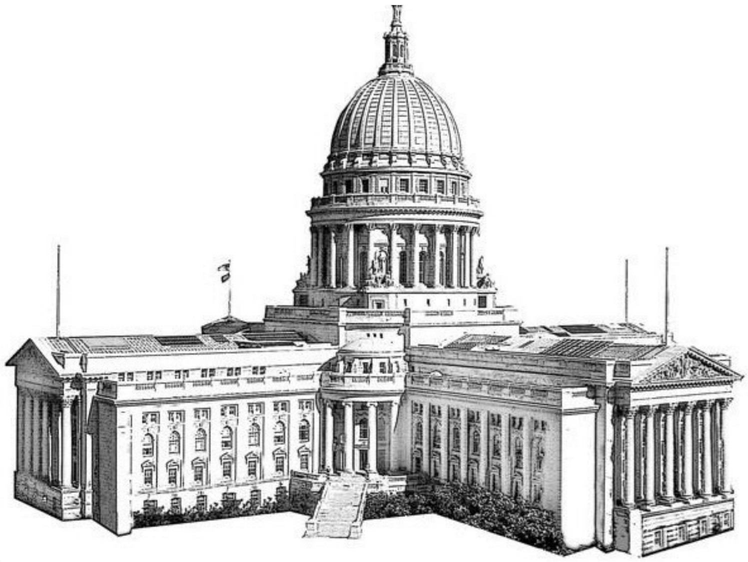

ACE Newsletter

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September 2021

By Jack Lawton, Board Member

State Employee and Retiree Health Plans and their Premiums

Well, it's here again: Open Enrollment. The Department of Employee Trust Funds (ETF) will be accepting requests for changes to health insurance coverage by eligible employees and retirees in the "Its Your Choice" (IYC) period from September 27 through October 22 this year. This means that you can change to a different health insurance provider, change to a different type of health insurance, add or delete certain dependents or do nothing at all which will renew your existing coverage. This automatic renewal is effortless but make sure that your doctors are still going to belong to the plan you have selected.

Every year ETF publishes enrollment guides that describe the entire process. This year's guides are on the ETF website at Retiree Guide and Employee Guide. On-line re-enrollment forms are at Retirees & Cobra Continuents or Active Employees. Initial enrollments for new active employees are handled through agency payroll offices at the time of hire.

The medical benefits that every insurance plan offered during the IYC period must provide is defined in the "Uniform Benefits" section of the contracts signed by the ETF and each participating health insurance organization. The Uniform Benefits are a list of health services defined by the Group Insurance Board (GIB) that every plan must cover, although the copays and deductibles that apply may differ by plan along with the premiums. The Uniform Benefits are the minimum level of service allowable, and some plans exceed that level in modest ways. The cost of higher premiums usually is offset by lower deductibles and copays to varying degrees.

The Uniform Benefits for 2021 are found in the [ETF Certificate of Coverage] which is a long, legally-required document full of technical terms.

The GIB made several changes to the Uniform Benefits for next year:

- Updated the medical maximum out-of-pocket limit to follow the annual federal maximum updated values to reduce confusion.
- Made all medical benefits apply to the maximum out-of-pocket limit.
- Clarified the details of Telemedicine coverage due to the need for these services during the pandemic.
- Limited the coverage for Continuous Glucose Monitors to the pharmacy benefit. (It had been covered under the medical and pharmacy plans which was confusing.)
- Removed the Level 4 pharmacy benefit out-of-pocket limit since nobody reaches it.
- Added medically necessary corrective jaw surgeries (orthognathic surgeries).
- Deleted the time limit for extractions/dental repairs due to accidents.

It's Good Insurance—At a Cost

The cost of our insurance premiums depends on many factors, but the two biggest items are (1) if you are on Medicare and (2) whether you are willing to take on the risk of a high deductible plan (available only to those NOT on Medicare).

The program status and types of insurance available are:

For active employees and those retirees who are not on Medicare:

- IYC (It's Your Choice) health plans that are Health Maintenance Organizations (HMOs) typically available on a regional basis within Wisconsin, including a high deductible optional,
- traditional health insurance (the Access Plan) with coverage nation-wide, including a high deductible option,
- State Maintenance Plan (SMP) which is a special traditional insurance plan for employees in Wisconsin counties with no insurance plans (only Florence Co. in 2022)

The critical differences between the premiums paid by active employees versus non-Medicare retirees is that the State contributes about 88% towards the employees' premiums and sets the cost to be the same across all of the plans. In contrast, the non-Medicare retirees get no State sharing and must pay the full premium which does vary by plan.

For retirees who have Medicare:

- IYC health plans that are HMOs offering Medicare supplement plans, (Local or regional networks)
- Medicare Plus, a Medicare supplement plan by WEA Trust (Worldwide coverage, no network)

- Medicare Advantage by UnitedHeathCare (UHC), (National coverage including territories, no network)

There is no State contribution to premiums for retirees but the insurance is relatively cheap because it is either a supplement to regular Medicare (including the HMO and Medicare Plus plans) or is an alternative to regular Medicare services and receives most of its premiums from Medicare (UHC Medicare Advantage).

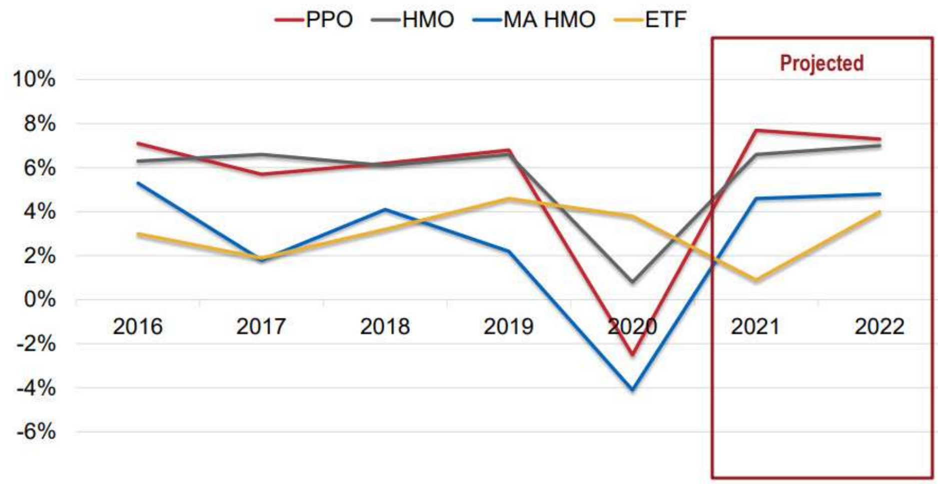
Drugs are covered by a separate plan.
In addition to medical coverage, everybody with health insurance through the ETF programs is covered by a pharmacy benefit which is separately administered by Navitus. You should have recently received plan materials from Navitus explaining 2022 drug coverage. Those of you on Medicare should note that in the first paragraph of the cover letter, there is a **confusing statement** that indicates enrolling in the Navitus program will automatically cancel your enrollment in a Medicare Advantage plan. ETF has confirmed that this language does not apply to the UHC Medicare Advantage plan offered through ETF's IYC enrollment program. The UHC plan automatically includes the Navitus pharmacy benefit, unlike other Medicare Advantage plans unrelated to ETF.

ETF Healthcare Premiums
Luckily for all of the people covered by the ETF Group Insurance Program, ETF has both a very large consumer base and a very long track record of negotiating with health insurance entities. This results in ETF having a lot of leverage in the lengthy negotiation process that starts in March with data collection and analysis, gets preliminary rate quotes from insurers in May, undergoes a period of intense negotiating and then the insurers submit their "Best and Final Offers" (BAFOs) in July.

Through the years this process has accomplished a generally lower cost program for ETF than other sources as shown in the chart below (extracted from the GIB August 18, 2021, Comprehensive Presentation page24). The chart shows the inflation trends of claims for several types of health providers.

- PPO (Preferred Provider Organizations which typically are large networks of primary care physicians and specialists),
- HMO (Health Maintenance Organizations which tend to be centered on primary care physicians. Note that the many of the HMOs in Wisconsin have been around for a long time and are more stable than some of their counterparts elsewhere,)
- MA HMO (Medicare Advantage HMOs are not part of ETF's plans. They are commercially available to Medicare recipients and have to meet criteria established by the Centers for Medicare Services (CMS)).

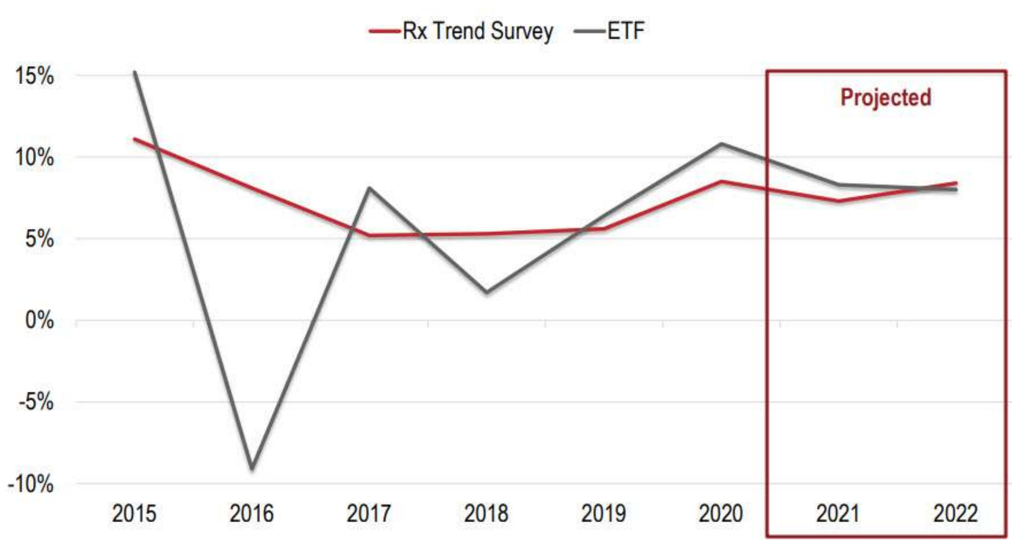
Historical trends of Medical Claims by Organization Type

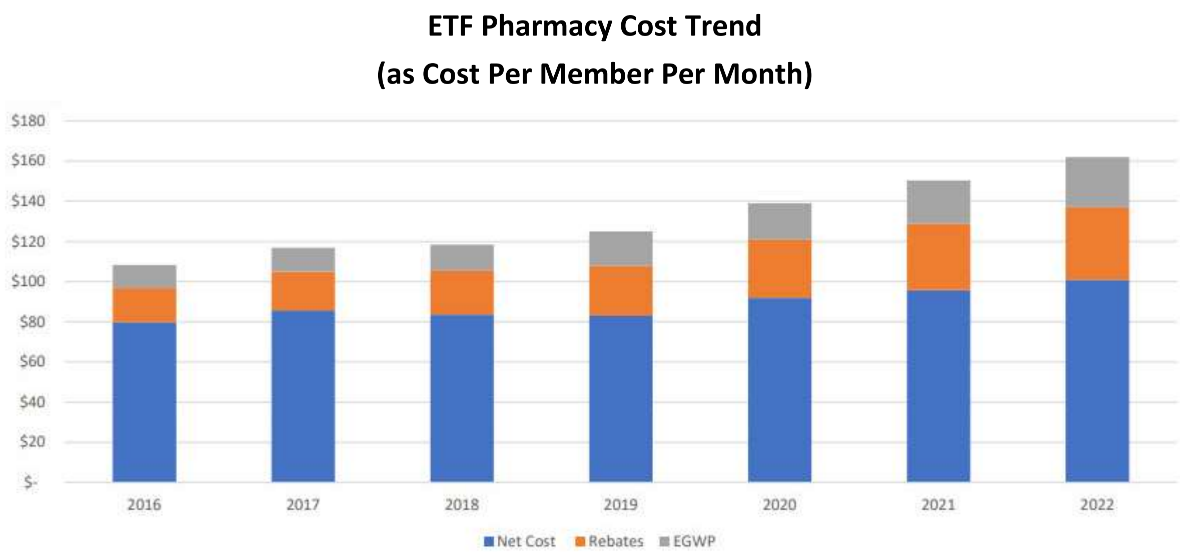


You can see that ETF has had generally lower increases in medical costs over the past five years with a large exception in 2020 that will be made up in 2021. This was due to the unexpected drop in medical care consumed during the 2020 Covid-19 pandemic. ETF is recouping the savings this year through the negotiation process for next year's program.

Another large component of your premium is for the pharmacy benefit which covers drug costs under all of the various medical plans. The following chart (GIB August 18, 2021, Comprehensive Presentation, page 43) shows the inflationary trends for claims (not net costs) for ETF and a nation-wide pharmacy survey. Except for a large hiccup in 2016, the trends are similar but well above economic inflation.

Comparison of ETF vs. National Pharmacy Claims





As you can see in this chart of pharmacy program costs (GIB August 18, 2021, Comprehensive Presentation, page 42), the claims (the total of each column) have been rising much more than the net cost due to large rebates from pharmaceutical companies and subsidies available to ETF through its Employer Group Waiver Plan (EGWP) from Medicare Part D. In other words, the rebates are significant in that many Pharmacy Benefit Managers, unlike Navitus, don't return these back to their customers.

Where does all of that leave us?

With the various inflation factors, successful negotiations, Federal subsidies and rebates all added together, the overall Group Health Insurance Program (GHIP) for active and retired State employees had the following outcome.

SOURCE	2022 PREMIUMS ($ IN MILLIONS)	% OF TOTAL	% INCREASE OVER 2021
MEDICAL	1,153.5	77.9	3.4
PHARMACY	241.2	16.3	9.1
DENTAL	58.3	3.9	0.0
ADMINISTRATION	27.0	1.8	-4.5
TOTAL	1,480.0	100.0	4.0

Note that the Administrative costs are for services provided by ETF for the GHIP program which does not receive money from the pension system.

If the GIB had taken no further action, the overall average increase would have been 4.0%, although it would vary from that average widely for retirees (and some active employees) depending on the plan selected. Instead, the GIB chose to reduce the premiums through the distribution of excess reserves that they had built up in anticipation of a move to self-insurance which didn't happen as planned several years ago. That reserve fund has grown through investment gains well above the level that actuaries have determined sufficient to maintain the program. To make wise use of the reserve, the GIB adopted a multiyear plan last year to use the excess money to reduce overall premiums through contributions to the pharmacy benefit. Since all of the members participate in this program, it's the easiest subsidy to administer equitably.

In summary,
ETF is managing a delicate balance between affordable insurance premiums and quality health care services. We must be grateful to the dedicated staff that gets it done.

The reserve policy should result in moderately higher premiums in 2023. What will happen in later years remains to be seen but it's not hard to guess that the premium inflation may grow, and the ETF negotiations aren't going to get any easier.

ACE will continue to pay close attention to the workings of the GIB and the decisions affecting our insurance benefits.

Please let us know of any issues you feel that we should address. Send your thoughts to ACE@Wiscow.com.