

Wisconsin Association of Health Plans

The Voice of Wisconsin's Community-Based Health Plans

Regionalization Issue Brief

12/9/16

What is Regionalization?

Under the current program, 17 health plans compete in self-defined service regions. This allows participating health plans to serve the state program wherever the insurer can develop a competitive advantage in both cost and quality. This is good for taxpayers and good for plan members! Competing health insurers also ensures broad access and consumer choice of providers.

Under a regionalization scheme though, DETF would artificially divide the state into regions (likely 4—*see attached*), limit the number of participating health plans in each region (likely contracting with only 2 plans per region), and require every surviving health plan to serve the region as prescribed (and not where the health plan has a competitive advantage).

Just like self-funding, this program shift is a move away from competition and is an embrace of consolidation. “Regionalization” would require some health plans expand service regions but other plans would simply not be able to match the new required footprint and would exit the program. As DETF noted in a recent staff memo, *“Inherent to the discussion of regionalization is the potential for the state to contract with fewer vendors. This is a likely outcome, as many of the smaller participating health plans do not have networks that cover the required regional service areas.”*

And like self-funding, regionalization would affect more than just health plans.

According to DETF staff, [regionalization could mean:](#)

- Certain provider groups would no longer be available [to program members];
- Major boosts in enrollment could test the capacity of surviving health plans, adversely impacting service delivery;
- Less competition for DETF business, which could impact DETF’s ability to negotiate reasonable premium increases ;
- Increased **ease of administration for ETF staff** and ease of communication of plan options for members;
- Simplification of the “burdensome” annual qualification process;

It is not clear whether the Group Insurance Board will be limited on December 13 to considering the results of the RFP and simply acting (or not) on self-funding. A memo released after the 11/30 meeting made clear the Board would not consider benefit or plan design changes on December 13, but specified the GIB asked to see actionable recommendations after DETF and Segal presented “a broad range of options . . . ranging from maintaining the current program structure to contracting with one statewide vendor on a self-insured basis, *as well as various regional scenarios* (emphasis added).