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Correspondence Memorandum

Date: May 12, 2025

To: Group Insurance Board

From: Marie Ruetten, Deputy Administrator
Division of Trust Finance

Renee Walk, Director
Office of Strategic Health Policy

Subject: 2026 Group Health Insurance Program Rates and Reserves

The Department of Employee Trust Funds (ETF) recommends the Group Insurance Board (Board) approve the recommended health, pharmacy, and dental rates presented by the Board's actuary, Segal, for plan year 2026. ETF further recommends the Board approve buy-up and three-year reserve strategy Option 1 to replenish the reserve funds of the Group Health Insurance Program (GHIP).

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

Background

The Board annually sets rates for the health, pharmacy, and dental plans. This memo summarizes the rate setting process and provides options for the Board to increase funding of the GHIP reserves in order to meet the Board's reserve policy target thresholds.

Negotiations Process

The Board's 10 fully insured, regional health plans submitted preliminary premium bids, utilization data, and proposed provider networks in January 2025 for plan year 2026. Dean Health Plan, the vendor administering the Access Plan and the State Maintenance Plan (SMP), also submitted a renewal price workup for those two products. The self-insured pharmacy and dental benefit third-party administrators submitted bid tools, which detailed prior year utilization and anticipated cost trends. This year, the Medicare Advantage and Medicare Plus vendor submitted rates as a part of the Request for Proposals (RFP) that was approved by the Board at their January meeting (Ref. GIB | 01.15.25 | 9).

Reviewed and approved by Diana Felsmann, Deputy Secretary
Electronically Signed 05/08/2025

Board	Mtg Date	Item #
GIB	05.21.25	8A

Segal, the Board's actuary, analyzed this information and provided tiering recommendations for health plans. ETF and Segal met with each plan regarding their tier placement and needed changes to achieve Tier 1 in both the State and Local programs. Plans then submitted their best and final offers (BAFOs). The Medicare Advantage and Medicare Plus vendor, UnitedHealthcare, was also invited to submit a BAFO for their RFP bid.

The 10 fully insured, regional health plans bid on specific counties in which they wish to be offered to GHIP members. Currently, if a plan wishes to be offered in a county, the plan must offer a minimum Tier 3 rate in both the State and Local program. The tiering of the plan's rate does not have to be the same in the two programs.

Health Plan Financial Status
As part of ETF's due diligence in qualifying health plans for participation in the GHIP, ETF verifies the financial condition of participating plans. ETF relies on the Office of the Commissioner of Insurance (OCI) to confirm each participating company's financial status. OCI confirmed that all insurers meet Wisconsin's minimum financial requirements.

County Qualifications
To qualify to be offered in a county, plans must meet minimum provider standards. Any county that does not have a plan that wishes to be offered in that county and meets the minimum standards will include the SMP as its qualified, Tier 1 plan option. As mentioned earlier, SMP is currently provided by Dean Health Plan. The GHIP also offers freedom of choice in plans to subscribers. This means that subscribers are not limited to choosing the plans that are offered in their county of residence; rather, subscribers may choose any plan that is offered by the GHIP.

The State program will continue to have only one SMP county in 2026: Florence County.

The number of SMP counties in the Local program increased again this year, with the new total SMP counties now numbering 48. The new Local SMP counties are:

- Chippewa
- Crawford
- Eau Claire
- Jackson
- La Crosse
- Monroe
- Trempealeau
- Vernon

These counties are all now SMP due to the Quartz West network moving to Tier 2. As a result, approximately 2,700 members will be newly eligible for SMP. However, the actual rate for Quartz West is still lower than the SMP rate, and so ETF does not expect those members to move to new plans. Menominee County is no longer SMP this year due to Network Health now being qualified in that county; ETF's most recent enrollment data shows no Local members living in Menominee County.

2026 Rates

State Active Employees

The weighted average increase across health plans for active employees in the State group in 2026 will be 5.6% (5.4% without Access Plan rates). Premium increases by individual plans ranged between 0.0% and 38.5%. Pharmacy rates for active employees will increase 8.1% for non-graduate assistant employees. Uniform dental rates will increase 3.5%. Altogether, this will result in an increase of 5.9% for active employee premiums before the stabilization charge is applied.

The Division of Personnel Management (DPM) within the Department of Administration (DOA) establishes the employee share of the premium rates based on the weighted average rate of Tier 1 plans. Given statutory language limiting the proportion of the premium that public employers may cover for employees, the employee share tends to change proportionate to the overall premium increase.

Local Active Employees

The weighted average increase across health plans for active employees in the State group in 2026 will be 10.6%. Premium increases by individual plan ranged between (0.1)% and 25%. Pharmacy rates for active employees will increase 5.3%, and uniform dental rates will increase 3.5%. The SMP, which will be the qualified, Tier 1 plan offering in most counties in 2026, will experience a rate increase of 13.1%. The overall increase, inclusive of the SMP option, will be 9.6% before the stabilization charge is applied.

Local employers are also bound by statutory language that limits the share of premium they can cover for their employees, but unlike the state, there is no single governing body that sets employee premium share. This means that the actual impact to employee premiums will vary, depending upon the rate increase by plan and the employer's contribution amount.

Medicare-Eligible Retirees

Medicare-eligible retirees have multiple health insurance product options available under the GHIP, each with its own rate. The rates for the Medicare-coordinated product offered by the 10 regional health plans will increase at the same rate as the increases for each plan in the State and Local programs. Retirees are fully responsible for their premium share and will directly experience the increase in costs by plan.

In addition to the regional plans, retirees may also select from either the Medicare Advantage or Medicare Plus products. UnitedHealthcare (UHC) will continue to administer this program on behalf of the Board in 2026. Their premium for Medicare Advantage will increase 33.9% for both State and Local retirees in 2026. Premiums for Medicare Plus will increase 18.0% for State and Local retirees in 2026.

Retiree pharmacy rates will increase 7.1% for State retirees and 16.3% for Local retirees. Uniform dental rate increases are the same as for active employees at 3.5%. Similar to the local and state active rates above, these increases are prior to the application of a stabilization charge.

Administrative Fees
To cover ETF's cost of administering the GHIP, a fee is calculated and added to the insurance premium billed to employers and retirees. A history of this fee is shown in Attachment A. The 2026 fee is an increase of 3%, primarily due to personnel costs associated with My Insurance Benefits implementation. The increase is less than previously projected due to lower than anticipated Wellness program participation and related costs.

Access/SMP Risk Sharing
The Board's contract with Dean Health Plan for the Access Plan and State Maintenance Plan continues to contain a risk sharing agreement. Under this agreement, if loss ratios exceed 90% in the plan, the Board pays 100% of the premium deficiency.

For program year 2024, payable in 2025, the Board will pay Dean Health Plan a total payment of $9.3M.

Reserve Balances
Segal considers the reserve balances as part of the rate setting process. They use prior year reserve balances, as well as activity that has occurred in the current year and additional information provided by ETF, to project reserve balances through the current year. This informs the Board of a projected reserve surplus or deficit to consider in setting premiums. Under the Board's current policy, target ranges by program are as follows:

- Medical (including wellness incentives): 3% to 5% of projected premiums
- Pharmacy: 8% to 10% of projected claims
- Dental: 5% to 7% of projected claims

Preliminary health insurance program reserve balances as of December 31, 2024, on an accrual basis, are shown in Attachment B. As anticipated, reserve balances continued to decline and are below the target range. As discussed at the January Board meeting, the fund's cash balance also needs to be considered to ensure there is adequate cash for operations throughout the year. As shown in Attachment C, the cash balance as of December 31, 2024, was $(12.6) million.

Buy-Up Options
To restore the reserve fund to adhere to the policy and meet cash balance needs, ETF recommends that the Board implement a Premium Stabilization Charge (PSC) to rates in order to meet the targets established in the current Board policy. Below are options for the charge amounts over the coming three years:

- Option 1: Target low end of reserve fund range by the end of 2026, and high end by the end of 2028. This approach results in a 10.5% overall increase for state and a 13.4% overall increase for locals in 2026. Future years would have much smaller increases over in force rates. Targeting the low end of the range by the end of 2026 would minimize the amount of interest that the GHIP will have to pay to the Core Fund for months with negative cash flow. Targeting the high end of the range by 2028 would provide the greatest protection against swings in pharmacy costs in future years and could support future buy-downs if rate increases accelerate.
- Option 2: Target the low end of the reserve fund range by the end of 2026, the midpoint by the end of 2027, and maintain in 2028. This approach would result in the same increases as Option 1 for 2026. Future years would have smaller increases required. Targeting the midpoint by 2027 and maintaining in 2028 would likely result in sufficient cash on hand to mitigate more expensive months.

ETF recommends the Board approve Option 1. This restores the reserve faster, limiting the amount of interest owed. This option also positions the Board's programs to best weather future program financial demands.

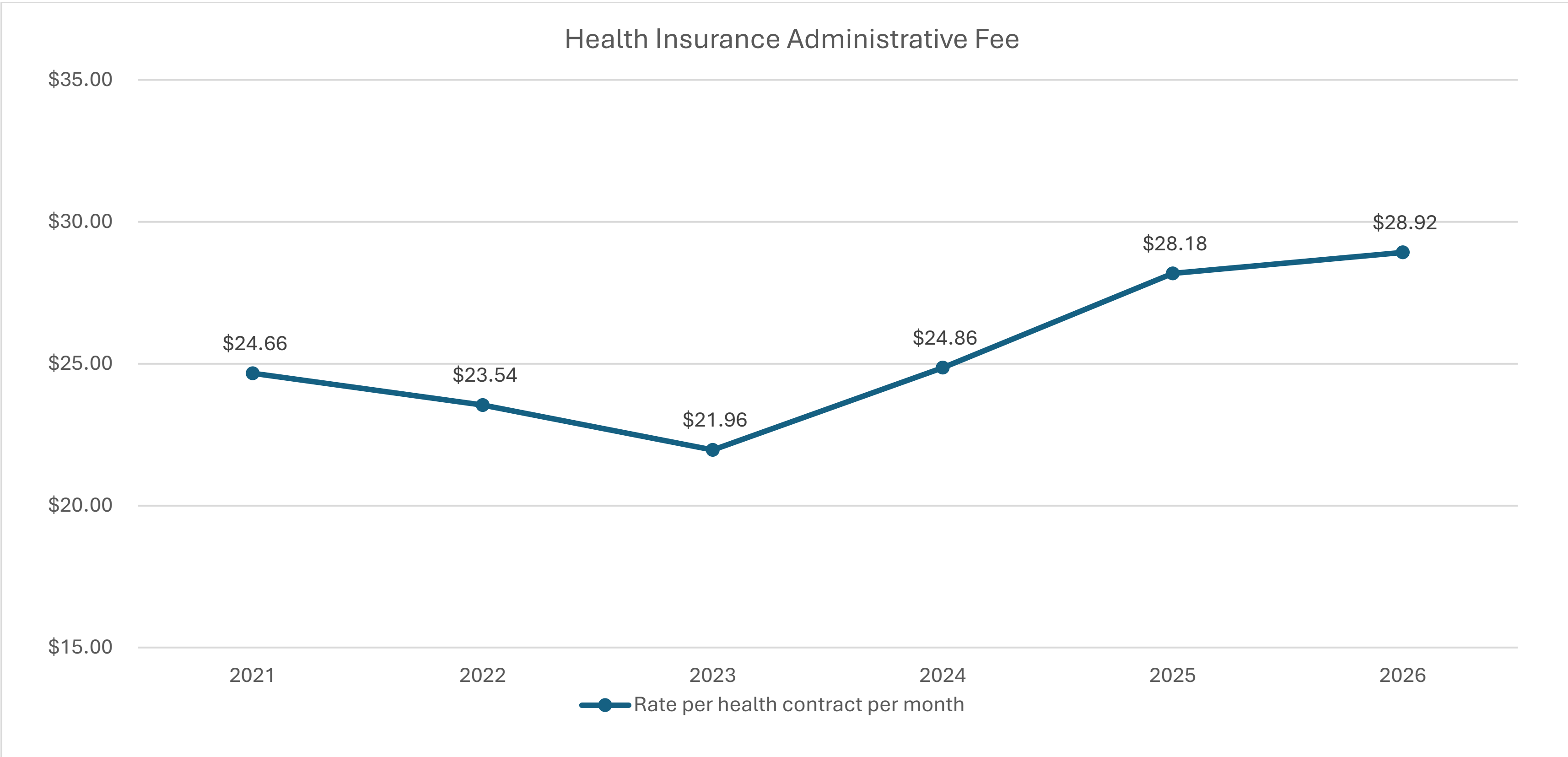
Staff will be available at the Board meeting to answer questions.

Attachment A: Health Insurance Program Administrative Fee History

Attachment B: Health Insurance Program Reserves

Attachment C: Health Insurance Program Cash Balance

Attachment A
Health Insurance Program Administrative Fee History



Attachment B
Health Insurance Program Reserves

State (in millions)

Health Reserves	Medical (2)	Wellness	Pharmacy	Dental	Total (1)	% change from prior year
Fund Balance, January 1, 2024	$73.7	$1.2	($63.3)	$24.4	$36.0	-75.2%
Investment Income	$0.8	$0.1	($4.0)	$0.4	($2.7)	-126.0%
Contributions	$1,370.8	$13.9	$343.0	$64.7	$1,792.5	14.9%
Includes Rx Subsidies Accrued			*$17.0*			
Benefit Expense	($1,360.2)	($7.3)	($344.2)	($63.4)	($1,775.0)	8.2%
Includes Rx Rebates Accrued			*$88.8*			
ETF Administrative Expense (3)	($21.2)	$0.0	$0.0	$0.0	($21.2)	9.3%
TPA Administrative Expense	($0.8)	($5.8)	($10.8)	($1.3)	($18.6)	-1.1%
Fund Balance, December 31, 2024	$63.2	$2.1	($79.3)	$24.9	$11.0	-69.7%

Local (in millions)

Health Reserves	Medical (2)	Wellness	Pharmacy	Dental	Total (1)	% change from prior year
Fund Balance, January 1, 2024	($7.2)	$0.0	$15.8	($0.1)	$8.6	-40.3%
Investment Income	($0.4)	$0.0	$2.2	$0.0	$1.8	28.6%
Contributions	$233.0	$1.9	$48.7	$2.6	$286.2	11.9%
Includes Rx Subsidies Accrued			*$2.1*			
Benefit Expense	($234.5)	($1.1)	($48.4)	($2.6)	($286.5)	11.0%
Includes Rx Rebates Accrued			*$11.7*			
ETF Administrative Expense (3)	($2.9)	$0.0	$0.0	$0.0	($2.9)	7.4%
TPA Administrative Expense	($0.1)	($0.8)	($1.1)	$0.0	($2.0)	0.0%
Fund Balance, December 31, 2024	($11.9)	$0.0	$17.2	($0.1)	$5.1	-40.7%

(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.

Attachment C
Health Insurance Program Cash Balance