



STATE OF WISCONSIN | Legislative Audit Bureau

22 East Mifflin St., Suite 500 ■ Madison, WI 53703 ■ (608) 266-2818 ■ Hotline: 1-877-FRAUD-17 ■ www.legis.wisconsin.gov/lab

Joe Chrisman
State Auditor

DATE: December 18, 2017

TO: Senator Robert Cowles and
Representative Samantha Kerkman, Co-chairpersons
Joint Legislative Audit Committee

FROM: Joe Chrisman
State Auditor 

SUBJECT: Proposed Audit of the Group Insurance Board—Background Information

At your request, we have gathered some background information the Joint Legislative Audit Committee may find useful in considering an audit of the oversight the Group Insurance Board (GIB) provides for its programs, with particular focus on the Group Health Insurance program. The GIB is an 11-member board currently made up of 7 individuals who are appointees or designees of the Governor, 2 individuals who are designees of Department of Administration officials, 1 designee of the Attorney General, and 1 designee of the Commissioner of Insurance. The GIB is responsible for setting policies and overseeing certain programs administered by the Department of Employee Trust Funds (ETF), including:

- the Group Health Insurance program, which offers medical, dental, and pharmacy coverage to active and retired employees of the State and 354 local governments participating as of December 31, 2016. Approximately 81,500 active employees and 29,000 retired employees participated in the program as of December 31, 2016.
- the Group Life Insurance program, which offers coverage for active and retired employees of the State and 738 local governments participating as of December 31, 2016.
- the Long-Term Disability Insurance program, which provides benefits to members of the Wisconsin Retirement System. During 2016, approximately 2,400 members received benefits under the program.
- the Income Continuation Insurance program, which offers short-term and long-term benefits for employees of the State and 219 local governments participating as of December 31, 2016. During 2016, approximately 58,400 employees participated in the program and benefits were provided to approximately 2,680 participants.

In addition, the GIB oversees certain coverage plans available only to state employees and retirees. These plans provide various dental, vision, and other insurance benefits. In September 2017, the Employee Trust Funds Board delegated its oversight responsibility for the Employee Reimbursement Accounts (ERA) and Commuter Benefits program to the GIB. This program offers employees of the State pre-tax payroll deductions that are credited to an account for the reimbursement of qualifying medical costs, dependent care costs, and transportation expenses, such as bus passes, parking, and other transit costs. In 2016,

approximately 17,600 employees used the medical account, 3,300 employees used the dependent care account, and 2,300 employees used the commuter benefit account.

The Secretary of ETF is responsible for implementing the policies approved by the GIB and managing the daily operations of ETF. In addition to its staff, and with the approval of the GIB, ETF contracts with third-party administrators that perform administrative functions for each program, such as determining participant eligibility, processing participant claims, and making benefit payments to participants. ETF also contracts with actuaries to perform certain calculations to, for example, project future benefit payments and help GIB meet its fiduciary responsibilities for the programs it oversees.

The 2017-19 Biennial Budget Bill included a nonstatutory provision that requested the Joint Legislative Audit Committee to direct the Legislative Audit Bureau to perform an audit of the health insurance programs administered by GIB. This provision was vetoed by the Governor.

An audit of GIB's oversight of its programs, with particular focus on the Group Health Insurance program, could:

- describe key changes to the programs GIB oversees and review the current structure and operations of the programs;
- assess compliance by GIB and ETF with relevant state laws, assess relevant policies that GIB has established, and assess ETF's compliance with these policies;
- evaluate GIB's program oversight and ETF's program administration;
- determine demographic information about participants currently enrolled in the Group Health Insurance program;
- ascertain the opinions of participating employers, including local governments, about GIB's policies and oversight, as well as ETF's administration of the Group Health Insurance program;
- analyze the calculation, amount, and use of reserves for the Group Health Insurance program.

To complete this audit, we will work most directly with ETF. However, we will also perform audit work that will require us to obtain information from third-party administrators and actuaries hired under contract with ETF. Therefore, to complete our analyses, ETF will need to ensure we obtain timely cooperation from its contractors.

I hope you find this information helpful. If you have any additional questions regarding this proposed audit, please contact me.

cc: Senator Chris Kapenga Representative John Macco
 Senator Alberta Darling Representative John Nygren
 Senator Kathleen Vinehout Representative Melissa Sargent
 Senator Mark Miller Representative Terese Berceau

Mr. Robert J. Conlin, Secretary
Department of Employee Trust Funds