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Correspondence Memorandum

Date: October 18, 2024

To: Group Insurance Board

From: Luis Caracas, Health Plan Policy Advisor
 Office of Strategic Health Policy

Subject: Local Program Analysis and Options

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.

Local GHIP Health

Local employers currently have the ability to choose from four (4) Program Options. The Program Options vary based on premiums and employee out-of-pocket costs. All Program Options and all health plans have Uniform Benefits—they cover the same medical services and procedures with the same deductible, copayment, and coinsurance.

Benefits For	“Traditional” Program Option 2 ⁱ /12 ET-2128	“Deductible” Program Option 4 ⁱ /14 ET-2158	“Local” Program Option 6 ⁱ /16 ET-2168	“HDHP” Program Option 7 ⁱ /17 ET-2169
Premiums ⁱⁱ	\$\$\$	\$\$	\$\$	\$
Deductible ⁱⁱⁱ	No deductible	\$500 Individual \$1,000 Family (<u>Not</u> affected by prescription drug copays)	\$250 Individual \$500 Family (<u>Not</u> affected by prescription drug copays)	\$1,600 Individual \$3,200 Family (<u>Affected</u> by prescription drug paid full cost)

Reviewed and approved by Renee Walk, Director, Office of Strategic Health Policy
 Electronically Signed 10/31/2024

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Benefits For	“Traditional” Program Option 2 ^{i/12} ET-2128	“Deductible” Program Option 4 ^{i/14} ET-2158	“Local” Program Option 6 ^{i/16} ET-2168	“HDHP” Program Option 7 ^{i/17} ET-2169
Office Visit Copay ^{iv}	None	None	\$15 Primary Care \$25 Specialty Care	\$15 Primary Care \$25 Specialty Care
Coinsurance ^v	None (Except 20% for DME ^{vi} adult hearing aids and adult cochlear implants)	After deductible, none (Except 20% for DME ^{vi} adult hearing aids and adult cochlear implants)	After deductible, 10% (Except for office visit copays)	After deductible, 10% (Except for office visit and prescription drug copays)
Annual OOPL ^{vii}	None (Except \$500/person for DME ^{vi} and adult cochlear implants)	After deductible, none (Except \$500/person for DME ^{vi} and adult cochlear implants)	\$1,250 Individual \$2,500 Family (Does <u>not</u> include prescription drug copays)	\$2,500 Individual \$5,000 Family (<u>Does</u> include prescription drug copays)

ⁱ Program Options 2, 4, 6, and 7 offer employees the option to enroll in Uniform Dental Benefits.

ⁱⁱ Premium: Monthly payment from employer to ETF; Includes both employer’s and employees’ share of premium.

ⁱⁱⁱ Deductible: Annual dollar amount that each individual or family must pay before health plan pays for any medical expenses.

^{iv} Copay: A set dollar amount for office visits, but not services like lab and x-ray.

^v Coinsurance: The percentage of medical expenses that a patient pays after meeting a deductible.

^{vi} Durable Medical Equipment (DME): Items that can withstand repeated use, such as wheelchairs or crutches.

^{vii} Out-Of-Pocket-Limit (OOPL): The maximum amount an individual or family would pay in a year through deductible, copays, and coinsurance.

Segal and the Department of Employee Trust Funds (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



Table 1 below shows membership and the percentage of difference (diff.) 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%

Region	Local Members	PMPM % Diff. from State
Dane	8,037	-2.17%
Total	33,017	-3.32%

In 2021, the ETF completed a review of the local GHIP ([Ref. GIB | 02.17.21 | 6C](#)). ETF identified potential structural changes but did not recommend proceeding because an analysis of existing policies did not warrant changes at that time.

In November 2023 ([Ref. GIB | 11.15.23 | 7](#)), the Board reviewed strategic initiatives identified by the Board and ETF for program sustainability, innovation, and education efforts. During this meeting, the Board gave ETF direction to revisit structural changes to the local GHIP to help better control costs.

At its May 23, 2024, meeting ([Ref. GIB | 05.23.24 | 5](#)), ETF provided an initial analysis of the local GHIP, which included the various approaches ETF was exploring based on feedback from plans and local employers.

This memo includes a status update on information gathered from local employers and the [Request for Information \(RFI\)](#) results regarding interest in the Access and State Maintenance Plan (SMP) and the local GHIP, as well as options ETF is exploring with the Board's actuary, Segal's, assistance on a cost analysis and potential Request for Proposal (RFP) construction.

ETF Local Update Meeting Feedback

ETF met with 243 local employer attendees at the ETF Local Update meeting on July 25, 2024, to solicit information regarding what employers find valuable or not in the GHIP, and to request feedback on ideas for potential changes to improve program stability. ETF intends to provide an overview of the results to local employers at the ETF Local Update meeting in December.

Most local employers indicated that the quality of benefits offered and lower premium rates are key reasons why employers choose to participate in the local GHIP. Employers also expressed interest in having access to specific provider networks and offering the option of a High Deductible Health Plan (HDHP) alongside another Program Option (PO), or benefit plan design.

See Attachment A for details on the survey.

Request for Information Takeaways

ETF released an RFI to solicit input from vendors interested in the Access Plan and SMP and/or the local GHIP.

ETF reached out to vendors who possess the resources and expertise to provide uniform health benefits, including current GHIP health plan vendors and non-participating national carriers.

The RFI included two parts:

1. The first part is regarding state and local employees and retirees who have selected either the Access Plan or SMP that are part of the GHIP.
2. The second is regarding all employees and retirees of participating local governmental entities.

ETF received four responses to the RFI. Three responses were submitted by current GHIP vendors (Dean Health, Network Health, and Quartz). The fourth submission was from the Wisconsin Association of Health Plans (Association). Dean Health and Quartz indicated they have interest in bidding for all three programs (Access Plan, SMP, and the local GHIP). Network Health expressed interest in only the local GHIP.

The responses from the three health plans focused on current state and did not provide any recommendations on structural changes. The Association does not support the option of having a sole-source vendor for the local GHIP and promoted the benefits of competition amongst health plans. The Association also expressed the desire that health plans vendors choose the region within Wisconsin in which they offer providers, instead of being required to contract with providers in borders set by ETF.

See Attachment B for details on the specific questions and responses.

Local Options Continuum

Based on the above feedback and work with Segal, the Board's consulting actuary, ETF has developed a series of options for changes to the structure of the local GHIP to help flatten annual rate increases and maintain stability. They are presented in of simplest to enact, to most difficult.

The following terms are being defined as they are referenced in the local GHIP options below:

- **Tiering:** Method of ranking health plans by cost and quality. Tiers are proposed each year by ETF and Segal. Tiers are formulated using the actual costs of the plan, and the risk factors of members demographics that may be more expensive to cover. Tier 1 plans are often lower in premiums than Tier 2 or 3. Tiering is generally viewed as a tool to better drive competitive bidding among health plans.
- **Decoupling:** Separating the connection (requirement) of health plans bidding for both the state and local counties. If decoupled, plans could decide to bid on the state and/or local GHIP independently.
- **PO4/P14 (Program Option):** Is the Local Deductible Plan that has an annual medical deductible of \$500 for individual and \$1,000 for family. Uniform benefits still apply.

ETF is researching the following options:

Tiering Option

This option involves encouraging local employers to move from the 88% employer contribution structure to tiering. Locals may replicate the state tiering structure, or use their own, as defined in Admin Code [ETF 40.10\(2\)](#). Decoupling of programs would not be required.

- Pros: Health plans may experience stability in member enrollment and member premium costs may be reduced.
- Cons: Employers may have increased premium costs.

Considerations for this option include needing to educate local employers on the benefits of tiering, as well as providing tools to educate employees on the changes to the contribution formula. If the Board is interested in requiring all locals to change to tiering, this would require a statutory change.

P04/P14 Option

This option involves offering the P04/P14 program alongside providing information to employers about the possibility of sponsoring a Health Reimbursement Account (HRA) unrelated to GHIP. Decoupling of programs would not be required. Recently, a participating local employer changed from the P12 (Traditional Plan) program to the P14 program, contracted with an HRA vendor, and stated it is expected to lower their overall health insurance costs.

- Pros: Medical-only premium costs would be reduced by 8% for the employer and members.
- Cons: Employers would be responsible to contract with an HRA vendor and develop procedures for members to submit claim costs, such as deductibles, to the vendor for reimbursement.

Considerations for this option include having staff educate local employers on the P04/P14 program as well as providing information on HRAs, which ETF does not currently offer.

Regional Option

This option involves developing 3-6 regions across the state for health plans to bid on. Decoupling of programs would be required for this option. ETF may align the program with Medicaid's regions or create their own.

- Pros: If aligned with Medicaid regions, plans may already have a presence in the counties and be better able to serve the entire region. There may be a potential for more competition in certain counties to better manage costs.

- Cons: Health plans may not bid on some regions. Plans that do bid may have higher premium rates due to the cost of medical providers under a wrap provider network that they may purchase from a third party.

Considerations for this option include developing regions and policies to support the decoupling of programs, requesting and reviewing bids from vendors, then educating local employers, employees, retirees, and other stakeholders on the regional structure.

HDHP + One Program Option

This option involves offering the HDHP program option (PO7/P17) to locals along with one other program option, similar to what the State offers. Decoupling of programs would not be required.

- Pros: Health plans would experience a plan structure similar to the State offering. Local program options would be expanded, and there is a potential cost savings as employees move to the HDHP.
- Cons: This would require either system changes to permit locals to offer two program options or the creation of a new program option that offers two benefit designs. This may require modifications to the Insurance Administration System (IAS).

Considerations for this option include developing the program option structure in the system and with the plans, determining if Optum's Health Savings Accounts for state employees are also available for the local population, and then education of local employers, employees, and internal ETF staff on the newly available program option. This would also require working with IAS on the program option and reviewing premium changes annually.

Two Local Program Options

This option involves decreasing the number of local program options available from four down to two based on a cost-benefit analysis performed by Segal. Decoupling of programs would not be required.

- Pros: This would simplify administration of the local GHIP for health plans and ETF staff.
- Cons: Employers and employees may be required to change their program option and be reluctant to do so, which may result in some employers requesting vendor bids outside of the GHIP for their group, and possibly leaving the GHIP.

Considerations for this option include needing to determine the remaining program options, educate local employers, employees, plans, and internal ETF staff on the reduction of program options.

Sole Source Option

This option involves bidding the local GHIP for coverage by one health plan. Decoupling of programs would be required for this option.

- Pros: Health plans would be able to offer only State and not local coverage. The GHIP would be simplified for employers and ETF staff.
- Cons: The Association does not support this change. The local GHIP would experience the end of the competitive model, making premium increases harder to control. State law requires that the Access Plan and one other plan is offered to employees. A sole vendor could offer two different benefit designs with the same provider network. This may lead to adverse selection as members move back and forth between designs during open enrollment, based upon the care they expect to receive in the next year.

Considerations for this option include developing policies to support the change to a sole vendor, requesting and reviewing bids from vendors, needing to educate local employers, employees, and internal ETF staff on the single health plan.

Next Steps

ETF is exploring an analysis on the local GHIP options with Segal, including cost implications and potential RFP development. The results of this analysis and option recommendations will be provided to the Board at a future meeting.

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

Attachment A: [ETF Local Update Survey Results](#)

Attachment B: [RFI Access, SMP, and Local GHIP Feedback](#)