

State of Wisconsin Health Insurance: What's Happening

ETF Presentation to the UW-Madison
Retirement Association

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Agenda

- I. Background
- II. Retiree Coverage Overview
- III. Introduction to Segal Consulting
- IV. Segal Consulting Recommendations for 2017 & Beyond
- V. ETF/Group Insurance Board Next Steps
- VI. Questions

Background

Group Insurance Board (GIB)

- Sets policy and oversees administration of the group health plans for state employees and retirees
- May make changes to existing health benefit plans

Office of Strategic Health Policy (OSHP)

- Responsible for policy development and implementation of the group health plans
- Leads projects at the direction of the GIB

Retiree Coverage Overview

Upon retirement, state employees may continue medical, dental and pharmacy benefits at the full cost of coverage

- No state contribution towards the premium
- Retirees may offset their premium by using accumulated sick leave conversion credits
 - Unused leave is converted into an estimated account balance that can cover retiree premiums, on average, 6-10 years into retirement

Retiree Coverage Overview

Non-Medicare retirees have access to the same health benefit options as active employees

- IYC Access Health Plan
 - Formally referred to as the Standard Plan
 - Access to providers statewide and nationally
 - Broader provider access results in higher premium amount
 - High Deductible Health Plan (HDHP) option available
- It's Your Choice Health Plan (IYC Health Plan)
 - Formally referred to as Coinsurance Uniform Benefits
 - 17 different health plans offering coverage throughout the state
 - Health plans determine areas of the state they will serve
 - HDHP option available

Retiree Coverage Overview

Non-Medicare retirees are included in the same rating pool as the active employees

- When establishing the premium for the IYC Health Plan, insurers calculate their risk based on both active and retiree utilization of the benefit.
 - The higher risk of the retiree population is offset by the younger, generally healthier active members.
- As a result, non-Medicare members benefit from a lower premium than would be available if rated separately from the active members.
- The non-Medicare rates vary by nearly \$200 across the IYC Health Plan options

Source: Segal Consulting November 17, 2015 report to the WI Group Insurance Board, "Observations and Recommendations for 2017 and Beyond."



Retiree Coverage Overview

Medicare eligible retirees have access to:

- IYC Medicare
- IYC Medicare Plus Plan
- IYC Medicare Advantage

Retiree Coverage Overview

IYC Medicare and IYC Medicare Advantage

- Benefits align with IYC Health Plan (uniform benefits)
- IYC Medicare is a health plan option offered by all 17 insurers offering IYC Health Plan
 - If a retiree is enrolled in an IYC Health Plan and turns 65 during the plan year, he/she is enrolled into this plan
 - Retirees who are 65 years of age or older can choose this plan during open enrollment
- IYC Medicare Advantage
 - Offered by Humana to eligible annuitants
 - Broad network access; allows any member to use any health care provider accepting Medicare

Retiree Coverage Overview

IYC Medicare Plus Plan

- A fee-for-service Medicare supplement plan administered by WPS Health Insurance
- Benefits are similar to IYC Medicare but includes coverage for foreign travel, the Medicare Part B deductible and additional home health visits
- Broad provider network; retirees can visit any provider for a covered service without incurring an out-of-network charge
- Available to eligible annuitants enrolled in Medicare Parts A and B
- If a retiree is enrolled in the IYC Access Plan and turns 65 during the plan year, he/she will be enrolled into this plan
 - The retiree can choose a different Medicare option at open enrollment

Introduction to Segal Consulting

In November 2014, ETF retained Segal Consulting (Segal) as the health care benefit consultant for ETF

Segal Reports:

- March 2015 report outlining potential benefit design changes and strategies for the 2016 plan year
 - GIB adopted many of the recommendations, resulting in savings of \$89.0 million
- November 2015 report, “Observations and Recommendations for 2017 and Beyond”
 - Recommendations presented to the GIB on November 17 2015
 - Additional GIB meeting scheduled for January 7, 2016 to continue review of the report

Segal Recommendations 2017 & Beyond

Non-Medicare retirees are impacted by any changes implemented to the IYC Health Plan or IYC Access Plan

Segal recommends several changes to these programs in their November 2015 report to the GIB

Recommendations Relate to:

- Total Health Management
- Program Structure Changes
 - Establishing regions
 - Benefit Design
- Self-Insurance
- Medicare Plans

Segal Recommendations 2017 & Beyond

Total Health Management-Recommendation

Wellness Program (2016)

- Utilize a vendor to design a wellness program that is uniform across the membership and utilize the vendor to manage health risk assessments and biometric screenings, etc.

Member Incentives (2017)

- Reduce office visit copays and copays for maintenance medications to incent member engagement
- Institute a premium based incentive of \$50 per month for completion of designated wellness and health promotion activities

Medical Management (2018)

- Require insurers to meet outcome based performance metrics and attach meaningful financial incentives
- Keep disease management and complex case management with the insurers

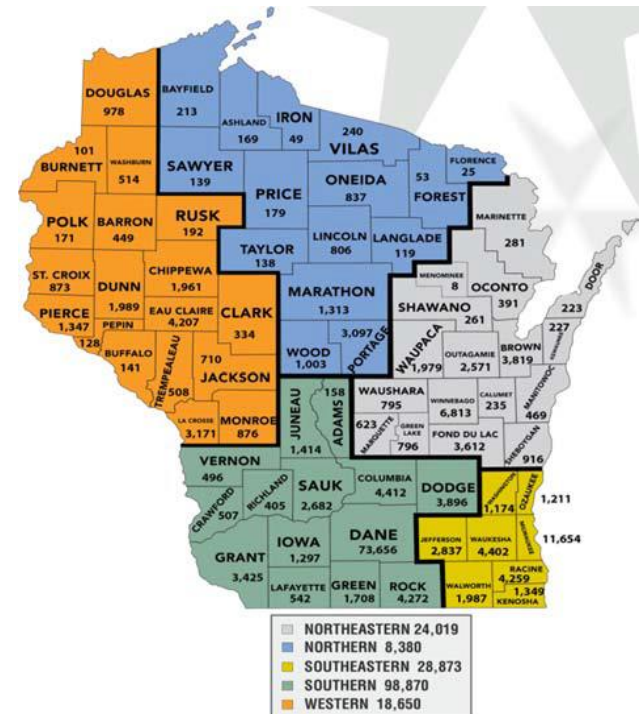


Segal Recommendations 2017 & Beyond

Program Structure: Regions

In their report, Segal divided the state into the 5 Medicaid regions to illustrate the number of plans currently available across the state (IYC Health Plan)

Medicaid Region	Number of Insurers	State Members (non-Medicare)
Northeastern	7	24,019
Northern	5	8,380
Southeastern	7	28,873
Southern	9	98,870
Western	7	18,650



Segal Recommendations 2017 & Beyond

Program Structure: Region-Recommendation

Divide the state into 3 or 4 regions with 2 insurers in each region (2018); offered alongside a single statewide health plan

- Regions: Southern, Eastern and Northwestern
- With some exception in the southern region, many of the insurer's networks overlap
 - Members not likely to experience significant provider disruption
- Goal is to improve overall pricing to ETF while continuing to provide access to quality providers

Source: Segal Consulting November 17, 2015 report to the WI Group Insurance Board, "Observations and Recommendations for 2017 and Beyond."

Segal Recommendations 2017 & Beyond

Program Structure: Regions

Segal estimates an opportunity for ETF to achieve \$45-70 million in medical claims savings from consolidating the number of health plans and converting to a regional approach

	Southern Region	Eastern Region	Northwestern Region
Number of Plans with Virtually 100% GeoAccess	9	4	4
Estimated Discount Improvement Opportunity	3.0%	5.0%	5.0%
Estimated Associated Claims Savings	\$22.5M	\$24.1M	\$10.9M

Source: Segal Consulting November 17, 2015 report to the WI Group Insurance Board, "Observations and Recommendations for 2017 and Beyond."

Segal Recommendations 2017 & Beyond

Self Insuring

What is it?

- A group health plan in which the employer assumes the financial risk for providing health care benefits to its employees
- Self-insured employers pay claims as they are incurred rather than paying a fixed premium to an insurance carrier

Not a new concept for Wisconsin

- Pharmacy self-insured since 2004
- Dental transitioning to self-insurance in 2016
- Statewide PPO is self-insured

Segal Recommendations 2017 & Beyond

Self Insuring

Non-Financial Reasons to Self-Insure

- Data collection/Cost reporting
- Control of plan design
- National provider network for out of state retirees and traveling employees
- Custom provider network

Source: Segal Consulting November 17, 2015 report to the WI Group Insurance Board, "Observations and Recommendations for 2017 and Beyond."



Segal Recommendations 2017 & Beyond

Self Insuring

Financial Reasons to Self-Insure

- Elimination of most premium tax
 - No premium tax on self-insured claim expenditures
- Elimination of Affordable Care Act (ACA) Market Share Fees
 - Fee applies to all fully-insured medical/dental business
- Lower cost of administration
 - Uniform Benefits Design administrative costs estimated to be \$14 PEPM higher than market
- Carrier profit margin and risk charge eliminated
- Cash flow benefit
 - Employer does not have to pre-pay for coverage; providing for improved cash flow



Segal Recommendations 2017 & Beyond

Self Insuring-Recommendation

Single Statewide Offering (2017)

- Continue to self-insure; modify plan design

Regionalize plans and begin a 3 year transition to self-insurance (2018)

- 2017: Require plans to provide complete claims and encounter data including all financial fields
 - In a self-insured model, the employer assumes the risk. Data is important to understand risk and ensure sufficient funds are available



Segal Recommendations 2017 & Beyond

Segal Projected Savings for ETF transitioning to self-insured model

Component	First Year Impact
Premium Tax	\$0.9M
ACA Market Share Fees	\$18.3M
Administrative Costs	\$11.2M
Profit Margin and Risk Charge	\$11.0M
Improved Cash flow	\$0.7M
Total	\$42.1

Source: Segal Consulting November 17, 2015 report to the WI Group Insurance Board, "Observations and Recommendations for 2017 and Beyond."

Segal Recommendations 2017 & Beyond

Program Structure: Benefit Design-Recommendations

Reference Based Pricing (2018)

- Reference based pricing utilizes an identified network of providers willing to render targeted services at or below a pre-determined price

Tiered Networks (2018)

- Providers achieving higher efficiency and/or quality scores are placed in the preferred tier, and patients are given a financial incentive to choose these providers



Segal Recommendations 2017 & Beyond

Tiered Networks, cont.

2016 ETF Plan Designs

	IYC Health Plan	IYC Access Plan In-Network	IYC Access Plan Out-Network
Annual Deductible			
Individual	\$250	\$250	\$500
Family	\$500	\$500	\$1,000
Office Visit			
PCP	\$15	\$15	30%, after deductible
Specialist	\$25	\$25	30% after deductible
Emergency Room	\$75	\$75	\$75
Coinsurance	10%	10%	30%
OOP Limits			
Individual	\$1,250	\$1,000	\$2,000
Family	\$2,500	\$2,000	\$4,000

2016 Tiered Network Example

	Preferred	In-Network	Out-Network
Annual Deductible			
Individual	N/A	\$250	\$500
Family	N/A	\$500	\$1,000
Office Visit			
PCP	\$15	\$25	30%, after deductible
Specialist	\$25	\$35	30% after deductible
Emergency Room	\$75	\$75	\$75
Coinsurance	10%	20%	30%
OOP Limits			
Individual	\$1,250	\$1,000	\$2,500
Family	\$2,500	\$2,000	\$5,000

Source: Segal Consulting November 17, 2015 report to the WI Group Insurance Board, "Observations and Recommendations for 2017 and Beyond."



Segal Recommendations 2017 & Beyond

Program Structure: Benefit Design-Recommendation

Employee Premiums (2018)

- Modified 3 tiered approach
 - Tier 2 plans would meet performance standards. It is expected that the majority of plans would be in tier 2
 - Tier 1 plans must demonstrate significant financial advantage over Tier 2; approximately 10%
 - Tier 3 plans would have entire premium differential paid by the member
 - ETF will lock into the budgeted rate of the Tier 2 plan

Source: Segal Consulting November 17, 2015 report to the WI Group Insurance Board, "Observations and Recommendations for 2017 and Beyond."



Segal Recommendations 2017 & Beyond

Medicare Plans

- Group Medicare Advantage PPO plans provide the same access as Medicare Supplement (MedSupp) plans
 - Premiums are typically significantly lower vs. MedSupp plans with similar benefits
- Segal issued an RFI to the 2 largest group MA plans, plus another national insurer

Summary of the estimated rates provided by the insurers

	Medical Only	Medical & Pharmacy
ETF-Medicare Plus	\$188	\$400
ETF-Medicare UBD	\$246	\$447
RFI-Medicare Advantage Plans	\$100-\$150	\$300 - \$350

Source: Segal Consulting November 17, 2015 report to the WI Group Insurance Board, "Observations and Recommendations for 2017 and Beyond."



Segal Recommendations 2017 & Beyond

Medicare Plans-Recommendation

- One nationwide/statewide MA PPO with regional plans providing Medicare options, preferably MA-HMOs
- The savings opportunity for retirees is estimated to be \$50-100 PMPM

Source: Segal Consulting November 17, 2015 report to the WI Group Insurance Board, "Observations and Recommendations for 2017 and Beyond."



ETF/GIB Next Steps

- ETF/OSHP will take direction from the GIB on priority recommendations
- GIB will meet on January 7, 2016 to further review the November 17, 2015 Segal Report
- OSHP will present options for pursuing the recommendations GIB is interested in at the February 17, 2016 GIB meeting

Questions?



Q & A time

