

BUDGET MANAGEMENT AND COMPENSATION RESERVES

State Employee Group Health Program
[LFB Paper #161, Substitute Alternative]

Motion:

Move to adopt the following budget modifications:

1. Alternatives B2, C2, and C3, which would: (a) delete provisions in the bill that specify per pupil aid and an indexing calculation for choice, charter, and open enrollment programs would depend on the decision to self-insure; (b) maintain the current group health program structure; (c) delete the self-insurance lapse from compensation reserves and delete reductions to the University of Wisconsin System associated with self-insurance (\$60 million GPR over the biennium); (d) estimate negotiation savings of \$22,736,300 GPR over the biennium; (e) reestimate Affordable Care Act health insurer fee savings of \$17,991,400 GPR over the biennium (approximately \$4 million GPR less than initially estimated); (f) specify that the Department of Employee Trust Funds must utilize \$68.8 million in state group health program reserves over the 2017-19 biennium (estimated at \$25,813,000 GPR) to reduce state group health program costs; and (g) direct the Group Insurance Board (GIB) to review its policy relating to reserves for fully-insured health plans;

2. Specify that the GIB attempt to ensure that savings of \$63.9 million GPR over the 2017-19 biennium be achieved through a combination of negotiation savings (estimated at \$22.7 million GPR); reserves draw-down (estimated at \$25.8 million GPR); and approximately \$15.4 million GPR from: increased usage of health plan tiers authorized in statute; potential additional reserves reductions if the GIB review of its fully-insured reserve policy results in a lower benchmark for determining reserves; plan design changes, with an emphasis on consumer-driven health care, that do not exceed a 10% increase to total employee costs for Tier 1 plans in each of calendar year 2018 and 2019 including premiums, copays, deductibles, coinsurance, and out-of-pocket maximums; or other means (subject to the 10% employee cost increase limitation specified);

3. Further reduce funding shown in Table 9 of Paper #161 for compensation reserves by \$2,868,300 GPR in 2017-18 and \$5,736,500 GPR in 2018-19 and for the UW System by \$2,281,200 GPR in 2017-18 and \$4,562,400 GPR in 2018-19 (totaling \$15,448,400 GPR over the biennium for compensation reserves and the UW System);

4. Specify that the GIB submit a plan by March 1, 2018, to the Committee for approval under a 21-working day passive review process (as specified under Alternative F3) that includes the following: (a) the amount of state program reserves as of December 31, 2017; (b) the amount of state program reserves that will be used over calendar year 2018 to reduce state program costs; (c) a projection of 2018 year-end state program reserves by the Board's consulting actuary; and (d) the Board's planned utilization of state program reserves in calendar year 2019;

5. Alternative E1, to establish five health plan tiers in statute (rather than three);

6. Alternatives F1, F2, and F3, to increase legislative input and oversight authority through Senate confirmation of certain GIB members, the addition of four GIB members appointed by legislative leadership of each party in both houses, and Joint Committee on Finance 21-day passive review approval of changes to the state group health insurance program;

7. Specify that, with respect to Alternative F3, the GIB, in consultation with the Department of Administration's Division of Personnel Management, must annually, by April 1, submit to the Joint Committee on Finance any proposed changes to the state group health insurance program for the following program year, and must also submit any proposed changes that would be made to the same program year which are proposed after the Committee's review of initial changes and which would have a financial impact or would affect covered benefits, subject to the same 21 working day passive review process specified under Alternative F3 (this would apply to any proposed modifications to 2018 program changes that were approved by the GIB in May, 2017);

8. Request that the Joint Legislative Audit Committee direct the Legislative Audit Bureau to conduct an audit of the state's group health insurance programs, including a review of the GIB's compliance with its reserves policy, a review of the appropriateness of its policy regarding fully-insured program reserves, and the circumstances that have created ongoing, frequent accumulation and use of reserves.

Note:

The amounts of GPR funding that would be provided or modified under the motion are indicated below.

Motion Funding	State Compensation Reserves (GPR)			UW System (GPR)			State Total Biennium
	2017-18	2018-19	Biennium	2017-18	2018-19	Biennium	
Health Insurance							
Prior Period and Inflation	\$11,545,300	\$28,027,900	\$39,573,200	\$9,205,700	\$22,348,100	\$31,553,800	\$71,127,000
Affordable Care Act Fee	-3,340,400	-6,680,900	-10,021,300	-2,656,700	-5,313,400	-7,970,100	-17,991,400
Negotiation Savings	-4,221,300	-8,442,500	-12,663,800	-3,357,500	-6,715,000	-10,072,500	-22,736,300
Reserves Draw-Down to 15%	-4,792,500	-9,584,900	-14,377,400	-3,811,900	-7,623,700	-11,435,600	-25,813,000
Additional Savings Required	<u>-2,868,300</u>	<u>-5,736,500</u>	<u>-8,604,800</u>	<u>-2,281,200</u>	<u>-4,562,400</u>	<u>-6,843,600</u>	<u>-15,448,400</u>
GPR Funding	-\$3,677,200	-\$2,416,900	-\$6,094,100	-\$2,901,600	-\$1,866,400	-\$4,768,000	-\$10,862,100
Self-Insurance Lapse (None)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net GPR	-\$3,677,200	-\$2,416,900	-\$6,094,100	-\$2,901,600	-\$1,866,400	-\$4,768,000	-\$10,862,100
Bill Funding							
GPR	\$7,462,600	\$19,862,600	\$27,325,200	-\$3,894,300	-\$3,851,900	-\$7,746,200	\$19,579,000
GPR-Lapse	<u>10,147,000</u>	<u>20,294,100</u>	<u>30,441,100</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>30,441,100</u>
Net GPR	-\$2,684,400	-\$431,500	-\$3,115,900	-\$3,894,300	-\$3,851,900	-\$7,746,200	-\$10,862,100
Change to Bill							
GPR	-\$11,139,800	-\$22,279,500	-\$33,419,300	\$992,700	\$1,985,500	\$2,978,200	-\$30,441,100
GPR-Lapse	<u>-10,147,000</u>	<u>-20,294,100</u>	<u>-30,441,100</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>-30,441,100</u>
Net GPR	-\$992,800	-\$1,985,400	-\$2,978,200	\$992,700	\$1,985,500	\$2,978,200	\$0

[Change to Base: -\$10,862,100 GPR]

[Change to Bill: \$0 Net GPR (-\$30,441,100 GPR and -\$30,441,100 GPR-Lapse)]