



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #273

Administration of Optional Insurance Plans (Employee Trust Funds)

[LFB 2015-17 Budget Summary: Page 144, #5]

CURRENT LAW

The eleven-member Group Insurance Board (GIB) 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.

The Board may offer other optional forms of insurance, in addition to those listed above, provided that employees pay the entire premium amount. Currently state agencies directly contract with insurers that provide GIB-approved optional insurance plans if the agency elects to offer the optional insurance coverage to its employees.

GOVERNOR

Provide \$65,500 SEG in 2015-16, and \$74,000 SEG in 2016-17 and 1.0 SEG employee benefit plans policy advisor-advanced position annually to administer optional insurance plans on behalf of participating state employees and WRS annuitants who elect to continue coverage upon retirement. Reduced funding in 2015-16 reflects nine months of funding for the position in the first year of the biennium.

DISCUSSION POINTS

1. The Group Insurance Board approved six optional insurance plans for state employees and annuitants for 2015. These plans include: (a) accidental death and dismemberment insurance; (b) accidental injury insurance; (c) two types of dental coverage; (d) supplemental vision coverage; and (e) supplemental insurance coverage including dental, hospital and surgery, accidental death and dismemberment, and vision coverage. In 2015, a total of 14 executive branch and legislative agencies and the courts are offering all six optional insurance plans, 31 executive branch and legislative agencies are offering five of the six optional insurance plans, and the remaining executive branch agencies are offering fewer than five of the optional insurance plans to its employees. For 2015, there are currently 60,212 optional insurance contracts primarily with active state employees and annuitants. Employees pay the entire premium amount.

2. The state is currently undertaking a project to replace various existing finance, procurement, human resource, payroll, benefits and budget information systems across state agencies with one consolidated system. The project is entitled the STAR (state transforming agency resources) project.

3. The STAR project team has recommended that optional benefit plans be standardized across all state agencies through payroll deduction, and requested GIB to consider this recommendation. At its November 18, 2014, meeting, GIB "approved a decision to have the GIB assume contracting responsibility with state optional insurance plan providers starting in 2016 and would require all executive branch agencies, as well as the University of Wisconsin System, and the UW Hospital and Clinics Authority, and the State Courts system, to participate in the selected optional plans."

4. While under current law individual state agencies decide which optional insurance offerings to provide to employees, and consequently with which optional insurance carriers (approved by GIB) to contract, under the STAR project implementation the offered optional forms of insurance would be a uniform statewide offering and all contracts would be entered into by GIB directly on behalf of the state.

5. Subsequent to its agency budget request and the STAR project recommendation of GIB, ETF estimated that it would initially require 2.0 additional employee benefit plans policy advisor-advanced positions annually to carry out its new responsibilities regarding optional insurance offerings. These positions would require funding totaling \$131,000 SEG in 2015-16 and \$147,900 SEG in 2016-17 as follows: (a) \$70,400 SEG in 2015-16, and \$93,800 SEG in 2016-17 for permanent salaries; (b) \$28,200 SEG in 2015-16, and \$37,500 SEG in 2016-17 for fringe benefits; and (c) \$32,400 SEG in 2015-16, and \$16,600 SEG in 2016-17 for supplies and services. Reduced permanent salary and fringe benefits funding in 2015-16, would reflect nine months of funding for the positions in the first year of the biennium. This estimate assumes that agency staff would continue to provide enrollment and premium reporting to optional insurance providers as well as remain the first point of contact regarding optional insurance with agency staff.

6. In order to address anticipated increased workload in the areas of policy development, purchasing, accounting, and complaints and appeals, ETF requested 2.0 additional positions. If both

positions were approved, ETF indicated that:

One position will serve as the contract administrator for the optional plan contracts. The position will be located in the Office of Strategic Health Policy and will be responsible for all aspects related to the negotiation and administration of the optional plan contracts, as well as employer contact. That position, given the inherent responsibilities of administering the various contracts, will not have time to receive and respond to the inevitable inquiries and/or appeals to ETF from our members.

The second position will be focused on providing customer service and responding directly to member [employee and annuitant] inquiries and appeals. This position will apply ETF's customer service approach in resolving member inquiries, complaints and appeals at the earliest and most appropriate level. We anticipate an increase in member contacts based on our experience with employee and annuitant contacts related to health plan and pharmacy issues. In addition, the second position will allow ETF to perform the essential education and outreach efforts that are most important in meeting the needs of members, employers, and health plans. Based on ETF's early intervention and customer service approach, this position will allow for the resolution of most complaints and appeals without the involvement of the Group Insurance Board (GIB). In the last several years, the number of GIB appeals involving health plans and pharmacy benefits has remained in the low single digits. The second position would provide ETF with the resources to maintain very low GIB appeal levels while continuing to provide a high level of customer service.

7. In order to provide additional resources to ETF to permit it to carry out its new optional insurance responsibilities, the Committee could consider providing 2.0 additional employee benefit plans policy advisor-advanced positions annually with funding totaling \$131,000 SEG in 2015-16, and \$147,900 SEG in 2016-17. This would provide additional resources to ETF over what was provided in SB 21/AB 21, of 1.0 additional SEG position and \$65,500 SEG in 2015-16, and \$73,900 SEG in 2016-17, in position-related funding. [Alternative 2]

8. On the other hand, the administration indicates that it provided 1.0 additional employee benefit plans policy advisor-advanced position annually to ETF and associated position funding of \$65,500 SEG in 2015-16, and \$74,000 SEG in 2016-17, to balance the additional workload of ETF under the recommendation with an effort to control the increase in approved new positions under the budget. As a result, the Committee could approve the recommendation. [Alternative 1]

9. Finally, the Committee could delete the recommendation. [Alternative 3] Under this alternative, ETF would be required to administer its new optional insurance-related responsibilities utilizing base resources.

10. As the costs associated with the optional insurance program must be covered by participating employees, the costs of any new position or positions would be addressed by new SEG administrative fees assessed on participating employees. The Department estimates that an administrative fee of approximately \$0.25 per month per member contract would cover the cost of the 2.0 positions that ETF has requested.

ALTERNATIVES

1. Approve the Governor's recommendation to provide \$65,500 SEG in 2015-16, and \$74,000 SEG in 2016-17 and 1.0 employee benefit plans policy advisor-advanced position annually to administer optional insurance plans on behalf of participating state employees and Wisconsin Retirement System annuitants who elect to continue coverage upon retirement. Reduced funding in 2015-16 reflects nine months of funding for the position in the first year of the biennium.

2. *In addition to Alternative 1*, provide an additional 1.0 employee benefit plans policy advisor-advanced SEG position annually and position-related funding of \$65,500 SEG in 2015-16, and \$73,900 SEG in 2016-17.

ALT 2	Change to Bill	
	Funding	Positions
SEG	\$139,400	1.00

3. Delete provision.

ALT 3	Change to Bill	
	Funding	Positions
SEG	- \$139,500	- 1.00

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