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FOR IMMEDIATE RELEASE

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(MADISON, Wis.) – Eric Stanchfield, Secretary of the Wisconsin Department of Employee Trust Funds (DETF), announced today that the Group Insurance Board (GIB) approved premium rates from the health plans participating in the State’s group health insurance program and established premium rates for the program’s self-insured plans. Moreover, the Board also approved significant program changes that collectively will keep cost increases from rising as much as they otherwise would have.

“The initial bids from our plans showed a 17% increase,” says Tom Korpady, DETF Insurance Services Division Administrator. “Through our negotiations, plans reduced their premium bids to move to the lower tiers, and we were able to reduce that rate of growth to about 12%. This is a significant development. Nationwide, both public and private employers are expecting 14% to 16% premium increases next year.”

The catalyst for change came from efforts by the GIB and Governor Doyle to improve service delivery and quality of care while controlling escalating costs for the program’s 200,000 members. The changes were subsequently passed into law as part of the 2003-05 biennial budget, Korpady explained. “These specific design changes ensure quality health care at a reasonable cost. These budget initiatives have put Wisconsin at the forefront of health insurance reform.”

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The GIB approved the following new program features effective January 1, 2004:

- A three-tier premium contribution structure for active State employees will replace the existing program that has been in existence since 1984;
- A single Pharmacy Benefit Manager (PBM) will provide pharmacy benefits services to all plan participants; and
- The Standard Plans will be converted to one Preferred Provider Plan (PPP) for State employees.

Three-Tier Premium Contribution Structure

DETF evaluated each health plan's costs of providing benefits to members and placed them in tiers, based on their ability to control costs while providing quality health care. High quality plans that proved to be most cost-effective were placed in Tier 1; moderately cost-effective plans in tier 2; and the least cost-effective in Tier 3. Under this system, plans that received high marks for quality and patient safety measures were rewarded during the negotiation of their premium bids.

During the Dual-Choice Enrollment period, set to begin October 6, health insurance program participants will be able to choose among 16 plans in Tier 1 and 4 plans in Tier 2. The newly created preferred provider plan will be in Tier 3.

The Board also expanded the availability of the State Maintenance Plan to counties with no other high quality Health Maintenance Organization, therefore making a Tier 1 plan available to employees throughout the state.

Important note: The monthly out-of-pocket premium contributions that state employees will pay in 2004 for plans in Tier 1, Tier 2 and Tier 3 will be decided through collective bargaining and the compensation plan for non-represented employees.

Pharmacy Benefit Manager

The new Pharmacy Benefit Manager (PBM) is Navitus Health Solutions, a new firm created through a collaborative effort by several Wisconsin health care providers. A PBM is a third party administrator of a prescription drug program that is primarily responsible for processing and paying prescription drug claims. The savings achieved through such cost reduction initiatives as discounts with drug manufacturers, rebate negotiations, and management of the list of preferred prescription drugs, will directly benefit the health insurance program. Further, because all drug coverage will be funneled through the PBM claims system, it will provide checks and balances to alert members to dangerous drug interactions.

As part of the new prescription drug benefit, a three-level co-payment structure for pharmacy benefits will be implemented, with participants paying \$5 and \$15 for most generic and brand name drugs, respectively. Last year, participants paid \$17.50 for brand name prescriptions.

Said Korpady, "The Board is excited about the potential for short-term savings and even deeper prescription drug discounting in the future as the size of our purchasing pool increases. This change will help the Board moderate the size of expected premium increases in the years ahead."

Preferred Provider Plan

The creation of the PPP will allow the State to lessen cost increases by negotiating discounts with providers within an established provider network. Participants in the PPP may still see any provider, but use of providers within the PPP provider network will result in lower out-of-pocket costs for the member.

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Other Board Action

- The Board approved the integration of certain patient quality and safety standards into program requirements. DETF has required participating health plans to report on their hospitals' progress in incorporating key patient safety and health care quality standards recommended by the Leapfrog Group and other quality initiatives, and favorably rewarded the plans for making extra efforts in adopting the standards.
- The Board approved reductions in life insurance premium rates for State employee participants in the 40 through 69 age groups. This will result in an overall premium decrease of about 9.1% for both State employees and State agencies. The Board also approved reductions for local employee participants in the 40 to 59 age groups. This will result in an overall employee rate reduction of about 3.1%.