**Appendix 5 - ETD0059**

**Health Insurance**

**Scope of Work & Technical Questionnaire**

**Review the background and scope of work and then provide responses to this technical questionnaire.**

### 1.0 Health Insurance Program Background

The Group Insurance Board sets policy and oversees administration of the group health, life insurance, and income continuation insurance plans for State Employees and Retirees and the group health and life insurance plans for Local Employers who choose to offer them. The Board also can provide other insurance plans, if Employees pay the entire premium.

The Department of Employee Trust Funds (ETF) in consultation with Segal (consulting actuary for Wisconsin Health Insurance Programs), on behalf of the Group Insurance Group Insurance Board, establishes premium rates for the Group Health Insurance Program (GHIP) The Group Insurance Board consults with actuaries to assist in establishing premiums for annual rate setting. See Segal’s 2024 Health Plan Rates and Qualifications in the table below. There are four components that make up the premium rates: medical, pharmacy, dental premiums, and administrative fees. See Rate Setting Refresher Training Memo in the table below. The Group Health Insurance Program (GHIP or Program) offers group medical, wellness, pharmacy and optional dental coverage. The GHIP is available to all WRS eligible State Employees and their dependents and all WRS Local Employees and their dependents if their Employer participates. Retirees participate on a “member pay” basis, where the member pays the entire premium. There are separate programs for State and Local Employees.

The GHIP offers health related benefits subject to a Uniform Benefits contract. Medical benefits are fully insured through contracts with, currently, ten (10) licensed insurers. Wellness, dental and pharmacy benefits are self-insured by the program.

The GHIP is authorized by Wisconsin Statute § 40.52 and is funded by premiums paid by Employees and Employers. The reserve target established by the Group Insurance Board under this policy is used in determining annual premium rates to be paid by GHIP enrollees. As required under Wis. Stat. § 40.05(4), premium rates are paid by State Employees subject to a calculation established by the Department of Administration, Administrator of the Division of Personnel Management, but the Employer contribution cannot exceed 88% of the estimated premiums and cost sharing for any benefit year. Local units of government may determine their contribution amount but are not permitted to exceed a contribution of 88% to be able to participate in the Group Health Insurance Program.

This reserve policy is designed to provide guidance for the Group Insurance Board in establishing GHIP fund reserve target that is sufficient to fund plan liabilities, protect the fiscal integrity of the GHIP, and maintain a reasonable premium rate for Employees and Employers.

The Group Insurance Board will, in consultation with its actuaries, establish separate reserve targets for the State and local Programs. Reserves are estimated separately for the State and local pools and, within each pool, separately for medical (including wellness), pharmacy and dental benefits, reflecting the risk associated with each item. Anticipated income from invested assets is incorporated into the reserve calculation. The current reserve policy, approved by the Group Insurance Board, sets reserves at:

Medical: 3% to 5% of premiums

Pharmacy: 8% to 10% of projected claims

Dental: 5% to 7% of projected claims

In order to preserve the fund integrity and ease the impact of premium rate changes, the Group Insurance Board may decide to spread recommended rate adjustments so that the surplus target is reached over a period of years rather than in one year.

This policy does not prohibit the Group Insurance Board, upon the advice of Department staff and GHIP actuaries, from setting premium rates that cause the reserve balance to fall outside the target range if the GHIP’s financial condition, claim experience, and other factors or trends indicate that a different target is necessary to fulfill the Group Insurance Board’s fiduciary responsibility to the GHIP and member enrollees.

Each year, and in consultation with its actuaries, the Group Insurance Board determines the availability of surplus to reduce member and Employer premiums. During its review the Group Insurance Board shall consider the available amounts, impact of the application of reserves on future premiums and budget limitations.

The following materials are referenced to assist Proposers.

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| **Document** | **Web Address** |
| 2024 Health Plan Rates and Qualifications presentation to the Group Insurance Board | [GIB 4D - PPT - 2024 Health Plan Rates and Qualifications - 08.16.23 (wi.gov)](https://etf.wi.gov/boards/groupinsurance/2023/08/16/gib4dppt/direct) |
| Rate Setting Refresher Training | [Rate Setting Refresher Training (wi.gov)](https://etf.wi.gov/boards/groupinsurance/2021/05/12/gib3/direct) |
| Group Health Insurance Program | [Group Health Insurance | ETF (wi.gov)](https://etf.wi.gov/employers/insurance-programs/group-health-insurance) |
| Reserve Policy for the Group Health Insurance Program Adopted: November 18, 2020 | <https://etf.wi.gov/boards/governance-manual/ghip-reserve/download?inline=> |

**2.0 Scope of Work for Health Insurance Actuarial Audit**

This audit is not for a complete review of health insurance rate setting calculations, but rather it is an audit of the actuarial assumptions and processes used by the Department’s consulting actuary for health insurance programs, The Segal Company (Segal). An assessment will be made regarding whether Segal’s actuarial assumptions used in the annual health insurance rate setting process are reasonable and consistent with generally accepted actuarial standards and practices. This audit will cover calendar year 2024 health insurance rate setting and includes:

1. An assessment of procedures and actuarial assumptions Segal used to estimate health insurance premiums and future reserve balances for medical, pharmacy, and dental portions for State Employee health insurance premiums (further differentiated by non-Medicare, Medicare, graduate assistants, and high deductible). Specifically considering whether Segal’s valuation method and assumptions are reasonable and consistent with generally accepted actuarial standards and practices. Assumption inputs include:

* claims information by insurer;
* the actuarial assumption model used;
* rate caps, determined internally at the Department; and
* inflationary assumptions.

1. An assessment of procedures and actuarial assumptions Segal used to estimate health insurance premiums and future reserve balances for medical, pharmacy, and dental portions for Local Employee health insurance premiums (further differentiated by non-Medicare, Medicare, and high deductible). Specifically considering whether Segal’s valuation method and assumptions are reasonable and consistent with generally accepted actuarial standards and practices. Assumption inputs include:

* claims information by insurer;
* the actuarial assumption model used;
* rate caps, determined internally at the Department; and
* inflationary assumptions

1. Review the reserve policy and recommend any changes.

**Anticipated Work Product:**

The Contractor shall submit an electronic copy of the final written report and a PowerPoint presentation regarding the final report to the Department. The final written report and presentation will be distributed to the Group Insurance Board and to any other persons upon request. The report and presentation will be subject to disclosure under Wisconsin open records law. The Department reserves the right to use and reproduce all reports and data produced and delivered pursuant to any contract, including publication of the report on the Department’s website, and reserves the right to authorize others to use or reproduce such materials.

The final written report shall include, at a minimum:

1. An overall opinion as to the reasonableness of the consulting actuary’s assumptions and conclusions and the conformance of the actuary’s work with generally accepted actuarial standards and practices.

2. An overview of the scope of the review, including a brief description of the procedures performed to arrive at the conclusions reached or recommendations for improvement.

3. A detailed description of each audit exception and the estimated effect of each exception, as well as details about the specific discrepancies, variations, or expectations identified, the estimated impact of those items, the resolution of those items, and any items that remain outstanding.

4. Any recommendations for improvement.

**Timing of Audit Services:** The Department plans to execute the contract for these actuarial audit services in April 2024. The 2024 rate year is being audited. Following preparation, review, and discussion of a preliminary report with the Department, the final written report and presentation must be submitted to the Department no later than October 15, 2024 for a presentation at the November 13, 2024 Group Insurance Board meeting.

A second audit is anticipated five years later, in 2029 if an option to extend the Contract is granted by the Board and the scope of work and pricing is agreed to by the parties in a contract amendment.

**Briefings:** At a minimum, the Contractor should be prepared to make the following briefings via conference call:

1. Audit progress reports to Department staff, upon request.

2. Presentation of the content of the preliminary and final report drafts to the Department and the Department’s consulting actuary.

3. An in-person educational briefing and explanation of the final audit report at the November 2024 Group Insurance Board meeting.

**Exit Conference**: In addition to the briefing of the preliminary report with the Department, the Contractor may be required to attend an exit conference to provide an opportunity for the Department’s consulting actuary and Department staff to discuss the preliminary report with the Contractor. The purpose of the exit conference would be to identify possible errors in the report and discuss the findings and recommendations.

**Workpapers:** As part of reviewing the results of the audit, the Department may review and duplicate workpapers prepared by the Contractor. The Contractor’s workpapers shall be available for review and duplication by the Department. The Contractor also shall be available to answer Department staff questions.

**Project Execution and Administration:** The Contractor will be responsible for arranging needed meetings with the consulting actuary and the Department. The Department will designate a liaison to assist in scheduling these meetings. The Contractor will be responsible for all travel arrangements and expenses, and clerical support. No Department staff will be involved in conducting the field work, analysis, or writing of the required reports.

**3.0 Technical Questionnaire**

This section is scored. It is worth 900 maximum points. See RFP Section 7.

**a) Executive Summary:**

Provide a narrative summary of the Proposal being submitted. This summary should identify all the services and work products that are being offered in the Proposal and should demonstrate the Proposer’s understanding of the project.

**b) Proposer Capabilities and Experience:**

Describe the Proposer’s capabilities and recent experience (during the last two years) in performing actuarial valuations, actuarial audits, or studies of public employee health insurance plans. The Proposer should include information on the types and sizes of similar public employee health insurance plans for which past work has been performed, including the following information about each system:

* The types and number of participating employers;
* The types and number of participants;
* The type and number of health insurers;
* The type of services provided and the number of years the services were performed; and
* Other relevant indicators of plan type, size, and comparability to the Wisconsin Health Plans under the purview of the Group Insurance Board.

The Proposer is advised to be as complete as possible in describing all valuations, actuarial audits, or studies of public employee health insurance plans it has completed in the last two years. The Proposer is encouraged to highlight work performed for plans having qualities comparable to the Wisconsin Health Plans under the purview of the Group Insurance Board

The Proposer should include other information it believes may be relevant in demonstrating its capabilities in performing each actuarial audit, including other professional experience and data processing capabilities, and experiences related to performing actuarial valuations or actuarial reviews.

In addition to the above, the Proposer should describe any circumstance where Proposer’s organization has been removed or replaced from an audit engagement within the last 5 years. If none, please state so.

**c) Staff Qualifications:**

Describe the qualifications of all management and lead professional personnel who will participate in each component of the actuarial audit, include:

1. a **resume;**
2. a **summary of experience** each has had in performing actuarial valuations, actuarial audits or studies of public employee health insurance plans, as well as any relevant continuing education; and
3. a **management plan** identifying the responsibilities each will have on the audit and the percentage of the audit each is anticipated to complete.

The **resume** should include information on the current and past positions held with the Proposer, educational background, actuarial and other relevant credentials, and other relevant information to demonstrate the personnel’s qualifications.

The **experience summaries** should include information on the types and sizes of public employee health insurance plans for which the designated staff have completed actuarial work, including the types and number of participating employers, the types and number of participants, the types and number of health insurers, and other relevant indicators of plan type, size, and comparability to the Wisconsin Health Plans under the purview of the Group Insurance Board. The Proposer is encouraged to highlight work performed for public employee health insurance plans having qualities comparable to the Wisconsin Health Plans under the purview of the Group Insurance Board, as well as actuarial reviews performed that are similar in scope to those being requested in the RFP. The *Proposer may reference rather than repeat, duplicative information provided in the PROPOSER EXPERIENCE section.* The experience summaries also should describe the work performed and detail the roles and responsibilities the individual staff had on the projects as well as relevant continuing education. The Proposer is advised to be as complete as possible in describing all actuarial work on public employee health insurance plans, specifically experience with audits as described herein, completed by designated staff during the last two years.

The **management plan** should specify the roles and responsibilities that each of Contractor’s management and professional staff who will work on the actuarial audit for the Department and include an estimation of the percentage each will contribute to the total audit. Include how long the project team has been working together. The management plan should also include how a possible departure of key professionals assigned to the actuarial auditing project would be handled.

In the event a proposed Contractor staff person must be replaced, the replacement must meet the same standards as outlined in the RFP and be acceptable to the Department. Failure to provide a new replacement acceptable to the Department will constitute a breach of the Contract.

**d) Proposed Methodology, Work Products, and Timeline:**

Describe the proposed **methodology** for addressing each of the components of the audit specified in Section 2.0 Scope of Work. The description should include specific techniques that will be used, including proposed sources of data and information. Proposers may propose alternative ways of addressing the elements of the audit scope.

In describing its proposed methodology, the Proposer should identify the type and level of assistance the Proposer anticipates needing from Department staff and the Department’s consulting actuary, including assistance to understand the operations and records of the Wisconsin Health Plans under the purview of the Group Insurance Board; to understand the actuarial assumptions, methods, and procedures; and to access, obtain, and analyze information needed for the audit. The Proposer should identify meetings and interviews it anticipates needing with Department staff and Department’s consulting actuary.

Describe the final **work products**, including written reports, briefings, and availability of the workpapers as described in Section 2.0 Scope of Work. Include two or more examples of work product for actuarial valuations, actuarial audits, or experience studies of similar plans that may help to illustrate the proposed methodology and final work product.

Provide an estimated **timeline** for completion of the work that includes each stage of the process and the date the final reports will be submitted considering the timeline provisions outlined in this Appendix.

**e) Additional Information:**

Include additional information that will be essential for the Department to understand the Proposal. This may include changes you would suggest to the scope of work, diagrams, excerpts from reports, or other explanatory documentation that would clarify and/or substantiate the Proposal. Any material included in this section should be referenced elsewhere in the Proposal.