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Correspondence Memorandum

Date: August 4, 2025
To: Group Insurance Board
From: Katherine O'Neill, Employee Benefits Policy Advisor
Office of Strategic Health Policy
Subject: Local Program Initiative Update

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

Background

Wisconsin Public Employers (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. This has led to a volatile rate experience for local employers in recent years. Most recently, rates increased 11.5% on average for locals for 2026.

In 2021, Department of Employee Trust Funds (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 directed ETF 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.

At the November 2024 meeting ([Ref. GIB | 11.12.24 | 16](#)), ETF reviewed an update on information gathered from local employers and RFI results. 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-

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Electronically Signed 08/04/2025

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participating national carriers. ETF did not take any additional action to modify the local GHIP, SMP, or Access plans.

This memo is in response to continued Board direction that ETF revisit options for changes to the structure of the Local GHIP to help better control costs going forward.

Local Program Growth

There are 1,642 local employers who participate in the Wisconsin Retirement System (WRS) and are eligible to participate in ETF's insurance programs. Of those, 462 local employers participate in the Local GHIP. Participation in the program experienced steady growth over the previous five years, increasing from 408 employers in 2021 to 462 in 2025. While annual growth rates have varied, participation has consistently trended upward. As of 2025, 56% participating employers have 21 or fewer members and 84% have 81 or fewer, indicating the program continues to attract primarily small local employers.

Table 1. Participation in the Local GHIP as of January 1, 2025

As of	Employer Participation	Annual % Change
January 2021	408 employers	+4.1%
January 2022	419 employers	+2.7%
January 2023	440 employers	+5.0%
January 2024	452 employers	+2.7%
January 2025	462 employers	+2.2%

Local employers have the ability to choose from four Program Options (PO) to offer to employees. The Program Options vary based on premiums and employee out-of-pocket-costs, but health plans have uniform benefits. Figure 1 outlines the 8 POs available to Local employers ([Ref. GIB | 11.12.24 | 16](#)).

Figure 1. Local Program Options

Benefits for	"Traditional" PO2*/12	"Deductible" PO4*/14	"Local" PO6*/16	"HDHP" PO7*/17
Premiums	\$\$\$	\$	\$	\$
Deductible	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)	\$1,650 Individual \$3,300 Family (<u>Affected</u> by prescription drug paid full cost)
Office Visit Copay	None	None	\$15 Primary Care \$25 Specialty Care	\$15 Primary Care \$25 Specialty Care

Benefits for	“Traditional” PO2*/12	“Deductible” PO4*/14	“Local” PO6*/16	“HDHP” PO7*/17
Coinsurance	None (except 20% for DME, adult hearing aids, and adult cochlear implants)	After deductible, None (except 20% for DME, adult hearing aids, and adult cochlear implants)	After deductible, 10% (except for office visit copays)	After deductible, 10% (except for office visit copays and prescription drug copays)
Annual out-of-pocket limit (OOPL)	None (except \$500/person for DME and adult cochlear implants)	After deductible, None (except \$500/person for DME 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)

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

The table below summarizes Local GHIP participation from 2021 through 2025, showing the number of employers enrolled in each PO. The Local Traditional Plan (PO2/12) remains the most popular choice among employers. However, due to the larger employee counts of participating employers, PO4/14 accounts for the highest share of total member enrollment.

Table 3. Employer Participation in WPE GHIP POs from 2021 to 2025*

As of	“Traditional” PO2*/12	“Deductible” PO4*/14	“Local” PO6*/16	“HDHP” PO7*/17
January 2021	236	121	15	25
January 2022	238	131	16	27
January 2023	241	138	16	36
January 2024	247	145	15	37
January 2025	246	149	18	42

*Totals are combined totals for dental and non-dental plans

ETF dedicated a position to actively manage policy related to the local GHIP, from an earlier ETF recommendation ([Ref. GIB | 05.23.24 | 5](#)).

State Maintenance Plan Administration

The State Maintenance Plan (SMP) was originally implemented to ensure that all participating GHIP employers, regardless of geography, could offer at least one Tier 1, qualified health plan to their employees. In counties where no health plan submits a Tier 1 bid for a particular county, SMP serves that role. SMP is currently administered by

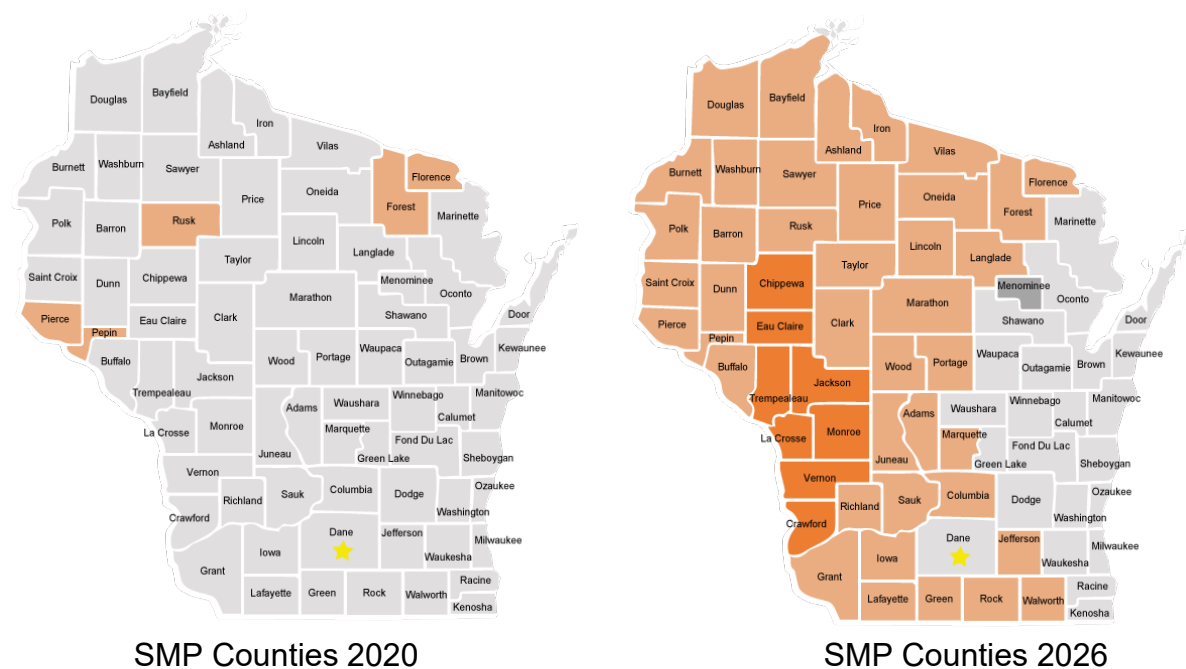
Dean Health Plan by Medica via a blend of the First Health PPO network and their own provider network. Historically, the plan that offers SMP also offers the Access Plan, which is the GHIP's statewide/nationwide PPO coverage option. There has never been a formal Request for Proposal (RFP) issued to vendors for the SMP and Access plans in their current, fully-insured form; the plans were self-insured until 2018.

In feedback provided during ETF's 2024 request for information (RFI) process, multiple plans expressed reluctance to bid on a local program unless compelled by linkage to state GHIP participation. This sentiment echoes longstanding concerns that ETF's Local GHIP is viewed by employers as the "program of last resort."

Local State Maintenance Plan Growth

The SMP has experienced notable growth. In 2020, only 5 counties were designated SMP counties for the Local program. By plan year 2026, this number reached 48 counties. The increase in SMP counties reflects the lack of plans bidding Tier 1 rates in the Local program. Plans claim this is reflective of their experience in the Local program. SMP's rates are typically higher than what would qualify to be Tier 1 rates in the HMO tier model. Rather than serving as a targeted solution, the SMP is increasingly functioning as a de facto sole source plan for large portions of the state without the associated procurement rigor or competitive pressure. Figure 2 shows the geographical spread of SMP from plan year 2021 to 2026.

Figure 2. Local SMP Counties in 2020 vs. 2026*



*Color key:

Light orange: SMP county, no change from prior plan year

Dark orange: New SMP county for plan year

Dark grey: No longer a SMP county for plan year

The rapid growth of SMP correlates with rising premium rates. Between 2020 and 2025, the rate experienced a dramatic and steady rise, increasing nearly fourfold over the six-year period. In 2020, the rate increase was relatively modest at 4.3%, but it began to increase sharply in subsequent years. The trend culminated in a 16% increase in 2025, with limited tools available to ETF and the Board to mitigate volatility. The SMP's current form does little to address this, as it is not designed to produce competitive outcomes. The growing footprint, lack of competitive structure, and increasing reliance as a safety net may contribute to future uncontrolled SMP premium growth.

Interventions

Decouple Local Program from State, Allow Bids as HMO

Currently, the Board and ETF require plans bidding on the state GHIP pool to also bid on the local pool. At one time, plans were required to be in the same tier in both offerings. Over time, that requirement was relaxed to only require that plans bid on both programs. This has resulted in more and more plans sinking to Tiers 2 and 3 over time in the Local program while still meeting Tier 1 in the State program. Given feedback on plan experience in the Local program, ETF does not feel it is feasible to reinstate the same-tier requirement. Decoupling would eliminate the current requirement that health plans bid on both the State and Local GHIPs. Currently, if a health plan is interested in bidding for the state GHIP, they must bid for the Local program. If decoupled, plans could decide to bid on the state and/or Local GHIP independently. This could marginally increase the enrollment in SMP if plans no longer chose to bid, which may in turn increase the attractiveness of SMP to RFP bidders. However, this would also mean fewer (albeit high-cost) options for local members in counties where no plans choose to bid.

Many health plans voiced their interest in continuing to bid on the locals, even if they were not required to bid because of their interest in bidding for the state GHIP pool. Three vendors replied to the RFI in 2024 indicating they would still be interested in bidding for the Local GHIP, separate from administering the SMP and Access plans.

This could also allow for smaller plans that do not have state-wide coverage to provide access to their local members and participate without the state-wide provider network cost barrier.

Decouple Local Program from State, Pursue Sole Source Local Vendor

The growth and rate ballooning in SMP are carving a path towards an unintentional sole source vendor option for members who lack access to a qualified Tier 1 health plan in their county. This option would involve intentionally procuring Local GHIP coverage from one health plan. Decoupling of programs would be required for this option. Health plans would be able to offer only state and not local coverage. The Local GHIP would be simplified for employers and ETF staff. This could allow the Board to build in rate

guarantees, which would allow for short-term stability in rates for employers and members.

Potential vendors should provide a nationwide provider network for eligible employees and retirees. That criteria would likely narrow the choice of potential vendors to large national plans or vendors that offer PPOs, like Dean. HMOs in our program may have access to nationwide networks, but the administrative burden of use for the relatively small number of members, especially since most out-of-state members are retirees, could result in non-competitive premiums to the extent that the HMO would not submit a bid.

A single vendor would be selected to insure the pool for several years. This may result in more competitive rates early on, but there is a concern that with the reduction of competition, rates would rise more quickly than in the current model with many competing plans.

Per their 2024 RFI response, The Wisconsin Association of Health Plans (Association) does not support this change. They expressed concern that Local GHIP premium increases would be harder to control without plan competition, and that the Access Plan may see adverse selection if members move back and forth between only two plan designs offered by a single vendor based on anticipated care needs.

Tiering

Large health plans speculate that if local employers utilized tiering like the state, and not the 88% employer premium contribution formula, there would be fewer enrollment changes every fall, and rates may stabilize. Under the 88% formula, the amount the employer contributes is capped, while under tiering, the amount the employee contributes is capped.

Locals heavily favor using the 88% formula. Employees who prioritize paying the least in premium contribution, are relatively healthy, and do not feel they need care from a specific provider may switch plans every year. In contrast, employees with existing health conditions are likely to stay with the same plan for continuity of care and are more willing to pay higher premiums. Employers may experience an increase in cost in the short term, but tiering could yield longer term cost reduction for employers. Limiting locals to tiering only would require a statutory change, so tiering could be promoted through educational efforts and workshops that demonstrate the process and potential cost savings for employers and members over time.

Education and Outreach

Neighboring states have taken various approaches to educating eligible municipalities about their GHIPs. For example, Minnesota law was passed that requires all school districts to obtain a quote from their GHIP equivalent every other year. There is no requirement to join the program. Minnesota's plan has seen significant growth following

passage of this law, as employers learned about the program's administrative and health benefits and rate stability. Initially the growth was primarily with school districts, but now it has expanded to other eligible employers as word has spread. If the Board were interested, ETF could conduct additional research to determine resource requirement and an analysis of whether a similar approach might increase local employer participation.

The continued success and growth of the Local GHIP relies on proactive outreach and comprehensive education efforts. By participating in benefit fairs, establishing professional networks, and marketing directly to local entities, including counties, school districts, and municipalities, ETF can significantly increase awareness and participation in the GHIP program. Partnerships with brokers, associations, and trade organizations serve as important channels for reaching a broader audience of potential employers.

A comprehensive outreach strategy that includes webinars, conference presentations, and direct communication could ensure prospective employers receive clear and accurate information about GHIP benefits. Additionally, ETF can better understand the customer experience of our employers and members, potentially identifying perceived barriers to joining the Local GHIP. Equally important, these efforts facilitate direct engagement with ETF staff rather than insurance brokers, fostering stronger relationships and enabling personalized support. Through varied and targeted outreach, ETF can enhance employer understanding, build trust, and promote sustained growth of the GHIP across prospective local employer participants, at the same time furthering ETF's understanding of the priorities of both potential and longstanding local employer participants. This would be a high-touch, high-resource undertaking for ETF, with uncertain return and associated cost reduction.

It is worth noting that any intervention proposed in this, and future, Board memos should still have an accompanying education, outreach, and transition plan to support proposed changes.

Adjust Program Options

Currently there are two expensive, rich plans offered to local employers. Reducing or removing program options may reduce cost but could also drive away members and lose employer participation.

Prior feedback indicates that some health plans would prefer that locals choose only from the same plan designs as those offered to state employees, while others suggested that the Board offer more plan design options with higher out-of-pocket costs. This feedback also aligns with a recommendation from the 2014 Segal reports. Most local employers offer their employees richer plan designs than are offered to state employees. The richer-than-average benefits available in the local group were also cited as a potential source of cost; the plans that raised the issue felt that the employees who were in plan designs with higher cost sharing used fewer services than those in lower or no cost sharing options. Lower cost share plan designs can mask increases in the total

cost of services, without sharing price increases to members. This results in increasing premiums. Some plans recommend that local employers be allowed to offer employees a choice between a high-deductible health plan (HDHP) and non-HDHP option, similar to what the state offers to its employees.

Historically, the Board has only allowed local employers to offer one program option to members, due in large part to limitations within ETF's legacy benefit administration systems. Once the Insurance Administration System (IAS) is live for all employers, the Board will have the ability to offer locals more than one program option for their employees. ETF will continue to discuss options with local employers and bring a recommendation to a future meeting.

Next Steps

Issue RFP for SMP and Access

ETF has not formally issued a Request for Proposal (RFP) for the Access plan and SMP since plans became self-insured in 2018. As a result, best practice would suggest that an RFP should be developed to offer at least one vendor to manage the growing Access and SMP program. A statewide contract with rate guarantees and network adequacy thresholds would provide cost containment, administrative simplicity, and sustainability. This would formalize SMP as a true competitive offering, opening the door to a sole source model with multi-year rate guarantees. Segal has also recommended issuing a RFP for both Access and SMP. This option would allow ETF to replace the de facto sole source model with a deliberate procurement. ETF would welcome any direction from the Board in advance of the November Board meeting at which ETF anticipates requesting the Board approve an RFP for Access and SMP that will pay special attention to the local employers and members.

Solicit Additional Feedback

In alignment with ETF's Customer Experience Strategy, ETF will actively solicit feedback from both employers and members participating in the Local GHIP. This dual approach ensures we capture a comprehensive understanding of stakeholder experiences and expectations. In addition to leveraging quantitative insights from our data warehouse, we will incorporate qualitative feedback through surveys, focus groups, and targeted interviews. These methods will help us better understand the perceived value of our program offerings, the key factors attracting employers and members to Local GHIP, and the evolving needs of the population we serve. Amplifying the voice of the customer in this way will support data-informed decision-making and continuous improvement, enhancing program effectiveness and customer satisfaction.

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