

Wisconsin Coalition of Annuitants

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Minutes of Meeting April 20, 2015

The meeting was held at the Wisconsin Education Association Council, Media Room, 33 Nob Hill, Madison, and was called to order by the Chair Jim Palmer at 9:30 a.m.

DIRECTORS & ALTERNATES PRESENT: R. Beglinger, WFT-R; D. Bennett, WREA; D. Chickering, WREA; S. Drew, SWIB; B. Fendel, AFSCME; E. Frank, J. Groszklaus, West Allis; R. Hoessel, DOT; C. Howard, WEAC-R; A. Knop, WEAC-R; D. Kratz, CORR; J. Maydak, West Allis; J. Munro, WARSDA; F. Nepple, OCI; J. Palmer, WPPA; B. Rowe, ACE; B. Schaefer, SEA; J. Skiles, UW-R; S. Sweet, BARTA; J. Vreeland, Wauwatosa; A. Wallace, UWRA; C. Welch, BARTA.

GUESTS: A. Fendel, J. Forester, T. Hunter, C. Preisler, J. Strohl, S. Walk.

EXCUSED: B. Davis, J. Egan, B. Holahan, J. Miller, D. Rohweder.

MINUTES of the March meeting were approved as mailed.

GUEST: We welcomed John Forester, WREA, a guest of Dave Bennett.

GUEST: Tarna Hunter, Legislative Liaison, ETF.

Health Insurance: ETF contracted Segal Consulting to review the health insurance plans and make suggestions for containing costs and improving services. The Group Insurance Board (GIB) received the first report on March 25 and will receive a second report later this year.

“Under this GIB authority, Siegel consulting was retained to perform a full range of services related to the analysis, design, management and communication of the state’s health insurance program for employees and retirees. The primary objective of the project is to analyze from a variety of sources to develop and recommend strategies to improve health outcomes and increase the efficient delivery of quality health care to participants....”

You may link the report at: <http://etf.wi.gov/boards/agenda-items-2015/gib0325/item4c1.pdf>. 123 pages

ETF contracted with Segal in November and this report is for calendar year 2016 benefits. A second report is expected at the November GIB meeting and will focus on 2017 and beyond.

Benefits and costs were compared with Iowa, Minnesota, Illinois, Indiana, Michigan, and the Federal Employee Health Benefit program. The survey indicates Wisconsin has the highest benefits regionally and is one of the top nationally. The recommendation is to have an annual deductible for the Uniform Benefit Design program, which includes most plans, of \$250 annually and an out-of-pocket increase from \$500 to \$1000 with family rates being twice these figures. The Standard Plan annual deductible would also increase from \$200 to \$500 with the annual out-of-pocket increasing from \$500 to \$1000. Again family rates would be twice these figures. The High Deductible Health Plan (Health Savings Account) contribution from the state would increase from \$170 to \$750 again with family rates being twice these figures. The projected savings for the above changes are approximately 3% or a total cost of \$35 million. The Governor’s budget directed ETF/GIB to save \$25 million of GPR and \$54 million overall during the biennium.

Premium costs presently are based on a two-tier system single/family. Beyond 2016 the recommendation is for a three- or four-tier system.

The report indicates a significant difference in effectiveness of health management among the current health plans. Segal will be involved in the annual review and negotiation process for 2016.

The Wellness Program consideration is to replace the \$150 incentive with a premium credit for participation and/or a rate increase for the nonparticipants.

Pharmacy benefit recommendation is to have a price guarantee with the pharmacy benefit manager. Navitus’ contract appears to have been within peer groups contracts even though it lacks a price guarantee. Copay structure will also be reviewed with a change in cost-sharing structure to a coinsurance structure for brand drugs. Under the recommendation, the current Level 1 \$5 co-pay

would remain to encourage generic medication. Levels 2-4 will move to co-insurance. Recommendations will result in a cost savings of \$7 million in 2016. An additional \$10 million could be saved by doubling the out-of-pocket limits.

Consumer Directed Health Plan (CDHP) is a High Deductible Health Plan (HDHP) and a Health Savings Account (HSA). The 2015 participation level is only about 400 employees, less than 1%. Increasing the state's contribution to \$750 annually could result in increased enrollment.

Affordable Care Act 40% excise tax will begin in 2018. Without changing plans between now and 2018, ETF could see a tax of between \$7 and \$13 million, which could grow to \$193 million by 2027. The excise tax applies to all health plans, and Segal's recommendations will result in a reduction or elimination of the tax.

Segal will also make comparisons of the private and public exchanges within the state. The emphasis is on pricing of the various exchanges throughout the state.

Self-insurance was discussed at the GIB meeting without specifics for Wisconsin. Self-insurance savings would come from the elimination of a premium tax on claims, elimination of marketshare fees which are 2%, lower cost of administration, elimination of carrier profit margin, eliminate risk charge of between 2% and 4%, and cash flow benefit of paying as needed.

Nonfinancial reasons for self-insurance are as follows: ETF would have control over the plan design, better data collection, a third party administrator (TPA) should offer a national provider network, state regulation of benefits would be optional, and the TPA would provide detailed cost reporting.

Drawbacks to be considered are health plan contracting cost of services, care management, program design which varies with the present 18 health plans, and disruption to members in currently available plans.

Segal's recommendations: ETF improve the health plan renewal process for fully insured plans. Self-insuring is not practical for 2016 in the current structure. Rates and claims data along with administrative costs need to be itemized in greater detail by the present plans.

The report at the end of this year will have details on plan design structure, and "Segal believes that the entire program could be self-insured in the appropriate structure."

Wisconsin Health Information Organization (WHIO) is a database. Funding for a data warehouse was in ETFs budget but was not approved. The current ETF database does not provide access to information and analytics tools needed to manage the program effectively. There are four progressive courses of action recommended to achieve reporting in health care data collection as well as individual plan financial information for the future. ETF is working with WHIO to develop a data warehouse.

DISCUSSION: The cost savings are by members paying more in deductibles and out of pocket. A WCOA member made the comment that it is not a cost savings but a cost shifting from the plan to the members. There seems to be an emphasis on using generic drugs. Increasing the premium cost tiers from 2 to 3 or 4 will require statutory changes. There has been no information on separating actives and retirees for health care. Retirees pay 100% of their premium where actives do not. The 40% excise tax is on the total paid by the state and the members.

The May 19, 2015 GIB board meeting will consider the recommended 2016 changes, which include annual out-of-pocket increases, deductibles, and co-pays.

Legislation: SB 45 and AB 70 create the Wisconsin Private Retirement Security board which Senator Hansen shared with us at our November 2014 meeting.

AB 156 introduced by Representative Thiesfeldt permits an employer to participate in the WRS with only new hires. The bill also permits a municipal employer to exclude its public utility employees from the WRS. ETF has not taken a position on the bill.

Empower: A ten-month initiative is being sponsored by several state departments to provide information to women about their retirement. It is an educational forum specifically developed to inform women of the unique challenges they face in achieving retirement security. The first forum will be held Thursday, April 23, 2015. Second forum will be held on May 6 and will be webcast live.

COMMENTS: Several cities have filed bankruptcy and requested that retirement funds be removed; however, judges have been including retirement funds in bankruptcy decisions. The WRS has protection in the state statutes and also by being fully funded.

ETF has begun communication/education with the over 1500 employers on the Governmental Accounting Board (GASB) requirements.

GUEST: Chris Preisler, Communications Specialist, SWIB.

Mr. Preisler provided a copy of the Asset Allocation Summary ending March 31, 2015. The core fund was at 2.1% with a benchmark of 2.1% and the variable fund was 2.2% with a benchmark of 2.3%. The core fund is at \$90 billion and the variable at \$7 billion for a total of \$97 billion in the retirement funds. Total assets under management are \$105 billion.

The Board has approved funds for compensation, and last week staff received letters regarding their compensation. There have been several news articles regarding compensation, targeting the top three awards. Overall compensation was down about 10% from last year.

SWIB's 2015 budget ending June 30 will have a surplus of \$3.7 million; the preliminary 2016 budget will be \$49 million.

SWIB has been a long-time owner of property on Michigan Avenue in Chicago. It is now on the market and is expected to bring in over \$300 million. A copy of the article was shared.

<http://www.chicagobusiness.com/realestate/20150325/CRED03/150329883/nikes-mag-mile-home-is-for-sale-and-could-fetch-300-million>

The Board approved an expansion of the Private Debt Portfolio. Wisconsin will be in a separate portfolio, easily identified. Neighboring states will have a combined separate portfolio. Previously there was only one portfolio.

GUEST: Sharon Walk, ETF.

The ETF board annuitant representative election was a topic of discussion last month. A number of issues and problems were mentioned on the voting process, and Ms. Walk desires to make corrections/improvements to the procedure. Switching from paper ballots to electronic voting was ETF's desire to reduce cost, familiarize annuitants with using ETF online, and increase the number of votes. Annuitants were informed of voting by the ETF website, WRS newsletter, retiree groups' emails, and a message at the call center. Voting by telephone was available 24/7. Using an established vote-casting vendor, it was disappointing that the number of votes cast was just over 1% of annuitants. Ideally ETF would like to contact individuals by email; however, they lack addresses. One of the problems was the location of the individual-needed voting number which was on the mailing address and different from the member number used by ETF. Suggestions for improvement were shared with Ms. Walk. There has to be more attention paid to voting for all ETF board members. There are other board member elections annually. Our reelected annuitant representative is Bill Ford who will serve four years. The next annuitant representative election will be in 2019.

CORRESPONDENCE - Congratulations to Director Doug Chickering who will be inducted into the National Federation of State High School Associations National High School Hall of Fame on July 2 in New Orleans, Louisiana.

Our webmaster has been bike riding across the United States on a charitable fund raiser for Alzheimer's Disease. Following discussion the following motion was made.

MSC The WCOA will sponsor Rick Wojciak with a donation of \$100.00 to the designated charitable Alzheimer's organization.

OLD BUSINESS - Annual Conference presenters: Bob Conlin, Secretary of ETF, Ron Mensink, Quantitative Analytics Director, SWIB, Lisa Lamkins, Advocacy Director, AARP, Paul Braun, sports announcer for UW hockey on being a care provider.

Without the weekend mail we presently have 63 registrations.

Blair Testin Award - Omer Jones was nominated. Omer is one of the founders of the DOT retirees group and was a director on the WCOA. Omer chaired and served on several committees.

MSC The WCOA will recognize and honor Omer Jones as the recipient of the 2015 Blair Testin award.

NEW BUSINESS - None.

TREASURER'S REPORT - We now have 21 organizations within the WCOA.

NEXT MEETING: June 15, 2015 Wisconsin Education Association Council, Media Room, 33 Nob Hill, Madison, WI.

The meeting adjourned at 10:50 a.m.

Respectfully submitted – Dick Kratz