



Budget Briefs

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PRIVATE EMPLOYER HEALTH CARE COVERAGE

The biennial state budget act (1999 Wisconsin Act 9), passed by the legislature and signed by Governor Tommy Thompson on October 27, 1999, directs the Department of Employee Trust Funds (DETF) to design and oversee a voluntary alliance for businesses wishing to purchase health care insurance coverage for their employees.

Wisconsin's small businesses often cannot benefit from risk-sharing pools and economies of scale available to larger companies. As a result, many are hard pressed or unable to provide health insurance coverage for their employees. Those that do recently have reported annual premium increases in the range of 18-20%.

The Wisconsin Legislature has been searching for a solution to this dilemma for many years. Part of the debate centers on the role of state government in developing and administering a purchasing alliance. Act 9 offers a compromise by appropriating \$400,000 in the 1999-2001 biennium, half to support DETF's development of the alliance and the other half as a grant to the private contractor selected to administer the insurance purchasing pool. DETF's costs for design, marketing, and contracting for administrative services will be assessed to participating employers. The program is scheduled to sunset on January 1, 2010.

PRIVATE EMPLOYER HEALTH CARE PURCHASING ALLIANCE

DETF is directed to create the Private Employer Health Care Purchasing Alliance (PEHCPA), which will allow private employers to join together in hope of reducing the premiums for their employees' health insurance coverage. To be eligible, an employer must do business or operate an organization in Wisconsin and must employ at least two employees, except for a person operating a farm business, where the minimum is one employee.

The department is required to develop an actuarially sound health care coverage plan in consultation with the Office of the Commissioner of Insurance, and it may consult with the Department of Health and Family Services (DHFS) and the Department of Commerce regarding the plan design. Coverage must begin not later than January 1, 2001, but implementation requires the approval of the Private Employer Health Care Coverage Board. If DETF cannot contract with a private contractor to begin plan operations by the required starting date, it must submit a report to the Joint Committee on Finance and provide the necessary administrative services itself until it is able to contract with an outside plan administrator.

DETF will serve as a clearinghouse to provide employers information about the program, but it is prohibited from the direct sale of any type of coverage.

PRIVATE EMPLOYER HEALTH CARE COVERAGE BOARD

Act 9 creates the Private Employer Health Care Coverage Board to assist DETF in development and administration of the program. Board members will be appointed for staggered 3-year terms by the governor with the advice and consent of the senate. Membership will include the DETF and DHFS secretaries or their designees as nonvoting members and persons representing hospitals, physicians, HMOs, PEHCPA eligible businesses who employ not more than 50 employees, employees of those businesses, insurance agents, insurers and the public interest.

In addition to its supervisory role, the board will be responsible for setting and adjusting, as often as semiannually, the rate for commissions paid on PEHCPA policies. These rates will be based on the average rate paid to agents for the sale of comparable health insurance policies in the state.

COVERAGE

The plan administrator will enter into contracts with private insurers to provide PEHCPA health care coverage plans. Plans developed under the contracts must follow enrollment periods established by the board and are subject to the same provisions and mandated benefits that apply to all group health plans offered in Wisconsin.

Act 9 specifically prohibits coverage for nontherapeutic abortions unless the insured has paid a separate premium or charge for such coverage. No insurer or employer is required to offer this type of supplemental coverage under the PEHCPA plan.

Responsibilities of Employers. A participating employer must offer coverage under at least one plan to all permanent employees who work 30 hours or more a week. Coverage must be provided for at least 50% of that group who are not covered as dependents on someone else's plan. (The board may require coverage of a higher percentage.) For each employee covered by the PEHCPA plan, the employer must pay an amount equal to at least half of the lowest premium rate available to that employee. A participating employer who voluntarily terminates PEHCPA coverage will not be allowed to participate in the program for three years from the termination date.

Responsibilities of Insurers. Any participating insurer must contract with any employer that applies for coverage under the plan. The insurer must provide coverage to all the employer's employees who choose to participate, regardless of the individual's health condition or claims experience, as long as the employer agrees to pay the required premiums and comply with policy provisions. All policy sales under PEHCPA will be conducted by licensed insurance agents employed by or under contract with participating insurers.

LEGISLATIVE OVERSIGHT AND SUNSET

The board is required to submit annual reports on the operation of the program to the legislature and the governor, stating the number of employers and employees participating in the program, calculating the costs of the program to both employers and employees, and making recommendations for improvements in the program.

By January 1, 2008, the board must report to the legislature and governor regarding its recommendation as to whether DETF should continue its involvement in the designing, marketing, and contracting for administrative services for the program. The Legislative Audit Bureau is also required to submit a program evaluation audit on that same date. PEHCPA will sunset two years later on January 1, 2010.

FOR MORE INFORMATION

For copies of the statutory provisions creating the Private Employer Health Care Purchasing Alliance (Chapter 40, Subchapter X, Wisconsin Statutes), contact the Legislative Reference Bureau at (608) 266-0342. 1999 Wisconsin Act 9 can be found on the Internet at <http://www.legis.state.wi.us/billtext/acts/99acts.html>.