

WISCONSIN STATE  
LEGISLATURE  
COMMITTEE HEARING  
RECORDS

2005-06

(session year)

Senate

(Assembly, Senate or Joint)

Committee on  
Agriculture and  
Insurance  
(SC-AI)

File Naming Example:

- Record of Comm. Proceedings ... RCP
- > 05hr\_AC-Ed\_RCP\_pt01a
  - > 05hr\_AC-Ed\_RCP\_pt01b
  - > 05hr\_AC-Ed\_RCP\_pt02

> Committee Hearings ... CH (Public Hearing Announcements)

> \*\*

> Committee Reports ... CR

> \*\*

> Executive Sessions ... ES

> \*\*

> Record of Comm. Proceedings ... RCP

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> Appointments ... Appt

> \*\*

> Clearinghouse Rules ... CRule

> \*\*

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

> **05hr\_sb0241\_SC-AI\_pt01**

> Miscellaneous ... Misc

> \*\*

**Smyrski, Rose**

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**From:** Asbjornson, Karen  
**Sent:** Monday, April 11, 2005 3:09 PM  
**To:** Smyrski, Rose  
**Subject:** Re: SB 141 Acts of Nature

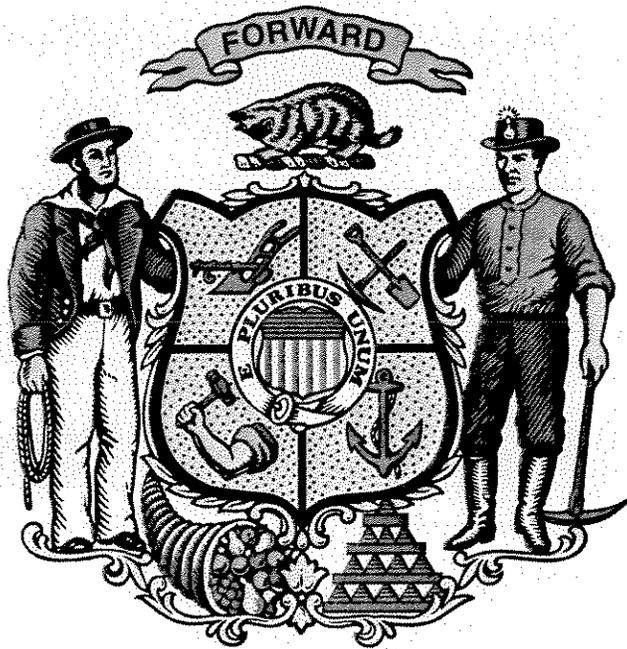
Hi Rose,

Senator Roessler would like to request a hearing on Senate Bill 141, regarding prohibiting cancellation or nonrenewal of property or automobile insurance because of claims based on acts of nature.

Please let me know when a hearing could be scheduled on Carol's bill. Please feel free to call or email me or my boss about any questions about this bill.

Thanks Rose -- I look forward to hearing from you!

Karen Asbjornson  
Office of Senator Roessler  
608-266-5300/1-888-736-8720  
Karen.Asbjornson@legis.state.wi.us





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## MEMORANDUM

TO: File

FROM: Vaughn L. Vance

DATE: June 22, 2005

RE: SD32 Pool Rated School Districts

### LaCrosse County

Bangor  
Holmen  
West Salem

Note: Onalaska and LaCrosse are WEA Trust districts, but are experience rated.

### Vernon County

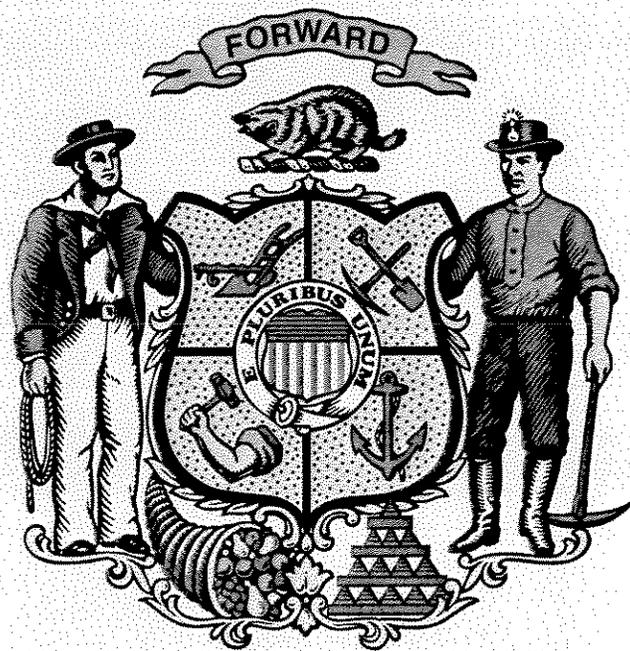
De Soto  
Hillsboro  
Kickapoo  
LaFarge  
Viroqua  
Westby

### Crawford County

North Crawford  
Prairie du Chien  
Seneca  
Wauzeka-Stauben

### Monroe County

Cashton  
Norwalk-Ontario



**Alberta Darling**  
**Wisconsin State Senator**  
Joint Committee on Finance

August 3, 2005

Senator Dan Kapanke  
104 South  
State Capitol

AUG 09 2005

Dear Senator Kapanke,

I respectfully request that you schedule a public hearing for both Senate bill 241 and 242 at the next possible hearing date for the Senate Committee on Agriculture and Insurance. I believe these bills represent an extremely important portion of our shared agenda. That agenda includes controlling rising health care costs and giving local units of government the tools to better manage their budgets.

SB 241 is a bold attempt to help several school districts better manage their ongoing health care expenses. The bill requires WEA Trust to publicly release premium prices and health care claims experience data and history, when the information is requested by a member district.

SB242 makes health care coverage a prohibitive subject of bargaining if the employer can provide a "substantially similar" plan. It also gives employers the right to change health care providers if the new, less-expensive plan offers "substantially similar" coverage.

It is my hope that after a successful committee vote, both of these bills will be scheduled for full Senate debate by the beginning of the fall floor period. As you know, we are scheduled to be in session from September 20<sup>th</sup> to the 29<sup>th</sup> and again from October 25<sup>th</sup> thru November 10<sup>th</sup>. In order for that to happen however, an expedited hearing in your committee is extremely important.

I plan to push our Senate leadership team very hard to make sure these bills receive full Senate action later this year. It is my hope you will support this effort, and help me convince our colleagues on the Senate Organization Committee to move both onto a session calendar.

If you have any questions or concerns about this bill please contact me immediately.

Sincerely,

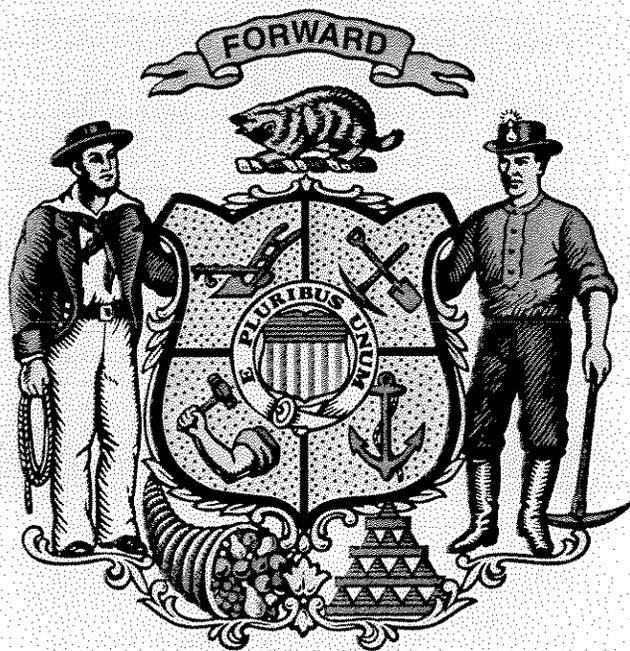
  
ALBERTA DARLING  
State Senator  
8<sup>th</sup> District

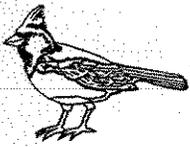
CC. Representative McCormick

Capitol Office: P.O. Box 7882 • Madison, Wisconsin 53707-7882 • Phone: 608-266-5830 • Fax: 608-267-0588 • Toll-free: 1-800-863-1113

District Office: N88 W16621 Appleton Avenue • Menomonee Falls, Wisconsin 53051

Email: Sen.Darling@legis.state.wi.us • Web page: www.legis.state.wi.us/senate/sen08/news/





## SCHOOL DISTRICT OF ELEVA-STRUM

Mr. Mark J. Gruen  
Principal  
Central Middle School  
Central High School  
gruenmark@esschools.k12.wi.us

**Kenneth R. Rogers, Ph.D.**  
Superintendent of Schools  
rogersk@esschools.k12.wi.us

Mr. Craig Semingson  
Principal  
Strum Primary School  
Eleva Intermediate School  
semingsc@esschools.k12.wi.us

October 26, 2005

**TO:** LEGISLATORS

**FROM:** Kenneth R. Rogers, District Administrator  
School District of Eleva-Strum

**RE:** Support for SB 241 and SB 242

It is time for a major change in the medical industry. The cost of medical services is the most pressing concern of the country. The expansion of costs in the industry has squeezed every part of society and has impacted negatively every personnel issue facing our state and nation. The utter disregard by the medical care industry for rising costs will devastate many businesses, schools and families. It is time for significant government oversight and regulation.

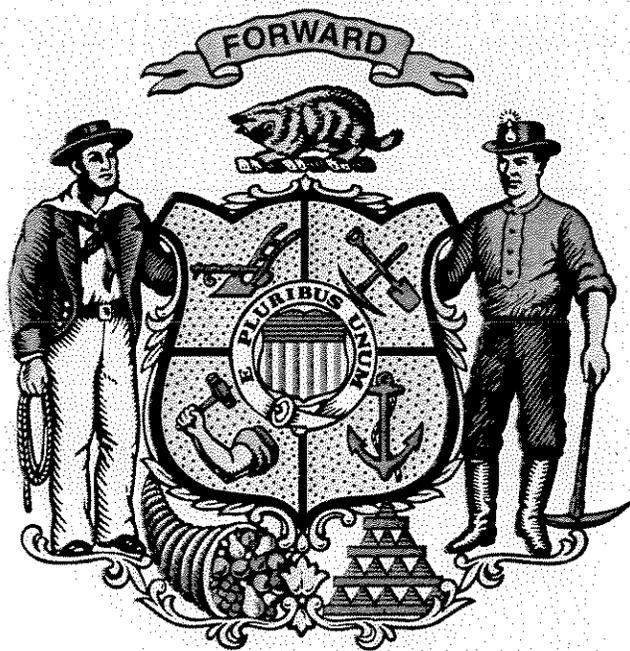
Other industries have varying degrees of government oversight and regulation. These are industries with literal or perceived monopolies that were dictating costs beyond reason for no better reason than they could. These are industries necessary to our way of life and economy, just like medical providers. The telecommunication industry is regulated to make sure access is equitable and reasonable because it is the backbone of our economy. Energy utility companies are also regulated for similar reasons. Our health is the real backbone of our country yet circumstances and markets have weakened our country because of the medical industry's want for more and more and more.

Our nation and our nation's relationship to the world economies cannot sustain the unmitigated self-indulgence shown by the medical community. Medical costs that outpace inflation by three to 10 times cannot be justified. If left unchecked and unregulated, we will all be paying more for medical services than any other personal cost. If costs keep rising like the past five years, within another 10 to 15 years, the only people who will be able to afford insurance or medical care will be millionaires. Our country should not stand for medical care for only the rich. Medical care must be reasonable and equitable if the ideals of our democracy are to be upheld. It is no longer either. Medical providers have not recognized that their costs must be contained if our society is to survive as a positive progressive country and world leader. Since they are unwilling or unable to find a reasonable niche in our economy, it is time to regulate them as we have any monopoly in the past. Time is long past to let the medical industry determine their own paths. In their rush for profits and market share, they have forgotten about the American people and the economy of the nation.

Of all the organizations involved in the picture of health care, I trust the government the most. It is past time for government to regulate the medical industry. It will take strong involvement of a big player such as state government if we are to keep our economy stable and healthy. These bills, SB 241 and 242 could be major steps in creating stability for the economy and at the same time giving schools some relief from these uncontrollable costs.

These two bills are directed at health insurance companies. Although this is a very good start to assist in controlling the cost of health care, it is only a start. Many other firms in the health care sector are causing the exorbitant increases in health care. The legislature can start here but for the good of the state and country, you cannot stop at this step.

I call upon all representatives to take strong action to ensure the future of our country and heritage.



# Alberta Darling

## Wisconsin State Senator

Joint Committee on Finance

TESTIMONY BEFORE THE SENATE COMMITTEE ON AGRICULTURE & INSURANCE

SENATE BILL 241

WEDNESDAY, OCTOBER 26, 2005

Good morning Chairman Kapanke and members of the Senate Committee on Agriculture and Insurance. I am pleased to sit before you today for the purpose of testifying in support of SB241. SB241 requires all health insurance carriers to publicly release premium prices and health care claims experience data and history, when the information is requested.

In order to compare prices on anything they purchase, school districts normally solicit bids from several vendors, compare them, and choose the best, least-expensive option. Only in the case of health insurance are they unable to do so. This is particularly troubling in that employer health insurance is the one expense that is growing by leaps and bounds year after year after year.

Currently, WEA Insurance Corporation insures about 80% of the school districts in Wisconsin. The WEA Insurance Corporation has a policy that for their mid-sized customers, they will set premiums based on the history of the costs of the pool of all covered members. Thus each district's premium is set, not on the basis of their own personal history of claims, but on the basis of the health claims of all the mid-sized members statewide. There are a few adjustment factors, such as the geographic area of the member district, but generally speaking, the rates are supposed to be based on the pool of all claims experience history in similar districts across the state.

*Can't compel  
any district  
to take  
this measure*

It is clear that any district that asks to have their own individual health claims history provided to them will then have its employees removed from the statewide pool of claims, and the premiums from that time forward will be set according to the individual claims history of that one district. This is a risky request for the districts, since they do not have the financial resiliency to absorb a difficult year of claims if they are kicked out.

The refusal to release this data, and the penalty they attach to the request, is obviously a critical point for the WEA Insurance Corporation. Wisconsin law requires insurance companies to provide this claims experience upon request, and to do so without charge. In 2001, OCI ordered WEA Insurance to stop penalizing customers by removing them from the pool rates when they requested their health claims history. WEA took the state to court and a Dane County judge ruled that their policy was legal.

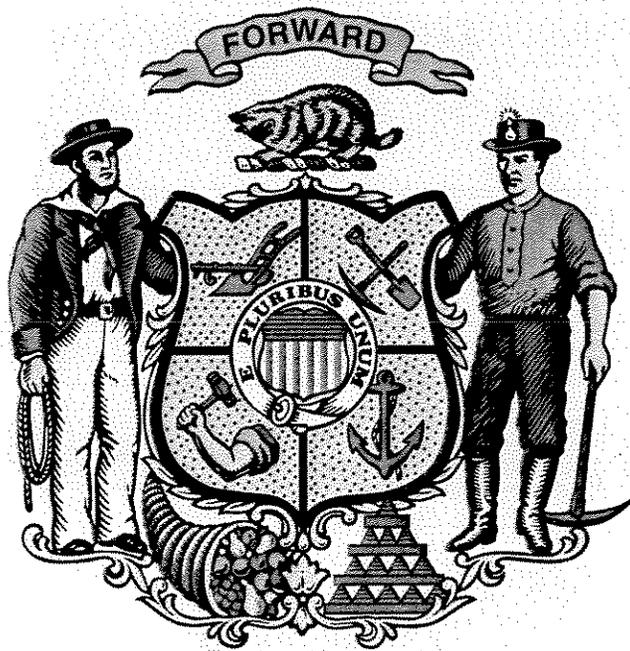
I believe that all school districts, regardless of who their health insurance provider is, should be made to release any and all claims experience data without a charge, a cost or a consequence. I am suggesting we change state law to specify that the right to this information cannot be denied. A free flow of information will invite increased competition and better, more competitive pricing amongst those companies that insure Wisconsin's teachers.

Thank you again Chairman Kapanke and members of the committee. At this time, if you have any questions about the bill, I would be happy to answer them.

Capitol Office: P.O. Box 7882 □ Madison, Wisconsin 53707-7882 □ Phone: 608-266-5830 □ Fax: 608-267-0588 □ Toll-free: 1-800-863-1113

District Office: N88 W16621 Appleton Avenue □ Menomonee Falls, Wisconsin 53051

Email: Sen.Darling@legis.state.wi.us □ Web page: www.legis.state.wi.us/senate/sen08/news/



**Perlich, John H.**

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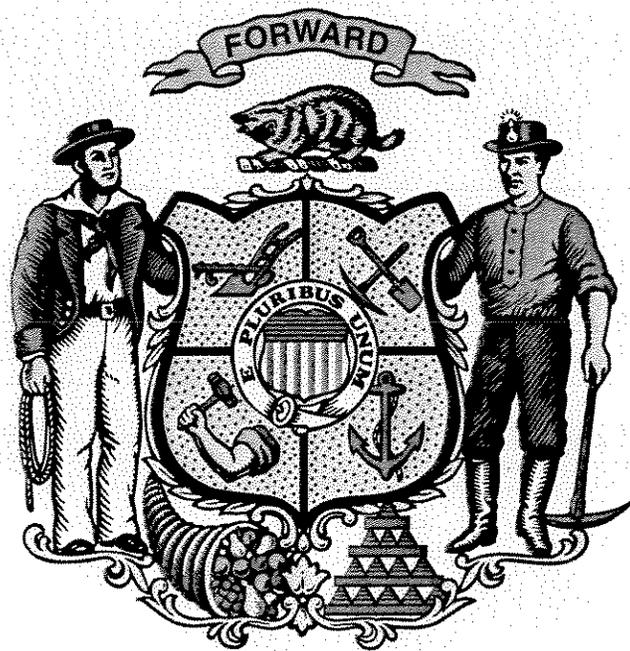
**From:** Soulis, Dave  
**Sent:** Wednesday, October 26, 2005 8:30 AM  
**To:** Tormey, Jessica  
**Cc:** Darling, Alberta; Kapanke, Dan  
**Subject:** today's Ag & Insurance committee

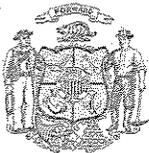
Dear Senators and Jessica,

Last night, I sent an e-mail to Jessica Tormey informing her that Rep. McCormick would be testifying today in support of SB-241 and SB-242 at the Ag & Insurance public hearing. After further consideration and a review of the bills, Terri has decided not to testify in support at this time. Rep. McCormick feels that the bills have old language from the bills she authored in 2002, and revisions were made in late 2004 to update them, but are not in SB-241 and SB-242. Terri would like to set up a phone conversation with Senator Darling to apprise her of the updated language as soon as can be arranged. Feel free to call our office at 6-7500, and we can work towards that meeting.

Thanks,

Dave Soulis  
Research Assistant  
Rep. Terri McCormick  
56<sup>th</sup> Assembly District  
608-266-7500(P)  
608-282-3656 (F)





# TERRI McCORMICK

WISCONSIN STATE REPRESENTATIVE

CHAIR: ECONOMIC DEVELOPMENT COMMITTEE

October 26, 2005

Senator Dan Kapanke  
Chair, Senate Ag & Insurance Committee  
Wisconsin Legislature  
Madison, WI

Dear Senator Kapanke,

I write to you today concerning the Senate Ag and Insurance committee public hearing, which will this morning consider two bills which I was the original author of, SB-241 and SB-242. Senator Darling is also a co-author on the current versions. I will not be testifying in support of these bills at this time.

I would suggest that this working draft presented by Senator Darling goes back to the drawing board in that it has not been discussed with the original author, nor has it been given the due diligence that it should by fast tracking this process.

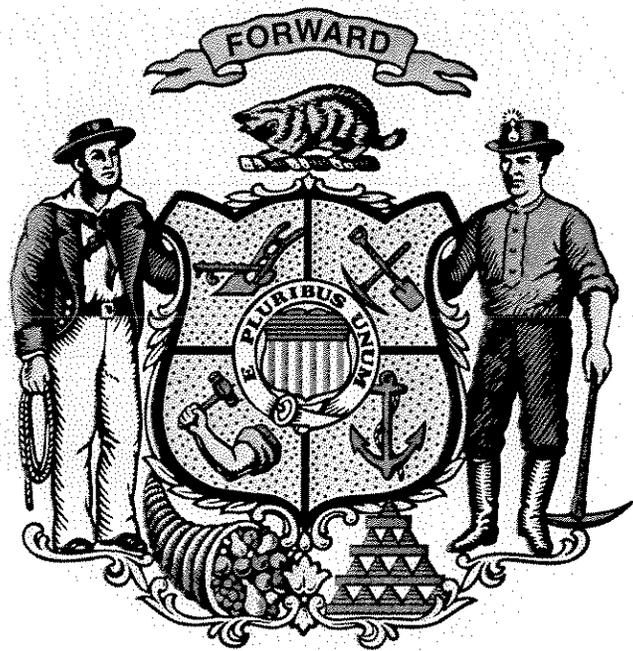
I first heard of this bill going forward yesterday, but my notes and revisions are in my district office in Appleton. I would respectfully suggest that this bill come up at a later date, or advise the Senate Committee that there will be changes on the Assembly side that will need to be negotiated at a later date when I have an opportunity to work with this legislation that I authored in March of 2002 and revised in December of 2004.

Please feel free to call my office if you have questions at 266-7500.

Sincerely,

Terri McCormick  
State Representative  
Wisconsin Legislature  
56<sup>th</sup> Assembly District

cc Tom Petri





P.O. Box 7338 • Madison, WI 53707-7338  
45 Nob Hill Road • Madison, WI 53713-3959  
Voice/TDD: (608) 276-4000 • (800) 279-4000  
Fax: (608) 276-9119 • Web site: [www.weatrust.com](http://www.weatrust.com)

## Testimony of

Fred Evert, President  
WEA Insurance, Inc.

To

Senate Committee on Agriculture & Insurance

October 26, 2005

Mr. Chairman and members, thank you for the opportunity to appear at today's hearing. My name is Fred Evert and I am President of the WEA Insurance Corporation, a subsidiary of the WEA Trust, a not-for-profit organization that provides insurance benefits to public school employees and their families throughout the state.

Reducing health care costs for school districts is something that has been at the core of the Trust's mission since it was founded in 1970. In fact, our more than 35 years of experience as a health insurance innovator and the steady commitment of our insured participants is what continues to enable us to deliver high value services.

### **The WEA Trust – Background**

The WEA Trust is a not-for-profit organization that was founded to provide insurance and benefit plans for public school employees and their families. While most insurance companies are in the business of collecting premiums, paying claims, and making a profit, the Trust offers an alternative to commercial products, operating less expensively and providing better value because it is not for profit and does not pay dividends to stockholders or commissions to agents or brokers. Instead, we operate to return maximum value to our members and their employers. Over its history, the Trust health plans have returned about 93 cents out of every premium dollar in the form of benefit payments—a number unmatched by any other insurer.

As a percent of premium, the administrative costs and complaint ratios for the WEA Trust health plans are far below the industry standards. Furthermore, the WEA Trust offers many cost-saving options to school districts. In the last bargaining cycle alone, for instance, our districts adopted cost-saving measures netting more than \$50 million in health care savings.

With more than 350 school districts statewide insured by the WEA Trust, we currently rank as one of largest group health insurers in Wisconsin. While the Trust represents a significant percentage of the total number of school districts throughout Wisconsin, most of the Trust's clients are small- to mid-sized districts. In fact, the WEA Trust insures only about half of the 50 largest school districts in Wisconsin.

We have no automatic rights to insure school districts; we become their insurer only if a district and one of its employee units have agreed during collective bargaining to contract with the Trust to provide benefits. Under existing law, school districts have a wide array of options when choosing a health plan. They can choose to self-insure, join the state pool for local employers, contract with the WEA Trust, or contract with another health insurer with whom we compete. Like any market actor, our membership can and does change.

While the WEA Trust was initially formed by WEAC, it was organized under a separate trust charter with separate management to operate independently of WEAC. The WEA Trust does not contribute to WEAC's operating expenses, political activities, or other expenses. The WEA Trust, like any other private sector insurer, is subject to the laws of the state and regulated by the OCI. WEAC is not.

### **The WEA Trust Pool-Rated Option**

For more than 30 years, the WEA Trust has offered both pool-rated and experience-rated options for the Wisconsin school districts it serves. The 303 school districts that participate in the WEA Trust's insurance pool receive a pool-rated premium. A pool-rated premium is based, as the name suggests, upon the health claims experience of *all* of the school districts in the pool. In contrast, the 55 school districts that do not participate in the pool receive an experience-rated premium that is largely based on their individual claims experience.

The WEA Trust's pool-rating system dampens the volatility of health claims experience and provides the rate stability of a very large group. Health claims experience for smaller groups is highly variable from year to year, and small groups are subject to more sudden and significant shifts in their claims experience. Large groups do not suffer such volatile shifts; thus, the pool protects small- and medium-sized districts from large swings in their annual premium rates. The WEA Trust is also able to offer pool-rated districts health care and wellness options that normally are only available to larger employers.

The WEA Trust pool is structured in a way that made individual district claims experience data irrelevant. Each district routinely receives comprehensive information about the claims experience of the entire pool—that is, the experience upon which their insurance premium is actually determined. If a pool-rated school district specifically requests its individual district claims experience, the WEA Trust will provide the district with that information. At the time of the district's next policy renewal, however, that district will only be offered a premium based upon the district's own individual experience rather than a pool-rated premium.

An essential component of the more than 30 year success of WEA Trust's insurance pool is the requirement that pool-rated school districts waive their right to receive individual claims experience. If the WEA Trust provided pool-rated school districts with their individual claims experience and allowed them to later renew their insurance as part of the pool, school districts with short-term "good" experience (the healthier groups) almost certainly would leave the pool. At the same time, the retained risk of the pool would increase because school districts with "worse" than average experience would almost certainly choose to remain in the pool. At the next renewal, the WEA Trust would be forced to raise premiums to account for both the increased risk and the likelihood of additional departures. As a result, even more school districts will leave during that policy period with the cycle continuing until the pool dissolves. When the pool-rated option is gone, small schools would be exposed to the same crippling premium spikes that private sector small employers currently experience.

The smaller the employer, the more volatility is to be expected in claims experience. Consequently, the less useful prior years' experience is in predicting future rates. Release of claims experience for pool-rated school districts would be of questionable benefit to other insurance companies in predicting future rates. Information related to the gender, age, and geographical makeup of a district should assist most credible insurance carriers in preparing premium estimates for smaller districts.

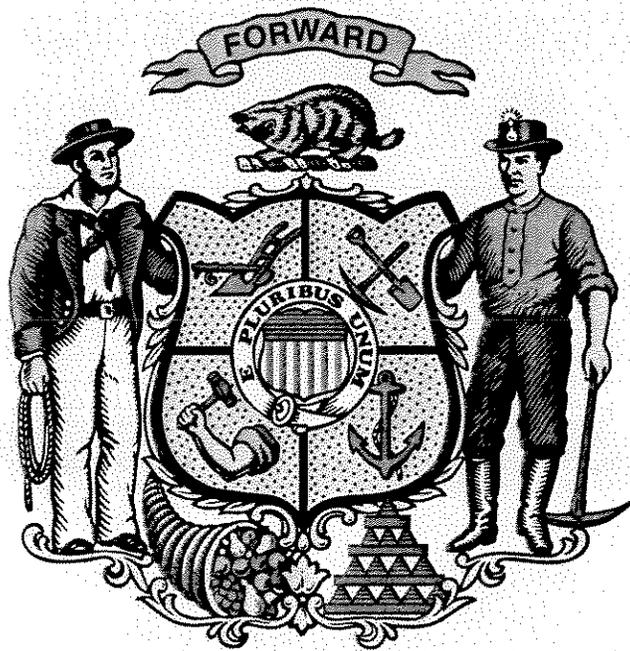
The WEA Trust has been successful for many years at providing more stable premium costs without sacrificing the quality or breadth of benefits for its pooled members. In many small communities across the state, the Trust has also been an important source of quality health insurance, often alleviating the pressure on other family members and small employers to obtain more costly policies.

This is not to say that the Trust, or its insured school districts, have been insulated from the tremendous cost increases in health care services in the last few years. We too experienced medical cost increases that challenged even our pool rating methodology. That having been said, however, our average rate increase in July 2004 for pool-rated schools is 3.4% which still bests the state's most recently announced 5.1% increase for the state pool. Notably, the WEA Trust's release of claims experience data is also consistent with the state's local government pool, which distributes aggregated claims experience, not the claims experience of the various subgroups comprising the pool.

#### **Senate Bill 241**

Proponents of Senate Bill 241 support the creation of a statutory requirement that all districts, including those enrolled in a pool-rated plan, receive their individual claims experience "without consequence." If passed, this legislation would make it impractical for the WEA Trust to continue offering a pool-rated option to the smallest, most vulnerable school districts in Wisconsin. Without the protections of the pool, even a single high-cost claim could result in wild premium increases for small districts. Wild premium fluctuations would make long-term budgeting impractical. Under the state's QEO law, wild premium fluctuations would result in district referendums, salary rollbacks, and an inability to establish long-term budget stability.

Senate Bill 241 does nothing to address the underlying causes of rising health care costs. If passed, this legislation would expose school districts to wild premium fluctuations, complicate long-term budgeting for school districts, threaten the quality of health care benefits for public school employees, and expose state taxpayers to the risks associated with unpredictable health care costs. As such, **the WEA Trust urges committee members to oppose Senate Bill 241.**



10-26-2005

Submitted respectfully to the Committee:

I am Mike McArdle, the Business Administrator for the School District of Monroe. I am here today to support Senate Bills 241 and 242. I applaud the sponsors for bringing forward this legislation and hope the Committee will see and understand the value of also endorsing this needed legislation and moving the proposals forward to successful legislative action and presentation to the governor. I have no illusions about the position of WEAC on this needed legislation. Please look at the greater picture and support this needed legislation that will give back sanity to public sector labor negotiations.

My predecessors, both elected and ministerial officials, gave away cheap benefits more than 30 years ago with the belief that their decisions would go a long way towards labor peace while not saddling the future with unacceptable benefit packages. They, unfortunately, were wrong on the belief that these benefits would remain cheap. We are fast approaching when benefit packages will equal the starting wages/salaries of our professional employees. The WEA Trust family health MCP policy in the Monroe District currently has a premium of \$15,988. Many of our nine (9) month support staff members, when you add in the other employee benefits such as dental, Retirement, Social Security and LTD already have a benefit package that equals the base salary. I cannot believe this was what was envisioned.

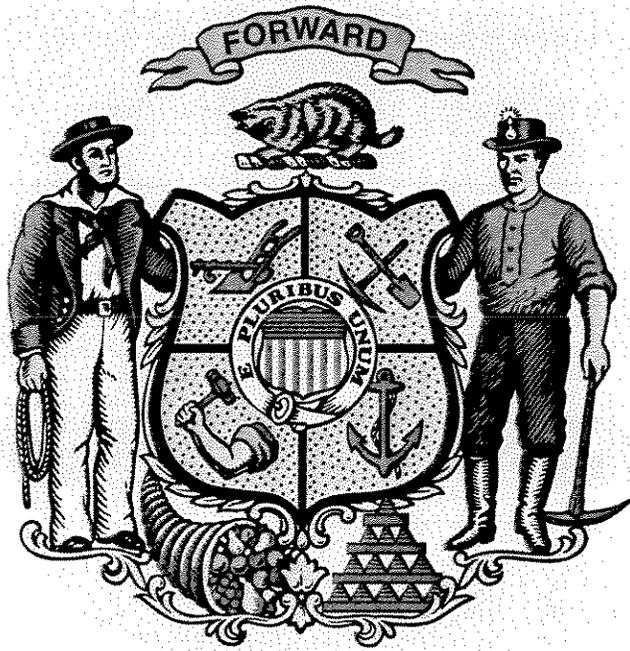
You, of course, are probably saying that I can change this situation at the bargaining table. I cannot. The Unions are looking for a "quid pro quo". I do not have the resources nor the "will" of the taxpayer to find an alternative to such a rich benefit. You then likely argue I should be able to win with the Arbitrator. I was shocked to learn, and I hope you are as well, that the statistics for 2004 arbitrations dealing with health insurance showed that of the 18 cases heard on health insurance in Wisconsin, management won only 8. In all 8, management offered a "quid pro quo". It was even more telling to learn of the 29 cases heard in 2004, 18 where about health insurance. I do not trust the arbitrator process, nor do I think that I can win with the simple argument that our fund balance is gone. I quote from the Whitewater School District support staff case # 30740-A with Arbitrator Thomas Yaeger decided 9/10/2004. The Arbitrator states: "I found in reviewing more than 20 arbitration awards where changes to the health insurance premium contribution levels was an issue, that in those cases where no quid pro quo was offered the employer's proposed increase in insurance premium contributions was never selected. And, in some cases where a quid pro quo was offered arbitrators found it inadequate and did not select the employer offer. Although some arbitrators have commented that a quid pro quo may not be necessary when the health insurance premiums are rising at a rapid rate or under unique circumstances, that notwithstanding, as already noted, I found no decisions where the employer's proposed reduction in the insurance premium contribution level was selected when it was not accompanied by a quid pro quo. These conclusions are clearly based upon the unique facts of each case and this no general rule regarding what constitutes a sufficient quid pro quo has emerged." This is a telling statement. I urge you to support taking off the bargaining table the decision of health insurance.

The survival of many Wisconsin districts depends on being able to bring sanity back to employee benefits. This bill does not ask you to change the level of employee premium participation. I accept that we must get that type of change from our unions at the table. What it does ask you to do is allow school boards and elected officials in towns, cities and counties to move their health insurance program to the state's plan. This will have an immediate positive affect on the cost of running local government. The Monroe School District has a \$26,164,186 General Fund. The subsidy of Special Education included in that number is approximately \$3,631,506. The employee benefits in the number are \$5,154,175. The employee benefit number represents nearly 1/5 of our expenditures and is even greater than the poorly funded mandate for Special Education where we spend \$5,383,859 in that fund and, as already mentioned, we must support those expenditures to the tune of \$3,631,506. We must have your assistance in addressing the dynamics of our benefit costs. The solution will also be good for the state by increasing the number of participates in the health plan there by allowing not only the municipalities to benefit, but the State as well through future population/experience pricing.

In addition, many Wisconsin school districts are struggling with the insurance company, WEA Trust, not giving data so one can make a decision as to whether to stay in the main group or go as an independent group or even the information needed to change carriers. Senate bill 241 takes their unilateral power away. I urge you to support that change as well.

October 26, 2005

Mike McArdle  
Business Administrator  
School District of Monroe  
925 16<sup>th</sup> Avenue, Suite 3  
Monroe, WI 53566  
(608) 328-7148





# SENATE BILL 241: A HUGE FINANCIAL GAMBLE FOR SCHOOL DISTRICTS

*For over thirty-five years, the not-for-profit WEA Trust has provided school districts with a unique health insurance risk-sharing pool that has brought significant premium stability to small and mid-sized districts throughout Wisconsin. Today, more than 300 school districts from across the state have voluntarily joined together in this pool to reduce their risk and to improve the stability of their health insurance costs.*



- ▶ **SB241 does nothing to address the underlying causes of rising health care costs.** Elimination of the WEA Trust health insurance risk-sharing pool increases the volatility of health care costs for districts but does nothing to address the real causes of the health care cost crisis. The WEA Trust has offered a fundamental health care reform package known as *The New Wisconsin Idea* that offers a road map to reduce administrative waste, improve quality, and expand access to health care for all Wisconsin citizens.
- ▶ **Current law fosters competition and options in the school health insurance market.** School districts currently have a wide variety of options when it comes to providing their employees with health insurance. Some districts, through the collective bargaining process, choose the WEA Trust to provide their insurance benefits. Others have joined the state's local employers' pool, purchased benefits from other insurance companies, or opted to self-insure. Districts can and do change their choice of health insurance provider based upon market conditions.
- ▶ **SB241 would expose school districts to wild premium fluctuations.** If SB241 is enacted, the WEA Trust will not be able to continue offering a pool-rated option to its smaller, most vulnerable school district clients. Without the protections of the pool, even a single high-cost claim could result in wild premium increases for small districts. Such premium fluctuations would make long-term budgeting impractical. Under the state's QEO law, wild premium fluctuations would also likely result in district referendums, salary rollbacks, and the inability to establish long-term budget stability.
- ▶ **The WEA Trust's release of claims experience data is consistent with the state's local government pool.** Every year, the WEA Trust releases comprehensive data on the claims experience most directly related to rate increases applied to members of the pool. In fact, the Trust's release of information is consistent with the operational standards employed by the state in its own local government pool.

Like the WEA Trust, the Department of Employee Trust Funds does not release the claims experience of individual groups within its pool. To do so would result in the destruction of the pool altogether. In addition, small group claims experience is of little value in predicting future rates given the expected volatility.



**ABOUT THE WEA TRUST:** The WEA Trust is a not-for-profit health insurance company that has been serving public school employees for over 35 years. Our value to taxpayers and public school employees throughout the state is well documented.

- Throughout its history, the WEA Trust has returned more than 93 cents of every dollar to school districts in benefit payments.
- As a percent of premium, the administrative costs and complaint ratios for Trust plans are far below the industry standard.
- Today, the WEA Trust offers many cost-saving options to school districts. In the last bargaining cycle alone, our districts adopted cost-saving measures netting more than \$50 million in health care savings.

### Partial Listing of WEA Trust Pool-Rated Districts

**Buffalo County**

Alma  
Cochrane  
Fountain City  
Gilmanton  
Mondovi

**Columbia County**

Cambria-Friesland  
Fall River  
Lodi  
Pardeeville  
Poynette  
Randolph  
Rio

**Crawford County**

North Crawford  
Prairie du Chien  
Seneca  
Wauzeka-Steuben

**Dane County**

Belleville  
Marshall  
Mt. Horeb

**Eau Claire County**

Altoona  
Augusta  
Fall Creek

**Green Lake County**

Berlin  
Green Lake  
Princeton

**Jackson County**

Alma Center  
Melrose-Mindoro

**Jefferson County**

Cambridge  
Johnson Creek  
Lake Mills  
Palmyra-Eagle  
Waterloo

**La Crosse County**

Bangor  
Holmen  
West Salem

**Monroe County**

Cashton  
Sparta  
Norwalk-Ontario-  
Wilton

**Pierce County**

Ellsworth  
Plum City  
Prescott  
Spring Valley

**Trempeleau County**

Arcadia  
Blair-Taylor  
Galesville-Ettrick  
Independence  
Osseo-Fairchild

**Vernon County**

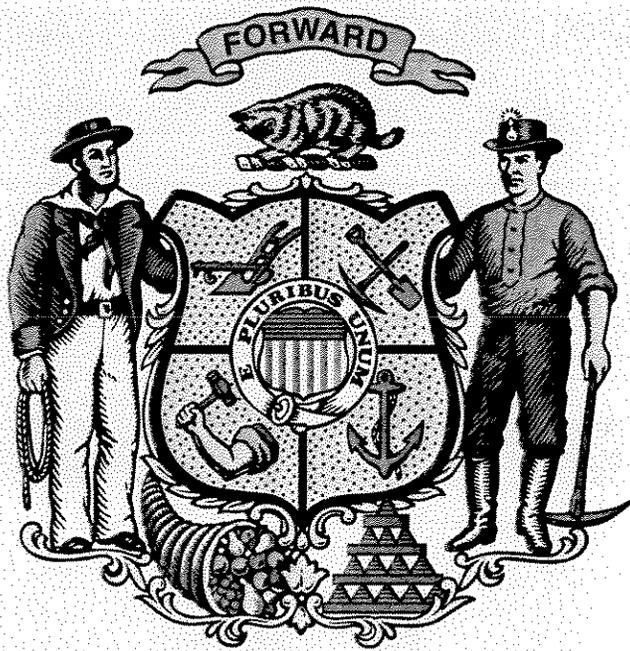
De Soto  
Hillsboro  
Kickapoo  
La Farge  
Viroqua  
Westby

**Walworth County**

Big Foot UHS  
East Troy  
Fontana J8  
Genoa City J2  
Linn J6 & J4  
Sharon J11  
Walworth J1  
Whitewater  
Williams Bay

**Waukesha County**

Arrowhead  
Union HS  
Hartland  
Lakeside  
Lake Country  
Merton  
North Lake  
Pewaukee  
Richmond  
Stone Bank  
Swallow Elementary



# **ABCs of Mediation-Arbitration Reform**

## **Affordability**

**GOAL:** Link the required minimum increase in public employee compensation to the taxpayer's ability to pay, based on statutory revenue or levy limits.

### **METHOD:**

Prohibit an arbitrator from making an award where the percentage increase in total compensation exceeds the following:

- For schools, the allowable percentage increase in the per pupil revenue limit
- For counties, cities, villages, and towns, the allowable percentage increase in property and sales tax levy plus the net change in intergovernmental revenues (shared revenue and transportation aids)
- For technical college districts, the allowable percentage increase in property tax levy plus the net change in state aid

## **Benefit Equity**

**GOAL:** Greater similarity between public and private sector fringe benefits.

### **METHOD:**

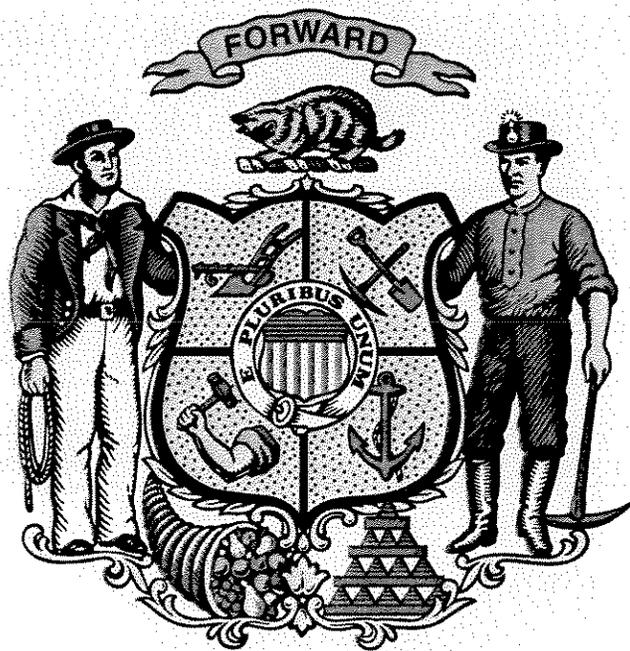
- Authorize a local government employer to unilaterally change its employee health plan to the public employer group health insurance plan offered by the Department of Employee Trust Funds, or a substantially similar plan. Make the selection of health plans a prohibited subject of bargaining if the ETF or similar plan is provided. (Partial vetoed from 2003 SB 33)
- Authorize a local government employer to change health care providers if the benefits are substantially similar

## **Competition**

**GOAL:** Greater competition and efficiency in the delivery of public services.

### **METHOD:**

Make the decision to contract for a public service a permissive subject of bargaining if it can be demonstrated that the contract cost is at least ten percent below the cost of providing the service with public employees, and if the public employees are unable or unwilling to renegotiate their compensation or work rules to bring their cost within ten percent of the contract cost. (AB 268)





## WEA Trust Pool-Rated Option

More than thirty years ago, WEA Trust formed a voluntary, not-for-profit insurance company for public school employees that includes a pool-rated health insurance plan option. While the WEA Trust's pooling success has been somewhat unique in Wisconsin, other groups have worked to develop similar insurance associations. In fact, there are trade associations and other Wisconsin organizations that have formed group health insurance pools. During the last session, for instance, the legislature enacted specific statutory recognition of the Wisconsin Federation of Cooperatives efforts to form a group health insurance pooling plan known as Co-op Care.

The WEA Trust offers both pool-rated and experience-rated options for the Wisconsin school districts it serves. The 304 school districts that participate in WEA Trust's insurance pool receive a pool-rated premium. A pool-rated premium is based, as the name suggests, upon the health claims experience of *all* of the school districts in the pool. In contrast, the 53 WEA Trust school districts that do not participate in the pool receive an experience-rated premium that is largely based on their individual claims experience.

WEA Trust's pool-rating system dampens the volatility of health claims experience and provides policyholders with the rate stability of a very large group. Health claims experience for smaller groups is highly variable from year to year, and small groups are subject to more sudden and significant shifts in their claims experience. Large groups do not suffer such volatile shifts; thus, the pool protects small and medium-sized districts from large swings in their annual premium rates. WEA Trust is also able to offer pool-rated districts coverage options that normally are only available to larger employers.

The WEA Trust pool was structured in a way that made individual district claims experience data irrelevant. Each district routinely receives comprehensive information about the claims experience of the entire pool – that is, the experience upon which their insurance premium is actually determined. If a pool-rated school district specifically requests its individual district claims experience, WEA Trust will provide the district with that information. At the time of the district's next policy renewal, however, that district will only be offered a premium based upon the district's own individual experience rather than a pool-rated premium. The School Administrators Alliance, as part of their testimony, proposed the creation of a statutory requirement that all districts, including those enrolled in a pool-rated plan, receive their individual claims experience "without consequence."

An essential component of the thirty year success of WEA Trust's insurance pool is the requirement that pool-rated school districts waive their right to receive individual claims experience. If WEA Trust provides pool-rated school districts with their individual claims experience, and allows them to later renew their insurance as part of the pool, then school

districts with short-term “good” experience (the healthier groups) almost certainly would leave the pool. At the same time, the retained risk of the pool actually increases because schools with “worse” than average experience will choose to remain in the pool. At the next renewal, WEA Trust would be forced to raise premiums to account for both the increased risk and the likelihood of additional departures. Then even more schools will leave during that policy period with the cycle continuing until the pool dissolves. When the pool-rated option is gone, small schools would be exposed to the same crippling premium spikes that private sector small employers currently experience.

As of June 2004, the WEA Trust provided health insurance coverage to 357 school districts, or roughly 80% of the districts in Wisconsin. According to figures provided by the WEA Trust, an additional 8% of the districts are self-insured; 6% are insured by either WPS or Blue Cross Blue Shield; and, the remaining 6% of districts obtain insurance through other means, including the state pool for local employers.

Below is a breakdown of WEA’s member districts:

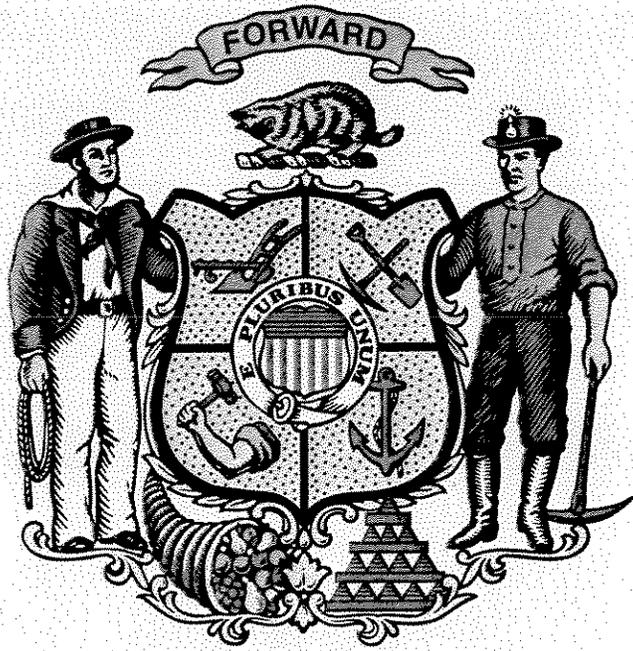
**WEA Trust School Districts – Health Insurance**

	<b>Groups</b>	<b>Percent of Groups</b>	<b>Subscribers</b>	<b>Percent of Subscribers</b>
<b>Experience-rated</b>	53	14.8%	27,607	43.7%
<b>Pool-rated</b>	304	85.2%	35,593	56.3%
<b>Total</b>	357	100.0%	63,200	100.0%

In testimony before the Senate Select Committee on State and Local Government Relations, WEA Trust also noted that school districts should be able to obtain a premium quote from other insurance carriers without presenting their individual claims experience. Information related to the gender, age, and geographical makeup of a district should assist most credible insurance carriers in preparing such a premium estimate.

In 2001, the state Office of Commissioner of Insurance issued a cease and desist order compelling WEA Trust to release individual claims experience without consequence. The OCI order, however, was overturned by the Dane County Circuit Court as inconsistent with the statutes and good public policy. The Attorney General’s office reviewed the matter on appeal, but voluntarily dismissed the case shortly thereafter.

The WEA Trust is aware of a variety of mechanisms employed for public school employee health pools across the country. Some pooling plans, for instance, call for the imposition of a termination assessment when a district seeks to leave a pool. Conversely, Tennessee’s voluntary pool for school districts currently uses a single rate, but acknowledges that anti-selection is starting to occur there and that an experience rated option may need to be considered.





**Vaughn L. Vance**  
Director of Government Relations

PHONE  
608.661.6774 \ 800.279.4000

E-MAIL  
vance@weatrust.com

FAX  
608.276.9119

45 Nob Hill Road \ P.O. Box 7338 \ Madison, WI 53707-7338

[weatrust.com](http://weatrust.com)

# Some facts about the WEA Trust

The WEA Trust (the Trust) is a not-for-profit trust and insurance company that was created by WEAC in 1970 to provide insurance and benefit plans for public school employees and their families. The Trust, just like all insurers in this state, is regulated and carries reserves as required by the Office of the Commissioner of Insurance (OCI).

The Trust's structure is unique among unions that have their own insurance plans. Specifically, WEAC structured the WEA Trust to operate independently of WEAC and to be free of any conflicts of interest or even the appearance of a conflict. In brief, WEAC can get **NO** money from the Trust, nor does it control benefit payments.

The Department of Public Instruction reports that Wisconsin has 151,000 active public school employees. The Trust currently insures *less than half of that total*. While the Trust is the health insurer of about 80% of the state's school districts, most of them are the small to mid-sized districts. Of the state's 50 largest school districts, which total 53% of the state's enrollment, the Trust insures 25 districts.

All school districts in Wisconsin have available to them a choice of the full array of insurance products currently available through the commercial market, as well as the option of participation in a health coverage plan through a

program offered by the Group Insurance Board. (Monona Grove has been a participant in the state plan since 1998.) Additionally, many larger school districts self fund their health care.

Of the 433 school groups in Wisconsin, 357 have chosen the Trust through bargaining. Some of those **not** covered through the Trust include:

Beloit	Madison Metro	Racine
Chippewa Falls	Manitowoc	Sheboygan
Eau Claire	Menasha	Wauwatosa
Green Bay	Milwaukee	Wausau
Janesville	Neenah	West Bend

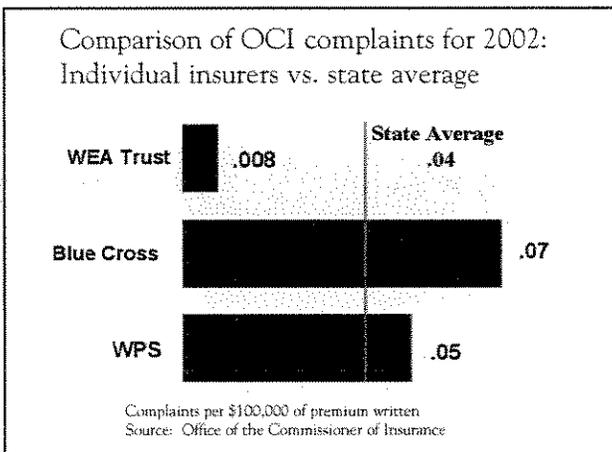
Most insurance companies are in the business of collecting premiums, paying claims, and making a profit. The Trust offers an alternative to commercial products, operating less expensively because it is not for profit and does not pay dividends to stockholders or commissions to agents or brokers. Trust plans operate to return the maximum amount of benefits to members. Over its history, the Trust health plan has returned about 93 cents out of every premium dollar in the form of benefit payments—a number unmatched by any other insurer.

The Trust is a Wisconsin company. It is here to stay in Wisconsin. It insures only Wisconsin employees. Because of its status as a trust, it is never seeking to sell itself to a national entity. It is never looking to increase profits.

*continued . . .*



The Trust prides itself on excellent customer service. The Trust consistently has the fewest number of complaints filed with the Office of the Commissioner of Insurance (OCI) compared with any other insurer.



In contrast to the universal complaints of endlessly waiting to reach a real person at an insurance company, the average call to the Trust is answered by a real person in less than 10 seconds.

Because of the high satisfaction level of its insureds and its high retention rate, the Trust has a long-term perspective and can afford to engage in long-term efforts to improve the health of its members and control costs.

## Trust innovations

- Ten years ago, the Trust was a pioneer in scientifically researching and proving that individuals who have timely access to medical information can make informed, cost-effective health care decisions. The study earned the Trust the prestigious C. Everett Koop National Health Award in 1995.
- The Trust was the first to offer prescription drug coverage as a standard benefit under its health plan.
- The Trust health plan covered psychiatric and chiropractic services long before the law required insurance companies to offer such benefits.
- The Trust was the first insurer in Wisconsin to cover transplants as a standard benefit.
- The Trust focuses on *real* long-term solutions to the health care cost crisis and knows that its members have to assume major responsibility for their health. The Trust recently created Partners in Health, a unique interactive program designed to work closely with school districts and insured participants to encourage members to take responsibility for their own health and educate them to become better consumers of health care.

The Trust is an excellent example of what can be accomplished when the focus is on both immediate and long-term member needs rather than on quarterly profits.



# The *New Wisconsin Idea*

## A Plan of Health Care Reform for Wisconsin



By Al Jacobs  
*Executive Director,*  
*WEA Trust*

**W**isconsin has a proud tradition of leading the nation in key reform areas. Inspired by "*The Wisconsin Idea*," Wisconsin developed the nation's first worker's compensation law and its first unemployment compensation law. It is time once again for Wisconsin to lead the nation, — this time in health care reform.

The health care cost crisis we face today is far, far worse than most people realize. Its solution will require fundamental reform of the health care delivery and financing systems. And although reforming the health care system is a daunting task, it is a task we must undertake.

We can no longer afford to squander the state's precious resources on a broken health care system. If we can gain control over our health care costs, Wisconsin businesses can gain a competitive advantage over businesses from other states.

It is now time for *The New Wisconsin Idea*. It is now time for us to take the lead in solving the state's health care cost crisis. If government, businesses, physicians, hospitals, insurers, and residents work together, we can reform the health care system in Wisconsin.

I have proposed four reform measures that, combined with an appropriately designed health plan, can have a profound impact on the problem.

### **Reform 1: Statewide, Evidence-based Prescription Drug Purchasing**

This past year the WEA Trust spearheaded the creation of WisconsinRx, a statewide, not-for-profit, cooperative drug purchasing group.

WisconsinRx will work with the state's physicians and pharmacists to create an evidence-based preferred drug list independent of special interests. WisconsinRx is available on equal terms to all state businesses, large and small — the same great deal for all.

WisconsinRx will not only reduce drug costs, but it will also enhance the safety and improve the health of all Wisconsin citizens.

### **Reform 2: Centralized Transaction Processing**

The current health care system is a fragmented mess. Providers and payers must deal with blizzards of paperwork, regulations, coding and medical necessity standards, discount arrangements, credentialing requirements, and so on. Those who use the health care system have little understanding of how the system functions, and as a result are often caught in the middle of disputes between their insurers and their providers. Because of this fragmentation, we waste hundreds of millions of dollars each year on duplication of efforts and administrative waste. A centralized transaction system can save much of the waste.

We also lack an organized means of retrieving and analyzing data to improve population health through the development of better standards of care and better physician performance. To remedy this, we propose the development of a center for evidence-based medicine and a center for public health.

### **Reform 3: Transparency of Health Care Costs**

Under the current health care system, neither patients nor their doctors know what any particular medical procedure costs or how much the patient's health plan will pay for it. This is a major problem, and it stems from the fact that medical fee schedules bear little resemblance to each other from one provider to another. In addition, discount arrangements are often unknown or hard to figure out. This makes comparison shopping virtually impossible.

We can reform this system by establishing a relative value fee schedule. Providers would be free to declare the percent of the schedule at which they will set their fees (e.g., 90%, 100%, 115%, etc.) and would be required to charge every patient the same amount for

their services. In addition, insurers and health plans would be required to set their reimbursements as a uniform percentage of this schedule. In this way, cost shifting, which adversely impacts our small businesses and residents without insurance the most, would be eliminated. Additionally, patients and their doctors would know, in advance, what procedures cost and what the patients' health plans will pay for.

Because the marketplace has not fixed itself, we need some legislative support. We have helped to draft a number of legislative proposals that address the issues of transparency and public disclosure. Although none of them as yet address all of our concerns, we are making progress.

We must shine a bright light on health care costs and the outrage of cost shifting against those least able to pay for health care. We must create a more open and honest health care marketplace to help doctors and their patients better understand the cost of health care services so they can better evaluate the value of these services.

#### **Reform 4: Health Care Accessibility**

We have all heard that "an ounce of prevention is worth a pound of cure." Unfortunately, when it comes to health care for the poor, we simply do not practice what we preach. Too often, we do not deal with the health care needs of the poor until they appear in our emergency rooms or hospital beds, often with high-cost consequences.

On the other end of the spectrum, small businesses swoon under rate increases brought about by catastrophic claims, with both individuals and groups losing coverage as a result. The Leapfrog Group provides solid evidence that facilities doing many high-cost procedures do them better and more successfully than facilities that do fewer; yet, in Wisconsin, we continue to see a proliferation of centers performing open-heart surgeries, transplants, and other high-tech procedures. Because expertise is never fully developed, the result is poorer quality and higher cost.

If we are to meet the future health care needs of all citizens, we can take two important steps. First, we can create a health program to provide every resident a basic level of preventive health care. Such a plan would cover routine physical exams, immunizations, and evidence-based diagnostic procedures suitable to a

person's age, gender, and family health history. The plan would provide pre- and post-natal care and maintenance medications (insulin, blood pressure drugs, etc.).

Second, we can develop a "centers of excellence" program for high-cost procedures such as transplants, open-heart surgeries, advanced cancer care, etc. Such a program could both reduce costs and improve outcomes. The state would define the covered services and would negotiate reimbursement rates and monitor the quality of the doctors and facilities selected to provide high-cost care.

A state plan that covers preventive and catastrophic care leaves a significant role for conventional health insurance to fill. At the same time, the plan would increase the availability and reduce the total cost of insurance plans in the state.

Together, these reforms would lower overall health care costs given the impact that preventive care would have on future costs and the impact that a centers of excellence program would have on catastrophic care.

#### **Changes in Health Plans**

In addition to these reforms, we need to find ways to change the way we design our health plans. Specifically, we need health plans that foster honest competition among provider systems within the health care delivery system. We need to reward those providers who provide quality, cost-effective care and penalize those who do not. We need to design plans to make our citizens more accountable for their lifestyle choices and their health care purchasing decisions. We need to hold providers accountable not only for their prices but also for their efficiency and effectiveness, and we need to make citizens more accountable for the health costs they generate. Combining truly competitive health plans with our four reform measures will go a long way to reforming Wisconsin's health care system.



# The New Wisconsin Idea

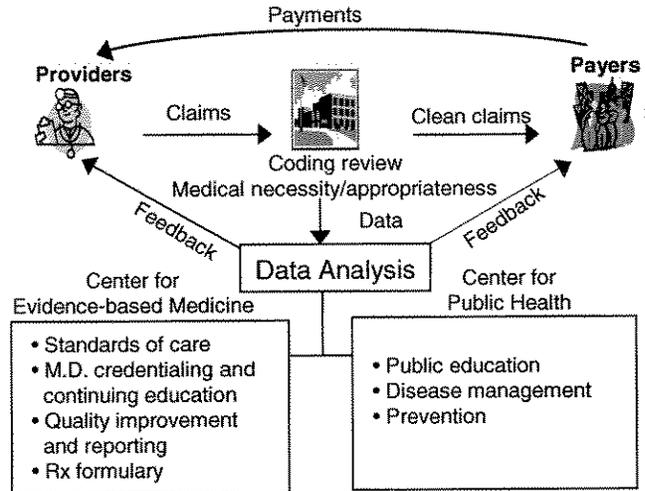
## A Health Care Reform Plan for Wisconsin

### Reform 1: Statewide, Evidence-based Prescription Drug Purchasing

WisconsinRx launched September 2003

- Evidence-based preferred prescription drug list developed by independent Wisconsin physicians and pharmacists
- Statewide purchasing
- Volume discounts
- Education of doctors and the public
- Improved prescription drug safety
- Reduced drug costs

### Reform 2: Centralized Transaction Processing



### Reform 3: Transparency of Health Care Costs

- Establish a standardized fee schedule
- Providers charge a uniform percent of the schedule for all patients
- Insurers pay based on a uniform percent of the schedule

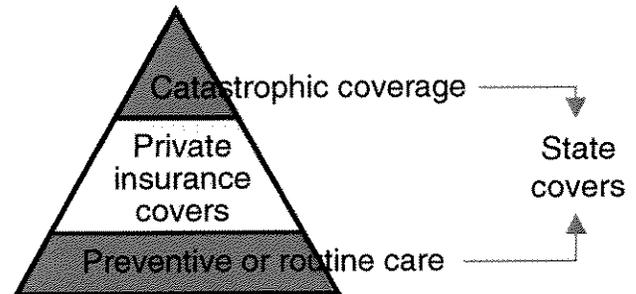
Provider charge		Health Plan
Dr. A 115%		Insurer pays up to 95% of schedule
Dr. B 105%		
Dr. C 100%		
Dr. D 95%		
Dr. E 90%		

If patient selects Dr. A., she must pay 20% of costs in addition to any applicable deductibles or coinsurance. If she selects Dr. D. or Dr. E., only her deductible and coinsurance costs apply.

### Reform 4: Health Care Accessibility

- State covers preventive care\*
  - Immunizations, pre- and post-natal care, physical exams, maintenance medications
- State covers catastrophic care\*
  - Transplants, neonatal care, advanced cardiac and cancer care, and other high-cost care that would be delivered through a centers of excellence program

\* Plan would cover all state residents who meet minimum residency requirements.



PLACE  
STAMP  
HERE

## What they're saying

"I am very pleased to see business and union leaders working together to help reduce the costs of drugs through the new cooperative, WisconsinRx. WisconsinRx will provide substantial savings for businesses and unions alike through volume purchasing."

*Jim Doyle, Governor, State of Wisconsin*

"Any company is welcome to join—and the more that join us, the stronger we will be."

*Jerry Popowski, CEO of the Fond du Lac Area Businesses on Health (FABOH)*

"We are excited about being a part of this new purchasing cooperative to not only save money for employers, but to provide education on effective drug utilization."

*Chris Queram, CEO, The Alliance (Employer Health Care Alliance Cooperative)*

"The aggressive prices WisconsinRx negotiated will result in lower prescription drug costs, more affordable prescription drug plans, and will save all WisconsinRx groups some serious money."

*Al Jacobs, Executive Director, WEA Trust*

"WisconsinRx, launched in September, hasn't cost any government money.... The cooperative estimates that it will save \$12 million its first year for employer-based insurance plans."

*Green Bay Press Gazette, December 23, 2003*



### WisconsinRx contact information:

Carol Brooks  
Executive Director  
cbrooks@wisconsinrx.com

Debra Thomsen  
Director of Development  
dthomsen@wisconsinrx.com

P.O. Box 7010  
Madison, WI 53707-7010  
phone (608) 204-9479 fax (608) 204-9480  
wisrx.com

Faced with escalating  
prescription drug costs, a  
coalition of private health care  
buyer groups collaborated to  
create the not-for-profit  
Wisconsin drug purchasing  
coalition called

**WisconsinRx**<sup>TM</sup>

WISCONSINRX  
PO BOX 7010  
MADISON WI 53707-7010



WISCONSINRX.COM

*“We feel WisconsinRx will help us control our prescription drug costs through volume discounts, honest pricing, and no hidden costs. And, our employees will still have access to the best medicines based on evidence.”*

*Joe Chenoweth, Human Resources Manager, Foremost Farms USA*

### Background

Escalating prescription drug costs are a concern for all of us.

- **WisconsinRx is a not-for-profit cooperative**

The cooperative was specifically developed to address this crisis. We believe our organization is unique because any private or public self-insured employer willing to abide by a few basic membership requirements can easily join and share equally in cost savings. Member organizations are treated the same—no matter the size of the business or organization.

- **Our strength is in our numbers**

WisconsinRx was founded by The Alliance (Employer Healthcare Alliance Cooperative), Fond du Lac Area Businesses on Health (FABOH), and the WEA Trust. The founders represent over 500 groups, comprised of 260,000 members. Our size will result in lower prescription drug prices and more affordable prescription drug plans.

- **Evidence-based preferred drug list**

WisconsinRx is also uniquely positioned to bring your employees and their families a preferred drug list (formulary) based on valid clinical evidence, not on advertising. The evidence-based preferred drug list, developed by Wisconsin physicians and pharmacists, will ensure that your covered employees receive the right drug at the right time at the right price.

Please send me additional information regarding WisconsinRx. I am interested in lower prescription drug costs and more affordable prescription drug plans.

**Name**

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**Title**

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**Company**

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**Address**

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**City**

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**State**

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---

**ZIP code**

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**Telephone number**

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**E-mail address**

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WisconsinRx goals	
<b>Volume discounts</b>	Strength in membership equals enormous purchasing power.
<b>Honest pricing</b>	Committed to transparency of pricing and full disclosure.
<b>Evidence-based medicine</b>	Wisconsin-based physicians and pharmacists determine the best drugs based on demonstrated clinical evidence.
<b>Customer service</b>	Excellent service. Access to a comprehensive pharmacy network. Education and information for employers and employees.
<b>Your watchdog</b>	Protecting your financial interests. Pharmacy benefit manager (PBM) oversight, audits, and reports.



P.O. Box 7338 • Madison, WI 53707-7338  
 45 Nob Hill Road • Madison, WI 53713-3959  
 Voice/TDD: (608) 276-4000 • (800) 279-4000

## Loss Ratios

Group Sizes: 50—165

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	Avg.
District 1	52	62	55	74	73	67	73	61	66	89.9	88	85.2	89.9	88	85.2	89.9
District 2	80	75	85	81	77	77	89	77	69	96.7	88	91.5	96.7	88	91.5	96.7
District 3	75	86	43	79	65	61	66	46	76	67.8	89	79	67.8	89	79	67.8
District 4	75	86	43	79	65	61	66	46	76	67.8	89	79	67.8	89	79	67.8
District 5	75	86	43	79	65	61	66	46	76	67.8	89	79	67.8	89	79	67.8
District 6	81	61	82	68	77	78	89	79	83	99.5	98	99.5	99.5	98	99.5	99.5
District 7	81	61	82	68	77	78	89	79	83	99.5	98	99.5	99.5	98	99.5	99.5
District 8	65	72	86	77	87	90	93	62	84	88.9	96	84	88.9	96	94	88.9
District 9	65	72	86	77	87	90	93	62	84	88.9	96	84	88.9	96	94	88.9
District 10	96	96	96	96	96	96	96	96	96	99.5	99	100	99.5	99	99.5	99.5
District 11	74	97	60	80	82	90	69	82	82	99.4	72	94	99.4	90	93	99.4
District 12	66	97	88	88	82	87	87	90	82	99.4	90	89	99.4	90	93	99.4
District 13	84	98	98	86	86	68	64	78	75	95.1	84	84	95.1	90	94	95.1
District 14	79	86	60	77	98	94	82	84	84	92.8	81	80	92.8	90	94	92.8
District 15	79	86	60	77	98	71	89	74	74	103.3	88	86	103.3	93	84.6	84.6



Catastrophic year of health claims  
 Cost of claims far exceed premiums paid  
 Substantial premium increases likely in private market



High cost year  
 Premiums paid may not cover cost of claims and administrative expenses  
 Premiums still likely to increase substantially in private market



Premiums paid are adequate to cover cost of claims and administrative expenses  
 Premium increases likely to be based primarily on medical trend



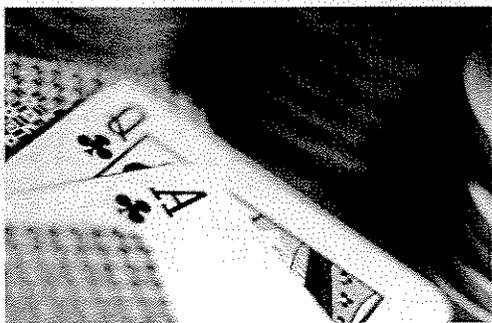
## SENATE BILL 241: A HUGE FINANCIAL GAMBLE FOR SCHOOL DISTRICTS

*For over thirty-five years, the not-for-profit WEA Trust has provided school districts with a unique health insurance risk-sharing pool that has brought significant premium stability to small and mid-sized districts throughout Wisconsin. Today, more than 300 school districts from across the state have voluntarily joined together in this pool to reduce their risk and to improve the stability of their health insurance costs.*



- ▶ **SB241 does nothing to address the underlying causes of rising health care costs.** Elimination of the WEA Trust health insurance risk-sharing pool increases the volatility of health care costs for districts but does nothing to address the real causes of the health care cost crisis. The WEA Trust has offered a fundamental health care reform package known as *The New Wisconsin Idea* that offers a road map to reduce administrative waste, improve quality, and expand access to health care for all Wisconsin citizens.
- ▶ **Current law fosters competition and options in the school health insurance market.** School districts currently have a wide variety of options when it comes to providing their employees with health insurance. Some districts, through the collective bargaining process, choose the WEA Trust to provide their insurance benefits. Others have joined the state's local employers' pool, purchased benefits from other insurance companies, or opted to self-insure. Districts can and do change their choice of health insurance provider based upon market conditions.
- ▶ **SB241 would expose school districts to wild premium fluctuations.** If SB241 is enacted, the WEA Trust will not be able to continue offering a pool-rated option to its smaller, most vulnerable school district clients. Without the protections of the pool, even a single high-cost claim could result in wild premium increases for small districts. Such premium fluctuations would make long-term budgeting impractical. Under the state's QEO law, wild premium fluctuations would also likely result in district referendums, salary rollbacks, and the inability to establish long-term budget stability.
- ▶ **The WEA Trust's release of claims experience data is consistent with the state's local government pool.** Every year, the WEA Trust releases comprehensive data on the claims experience most directly related to rate increases applied to members of the pool. In fact, the Trust's release of information is consistent with the operational standards employed by the state in its own local government pool.

Like the WEA Trust, the Department of Employee Trust Funds does not release the claims experience of individual groups within its pool. To do so would result in the destruction of the pool altogether. In addition, small group claims experience is of little value in predicting future rates given the expected volatility.



**ABOUT THE WEA TRUST:** The WEA Trust is a not-for-profit health insurance company that has been serving public school employees for over 35 years. Our value to taxpayers and public school employees throughout the state is well documented.

- Throughout its history, the WEA Trust has returned more than 93 cents of every dollar to school districts in benefit payments.
- As a percent of premium, the administrative costs and complaint ratios for Trust plans are far below the industry standard.
- Today, the WEA Trust offers many cost-saving options to school districts. In the last bargaining cycle alone, our districts adopted cost-saving measures netting more than \$50 million in health care savings.

### Partial Listing of WEA Trust Pool-Rated Districts

#### **Buffalo County**

Alma  
Cochrane  
Fountain City  
Gilmanton  
Mondovi

#### **Columbia County**

Cambria-Friesland  
Fall River  
Lodi  
Pardeeville  
Poynette  
Randolph  
Rio

#### **Crawford County**

North Crawford  
Prairie du Chien  
Seneca  
Wauzeka-Steuben

#### **Dane County**

Belleville  
Marshall  
Mt. Horeb

#### **Eau Claire County**

Altoona  
Augusta  
Fall Creek

#### **Green Lake County**

Berlin  
Green Lake  
Princeton

#### **Jackson County**

Alma Center  
Melrose-Mindoro

#### **Jefferson County**

Cambridge  
Johnson Creek  
Lake Mills  
Palmyra-Eagle  
Waterloo

#### **La Crosse County**

Bangor  
Holmen  
West Salem

#### **Monroe County**

Cashton  
Sparta  
Norwalk-Ontario-  
Wilton

#### **Pierce County**

Ellsworth  
Plum City  
Prescott  
Spring Valley

#### **Trempeleau County**

Arcadia  
Blair-Taylor  
Galesville-Ettrick  
Independence  
Osseo-Fairchild

#### **Vernon County**

De Soto  
Hillsboro  
Kickapoo  
La Farge  
Viroqua  
Westby

#### **Walworth County**

Big Foot UHS  
East Troy  
Fontana J8  
Genoa City J2  
Linn J6 & J4  
Sharon J11  
Walworth J1  
Whitewater  
Williams Bay

#### **Waukesha County**

Arrowhead  
Union HS  
Hartland  
Lakeside  
Lake Country  
Merton  
North Lake  
Pewaukee  
Richmond  
Stone Bank  
Swallow Elementary