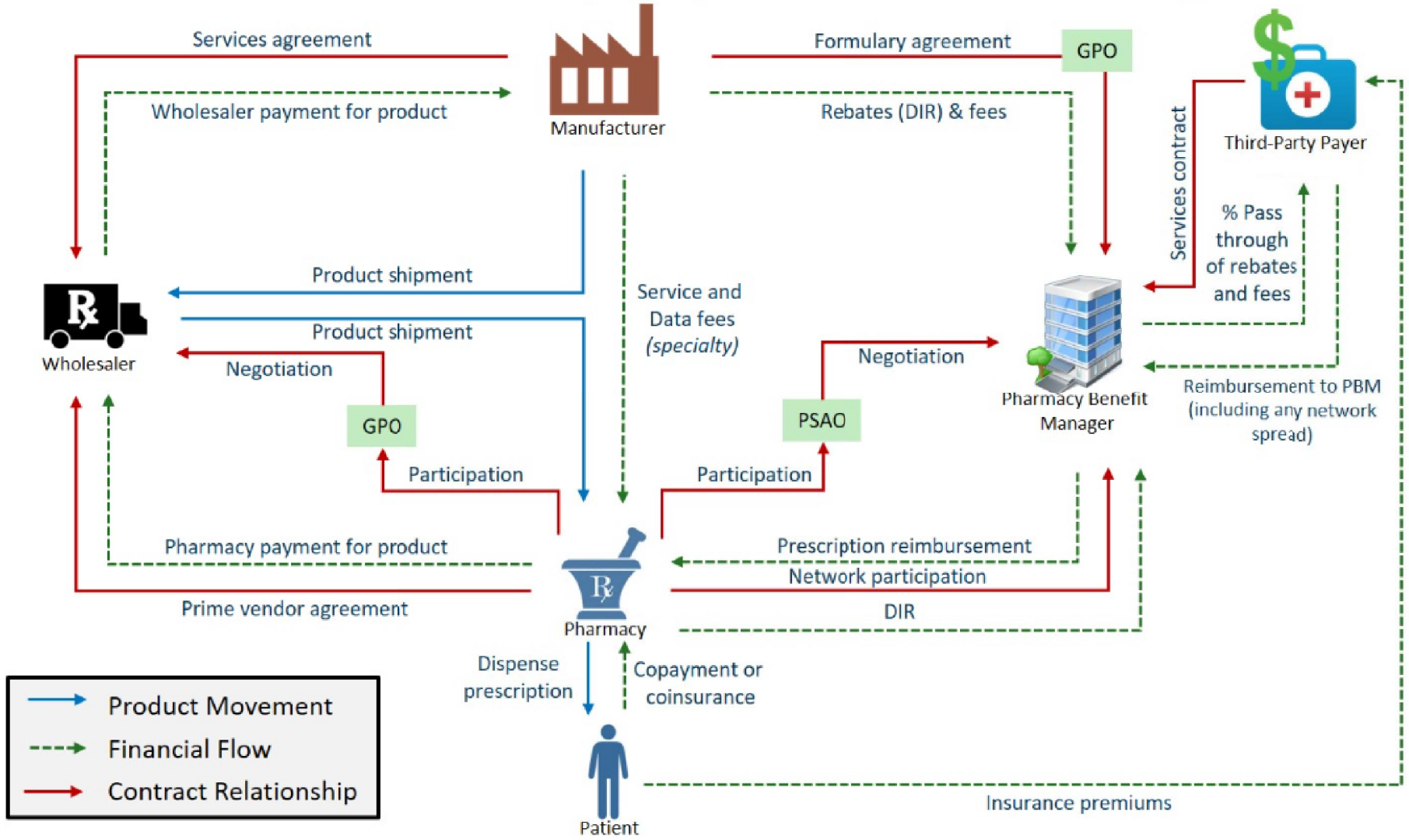
Payment Path Chart

Entity	Payment	*Explanation of Payment*
Drug Maker	Keeps $60	*$100 list price + 10 markup - $50 rebate*
Wholesaler	Keeps $10	*$10 markup*
Pharmacy	Keeps $5	*$10 markup - $5 discount*
Traditional PBM	Payer pays $100 PBM keeps $30	*$135 paid to PBM - $35 from rebate* *$15 from drug purchase + $15 from rebate*
Pass Through PBM	Payer pays $70 PBM Keeps $0	*$120 paid to PBM - $50 rebate*

Questions?

- GPO = group purchasing organization
- PSAO = pharmacy services administrative organization
- DIR = direct and indirect remuneration

Source: "The U.S. Pharmacy Distribution and Reimbursement System for Patient-Administered, Outpatient Brand-Name Drugs." *Economic Report on U.S. Pharmacies and Pharmacy Benefit Managers.* Drug Channels Institute



Health Plan Quality Credit

Item 4A – Group Insurance Board

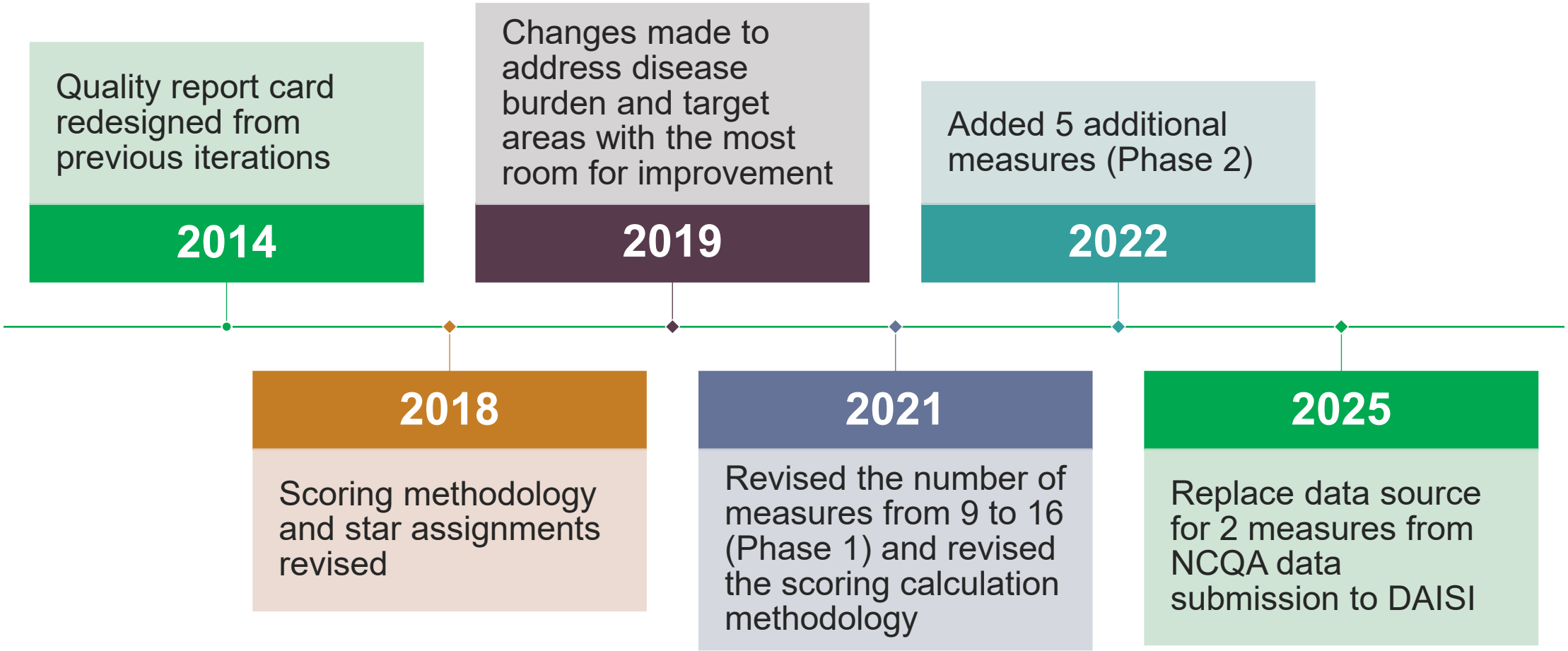
Stephanie Trigsted, Health Care Data Quality and Integrations Analyst

Office of Strategic Health Policy

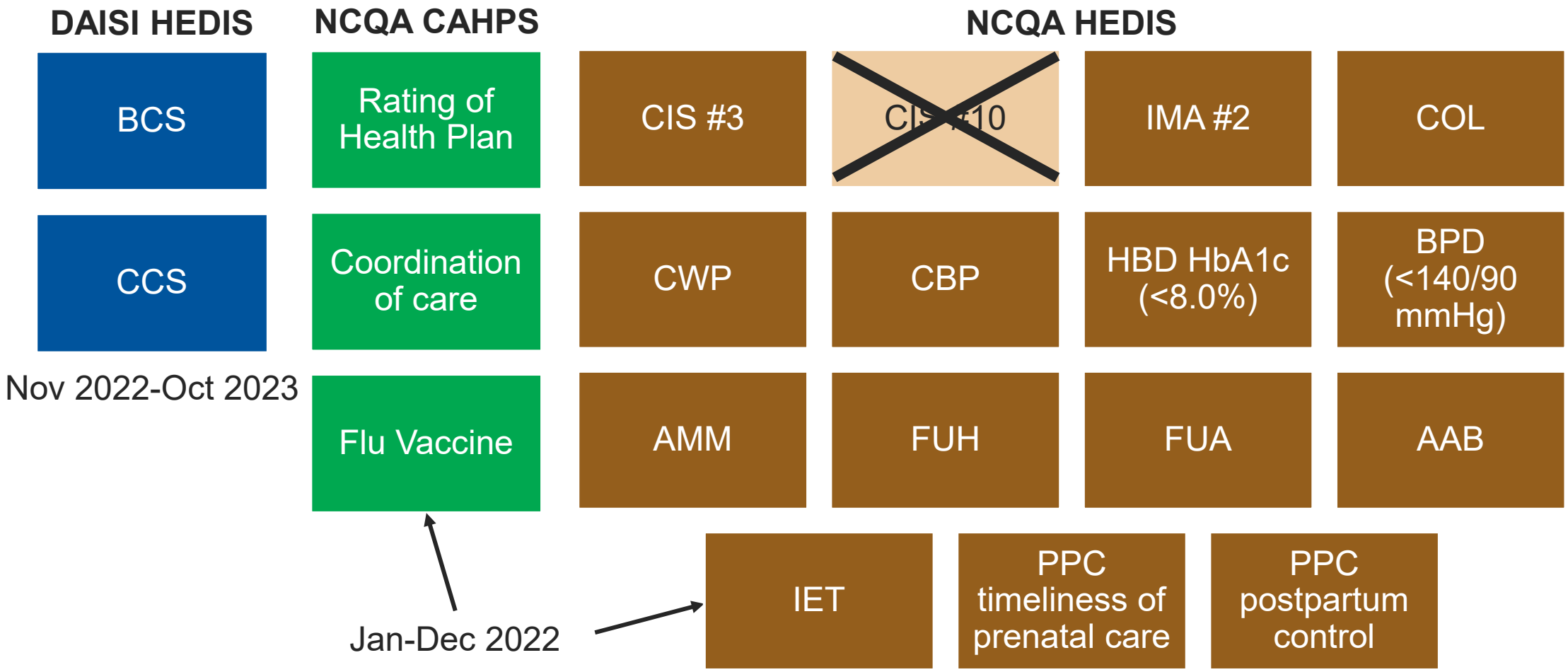
Informational Item Only

No Board action is required

Quality Credit 10-Year History



Plan Year 2025 Scoring Items



(Ref. GIB | 05.23.24 | 4A, pages 1-2)

Quality Credit Results

2025 Plan Year Results

Rank	Health Plan	Final Total	% Change from Plan Year 2024
1	Health Plan B	70.91%	-0.47%
2	Health Plan A	70.57%	-0.47%
3	Health Plan I	69.62%	-0.28%
4	Health Plan H	69.55%	-0.26%
5	Health Plan E	68.63%	-0.49%
6	Health Plan F	68.55%	0.30%
7	Health Plan J	68.52%	-0.04%
8	Health Plan G	67.64%	0.43%
9	Health Plan D	67.41%	0.57%
10	Health Plan C	67.34%	0.50%

(Ref. GIB | 05.23.24 | 4A, Attachment A)

Looking Forward

- Evaluate continued usability of existing measures
- Plan performance and customer experience
- Pay for performance and performance guarantees
- Year-over-year change
- Cost/value measures
- Social Determinates of Health
- GHIP member measures (ex: immunization)

(Ref. GIB | 05.23.24 | 4A, page 2)

Questions?

2025 Group Health Insurance Program Rates and Reserves

Item 4B – Group Insurance Board

Renee Walk, Programs and Policy Unit Director

Office of Strategic Health Policy

Marie Ruetten, Deputy Administrator

Division of Trust Finance

Action Needed

The Department of Employee Trust Funds (ETF) recommends that the Group Insurance Board (Board) approve the recommended health, pharmacy, and dental rates presented by the Board's actuary, Segal, for plan year 2025.

ETF requests Board approval to make any additional, minor adjustments to health plan service areas after they are finalized.

Negotiations Process

- Preliminary bids and utilizations data submitted by health plans and bid tools submitted by pharmacy and dental benefit administrators
- Segal analyzed information and gave tiering recommendations
- ETF met with health plans about changes needed to achieve Tier 1 status
- Health plans submitted best and final offers (BAFOs)

County Qualifications

State Program

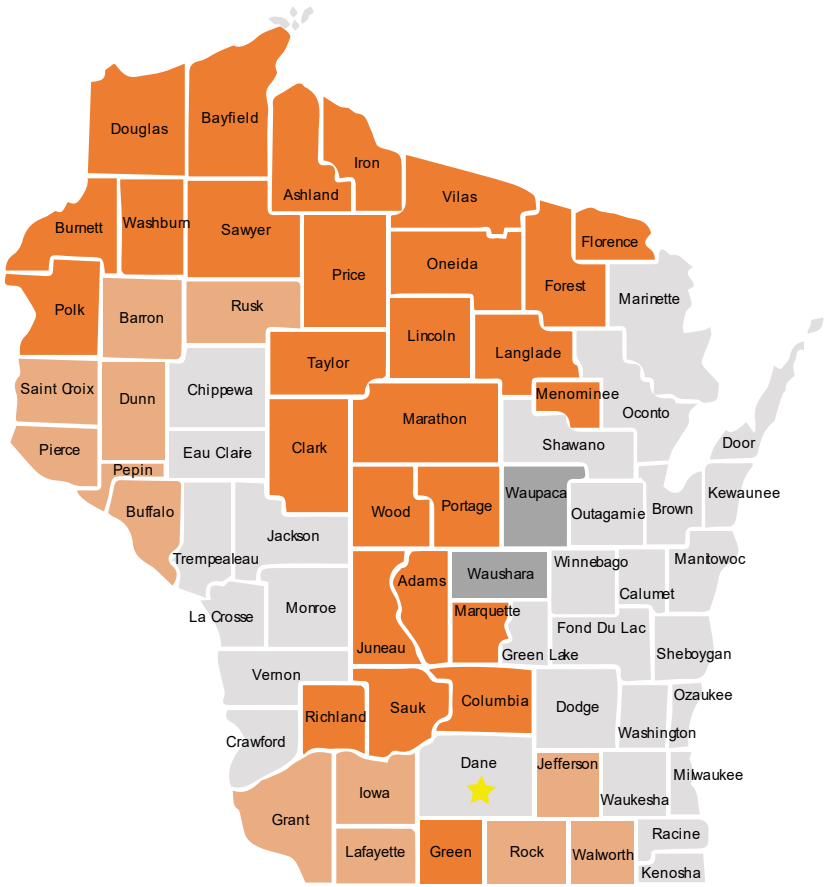
- Only one county in the State program with no qualified Tier-1 health plans
- State Maintenance Plan (SMP) will be available in Florence County

Local Program

- SMP counties continue to increase for 2025
- 41 counties total
- Approximately 7,000 Local members newly eligible for SMP

(Ref. GIB | 05.23.24 | 4B, page 2-3)

Local SMP Counties, 2024 and 2025



(Ref. GIB | 05.23.24 | 4B, page 3)

Access/SMP Contract Terms

Access and SMP plans administered by a single vendor (Dean Health Plan)

If loss ratios are lower than 90% the vendor credits 50% of excess premium amounts to the Board

If loss ratios are above 90% the Board pays 100% of the premium deficiency

This term may be reassessed for future Access/SMP contracts

(Ref. GIB | 05.23.24 | 4B, page 3)

Reserve Balances

- Takes into consideration as part of the rate setting process
- Informs the Board of a projected reserve surplus or deficit to assist in the decision to use the reserves in premium setting
- Actual balances are significantly lower than projected during 2024 rate setting and remain below target

Health Insurance Program Reserves
as of 12/31/2023 (preliminary)

State (in millions)

Health Reserves	Medical [2]	Wellness	Pharmacy	Dental	Total [1]	% change from prior year
Fund Balance, January 1, 2023	$81.0	$3.8	$37.3	$23.0	$145.2	-31.0%
Investment Income	$5.7	($0.1)	$3.8	$1.1	$10.4	142.8%
Contributions	$1,269.0	$11.5	$218.3	$61.2	$1,560.0	4.6%
Benefit Expense	($1,261.5)	($7.8)	($312.1)	($59.7)	($1,641.1)	9.6%
ETF Administrative Expense [3]	($19.4)	$0.0	$0.0	$0.0	($19.4)	23.6%
TPA Administrative Expense	($0.9)	($6.2)	($10.5)	($1.2)	($18.8)	1.6%
Fund Balance, December 31, 2023	$74.0	$1.2	($63.3)	$24.4	$36.3	-75.0%

Local (in millions)

Health Reserves	Medical [2]	Wellness	Pharmacy	Dental	Total [1]	% change from prior year
Fund Balance, January 1, 2023	($4.1)	$0.4	$18.0	$0.1	$14.4	-16.3%
Investment Income	$0.0	$0.0	$1.5	$0.0	$1.4	158.3%
Contributions	$211.5	$1.6	$40.2	$2.4	$255.7	12.5%
Benefit Expense	($211.7)	($1.2)	($42.9)	($2.5)	($258.2)	15.4%
ETF Administrative Expense [3]	($2.7)	$0.0	$0.0	$0.0	($2.7)	28.6%
TPA Administrative Expense	($0.1)	($0.9)	($1.0)	$0.0	($2.0)	0.0%
Fund Balance, December 31, 2023	($7.1)	$0.0	$15.8	($0.1)	$8.6	-40.3%

(1) Amounts may not foot due to rounding.

(2) Medical benefit expense reflects premiums paid to health insurance plan providers, including two plans that are retrospectively rated in which premiums are accrued based on the estimated ultimate cost of the experience.

(3) ETF administrative expense allocated to medical only.

Fees Added to Health Insurance Premiums

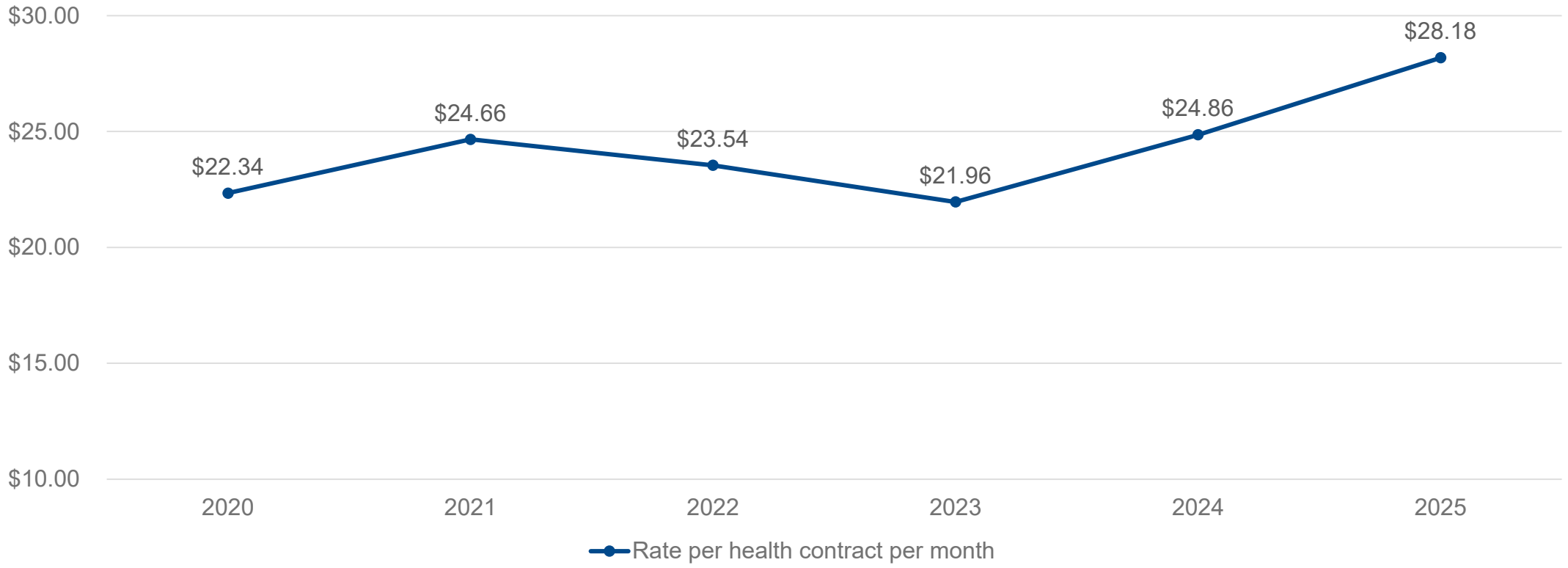
ETF administrative costs

- Staff salaries
- Compliance audits
- Actuarial services
- System costs (e.g., Insurance Administration System, Data Warehouse)

Wellness program costs

- Wellness and disease management program administration
- Coaching
- Biometric screenings
- Incentive payments

Health Insurance Administrative Fee History



(Ref. GIB | 05.23.24 | 4B, Attachment B)

2025 Rates

State program

- State program's overall increase is 6.9%
  - Medical increase = 6.2%

Local program

- Local program's overall increase is 10.4%
  - Medical increase = 10.2%
  - Again, experiencing higher rate increases than State

Dental

- Dental rates increased by 2%

Medicare Advantage

- Medicare Advantage increase for both State and Local members is 37.9%
  - Remains the lowest-cost Medicare plan option
  - Only slightly higher than initial rate offered to members at the start of the program in 2019

Pharmacy

- Pharmacy rates increased for both State (10.6%) and Locals (11.5%)

(Ref. GIB | 05.23.24 | 4B, page 4-5)

Impact to Member Premiums

Difficult to quantify overall

Active employees in the State program

- Premium share increases typically correlate with increases projected for non-Medicare portion of the State program
- Increase of 5.8% for this year

Active employees in the Local program

- Uses a calculation of 88% of the average premium of all Tier 1 health plans in the county, because employers cannot contribute more than this toward their employees' insurance per state law
- Increase of 6%-7.9% for non-SMP plans

(Ref. GIB | 05.23.24 | 4B, page 5-6)

Impact to Member Medicare Premiums

Medicare-enrolled retirees

- Medicare-enrolled retirees in both State and Local programs pay any changes to their premium directly
- Increases are plan specific
- State increase of 0.8%-15%
- Local increase of 1.6%-30.6%

Medicare Advantage

- Increase of 37.9%
- Still the lowest-cost plan option for retirees

Medicare Plus

- Increase of 5%

(Ref. GIB | 05.23.24 | 4B, page 5-6)

Local SMP Rates

Increase in enrollment along with the earlier rate setting schedule creates challenges for premium setting for this group

- Experience data for larger group of SMP members in 2024 is not yet available
- ETF expects even more growth in SMP in 2025 with addition of 11 more Local SMP counties
- Dean unaware of addition of 11 counties until after submitting their bid
  - Dean's bid may not be sufficient to cover claims, possibly leaving Board liable for another large settlement in 2025

(Ref. GIB | 05.23.24 | 4B, page 6)

Local SMP Rates Options

Option 1

- **Pay Dean a higher rate increase than requested**
- 15% rate increase (above 8.4% cap)

Option 2

- **Add a Plan Stabilization Charge (PSC) to the Local SMP premium**
- Pay rate bid by Dean, but charge the full 15% increase to members

Option 3

- **Make no changes to the Local SMP rate**
- The Board could charge only the 8.4% increase rate

(Ref. GIB | 05.23.24 | 4B, page 6-7)

Overall Rate and Reserve Options

Option 1	• Accept premiums with no stabilization increase
Option 2	• Add a stabilization increase, targeting low end of reserve range
Option 3	• Add a stabilization increase, targeting midpoint by 2026
Option 4	• Add a stabilization increase, targeting midpoint by 2027

(Ref. GIB | 05.23.24 | 4B, page 7-8)

ETF Recommendations

- Option 4: Add stabilization increases to State and Local Rates, targeting the midpoint of the reserve range by 2027.
- Do not add separate Local SMP stabilization charge; include in the overall increase for locals (Local SMP Option 3).

State of Wisconsin Group Insurance Board
Department of Employee Trust Funds

2025 Program Renewals

May 23, 2024

Segal Consulting

1. **Overview**
2. Medical Plans
3. Prescription Drug Plan
4. Dental Plan
5. Aggregate Renewal
6. Fund Balance/Reserve
7. 2025 Premium Alternatives
8. Appendix I: Renewal Process

Overview

- Annual renewal process conducted similar to prior years (See Appendix I)
- Three components:
  - Medical
  - Pharmacy
  - Dental
- Reserve fund analysis and projections
- Discussion options for 2025 premiums and three-year reserve approach

1. Overview
2. **Medical Plans**
3. Prescription Drug Plan
4. Dental Plan
5. Aggregate Renewal
6. Fund Balance/Reserve
7. 2025 Premium Alternatives
8. Appendix I: Renewal Process

State HMO Renewal

- Dane tier breakpoint increase was 5.8%
- Non-Dane tier breakpoint increase was 5.4%
- Overall preliminary bid increase from inforce rates was 11.2%
- All plans remained in Tier 1

	2024 Rates	BAFO 2025 Rates	Change From Current	%
Medical Costs (in Millions)				
Dane	$662.6	$704.3	$41.7	6.3%
Non-Dane	$608.9	$640.1	$31.2	5.1%
Total State	**$1,271.4**	**$1,344.4**	**$73.0**	**5.7%**

^ Totals may not reconcile due to rounding

Local HMO Renewal

- Very few plans moved to Tier 1

Tier 1	Tier 1 Last Year, now Tier 2/3	Tier 2/3 Both Years
GHC- SCW Dane Choice	Dean Prevea East	Aspirus
Network	Dean Medica West	Dean
Quartz UW	GHC-EC River Region	GHC-EC Common Ground
Quartz West	Medical Associates	GHC-EC Greater WI
	MercyCare	GHC-SCW Neighbors
		HealthPartners West, Southeast, & Robin
		Quartz Central
		Security

- Overall preliminary bid increase from inforce rates was 16.9%

	2024 Rates	BAFO 2025 Rates	Change From Current	%
Medical Costs (in Millions)				
Locals	$226.2	$249.3	$23.1	10.2%

- The 10.2% shown below may ultimately be less if members migrate into lower cost Tier 1 plans from those that had sizable increases and are no longer Tier 1.
- For example, last year the 2024 premium spend was projected to be $240.2M – $14M higher than this year, the difference being migration to lower cost plans in the current enrollment.

Access Plan and SMP Renewals (Statewide)

- Dean manages the Access Plan and SMP plans. The Access Plan and SMP rates increased at the rate cap of 8.4%.

	2024 Rates	BAFO 2025 Rates	Change from Current	%
Medical Costs (in Millions)				
State	$49.3	$53.4	$4.1	8.4%
Local	$10.8	$11.7	$0.9	8.4%
Total	**$60.0**	**$65.1**	**$5.0**	**8.4%**

^ Totals may not reconcile due to rounding

- Experience is running higher with Dean initially proposing a 15.9% increase. The contract terms below incentivize the Board to minimize rate increases to prevent paying Dean more than the 10% retention target.

Contract Terms w/ Dean	
LR > 90%	The Board pays 100% of claims over 90%
LR < 90%	Dean pays 50% of claims under 90%

	2023 Actual	2024 Projected	2025 Projected
Estimated Settlement Owed to Dean (in Millions)			
State	$7.0	$3.9	$2.9
Local	$2.2	$2.6	$2.4
Total	**$9.2**	**$6.5**	**$5.3**

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 2025 for State (same as 2024):
  - Florence County
- SMP will be offered in 41 counties in 2025 for Local (up from 30 counties in 2024):
  - Adams
  - Ashland
  - Barron
  - Bayfield
  - Buffalo
  - Burnett
  - Clark
  - Columbia
  - Douglas
  - Dunn
  - Florence
  - Forest
  - Grant
  - Green
  - Iowa
  - Iron
  - Jefferson
  - Juneau
  - Lafayette
  - Langlade
  - Lincoln
  - Marathon
  - Marquette
  - Menominee
  - Oneida
  - Pepin
  - Pierce
  - Polk
  - Portage
  - Price
  - Richland
  - Rock
  - Rusk
  - Sauk
  - Sawyer
  - St. Croix
  - Taylor
  - Vilas
  - Walworth
  - Washburn
  - Wood

Medicare Plus (Statewide)

- UnitedHealthCare (UHC) administers the fully-insured Medicare Plus plan for Medicare eligible retirees
- Medicare Plus BAFO rates of $250.68/$266.34 PMPM (State/Local) resulted in an increase of 5.0%

	2024 Rates	BAFO 2025 Rates	Change from Current	%
Medical Costs (in Millions)				
State	$12.2	$12.8	$0.6	5.0%
Local	$0.5	$0.5	$0.0	5.0%
Total	**$12.6**	**$13.2**	**$0.6**	**5.0%**

^ Totals may not reconcile due to rounding

Medicare Advantage Renewal

- UHC also administers the fully-insured Medical Advantage plan for Medicare eligible retirees
- The preliminary rates were a 58% increase but were reduced $15.54 per member per month (PMPM) after the negotiation meeting.
- The 2025 BAFO rate of $104.22 PMPM increased from $75.58 PMPM in 2024 – a 38% increase.

	2024 Rates	BAFO 2025 Rates	Change from Current	%
Medical Costs (in Millions)				
State	$15.1	$20.8	$5.7	37.9%
Local	$0.7	$1.0	$0.3	37.9%
Total	**$15.8**	**$21.8**	**$6.0**	**37.9%**

^ Totals may not reconcile due to rounding

2025 Overall Medical Increase by Product

- Overall, State increased 6.2% and Local increased 10.2%, for a total of 6.8%

	2024 Rates	2025 Prelim Bids	Negotiation Savings	%	2025 BAFO Rates	Change From Inforce	%
State (in Millions)							
HMO	$1,271.4	$1,413.7	($69.3)	-4.9%	$1,344.4	$73.0	5.7%
Statewide	$61.4	$69.9	($3.7)	-5.3%	$66.2	$4.7	7.7%
Medicare Advantage	$15.1	$23.9	($3.1)	-13.0%	$20.8	$5.7	37.9%
Total State	**$1,347.9**	**$1,507.5**	**($76.1)**	**-5.0%**	**$1,431.4**	**$83.4**	**6.2%**

	2024 Rates	2025 Prelim Bids	Negotiation Savings	%	2025 BAFO Rates	Change From Inforce	%
Local (in Millions)							
HMO	$226.2	$257.9	($8.6)	-3.3%	$249.3	$23.1	10.2%
Statewide	$11.2	$13.0	($0.8)	-6.2%	$12.1	$0.9	8.3%
Medicare Advantage	$0.7	$1.1	($0.1)	-13.0%	$1.0	$0.3	37.9%
Total Local	**$238.1**	**$272.0**	**($9.6)**	**-3.5%**	**$262.4**	**$24.3**	**10.2%**

	2024 Rates	2025 Prelim Bids	Negotiation Savings	%	2025 BAFO Rates	Change From Inforce	%
Total (in Millions)							
HMO	$1,497.6	$1,671.6	($77.9)	-4.7%	$1,593.7	$96.1	6.4%
Statewide	$72.6	$82.8	($4.5)	-5.4%	$78.3	$5.7	7.8%
Medicare Advantage	$15.8	$25.0	($3.2)	-13.0%	$21.8	$6.0	37.9%
Grand Total	**$1,586.0**	**$1,779.5**	**($85.7)**	**-4.8%**	**$1,693.8**	**$107.8**	**6.8%**

^ Totals may not reconcile due to rounding

* Medicare includes HDHP Medicare and Family 1 contracts

2025 Overall Medical Increase by Group

- Renewal process resulted in a $85.7 million savings, a 4.8% reduction from 2025 Preliminary Bids (5.0% for State and 3.5% for Locals)

	2024 Rates	2025 Prelim Bids	Negotiation Savings	%	2025 BAFO Rates	Change From Inforce	%
State (in Millions)							
Non-Medicare	$980.3	$1,091.7	($54.7)	-5.0%	$1,037.0	$56.7	5.8%
Medicare*	$89.6	$106.4	($6.5)	-6.1%	$99.9	$10.3	11.5%
Grads	$64.1	$70.6	($2.8)	-4.0%	$67.8	$3.8	5.9%
HDHP	$214.0	$238.7	($12.1)	-5.1%	$226.7	$12.7	5.9%
Total State	**$1,347.9**	**$1,507.5**	**($76.1)**	**-5.0%**	**$1,431.4**	**$83.4**	**6.2%**
Local (in Millions)							
Non-Medicare	$211.7	$241.3	($8.4)	-3.5%	$232.9	$21.2	10.0%
Medicare*	$5.0	$5.9	($0.3)	-5.4%	$5.6	$0.6	12.6%
HDHP	$21.4	$24.8	($0.9)	-3.5%	$23.9	$2.5	11.8%
Total Local	**$238.1**	**$272.0**	**($9.6)**	**-3.5%**	**$262.4**	**$24.3**	**10.2%**
Grand Total	**$1,586.0**	**$1,779.5**	**($85.7)**	**-4.8%**	**$1,693.8**	**$107.8**	**6.8%**

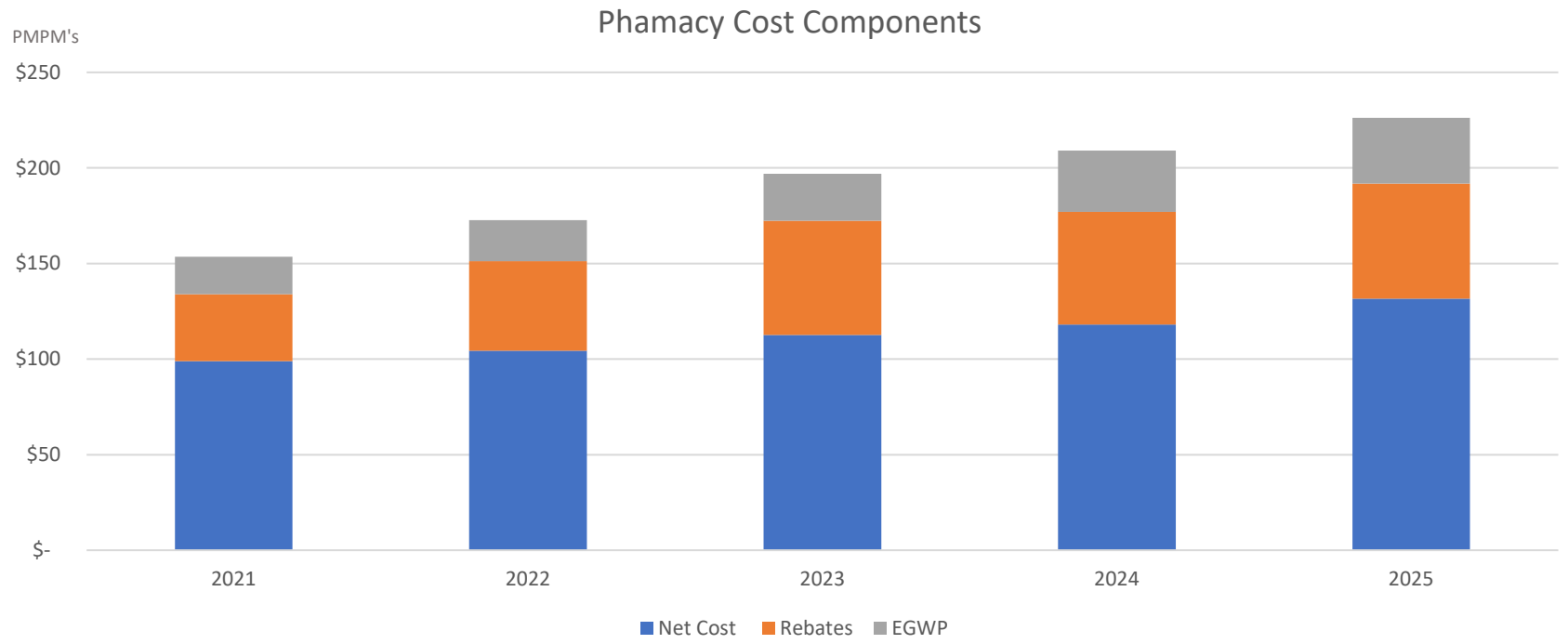
^ Totals may not reconcile due to rounding

* Medicare includes HDHP Medicare and Family 1 contracts

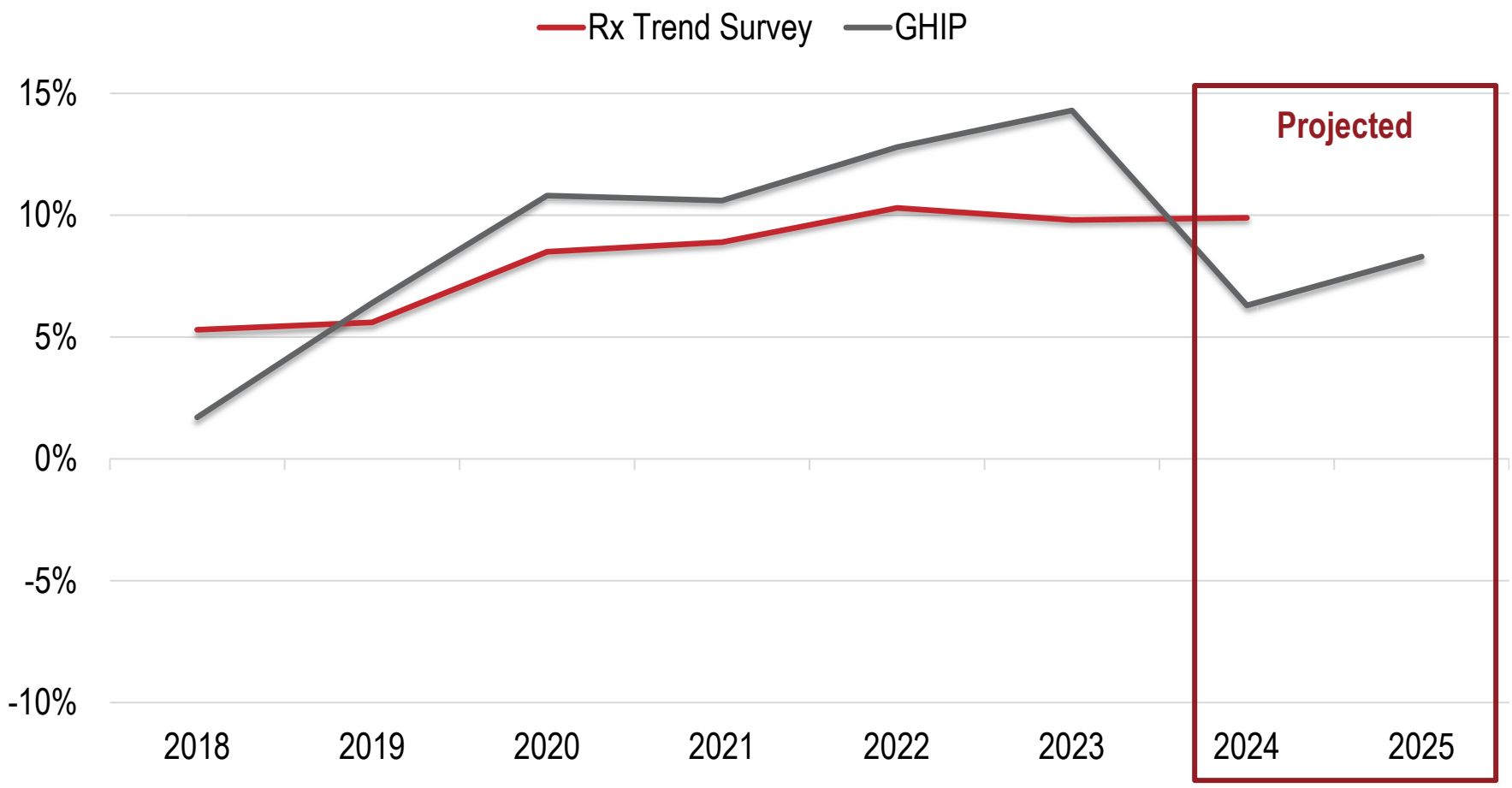
1. Overview
2. Medical Plans
3. **Prescription Drug Plan**
4. Dental Plan
5. Aggregate Renewal
6. Fund Balance/Reserve
7. 2025 Premium Alternatives
8. Appendix I: Renewal Process

Historical Pharmacy Spend – PMPM

- "Top Line" claims (before credits) projected trend is averaging 10.4% from 2021 – 2025, while Rebates and Employer Group Waiver Plan (EGWP) subsides have increased on average 14.8%
- The net impact is a 4-year total average increase of 7.4% annually



Historical Pharmacy "Top Line" Trends – Comparison to GHIP



GHIP increases have been higher than norms over past 5 years.

Source: 2024 *Segal Health Plan Cost Trend Survey*

Prescription Drug Plans Rates

- Aggregate rate increase of 10.6% for State

	2024 Single Rate	2025 Single Rate	%
State			
HMO Regular	$136.92	$152.74	11.6%
Access	$136.92	$152.74	11.6%
SMP	$136.92	$152.74	11.6%
HDHP Regular	$117.76	$131.36	11.6%
Access HDHP	$117.76	$131.36	11.6%
SMP HDHP	$117.76	$131.36	11.6%
HMO Grads	$67.22	$72.38	7.7%
Access Grads	$67.22	$72.38	7.7%
SMP Grads	$67.22	$72.38	7.7%
HMO Medicare	$172.92	$187.16	8.2%
Medicare Plus & Medicare Advantage	$172.92	$187.16	8.2%
Overall			**10.6%**

Prescription Drug Plans Rates *continued*

- Aggregate rate increase of 11.5% for Local

	2024 Single Rate	2025 Single Rate	% Change
Local			
HMO Regular	$134.10	$149.90	11.8%
Access	$134.10	$149.90	11.8%
SMP	$134.10	$149.90	11.8%
HDHP Regular	$108.62	$121.42	11.8%
Access HDHP	$108.62	$121.42	11.8%
SMP HDHP	$108.62	$121.42	11.8%
HMO / HDHP Medicare	$176.32	$191.34	8.5%
Medicare Plus & Medicare Advantage	$176.32	$191.34	8.5%
Overall			**11.5%**

Prescription Drug Plans Rates

- Overall, the recommended rate increase for the prescription drug plan is 10.7%

	2024 Rates	2025 Premium (Pre BD)	$ Change	% Change
State (in Millions)				
Non-Medicare, Non-Grad	$171.5	$191.3	$19.8	11.6%
Medicare*	$74.0	$80.1	$6.1	8.3%
Grad Assistants	$7.6	$8.2	$0.6	7.7%
HDHP	$36.9	$41.2	$4.3	11.5%
Total State	**$290.0**	**$320.8**	**$30.8**	**10.6%**
Local (in Millions)				
Non-Medicare, Non-Grad	$36.8	$41.1	$4.3	11.8%
Medicare*	$3.6	$3.9	$0.3	8.6%
HDHP	$3.5	$4.0	$0.4	11.8%
Total Local	**$43.9**	**$49.0**	**$5.1**	**11.5%**
Grand Total	**$333.9**	**$369.8**	**$35.9**	**10.7%**

^ Totals may not reconcile due to rounding

* Medicare includes HDHP Medicare and Family 1 contracts

1. Overview
2. Medical Plans
3. Prescription Drug Plan
4. **Dental Plan**
5. Aggregate Renewal
6. Fund Balance/Reserve
7. 2025 Premium Alternatives
8. Appendix I: Renewal Process

Dental Plan Rates (State and Local)

- Claims data (January 2021 – January 2024) was received from Delta Dental and used in our analysis
  - Experience period used was 2023 incurred claims (runout through January 2024)
- Assumptions:
  - Annual Trend 4.0% (Segal Trend Survey)
  - Completion factor based on historical claims lag
  - No Plan Design Change Impact for 2024 and 2025
- Emerging experience is slightly lower than prior projections, thus the rate increase is just below the underlying trend assumption

	2024 Rates	2025 Rates	% Change
Uniform Dental Self-Insured Rates			
Single	$32.08	$32.72	2.0%
Family	$80.20	$81.80	2.0%

Dental Total Cost

- Overall, the recommended rate increase for the dental plan is 2.0%

	2024 Rates	2025 Premium (Pre BD)	$ Change	% Change
State (in Millions)				
Non-Medicare, Non-Grad	$39.2	$40.0	$0.8	2.0%
Medicare*	$12.1	$12.3	$0.2	2.0%
Grad Assistants	$3.4	$3.5	$0.1	2.0%
HDHP	$9.7	$9.9	$0.2	2.0%
Total State	**$64.4**	**$65.7**	**$1.3**	**2.0%**
Local (in Millions)				
Non-Medicare, Non-Grad	$2.2	$2.3	$0.0	2.0%
Medicare*	$0.1	$0.1	$0.0	2.0%
HDHP	$0.2	$0.2	$0.0	2.0%
Total Local	**$2.6**	**$2.6**	**$0.1**	**2.0%**
Grand Total	**$67.0**	**$68.3**	**$1.3**	**2.0%**

^ Totals may not reconcile due to rounding
* Medicare includes Family 1 contracts

1. Overview
2. Medical Plans
3. Prescription Drug Plan
4. Dental Plan
5. **Aggregate Renewal**
6. Fund Balance/Reserve
7. 2025 Premium Alternatives
8. Appendix I: Renewal Process

2025 Aggregate Renewal - Medical, Rx, Dental, and Admin

- Renewal process resulted in a $149.5 million total premium increase, a 7.4% increase from 2024 Inforce Rates (6.9% for State and 10.4% for Locals)

	2024 Inforce	2025 Premium (Pre BD)	$ Change	% Change
State (in Millions)				
Medical	$1,347.9	$1,431.4	$83.4	6.2%
Pharmacy	$290.0	$320.8	$30.8	10.6%
Dental	$64.4	$65.7	$1.3	2.0%
Admin	$30.0	$34.0	$4.0	13.4%
Total	**$1,732.3**	**$1,851.9**	**$119.5**	**6.9%**
Local (in Millions)				
Medical	$238.1	$262.4	$24.3	10.2%
Pharmacy	$43.9	$49.0	$5.1	11.5%
Dental	$2.6	$2.6	$0.1	2.0%
Admin	$4.2	$4.7	$0.6	13.4%
Total	**$288.8**	**$318.8**	**$30.0**	**10.4%**
Grand Total	**$2,021.1**	**$2,170.6**	**$149.5**	**7.4%**

^ Totals may not reconcile due to rounding
* Medicare includes HDHP Medicare and Family 1 contracts

1. Overview
2. Medical Plans
3. Prescription Drug Plan
4. Dental Plan
5. Aggregate Renewal
6. **Fund Balance/Reserve**
7. 2025 Premium Alternatives
8. Appendix I: Renewal Process

Fund Balance
State

- The fund balance decreased $104.6M in 2023 as the entire surplus was used and is projected to decrease an additional $11.7M in 2024

State Health Reserve (in millions)											
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Beg of Year											
Medical	66.7	69.4	74.8	76.9	84.7	62.0	73.5	86.3	96.5	84.9	75.2
Pharmacy	63.1	30.8	6.7	60.1	121.8	134.7	132.4	100.1	90.1	37.3	(59.1)
Dental	0.0	0.0	0.0	(1.2)	0.2	3.5	5.5	19.6	23.7	23.0	24.4
Total	**129.8**	**100.1**	**81.5**	**135.8**	**206.6**	**200.2**	**211.4**	**206.1**	**210.3**	**145.2**	**40.5**
Gain/(Loss)											
Medical	2.7	5.4	2.1	7.8	(22.7)	11.5	12.9	10.2	(11.6)	(9.6)	(2.9)
Pharmacy	(32.3)	(24.1)	53.4	61.6	13.0	(2.4)	(32.2)	(10.1)	(52.8)	(96.3)	(10.6)
Dental	0.0	0.0	(1.2)	1.4	3.3	2.0	14.1	4.1	(0.7)	1.4	1.8
Total	**(29.6)**	**(18.7)**	**54.3**	**70.8**	**(6.4)**	**11.1**	**(5.3)**	**4.2**	**(65.1)**	**(104.6)**	**(11.7)**
End of Year											
Medical	69.4	74.8	76.9	84.7	62.0	73.5	86.3	96.5	84.9	75.2	72.3
Pharmacy	30.8	6.7	60.1	121.8	134.7	132.4	100.1	90.1	37.3	(59.1)	(69.6)
Dental	0.0	0.0	(1.2)	0.2	3.5	5.5	19.6	23.7	23.0	24.4	26.1
Total	**100.1**	**81.5**	**135.8**	**206.6**	**200.2**	**211.4**	**206.1**	**210.3**	**145.2**	**40.5**	**28.8**
Buy-Down	**20.5**	**20.0**	**0.0**	**0.0**	**29.0**	**49.1**	**33.0**	**10.5**	**27.0**	**86.5**	**0.0**

^ Totals may not reconcile due to rounding

* Reserves inclusive of investment income

** Medical includes wellness

*** Difference in 2023 EOY pharmacy balance from reserve statement due to emerging Navitus projections

2023 Gain/(Loss)
State

- Segal projected the 2023 ending fund balance at the August 23' GIB meeting.
- The actual results pulled down the reserve more than projected

Projected 12/31/2023 Reserve Gain/(Loss) Analysis

State	$ in Millions
Projected Last GIB	63.5
Actual	40.5
Total 2023 Reserve Loss Gain/(Loss)	**(23.0)**
Gain/(Loss) from:	
Investment Income	3.8
Pharmacy Experience	(15.0)
Access/SMP Settlement	(7.0)
Medical	(4.8)

Cumulative impact on 2024 for additional $15.9M projected loss

Fund Balance
State (Projected 12/31/2024)

- Segal's ending fund balance projection uses ETF transactional data through 2/29/2024. ETF provides investment income assumption of 6.5% used for 2024 and beyond.

Projected 2024 State Health Reserve (in milions)				
	Medical	**Pharmacy**	**Dental**	**Total**
Balance 1/1/2024	75.2	(59.1)	24.4	40.5
Revenue				
Premiums	1,377.2	289.7	64.3	1,731.2
EGWP Subsidy		86.4		86.4
Investment Income	4.6	(4.0)	1.6	2.2
Total Revenue	**1,381.9**	**372.1**	**65.9**	**1,819.9**
Expenses				
Paid Claims	1,359.2	517.9	62.9	1,939.9
Admin Costs	25.7	10.6	1.2	37.5
Rebates		(145.8)		(145.8)
Total Expenses	**1,384.8**	**382.6**	**64.1**	**1,831.6**
Net Income/(Expense)	(2.9)	(10.6)	1.8	(11.7)
Balance 12/31/2024	**72.3**	**(69.6)**	**26.1**	**28.8**

^ Totals may not reconcile due to rounding

The projected 12/31/2024 balance was $67.7M, for a total loss of $38.9M

Fund Balance
Local

- The fund balance decreased $5.7M in 2023 and is projected to decrease $2.8M in 2024

Local Health Reserve (in millions)											
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Beg of Year											
Medical	0.6	0.7	0.6	(0.1)	(0.8)	(1.5)	(2.0)	(2.3)	(3.3)	(3.7)	(7.1)
Pharmacy	20.5	15.6	8.4	14.3	19.9	23.7	21.0	16.8	20.4	18.0	15.9
Dental	0.0	0.0	0.0	(0.1)	(0.2)	(0.2)	(0.2)	0.1	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**	**14.4**	**8.7**
Gain/(Loss)											
Medical	0.0	(0.0)	(0.7)	(0.8)	(0.7)	(0.5)	(0.3)	(1.0)	(0.3)	(3.5)	(3.7)
Pharmacy	(4.9)	(7.2)	5.9	5.6	3.8	(2.7)	(4.2)	3.6	(2.4)	(2.1)	1.1
Dental	0.0	0.0	(0.1)	(0.1)	0.0	0.0	0.3	(0.0)	(0.0)	(0.2)	(0.1)
Total	**(4.9)**	**(7.2)**	**5.1**	**4.7**	**3.1**	**(3.2)**	**(4.2)**	**2.6**	**(2.7)**	**(5.7)**	**(2.8)**
End of Year											
Medical	0.7	0.6	(0.1)	(0.8)	(1.5)	(2.0)	(2.3)	(3.3)	(3.7)	(7.1)	(10.8)
Pharmacy	15.6	8.4	14.3	19.9	23.7	21.0	16.8	20.4	18.0	15.9	17.0
Dental	0.0	0.0	(0.1)	(0.2)	(0.2)	(0.2)	0.1	0.1	0.1	(0.1)	(0.2)
Total	**16.3**	**9.0**	**14.2**	**18.9**	**22.1**	**18.9**	**14.6**	**17.2**	**14.4**	**8.7**	**6.0**
Buy-Down	**3.1**	**5.0**	**0.0**	**0.0**	**0.0**	**7.8**	**6.5**	**1.7**	**2.5**	**4.1**	**0.0**

^ Totals may not reconcile due to rounding

* Reserves inclusive of investment income

** Medical includes wellness

*** Difference in 2023 EOY Pharmacy balance from reserve statement due to emerging Navitus projections

2023 Gain/(Loss)
Local

- Segal projected the 2023 ending fund balance at the August 23' GIB meeting.
- The actual results pulled down the reserve more than projected

Projected 12/31/2023 Reserve Gain/(Loss) Analysis

Local	$ in Millions
Projected Last GIB	12.1
Actual	8.7
Total 2023 Reserve Loss Gain/(Loss)	**(3.4)**
Gain/(Loss) from:	
Investment Income	0.7
Pharmacy Experience	(1.1)
Dental Experience	0.2
Access/SMP Settlment	(2.2)
Medical (Mostly Admin)	(1.0)

Cumulative impact on 2024 for additional $3.5M projected loss

Fund Balance
Local (Projected 12/31/2024)

- Segal's ending fund balance projection uses ETF transactional data through 2/29/2024. ETF provides investment income assumption of 6.5% used for 2024 and beyond.

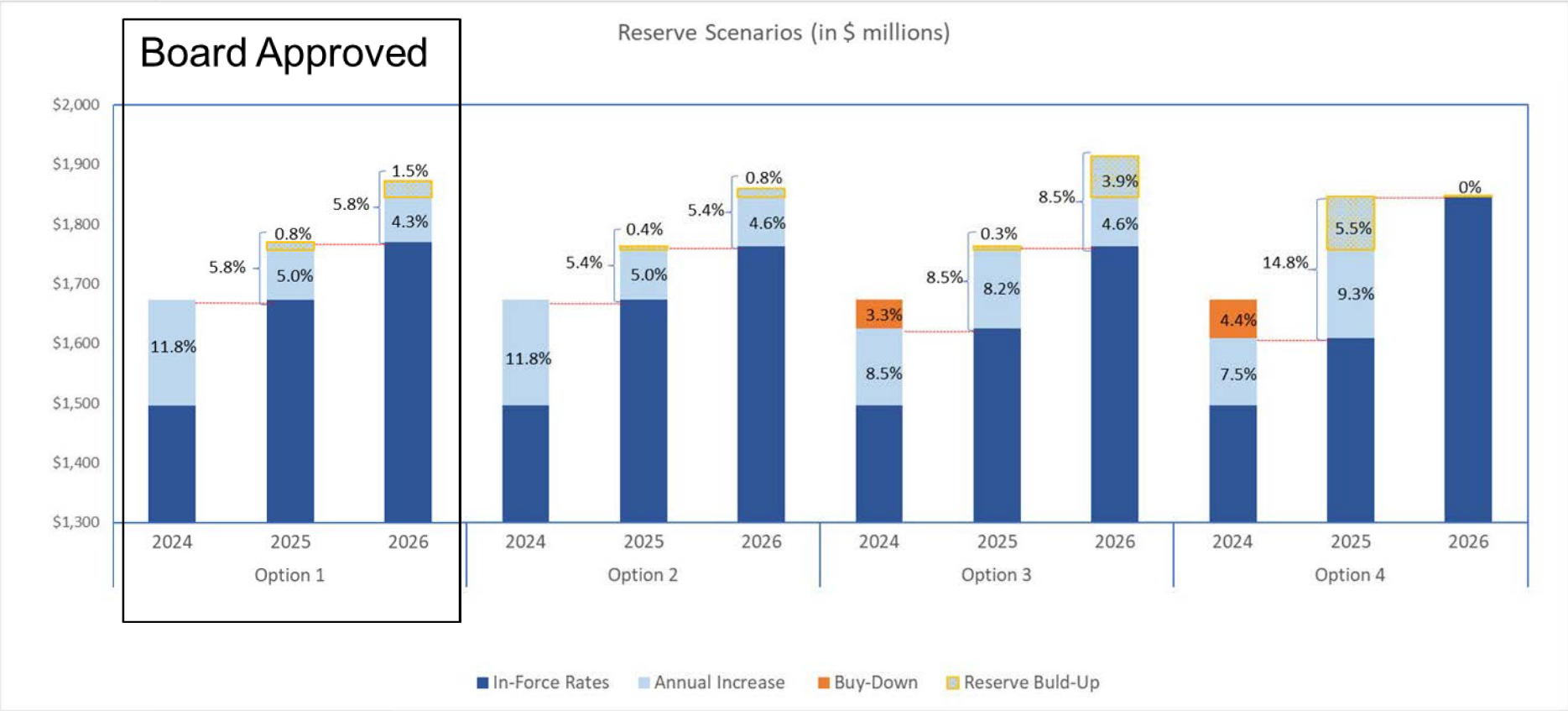
Projected 2024 Local Health Reserve (in millions)				
	Medical	**Pharmacy**	**Dental**	**Total**
Balance 1/1/2024	(7.1)	15.9	(0.1)	8.7
Revenue				
Premiums	235.1	44.8	2.6	282.4
EGWP Subsidy		5.7		5.7
Investment Income	(0.6)	1.1	(0.0)	0.5
Total Revenue	**234.5**	**51.5**	**2.6**	**288.6**
Expenses				
Paid Claims	234.8	72.6	2.6	310.0
Admin Costs	3.4	1.0	0.0	4.5
Rebates		(23.2)		(23.2)
Total Expenses	**238.2**	**50.5**	**2.7**	**291.3**
Net Income/(Expense)	(3.7)	1.1	(0.1)	(2.8)
Balance 12/31/2024	**(10.8)**	**17.0**	**(0.2)**	**6.0**

^ Totals may not reconcile due to rounding

The projected 12/31/2024 balance was $12.9M, for a total loss of $6.9M

August 2023 GIB Meeting:
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



Reserve Surplus Calculation

- Based on the mid-point reserve target, the State has a deficit of $82.5M
- Locals also have a deficit of $11.6M

Projected Reserve (in millions)								
	State				Local			
	Medical	Rx	Dental	Total	Medical	Rx	Dental	Total
Projected Fund Balance 12/31/2024	72.3	(69.6)	26.1	28.8	(10.8)	17.0	(0.2)	6.0
Projected 2025 Claims (SI)		558.1	64.5	622.5		77.1	2.6	79.7
Projected 2025 Premiums (FI)	1,431.4			1,431.4	262.4			262.4
New Policy Reserve Target								
3% Medical, 8% Rx, 5% Dental	42.9	44.6	3.2	90.8	7.9	6.2	0.1	14.2
5% Medical, 10% Rx, 7% Dental	71.6	55.8	4.5	131.9	13.1	7.7	0.2	21.0
Mid-Point Reserve	57.3	50.2	3.9	111.3	10.5	6.9	0.2	17.6
Surplus New Policy - Midpoint	**15.0**	**(119.8)**	**22.3**	**(82.5)**	**(21.3)**	**10.1**	**(0.4)**	**(11.6)**
Surplus - Lower Boundry	**29.3**	**(114.3)**	**22.9**	**(62.0)**	**(18.7)**	**10.8**	**(0.3)**	**(8.2)**

- Both programs are under the lower boundary of the reserve target
- Per last year's Board Approved Option 1, Segal recommends the State and Local programs continue the plan to get reserves within the target range

Historical Fund Balance Buy-Downs

- Since 2007 there have been frequent buy-downs to move toward the Board Reserve Policy. 2024 had no buy-down because there was no projected surplus.

Fund Buy-Down (in millions)								
	State				Local			
Premium Year	Medical	Rx	Dental	Total	Medical	Rx	Dental	Total
2027(TBD)								
2026(TBD)								
2025(TBD)								
2024	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2023	0.0	86.5	0.0	86.5	0.0	4.1	0.0	4.1
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

- 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

- No reserve build-up in 2025 – 6.9% renewal increase
- 2026 and 2027 have a 1.2% premium load to reach the Low End Target Reserve by the end of 2027 (projected to be 6% without reserve build-up)
- Rates Increase of 6.9% / 7.2% / 7.2%

State Reserve Multi-year Strategy

	Balance[1]	Target[2]	% of Claims/ FI Premium	Surplus[3]	Draw[4]
2025	$28.8	$90.8	5.4%	-$62.0	$0.0
2026	$27.8	$96.3	5.4%	-$68.5	-$22.8
2027	$53.1	$102.0	5.4%	-$48.9	-$48.9

^ Totals may not reconcile due to rounding

*Assumes $2.9M Access/SMP Settlement for 2025

1 Assumes 6.5% investment return and no additional gains or losses that would impact the fund balance.

2 Reserve Target assumed to increase at 6% per year.

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

4 Positive draw refers to a buy-down, while a negative draw refers to a reserve build-up.

Multi-Year Reserve Draw Strategy – State Option 2

- Incrementally build-up reserve to reach the Low End Target Reserve by the end of 2027
- 2025 – 2027 all include a 0.6% premium load to build the reserve
- Rate increases of 7.5% / 6.6% / 6.6%

State Reserve Multi-year Strategy					
	Balance[1]	Target[2]	% of Claims/ FI Premium	Surplus[3]	Draw[4]
2025	$28.8	$90.8	5.4%	-$62.0	-$10.4
2026	$38.5	$96.3	5.4%	-$57.7	-$23.0
2027	$64.8	$102.0	5.4%	-$37.3	-$37.3

^ Totals may not reconcile due to rounding

*Assumes $2.9M Access/SMP Settlement for 2025

1 Assumes 6.5% investment return and no additional gains or losses that would impact the fund balance.

2 Reserve Target assumed to increase at 6% per year.

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

4 Positive draw refers to a buy-down, while a negative draw refers to a reserve build-up.

Multi-Year Reserve Draw Strategy – State Option 3

- Continue board approved strategy of reaching Midpoint Target by end of 2026
- 2025 and 2026 include a 1.6% premium load to build the reserve
- 2027 increase is mitigated by past premium loads as the rates realign with expenses
- Rate Increases of 8.5% / 7.6% / 2.9%

State Reserve Multi-year Strategy					
	Balance[1]	Target[2]	% of Claims/ FI Premium	Surplus[3]	Draw[4]
2025	$28.8	$111.3	5.4%	-$82.5	-$28.4
2026	$57.1	$118.0	5.4%	-$60.9	-$60.9
2027	$123.7	$125.1	5.4%	-$1.4	-$1.4

^ Totals may not reconcile due to rounding

*Assumes $2.9M Access/SMP Settlement for 2025

1 Assumes 6.5% investment return and no additional gains or losses that would impact the fund balance.

2 Reserve Target assumed to increase at 6% per year.

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

4 Positive draw refers to a buy-down, while a negative draw refers to a reserve build-up.

Multi-Year Reserve Draw Strategy – State Option 4

- Incrementally build-up reserve to reach the Midpoint Target Reserve by the end of 2027
- 2025 – 2027 all include a 0.8% premium load to build the reserve
- Rate Increases of 7.7% / 6.8% / 6.8%

State Reserve Multi-year Strategy					
	Balance[1]	Target[2]	% of Claims/ FI Premium	Surplus[3]	Draw[4]
2025	$28.8	$111.3	5.4%	-$82.5	-$14.5
2026	$42.8	$118.0	5.4%	-$75.3	-$30.0
2027	$76.5	$125.1	5.4%	-$48.6	-$48.6

^ Totals may not reconcile due to rounding

*Assumes $2.9M Access/SMP Settlement for 2025

1 Assumes 6.5% investment return and no additional gains or losses that would impact the fund balance.

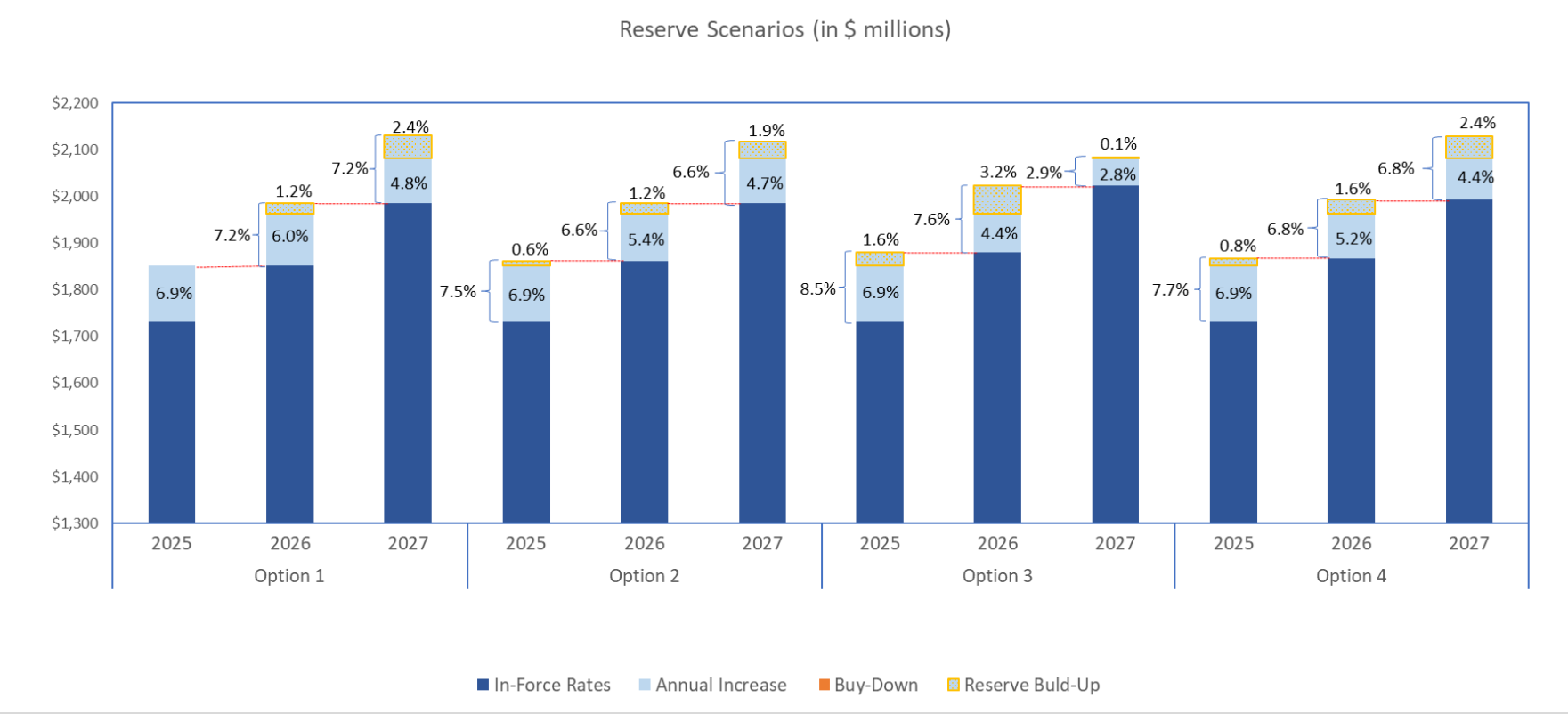
2 Reserve Target assumed to increase at 6% per year.

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

4 Positive draw refers to a buy-down, while a negative draw refers to a reserve build-up.

Projected State Premium Increases – Options 1 through 4

- Depending on the option, there will be a decrease to mitigate trend in the future to compensate for the overfunding in prior years



- Each option reflects the same underlying future cost increase of 6.0%, the premium differences result from funding the reserve

Multi-Year Reserve Draw Strategy – Local Option 1

- No reserve build-up in 2025 – 10.4% renewal increase
- 2026 and 2027 have a 1.2% premium load to reach the Low End Target Reserve by the end of 2027 (projected to be 6% without reserve build-up)
- Rate Increases of 10.4% / 7.2% / 7.2%

Local Reserve Multi-year Strategy					
	Balance[1]	Target[2]	% of Claims/ FI Premium	Surplus[3]	Draw[4]
2025	$6.0	$14.2	5.1%	-$8.2	$0.0
2026	$3.9	$15.0	5.1%	-$11.1	-$3.7
2027	$8.0	$15.9	5.1%	-$7.9	-$7.9

^ Totals may not reconcile due to rounding

*Assumes $2.4M Access/SMP Settlement for 2025

1 Assumes 6.5% investment return and no additional gains or losses that would impact the fund balance.

2 Reserve Target assumed to increase at 6% per year.

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

4 Positive draw refers to a buy-down, while a negative draw refers to a reserve build-up.

Multi-Year Reserve Draw Strategy – Local Option 2

- Incrementally build-up reserve to reach the Low End Target Reserve by the end of 2027
- 2025 – 2027 all include a 0.6% premium load to build the reserve
- Rate Increases of 11.0% / 6.6% / 6.6%

Local Reserve Multi-year Strategy					
	Balance[1]	Target[2]	% of Claims/ FI Premium	Surplus[3]	Draw[4]
2025	$6.0	$14.2	5.1%	-$8.2	-$1.8
2026	$5.8	$15.0	5.1%	-$9.2	-$3.7
2027	$10.0	$15.9	5.1%	-$5.9	-$5.9

^ Totals may not reconcile due to rounding

*Assumes $2.4M Access/SMP Settlement for 2025

1 Assumes 6.5% investment return and no additional gains or losses that would impact the fund balance.

2 Reserve Target assumed to increase at 6% per year.

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

4 Positive draw refers to a buy-down, while a negative draw refers to a reserve build-up.

Multi-Year Reserve Draw Strategy – Local Option 3

- Continue board approved strategy of reaching Midpoint Target by end of 2026
- 2025 and 2026 include a 1.6% premium load to build the reserve
- 2027 increase is mitigated by past premium loads as the rates realign with expenses
- Rate Increases of 12.0% / 7.6% / 3.0%

Local Reserve Multi-year Strategy					
	Balance[1]	Target[2]	% of Claims/ FI Premium	Surplus[3]	Draw[4]
2025	$6.0	$17.6	5.1%	-$11.6	-$4.6
2026	$8.7	$18.6	5.1%	-$10.0	-$10.0
2027	$19.5	$19.8	5.1%	-$0.2	-$0.2

^ Totals may not reconcile due to rounding

*Assumes $2.4M Access/SMP Settlement for 2025

[1] Assumes 6.5% investment return and no additional gains or losses that would impact the fund balance.

[2] Reserve Target assumed to increase at 6% per year.

[3] The Surplus refers to the money in the fund that exceeds the Lower Boundary of Target Reserve at beginning of year.

[4] Positive draw refers to a buy-down, while a negative draw refers to a reserve build-up.

Multi-Year Reserve Draw Strategy – Local Option 4

- Incrementally build-up reserve to reach the Midpoint Target Reserve by the end of 2027
- 2025 – 2027 all include a 0.8% premium load to build the reserve
- Rate Increases of 11.2% / 6.8% / 6.8%

Local Reserve Multi-year Strategy					
	Balance[1]	Target[2]	% of Claims/ FI Premium	Surplus[3]	Draw[4]
2025	$6.0	$17.6	5.1%	-$11.6	-$2.3
2026	$6.3	$18.6	5.1%	-$12.3	-$4.9
2027	$11.8	$19.8	5.1%	-$8.0	-$8.0

^ Totals may not reconcile due to rounding

*Assumes $2.4M Access/SMP Settlement for 2025

1 Assumes 6.5% investment return and no additional gains or losses that would impact the fund balance.

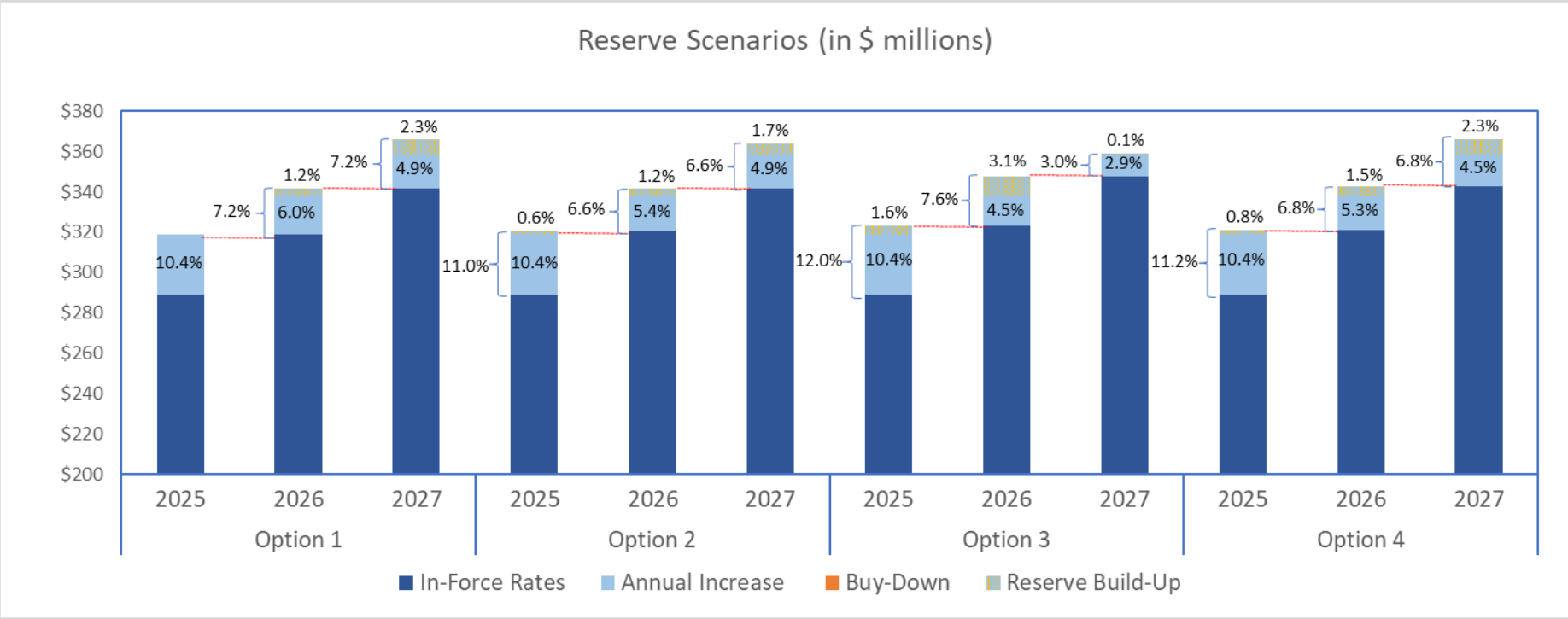
2 Reserve Target assumed to increase at 6% per year.

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

4 Positive draw refers to a buy-down, while a negative draw refers to a reserve build-up.

Projected Local Premium Increases - Options 1 through 4

- Depending on the option, there will be a decrease to mitigate trend in the future to compensate for the overfunding in prior years



- Each option reflects the same underlying future cost increase of 6.0%, the premium differences result from funding the reserve

Multi-Year Reserve Draw Strategy – Local Option 4 w/ SMP Premium Stabilization Charge (PSC)

- Incrementally build-up reserve to reach the Midpoint Target Reserve by the end of 2027
- Includes an addition $0.7M reserve build -up by increasing SMP Medical rate 15%
- Rate Increases of 11.3% / 6.7% / 6.7% (11.1% for non-SMP rates)
- A 0.1% reduction from Local Option 4 for non-SMP rates

Local Reserve Multi-year Strategy					
	Balance[1]	Target[2]	% of Claims/ FI Premium	Surplus[3]	Draw[4]
2025	$6.0	$17.6	5.1%	-$11.6	-$2.7
2026	$6.7	$18.6	5.1%	-$11.9	-$5.0
2027	$12.3	$19.8	5.1%	-$7.5	-$7.5

^ Totals may not reconcile due to rounding

*Assumes 15% SMP member rate increase to build $0.7M PSC. This partially offsets projected $2.4M Settlement.

1 Assumes 6.5% investment return and no additional gains or losses that would impact the fund balance.

2 Reserve Target assumed to increase at 6% per year.

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

4 Positive draw refers to a buy-down, while a negative draw refers to a reserve build-up.

1. Overview
2. Medical Plans
3. Prescription Drug Plan
4. Dental Plan
5. Aggregate Renewal
6. Fund Balance/Reserve
7. **2025 Premium Alternatives**
8. Appendix I: Renewal Process

2025 Premium Rates – With No Reserve Draw

Total Premium by Group

- The 2025 premiums reflects no buy-down for State and Locals.
- The 2025 inforce after buy-down premiums are expected to increase 6.9% in 2025 before further reserve draw down – Locals increase is 10.4%
- Premiums include medical, pharmacy, dental, and admin

	2024 Inforce (Pre BD)	2024 Inforce (Post BD)	2024 BD	2025 Premium (Pre BD)	2025 Needed Premium	%
State (in Millions)						
Non-Medicare, Non-Grad	$1,207.1	$1,207.1	$0.0	$1,286.5	$79.4	6.6%
Medicare*	$183.0	$183.0	$0.0	$200.7	$17.7	9.7%
Grad Assistants	$77.4	$77.4	$0.0	$82.1	$4.7	6.1%
HDHP	$264.8	$264.8	$0.0	$282.5	$17.7	6.7%
Total	**$1,732.3**	**$1,732.3**	**$0.0**	**$1,851.9**	**$119.5**	**6.9%**
Local (in Millions)						
Non-Medicare, Non-Grad	$254.1	$254.1	$0.0	$280.1	$26.0	10.2%
Medicare*	$9.1	$9.1	$0.0	$10.1	$1.0	10.9%
HDHP	$25.5	$25.5	$0.0	$28.5	$3.0	11.7%
Total	**$288.8**	**$288.8**	**$0.0**	**$318.8**	**$30.0**	**10.4%**
Grand Total	**$2,021.1**	**$2,021.1**	**$0.0**	**$2,170.6**	**$149.5**	**7.4%**

^ Totals may not reconcile due to rounding
* Medicare includes Family 1 contracts

2025 Premium Rates – No Reserve Draw – Option 1

- No reserve draw for State or Locals in 2025
- Aggregate increase remains 7.4%

	2024 Inforce (Post BD)	2025 Premium (Pre BD)	2025 Reserve Build-Up	2025 Premium (Post BD)	$ Premium Change	% Change
State (in Millions)						
Non-Medicare, Non-Grad	$1,207.1	$1,286.5	$0.0	$1,286.5	$79.4	6.6%
Medicare*	$183.0	$200.7	($0.0)	$200.7	$17.7	9.7%
Grad Assistants	$77.4	$82.1	$0.0	$82.1	$4.7	6.1%
HDHP	$264.8	$282.5	$0.0	$282.5	$17.7	6.7%
Total	**$1,732.3**	**$1,851.9**	**($0.0)**	**$1,851.9**	**$119.5**	**6.9%**
Local (in Millions)						
Non-Medicare, Non-Grad	$254.1	$280.1	$0.0	$280.1	$26.0	10.2%
Medicare*	$9.1	$10.1	$0.0	$10.1	$1.0	10.9%
HDHP	$25.5	$28.5	$0.0	$28.5	$3.0	11.7%
Total	**$288.8**	**$318.8**	**$0.0**	**$318.8**	**$30.0**	**10.4%**
Grand Total	**$2,021.1**	**$2,170.6**	**($0.0)**	**$2,170.6**	**$149.5**	**7.4%**

^ Totals may not reconcile due to rounding

* Medicare includes Family 1 contracts

2025 Premium Rates – With Option 2 Reserve Draw

- State increases the reserve $10.4 million in 2025 to bring the overall increase from 6.9% to 7.5%
- Local increases the reserve $1.8 million in 2025 to bring the overall increase from 10.4% to 11.0%
- Aggregate increase after reserve build-up is 8.0%

	2024 Inforce (Post BD)	2025 Premium (Pre BD)	2025 Reserve Build-Up	2025 Premium (Post BD)	$ Premium Change	% Change
State (in Millions)						
Non-Medicare, Non-Grad	$1,207.1	$1,286.5	$6.2	$1,292.8	$85.7	7.1%
Medicare*	$183.0	$200.7	$2.6	$203.3	$20.3	11.1%
Grad Assistants	$77.4	$82.1	$0.3	$82.4	$5.0	6.4%
HDHP	$264.8	$282.5	$1.3	$283.8	$19.0	7.2%
Total	**$1,732.3**	**$1,851.9**	**$10.4**	**$1,862.3**	**$130.0**	**7.5%**
Local (in Millions)						
Non-Medicare, Non-Grad	$254.1	$280.1	$1.5	$281.7	$27.5	10.8%
Medicare*	$9.1	$10.1	$0.1	$10.2	$1.1	12.5%
HDHP	$25.5	$28.5	$0.1	$28.7	$3.1	12.3%
Total	**$288.8**	**$318.8**	**$1.8**	**$320.6**	**$31.8**	**11.0%**
Grand Total	**$2,021.1**	**$2,170.6**	**$12.2**	**$2,182.8**	**$161.8**	**8.0%**

^ Totals may not reconcile due to rounding
* Medicare includes Family 1 contracts

2025 Premium Rates – With Option 3 Reserve Draw

- State increases the reserve $28.4 million in 2025 to bring the overall increase from 6.9% to 8.5%
- Local increases the reserve $4.6 million in 2025 to bring the overall increase from 10.4% to 12.0%
- Aggregate increase after reserve build-up is 9.0%

	2024 Inforce (Post BD)	2025 Premium (Pre BD)	2025 Reserve Build-Up	2025 Premium (Post BD)	$ Premium Change	% Change
State (in Millions)						
Non-Medicare, Non-Grad	$1,207.1	$1,286.5	$16.9	$1,303.5	$96.4	8.0%
Medicare*	$183.0	$200.7	$7.1	$207.8	$24.8	13.5%
Grad Assistants	$77.4	$82.1	$0.7	$82.8	$5.4	7.0%
HDHP	$264.8	$282.5	$3.6	$286.1	$21.4	8.1%
Total	**$1,732.3**	**$1,851.9**	**$28.4**	**$1,880.2**	**$147.9**	**8.5%**
Local (in Millions)						
Non-Medicare, Non-Grad	$254.1	$280.1	$3.9	$284.0	$29.9	11.8%
Medicare*	$9.1	$10.1	$0.4	$10.4	$1.4	14.9%
HDHP	$25.5	$28.5	$0.4	$28.9	$3.4	13.2%
Total	**$288.8**	**$318.8**	**$4.6**	**$323.4**	**$34.6**	**12.0%**
Grand Total	**$2,021.1**	**$2,170.6**	**$33.0**	**$2,203.6**	**$182.5**	**9.0%**

^ Totals may not reconcile due to rounding
* Medicare includes Family 1 contracts

2025 Premium Rates – With Option 4 Reserve Draw

- State increases the reserve $14.5 million in 2025 to bring the overall increase from 6.9% to 7.7%
- Local increases the reserve $2.3 million in 2025 to bring the overall increase from 10.4% to 11.2%
- Aggregate increase after reserve build-up is 8.2%

	2024 Inforce (Post BD)	2025 Premium (Pre BD)	2025 Reserve Build-Up	2025 Premium (Post BD)	$ Premium Change	% Change
State (in Millions)						
Non-Medicare, Non-Grad	$1,207.1	$1,286.5	$8.6	$1,295.2	$88.1	7.3%
Medicare*	$183.0	$200.7	$3.6	$204.3	$21.3	11.6%
Grad Assistants	$77.4	$82.1	$0.4	$82.5	$5.1	6.6%
HDHP	$264.8	$282.5	$1.9	$284.4	$19.6	7.4%
Total	**$1,732.3**	**$1,851.9**	**$14.5**	**$1,866.3**	**$134.0**	**7.7%**
Local (in Millions)						
Non-Medicare, Non-Grad	$254.1	$280.1	$1.9	$282.1	$27.9	11.0%
Medicare*	$9.1	$10.1	$0.2	$10.3	$1.2	12.9%
HDHP	$25.5	$28.5	$0.2	$28.7	$3.2	12.4%
Total	**$288.8**	**$318.8**	**$2.3**	**$321.1**	**$32.3**	**11.2%**
Grand Total	**$2,021.1**	**$2,170.6**	**$16.8**	**$2,187.4**	**$166.3**	**8.2%**

^ Totals may not reconcile due to rounding
* Medicare includes Family 1 contracts

2025 Premium Rates – Option 4 w/ Local SMP PSC

- Local increases the reserve $2.7 million in 2025 to bring the overall increase from 10.4% to 11.3%.
- The $2.7M build-up includes $0.7M PSC by increasing Local SMP Medical rate 15% in 2025.
- Aggregate increase after reserve build-up is 8.2%

	2024 Inforce (Post BD)	2025 Premium (Pre BD)	2025 Reserve Build-Up	2025 Premium (Post BD)	$ Premium Change	% Change
State (in Millions)						
Non-Medicare, Non-Grad	$1,207.1	$1,286.5	$8.6	$1,295.2	$88.1	7.3%
Medicare*	$183.0	$200.7	$3.6	$204.3	$21.3	11.6%
Grad Assistants	$77.4	$82.1	$0.4	$82.5	$5.1	6.6%
HDHP	$264.8	$282.5	$1.9	$284.4	$19.6	7.4%
Total	**$1,732.3**	**$1,851.9**	**$14.5**	**$1,866.3**	**$134.0**	**7.7%**
Local (in Millions)						
Non-Medicare, Non-Grad	$254.1	$280.1	$2.1	$282.3	$28.1	11.1%
Medicare*	$9.1	$10.1	$0.2	$10.2	$1.1	12.6%
HDHP	$25.5	$28.5	$0.4	$29.0	$3.4	13.4%
Total	**$288.8**	**$318.8**	**$2.7**	**$321.4**	**$32.7**	**11.3%**
Grand Total	**$2,021.1**	**$2,170.6**	**$17.2**	**$2,187.8**	**$166.7**	**8.2%**

^ 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

Action Needed

The Department of Employee Trust Funds (ETF) recommends that the Group Insurance Board (Board) approve the recommended health, pharmacy, and dental rates presented by the Board's actuary, Segal, for plan year 2025.

ETF requests Board approval to make any additional, minor adjustments to health plan service areas after they are finalized.

BREAK

The Board is on a short break. Audio and visual feed will resume upon the Board's return.

Local Program Initial Analysis

Item 5 - Group Insurance Board

Renee Walk, Programs and Policy Unit Director

Arlene Larson, Federal Health Programs and Policy Manager

Office of Strategic Health Policy

Informational Item Only

The Group Insurance Board (Board) requested options for changes to the local Group Health Insurance Program (GHIP) at its Nov. 15, 2023 meeting.

ETF has gathered the following information and is providing initial options.

No Board action is required.

Background

- Most recent review of local GHIP to Board Feb. 17, 2021
- Recommended improved marketing to locals for growth
- Considered gathering more info from advisory group and survey

(Ref. GIB | 05.23.24 | 5, page 1)

Current state

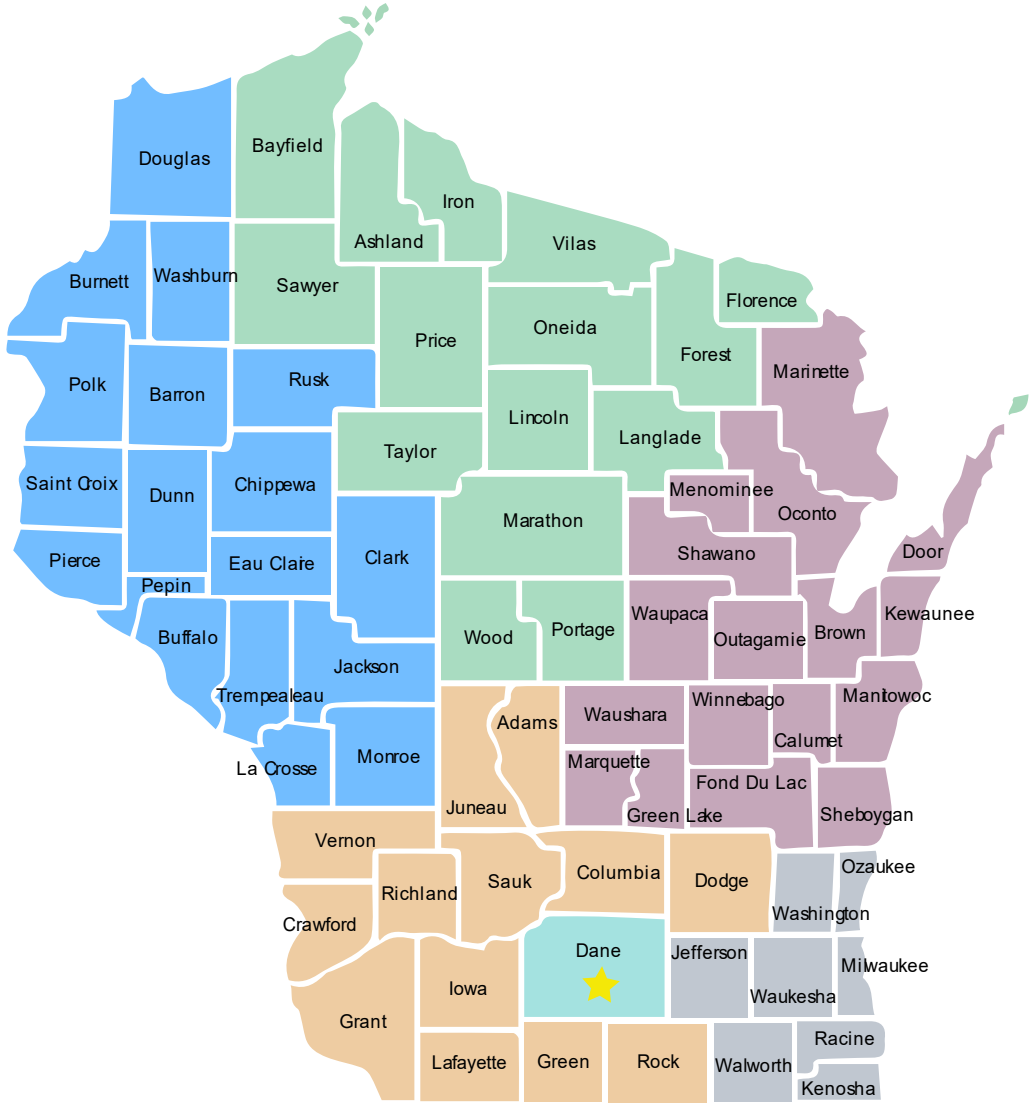
Compared state to local PMPM claim costs, ages, risk scores, and geographic cost differences in six regions

Overall, locals have a lower PMPM cost (-3.32%) and are younger

Overall, locals have a worse risk score (+1%) and cover more dependents

(Ref. GIB | 05.23.24 | 5, page 2)

Regions


Douglas
Bayfield
Iron
Ashland
Vilas
Florence
Burnett
Washburn
Sawyer
Price
Oneida
Forest
Marinette
Polk
Barron
Rusk
Lincoln
Langlade
Taylor
Saint Croix
Dunn
Chippewa
Menominee
Oconto
Marathon
Shawano
Door
Pierce
Pepin
Eau Claire
Clark
Waupaca
Kewaunee
Wood
Portage
Outagamie
Brown
Buffalo
Jackson
Trempealeau
Adams
Waushara
Winnebago
Manitowoc
Calumet
La Crosse
Monroe
Marquette
Fond Du Lac
Juneau
Green Lake
Sheboygan
Vernon
Columbia
Dodge
Ozaukee
Richland
Sauk
Washington
Crawford
Dane
Jefferson
Milwaukee
Iowa
Waukesha
Grant
Racine
Lafayette
Green
Rock
Walworth
Kenosha

Health Plan Input

Premium contribution:

- Tiering preferred to 88% formula for stability

Individual to family premium factor:

- Adjust to reflect different pools

Benefit alterations:

- Offer only benefit designs like state with choice for employee
- Offer second HDHP with higher out-of-pocket costs

Concerns:

- Negative selection concern
- Concern about Dane County's influence on overall local GHIP

(Ref. GIB | 05.23.24 | 5, pages 3, 4)

Limited Local Employer Input

Employees like low out-of-pocket costs and provider choice

Cost is very important to employees, and many will change plans to have lower premium contributions

If Program Options were reduced from four, employers request a lot of lead time. They would explore all marketplace options

(Ref. GIB | 05.23.24 | 5, page 4)

Options for Consideration

- Sole-source or regionalized vendor options
- Value-based plan designs or other innovative contracting
- Dual plan offerings for local employers
- Dedicate an ETF staff person to managing the local GHIP

(Ref. GIB | 05.23.24 | 5, pages 4, 5)

Questions?

Internal Audit Review of Group Health Insurance Program (GHIP) Performance Standards

Item 6 – Group Insurance Board

Amanda Williams, Internal Auditor

Office of Internal Audit

Informational item only

- No Board action required.

Background

- Quarterly reports are submitted by the health plans for performance standards metrics that cover the following:
  - Claim Processing
  - Customer Service
  - Enrollment File and ID Card Generation
- Health plans attest to compliance with reporting and terms of the program agreement with each report

OIA Review

- OSHP requested the OIA review
- Review period: January 2022 – March 2023
- Review areas:

Reporting to GIB	Penalties and Waivers	Validation of Health Plan Reports
• Verified accuracy of GIB summary reports	• Ensured a penalty was assessed, or a waiver was granted and approved by OSHP Leadership when a performance measure was not met	• Recalculated the performance standards using the health plans' data to validate the results submitted

Reporting to GIB and Penalties/Waivers Results

Findings

- **Reporting to GIB**
  - Errors found in all but one quarterly report
- **Penalties and Waivers**
  - All penalties were assessed or waived appropriately

Suggestion

- Perform a secondary review of the GIB quarterly summary report of the Performance Standards to verify that the performance standards reported by the health plans are accurately included in the GIB report

Validate Health Plan Reports Review Results

Findings

- 10 out of 11 health plans provided their report data
- Found methodology differences between health plans
- No recalculation exceptions in 3 out of 10 health plans reviewed
- One penalty assessed as a result of OIA review

Suggestion

- Periodic review of the performance standards submitted by the health plans
- Review the performance standards and update the wording to define or clarify how the performance standards should be calculated
- Additional Consideration – add a penalty for supporting documentation not provided timely or accurately

Questions?

Life Insurance Open Enrollment for January 2026

Item 7 – Group Insurance Board

Tom Rasmussen, Life Insurance and Dental Insurance Program Manager

Office of Strategic Health Policy

Action Needed

- ETF recommends the Board approve an open enrollment for the State Life Insurance Plan for the plan year beginning Jan. 1, 2026, contingent on the successful implementation of the Insurance Administration System (IAS).

Background

- Governed under state statute, administrative code, and the policy between the Board and Securian
- The Board is the policyholder and responsible for the Wisconsin Public Employers Group Life Insurance Program's (the Program's) oversight
- Securian underwrites and assist ETF with the administration of the Program

Eligibility and Enrollment

Eligible employee defined in accordance with §40.02(25)(a) or (c)

Eligible employees may enroll with guaranteed issue with timely application

Eligible employees may enroll or increase coverage due to a qualified family change event

Application made through Evidence of Insurability (EOI)

(Ref. GIB I 05.23.24 I 7, page 1)

UW Consolidation of Life Insurance Offerings

- UW historically offers separate life insurance policies in addition to the Program
- UW is eliminating several life policies with the goal of simplification and utilization of IAS
- UW asked ETF to examine the possibility of offering a one-time special enrollment to the Program

(Ref. GIB I 05.23.24 I 7, page 2)

Open Enrollment Proposal

One-time enrollment opportunity for all eligible, active state employees

To align with the 2025, fall open enrollment period

Effective date of Jan. 1, 2026

Contingent on the successful implementation of IAS

(Ref. GIB I 05.23.24 I 7, pages 2-3)

Coverage and Eligibility

- Open to all eligible, state active employees
  - Employees already at 5X coverage will not be able to increase coverage
- Electronic enrollment via IAS during the normal open enrollment period
- Enroll in basic coverage or increase current coverage by one level at guaranteed issue
- The plan has never had an open enrollment period
- Does not apply to spouse or dependent coverage

(Ref. GIB I 05.23.24 I 7, page 3)

Increase Coverage

Current Coverage	Potential Election
No coverage	1X (Basic)
1X (Basic)	2X (Supplemental)
2X (Supplemental)	3X (Additional)
3X (Additional)	4X (Additional)
4X (Additional)	5X (Additional)
5X (Additional)	Not eligible to increase coverage

(Ref. GIB I 05.23.24 I 7, page 3)

IAS Makes it Possible

Implementation of IAS allows processing of high volume of enrollments

Automated vs. manual processing

(Ref. GIB I 05.23.24 I 7, page 3)

Timing

Align with the open enrollment period of fall of 2025

- Increase awareness
- Employees already accessing open enrollment system and materials
- Employees thinking about total benefit package

Effective date of Jan. 1, 2026

(Ref. GIB I 05.23.24 I 7, page 3)

Growth Projections

Securian projects:

- Growth in Enrollment of 7.5%
- Increase employer paid premium of $400,000 annually
- Employee paid premium increase by $1.2 million annually

Growth should have negligible impact to funding valuation

Strengthen the plan long-term by increasing membership and premium

(Ref. GIB I 05.23.24 I 7, page 3)

Action Needed 2

- ETF requests the Board approve an open enrollment for the State Life Insurance Plan for the plan year beginning Jan. 1, 2026, contingent on the successful implementation of the Insurance Administration System (IAS).

Questions?

Life Insurance Premium Effective Date Modification and Annuity Effective Date Change

Item 8 – Group Insurance Board

Tom Rasmussen, Life Insurance and Dental Insurance Program Manager

Office of Strategic Health Policy

Action Needed

- The Department of Employee Trust Funds (ETF) recommends the Group Insurance Board (Board) approve the following changes to the Wisconsin Public Employers Group Life Insurance Program (Program):
  - Modify the Local Plan premium rate effective date to April 1 instead of the current date of July 1. This change would be effective April 1, 2026, contingent on the implementation date of ETF's Insurance Administration System (IAS).
  - Modify the Program contract and policy for retirees whose life insurance will automatically continue when taking an immediate annuity to 30 days from the date coverage ends. The change would be effective immediately following the implementation of ETF's IAS.

(Ref. GIB I 05.23.24 I 8, Page 1)

Local Plan Premium Effective Date Change

(Ref. GIB I 05.23.24 I 8, Page 1)

Current Model

- State and Local Plan similar in benefits but financially separate
- Employers report employee's earnings from previous year to ETF by January 31
- ETF provides earnings to Securian which are used to update coverage amounts
- Updated premiums go into effect on April 1 for State and July 1 for Locals
  - Age band changes
  - Updated earnings
  - Rate changes approved by Board

(Ref. GIB I 05.23.24 I 8, Pages 1 - 2)

IAS Makes It Happen

- Implementation of IAS will allow process to become more automated
- Aligns the State and Local Plan change date
- Benefit amount and premium date more closely aligned
- Minimize the complexities of IAS configuration
- Contingent on implementation of IAS

(Ref. GIB I 05.23.24 I 8, Page 2)

Impact to Local Employers

- Impact should be minimal for employers
- No significant impact to the funding
- Local Plan has never experienced a premium increase for active employees
- ETF solicited feedback from employers

(Ref. GIB I 05.23.24 I 8, Pages 2-3)

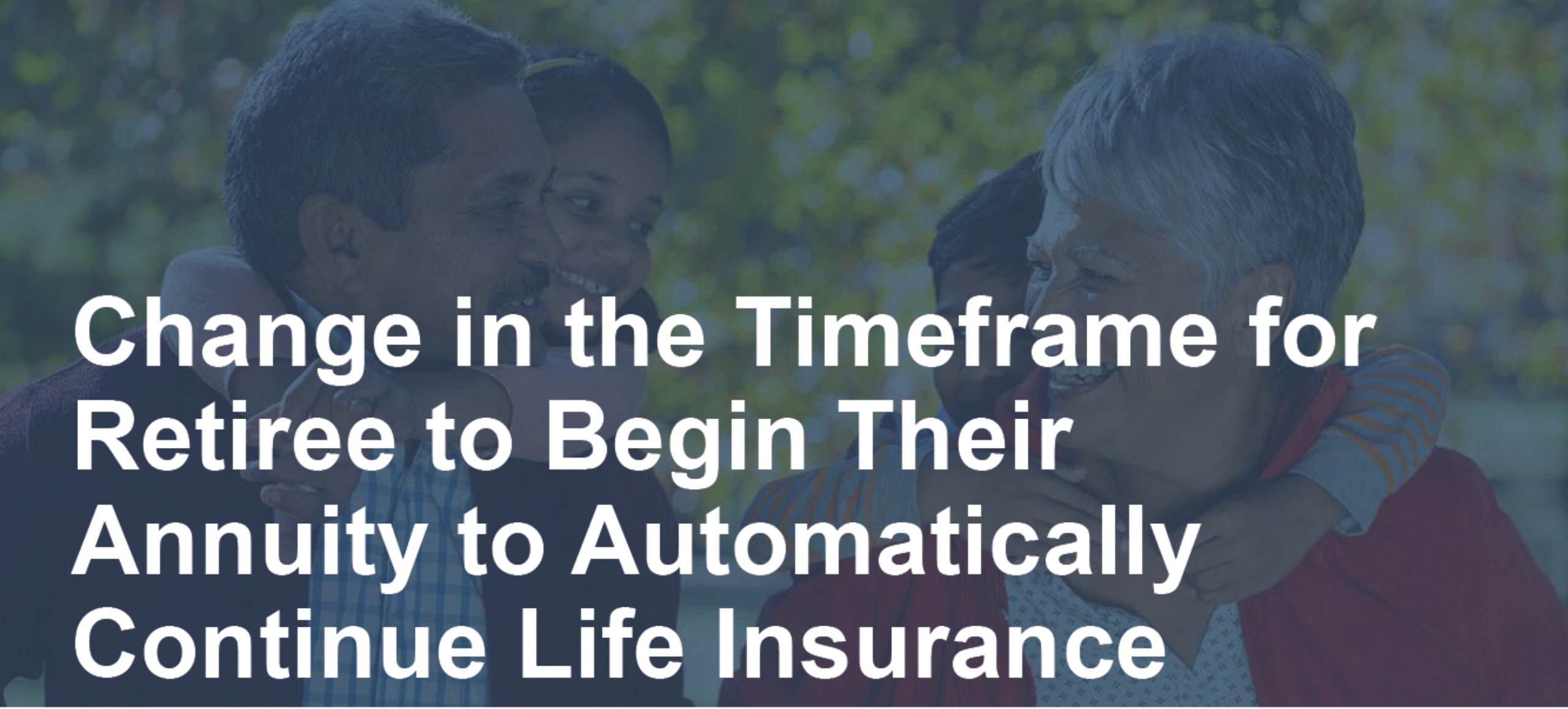
Employer Feedback

- Solicited employer feedback at ETF Update meeting and SurveyMonkey survey
- 757 surveys sent with 48% response rate
- 79% of respondents felt the change would not cause adverse impact for them
- Most common concerns:
  - Will require additional work/resources
  - Difficult to plan for budgets and not aligning with their fiscal year
- 12% requested moving to January 1

Education

If approved ETF will promote the change via

- ETF Updates
- IAS Employer Education Workgroups
- ETF Employer News
- ETF Employee News
- ETF website



Change in the Timeframe for Retiree to Begin Their Annuity to Automatically Continue Life Insurance

(Ref. GIB I 05.23.24 I 8, Page 3)

Current Policy

- Eligible retirees have up to 31 days after their coverage terminates to begin their annuity to have life insurance continue automatically. Premiums are taken from retiree's annuity
- If employee does not immediately begin their annuity, they can file an application with ETF to continue their life insurance. Retirees are billed directly

Recommendation

- Modify the program's contract and policy language to reduce by one the number of days allowed for a retiree to begin their annuity to have their life insurance continue automatically
- Reduce from 31 days to 30 days

(Ref. GIB I 05.23.24 I 8, Page 3)

Why the Change

- Consistent with ICI and health insurance policy
- Ease the administrative complexities and IAS configuration

Member Education

Promote the change to raise awareness

- Member Newsletters
- Employer Newsletters
- ETF Updates
- Updating Administrative Manual
- IAS

Action Needed

- The Department of Employee Trust Funds (ETF) recommends the Group Insurance Board (Board) approve the following changes to the Wisconsin Public Employers Group Life Insurance Program (Program):
  - Modify the Local Plan premium rate effective date to April 1 instead of the current date of July 1. This change would be effective April 1, 2026, contingent on the implementation date of ETF's Insurance Administration System (IAS).
  - Modify the Program contract and policy for retirees whose life insurance will automatically continue when taking an immediate annuity to 30 days from the date coverage ends. The change would be effective immediately following the implementation of ETF's IAS.

Questions?

Acceptance of State and Local Income Continuation Insurance (ICI) Actuarial Valuations

Item 9 – Group Insurance Board

Jim Guidry, Benefit Services Bureau Director, Division of Benefits Administration

Paul Correia, FSA, MAAA, Milliman, Inc.

Maxwell Berube, FSA, MAAA, Milliman, Inc.

Action Items

- The Department of Employee Trust Funds (ETF) requests the Group Insurance Board (Board) accept the State and Local ICI Actuarial Valuations as of Dec. 31, 2023. ETF also recommends the Board adopt Scenario 1 for the State ICI plan, which would reduce current premium rates by 10% for the 2025 plan year and by 10% for the 2026 plan year and also adopt the Baseline Scenario for the Local ICI plan, resulting in a continuation of the premium holiday in the 2025 plan year.

Historical Rates and Reserve Policy

Effective Rate Year	State Premium Rates	Local Premium Rates
2021	No Rate Change	Rate holiday
2022	50% decrease	Rate holiday
2023	20% decrease	Rate holiday
2024	10% decrease	Rate holiday
Target Reserve Ratio Policy	130% to 140% of actuarial liabilities	140% to 155% of actuarial liabilities

- Board adopted target reserve range policy in 2019. Reviewed policy in 2022 with no changes made.
- Local premium waiver has been in existence since 2012.

Recent ICI Program Updates

2023

- Expanded program eligibility beyond age 70.

2024

- Increased standard income coverage to $120,000.
  - Eliminated Supplemental coverage.
- Simplified premium rate tables.
- Shifted premium effective date to April 1.
- Admin fee update, effective 2025.

(Ref. GIB | 05.23.24 | 9, page 3)

Actuarial Valuation Assumptions

- Same claim termination rate and estimated offset assumptions as last year.
- New assumptions for computing liabilities for incurred but not reported (IBNR) claims.

Plan	Prior IBNR Factor	Current IBNR Factor
State ICI	25%	17%
Local ICI	25%	26%

- IBNR factors are applied to expected annual incurred claims for computing the liability for IBNR claims.

(Ref. GIB | 05.23.24 | 9, page 3)

State ICI Valuation

State ICI Valuation
Estimated Liabilities as of December 31, 2023

Liability Component	Standard Benefit	Supplemental Benefit	$75 Add-On	Total Liability
Open Claims	$74,217,084	$3,629,528	$220,470	**$78,067,082**
IBNR Claims	$2,636,335	$128,928	$7,832	**$2,773,094**
Loss Adjustment Expense	$4,044,391	$197,788	$12,014	**$4,254,193**
Total	**$80,897,809**	**$3,956,244**	**$240,316**	**$85,094,369**

- **Open Claims:** Members disabled prior to Dec. 31, 2023, whose claims were reported on or before that date.
- **Incurred but not Reported (IBNR) Claims:** Members disabled on or prior to Dec. 31, 2023, whose claims had not yet been reported as of that date.
- **Loss Adjustment Expenses:** Future costs related to the ongoing management and payment of ICI claims.

(Ref. GIB | 05.23.24 | 9, Attachment A, page 3)

State ICI Valuation Comparison to Prior Year

Liability Component	Dec. 31, 2022	Dec. 31, 2023
Open Claims	$79,398,399	$78,067,082
IBNR Claims	$4,236,602	$2,773,094
Loss Adjustment Expense	$4,675,113	$4,254,193
Total	**$88,310,114**	**$85,094,369**

The total liability decreased by 3.6% from $88.3 million as of Dec. 31, 2022, to $85.1 million as of Dec. 31, 2023.

State ICI Valuation
Historical Reserve Balances

	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2023
Reserve Balance	$154,290,018	$163,125,349	$172,458,596
Actuarial Liability	$88,430,429	$88,310,114	$85,094,369
Surplus / (Deficit)	$65,859,589	$74,815,235	$87,364,227
Reserve Ratio	174%	185%	203%
Reserve Balance % Change	28%	6%	6%
Target Reserve Ratio Policy	130% to 140%	130% to 140%	130% to 140%

- The State ICI reserve increased by $9.3 million between Dec. 31, 2022, and Dec. 31, 2023.
- The Dec. 31, 2023, reserve balance is equal to 203% of the actuarial liability.

(Ref. GIB | 05.23.24 | 9, Attachment A, page 8)

State ICI Funding Analysis

Baseline Scenario:	2024 contribution rates are held level in future years.
Scenario 1:	Contribution rates are reduced by 10% in 2025 and again in 2026, then held level in future years.
Scenario 2:	Contribution rates are reduced by 10% in 2025 and again in 2026, then held level in future years. Assumed investment income of -15% in 2024.
Scenario 3:	Contribution rates are reduced by 20% in 2025 and then held level.
Scenario 4:	Contribution rates are held level in future years. Assumed investment income of -25% in 2024.

(Ref. GIB | 05.23.24 | 9, Attachment A, page 10)

State ICI Projected Fund Ratios

Projected Fund Ratio on Dec. 31st

Scenario	2024	2025	2026	2027	2028	2029
Baseline	195%	190%	185%	180%	174%	169%
Scenario 1	195%	188%	180%	172%	163%	154%
Scenario 2	154%	146%	137%	127%	116%	105%
Scenario 3	195%	187%	178%	169%	160%	151%
Scenario 4	135%	128%	121%	114%	106%	98%

(Ref. GIB | 05.23.24 | 9, Attachment A, page 11-15)

Local ICI Valuation

Local ICI Valuation
Estimated Liabilities as of Dec. 31, 2023

Liability Component	Standard Benefit	Supplemental Benefit	$75 Add-On	Total Liability
Open Claims	$6,268,293	$255,419	$22,650	**$6,546,361**
IBNR Claims	$484,038	$19,723	$1,749	**$505,510**
Loss Adjustment Expense	$446,484	$18,193	$1,613	**$466,290**
Total	**$7,198,814**	**$293,335**	**$26,012**	**$7,518,161**

(Ref. GIB | 05.23.24 | 9, Attachment B, page 3)

Local ICI Valuation Comparison to Prior Year

Liability Component	Dec. 31, 2022	Dec. 31, 2023
Open Claims	$7,243,263	$6,546,361
IBNR Claims	$471,404	$505,510
Loss Adjustment Expense	$486,366	$466,290
Total	**$8,201,033**	**$7,518,161**

The total liability decreased by 8.3% from $8.2 million as of Dec. 31, 2022, to $7.5 million as of Dec. 31, 2023.

(Ref. GIB | 05.23.24 | 9, Attachment B, page 5)

Local ICI Valuation
Historical Reserve Balances

	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2023
Reserve Balance	$43,754,728	$43,220,815	$43,924,074
Actuarial Liability	$7,159,842	$8,201,033	$7,518,161
Surplus / (Deficit)	$36,594,886	$35,019,782	$36,405,913
Reserve Ratio	611%	527%	584%
Reserve Balance % Change	5.2%	(1.2%)	1.6%
Target Reserve Ratio Policy	140% to 155%	140% to 155%	140% to 155%

- The Local ICI reserve balance is equal to 584% of the actuarial liability as of Dec. 31, 2023.
- Funding analysis indicates premium waiver can be continued for the near future.

(Ref. GIB | 05.23.24 | 9, Attachment B, page 9)

Actuarial Disclaimers

- Milliman relied on information provided by the Department of Employee Trust Funds (ETF) and The Hartford. If this information is inaccurate or incomplete, our results may be affected.

- The estimated liabilities and financial projections were developed using models employing standard actuarial techniques. We have reviewed the models, including their inputs, calculations, and outputs for consistency, reasonableness, and appropriateness to the intended purpose and compliance with generally accepted actuarial practice and relevant actuarial standards of practice (ASOPs). The models, including all input, calculations, and output may not be appropriate for any other purpose.

- To the extent that actual experience varies from the assumptions used in our analysis, the emerging costs of the State and Local ICI plans will vary from the projections we have prepared.

- Milliman's work product was prepared exclusively for ETF and is not for the use or benefit of any third party for any purpose.

- We, Paul Correia and Maxwell Berube, are consulting actuaries with Milliman. We are members of the American Academy of Actuaries and meet its qualification standards to render the actuarial opinion contained herein.

Action Items

- The Department of Employee Trust Funds (ETF) requests the Group Insurance Board (Board) accept the State and Local ICI Actuarial Valuations as of Dec. 31, 2023. ETF also recommends the Board adopt Scenario 1 for the State ICI plan, which would reduce current premium rates by 10% for the 2025 plan year and by 10% for the 2026 plan year and also adopt the Baseline Scenario for the Local ICI plan, resulting in a continuation of the premium holiday in the 2025 plan year.

Questions?

BREAK

The Board is on a short break. Audio and visual feed will resume upon the Board's return.

Operational Updates

Items 10A–10N – Memos Only

Tentative August 2024 Agenda

Item 11 – Memo Only

Renee Walk, Programs and Policy Unit Director

Office of Strategic Health Policy

Informational Item Only

- No Board action is required.

Questions?

CLOSED SESSION

The Board may meet in closed session pursuant to the exemption contained in Wis. Stat. § 19.85 (1) (d) to consider strategy for crime detection or prevention. If a closed session is held, the Board may vote to reconvene into open session following the closed session.

Item 12 – No Memo

Announcement of Business Deliberated During Closed Session Discussion

Item 15A – No Memo

Herschel Day, Chair

Group Insurance Board

Vote on Information Security Contract Requirements

Item 15B – No Memo

Adjournment

Item 16 – No Memo

Thank you

etf

wi_etf

etf.wi.gov

ETF E-mail Updates

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