

From: [REDACTED]m  
To: [ETF SMB Board Feedback](#)  
Subject: GIB Meeting question  
Date: Wednesday, May 21, 2025 11:33:09 AM  
Attachments: [REDACTED]

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Good morning,

I'm hoping someone can clarify what the Board actually approved in 2024 for 2025—specifically, how the forecast compared to the actual outcome. From my perspective, it feels like Segal continues to repeat the same narrative, yet their forecasts consistently miss the mark, leading to repeated rate increases.

In regard to ETF, employers are already footing the bill for administrative increases and the cost of the new system—yet that system still isn't operational. Meanwhile, it's created a significant burden on employers without any measurable return.

**I just want to confirm that this message was received and ask whether a response is planned. I'd appreciate clarification on the questions above.**

Thank you,

[REDACTED]

*Terri M Palm-Kostroski*

[REDACTED]

[REDACTED]





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June 3, 2025

Terri Palm-Kostoski  
[REDACTED]

Dear Terri,

I am writing in response to your email to the Group Insurance Board (Board) regarding rate increase forecasts, as well as concerns regarding the Insurance Administration System (IAS) costs and implementation.

Regarding what the Board approved in 2024 for 2025 health plan rates, the Board approved adding a stabilization charge to both State and Local rates to target the midpoint of the reserve range by 2027 (<https://etf.wi.gov/boards/groupinsurance/2024/05/23/gib4bppt/direct>, slide 16) and to not add additional charges to the Local SMP rate (<https://etf.wi.gov/boards/groupinsurance/2024/05/23/gib4bppt/direct>, slide 15). These are the increases that have been applied for the current year.

Each year, Segal provides both a projection of the expected reserve status for the coming rate year as well as updated actuals for the prior year. Last year and this year, the differences between projected and actual reserves were primarily driven by higher-than-expected costs in the pharmacy program and the risk payments required due to the growth in the State Maintenance Plan (SMP). In 2023, pharmacy experience in the state program was \$15M higher than expected and \$1.1M higher in the local program (<https://etf.wi.gov/boards/groupinsurance/2024/05/23/gib4bppt2/direct>, slides 25, 28). In 2024, actual pharmacy experience was \$9.6M higher than projected for the state program and \$0.9M higher than projected for locals (<https://etf.wi.gov/boards/groupinsurance/2025/05/21/gib8b2/direct>, slides 25, 29). ETF and Segal rely on estimates from Navitus for annual rate setting; however, since the pharmacy program is self-funded, we are not protected from fluctuations in the cost of drugs or utilization. Pharmacy costs have become increasingly hard to predict in recent years due to high-cost drugs entering the market; ETF and Segal both recognize the challenges that this poses to reserve projections and, therefore, rate calculations, and we are working closely with Navitus on honing these projections.

Another factor unique to 2024 (most visible in the state projections on slide 25 of the above link) is the negative investment income affecting our programs. This is largely driven by negative cash flows, which the Group Health Insurance Program (GHIP) began experiencing in 2023. Due to the time that it takes to audit the trust funds and the fact that the health insurance program is blended with the Core Fund, ETF did not discover the negative cash status of the GHIP's reserve until auditing that was completed at the end of 2024. We reported this to the Board first at a special meeting in January of this year (<https://etf.wi.gov/boards/groupinsurance/2025/01/15/gib12/direct>). In any month where the GHIP does not have enough cash on hand to pay pharmacy or dental claims, we borrow money from the Core Fund and then pay that money back with interest. This results in negative interest being credited to our program.

Because of this, ETF recommended to the Board at the most recent May meeting that we increase the premium stabilization charge (originally added to pay for the SMP risk payment mentioned above) to begin to replenish the reserve. The Board opted to increase state rates 8.0% and local rates 11.5% for 2026 (<https://etf.wi.gov/boards/groupinsurance/2025/05/21/gib8b3/direct>) to begin re-funding the GHIP reserve.

You also mentioned the implementation of IAS and associated costs, and I understand your concern about paying the increased administrative fees while the system is not yet live. While we had hoped for a full go-live in July of this year, ETF ultimately determined that the number of outstanding critical issues needing development work was too large for us to move forward with all employers on July 1. We are hopeful that a limited go-live with the Universities of Wisconsin in July will help us gain experience with the new system that we can use to improve the experience for other employers. We sincerely appreciate your efforts in helping us through this implementation and your patience as we try to provide the best possible product.

I hope the above has helped to answer your questions. Thank you for continuing to be a participating employer in the GHIP. If you have additional questions, please feel free to reach out to me at [renee.walk@etf.wi.gov](mailto:renee.walk@etf.wi.gov) or by phone at 608-261-7254. Thank you,

Renee Walk, Director  
Office of Strategic Health Policy  
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