



Legislative Fiscal Bureau

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October 15, 2015

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Senate Bill 312 and Assembly Bill 394: Review of Annual Proposed Changes to Group Health Insurance Programs

Senate Bill 312 (SB 312) and Assembly Bill 394 (AB 394) were introduced on October 13, 2015, and referred to the Joint Committee on Finance (JFC). The bills would provide for JFC oversight of annual proposed changes made to state and local government group health insurance programs by the Group Insurance Board (GIB).

BACKGROUND

The Group Insurance Board in the Department of Employee Trust Funds (ETF) oversees the administration and the establishment of policies for four major insurance plans for state employees and certain local government employees. The four plans are: (a) group health insurance for Wisconsin Retirement System (WRS) annuitants, state employees and employees of those local governments that choose to offer this benefit; (b) group income continuation insurance for state employees and employees of those local governments that choose to offer this benefit; (c) group life insurance benefits for annuitants, state employees and employees of those local governments that choose to offer this benefit; and (d) long-term care insurance for annuitants and state employees. Under current law, changes to the plans are implemented once approved by the Board.

Membership on GIB is governed by s. 15.165(2) of the statutes. Five members of the Board serve ex officio as a result of the positions that they hold. These ex officio members are the Governor, the Attorney General, the Commissioner of Insurance, the Secretary of the Department of Administration, and the Director of the Office of State Employment Relations (OSER). Any of these ex officio members may appoint a designee to serve on the Board in his or her stead. The remaining six members of the Board are appointed by the Governor to two-year terms. The statutes require that at least five of the six appointees represent specific constituencies in order to ensure a diversity of views on the Board. At least one gubernatorial appointee must be an insured teacher who is a WRS participant, a second must be an insured nonteacher WRS participant, a

third must be an insured local employee WRS participant, a fourth must be an insured retired WRS participant, and a fifth must be the chief executive or a member of the governing body of a local unit of government that is a participating employer in the WRS. There is no specific requirement for the sixth gubernatorial appointee to the Board.

Under the 2015-17 biennial budget as passed by the Legislature, GIB, in consultation with the Division of Personnel Management (DPM) in the Department of Administration (DOA), would have been required annually, by April 1, to submit any proposed changes to the state group health insurance program to the Joint Committee on Employment Relations (JCOER). The Board would not have been permitted to implement any changes to the state group health insurance program unless approved by JCOER. The Joint Committee on Employment Relations would have been required to hold a public hearing on the proposed changes. Annually, before May 1, JCOER would have been required to approve, disapprove, or approve with modifications the proposed changes and would have been required to notify the Governor of its actions. Within 10 calendar days of this notification, the Governor would have been required to approve or reject in its entirety, the proposed changes approved by JCOER. A vote of six members of JCOER would have been required to override any rejection of the Governor. In signing 2015 Act 55 into law, the Governor vetoed this provision.

The Joint Committee on Employment Relations is made up of the following eight members: (a) President of the Senate; (b) Senate Majority Leader; (c) Senate Minority Leader; (d) Senate Co-Chair of the Joint Committee on Finance; (e) Speaker of the Assembly; (f) Assembly Majority Leader; (g) Assembly Minority Leader; and (h) Assembly Co-Chair of the Joint Committee on Finance.

Effective November 10, 2014, ETF has entered into a contract with Segal Consulting to provide recommendations regarding changes to the state group health insurance program. The consultant will produce two reports: a six-month report with 2016 plan year recommendations and a 12-month report with 2017 plan year recommendations. Some of the issues that will be addressed by the consultant in the broad-based review include: (a) consumer driven health care design, including expanded use of health savings accounts and expanded data collection to include not only cost but the quality of health care outcomes; (b) Affordable Care Act impacts; and (c) benefits and drawbacks to insured versus self-insured models for delivering health care.

Among the changes recommended by Segal Consulting and adopted by GIB for 2016 for the state group health insurance program include the following: (a) introducing a \$250 annual deductible and increasing the annual maximum out-of-pocket limit (OOPL) for single health maintenance organization (HMO) policies from \$500 to \$1,000 (although GIB ultimately approved an increase to \$1,250 to the OOPL); (b) introducing a \$500 annual deductible and increasing the annual maximum OOPL for family HMO policies from \$1,000 to \$2,000 (although GIB ultimately approved an increase to \$2,500 to the OOPL); (c) increasing the annual state contribution to health savings accounts (HSAs) for state employees under the high deductible health plan (HDHP) from \$170 to \$750 for a single policy; (d) increasing the annual state contribution to HSAs for state employees under the HDHP from \$340 to \$1,500 for a family policy; and (e) for certain prescription drug levels shifting from fixed copays to a coinsurance approach where employees

pay a percentage of the costs of prescription drugs up to specified caps.

SUMMARY OF BILL

The bills would require GIB, in consultation with DPM in DOA, to submit all proposed changes to the state and local government group health insurance programs administered by ETF, other than changes to long-term care coverage, to JFC. The Board would not be authorized to implement any changes to these group health insurance programs unless authorized by JFC. If the Co-Chairs of JFC did not notify GIB that the Committee scheduled a meeting for the purpose of reviewing any or all of the proposed changes within 21 working days after the date of GIB's submittal of the proposed changes, GIB would be authorized to implement the proposed changes. If, within 21 working days after GIB's submittal of the proposed changes, the Co-Chairs of JFC notified GIB that the Committee had scheduled a meeting for the purpose of reviewing any or all of the proposed changes, GIB would not be authorized to make the proposed changes unless approved by JFC.

Prepared by: Paul Onsager