

# **Private Employer Health Care Coverage Program**

Briefing for Legislators and Staff  
March 14, 2001

---

**From the Department of Employee Trust Funds:**

**Tom Korpady**

*Administrator, Division of Insurance Services*

**Phil Borden**

*Director, Office of Private Employer Health Care Coverage*

**A.B. Orlik**

*Program Manager, Office of Private Employer Health Care Coverage*

# What is PEHCCP?

---

- ▲ A public-private partnership to create a health insurance purchasing pool for private employers
- ▲ 1999 Act 9 (the 1999-2001 biennial budget bill) splits responsibility between:
  - Private Employer Health Care Coverage Board, appointed by the Governor
  - Dept. of Employee Trust Funds (DETF)



# Board composition

---

**DeWayne Bierman**, T.I.C.

*Insurer rep. (Onalaska)*

**Kenneth Conger**, retired

*Public rep. (Kohler)*

**Gina Erickson**, Employers  
Health Cooperative

*Employee rep. (Janesville)*

**Jim Janes**, Oshkosh Marine  
Supply Company

*Employer rep. (Oshkosh)*

**Jim Krogstad**, Mortenson,  
Matzelle & Meldrum

*Agent rep. (Madison)*

**Gary Meier**, Metalworld

*Public rep. (Racine)*

**Chris Queram**, The Alliance

*Employer rep. (Madison)*

**Tim Size**, Rural Wisconsin  
Health Cooperative

*Hospital rep. (Sauk City)*

**John Turcott**, retired

*HMO rep. (Madison)*

**Vacancies:**

Employee rep., Physician

**Non-voting members:**

Secretaries of ETF and HFS



---

Private Employer Health Care Coverage Program

# PEHCCP activities in brief

---

- ▲ 10/99: Budget passed
- ▲ 02/00: Director position posted
- ▲ 04/00: Director hired
- ▲ 05/00: Board appointed; Program Manager position posted
- ▲ 07/00: Program Manager and Board Coordinator hired
- ▲ 08/00: Board meeting (RFP strategy)



# PEHCCP activities in brief

---

- ▲ 10/00: Pre-RFP conference with administrative vendors
- ▲ 11/00: RFP released
- ▲ 12/00: No responses; vendor feedback solicited; statutory changes recommended to leadership
- ▲ 02/01: Statutory changes drafted
- ▲ 03/01: SB 81 introduced



# Questions we hear often

---

- ▲ What is the Private Employer Health Care Coverage Program?
- ▲ What has DETF been doing?
- ▲ Why is the program not operational?
- ▲ What is being done to get it up and running as quickly as possible?
- ▲ What can legislators do to increase the program's chance of success?



# PEHCCP will...

---

- ▲ Be available to employers with two or more employees and farmers with at least one employee
- ▲ Be sold exclusively through local independent health insurance agents trained to sell the program
- ▲ Mirror underwriting/rating practices in the outside market, to the extent required to remain actuarially sound



# PEHCCP will likely...

---

- ▲ Offer employee choice among multiple health insurance options in areas of the state with competing health plans
- ▲ Save employers money by allowing them to set their contribution based on the lowest-cost option
- ▲ Simplify application/enrollment processes



# What is “administration”?

---

- ▲ Developing and distributing rate proposals to prospective employers
- ▲ Gathering enrollment information about groups and employees (including selected health plans)
- ▲ Verifying program eligibility
- ▲ Maintaining database of current members and transferring data electronically to health plans



# What is “administration”?

---

- ▲ Consolidating premium billing
  - ▲ Distributing premium dollars to health plans and agents
  - ▲ Recruiting, training and working with independent agents (sales force)
  - ▲ Designing, printing, storing and distributing all program forms
  - ▲ Providing prompt, courteous, accurate customer service
- 



Private Employer Health Care Coverage Program

# Resources in 1999 Act 9

---

- ▲ Authorizes 3.5 FTE positions in DETF
- ▲ Appropriates \$200,000 to DETF for internal costs (DETF's fiscal note indicated internal costs of \$411,900)
- ▲ Appropriates \$200,000 grant to private-sector administrator
- ▲ Trust funds cannot be used—the program must repay DETF for shared staff and other resources



# The search for a vendor

---

- ▲ Highly specialized field
- ▲ Vendors have invested a great deal in infrastructure and personnel
- ▲ Worked with expert consultants
- ▲ Sent RFI in July; followed up with phone calls to increase response
- ▲ Held pre-RFP vendor conference
- ▲ Circulated draft RFP for feedback



# Vendors told us...

---

- ▲ The budget is insufficient
- ▲ Contracting with health insurers is an expensive, labor-intensive process that most administrative vendors would rather not tackle
- ▲ We face an uphill battle to create a purchasing pool in Wisconsin, given our underlying market regulations



# SB 81, piece by piece

---

## ▲ Issue:

- Administrators are reluctant to undertake health plan contracting

## ▲ Solution:

- Transfer responsibility for health plan contracting to DETF
- Authorize DETF to spend a portion of the grant to the administrator to obtain contracted actuarial and legal assistance



# SB 81, piece by piece

---

## ▲ Issue:

- Sub-contracting is not specifically authorized

## ▲ Solution:

- Authorize DETF or the administrator to enter into a contract to market the program
- Authorize DETF or the administrator to maintain a toll-free telephone number



# SB 81, piece by piece

---

## ▲ Issue:

- Annual hard-copy publication of rates may not be best for the program

## ▲ Solution:

- Authorize the Board to determine the manner in which rates are made available to employers and employees
- Require the Board to report rates to the Legislature annually



# SB 81, piece by piece

---

## ▲ Issue:

- Health plan policies differ regarding employees working fewer than 30 hours per week

## ▲ Solution:

- Specify that employers may offer coverage to employees working fewer than 30 hours per week to the extent permitted by participating health plans



# SB 81, piece by piece

---

## ▲ Issue:

- Language regarding required employer contribution is unclear

## ▲ Solution:

- Clarify that employers must contribute a minimum of 50% of the lowest single coverage rate for that employee; employers may still choose to contribute more



# SB 81, piece by piece

---

## ▲ Issue:

- Language regarding agents was inconsistent with existing law

## ▲ Solution:

- Clarify that agents must be “listed” with participating carriers
- Authorize the Board to approve agent training criteria



# Enhancing competitiveness

---

- ▲ Do not require PEHCCP to guarantee issue groups other than per HIPAA (2-50), unless such requirements are extended to the market at large
- ▲ Consider creative funding options
  - Fund all administrative overhead (reducing premiums to small businesses)
  - Make a loan to PEHCCP payable over an extended period (modeled after California)



# Market-wide issues

---

- ▲ Industry-wide changes which could improve the environment for a purchasing pool
  - Full disclosure of all plan design options
  - Mandatory “offering” vs. coverage
  - Tighter rate bands
  - Industry-wide reinsurance mechanism to reduce risk avoidance



# What's next?

---

- ▲ Follow progress of SB 81 and other initiatives regarding the program
- ▲ Consider emergency funding request with Joint Finance under 13.10
- ▲ Prepare estimates for amendment to 2001-2003 budget, to assure adequate ongoing funding

