

MINUTES OF MEETING

**STATE OF WISCONSIN
GROUP INSURANCE BOARD
Tuesday, August 29, 2006**

**Sheraton Madison Hotel
706 John Nolen Drive
Madison, WI 53719**

BOARD PRESENT: Stephen Frankel, Chair
Randy Blumer, Vice-Chair
Esther Olson, Secretary
Robert Baird
Martin Beil
Jeannette Bell
Janis Doleschal
Cindy O'Donnell
David Schmiedicke
Gary Sherman
Karen Timberlake

DRAFT

**BOARD
NOT PRESENT:** None

**PARTICIPATING ETF
STAFF:** Dave Stella, Deputy Secretary
Tom Korpady, Administrator, Division of Insurance Services
Bill Kox, Director, Health Benefits and Insurance Plans Bureau
Sharon Walk, Group Insurance Board Liaison
Robert Willett, Chief Trust Financial Officer

OTHERS PRESENT: Greg Aronin, Johnson & Johnson
Marcia Blumer, Division of Insurance Services
Jeff Bogardus, Division of Insurance Services
Penny Bound, Dean Health Plan
Chris Bruni, Security Health Plan
Deborah Carstensen, Department of Administration
Bob Conlin, Office of the Secretary
Andrea Darling, United Health Care
Liz Doss-Anderson, Division of Management Services
Jodi Dunaway, Mercy Care
Rhonda Dunn, Office of the Secretary
Elizabeth Dye, Group Health Cooperative
Linda Esser, Division of Management Services
Colleen Evans-Carter, CompCare Blue
Tommy Foy, Division of Insurance Services
Caitlin Frederick, Department of Administration
Charlotte Gibson, Department of Justice
David Grunke, Wisconsin Physicians Service Insurance Corporation

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Ross Hampton, Wisconsin Education Association Trust
Sandy Hayes, Dean Health Plan
Carrie Helms, Network Health Plan
Pam Henning, Division of Management Services
Kathy Ikeman, Unity Health Insurance
Barb Johnson, Security Health Plan
Joy Kaiser, Medical Associates Health Plans
Nancy Ketterhagen, Office of the Secretary
Sari King, Division of Retirement Services
Arlene Larson, Division of Insurance Services
Pam Licht, Office of the Secretary
Julie Maendel, Deloitte Consulting LLP
Eileen Mallow, Office of the Commissioner of Insurance
Chris Mead, Navitus
Paul Merline, Wisconsin Association of Health Plans
Heidi Myers, Johnson & Johnson
Cliff Morris, Health Choice
Nancy Nankivil Bennett, Office of the Secretary
Peg Narloch, Division of Insurance Services
Kris Nichols, Wisconsin Physicians Service Insurance Corporation
Bob Olafson, Minnesota Life Insurance Company
Paul Ostrowski, Office of State Employment Relations
Bob Pearson, Health Choice
Patrick Pechacek, Deloitte Consulting LLP
Paul Perkins, Group Health Cooperative
Diane Poole, Division of Insurance Services
Beth Ritchie, University of Wisconsin System Administration
Deb Roemer, Division of Insurance Services
Peter Roverud, Deloitte Consulting LLP
Paul Rudeen, Minnesota Life Insurance Company
James Scarcy, Deloitte Consulting LLP
Chris Schmelzer, Minnesota Life Insurance Company
Sam Schmirler, Gundersen Lutheran Health Plan
Ron Sebranek, Physicians Plus Insurance Corporation
Mel Sensenbrenner, State Engineers Association
Sonya Sidky, Division of Insurance Services
Joan Steele, Division of Insurance Services
John Verberkmoes, American Federation of Teachers-Wisconsin
Mary Walsh, Department of Transportation
Al Wearing, Blue Cross Blue Shield of Wisconsin
Anita Weier, Capital Times
Steve Werner, Wisconsin Professional Police Association

Stephen Frankel, Chair, Group Insurance Board (Board), called the meeting to order at 8:32 a.m.

Mr. Frankel introduced Jeannette Bell as the newest member of the Group Insurance Board. Ms. Bell is the mayor of West Allis, Wisconsin. She was appointed by

Governor Doyle to a newly-created position on the Board which is to be filled by a chief executive or member of a governing body of a local unit of government that is a participating employer in the Wisconsin Retirement System (WRS).

Mr. Frankel also recognized Randy Blumer who is leaving state employment to take a position as executive director of the Wisconsin Insurance Security Fund. Mr. Blumer expressed his appreciation to the Board and the employees of the Department of Employee Trust Funds (Department) for their assistance to him during his time on the Board. Mr. Blumer was presented with a plaque recognizing him for his service on the Board.

CONSIDERATION OF MINUTES OF JUNE 13, 2006, MEETING

MOTION: Ms. Doleschal moved approval of the open and closed session minutes of the June 13, 2006, meeting as submitted by the Board Liaison. Ms. Olson seconded the motion, which passed without objection on a voice vote.

MOTION TO CONVENE IN CLOSED SESSION

Mr. Frankel announced that the Board would convene in closed session pursuant to the exemptions contained in Wis. Stat. § 19.85(1)(e) for the purposes of discussion of the expenditure of public funds involving competitive bargaining. Staff from Deloitte Consulting, the Department of Administration, the Office of the Commissioner of Insurance, the Office of State Employment Relations and the Department of Employee Trust Funds were invited to remain during the closed session.

MOTION: Mr. Beil moved to convene in closed session pursuant to the exemptions contained in Wis. Stats. § 19.85(1)(e) for the purposes of the discussion of the use of public funds. Ms. Timberlake seconded the motion, which passed on the following roll call vote:

Members Voting Aye: Baird, Beil, Bell, Blumer, Doleschal, Frankel, O'Donnell, Olson, Sherman and Timberlake

Members Voting Nay: None

The Board convened in closed session at 8:38 a.m. and reconvened in open session at 10:23 a.m. Mr. Schmiedicke joined the meeting at 9:20 a.m. The Board took a break from 10:23 a.m. to 10:39 a.m.

ANNOUNCEMENT OF ACTION TAKEN ON BUSINESS DELIBERATED DURING CLOSED SESSION

HEALTH INSURANCE PROGRAM

Mr. Korpady announced that the Board took the following action during the closed session:

- The Board approved contract amendments for the self-insured plans.
- The Board accepted the actuaries' recommendation regarding the self-insured plans. Mr. Korpady was pleased to report the following:
 - There will be no rate increase for the local government health insurance program.
 - The Standard Plan will increase by 5.5%.
 - The State Maintenance Plan (SMP) will increase by 3.2%.
 - The Medicare +1,000,000 Plan will decrease by 5%. This is the third consecutive year that the Medicare +1,000,000 Plan has had a premium rate decrease.
- The Board accepted the recommendations for service area qualifications and the tier assignments as recommended by the actuaries and approved the methodology used by the actuaries to set tiers.
- Security Health Plan (SHP) has been approved as a Tier 1 plan beginning in 2007. SHP will be available in the north-central area of the state and SMP will no longer be available in those areas.
- All of the health plans will remain in Tier 1 with the exception of CompCareBlue Northwest, Humana Western and WPS Patient Choice Plan 2 which will remain at the Tier 2 level.
- The Standard Plan will be at the Tier 3 level.
- For the state program, on a weighted average, an increase of 7.4% is expected. This is the third consecutive year of a single digit increase.
- For the Wisconsin Public Employers group, the combined weighted average change will be 5.9%.

LIFE INSURANCE PROGRAM ANNUAL REPORT

Paul Rudeen, Minnesota Life Insurance Company (MLIC), presented a summary of the overall highlights of 2005.

Mr. Rudeen presented three different reports: 1) *2005 Policy Year Report*; 2) *Group Life Insurance Plan Coverages for State Employees and Their Spouses and Dependents*; and 3) *Group Life Insurance Plan Coverages for Local Government Employees and Their Spouses and Dependents*.

State Group Life Insurance Plan

Under the state portion of the program, both the employee and the spouse and dependent component had claim results that were higher than the targeted levels during 2005. However, because each of these plans is still in a strong financial position, MLIC is not recommending a premium rate change for the 2007 policy year.

Local Government Group Life Insurance Plan

The employee life component of the local plan had excellent claim results in 2005, much better than had been experienced in recent years. Based on the claim results during the three most recent years, MLIC recommended no premium rate change for the employee life portion for the 2007 policy year. For the spouse and dependent portion of the local plan, MLIC recommended a rate reduction from \$2.00 to \$1.75 for each unit of insurance

effective July 1, 2007, for the 2007 policy year based on recent years' results and the existence of the plan's large stabilization reserve.

MOTION: Ms. Olson moved acceptance of the Life Insurance Program Annual Report and approval of the 2007 premium rates as recommended by MLIC. Mr. Baird seconded the motion, which passed without objection on a voice vote.

LONG-TERM DISABILITY INSURANCE

Mr. Searcy of Deloitte Consulting LLP, the Board's actuary, presented the *Long-Term Disability Insurance Plan 2007 Premium Development* report. He reported that over the past six years the assets of the program have continued to grow. Premium transfers have been suspended in this program since 1999. The Incurred Claim Reserve for this program continues to increase as would be expected with the number of participants who continue to mature. The Reserve for Future Claims is in very good shape (\$206 million). Based on the current status of the program, Mr. Searcy recommends that the premium transfer be waived in 2007.

Mr. Searcy also discussed the Long-Term Disability Insurance (LTDI) open election option that currently exists for employees hired before October 16, 1992. Employees hired prior to this date have the option to elect coverage under LTDI or the WRS disability benefit. Mr. Searcy recommends that those individuals eligible for the extended election be identified and that the potential impact of their future elections be calculated. This information will allow the Board to determine when the election period may need to be closed and when a premium may need to be reinstated.

MOTION: Mr. Sherman moved acceptance of the "Long-Term Disability Insurance Plan 2007 Premium Development" report and approval of the 2007 premium rates. Mr. Sherman also moved that the actuary conduct a study which would identify the impact of continuing to extend the LTDI open election option. Mr. Blumer seconded the motion, which passed without objection on a voice vote.

INCOME CONTINUATION INSURANCE (ICI)

Changes to the ICI Plan

Ms. Poole described three recommended changes to the Eighth Amendment to the 2004 Administrative Services Only Contract Between Wisconsin Group Insurance Board and Aetna.

The first change incorporates the new employer error law, Wisconsin Act 402 (effective May 25, 2006). Wisconsin Act 402 allows individuals to file for coverage after initially becoming eligible if the employer has made an error.

The second change involves social security offsets for dependent children. In January 2005, the ICI plan was changed to allow for offsets for dependent children and spouses. An attorney handling an appeal regarding this issue has raised concerns about the

current practice. After considering this advice, staff recommends that only benefits for which the ICI claimant is eligible be offset.

The third change is an update to the premium table. The tables now reflect the premium increase that the Board approved at the June 13, 2006, meeting.

MOTION: Ms. O'Donnell moved that the Board accept the recommendation of staff regarding contract changes to the ICI Plan. Ms. Timberlake seconded the motion, which passed without objection on a voice vote.

Method of Calculating Monthly Earnings for the Income Continuation Insurance Program

Ms. Poole advised the Board that a request had been received from the University of Wisconsin (UW) to consider changing the method for calculating monthly earnings for premiums and benefits for UW faculty and academic staff. Mr. Scarcy has reviewed the proposal and the plan language changes and indicated that there would be no objections to this change by the actuary. Staff takes no position on this request but did ask that if the Board supports this change, it be applied to all twelve-month employees, not just a particular group.

MOTION: Mr. Blumer moved to adopt the change in method for calculating monthly earnings for all employees effective in 2007. Ms. Timberlake seconded the motion, which passed without objection on a voice vote.

LONG-TERM CARE PROPOSAL—MUTUAL OF OMAHA

Mr. Kox discussed the proposal by Mutual of Omaha to replace the current Mutual of Omaha Long-Term Care plan #LTC041-AG-TQ-WI (Long-Term Care II), with Mutual of Omaha's United of Omaha Long-Term Care Insurance policy #LTC06UI-TQ-WI (Assured Solutions Plus). The current policy is being removed from the market and will no longer be sold.

MOTION: Mr. Baird moved to approve the replacement policy. Ms. Olson seconded the motion, which passed without objection on a voice vote.

MISCELLANEOUS

Mr. Korpady referred to the miscellaneous items that had been provided for the Board's information.

MOTION TO CONVENE IN CLOSED SESSION

Mr. Frankel announced that the Board would convene in closed session pursuant to the exemptions contained in Wis. Stat. § 19.85(1)(a) for the purposes of quasi-judicial deliberations. Mr. Stella, Mr. Korpady and Ms. Dunn were invited to remain during the discussion of Case No. 06-CV-2746. Assistant Attorney General Charlotte Gibson, Mr. Ostrowski, Ms. Esser and Ms. Walk were invited to remain during the entire closed session discussion.

MOTION: Mr. Beil moved to convene in closed session pursuant to the exemptions contained in Wis. Stats. § 19.85 (1)(a) for the purposes of quasi-judicial deliberations. Ms. Timberlake seconded the motion, which passed on the following roll call vote:

Members Voting Aye: Baird, Beil, Bell, Blumer, Doleschal, Frankel, O'Donnell, Olson, Schmiedicke, Sherman and Timberlake

Members Voting Nay: None

The Board convened in closed session at 11:36 a.m. and reconvened in open session at 11:47 a.m.

ANNOUNCEMENT OF ACTION TAKEN ON BUSINESS DELIBERATED DURING CLOSED SESSION

Mr. Frankel announced that the Board took the following action during the closed session:

Case No. 06-CV-2746

The Board was updated by its legal counsel regarding this case.

Appeal Nos. 2005-014-GIB and 2005-060-GIB

The Board voted to adopt the hearing examiner's proposed decision with amendments.

ADJOURNMENT

MOTION: Ms. Bell moved adjournment. Mr. Baird seconded the motion, which passed without objection on a voice vote.

The Board adjourned at 11:50 a.m.

Dated Approved: _____

Signed: _____

Esther Olson, Secretary
Group Insurance Board