

# Wisconsin Association of Health Plans

*The Voice of Wisconsin's Community-Based Health Plans*

## **Self-Funding Update** **12/9/16**

The Group Insurance Board will meet December 13 to evaluate and possibly act on proposals that could have the State of Wisconsin abandon a competitive model and instead provide health insurance benefits to state employees, their dependents, and others, on a self-funded basis.

Administration officials were initially drawn to self-funding as a means of avoiding \$18.3 million in annual taxes associated with the Affordable Care Act. For 2017, the taxes were suspended and **after November's elections, these taxes (and the associated savings) are likely gone.**

There is also no guarantee self-funding will help control medical costs. Recent analysis from the Department of Employee Trust Funds acknowledged that third-party vendors will likely not be as effective as current participants in managing claims risk.

The state's previous benefits consultant, Deloitte, estimated that moving to a self-funded system could cost the state as much as \$100 million annually.

The Wisconsin Association of Health Plans has been joined by others in recent weeks who have expressed their concerns about proposals to self-fund the State Group Health Program. In November:

- A coalition of 14 leading health care stakeholders asked the Governor to consider the broader impact of self-funding;
- State and national experts published guest columns in leading Wisconsin media outlets urging state leaders to build upon the success of the current, market-based program and to guard against trading any modest savings today for rapid growth in health care costs in the near future;
- Department of Employee Trust Funds staff called into question many of the supposed benefits of self-funding, noting that most of the reasons many large employers self-fund do not apply to the State. They also noted many features of the current program would be lost under a self-funded model. Department staff noted the current bid-negotiate process has **saved the state nearly \$283 million over the last 9 years.**

Under 2015 Wisconsin Act 119, any change approved by the Group Insurance Board to move participants to a self-insured program is subject to review by the Joint Committee on Finance.

## **In Case You Missed It:**

[14 leading health care stakeholders sent a letter](#) to Governor Scott Walker urging he consider the broader consequences of self-funding the State Group Health Program.

*“Switching to a self-funded program is about more than just changing the way health care claims for state employees are processed. The potential repercussions for the state, for taxpayers, for state employees, for Wisconsin health care organizations, and for the Wisconsin economy are significant and could be far-reaching.”*

[Prof. Justin Sydnor](#), University of Wisconsin School of Business, wrote in the [Wisconsin State Journal](#) and the [La Crosse Tribune](#) that moving to a self-insured model could **disrupt Wisconsin’s unique health care landscape and lead to higher costs.**

*“Reduced involvement of smaller health systems in the state program may create a force for consolidation and reduced competition in some health care markets in the state. Research shows clearly that reduced competition leads to higher health care costs over time, which means the modest savings from self-insurance could be swamped by more rapid growth in health care costs.”*

[Prof. Barak Richman](#), Duke University School of Law, wrote in the [Milwaukee Journal Sentinel](#) that competition and choice inside the State Group Health Program is a matter of statewide concern and **urges state leaders to build upon a successful, market-based program.**

*“Competitive markets do not happen on their own; they rely on smart policies that, among other things, empower consumers and unleash market forces. The state’s public employees offer a concentrated source of consumer power that disciplines regional prices and demands quality statewide. Their choices do not just produce benefits for themselves, they also benefit the entire state.*

*Wisconsin’s state leaders should continue pursuing policies that sustain Wisconsin’s competitive health care market. Few employers have empowered their employees to demand more from health markets, and few states have harnessed the power of their state health plans to generate benefits for their citizens. To its credit, the state of Wisconsin for years has done both. Hopefully any state health reform will build atop this impressive leadership rather than mimic the shortcomings of its neighbors.”*

The Office of Strategic Health Policy at the Department of Employee Trust Funds provided the Group Insurance Board an [overview of the current program](#) as part of the November 30 meeting. An attached memo notes that:

- The current bid process has accounted for nearly **\$283 million in savings** over the previous 9 years;
- Self-funding would mean a move away from value-based provider purchasing;
- Under self-funding, the state’s administrative costs will increase and responsibilities will “likely exceed the capacity [of] current staff resources”;
- Program consolidation could impact the state’s ability to negotiate reasonable premium increases and would test the capacity of the remaining plans, which could adversely impact service delivery;
- Third-party vendors will likely not be as effective at managing claims risk;
- The state will also face increased liability to legal action.