



**STATE OF WISCONSIN**  
**Department of Employee Trust Funds**  
Robert J. Conlin  
SECRETARY

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## ***Correspondence Memorandum***

**Date:** June 14, 2016  
**To:** Group Insurance Board  
**From:** Roni Harper, Optional Insurance Plans Manager  
Shayna Schomber, Self-Insured Health Benefits Manager  
Office of Strategic Health Policy  
**Subject:** Optional Dental Plan Proposal Update for 2017

**Staff recommends the Group Insurance Board (Board) accept the following premium changes for existing plans, as per the amended proposals, effective January 1, 2017. See individual sections for details about proposals and final rates.**

- **Anthem DentalBlue**
  - **Supplemental: 8.2% increase**
  - **Dentacare HMO: 0.8% decrease**
  - **Preferred PPO: 6.5% decrease**
  
- **Dental Wisconsin**
  - **PPO Actives and COBRA: 3.5% decrease**
  - **PPO and Select Annuitants: 15% increase**
  
- **Benefits+**
  - **Actives and COBRA: 9.1% increase**
  - **Annuitants: 8.3% increase**

### **Background**

At the May 18, 2016 meeting, the Board was informed that ETF received proposals for rate changes from Anthem and EPIC for the optional dental plans. ETF requested that both dental insurers consider amending their proposals based upon the analysis from Milliman, the actuarial consultant. Discussions were still in progress at the time of the May Board meeting. ETF has since come to an agreement with both Anthem and EPIC for the optional dental plan proposals for plan year 2017.

Reviewed and approved by Lisa Ellinger, Director, Office of Strategic Health Policy

Electronically Signed 7/11/16

Board	Mtg Date	Item #
GIB	7.12.16	4

Under the authority granted to the Board by Wis. Stats. §40.03 (6) (b) and pursuant to §20.921 (1) (a) (3) and ETF10.20, the Board may approve optional employee-pay-all group plans to be offered via payroll deduction. Proposals for changes to benefits and/or premiums for existing plans are reviewed under the Board’s Guidelines for Optional Plans.

**Anthem DentalBlue**

Anthem DentalBlue (Anthem) began providing dental insurance policies under contracts with the State of Wisconsin in 2006. The most recent rate and benefit changes were approved by the Board at the August 2014 Board meeting; these included a decrease in premiums for the HMO and PPO plan options and a benefit increase for the Supplemental plan.

Anthem: Renewal Proposal

Anthem’s Proposal (Attachment A) will offer an open enrollment opportunity for its dental plans for active employees in participating agencies during the It’s Your Choice enrollment period for 2017. However, there will not be an open enrollment opportunity for annuitants. Anthem proposed rate changes effective January 1, 2017 for each of its three plans. A summary of Anthem’s proposal is below.

**Anthem DentalBlue 2017 Proposal Summary**

Submitted March 16, 2016

	2017 Proposed Monthly Rates		Rate Change per Month (\$)		Rate Change (%)	2016 Enrollment (Contracts)	Projected 2017 Loss Ratio
	Single	Family	Single	Family			
<b>Supplemental</b>	\$19.72	\$59.21	\$1.64	\$4.93	9.09%	6,326	79.3%
<b>Dentacare HMO</b>	\$18.77	\$60.06	\$0.15	\$0.49	0.8%	889	79.2%
<b>Preferred PPO</b>	\$19.88	\$65.59	-\$0.60	-\$1.98	-2.9%	997	80.3%
<b>Totals</b>	-	-	-	-	<b>6.6%</b>	<b>8,212</b>	<b>79.40%</b>

Anthem: Actuarial Review & Recommendations

Milliman reviewed the Anthem proposal and projected loss ratios for 2017. Milliman recommended that the total rates be adjusted 1% in order to be in line with the actuarial analysis. With this adjustment, the rates and benefits in the three plans appear to be reasonable and are expected to achieve the 75% minimum loss ratio. The final rates, which reflect Anthem’s amended proposal, are below.

**Anthem DentalBlue 2017 Final Rates**  
 Amended May 13, 2016

	2017 Proposed Monthly Rates		Rate Change per Month (\$)		Rate Change (%)	2016 Enrollment (Contracts)	Projected 2017 Loss Ratio
	Single	Family	Single	Family			
<b>Supplemental</b>	\$19.56	\$58.73	\$1.48	\$4.45	8.20%	6,326	79.30%
<b>Dentacare HMO</b>	\$18.47	\$59.09	-\$0.15	-\$0.48	-0.80%	889	79.20%
<b>Preferred PPO</b>	\$19.15	\$63.18	-\$1.33	-\$4.39	-6.50%	997	80.30%
<b>Totals</b>	-	-	-	-	<b>5.30%</b>	<b>8,212</b>	<b>79.40%</b>

Staff recommends the Board accept the amended proposal from Anthem submitted May 13, 2016, effective January 1, 2017.

**Dental Wisconsin**

EPIC Life Insurance Company (EPIC), a subsidiary of Wisconsin Physicians Service Insurance Corporation (WPS), has offered a Board-approved employee-pay-all plan since 1994. EPIC currently offers two optional insurance plans, Dental Wisconsin and Benefits+.

Dental Wisconsin offers two plan types to State employees: Select and Preferred Provider Organization (PPO).

- The Select plan allows members to select any dentist, but does not cover diagnostic or preventive procedures (check-ups or cleanings).
- The PPO plan covers diagnostic and preventive work if performed by a Delta Dental Premier or PPO provider.

Dental Wisconsin: Renewal Proposal

The renewal proposal for Dental Wisconsin (Attachment B) will have an open enrollment opportunity for active employees and annuitants in participating agencies during the It's Your Choice enrollment period for 2017. EPIC proposed 2017 rate changes for each of its Dental Wisconsin plans. A summary of the proposal is below.

**EPIC Dental Wisconsin 2017 Proposal Summary**  
 Submitted March 11, 2016

Plan Type		2016 Contracts	Projected 2017 Loss Ratio	2017 Proposed Monthly Rates		Rate Change per Month (\$)		Rate Change (%)
				Single	Family	Single	Family	
PPO Plan	Actives & COBRA	2,992	75.8%	\$26.76	\$95.78	\$1.27	\$4.57	5.0%
	Annuitants	277	90.4%	\$35.62	\$127.48	\$4.64	\$16.62	15.0%
Select Plan	Actives & COBRA	4,762	72.0%	\$20.52	\$71.60	\$0.01	\$0.01	0%*
	Annuitants	432	83.9%	\$24.54	\$85.58	\$2.24	\$7.78	10.0%
Total	Actives & COBRA	7,753	73.70%					
	Annuitants	709	87.0%					
<b>Grand Total</b>		<b>8,462</b>	<b>75.0%</b>					

Dental Wisconsin: Actuarial Review & Recommendations

Milliman reviewed EPIC's Dental Wisconsin proposal and the projected loss ratios for 2017. Milliman indicated the annuitant population is subsidized by the active/COBRA population and noted that equitable rates across the populations may be desired. With this adjustment, the rates and benefits in the plans appear to be reasonable and are expected to achieve the 75% minimum loss ratio. The final rates, which reflect EPIC's amended Dental Wisconsin proposal, are below.

**EPIC Dental Wisconsin 2017 Final Rates**  
 Amended June 10, 2016

Plan Type		2016 Contracts	Projected 2017 Loss Ratio	2017 Proposed Monthly Rates		Rate Change per Month (\$)		Rate Change (%)
				Single	Family	Single	Family	
PPO Plan	Actives & COBRA	2,992	74.0%	\$24.60	\$88.02	-\$0.89	-\$3.19	-3.5%
	Annuitants	277	77.5%	\$35.62	\$127.48	\$4.64	\$16.62	15.0%
Select Plan	Actives & COBRA	4,762	76.1%	\$20.52	\$71.60	\$0.01	\$0.01	0%*
	Annuitants	432	79.3%	\$24.54	\$85.58	\$2.24	\$7.78	15.0%
Total	Actives & COBRA	7,753	75.20%					
	Annuitants	709	78.5%					
<b>Grand Total</b>		<b>8,462</b>	<b>75.4%</b>					

Staff recommends the Board accept the amended proposal from EPIC for Dental Wisconsin submitted June 10, 2016, effective January 1, 2017.

**EPIC Benefits +**

Benefits+ is a “wrap-around” optional insurance plan, which consists of “core benefits” and an optional vision benefit. The core benefits include:

- Supplemental dental
- Accidental death and dismemberment (AD&D)
- Hospital indemnity

Benefits+: Renewal Proposal

The renewal proposal for EPIC’s Benefits+ (Attachment C) will have an open enrollment opportunity for active employees and annuitants in participating agencies during the It’s Your Choice enrollment period for 2017. A summary of the Benefits+ proposed rate changes for 2017 are below.

**EPIC Benefits + 2017 Proposal Summary**

Submitted March 11, 2016

Plan Type		2016 Contracts	Projected 2017 Loss Ratio	2017 Proposed Monthly Rates		Rate Change per Month (\$)		Rate Change (%)
				Single	Family	Single	Family	
<b>Core Benefits</b>	Actives & COBRA	12,515	74.3%	\$21.84	\$65.50	\$2.07	\$6.19	10.5%
	Annuitants	5,234	77.1%	\$29.50	\$81.24	\$2.81	\$7.71	
<b>Grand Total</b>		<b>17,749</b>	<b>75.1%</b>					

In addition, the proposal included an increase for the vision option premiums by \$0.01, to address rounding issues in state payroll systems.

Benefits+: Actuarial Review & Recommendations

Milliman reviewed EPIC’s Benefits+ proposal and the projected loss ratios for 2017. The rates were adjusted from the original proposal in order to achieve equitable rates across the populations. With this adjustment, the rates and benefits in the plans appear to be reasonable and are expected to achieve the 75% minimum loss ratio. The final rates, which reflect EPIC’s amended Benefits + proposal, are below.

**EPIC Benefits + 2017 Final Rates**

Amended June 10, 2016

Plan Type		2016 Contracts	Projected 2017 Loss Ratio	2017 Proposed Monthly Rates		Rate Change per Month (\$)		Rate Change (%)
				Single	Family	Single	Family	
Core Benefits	Actives & COBRA	12,515	75.0%	\$21.56	\$64.68	\$1.79	\$5.37	9.1%
	Annuitants	5,234	75.4%	\$28.90	\$79.62	\$2.21	\$6.09	8.3%
<b>Grand Total</b>		<b>17,749</b>	<b>75.1%</b>					<b>8.8%</b>

Staff recommends the Board accept the amended proposal from EPIC for Benefits+ submitted June 10, 2016, effective January 1, 2017.

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

Attachment A: Anthem DentalBlue Renewal Cover Letter - Amended

Attachment B: Milliman's Actuarial Review of Anthem DentalBlue Renewal

Attachment C: EPIC Dental Wisconsin and Benefits + Renewal Cover Letter - Amended

Attachment D: Milliman's Actuarial Review of EPIC's Dental Wisconsin and Benefits + Renewal



March 16, 2016

Group Insurance Board  
C/O Department of Employee Trust Funds  
Attention: Roni Harper, Division of Insurance Services  
801 West Badger Road  
Madison, WI 53707-7931

RE: Anthem Optional Dental Plans – 2017 Optional Dental Renewal

Dear Group Insurance Board:

Anthem Blue Cross and Blue Shield (Anthem) has been serving the citizens of Wisconsin dating back to October 19, 1939 under Associated Hospital Service, Inc. In the years since we have undergone many changes but one thing that has remained the same is our dedication to those we serve. We look forward to continuing to serve the members of the State of Wisconsin Optional Dental Plan in 2017 and beyond.

The State of Wisconsin Optional Dental plans administered by Anthem are operated under both our Blue Cross Blue Shield of Wisconsin (BCBSWi) license and our CompCare Health Services Insurance Company (CompCare) license. The Supplemental Plan and the PPO Plan operate under the BCBSWi license while the DHMO Plan operates under the CompCare license. The NAIC (OCI) identification number for BCBSWi is 54003 and the NAIC (OCI) identification number for CompCare is 95693.

Anthem is licensed by the Wisconsin Office of the Commissioner of Insurance to sell insurance under the BCBSWi and CompCare licenses under Wis. Stat. Chapter 611. Included with our renewal proposal the Board will find the State of Wisconsin Office of the Commissioner of Insurance Certificates of Compliance for BCBSWi and CompCare.

Anthem would like the Group Insurance Board to consider the proposed renewal for the three Optional Dental plans offered by Anthem; the Supplemental Plan, the PPO Plan and the DHMO plan. The benefits for the three plans will remain the same in 2017. Anthem is proposing individual rate action on each of the three plans as outlined in the Anthem State of Wisconsin 2017 Optional Dental Plans Renewal Proposal and the State of Wisconsin 2017 Optional Dental Renewal Calculation Exhibit.

The Optional Dental plans offered by Anthem serve the needs of members who have dental coverage through their medical plan as well as those who do not. The Supplemental Plan provides coverage for basic, major, and complex services to members that carry coverage through the Uniform Dental plan. The PPO Plan and the DHMO Plan provide distinct levels of benefits for those that do not take the Uniform Dental and require coverage for diagnostic & preventive services as well as basic, major and complex services. All three plans also offer an orthodontic benefit that goes beyond the benefits of the Uniform Dental plan and provides a critical financial benefit to both children and adults in need of services.

The Supplemental Plan allows members to seek treatment at the dentist of their choice making the benefit easy to access and broad in coverage. The PPO Plan allows members to access care from an in-network dentist to receive a higher level of benefits while providing them with the freedom to choose any dentist they wish with an out-of-network benefit. The DHMO plan offers those members that choose to see a dental HMO provider the highest level of benefits with the lowest cost share and premium cost of any of the available plans.

In the ever-changing landscape of employee benefits one thing that remains constant is the desire of every employer, including the State of Wisconsin, to meet the needs of hard working employees upon whom their success is dependent. The Optional Dental plans offered by Anthem to the State of Wisconsin members provide the benefits and security those employees deserve. Anthem is honored to have the opportunity to serve the State of Wisconsin members and we look forward to continuing our commitment to their needs in 2017 and beyond.

Sincerely,

Brian Martin  
Account Manager Consultant

A handwritten signature in black ink that reads "Brian W. Martin". The signature is written in a cursive style with a long, sweeping underline.

Enclosures

Anthem State of Wisconsin 2017 Optional Dental Plans Renewal Proposal

State of Wisconsin 2017 Optional Dental Renewal Calculation Exhibit

State of Wisconsin 2017 Optional Dental Renewal Rate Exhibit

BCBS of Wisconsin 2015 Annual Statement to the Insurance Department of the State of Wisconsin

CompCare Health Services Insurance Corp 2015 Annual Statement to the Insurance Department of the State of Wisconsin

BCBSWi State of Wisconsin OCI Certificate of Compliance

CompCare State of Wisconsin OCI Certificate of Compliance

Blue Cross Blue Shield of Wisconsin Financial Exam Report

CompCare Health Services Insurance Corp Financial Exam Report

State of Wisconsin 2017 Voluntary Dental Summary of Benefits

### **Plan Benefits Description**

Anthem is proposing individual rate action for the Supplemental, DHMO, and PPO plans for 2017. There are no plan design changes being proposed for 2017. The rate actions are illustrated in the State of Wisconsin 2017 Optional Dental Renewal Calculation Exhibit and the State of Wisconsin 2017 Optional Dental Renewal Rate Exhibit.

There are no exclusions or limitations as a result of the proposed rate actions.

Anthem has met and will continue to meet the eligibility requirements of the State of Wisconsin Optional Insurance Plans. The Guidelines for Offering Optional Insurance Plans requires that the insurer must allow for an open enrollment period every two years at minimum.

Anthem will continue to offer an annual open enrollment for all active employees during the 2016 It's Your Choice Open Enrollment period for January 1, 2017 effective dates.

Anthem provided an open enrollment opportunity for annuitants during the 2015 It's Your Choice Open Enrollment period for January 1, 2016 effective dates. Pursuant to the guideline minimum of every two years Anthem will not be extending an open enrollment for annuitants during the 2016 It's Your Choice Open Enrollment period for January 1, 2017 effective dates.

### **Member Complaints and Grievances**

The following is an excerpt from the Anthem policyholder certificate that details the process for member complaints and grievances.

#### **PAYMENT OF CLAIMS AND GRIEVANCE PROCESS**

Your benefits may not be assigned. They are payable directly to You, the Subscriber. However, at Our option, We may choose to make payment directly to the Provider of services. If You or Your Dependent sign a claim form indicating that the Provider is to be paid directly, We accept that signature as authorization to exercise Our option. We may also pay the Provider directly if the Provider has a written agreement with Us.

We will send You written notice regarding the claim within 30 days of receiving the claim, unless special circumstances require more time. This notice explains the reason(s) for payment or nonpayment of a claim. If a claim is denied because of incomplete information, the notice indicates what additional information is needed. You may contact Our Customer Service department for more details of Our decision.

If You still disagree with Our claim payment or denial, You may file a Grievance. The Grievance must:

1. Be in writing;
2. Provide pertinent information such as identification number, patient's name, date and place of service, and reason for requesting the review.

It will be helpful if You identify the Grievance as a Grievance appeal. We will acknowledge the Grievance within 5 business days of receiving it.

You may appear in person before the Grievance committee to:

1. Present written or oral information; and
2. Question the persons responsible for making the decision that resulted in the Grievance.

We will notify You of the time and place of the Committee meeting at least 7 days before the meeting.

After review, We will provide a written decision, including reasons, within 30 days of receiving the Grievance. If special circumstances require a longer review period, We will notify You of the reason why, and when a decision may be expected. If We need the extra days, We will provide Our written decision within 60 days of receiving the Grievance.

If the Grievance involves a situation that qualifies as an Expedited Grievance, as defined in the Definitions section, You may file the Expedited Grievance via a telephone call to Us. You must provide the pertinent information listed above. We will resolve the Expedited Grievance within 72 hours of receiving it.

You can also contact the **OFFICE OF THE COMMISSIONER OF INSURANCE**, a state agency which enforces Wisconsin's insurance laws, and file a complaint. You can contact the **OFFICE OF THE COMMISSIONER OF INSURANCE** by writing to:

Office of the Commissioner of Insurance  
Complaints Department  
P. O. Box 7873  
Madison, WI 53707-7873

or You can call 1-800-236-8517 outside of Madison or 266-0103 in Madison, and request a complaint form.

### **Premium**

Anthem is providing the premium amounts for 2017 in the State of Wisconsin 2017 Optional Dental Renewal Rate Exhibit. The State of Wisconsin 2017 Optional Dental Renewal Calculation Exhibit illustrates the projected loss ratio by plan resulting from the requested rate action for each of the plans.

### **Actuarial Analysis**

The State of Wisconsin 2017 Optional Dental Renewal Calculation Exhibit provides a detailed description of the rating process.

The premium calculations for 2017 are based on data from February of 2015 through January of 2016. Any period over period comparison is relating that data to the prior period data of February of 2014 through January of 2015.

There was an increase in average subscribers (employees) of 10.6% in the DHMO Plan, 9.7% in the PPO Plan, and 4.5% in the Supplemental Plan. Overall the current period average subscribers for all three plans are 7,398 compared to 7,009 in the prior period, a 5.6% increase.

When reviewing the experience on a plan by plan basis the loss ratio for the Supplemental plan is 78.8% in the current versus 70.5% in the prior, the PPO is 69% in the current versus 61.6% in the prior, and the DHMO plan is 72.2% in the current versus 49.7% in the prior period. The overall loss ratio for the three plans combined is 77% in the current period versus 67% in the prior period.

The rates for the Supplemental Plan have had no increase for the last 3 renewal periods which include the 2014-2016 benefit periods. The rates for the DHMO Plan had no increase in 2014, a 20% decrease in 2015, and no increase in 2016. The rates for the PPO Plan had no increase in 2014, a 12.88% decrease in 2015, and no increase in 2016.

As a result of the no increase and decrease rate actions the plans have experienced a steady rise in the loss ratio. The Supplemental Plan now exceeds the 75% minimum threshold in the experience period. The DHMO has experienced a loss ratio increase of 22.5% in the current experience period versus the prior. The DHMO accounts for the largest percentage of contract growth while also realizing the largest growth in loss ratio. The PPO Plan is approaching the 75% minimum threshold as well.

The rate actions for the preceding renewal years of 2014-2016, the increase in membership, and the increase in claims have changed the risk profile of the group. The change is evident when reviewing the period over period loss ratios on a plan by plan basis as well as on a whole group level.

The State of Wisconsin 2017 Optional Dental Renewal Calculation Exhibit represents individual rating of the three plans. The renewal calculations include a factor of 1.01 for claims incurred but not yet reported (with the exception of the capitated DHMO), applied trend of 7.8%, enrollment adjustments, and retention.

**The calculations and the associated factors result in calculated premium adjustments of a 9.1% increase for the Supplemental Plan, a 2.93% decrease for the PPO Plan, and a 0.82% increase for the DHMO Plan.**

**As a result of discussions with ETF Staff and in consideration of our long standing partnership with the State of WI Anthem is recommending the following premium adjustments by plan for the 2017 benefit year. An 8.2% increase for the Supplemental**

**Plan, a 6.5% decrease for the PPO Plan, and a 0.8% decrease for the DHMO Plan. The individual plan premium adjustments result in an aggregate premium adjustment of 5.3%.**

As stated previously the Supplemental Plan is currently performing at a loss ratio in excess of 75%, the DHMO is within 3% of the target, and the PPO plan is approaching the threshold as well. The recommended rate actions are projected to satisfy the minimum loss ratio threshold in 2017 for all three plans on an individual basis. On a combined basis the plans currently exceed the threshold with a 77% loss ratio.

#### **Data**

Anthem is working with the applicable departments to secure the data for the required performance measure reporting due after the close of Q1 2016.

#### **Marketing**

Anthem is providing the State of Wisconsin 2017 Voluntary Dental Summary of Benefits. The benefit summary with rates is provided to the membership each year at the It's Your Choice Open Enrollment benefit fairs. The 2017 version is inclusive of the individual rate actions proposed in the State of Wisconsin 2017 Optional Dental Renewal Calculation Exhibit. There are no other changes to the document.

#### **Financial Information**

Anthem is providing the 2015 Annual Statement to the Insurance Department of the State of Wisconsin for both the Blue Cross Blue Shield of Wisconsin and the Compcare Health Service Insurance Corporation entities under which benefits are provided. The Dental HMO Plan is operated under the Compcare Health Services Insurance Corporation license while the Supplemental Plan and the PPO Plan are operated under the Blue Cross Blue Shield of Wisconsin license.

Anthem is providing the financial exam report for the Compcare Health Services Insurance Corporation license and the Blue Cross Blue Shield of Wisconsin license.

#### **Performance Standards for the current annual report to ETF**

Anthem Performance Standards and Results for Book of Business in 2015

<b><u>Measure</u></b>	<b><u>Goal</u></b>	<b><u>2015 Results</u></b>
- Average Speed of Answer	<30 seconds	10.9 seconds
- Abandonment Rate	<5%	0.6%
- Financial Accuracy	>99%	100%
- Frequency Accuracy	>97%	100%
- Claims Processed within 14 days	>90%	98.9%
- Claims Processed		

within 30 days	>98%	99.5%
- Claims Average		
Turn Around Time	< 5 days	1.2 days

**Electronic Exchange of Information – confirmation of ongoing abilities**

Anthem is actively engaged with the STAR Team and ETF on the automation of the enrollment and billing functions for those agencies included in STAR. Part of this process is developing best practices for ongoing reconciliation of enrollment and the associated premium payments.

**Contact Information**

Brian Martin, Account Manager Consultant  
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 Mobile- 920-277-9986  
[Brian.Martin@Anthem.com](mailto:Brian.Martin@Anthem.com)

Duties: Primary relationship manager, Delivery and negotiation of renewal, Responding to follow up questions related to the proposal, Liaison for contract negotiation, Responsible for overall administration of the plan

Paul Nobile, Regional Vice President of Sales  
 N17 W24340 Riverwood Drive  
 Waukesha, WI 53188  
 Office- 262-523-3358  
[Paul.Nobile@Anthem.com](mailto:Paul.Nobile@Anthem.com)  
 Duties: Final approval of all contracts with the State of WI

Matt Shumlas, Director of Sales- Account Management  
 N17 W24340 Riverwood Drive  
 Waukesha, WI 53188  
 Office- 262-523-3343  
[Matt.Shumlas@Anthem.com](mailto:Matt.Shumlas@Anthem.com)  
 Duties: Responsible for overall retention and account management activities related to the State of WI

Angie Gehrman, Sales Account Representative  
216 Pinnacle Way  
Eau Claire, WI 54701  
Office- 715-852-5672  
[Angie.Gehrman@Anthem.com](mailto:Angie.Gehrman@Anthem.com)

Duties: Daily administration of the State of WI Optional Dental Plans



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milliman.com

May 16, 2016

Ms. Eileen K. Mallow  
Deputy Director  
Office of Strategic Health Policy  
Wisconsin Department of Employee Trust Funds  
Madison, WI 53707

RE: Final Review  
Anthem Blue Cross and Blue Shield 2017 Dental Renewal Proposal

Dear Eileen:

Thank you for contacting Milliman to assist the Wisconsin Department of Employee Trust Funds (the Department) with a review of Anthem Blue Cross and Blue Shield's (Anthem's) 2017 Dental renewal proposal. The purpose of this letter is to provide you with our review of Anthem's Dental renewal proposal.

### **Background**

Anthem currently provides three separate Optional Dental plans, marketed as the Supplemental Plan, the Preferred PPO Plan, and the Dentacare HMO plan. As part of the 2017 Dental renewal proposal, Anthem has provided new premium rates for these three plans supported by an actuarial experience exhibit. The Department has engaged Milliman to review Anthem's proposed rate action.

On May 13<sup>th</sup>, 2016, you provided us with Anthem's 2017 Dental renewal proposal and experience exhibit. We are now providing you with our review of Anthem's 2017 Dental renewal proposal.

## Results

### Summary Findings

We have performed a review of Anthem's dental renewal proposal and methodology. Though we do not agree entirely with Anthem's methodology, we believe the final proposed rate changes for 2017 are reasonable based on the information provided. Note that our assessment should not be considered a recommendation to renew or not renew this product.

### Detailed Findings

We have reviewed Anthem's 2017 dental renewal proposal. For 2017 Anthem is proposing the following rate changes.

Anthem Dental Plans  
Anthem's Proposed Rate Changes for 2017

Option	2017 Rate Change
Supplemental	8.2%
PPO	-6.5%
DHMO	-0.8%
Total	5.3%

We have reviewed Anthem's projections and assumptions for reasonableness. We have performed the following analysis.

1. Review of claims trend assumptions – Anthem assumed a 4.0% annual dental trend rate. Based on Milliman's Health Cost Guidelines™ this assumption is reasonable. We expect current dental trends to be between 2.0% and 6.0%.
2. Review of 2015 incurred claims – The current experience period includes claims paid from February 2015 through January 2016. The paid claims are grossed up by 1% to estimate the ultimate incurred claims for the experience period. Based on our experience, this adjustment is lower than what we would typically expect but is not unreasonable.
3. We noticed that earned premium in the most recent experience period fell significantly between September 1, 2015 and December 31, 2015 compared to the remaining months of 2015. Although validating earned premium is beyond the scope of this engagement, current period earned premium should be a significant driver of projected loss ratios. If earned premium was reported incorrectly or impacted by events outside the current experience period, it may materially affect Anthem's 2017 dental renewal proposal.

Anthem's experience exhibit illustrates a calculation for an overall recommended premium adjustment of 6.6%. The experience exhibit provided by Anthem applies an enrollment adjustment to projected claims for 2017 across all three plans. While this adjustment may be used to estimate the total projected earned premium for the case, we believe it is overstating the calculation of the rate increase at the subscriber level. Anthem calculates the recommended premium adjustment as the required annual premium (i.e. projected earned premium for 2017) divided by the current annual premium. We do not believe the current annual premium is on a consistent basis as the required annual premium and thus the overall recommended premium adjustment of 6.6% is overstated in this calculation. Anthem is ultimately proposing an overall final premium adjustment of 5.3%, which we believe reflects an appropriate downward adjustment for the issue identified immediately above.

Based on the information provided, we expect the rate change to be affected by the following two items.

1. The change in the current experienced loss ratio to the projected loss ratio.
2. Dental trend. Anthem has assumed that all claim costs will increase by 7.8% (4% annual dental trend for 23 months to the mid-point of the new coverage period).

Anthem's current and projected incurred loss ratios are shown below as well as the expected rate change due to the change in loss ratios and dental trend. This chart does not include the enrollment adjustment assumed by Anthem in Anthem's recommended premium adjustment. The expected rate change is calculated as the current incurred loss ratio divided by the projected 2017 incurred loss ratio multiplied by the trend adjustment.

Options	Current (2015) Incurred Loss Ratio	Projected 2017 Incurred Loss Ratio	Dental Trend Adjustment	Expected Rate Change
Supplemental	79.6%	79.3%	107.8%	8.2%
PPO	69.7%	80.3%	107.8%	-6.5%
DHMO	72.9%	79.2%	107.8%	-0.8%
Total	77.8%	79.4%	107.8%	5.3%

In aggregate, we expect the total required rate adjustment to be approximately 1.3% less than Anthem's recommended premium adjustment (5.3% vs. 6.6%). Anthem is ultimately proposing a final rate change for 2017 consistent with our expectations.

## **Data Sources**

We relied on information provided by both the Department and Anthem when preparing this report. In addition to our phone conversations and email correspondence over the past few weeks we relied on the following files in preparing this communication:

- "Anthem State of WI Optional Dental Renewal Cover Letter.pdf"
- "Anthem State of Wisconsin 2017 Optional Dental Plans Renewal Proposal.pdf"
- "BCBSWI State of Wisconsin OCI Certificate of Compliance.pdf"
- "Blue Cross Blue Shield of Wisconsin Financial Exam Report.pdf"
- "Compcare Health Services Insurance Corp Financial Exam Report.pdf"
- "Compcare State of Wisconsin OCI Certificate of Compliance.pdf"
- "State of Wisconsin 2017 Optional Dental Renewal Calculation Exhibit.pdf" containing an experience exhibit for the three Optional Dental plans
- "State of Wisconsin 2017 Optional Dental Renewal Rate Exhibit.pdf"
- "State of Wisconsin 2017 Voluntary Dental Summary of Benefits.pdf"
- "STATE OF WI DHMO SAR-19 Custom Dental.pdf"
- "STATE OF WI PPO SAR-19 Custom Dental.pdf"
- "STATE OF WI SUPP SAR-19 Custom Dental.pdf"
- "STATE OF WISCONSIN DHMO SAR-19 Custom Dental 02.2015 thru 01.2016.pdf"
- "STATE OF WISCONSIN PPO SAR-19 Custom Dental 02.2015 thru 01.2016.pdf"
- "STATE OF WISCONSIN SUPP SAR-19 Custom Dental 02.2015 thru 01.2016.pdf"
- "Anthem State of Wisconsin 2017 Optional Dental Plans Renewal Proposal-Amended.pdf"
- "State of Wisconsin 2017 Optional Dental Renewal Exhibit- Final.pdf"

## **Use of Work Product**

Milliman has prepared this letter for the specific purpose of providing you with a review of Anthem's 2017 Dental renewal proposal. This letter should not be used for any other purpose. Milliman's work is prepared solely for the use and benefit of the Wisconsin Department of Employee Trust Funds (the Department) in accordance with its statutory and regulatory requirements. Milliman recognizes that materials it delivers to the Department may be public records subject to disclosure to third parties, however, Milliman does not intend to benefit and assumes no duty or liability to any third parties who receive Milliman's work and may include disclaimer language on its work product so stating. The Department agrees not to remove any such disclaimer language from Milliman's work. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, the Department agrees that it shall not disclose Milliman's work product to third parties without Milliman's prior written consent; provided, however, that the Department may distribute Milliman's work to (i) its professional service providers who are subject to a duty of confidentiality and who agree

to not use Milliman's work product for any purpose other than to provide services to the Department, or (ii) any applicable regulatory or governmental agency, as required.

In order to provide the information requested the Department, we have constructed several projection models. Differences between our amounts and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. It is certain that actual experience will not conform exactly to the assumptions used in this analysis. Actual amounts will differ from projected amounts to the extent that the actual benefits and experience deviates from expected benefits and experience.

In performing this analysis, we relied on data and other information provided by the Wisconsin Department of Employee Trust Funds and Anthem Blue Cross and Blue Shield. We have not audited or verified this data and other information. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete. We performed a limited review of the data used directly in our analysis for reasonableness and consistency and have not found material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of our assignment.

I, Michael Weiland, am a Consulting Actuary for Milliman. I am a member of the American Academy of Actuaries and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

### **Next Steps**

Eileen, please review the enclosed information and let us know if you have any questions. If you have any questions, please do not hesitate to call me at (813) 282-9262.

Sincerely,



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Michael Weiland, FSA, MAAA  
Principal & Consulting Actuary

June 10, 2016

Roni Harper  
Manager, Optional Insurance Plans & Audits  
Division of Insurance Services  
Department of Employee Trust Funds  
P.O. Box 7931  
Madison, WI 53707-7931

Dear Ms. Harper,

As a result of the Group Insurance Board (GIB) deferring consideration of optional benefit rate change proposals from its May 2016 meeting to its July 2016 meeting, we present updated January 2017 rates in a revised actuarial memorandum, copy attached. These rates address your concerns about 1) the degree to which Dental Wisconsin active employee and COBRA continuant rates subsidize Dental Wisconsin annuitant rates and 2) the magnitude of rate increases we proposed in our original actuarial memorandum dated March 10, 2016.

The GIB's delayed consideration of our 2017 rates has allowed us to review the impact of three additional months of claims experience – January through March 2016. Generally speaking, these additional data showed the following:

1. Overall Benefits+ experience worsened slightly for active employees and COBRA continuants and improved somewhat for annuitants. Since our trend assumption now applies to a shorter forecast period, however, we can reduce our rate increase slightly.
2. Dental Wisconsin PPO experience improved, which allows us to decrease active employee and COBRA continuant rates and reduce the degree to which they subsidize annuitant rates.
3. Dental Wisconsin Select experience worsened for active employees and COBRA continuants and improved slightly for annuitants. By increasing annuitant rates an additional 5% over our original proposal, we anticipate greatly reducing the subsidy between the two classes.

We compare our updated and original rate increase requests in the following table:

Plan	Active Employee & COBRA		Annuitant	
	Revised	Original	Revised	Original
Benefits+ Core	9.1%	10.5%	8.3%	10.5%
Benefits+ Optional Vision	-5.0%	0.0%	-5.0%	0.0%

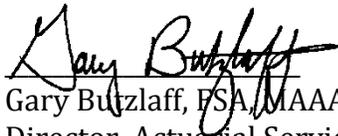
Roni Harper  
June 10, 2016  
Page 2

Plan	Active Employee & COBRA		Annuitant	
	Revised	Original	Revised	Original
Dental WI PPO	-3.5%	5.0%	15.0%	15.0%
Dental WI Select	0.0%*	0.0%	15.0%	10.0%

\* To facilitate the state's ability to efficiently process payroll using its new Human Resources system, we will reduce employee plus spouse and family rates \$0.01 so that rates for all eligibility tiers end in an even penny.

We hope that you find these changes responsive to your concerns and demonstrate our commitment to the State of Wisconsin program.

Sincerely,



Gary Butzlaff, FSA, MAAA  
Director, Actuarial Services and Systems  
EPIC Life Insurance Company

Attachment  
By e-mail



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June 17, 2016

Ms. Eileen K. Mallow  
Deputy Director  
Office of Strategic Health Policy  
Wisconsin Department of Employee Trust Funds  
Madison, WI 53707

RE: EPIC Life Insurance Company 2017 Renewal Proposal  
Final Review

Dear Eileen:

Thank you for contacting Milliman to assist the Wisconsin Department of Employee Trust Funds (the Department) with a review of EPIC Life Insurance Company's (EPIC's) 2017 renewal proposal. The purpose of this letter is to provide you with a review of EPIC's renewal proposal.

### **Background**

EPIC currently provides Preferred Provider Option (PPO) Dental, Indemnity Select Dental, and Benefits+ plans. The Benefits+ plan includes accidental death and dismemberment (AD&D), hospital surgical, dental, and optional vision coverage. As part of the 2017 renewal proposal, EPIC has provided premium rates for these plans supported by an actuarial experience exhibit. The Department has engaged Milliman to review EPIC's proposed rate action.

On June 13, 2016, you provided us with EPIC's 2017 renewal proposal and supporting documentation, including an experience exhibit. We are now providing you with our review of EPIC's 2017 renewal proposal.

## Results

### Summary Findings

We have performed a review of EPIC's renewal proposal for the Preferred Provider Option (PPO) Dental, Indemnity Select Dental, and Benefits+ plans. We have reviewed EPIC's methodology and assumptions and view them as reasonable.

### Detailed Findings

#### *Dental Wisconsin Dental Plan*

We have reviewed EPIC's 2017 renewal proposal for the Dental Wisconsin dental plan. For 2017 EPIC is proposing the following rate changes.

Dental Wisconsin Dental Plan  
EPIC's Proposed Rate Changes for 2017

Benefit	Active/ COBRA	Annuitant
PPO	-3.5%	15.0%
Select*	0.0%	15.0%

\*For the Select plan, EPIC is proposing one-cent rate decreases for active employees and COBRA continuants enrolled with employee plus spouse or family coverage.

EPIC projects these rate changes to result in the following projected loss ratios for 2017.

Dental Wisconsin Dental Plan  
Projected 2017 Loss Ratios

Option	Active/ COBRA	Annuitant	Total
PPO	74.0%	77.5%	74.3%
Select	76.1%	79.3%	76.3%
Total	75.2%	78.5%	75.4%

We have reviewed EPIC's projections and assumptions for reasonableness. We have performed the following analysis.

1. Review of claims trend assumptions – EPIC assumed a 3.5% annual dental trend rate. Based on Milliman's Health Cost Guidelines™ this assumption is reasonable. We expect current dental trends to be between 2.0% and 6.0%.
2. Review of 2015 incurred claims – EPIC's underwriting experience for calendar year 2015 included activity through February 2016. We have reviewed EPIC's

2015 incurred claim estimates relative to what was actually incurred and paid in 2015. Based on our experience developing claim reserves for these types of products, EPIC's 2015 incurred claim estimates are consistent with our expectations.

3. Subsidizations – Based on conversations with the Department, we believe that the Department would prefer loss ratios be similar across the covered populations. The proposed rate changes for 2017 are expected to produce relatively consistent loss ratios across the covered populations and result in a composite loss ratio above 75%.

Based on our overall review of the renewal proposal for the Dental Wisconsin dental plan we believe the methodology and assumptions are reasonable.

*EPIC Benefits+ Plan*

We have reviewed EPIC's 2017 renewal proposal for the Benefits+ plan. For 2017 EPIC is proposing the following rate changes.

EPIC Benefits+ Plan  
EPIC's Proposed Rate Changes for 2017

Option	Active/ COBRA	Annuitant	Total
AD&D	0.0%	88.5%	
Dental	17.4%	19.5%	
Hosp Ind	-31.5%	-31.5%	
<b>Total Core</b>	<b>9.1%</b>	<b>8.3%</b>	<b>8.8%</b>
<b>Vision</b>	<b>-5.0%</b>	<b>-5.0%</b>	<b>-5.0%</b>
<b>Total</b>	<b>8.2%</b>	<b>8.2%</b>	<b>8.2%</b>

EPIC projects these rate changes to result in the following projected loss ratios for 2017.

EPIC Benefits+ Plan  
Projected 2017 Loss Ratios

Option	Active/ COBRA	Annuitant	Total
AD&D	44.1%	75.6%	55.8%
Dental	75.2%	75.3%	75.2%
Hosp Ind	75.8%	75.9%	75.8%
<b>Total Core</b>	<b>75.0%</b>	<b>75.4%</b>	<b>75.1%</b>
<b>Vision</b>	<b>71.8%</b>	<b>67.9%</b>	<b>71.6%</b>
<b>Total</b>	<b>74.8%</b>	<b>75.3%</b>	<b>75.0%</b>

We have reviewed EPIC's projections and assumptions for reasonableness. We have performed the following analysis.

1. Review of claims trend assumptions.
  - a. AD&D – EPIC assumed a 0% trend for the AD&D benefits. This is consistent with our expectations as this benefit is not subject to medical trends.
  - b. Dental – EPIC assumed a 3.5% annual dental trend rate. Based on Milliman's Health Cost Guidelines™ this assumption is reasonable. We expect current dental trends to be between 2.0% and 6.0%.
  - c. Hospital Indemnity – EPIC assumed a 1.0% annual trend rate. As this benefit pays a fixed indemnity amount, we would not typically assume any trend for this benefit. It is possible that there may be increased utilization over time for these benefits as well as aging of the covered population. As such, we do not view the 1.0% as an unreasonable assumption that would need to change.
  - d. Optional Vision – EPIC assumed a 1.0% annual trend rate. Based on our experience, vision trends are usually low and we view this as a reasonable assumption.
2. Review of 2015 incurred claims – EPIC's underwriting experience for calendar year 2015 included activity through February 2016. We have reviewed EPIC's 2015 incurred claim estimates relative to what was actually incurred and paid in 2015. Based on our experience developing claim reserves for these types of products, EPIC's 2015 incurred claim estimates are consistent with our expectations.
3. Review of AD&D Benefit – The loss ratios for the AD&D benefit vary significantly between Active/COBRA members and Annuitants. Given that the frequency of AD&D claims is very small, we do not view the experience as credible and would expect significant volatility in those loss ratios from year to year. Using the membership count, earned premium, and benefit schedule, we have estimated an annual claim cost per \$1,000 for the AD&D benefit and compared it to industry data published by the Society of Actuaries. We believe the proposed premiums for the AD&D benefit are reasonable.
4. Subsidizations – Based on conversations with the Department, we believe that the Department would prefer loss ratios be similar across the covered populations. The proposed rate changes for 2017 are expected to produce relatively consistent loss ratios across the covered populations and result in a composite loss ratio above 75%.

Based on our overall review of the renewal proposal for the Benefits+ plan, we believe the methodology and assumptions are reasonable.

## **Data Sources**

We relied on information provided by both the Department and EPIC when preparing this report. In addition to our phone conversations and email correspondence over the past few months we relied on the following files in preparing this communication:

- "EPIC Cover Letter and Actuarial Memo 2016-03-11.pdf"
- "2014-2015 Enrollment by Plan and Subscriber Type.pdf"
- "2015 Paid Claims by Plan and Subscriber.pdf"
- "EPIC Cover Letter and Actuarial Memo 2016-06-10.pdf"

## **Use of Work Product**

Milliman has prepared this letter for the specific purpose of providing you with a review of EPIC Life Insurance Company's 2017 renewal proposal. This letter should not be used for any other purpose. Milliman's work is prepared solely for the use and benefit of the Wisconsin Department of Employee Trust Funds (the Department) in accordance with its statutory and regulatory requirements. Milliman recognizes that materials it delivers to the Department may be public records subject to disclosure to third parties, however, Milliman does not intend to benefit and assumes no duty or liability to any third parties who receive Milliman's work and may include disclaimer language on its work product so stating. The Department agrees not to remove any such disclaimer language from Milliman's work. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, the Department agrees that it shall not disclose Milliman's work product to third parties without Milliman's prior written consent; provided, however, that the Department may distribute Milliman's work to (i) its professional service providers who are subject to a duty of confidentiality and who agree to not use Milliman's work product for any purpose other than to provide services to the Department, or (ii) any applicable regulatory or governmental agency, as required.

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In performing this analysis, we relied on data and other information provided by the Wisconsin Department of Employee Trust Funds and EPIC Life Insurance Company. We have not audited or verified this data and other information. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete. We performed a limited review of the data used directly in our analysis for reasonableness and consistency and have not found material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for

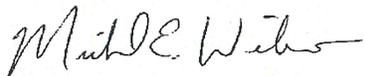
data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of our assignment.

I, Michael Weiland, am a Consulting Actuary for Milliman. I am a member of the American Academy of Actuaries and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

**Next Steps**

Eileen, please review the attached information and let me know if it is consistent with your expectations. If you have any questions, please do not hesitate to call me at (813) 282-9262.

Sincerely,



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Michael Weiland, FSA, MAAA  
Principal & Consulting Actuary