



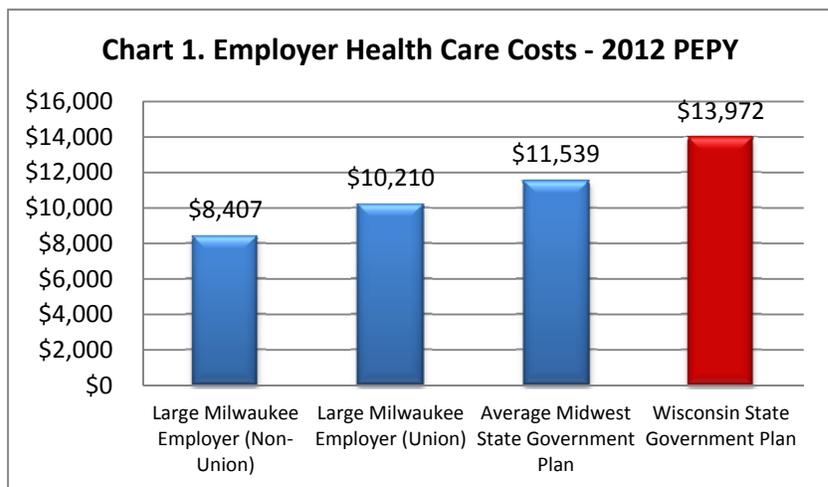
One Year After Act 10: Comparing Wisconsin's State Employee Plan with Other Government & Private-Sector Plans

EXECUTIVE SUMMARY

Wisconsin taxpayers still pay significantly more to provide health insurance to state employees than taxpayers in surrounding states, even after increasing the employee premium contribution and making plan changes to reduce costs.

Wisconsin taxpayers also continue to pay significantly more than most private-sector employers in the greater Milwaukee area.

HCTrends analyzed 2012 state employee health plan benefits in Illinois, Minnesota, Iowa and Michigan, and compared them with the benefits offered to state employees in Wisconsin. The analysis also compared Wisconsin state employee benefits to those offered to private-sector employees in southeastern Wisconsin.



The study's findings:

- Wisconsin taxpayers will pay, on average, \$13,972 to provide health insurance for a state employee, which is 9 percent (\$1,207) more than taxpayers will pay in Michigan, the next most expensive state, and 21 percent more (\$2,433) than the average per-employee cost for taxpayers in the five states analyzed
- Wisconsin taxpayers will also pay an average \$3,762 more per employee than large private-sector companies with union workforces and \$5,565 more than large non-union employers

BACKGROUND

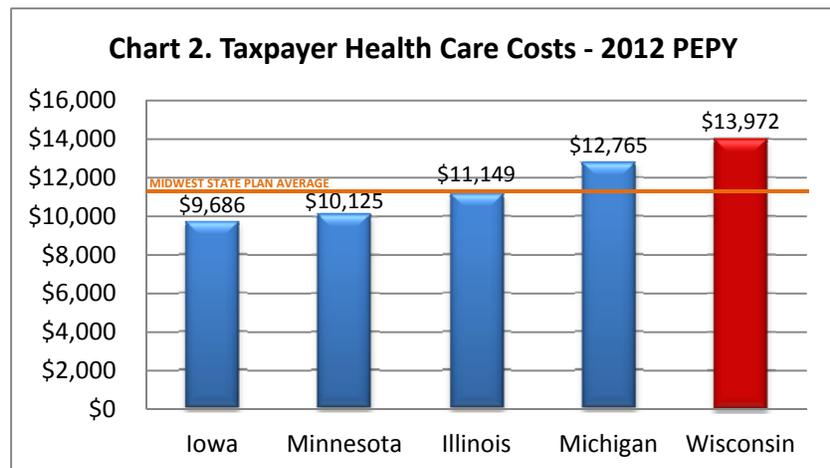
Prior to passage of the Budget Repair Act of 2011 (Act 10), Wisconsin state employees contributed 4.35 percent toward the cost of their health plan premiums. This was less than half the average contribution rate for state government employees in other Midwestern states and one-third the national average for state employees. Wisconsin state employees also had minimal out-of-pocket costs: \$100 single/\$200 family deductibles, no co-insurance, and \$100 single/\$200 family out-of-pocket maximums.¹

Act 10 mandated a nearly three-fold increase in the state employee contribution to 12.4 percent in 2012.² The legislation also instructed the Wisconsin Group Insurance Board, which oversees the health plan design, to reduce the state's 2012 health plan costs 5 percent through plan design changes. This was achieved by adding a 10 percent coinsurance and increasing the out-of-pocket maximums to \$500 single/\$1,000 family.³ These changes increased the annual cost for an average state employee by between \$600 and \$1,600, depending on the coverage selected and the medical costs incurred.

While the changes will increase employee out-of-pocket costs, the larger question is how these costs compare to what other employees pay. In an effort to see how Wisconsin compares to other state government and private-sector plans, HCTrends analyzed public employee benefit designs and plan costs for Wisconsin and four surrounding states – Illinois, Iowa, Michigan and Minnesota. HCTrends also analyzed benefit design and costs for private-sector employers (both with and without union representation) in southeastern Wisconsin.⁴

COMPARING STATE EMPLOYEE PLANS

The HCTrends analysis found that increasing state employee premium contributions and out-of-pocket costs did reduce Wisconsin's health plan costs, making the state more competitive with surrounding states. Wisconsin went from having one of the lowest employee premium contributions (4.3 percent) to one of the highest (12.6 percent). However, it continues to have the second-lowest out-of-pocket maximums of the five states analyzed (Table 1). As a result, Wisconsin taxpayers pay an estimated \$1,207 (9 percent) per employee more than the next most expensive state,



¹ "The Budget-Repair Bill's Impact on Wisconsin State Employee Health Benefit Costs," HCTrends White Paper (February 2011)

² 12.6 percent is the contribution share most frequently cited in media accounts; however Act 10 set specific contribution amounts (\$81 for single coverage and \$201 per month for family coverage for Tier 1 plans). Depending on the plan chosen by the employee, this represents between 10.4% and 14.4% of total premium.

³ "Benefit Plan Changes Save Taxpayers \$155 Million," December 2011 HCTrends (Volume 4, Issue 4)

⁴ Health plan costs were converted to per-employee, per-year costs (PEPY) based on the assumption that 60 percent of the enrollees select family coverage and 40 percent select single coverage.

Michigan, and \$2,433 (21 percent) more than the average employee costs for the five states analyzed (Chart 2).⁵

Wisconsin offers its state employees more health plan options than any of the other states analyzed. Employees choose among 26 insurance plans that provide coverage based on a statewide uniform benefits plan. Even though the premiums charged by these health plans vary by as much as 39 percent, state employees pay a fixed monthly amount (\$81 single/\$201 family) and the state pays the remaining amount.⁶ The other states offer fewer options and, in most cases, base the employee contribution on the plan selected.

In Michigan, the employee contribution also depends on the length of time the employee has worked for the state. Employees hired before April 2010 contribute 7.2 percent of premium, while employees hired after April 1, 2010 pay 15.4 percent. The newer hires also have slightly less generous health benefits.

TABLE 1. COMPARISON OF STATE EMPLOYEE PLANS					
COMPONENT	Illinois*	Iowa	Michigan**	Minnesota***	Wisconsin
Annual Employee Share (Single/Family)	\$564/\$2,442	\$0/\$0	\$499/\$1,377	\$0/\$1,562	\$972/\$2,412
Deductible (Single/Family)	\$200/enrollee	None	None	\$140/\$280	None
Inpatient Co-Insurance*	10% & \$325 copay	None	None	\$180 copay	10%
Primary Care Physician Copay**	10%	\$10	\$10	\$22/\$27	Varies by Plan
Out-of-Pocket Max (Single/Family)	\$600/\$1,200	\$750/\$1,500	Not Applicable	\$1,100/\$1,200	\$500/\$1,000
Prescription Copays	\$10/\$24/\$48	\$5/\$15/\$30	\$5/\$10	\$10/\$16/\$36	\$5/\$15/\$35
*Tier 2 **Tier 1 (employees hired before April 2010) ***Cost Level 2					

In Illinois, premium contribution is based on both the employee's income and the plan selected. An employee earning \$30,200 per year pays \$564 per year for single coverage for the state's primary plan, while an employee earning \$75,901 pays \$714. State employees pay an additional \$110 to \$226 per month, depending on the plan they select, for family coverage.

State employees in Minnesota pay a fixed rate (\$0 single/\$1,562 family), but their cost-sharing is determined by the provider group they select.⁷ Deductibles vary by as much as \$550 for single coverage and \$1,100 for family coverage depending on the provider group selected.

Iowa has both the least expensive and the most generous health plan among the five states analyzed. The plan, which costs the state an estimated \$9,686 per employee per year, is offered to state employees free of charge. The plan does have an out-of-pocket maximum for state employee plans (\$750 single/\$1,500 family), but it is unlikely that many employees reach the threshold given the plan's minimal co-insurance rate and low copays.

⁵ Unlike other states, Wisconsin does not have a dominant health plan that is available in most areas of the state; instead, there are 26 plans with limited geographic availability. Because HCTrends was unable to obtain data indicating enrollment for the 26 plans, the average premiums for all Tier 1 health plans was used to calculate representative health plan costs.

⁶ In most areas of the state, health plan premiums vary 3 to 8 percent. The greatest variations occur in the Madison area (34%), southwestern Wisconsin (33%) and northeastern Wisconsin (20%).

⁷ The Minnesota plan is similar to the Patient Choice plan offered in the Milwaukee area in which providers are grouped according to the quality and efficiency of care they deliver. Employees who select providers with higher quality and efficiency ratings pay lower out-of-pocket costs.

PRIVATE-SECTOR COMPARISONS

HCTrends also compared Wisconsin's 2012 state employee health care costs with estimated private-sector costs for both union and non-union employers. Private-sector employer costs were based on results from the 2011

Greater Milwaukee Employer Health Care Benefits Survey adjusted to reflect a 6 percent projected increase for 2012 as identified in the HCTrends 2012 Renewal Survey.⁸

The Milwaukee-area analysis found that Wisconsin taxpayers will pay \$3,762 more per employee to provide health care coverage than private-

sector employers with unionized workforces, \$5,500 more than large, non-union employers, and almost double the average \$7,815 paid by all employers (union and non-union) in 2012.

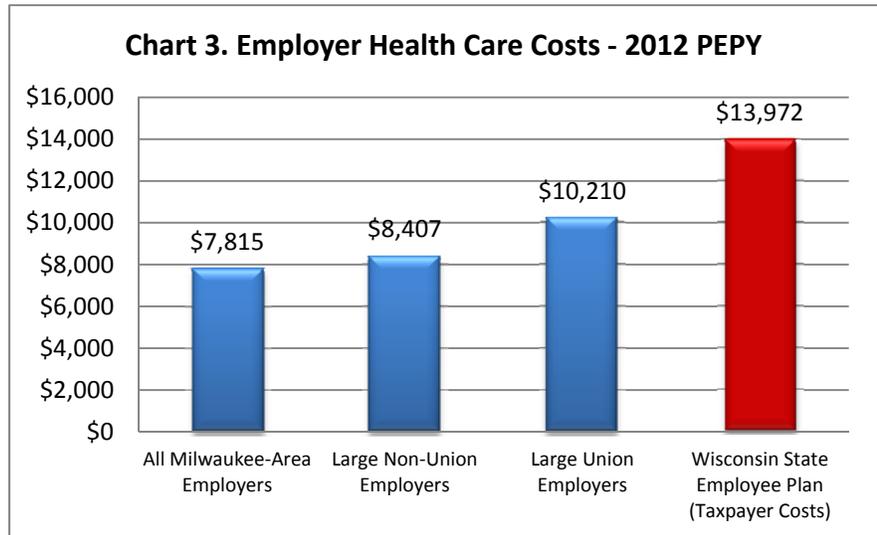


TABLE 2. COMPARISON OF MILWAUKEE-AREA, PRIVATE-SECTOR WITH STATE PLAN⁹

COMPONENT	Milwaukee-Area Private-Sector Employers			Public Sector
	All Employers	Large Non-Union Employers*	Large Union Employers*	Wisconsin State Employee Plan
Annual Employee Share (Single/Family)	\$1,075/\$3,625	\$1,437/\$5,100	\$937/\$3,600	\$972/\$2,412
Deductible (Single/Family)	\$1,750/\$4,250	\$625/\$1,250	\$625/\$1,750	None
Inpatient Co-Insurance*	20%	15%	10%	10%
Primary Care Physician Copay**	\$25	\$30	\$30	Varies by Plan
Out-of-Pocket Max (Single/Family)	\$3,500/\$7,000	\$2,500/\$5,000	\$1,500/\$5,000	\$500/\$1,000
Prescription Copays	\$10/\$35/\$55	\$10/\$30/\$50	\$10/\$30/\$50	\$5/\$15/\$35

*Employers with more than 500 employees

⁸ The 2011 Greater Milwaukee Employer Health Care Benefits Survey was released in August 2011 and included information concerning 2011 health plan costs and design from more than 200 employers in southeastern Wisconsin. HCTrends 2012 Renewal Survey, released in December and also based on a survey of 200 employers, indicated that the average (median) employer expected health plan costs to increase 6 percent in 2012

⁹ State government employee plan designs are based on the 2012 benefits packages; private-sector plan costs based on 2012 estimates, plan design based on 2011 benefit design

APPENDIX: STATE EMPLOYEE HEALTH PLANS

ILLINOIS

- Offers three types of health plans – HMO, open access and self-funded PPO
- Open access plan has three tiers – Tier 1 network providers, Tier 2 network providers and Tier 3 non-network providers
- Share of single-coverage premium based on income
 - \$47 to \$84.50 per month (\$564 to \$1,014 per year)
- Share of family-coverage premium fixed rate based on plan selected
 - \$157 to \$310 per month (\$1,884 to \$3,720 per year)
- HealthLink Open Access Plan (OAP) selected for comparative analysis with other states
 - Open access plan structure similar to what is offered in Wisconsin
 - Available in most parts of Illinois

HEALTHLINK OAP

Total Premium Cost (Taxpayer and Employee Share Combined)

- Single Premium: \$573.40 per month (\$6,881 per year)
- Family Premium: \$1,491 per month (\$17,891 per year)¹⁰

Employee Share of Premium – In Dollars

- Single premium (based on \$50,000 salary): \$54.50 per month (\$654 per year)
- Family premium (two or more dependents): \$203.50 per month (\$2,442 per year)

Employee Share of Premium – Percent

- Single premium (based on \$50,000 salary): 9.5%
- Family premium (two or more dependents): 13.6%

HEALTHLINK OAP THREE-TIER PLAN DESIGN			
COMPONENT	TIER 1	TIER 2	TIER 3
Deductible (Single/Family)	None	\$200 per enrollee	\$300 per enrollee
Inpatient Co-Insurance	None after \$275 copay	10% after \$325 copay	20% after \$425 copay
Primary Care Physician Copay	\$15	10%	20%
Out-of-Pocket Max (Single/Family)	Not Applicable	\$600/\$1,200	\$1,500/\$3,500
Prescription Copays	\$10/\$24/\$48	\$10/\$24/\$48	\$10/\$24/\$48

¹⁰ Estimated by multiplying single premium by 2.6

IOWA

- Offers three types of health plans – indemnity, PPO and managed care
- State employees not required to contribute to either single or family coverage
- Iowa Blue Access selected for comparative analysis with other states
 - Open access plan structure similar to what is offered in Wisconsin
 - Available in most parts of Iowa

IOWA BLUE ACCESS

Total Premium Cost (Taxpayer and Employee Share Combined)

- Single Premium: \$471.85 per month (\$5,662 per year)
- Family Premium: \$1,104.11 per month (\$13,249 per year)

Employee Share of Premium

- Single premium: \$0 (\$0 per year)
- Family premium (two or more dependents): \$0 per month (\$0 per year)

IOWA BLUE ACCESS PLAN DESIGN	
COMPONENT	Plan Design
Deductible (Single/Family)	None
Inpatient Co-Insurance	0%
Primary Care Physician Copay	\$10
Out-of-Pocket Max (Single/Family)	\$750/\$1,500
Prescription Copays	\$5/\$15/\$30

MICHIGAN

- Offers three types of health plans – catastrophic, PPO and HMO
- Two-tiered approach to premium contribution
 - Tier 1: Employees hired before April 1, 2010
 - Tier 2: Employees hired on or after April 1, 2010
- BlueCare Network – East Michigan selected for comparative analysis with other states

BLUE CARE NETWORK (EAST MICHIGAN)

Total Premium Cost (Taxpayer and Employee Share Combined)

- Single Premium: \$579.87 per month (\$6,958 per year)
- Family Premium: \$1,600.43 per month (\$19,205 per year)

Employee Share of Premium – In Dollars

Tier 1

- Single premium: \$41.58 per month (\$499 per year)
- Family premium (two or more dependents): \$114.79 per month (\$1,377 per year)

Tier 2

- Single premium: \$89.33 per month (\$1,072 per year)
- Family premium (two or more dependents): \$246.57 per month (\$2,959 per year)

Employee Share of Premium – Percent

Tier 1

- Single premium: 7.2%
- Family premium (two or more dependents): 7.2%

Tier 2

- Single premium: 15.4%
- Family premium (two or more dependents): 15.4%

BLUE CARE NETWORK – TWO-TIER PLAN DESIGN		
COMPONENT	TIER 1 (Hired Before April 2010)	TIER 2 (Hired In/After April 2010)
Deductible (Single/Family)	None	None
Inpatient Co-Insurance	None	None
Primary Care Physician Copay	\$10	\$20
Out-of-Pocket Max (Single/Family)	Not Applicable	Not Applicable
Prescription Copays	\$5/\$10 (two-tier)	\$10/\$30/\$60

MINNESOTA

- Offers one health plan – Minnesota Advantage Health Plan – through three insurance carriers: Blue Cross Blue Shield, HealthPartners and PreferredOne
- Four cost-sharing levels based on health care provider selected
- Cost Level 2 selected for comparison (largest share of providers classified as Cost Level 2 providers)
 - Percent of Provider Groups by Cost Level:
 - Level 1: 9%
 - Level 2: 48%
 - Level 3: 26%
 - Level 4: 17%

MINNESOTA ADVANTAGE HEALTH PLAN

Total Premium Cost (Taxpayer and Employee Share Combined)

- Single Premium: \$447.28 per month (\$5,367 per year)
- Family Premium: \$1,315.34 per month (\$15,784 per year)

Employee Share of Premium – In Dollars

- Single premium: \$0 per month (\$0 per year)
- Family premium (two or more dependents): \$130.20 per month (\$1,562 per year)

Employee Share of Premium – Percent

- Single premium: 0%
- Family premium (two or more dependents): 9.9%

MINNESOTA ADVANTAGE HEALTH PLAN DESIGN				
COMPONENT	Cost Level 1	Cost Level 2	Cost Level 3	Cost Level 4
Deductible (Single/Family)	\$50/\$100	\$140/\$280	\$350/\$700	\$600/\$1,200
Inpatient Co-Insurance*	\$85 copay	\$180 copay	\$450 copay	25%
Primary Care Physician Copay**	\$17/\$22	\$22/\$27	\$27/\$32	\$37/\$42
Out-of-Pocket Max (Single/Family)***	\$1,100/\$2,200	\$1,100/\$2,200	\$1,100/\$2,200	\$1,100/\$2,200
Prescription Copays	\$10/\$16/\$36	\$10/\$16/\$36	\$10/\$16/\$36	\$10/\$16/\$36
*After copay, then deductible **Higher number if health-risk assessment not completed ***Excludes prescription drugs, which have separate \$800 single/\$1,600 family out-of-pocket maximum				

WISCONSIN

- Offers uniform benefits package through 26 plans available in different areas of state
 - 22 open access plans
 - 3 preferred provider plans
 - 1 State Maintenance Plan (available only in counties that lack a qualified Tier 1 plan)
 - Plans tiered into three groups
 - All plans currently in Tier 1 except Standard Plan, a Tier 3 PPO administered by WPS
- Average of all plan costs used for comparative analysis with other states
 - Annual premium of least expensive plan: (\$6,728 single/\$17,137 family)
 - Annual premium of most expensive plan¹¹: (\$9,335 single/\$23,287 family)

WISCONSIN HEALTH PLANS

Total Premium Cost (Taxpayer and Employee Share Combined)

- Single Premium: \$728 per month (\$8,736 per year)
- Family Premium: \$1,816 per month (\$21,792 per year)

Employee Share of Premium – In Dollars

- Single premium: \$81 per month (\$972 per year)
- Family premium: \$201 per month (\$2,412 per year)

Employee Share of Premium – Percent¹²

- Single premium: 11.1%
- Family premium: 11.1%

WISCONSIN UNIFORM BENEFITS PLAN	
COMPONENT	Plan Design
Deductible (Single/Family)	None
Inpatient Co-Insurance	10%
Primary Care Physician Copay	Varies by plan
Out-of-Pocket Max (Single/Family)	\$500/\$1,000
Prescription Copays	\$5/\$15/\$35

¹¹ Tier 1 plans only. The state also offers a Standard Plan PPO, which has significantly higher premiums (\$13,771 single/\$34,387 family).

¹² Although most reports state that Wisconsin employees pay 12.6 percent of health insurance premiums, they actually pay a fixed rate - \$81 per month for single coverage and \$201 per month for family coverage. This varies between 10.4% and 14.1% depending on the plan's premium. The 11.1% was calculated from the average premiums of the plans offered.