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Correspondence Memorandum

Date: May 19, 2025
To: Group Insurance Board
From: Tarna Hunter, Director
Office of Budget and Management
Subject: 2025-2027 Biennial Budget and Legislative Update

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

ETF's 2025-2027 Biennial Budget Request

The 2025–2027 Budget Bill, [2025 AB 50](#) and [2025 SB 45](#), were introduced by the Joint Committee on Finance (JCF) on February 18, 2025, at the request of the Governor. Upon review of the budget bill, we have identified a number of provisions affecting the Department of Employee Trust Funds (ETF) and/or its benefit programs. Some of the highlights include:

ETF Administration and Oversight

- **General Wage Adjustments** – Provides general wage adjustments for most state employees of 5% on July 1, 2025, and an additional 4% on July 1, 2026.
- **Full Funding of Salary and Fringe Benefits** – Continues full funding of ETF's current operations. The proposed ETF 2025-27 budget consists of an overall funding increase of approximately 20%.
- **Pension Administration Replacement Project** – Provides a permanent increase to base funding of \$14,200,000 annually to support the replacement of ETF's antiquated Pension Administration System.
- **Critical Customer Support Needs** – Provides 2.0 FTE Trust Funds Specialist (Permanent) positions to maintain basic, critical customer service functions for members to help address increased demand for member support services.
- **Actuarial Compliance and Reporting** – Provides 1.0 FTE Actuarial Analyst (Permanent) position to fulfill ETF's actuarial responsibilities related to actuarial valuations and financial reporting.

Pamela L. Henning

Reviewed and approved by Pam Henning, Assistant Deputy Secretary
Electronically Signed 05/19/2025

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- **Internal Auditor** – Provides 1.0 FTE Auditor Advanced (Permanent) position. Creates the Office of Internal Audit attached to ETF. The bill requires the ETF Board to appoint an internal auditor and internal audit staff within the classified service who report directly to the ETF Board. ETF's internal auditor and staff shall continue to serve until the ETF Board makes an appointment under this provision.

Retirement Services

- **Domestic Partnerships** – Reinstates domestic partnership benefits for all state and local government employee insurance programs administered by the Department of Employee Trust Funds.
- **Return to Work Law** – Provides that retirees can return to a WRS employer if: (a) at least 30 days have passed since the employee left employment with a participating employer; (b) the employee does not have an agreement to return to work; and (c) the employee elects to not become a participating employee in the WRS.

Health Insurance

- **Health Insurance** – Changes the date that an employee is eligible for health insurance to the first day of the second month for most state employees other than limited-term appointments.
- **Infertility Treatment Coverage** – Requires health insurance policies and self-insured governmental health plans cover diagnosis of and treatment for infertility and standard fertility preservation services.
- **Special Enrollment for Pregnancy** – Creates a special enrollment period for pregnant individuals, and any individual who is eligible for coverage under the plan because of a relationship to the pregnant individual.
- **Prior Authorization Exemption** – Exempts health care providers from obtaining prior authorizations when certain exemptions are met, which will be set by the Commissioner of Insurance.
- **Emergency Ambulance Services Reimbursement** – Requires health plans to directly reimburse emergency medical providers within 30 days after a claim is submitted if the ambulance is requested by an emergency medical services practitioner, an emergency medical responder, a firefighter, a law enforcement officer, or a health care provider.

- **Application of Prescription Drug Payments** – Requires that manufacturers apply discounts received on brand-name prescription drugs to an individual's out-of-pocket maximum and deductible for the discount provided.
- **Dental Therapists, Mental Health Services Treatment Trainees, and Substance Abuse Counselors** – Provides that health plans cannot deny coverage for dental services performed by a dental therapist, coverage for mental health or behavioral health services provided by a qualified treatment trainee, or coverage for alcohol or drug abuse treatment services provided by a substance abuse counselor if those services are covered when performed by a similar provider.
- **Telehealth Coverage** – Provides that health plans cannot deny, or limit treatment or services provided through telehealth if those same services are covered in person.
- **Inpatient Mental Health Coverage** – Provides that health plans who cover inpatient mental health services may not require prior authorization for the coverage of those services.

The Governor's budget did not include funding or positions for agency risk management and information security functions, positions for locating WRS missing participants, nor provide increased autonomy toward managing personnel.

Joint Committee on Finance (JCF) Action

The JCF took action on the budget during its first May 8 executive session. The JCF removed over 600 policy items that the governor included in his budget proposal from further consideration by the committee, including all provisions relating to ETF's benefit programs. The budget continues to fully fund ETF's current operations.

Other State Legislation

[2025 SB 174](#) and [2025 AB 184](#) include the following requirements and limitations on health insurance coverage in the event the federal Patient Protection and Affordable Care Act no longer preempts state law on the topic:

- Health plans must accept every individual in this state who applies for coverage, regardless of whether any individual or employee has a preexisting condition.
- A health plan offered on the individual or small employer market, or a self-insured governmental health plan may not vary premium rates for a specific plan on any basis except age, tobacco use, area in the state, and whether the plan covers an individual or a family.
- A health benefit plan or a self-insured governmental health plan may not impose a preexisting condition exclusion.

- A health benefit plan or a self-insured governmental health plan is prohibited from imposing an annual or lifetime limit on the dollar value of benefits under the plan.
- The Affordable Care Act exempts certain plans from complying with the act's provisions. Similarly, any health benefit plan that is exempt from a provision of the Affordable Care Act is exempt from complying with the corresponding provision of this bill.

2025 SB 174 was introduced by Sen. Jacque and referred to the Senate Committee on Insurance, Housing, Rural Issues and Forestry. 2025 AB 184 was introduced by Rep. Franklin and referred to the Assembly Committee on Insurance.

[2025 SB 203](#) and [2025 AB 173](#) include the following provisions related to the regulation of pharmacy benefit managers (PBM) and their interactions with pharmacies and pharmacists which may impact the Group Health Insurance Program:

- Changes to the regulation of prescription drug charges and choice of providers.
- Provides that a PBM owes a fiduciary duty to a health plan.
- Changes with respect to drug formularies, including limiting changes and providing more transparency.
- Restricts the PBM from collecting fees from pharmacies.
- Provides pharmacies may join preferred or non-preferred networks.
- Restricts requiring the use of mail order pharmacies.
- Prohibits copay accumulator programs for drugs that do not have a generic alternative.
- Prohibits a PBM from retaliating against a pharmacy or pharmacist for reporting an alleged violation of certain laws.
- Prohibits a PBM from taking certain actions with respect to 340B covered entities.
- Makes several changes to audits of pharmacists and pharmacies.

2025 SB 203 was introduced by Sen. Felzkowski and referred to the Senate Committee on Health. 2025 AB 173 was introduced by Rep. Novak and referred to the Assembly Committee on Health, Aging and Long-Term Care.

[2025 SB 249](#) and [2025 AB 248](#) provides immediately upon a term expiring for an appointed position in a statewide department, agency, board, office, commission, authority, or other body in state government created or authorized to be created by the constitution or any law, but not including the legislature and the courts., a vacancy is created.

2025 SB 249 was introduced by Sen. Bradley and referred to the Senate Committee on Licensing, Regulatory Reform, State and Federal Affairs. 2025 AB 248 was introduced by Rep. Allen and referred to the Assembly Committee on State Affairs.

[2025 SB 251](#) and [2025 AB 246](#) require health insurance policies and plans that provide coverage of prescription drugs to cover prescription drugs and related medical supplies for the treatment of asthma. This bill requires policies and plans to limit the amount of cost-sharing for the coverage provided to no more than \$25 per one-month supply for each prescription drug prescribed to treat asthma and to no more than \$50 per month for all related medical supplies.

2025 SB 251 was introduced by Sen. Dassler-Alfheim and referred to the Senate Committee on Health. 2025 AB 246 was introduced by Rep. Snodgrass and referred to the Assembly Committee on Health, Aging and Long-Term Care.

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