

WISCONSIN STATE
LEGISLATURE
COMMITTEE HEARING
RECORDS

2005-06

(session year)

Assembly

(Assembly, Senate or Joint)

**Committee on
Insurance
(AC-In)**

File Naming Example:

Record of Comm. Proceedings ... RCP

- 05hr_AC-Ed_RCP_pt01a
- 05hr_AC-Ed_RCP_pt01b
- 05hr_AC-Ed_RCP_pt02

COMMITTEE NOTICES ...

- Committee Hearings ... CH (Public Hearing Announcements)
- **

- Committee Reports ... CR
- **

- Executive Sessions ... ES
- **

- Record of Comm. Proceedings ... RCP
- **

INFORMATION COLLECTED BY COMMITTEE
CLERK FOR AND AGAINST PROPOSAL

- Appointments ... Appt
- **

Name:

- Clearinghouse Rules ... CRule
- **

- Hearing Records ... HR (bills and resolutions)

➤ **05hr_ab0329_AC-In_pt01**

- Miscellaneous ... Misc
- **

Vote Record Committee on Insurance

Date: 6/21/05

Moved by: Nischke

Seconded by: Underheim

AB 329 SB _____ Clearinghouse Rule _____
 AJR _____ SJR _____ Appointment _____
 AR _____ SR _____ Other _____

A/S Amdt _____
 A/S Amdt _____ to A/S Amdt _____
 A/S Sub Amdt _____
 A/S Amdt _____ to A/S Sub Amdt _____
 A/S Amdt _____ to A/S Amdt _____ to A/S Sub Amdt _____

Be recommended for:
 Passage Adoption Confirmation Concurrence Indefinite Postponement
 Introduction Rejection Tabling Nonconcurrency

<u>Committee Member</u>	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
Representative Ann Nischke, Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Steve Wieckert ^{Friskel}	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Gregg Underheim	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Phil Montgomery	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Terri McCormick	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Curtis Gielow	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Karl Van Roy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Joan Ballweg	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Terry Moulton	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative David Cullen	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative John Lehman	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Tony Staskunas	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Louis Molepske	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Thomas Nelson	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Michael Sheridan	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Totals: 12 _____

Motion Carried Motion Failed

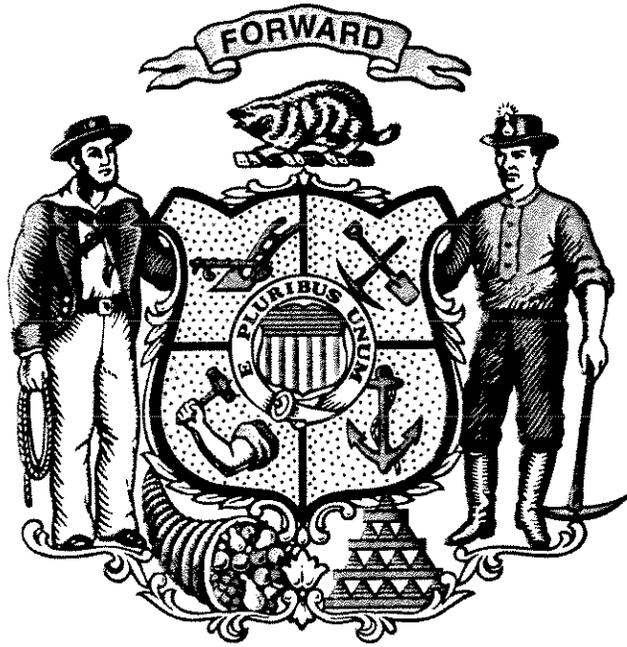
S:\policy\Insurance committee\proposal report with details 2005.doc

04/15/2005 Assembly Bill 329 (companion SB 149 Kapanke's committee)
relating to: membership of the Group Insurance Board.

By Representatives Musser, Hahn, Petrowski, Townsend, Ballweg, Nischke, Jeskewitz, Krawczyk, Ott and Hines; cosponsored by Senators Brown, Olsen, A. Lasee, Kapanke, Roessler, Darling and Grothman.

Analysis by the Legislative Reference Bureau

The Group Insurance Board (board) currently consists of the governor, the attorney general, the secretary of administration, the director of the Office of State Employment Relations, and the commissioner of insurance (or their designees), and five persons appointed by the governor for two-year terms. This bill adds a new appointed member to the board; this new member must be either the chief executive or a member of the governing body of a local unit of government that is a participating employer in the Wisconsin Retirement System. For further information see the **state** fiscal estimate, which will be printed as an appendix to this bill.





STATE OF WISCONSIN
Department of Employee Trust Funds
Eric O. Stanchfield
SECRETARY

801 W Badger Road
PO Box 7931
Madison WI 53707-7931

1-877-533-5020 (toll free)
Fax (608) 267-4549
TTY (608) 267-0676
<http://etf.wi.gov>

September 10, 2004

JOHN RUSCH
CITY ADMINISTRATOR
CITY OF TOMAH
819 SUPERIOR AVE
TOMAH WI 54660

EIN 0168-000

Dear Mr. Rusch:

This is in response to your August 13, 2004, letter regarding your concerns about local governments offering incentives to employees that decline health insurance coverage. We appreciate you taking the time to bring your concerns to our attention.

It has always been our practice that a local government not offer payments to its employees in lieu of coverage under our health insurance program. Please keep in mind that employees continue to have the option to opt out of coverage under our health insurance program.

Earlier this year, the Department conducted a survey to gauge interest of local governments in an alternative benefit design. The survey included a question about whether local governments would favor a provision allowing them to offer a financial incentive to employees that opt out of health insurance if the employee had comparable coverage. Survey results indicated 80% of respondents would approve such a provision. However, after considering the affect such a provision could have on the risk pool, staff did not recommend it. Based on staff recommendations, the Board approved adding language to the 2005 contract prohibiting employers from providing payments to employees in lieu of coverage under our program.

In a community-rated program such as ours, we believe this contractual requirement is prudent and reasonable. It would be inequitable to allow some employers to pay employees to stay out of the program, as there is a tendency for the younger, healthier employees to take advantage of the opt out incentive. This can adversely affect those employers without such a practice since those employers would be subsidizing the relatively higher costs of employers who do provide an incentive. We understand that there will always be employers that subsidize others in the program, as that is the inherent nature of insurance. However, we must seek to limit practices that magnify this effect.

If we were to consider allowing employers to have an opt out incentive for those employees declining health insurance under our program, as fiduciaries we would recommend those employers be rated separately so the potential adverse selection that may result would not affect the entire risk pool. This would, of course, lead to such an employer not only paying the incentive but also paying the potential higher than average claims that result. We believe that few employers would opt for this, but I believe it helps clearly illustrate the problem with the practice. That is, employers that want the pooling effect only for their relatively poorer risk only do so because they can shift cost onto other employers.

City of Tomah
September 10, 2004
Page 2

You have indicated concerns with negotiating union contracts that currently provide for an incentive to employees declining the health insurance coverage. We understand that in the short run, employers may have difficulty implementing such a change quickly. Be assured, it is not our intent to penalize a municipality having such a provision in its collective bargaining or personnel rules as long as it makes a good faith effort to remove it as soon as is practicable.

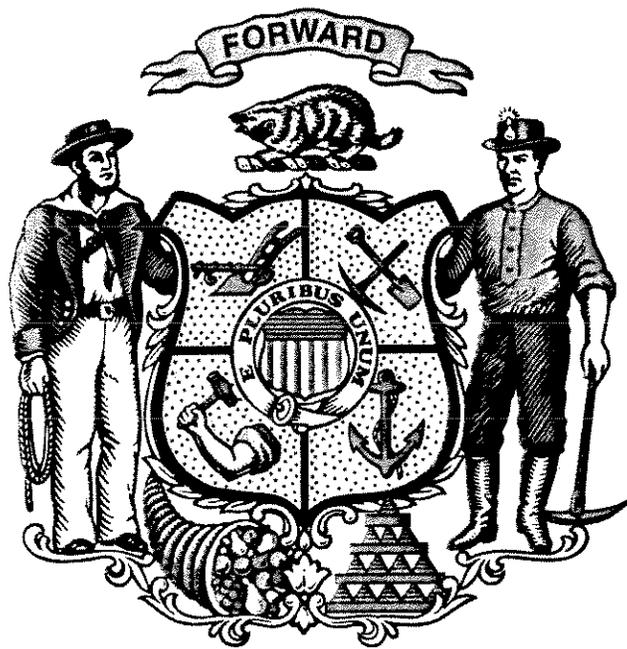
We also understand that employers would like to encourage employees who have other coverage available through a spouse for example, to take that coverage. Our program has long provided an enrollment opportunity when that other coverage is lost, even before it was required by the federal Health Insurance Portability and Accountability Act (HIPAA). In combination with properly developed employee premium contributions, this can be an effective tool that likely has less adverse impact than the opt out provision.

Again, thank you for taking the time to share your concerns with us. Please feel free to contact me if you have further questions.

Sincerely,

A handwritten signature in black ink, appearing to read "William Kox". The signature is fluid and cursive, with a large initial "W" and a long, sweeping tail.

William Kox
Director Health Benefits and Insurance Plans
Division of Insurance Services
(608) 266-0211
FAX: (608) 267-0633



Gateway to Cranberry Country

The City of Tomah

WHERE THE I DIVIDES



819 Superior Avenue
Tomah, Wisconsin 54660
Phone: (608) 374-7420
Fax: (608) 374-7424

September 17, 2004

State Senator Ron Brown
State Capitol
PO Box 7882
Madison, WI 53707-7882

Dear Senator Brown:

Thank you for your effort in trying to help us save money for our Tomah property taxpayers. From the letter received from a William Kox, Director of Health Benefits and Insurance Plans, it looks like there are people in state government not doing this.

In Mr. Kox's second paragraph, "it has always been our practice that a local government not offer payments to its employees in lieu of coverage under our health insurance plan." I have several problems with this paragraph. First, I have not found anything in writing or on the Internet that confirms this statement. Second is Mr. Kox's statement that it is the state's program. If in fact city employees are in a separate pool, a more accurate statement is it is the city's program and not the state's.

Third paragraph, "in a survey, 80% of local governments were in favor of an incentive. However, considering the affect such a provision could have on the risk pool, staff did not recommend it." My questions are, who is staff? What are their qualifications? What type of research did they undertake to come up with their conclusion? In my opinion, proper research would show the incentives have a positive affect on risk pools.

The City of Tomah has labor contracts running until 2007 with the incentives as part of them. If we are forced to eliminate these incentives in 2005, we will be charged with an unfair labor practice and we will be forced to continue the incentives.

Paragraph number four "There is a tendency for the younger, healthier employees to take advantage of the opt out incentive." We need to see the facts that lead Mr. Kox to come up with this conclusion. I believe we will find his facts are incorrect and based on false information. Here are the facts from our end. Tomah, like most communities has a large percentage of married employees where both husband and wife have full time jobs with company paid health insurance. They don't opt out because of age or health, they opt out because of dual coverages and coordination of benefits. In our case, many of these employees have the same HMO's as there are only two health providers in this area.

City of Tomah opt outs tend to come from the older workers. As far as health, this would be pure speculation on my part, as is also the case on Mr. Kox's, but my opinion is that the healthy would not opt out. Here are some reasons why: The younger workers have children. They don't care for the opt out because they like the advantages of double coverage. The employer is paying most of the premium (in our case 97% of it) and between the two insurance companies in most cases they have nothing out of pocket.

Tomah now has 10 employees on opt out; all 10 are family plans. Out of the 10, 7 are just husband and wife. All 10 are over the age of 40. As far as health, in my opinion, none of these 10 are more or less healthy than the rest of our employees.

In paragraph five Mr. Kox refers to adverse selection and relatively poor risk. Again, we need to see his research and facts. I spent 30 years in the insurance industry including group health insurance. I have yet to see any historical information that would back up Mr. Kox's statements. If Mr. Kox and his staff really have the power to prohibit incentives, here are the winners and losers:

Winners: The insurance companies. The City of Tomah will be paying \$14,941.20 to Gundersen or \$14,883.80 to Health traditions annually in 2005 for each employee with family coverage. They will also be getting almost the same amount from the employer where the other spouse works. In total, they will be getting almost \$30,000 a year to cover one family. Since 7 of our family's are just two adults, no dependents, that's \$30,000 a year for just two people.

Losers: The property taxpayers in the State of Wisconsin. If this new rule stands, it will cost City of Tomah taxpayers an additional \$110,000 in health insurance costs as that is our savings with the buyouts. These premiums leave us with some questions that need to be answered by Mr. Kox and his staff.

1. Why three separate plans?
2. What is the loss ratio of each plan for the past 4 years.
3. If the State Plan did not allow the incentives and we had it in our local plan, why are the premiums almost the same? If Mr. Kox's letter on adverse selection are to be believed, the local plan would have a much higher premium.
4. Since the State Plan has many more employees in it, by it's very nature it should have a much lower premium. Since it does not, one would conclude that the incentives with the local plan is having a positive impact.

We have been under our current program since 2001. At that time it was my understanding that we were under the State Plan. All employees; state county, cities, would be under just one large group. We now find out there are at least three programs; the State Employee Plan, the Local Government Plan; and Graduate Assistant Plan. The 2005 premiums for our area are as follows:

Page 3
Senator Ron Brown
September 17, 2004

Monthly rates – family coverage:

	<u>Graduate Assistant Plan</u>	<u>State Plan</u>	<u>Local Plan</u>
Gundersen	\$885.40	\$1,179.60	\$1,245.10
Health Tradition	\$928.60	\$1,237.30	\$1,240.30

5. Why are the graduate assistants in a separate plan? This group is made up of almost all younger employees. In his letter, Mr. Kox indicates that younger workers would adversely affect the plan if they opt out. We have proof that our younger workers have not opted out. We also have proof that some one on the state level saw fit to adversely impact the state plan by segregating younger workers into a separate plan.

It is my hope that Mr. Kox and his staff be directed by the Governor and the legislators to rescind the 2005 order to prohibit incentives. I would also suggest that an open investigation be implemented to find out the real reasons for this new rule.

Sincerely,

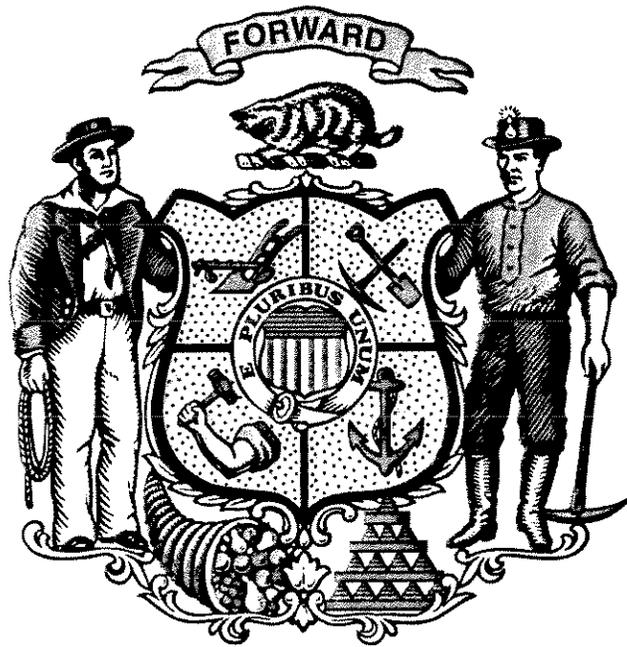


John J. Rusch
City Administrator

cc: Governor Doyle
Terry Musser
Asst. City Atty. P. Berry
Mayor Ludeking

Enclosures:

Original Letter to Mr. Brown
Brown Letter
Kox Letter
2005 Rates
Labor Contract



State Representative

TERRY MUSSER

92nd Assembly District

Chair, Assembly Committee on Veterans & Military Affairs



April 25, 2005



Representative Ann Nischke, Chair
Assembly Committee on Insurance
8 North – State Capitol

Dear Ann,

I recently introduced Assembly Bill 329, which was referred to your Committee on Insurance on April 15, 2005.

AB 329 relates to membership of the Group Insurance Board.

I am requesting that you schedule a public hearing for AB 329 as soon as possible.

Thank you.

Sincerely,

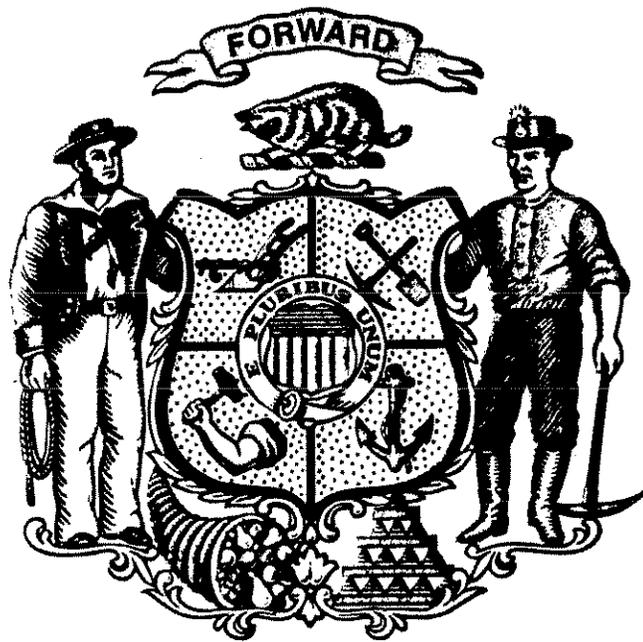
Terry Musser
State Representative
92nd Assembly District

*4/27/05 Fodrie -
gave her leads up
on 5/19/05*

ROUTING	
<input checked="" type="checkbox"/> AP	<input type="checkbox"/>
<input checked="" type="checkbox"/> NICH	<input type="checkbox"/>
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Capitol Office: P.O. Box 8953, Madison WI 53708 608-266-7461 Toll-Free: 888-534-0092
Fax: 608-282-3692 Rep.Musser@legis.state.wi.us

Home Office: W13550 Murray Road, Black River Falls, WI 54615 608-488-2955



TO: Assembly Committee on Insurance
FROM: The City of Tomah
RE: Assembly Bill 329
DATE: May 18, 2005

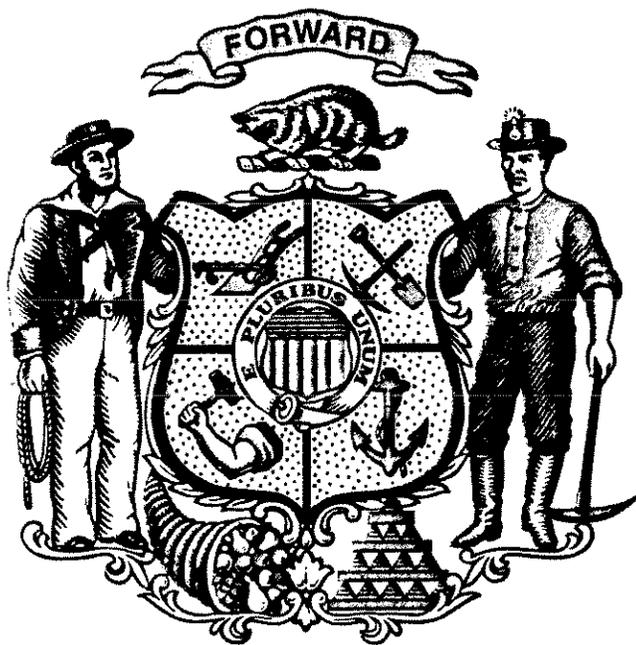
The City of Tomah has been a member of the Wisconsin Public Employer's Group Health Insurance Plan since 2001. Before that time, we were self-insured. Based on the latest ETF fact sheet, there are 68,856 active employees enrolled in the state employee plan. There are 11,457 active employees enrolled in the local employee plan. In our area of the state, most employees in the two plans utilize Health Tradition's HMO or Gundersen Lutheran's HMO. There is a difference in the premium between the state and local plan. The local plan is on average, 13% higher. Based on this, it would appear the local plan is subsidizing the state plan. I asked one of the ETF employees why there was not just one plan instead of two separate ones. I was told that if that would occur, premiums for state employees would go up. If this is the case, who on the current group insurance board is concerned about the local taxpayers?

When the City of Tomah joined the State Health Plan our family rate premium averaged \$710 a month. For 2005 the average is \$1,242 a month, an increase of 75%. Since we have to deal with unions, the local taxpayer is paying 93% of the premium. In September and November 2004, ETF came out with a new health insurance option for local governments. The options include deductibles, co-insurance and lower premiums. On average, the rate for these plans is \$1,093 a month for a family compared to our current \$1,242. This is about a 12% reduction. Several problems with the new options: Like most local communities, we have several unions we need to deal with. For the City of Tomah, one union contract ends 1/1/06. The other union contract ends 1/1/07. Per information provided by the ETF on this new program, all employees need to go into the plan at the same time. With that being the case, this new plan is no help to the local communities.

The ETF health plan for local employees calls for a minimum participation rate of at least 65% of eligible employees. The City of Tomah has 69 eligible employees. Eleven of these employees have opted out of the plan. This gives us a participation rate of 84%. The 11 that have opted out have coverage under another health plan with their spouse. In many cases, it is one of the state HMO's we have. As an incentive, the City pays each of these employees \$250 per month. This translates into an annual savings of \$130,000 to our taxpayers. If we have to pay this \$130,000 in additional health premiums, our local levy would go to \$7.17 per \$1,000 from \$6.88, an additional \$29 in taxes on a \$100,000 home.

On April 20, 2004, the ETF Board recommended adding contract language to prohibit local employers from providing incentives for employees to decline coverage under our program. The City of Tomah and other local communities have many problems with this action.

1. It is not the ETF's program. It is separate from the State Plan and is our program. Our local taxpayers are paying the premium.
2. This new provision could cause an increase in our property taxes. Our citizens are under the impression that many on the state level like to see no increase in property taxes.
3. The opt-out provision is in both of our union contracts. If we take this provision away, we will have to give something in return.
4. Our current contract calls for a 65% participation rate. We are at 84%. It should not make any difference why 11 of our employees opt-out. What if they opted out because they had to pay 20% of the premium instead of the current 7%?
5. ETF indicates giving an incentive creates an adverse selection but gives no documentation to prove it.
6. Based on our current premium being higher than the state employee plan, it would seem the actions of ETF create a worse problem than we have now. Again, who on the current ETF Board is looking out for the local property taxpayers?





**Testimony Supporting AB 329
Assembly Committee on Insurance
May 19, 2005**

Good morning, Chair Nischke and committee members. Thank you for holding this hearing on AB 329, which adds a local government representative to the Group Insurance Board. The Group Insurance Board (GIB) oversees the group health, life, income continuation and other insurance programs offered to state employees, participating local employees and retirees. Under current law, the GIB has ten members. Five are members of the Board by virtue of their public office including the Governor, Commissioner of Insurance, Attorney General, Department of Administration Secretary, and Office of State Employment Relations Director, or their designees.

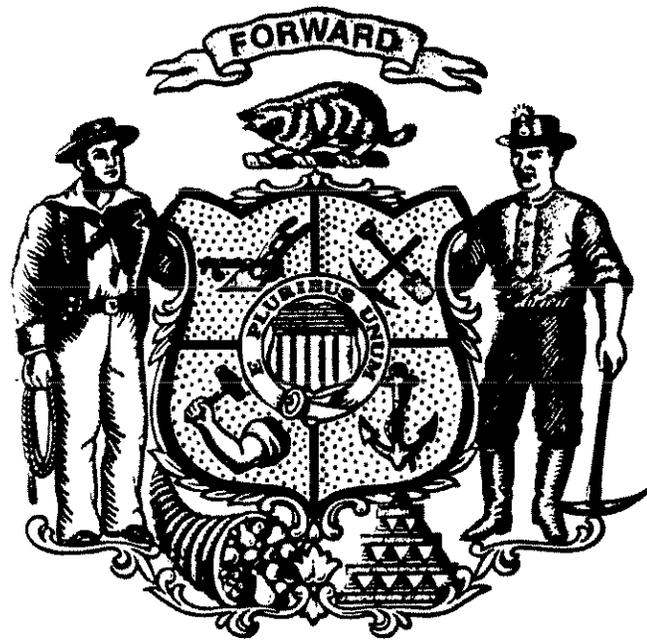
In addition, five public members are appointed by the Governor to serve two-year terms. These appointees fulfill the following requirements: one must be an insured participant employed by a local government; one must be an insured participant who is a teacher; one must be an insured participant who is not a teacher; and one must be an insured participant who is a retired employee. One member is appointed 'at large', and has no membership requirements.

Assembly Bill 329 adds a local government administrator to the Board. Like the other public members, this new member would be appointed by the Governor for a staggered two-year term.

This addition to the Board is urgently needed because local governments that participate in the state health plan are directly affected by the actions of the Group Insurance Board, but currently have no representation there. For example, last year the Board decided to outlaw opt-out incentives offered to employees who decline health insurance coverage. Even with financial incentives, local governments across Wisconsin save money when their employees decline coverage through their plan and instead accept coverage elsewhere. In prohibiting this practice, the GIB increased costs to local governments and taxpayers by forcing them to enroll employees who don't need coverage. Further, local governments will be forced to renegotiate employment contracts to remove this benefit and may need to offer another benefit in its place.

This action was taken without the input of the local governments affected. In fact, when the Department of Employee Trust Funds surveyed local managers regarding plan provisions in 2004, 80% of respondents indicated that they supported the ability to offer opt-out incentives.

Over 300 local governmental units participate in the state insurance program. Adding a local government manager to the Board will increase communication between the Board and the local governments it serves, and ensure that managers are aware of decisions that affect their budgets. Thank you for your consideration of this legislation.



Rosenak, Mary Jan

From: Rosenak, Mary Jan
Sent: Tuesday, June 21, 2005 1:04 PM
To: Inabnet, Kay
Subject: ComClerk Committee Report - Committee on Insurance

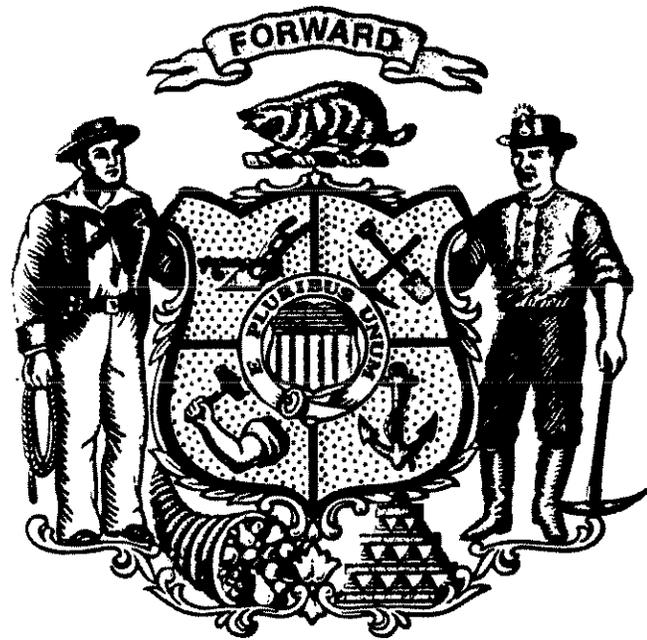
Attachments: Report20050621_2.doc

Committee report of
Assembly Bill 329



Report20050621_2
.doc (27 KB)

reported on 06/21/2005 has been sent by Committee clerks.



Underwriting: To protect the program, the group recommends that all new groups with 100 or more eligible employees be assessed a variable surcharge for two years based on the risk of the group.

Premium Tiering: The group recommends local employers be allowed to exceed the 105% parameter for employer contribution if using the tiered premium approach. This will require an administrative rule change.

Allowing Local Retirees to Escrow Sick Leave: There have been requests from some local employers to extend the concept of sick leave escrow to the local program. Currently, local annuitants who opt out of our program are unable to rejoin. Unfortunately, resources are limited and the group is not recommending any change at this time.

Prohibiting Local Employers to Incent Employees to Opt Out: The group recommends contract language be added to prohibit local employers from providing incentives for employees to decline coverage under our program.

Uniform Benefits:

The guidelines discussion group does not recommend any benefit changes to Uniform Benefits for 2005 in light of the significant changes implemented in 2004. The only changes being recommended are clarifications to help administer the program. Definitions have been added for generic drug, brand-name drug, illness, generic equivalent, network pharmacy and self-administered injectibles. These are cost-neutral clarifications to the program.

Other Issues:

Prescription Drug Out-Of-Pocket (OOP) Maximum: Periodically the Board has modified the Out-Of-Pocket (OOP) Maximum to stay in line with inflation. Because of all of the changes this year, the group is not recommending any changes to the pharmacy benefit maximums for 2005.

Gastric Bypass: The group does not recommend adding this benefit for calendar year 2005.

Discussion of Medicare Plus \$100,000: The group recommends changing from a \$100,000 maximum illness/injury benefit to a \$250,000 lifetime maximum benefit. This change will be brought to the Board at the August meeting.

MOTION: Mr. Blumer moved acceptance of the changes as outlined in the memo dated March 30, 2004, and as reviewed by Mr. Kox. Ms. Timberlake seconded the motion, which passed without objection on a voice vote.

HANDLING OF BOARD CORRESPONDENCE

WHAT MEMO ?

With the creation of tiers and the switch to a pharmacy benefit manager, a significant amount of correspondence has been received regarding these issues.

IT IS NOT LISTED

AS AN AGENDA

ITEM.

~~Plan for full-time employees the portion of the monthly premiums associated with the elected health insurance coverage which is remaining after subtracting the above described employee contribution.~~

~~For full-time employees utilizing coverage through the City, the City will also pay the 20% co-insurance required for air/land use. All other costs associated with the Plan shall be borne by the employee. The coverages available, premiums, eligibility and general information regarding the plan is provided by the State of Wisconsin in the annually updated "It's Your Choice Manual".~~

In a case where both a husband and a wife work for the City, the City will use the date of birth to establish who is the primary for family plan coverage. The other spouse would be eligible for a single plan as two separate family plans would not be provided. In the case where family coverage is not needed, both spouses are eligible for separate single plans.

Monthly Compensation for Elective No Coverage: For those employees that do not elect insurance coverage, the City shall pay to the respective employee the sum of \$250.00 per month for family coverage and \$100.00 per month for single coverage. Monthly compensation shall be paid along with the first check of the month following the month of no coverage and full-time employment (i.e. employee works full-time in month of August with no insurance coverage. Payment for non-coverage in August will be paid in the first payroll of September). The appropriate State and Federal taxes will be deducted from the payouts.

To be eligible for monthly compensation for non-election, the following must apply: 1) Must work full-time for the City of Tomah the entire month for which compensation is paid; 2) Must be eligible for the City of Tomah's group health insurance plan; 3) Must have coverage

under another health insurance program in place; 4) Must provide written evidence of such other coverage to City Clerk; and 5) Must decline coverage under the City of Tomah's group health insurance plan by reading and signing the Rejection of Insurance Waiver forms provided by the City and the Wisconsin Public Employers Group Health Plan and any other forms required by the City Clerk. To elect no coverage for a particular month, the above requirements must be met by the 10th of the month immediately preceding the month no coverage will commence (i.e. To commence no coverage in November, the requirements must be met by October 10th). The City will pay the employee \$250 per month less State, Federal and FICA taxes if the employee would have been eligible for the family group health insurance plan or \$100 a month less taxes if the employee would have been eligible for the single group health insurance plan as an incentive. If the employee terminates employment with the City while the incentive is in force, they will be paid for each month that they had the no coverage and worked the entire month (i.e. Employee terminates October 4th with no coverage in September. Employee would receive payout for month of September in first payroll of October). In cases where a married couple both work for the City, the payout will be \$100.00 per month if one spouse opts out.

Any employee choosing not to elect coverage is not eligible to re-elect City sponsored health insurance through the Wisconsin Public Employers Group Health Plan until open enrollment under said plan or circumstances allowed pursuant to the rules of the plan. Requirements for re-election, including any employee contribution towards premiums, are subject to the rules of the plan.

Regardless of the above, the Wisconsin Public Employers Group Health Plan rules requires the City to have at least 65% of its employees participating in order for the City to be eligible for the

plan. Accordingly, if more than 35% of the City employees request the payout, consideration will be given based on seniority until the 35% rate is reached. At that time, no more requests will be granted.

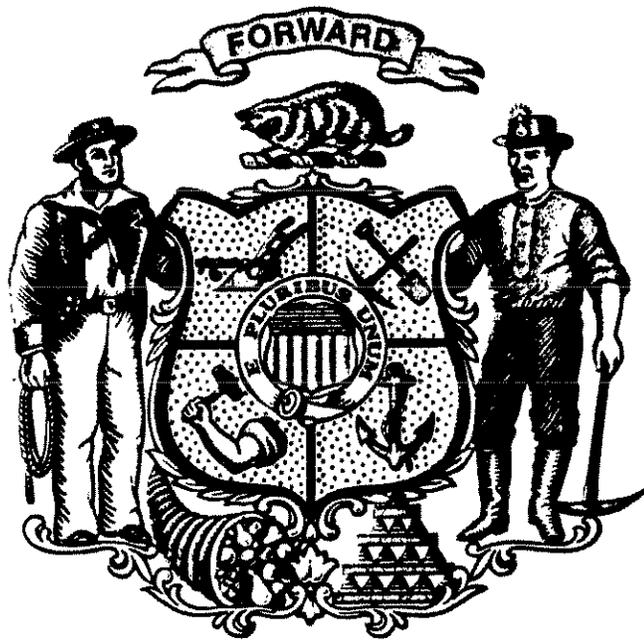
B. The City shall allow employees who have reached retirement age and who retire from City employment to remain eligible for group health insurance coverage until such time as said employee becomes eligible for Medicare. Employees shall be responsible for payment of all costs associated with said health insurance coverage. Subject to the provisions of 10.09, employees may use accrued sick leave credits towards the premium costs until said credits have been exhausted.

C. The City reserves the right, from time to time, to change carriers and/or self-fund its health insurance; provided however, if the City exercises this right, levels of coverage, including applicable deductibles, shall be maintained at a level which is at least equal to the levels of coverage in existence at the time of the change or self-funding.

D. During the term of this Agreement, the parties agree that if the premium for the City's group health insurance increases by more than five (5%) percent per year, the parties to this Agreement shall negotiate in good faith toward any changes in the insurance contract, coverage, deductible and all other insurance issues in an effort to reduce insurance costs to all parties. Any negotiations during the term of this Agreement shall be limited to insurance issues only.

14.02 - Life Insurance: The City will pay the full premium for Wisconsin Group Life Insurance Plan for employees of the Wisconsin Municipalities.

14.03 - Pensions Fund Contribution: The employees shall be covered by the Wisconsin Retirement Plan. The City will pay the WRF contributions, including the "employee's share".





State of Wisconsin
Group Health Insurance
FACT SHEET 2004

PROGRAM REVIEW

- Created by Wisconsin statutes Chapter 40.
- Department of Employee Trust Funds and Wisconsin Group Insurance Board (GIB) have statutory authority for program administration and oversight (Wis. Stat. § 15.165 (2)).
- Health maintenance organization (HMO) plans follow the GIB guidelines for eligibility and program requirements. All HMOs offer a prescribed benefit package called Uniform Benefits.
- HMOs participate in yearly competitive premium rates bid process.
- Standard Plan and State Maintenance Plan (SMP) are self-insured by the GIB and are administered by Blue Cross Blue Shield United of Wisconsin. The Standard Plan is a preferred provider plan.
- The pharmacy benefit is self-insured by the GIB and administered by Navitus Health Solutions.

HEALTH INSURANCE CHOICES

Active employees:

- 16 insurers, 20 service areas
- Two fee-for-service plans (Standard Plan and SMP)

Retirees:

- 16 insurers, 20 service areas
- Two fee-for-service plans (one for those Medicare eligible in lieu of Standard Plan coverage)

PARTICIPANTS

Who is eligible:

- State employees participating in the Wisconsin Retirement System (WRS).
- Elected state officials and members or employees of the legislature.
- University of Wisconsin System - visiting faculty; graduate assistants employed at least one-third of full-time.
- Blind employees of Workshop for the Blind with at least 1,000 hours of service.
- State retirees, their surviving spouses and dependents, and former employees who have 20 years of state service.
- Local government employees participating in the WRS whose employer elects to participate.
- Local government retirees and employees who terminate employment after age 55 (age 50 for protectives) and have 20 years of creditable service.

Participating employees as of June 2004:

- State Employee Health Benefit Plans.
 - Active employees: 68,856 (93.5% enrolled in HMOs)
 - Retirees: 21,512 (59.6% enrolled in HMOs)
- Public employees whose employer has elected to participate.
 - Active employees: 11,457
 - Retirees: 1,881
- Local Annuitant Health Plan (Offered to individual retirees regardless of employer participation. Choice of Medicare Supplemental or Comprehensive Major Medical coverage only.)
 - Retirees: 321

Participating employers:

- All state agencies, legislature and executive branch.
- Public employers who file a resolution to participate.

COVERAGE OPTIONS

- Single (subscriber only) or family (includes legal spouse and all dependent children).
- Continuation Coverage: In cases where active coverage ends, continuation allows an extension of coverage for up to 36 months at group rates. The subscriber pays the full premium.
- Dual-Choice Enrollment: This enrollment opportunity occurs in October of each year. Insured employees may change plans or their level of coverage. The change is effective on January 1 of the following year.

COSTS

- Total premium rates vary by plan and location.
- Employer contribution:
Employer/employee costs vary by county of residence or where medical care is received.
 - State: (not including UW graduate assistants and short-term academic staff): transitioning from the lesser of 90% of the Standard Plan or up to 105% of the lowest cost qualified HMO in each county (but in no case more than 100% of premium) to employer/employee share determined by placing health plans in one of three tiers based on the efficiency and quality of care the plan provides to members.
 - State: UW graduate assistants and short-term academic staff: transitioning from the lesser of 80% of the Standard Plan or 100% of the lowest cost qualified HMO in each county to employer/employee share determined by placing health plans in one of three tiers based on the efficiency and quality of care the plan provides to members.
 - Retirees: No employer contribution. State employees' sick leave credits can be applied toward premium.
- Balance of premium paid by subscriber.

COMPARATIVE DATA FOR STATE EMPLOYEES AND RETIREES

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Standard Plan *								
Premium Rate								
Single	\$672.70	\$795.04	\$705.70	\$483.40	\$392.40	\$330.34	\$305.28	\$305.28
% Increase	-15.3	12.7	46.0	23.2	18.8	8.2	0	4.0
Family	\$1,622.90	\$1,953.50	\$1,726.20	1,176.20	962.00	\$813.98	\$752.00	\$752.00
% Increase	-16.9	13.2	46.8	22.3	18.2	8.2	0	4.0
# Contracts (June)								
Active Single	780	325	286	439	517	861	776	572
Active Family	869	232	243	407	452	672	656	608
Retirees including Direct Pay	8,310	7,656	7,774	8,228	8,565	8,852	8,877	9,014
SMP Fee-for-Service								
Contracts** (June)								
Active Single	651	574	638	647	614	983	732	720
Active Family	2,076	878	850	934	975	1,453	1,245	1,294
Retirees including Direct Pay	389	589	487	453	428	560	551	427
HMOs								
Average Premium Rate***								
Single	\$390.25	\$349.15	\$319.48	\$282.96	\$247.60	\$224.82	\$209.22	\$198.39
% Increase	11.8	9.3	12.9	14.3	10.1	7.5	5.4	2.5
Family	\$957.88	\$865.55	\$787.15	\$700.58	\$616.90	\$571.26	\$525.59	\$498.52
% Increase	10.7	10.0	12.4	13.6	10.2	8.6	5.4	2.4
# Contracts (June)								
Active Single	23,354	22,898	23,682	21,286	20,489	19,413	18,818	18,968
Active Family	41,126	43,720	42,864	41,173	40,196	39,364	38,936	38,894
Retirees	12,813	12,829	11,772	10,877	10,224	9,328	8,890	8,245
Annual Total Premium								
All plans, calendar year, no direct pays (in thousands)	\$783,455	\$709,712	\$625,945	\$531,768	\$444,372	\$388,885	\$355,533	\$333,944

* Standard Plan I and Standard Plan II were combined into a single plan for 2004.

** Contract counts include Standard Plan II for years prior to 2004.

*** Average premium of Dane County plans.

STATE GROUP HEALTH INSURANCE RATES FOR CY 2004	PLAN TIER	CONTRACT TYPE	
		SINGLE	FAMILY
PLAN NAME			
STANDARD PLAN	3	672.70	1622.90
STATE MAINTENANCE PLAN	1	444.00	1053.00
ATRIUM HEALTH PLAN	1	438.90	1079.50
COMPCAREBLUE - AURORA/FAMILY	1	423.20	1040.30
COMPCAREBLUE NORTHEAST	2	445.00	1094.80
COMPCAREBLUE SOUTHEAST	1	440.90	1084.50
DEAN HEALTH PLAN	1	402.50	988.50
GHC-EAU CLAIRE	2	452.50	1113.50
GHC-SOUTH CENTRAL	1	384.30	943.00
GUNDERSEN LUTHERAN	1	434.80	1069.30
HEALTH TRADITION	1	460.50	1133.50
HUMANA-EASTERN	2	483.50	1191.00
HUMANA-WESTERN	1	456.30	1123.00
MEDICAL ASSOCIATES HMO	1	427.10	1050.00
MERCYCARE HEALTH PLAN	1	381.70	936.50
NETWORK-FOX VALLEY	1	406.10	997.50
PHYSICIANS PLUS	1	398.50	978.50
PREVEA HEALTH PLAN	1	476.20	1172.70
TOUCHPOINT HEALTH PLAN	1	429.00	1054.70
UNITY-COMMUNITY	1	442.10	1087.50
UNITY-UW HEALTH	1	375.70	921.50
VALLEY HEALTH PLAN	2	496.40	1223.30

2005 LOCAL EMPLOYEE MONTHLY RATES: TRADITIONAL OPTION--CLASSIC STANDARD PLAN

LOCAL EMPLOYEE GROUP HEALTH INSURANCE MONTHLY RATES FOR 2005	NON-MEDICARE RATES RATES APPLY ONLY IF NO FAMILY MEMBERS ARE ELIGIBLE FOR MEDICARE		MEDICARE RATES RATES APPLY IF AT LEAST ONE INSURED FAMILY MEMBER IS ELIGIBLE FOR MEDICARE		
	SINGLE/NON-MEDICARE	FAMILY/NON-MEDICARE	SINGLE MEDICARE	FAMILY MEDICARE - 2*	FAMILY MEDICARE - 1*
STANDARD PLAN: DANE ¹	979.40	2392.80	368.40	703.20	1303.90
STANDARD PLAN: MILWAUKEE ²	1060.70	2596.10	368.40	703.20	1385.30
STANDARD PLAN: WAUKESHA ³	1060.70	2596.10	368.40	703.20	1385.30
STANDARD PLAN: BALANCE OF STATE ⁴	919.40	2242.90	368.40	703.20	1244.00
STATE MAINTENANCE PLAN	644.40	1545.10	NA	NA	NA
ATRIUM HEALTH PLAN	577.60	1425.50	461.70	911.10	1023.40
COMPCAREBLUE - AURORA/FAMILY	479.60	1180.60	383.30	754.30	847.00
COMPCAREBLUE NORTHEAST	500.40	1232.60	399.90	787.50	884.40
COMPCAREBLUE NORTHWEST	520.80	1283.50	416.20	820.10	921.10
COMPCAREBLUE SOUTHEAST	519.70	1280.80	415.30	818.30	919.10
DEAN HEALTH PLAN	367.40	900.10	293.50	574.70	645.00
GHC-EAU CLAIRE	547.70	1350.80	437.70	863.10	969.50
GHC-SOUTH CENTRAL	378.50	927.80	302.40	592.50	665.00
GUNDERSEN LUTHERAN	505.40	1245.10	308.20	604.10	801.30
HEALTH TRADITION	503.50	1240.30	402.40	792.50	890.00
HUMANA-EASTERN	534.00	1316.60	426.80	841.30	944.90
HUMANA-WESTERN	575.40	1420.10	459.90	907.50	1019.40
MEDICAL ASSOCIATES HMO	431.60	1060.50	305.80	599.30	725.10
MERCYCARE HEALTH PLAN	387.10	949.30	309.30	606.30	680.50
NETWORK-FOX VALLEY	490.50	1207.80	392.00	771.70	866.60
PHYSICIANS PLUS	379.10	929.30	302.90	593.50	666.10
PREVEA HEALTH PLAN	478.70	1178.30	382.50	752.70	845.30
UNITEDHEALTHCARE	419.20	1029.50	334.90	657.50	738.20
UNITY-COMMUNITY	459.80	1131.10	367.40	722.50	811.30
UNITY-UW HEALTH	369.20	904.60	294.90	577.50	648.20

Standard Plan rates are determined by the employer county or the retiree county of residence

STANDARD PLAN AREA INCLUDES THE FOLLOWING:	¹ DANE: Dane, Grant, Jefferson, LaCrosse, Polk, St. Croix
	² MILWAUKEE: Milwaukee county & retirees living out of state
	³ WAUKESHA: Kenosha, Ozaukee, Racine, Washington, Waukesha
	⁴ WISCONSIN: Balance of state

N/A = "not applicable". Medicare eligible participants automatically receive Standard Plan benefits.

*Medicare Family 1=One family member enrolled in Medicare Parts A & B;
 Medicare Family 2=Two or more family members enrolled in Medicare Parts A & B.

2004

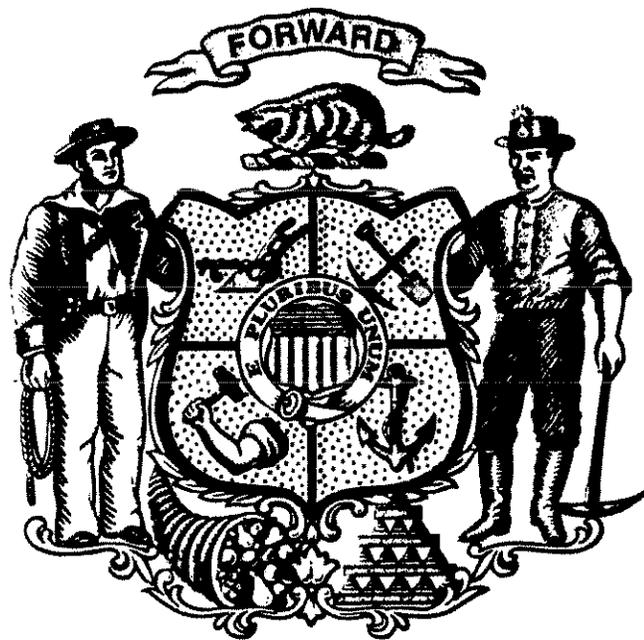
**GROUP INSURANCE BOARD
MEMBERSHIP ROSTER**

MEMBER NAME	TERM BEGAN	TERM EXPIRES	MEMBERSHIP REQUIREMENTS
Baird Robert	5/29/03	5/1/05	§ 15.165 (2) Appointed by Governor. Insured participant who is an employee of a local unit of government. 2-year term
Beil Martin	5/22/03 (10/83-5/03)	5/1/05	§ 15.165 (2) Appointed by Governor. Insured participant in WRS who is not a teacher. 2-year term
Blumer (V) Randy	2/18/03 (8/89-2/03)	Ex Officio	§ 15.165 (2) Commissioner of Insurance or his/her designee. Ex Officio
Doleschal Janis	5/29/03	5/1/05	§ 15.165 (2) Appointed by Governor. Insured participant in WRS who is a retired employee. 2-year term
Frankel (C) Steve	5/22/03 (7/88-5/03)	5/1/05	§ 15.165 (2). Appointed by Governor. No membership requirement. 2-year term
Hambien Jane	03/28/03	Ex Officio	§ 15.165 (2) Attorney General or his/her designee. Ex Officio
Vacant	5/30/03	Ex Officio	§ 15.165 (2) Governor or his/her designee. Ex Officio
Olson (S) Esther	5/22/03 (5/01-5/03)	5/1/05	§ 15.165 (2). Appointed by Governor. Insured participant in WRS who is a teacher. 2-year term
Schmiedicke David	11/14/03	Ex Officio	§ 15.165 (2) Secretary of Dept. of Administration or his/her designee. Ex Officio
Timberlake Karen	12/17/02 (1/99-12/02)	Ex Officio	§ 15.165 (2). Director of the Office of State Employment Relations or his/her designee. Ex Officio

(C) – Chair (V) – Vice-Chair (S) – Secretary

MAILINGS FOR BOARD MEMBERS SHOULD BE SENT TO:

Group Insurance Board
c/o Board Liaison
Department of Employee Trust Funds
PO Box 7931
Madison WI 53707-7931
Phone (608) 261-0736






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Department of Employee Trust Funds - Hot Topic
September 14, 2004 *(revised November 15, 2004)*

New Health Insurance Options for Local Governments

Local government employers will have three new health insurance program options available in 2005. These options, which include a combination of higher deductibles and/or a preferred provider plan (PPP) option for the fee-for-service standard plan, will allow employers additional flexibility in offering less costly health insurance plans.

With the new options available, employers can select from one of the options listed below. Click on the option that interests you to go to premium rate and benefit information:

- Traditional HMO Option paired with the Classic Standard Plan (Current benefit)
- Traditional HMO Option paired with the Standard PPP (New option)
- Deductible HMO Option paired with the Deductible Standard Plan (New option)
- Deductible HMO Option paired with the Deductible Standard PPP (New option)

The new Deductible HMO Option has an overall deductible of \$500 individual / \$1000 family per calendar year on all HMO type plans for medical services. (Note the deductible does not apply to pharmacy benefits.) Once the deductible has been met, the benefits will be administered as described for each plan. The premium rates for the deductible option average 10% below traditional option rates

The new Standard PPP and Deductible Standard PPP options are alternatives to the Classic Standard Plan (fee-for-service indemnity plan now offered to employees) and the new Deductible Standard Plan (fee-for-service indemnity plan option for the deductible HMO option), respectively. The PPP options allow participants to see any provider of their choice. However, unlike the Classic Standard Plan and Deductible Standard Plan, the PPP options have different

deductible and coinsurance requirements depending on whether participants use an in-network or an out-of-network provider. The premium for the PPP options is lower than the Classic Standard Plan and Deductible Standard Plan. All Standard Plan options are administered by Blue Cross and Blue Shield of Wisconsin (BCBSWI).

For your quick reference, comparisons of the non-Medicare and Medicare benefits are shown below. Click on any of the options listed above for premium rate information.

Non-Medicare Benefits	Traditional HMO-Classic Standard Plan	Traditional HMO-Standard PPP	Deductible HMO-Deductible Standard Plan	Deductible HMO-Standard PPP Deductible
Standard Plan Option Benefit:				
Deductible (Unless otherwise noted, it is an overall deductible)	\$250 Individual / \$500 Family (Major Medical*)	<i>In-Network:</i> \$250 Individual/ \$500 Family <i>Out-of-Network:</i> \$500 Individual/ \$1000 Family	\$500 Individual/ \$1000 Family	<i>In-Network:</i> \$500 Individual/ \$1000 Family <i>Out-of-Network:</i> \$1000 Individual/ \$2000 Family
Coinurance	80% / 20% (Major Medical*)	<i>In-Network:</i> 90% / 10% <i>Out-of-Network:</i> 70% / 30%	80% / 20%	<i>In-Network:</i> 80% / 20% <i>Out-of-Network:</i> 70% / 30%
Annual out-of-pocket maximum (Includes deductible & coinsurance)	\$1250 Individual/ \$2500 Family (Major Medical*)	<i>In-Network:</i> \$1000 Individual \$2000 Family <i>Out-of-Network:</i> \$2000 Individual \$4000 Family	\$2000 Individual/ \$4000 Family	<i>In-Network:</i> \$2000 individual / \$4000 Family <i>Out-of-Network:</i> \$4000 Individual / \$8000 Family
HMO-Type Benefit:				
HMO-type benefit	Uniform Benefits	Uniform Benefits	\$500 Individual/ \$1000 Family After deductible is met, Uniform Benefits apply.	\$500 Individual/ \$1000 Family After deductible is met, Uniform Benefits apply.
<hr/>				
Medicare Benefits	Traditional HMO-Classic Standard Plan	Traditional HMO-Standard PPP	Deductible HMO-Deductible Standard Plan	Deductible HMO-Standard PPP Deductible
Standard Plan Option Benefit:				
Deductible (Unless otherwise noted, it is an overall deductible.)	\$150 Individual/ \$300 Family (Major Medical*)	<i>In-Network:</i> \$150 Individual/ \$300 Family <i>Out-of-Network:</i> \$300 Individual/ \$600 Family	\$500 Individual/ \$1000 Family	<i>In-Network:</i> \$500 Individual / \$1000 Family <i>Out-of-Network:</i> \$1000 Individual / \$2000 Family
Coinurance	80% / 20% (Major Medical*)	100% / 0%	100% / 0%	100% / 0%
Annual out-of-pocket maximum (Includes deductible & coinsurance)	\$1150 Individual/ \$2300 Family (Major Medical*)	<i>In-Network:</i> \$150 Individual/ \$300 Family	\$500 Individual/ \$1000 Family	<i>In-Network:</i> \$500 Individual / \$1000 Family

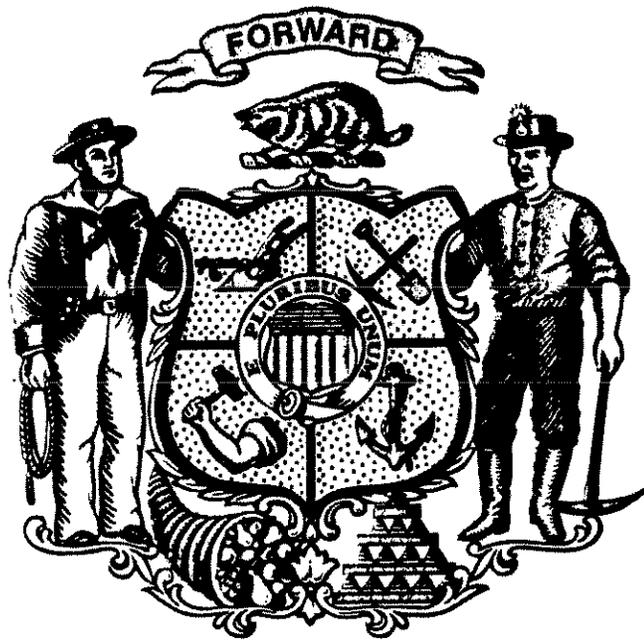
		Out-of-Network: \$300 Individual/ \$600 Family		Out-of-Network: \$1000 Individual/ \$2000 Family
HMO-Type Benefit:				
HMO-type benefit	Uniform Benefits	Uniform Benefits	\$500 Individual/ \$1000 Family After deductible is met, Uniform Benefits apply.	\$500 Individual/ \$1000 Family After deductible is met, Uniform Benefits apply.

**Only applies to major medical services, for example, durable medical equipment, physical/speech/ occupational therapy, medical services and supplies, cardiac rehabilitation, and total extraction and replacement of teeth.*

Local government employers currently participating in the Group Health Insurance Program are enrolled in "Traditional Option – Classic Standard Plan" and only need to file a new resolution if they wish to select one of the new options for their employees and annuitants. Employers joining the program must select the benefit option when filing the initial resolution. Employers may not split its group between the options.

For more information on the WPE Group Health Insurance Program, contact ETF, Division of Trust Finance & Employer Services, P.O. Box 7931, Madison, WI 53707-7931. Call (608) 267-2198 or FAX (608) 266-5801. Information about Health Insurance and other benefit programs is also available on our Internet site at etf.wi.gov.





**2005 LOCAL EMPLOYEE MONTHLY RATES:
DEDUCTIBLE HMO OPTION-- DEDUCTIBLE STANDARD PPP**

LOCAL EMPLOYEE GROUP HEALTH INSURANCE MONTHLY RATES FOR 2005	NON-MEDICARE RATES RATES APPLY ONLY IF NO FAMILY MEMBERS ARE ELIGIBLE FOR MEDICARE		MEDICARE RATES RATES APPLY IF AT LEAST ONE INSURED FAMILY MEMBER IS ELIGIBLE FOR MEDICARE		
	SINGLE/NON- MEDICARE	FAMILY/NON- MEDICARE	SINGLE MEDICARE	FAMILY MEDICARE - 2*	FAMILY MEDICARE - 1*
STANDARD PLAN: DANE--PPP ¹	820.70	1995.40	345.00	656.30	1168.70
STANDARD PLAN: MILWAUKEE--PPP ²	886.30	2159.20	345.00	656.30	1239.00
STANDARD PLAN: WAUKESHA--PPP ³	886.30	2159.20	345.00	656.30	1239.00
STANDARD PLAN: BALANCE OF STATE--PPP ⁴	772.50	1874.80	345.00	656.30	1117.00
STATE MAINTENANCE PLAN	592.00	1414.10	NA	NA	NA
ATRIUM HEALTH PLAN	527.70	1300.80	461.70	911.10	977.10
COMPCAREBLUE - AURORA/FAMILY	419.50	1030.30	353.30	694.30	760.50
COMPCAREBLUE NORTHEAST	437.20	1074.50	368.20	724.10	793.10
COMPCAREBLUE NORTHWEST	454.50	1117.80	383.10	753.90	825.30
COMPCAREBLUE SOUTHEAST	453.60	1115.50	382.20	752.10	823.50
DEAN HEALTH PLAN	324.10	791.80	271.80	531.30	583.60
GHC-EAU CLAIRE	500.70	1233.30	414.20	816.10	902.60
GHC-SOUTH CENTRAL	348.50	852.80	287.40	562.50	623.60
GUNDERSEN LUTHERAN	441.40	1085.10	290.90	569.50	720.00
HEALTH TRADITION	448.20	1102.10	374.70	737.10	810.60
HUMANA-EASTERN	488.50	1202.80	404.00	795.70	880.20
HUMANA-WESTERN	525.70	1295.80	435.00	857.70	948.40
MEDICAL ASSOCIATES HMO	378.70	928.30	286.80	561.30	653.20
MERCYCARE HEALTH PLAN	356.30	872.30	293.90	575.50	637.90
NETWORK-FOX VALLEY	443.90	1091.30	368.70	725.10	800.30
PHYSICIANS PLUS	334.10	816.80	280.40	548.50	602.20
PREVEA HEALTH PLAN	426.70	1048.30	356.50	700.70	770.90
UNITEDHEALTHCARE (formerly Touchpoint)	385.20	944.60	317.90	623.50	690.80
UNITY-COMMUNITY	412.20	1012.10	343.50	674.70	743.40
UNITY-UW HEALTH	332.90	813.80	276.80	541.30	597.40

Standard Plan rates are determined by the employer county or the retiree county of residence

STANDARD PLAN AREA INCLUDES THE
FOLLOWING:

- ¹DANE: Dane, Grant, Jefferson, LaCrosse, Polk, St. Croix
- ²MILWAUKEE: Milwaukee county & retirees living out of state
- ³WAUKESHA: Kenosha, Ozaukee, Racine, Washington, Waukesha
- ⁴WISCONSIN: Balance of state

N/A = "not applicable". Medicare eligible participants automatically receive Standard Plan benefits.

*Medicare Family 1=One family member enrolled in Medicare Parts A & B;

Medicare Family 2=Two or more family members enrolled in Medicare Parts A & B.