

2001 DRAFTING REQUEST

Bill

Received: **01/10/2001**

Received By: **champra**

Wanted: **As time permits**

Identical to LRB:

For: **Administration-Budget**

By/Representing: **Currier**

This file may be shown to any legislator: **NO**

Drafter: **champra**

May Contact:

Alt. Drafters:

Subject: **Employ Pub - employee benefits**
Employ Pub - miscellaneous

Extra Copies:

Pre Topic:

DOA:.....Currier -

Topic:

Authority of group insurance board

Instructions:

See Attached.

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/1	champra 01/10/2001	hhagen 01/10/2001	jfrantze 01/10/2001	_____	lrb_docadmin 01/11/2001		State
/2	champra 02/02/2001	jdyer 02/02/2001	jfrantze 02/02/2001	_____	lrb_docadmin 02/02/2001		State

FE Sent For:

<END>

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12 3/2 jw 2/2 To Bill
2/2
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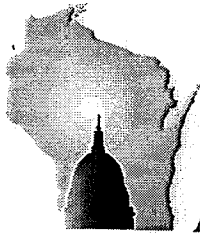
See Attached.

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FE Sent For:

<END>



**WISCONSIN DEPARTMENT OF
ADMINISTRATION**

TOMMY G. THOMPSON
GOVERNOR

GEORGE LIGHTBOURN
SECRETARY

Office of the Secretary
Post Office Box 7864
Madison, WI 53707-7864
Voice (608) 266-1741
Fax (608) 267-3842
TTY (608) 267-9629

Date: January 9, 2001

To: Steve Miller, Legislative Reference Bureau

From: Dawn Currier, Department of Administration 266-8777 *DMC*

Subject: Drafting instructions affecting the state's group health insurance program and the authority of the Group Insurance Board

I am requesting two changes to the statutory language governing the state's group health insurance program and the authority of the Group Insurance Board.

1. We would like to change the employer required contribution toward the health insurance premiums of employees from 90%/105% to 90%/100%.
2. We would like the Group Insurance Board to be able to introduce co-payments, deductibles and/or coinsurance to the state and local group health insurance plans. Can you clarify whether or not the GIB currently has the statutory authority to make such a change?
 - Assuming the GIB does not currently have this authority, we need to change statute to permit the introduction of these changes.
 - Also, we would like to include language that requires the GIB to consider these changes as a cost saving measure only.

Assuming the two proposed changes are made, please comment on how they would interact with collective bargaining. We want to understand what the "real world" impact of these changes will be given employer required contributions and the materiality of benefits are subject to collective bargaining agreements. Other related concerns you may have regarding these changes also would be appreciated.

Please contact me with any questions you may have. Thanks.

Champagne, Rick

From: Currier, Dawn
Sent: Wednesday, January 10, 2001 10:29 AM
To: Champagne, Rick
Subject: RE: Draft

Rick,

We need to proceed with the drafts. I do have some comments on your comments.

- Regarding the GIB changing the copay for prescription drugs by 25% in CY2001, you are correct. But the change was made in order to fund new or enhance existing benefits. For example, a new smoking cessation benefit was added. The net effect of these changes was zero and the "materiality" or value of the benefits provided remains unchanged. I do not think the GIB believes it can increase copayments, etc. without adding some benefit improvement. In order for us produce some savings, I think we need to give them the authority to change benefit and premium materiality period.
- I am a bit concerned but not surprised to learn that bargaining units can negotiate for improved benefits, which the GIB must provide and the state must pay for. Are you aware of instances in which this has occurred? It seems to me they would have a difficult time getting such a contract ratified.
- Clearly, we do not need to include local governments in the language, as originally thought. Thanks for the clarification.
- One final thought. Would you advise adding a non-stat provision that (1) encourages ETF (or the GIB) to convene a study group to assess the cost savings of introducing copays, etc. and develop recommendations for the GIB, and (2) requires the GIB to consider or implement the recommendations of the study group? I'm not sure the GIB will act without some "encouragement" from the statutes.

Thank you for providing this very valuable information. Let me know if you have any additional questions/concerns.

Dawn

-----Original Message-----

From: Champagne, Rick
Sent: Tuesday, January 09, 2001 4:59 PM
To: Currier, Dawn
Subject: RE: Draft

Dawn:

A couple of observations:

1. Section 40.05 (4) (ag) (intro.) specifically acknowledges that collective bargaining agreements and the compensation plan can provide different premium contribution rates. Hence, under current law and under your proposed change, the state could bargain with labor organizations any premium contribution rate and DER could propose in the compensation plan any premium contribution rate. Your proposed change will not effect this situation. Instead, your proposed change will only be mandatory on nonrepresented state employees whose compensation is not provided in the compensation plan.
2. Under current law, GIB is required to contract on behalf of the state for providing state employees group health insurance (s. 40.03 (6) (a) 1.). Under current law, the state must offer to all of its employees at least two insured and uninsured health care coverage plans, including a HMO or a preferred provider plan (s. 40.51 (6)). In addition, GIB must establish a standard health insurance plan (s. 40.52 (1)). At a minimum, GIB must offer these health benefit plans as well as any other such plans agreed to by the state.
3. Under current law, GIB may not enter into any health insurance agreement that "materially affects the level of premiums required to be paid by the state or its employees, or the level of benefits to be provided," under group health insurance coverage. (s. 40.03 (6) (c)). Per your question, therefore, there is nothing that would prohibit GIB from entering into an agreement for increased co-payments, deductibles, and coinsurance so long as the employer and employee premium levels are not materially affected and so long as the level of benefits is not materially affected. What would constitute such material changes, however, is uncertain. For example, if memory serves me correctly, copayments for prescription drugs just increased 25% under the plan that went into effect January 1, 2001. GIB obviously believed that this was not a material change in the level of benefits.

4. Please note that if a collective bargaining agreement provided for a change in health care coverage that would materially affect the level of premiums or that would materially affect the level of benefits, GIB, as the state's agent for entering into health insurance contracts for state employees, would be required to provide for such a health care coverage contract for those employees. This would most likely constitute a modification required by law, in that such a contract provision would be required to be fulfilled by the state by law under s. 111.93 (3).

5. You should be aware, however, that the restriction in s. 40.03 (6) (c) does not apply to plans offered to local governments and their employees. Hence, without restriction, GIB could enter into an agreement for increased co-payments, deductibles, and coinsurance without regard to how it affects premium levels or benefit levels.

I hope that these comments are helpful. Let me whether you want me to proceed with the draft.

Rick

-----Original Message-----

From: Currier, Dawn
Sent: Tuesday, January 09, 2001 3:35 PM
To: Champagne, Rick
Subject: Draft

Rick,

Here is the memo for the changes we want to make regarding the state's group health insurance program. A signed copy will follow.

<< File: Emplr formula and GIB authority.doc >>

Dawn Currier
Executive Policy and Budget Analyst
State Government Operations Team
Department of Administration
Tel. 608/266-8777



State of Wisconsin
2001 - 2002 LEGISLATURE

LRB-1941/1

RAC:.....

hnh

JOHN

DOA:.....Currier - Authority of group insurance board

FOR 2001-03 BUDGET — NOT READY FOR INTRODUCTION

1

Do not generate
AN ACT ...; relating to: the budget.

Analysis by the Legislative Reference Bureau

✓ RETIREMENT AND GROUP INSURANCE

Under current law, unless otherwise provided in collective bargaining agreements or the state compensation plan, the state must contribute for its employees health insurance 90% of the gross premium for the standard health insurance plan or 105% of the gross premium of the alternative qualifying plan that is the least costly qualifying plan within the county in which the alternate plan is located, whichever is lower. This bill reduces the 105% amount to 100%.

Under current law, the group insurance board may not enter into an agreement to modify or expand group insurance coverage in a manner that materially affects the level of premiums required to be paid by the state or its employees, or the level of benefits to be provided, under any group insurance coverage plan. This bill authorizes the group insurance board to enter into such an agreement if the modification or expansion would reduce the cost incurred by the state in providing group health insurance to state employees.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 40.03 (6) (c) of the statutes is amended to read:

2 40.03 (6) (c) ~~Shall~~ Except as provided in par. (cm), shall not enter into any
3 agreements to modify or expand group insurance coverage in a manner which
4 conflicts with this chapter or rules of the department or materially affects the level
5 of premiums required to be paid by the state or its employees, or the level of benefits
6 to be provided, under any group insurance coverage. This restriction shall not be
7 construed to prevent modifications required by law, prohibit the group insurance
8 board from providing optional insurance coverages as alternatives to the standard
9 insurance coverage when any excess of required premium over the premium for the
10 standard coverage is paid by the employee or prohibit the group insurance board
11 from providing other plans as authorized under par. (b).

History: 1981 c. 96 ss. 24, 32; 1981 c. 386; 1983 a. 247; 1985 a. 29; 1985 a. 332 ss. 53, 251 (1); 1987 a. 356; 1989 a. 31, 166, 323; 1991 a. 116, 141, 152, 269; 1993 a. 16; 1995 a. 302, 414; 1997 a. 27; 1999 a. 9.

12 **SECTION 2.** 40.03 (6) (cm) of the statutes is created to read:

13 40.03 (6) (cm) May enter into an agreement to modify or expand group
14 insurance coverage in a manner that materially affects the level of premiums
15 required to be paid by the state or its employees, or the level of benefits to be provided,
16 under any group insurance coverage, if the modification or expansion would reduce
17 the cost incurred by the state in providing group health insurance to state employees.

18 **SECTION 3.** 40.05 (4) (ag) 2. of the statutes, as affected by 1999 Wisconsin Act
19 9, is amended to read:

20 40.05 (4) (ag) 2. For eligible employees not specified in subd. 1., 90% of the gross
21 premium for the standard health insurance plan offered to state employees by the
22 group insurance board or 105% of the gross premium, excluding any premium cost
23 related to the point-of-service option plan required to be offered under s. 609.10, of
24 the alternative qualifying plan offered under s. 40.03 (6) that is the least costly

1 qualifying plan within the county in which the alternate plan is located, whichever
 2 is lower, but not more than the total amount of the premium. Employer contributions
 3 for employees who select the standard plan shall be based on their county of
 4 residence. Qualifying health insurance plans shall be determined in accordance
 5 with standards established by the group insurance board.

NOTE: NOTE: Subd. 2. is shown as amended eff. 4-1-01 by 1999 Wis. Act 9. Prior to 4-1-01 it reads:NOTE:

2. For eligible employees not specified in subd. 1., 90% of the gross premium for the standard health insurance plan offered to state employees by the group insurance board or ~~105%~~ of the gross premium of the alternative qualifying plan offered under s. 40.03 (6) that is the least costly qualifying plan within the county in which the alternate plan is located, whichever is lower, but not more than the total amount of the premium. Employer contributions for employees who select the standard plan shall be based on their county of residence. Qualifying health insurance plans shall be determined in accordance with standards established by the group insurance board.

History: 1981 c. 96/274, 278, 386; 1983 a. 9 s. 6; 1983 a. 27, 30; 1983 a. 46 ss. 2 to 4, 7; 1983 a. 140; 1983 a. 141 ss. 7 to 12, 20; 1983 a. 290, 504, 538; 1985 a. 29, 119, 135, 225; 1987 a. 27, 83, 107, 309, 356, 363; 1987 a. 403 s. 256; 1989 a. 13, 14, 31, 119, 122, 166, 182, 189, 230, 336, 355, 359; 1991 a. 32, 39, 107, 113, 141, 152, 189, 269; 1995 a. 27, 81, 88, 89, 240, 302; 1997 a. 35, 58, 149; 1999 a. 9, 11, 13, 104.

Dep
No 3

11 **SECTION 9416. Effective dates; employee trust funds.**

12 (1) PREMIUMS FOR STATE EMPLOYEE GROUP HEALTH INSURANCE. The treatment of
 13 section 40.05 (4) (ag) 2. of the statutes takes effect on January 1, 2002.

14 (END)

1009

Champagne, Rick

From: Currier, Dawn
Sent: Thursday, February 01, 2001 7:05 PM
To: Champagne, Rick
Subject: LRB-1941/1

Rick,

Please remove the language in this draft that changes the employer health insurance contribution formula from 90/105 to 90/100. We have decided to maintain current law on this matter. Thanks.

Dawn Currier

Executive Policy and Budget Analyst
State Government Operations Team
Department of Administration
Tel. 608/266-8777



State of Wisconsin
2001 - 2002 LEGISLATURE

LRB-1941/1 2

RAC:hmh:jf

Sen

RMR

DOA:.....Currier – Authority of group insurance board

FOR 2001-03 BUDGET — NOT READY FOR INTRODUCTION

Do not gen

1

AN ACT ...; relating to: the budget.

Analysis by the Legislative Reference Bureau

RETIREMENT AND GROUP INSURANCE

Under current law, unless otherwise provided in collective bargaining agreements or the state compensation plan, the state must contribute for its employees health insurance ~~90% of the gross premium for the standard health insurance plan or 105% of the gross premium of the alternative qualifying plan that is the least costly qualifying plan within the county in which the alternate plan is located, whichever is lower.~~ This bill reduces the 105% amount to 100%.

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5 of premiums required to be paid by the state or its employees, or the level of benefits
6 to be provided, under any group insurance coverage. This restriction shall not be
7 construed to prevent modifications required by law, prohibit the group insurance
8 board from providing optional insurance coverages as alternatives to the standard
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21 premium for the standard health insurance plan offered to state employees by the
22 group insurance board or ~~105%~~ 100% of the gross premium of the alternative
23 qualifying plan offered under s. 40.03 (6) that is the least costly qualifying plan
24 within the county in which the alternate plan is located, whichever is lower, but not
25 more than the total amount of the premium. Employer contributions for employees

1 who select the standard plan shall be based on their county of residence. Qualifying
2 health insurance plans shall be determined in accordance with standards
3 established by the group insurance board.

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6 ~~section 40.05 (4) (ag) 2.~~ of the statutes takes effect on January 1, 2002.

7 (END)



State of Wisconsin
2001 - 2002 LEGISLATURE

LRB-1941/2
RAC:hmh:jf

DOA:.....Currier – Authority of group insurance board

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15 (END)