



BRIEFING SHEET

Report 20-19

October 2020

State Auditor

[Joe Chrisman](#)

State Retiree Health Insurance Reporting for the State of Wisconsin

June 30, 2019

Background

The State Retiree Health Insurance program, which is one of the other postemployment benefits (OPEB) programs offered by the State of Wisconsin to eligible retirees, is administered by the Department of Employee Trust Funds (ETF). OPEB refers to the benefits, other than pensions, that a state or local government employee may receive after they have left employment, generally upon retirement. The State Retiree Health Insurance program offers retirees who are not yet eligible for Medicare the option to participate in the State's Group Health Insurance program. Premiums are established and collected based on the current needs of the program, and assets are not accumulated to pay future benefits.

The Department of Administration (DOA) is responsible for preparing financial statements of the State of Wisconsin, including calculating the total OPEB liability for the State Retiree Health Insurance program. To assist state agencies, such as the University of Wisconsin (UW) System, and various authorities, including the UW Hospitals and Clinics Authority, in preparing their own financial statements following generally accepted accounting principles, DOA prepared employer schedules and notes for the program.

Audit Results and Key Findings

We audited the employer schedules and related notes, issued our unmodified auditor's opinions, and reviewed internal controls in accordance with applicable government auditing standards. An unmodified opinion indicates the auditor has concluded that the schedules provide a fair view of the allocations and total amounts related to the benefit program. Our audit report also includes the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters.

We found:

- An OPEB liability exists because the State implicitly subsidizes the premiums paid by participating retirees by offering these individuals access to health insurance coverage at a lower rate than they might otherwise pay based upon their age.
- DOA calculated a total OPEB liability of \$682.5 million for the State Retiree Health Insurance program as of June 30, 2019. This is an increase of \$142.8 million from the total OPEB liability of \$539.7 million as of June 30, 2018.
- The increase of \$142.8 million in the total OPEB liability is primarily related to changes in participant demographics, changes in actual benefit payments and contributions paid, and changes in the health care cost trend rates and the discount rate assumptions.

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