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Correspondence Memorandum

Date: January 25, 2025

To: Group Insurance Board

From: Renee Walk, Director
 Office of Strategic Health Policy

Subject: Health Insurance Actuarial Audit

The Department of Employee Trust Funds (ETF) requests that the Group Insurance Board (Board) accept the audit report of the 2024 health insurance rate setting and reserving process and the response of the consulting actuary, Segal.

Milliman, Inc. (Milliman) completed an audit of the process and assumptions used to develop rates for the fully insured medical and self-insured pharmacy and dental benefits overseen by the Board for program year 2024. The Employee Trust Funds Board delegated the authority to conduct this audit to the Board in November 2023 ([Ref. ETF | 12.13.23 | 4C](#)). ETF subsequently released a request for proposals (RFP) for auditing services ([RFP ETD0059](#)), and the contract was awarded to Milliman in March 2024.

Milliman’s report of the audit results is included as Attachment A of this memo. A response from Segal is included as Attachment B. Milliman’s report found that Segal’s processes in calculating premiums and projecting reserve balances were consistent with general actuarial practice, and that the assumptions used were reasonable. Milliman also found the reserve amounts calculated to be reasonable for medical and pharmacy. For the dental reserve, Milliman recommended a lower target range than the current 5% to 7%.

Milliman also provided recommendations related to disclosures and additional analyses that Segal could complete to ensure the continued appropriateness of the assumptions used for calculating premiums. Milliman also recommended periodic reviews of the reserve target ranges to ensure appropriateness.

Staff from both Milliman and Segal will be available at the Board meeting to answer questions.

Reviewed and approved by Diana Felsmann, Deputy Secretary
 Electronically Signed 02/03/2025

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GIB	02.26.25	5A

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Attachment A: [Group Health Insurance Program 2024 Health Insurance Rate Setting and Reserving Actuarial Audit](#)

Attachment B: [2024 Health Insurance Rate Setting and Reserving Actuarial Audit – Segal’s Response](#)